

Learning from English Devolution Deals

A report by New Economy for the Local Government Association

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Executive Summary

Introduction and context

In this report, commissioned by the Local Government Association (LGA), New Economy presents the findings of independent research on perspectives from local and central government leaders who have been involved in the devolution deal process in England to date.

Drawing on the experience of the devolution deals agreed since November 2014 – and Greater Manchester’s experience in particular – the research has found that the most successful devolution negotiations have been driven by a locality being able to identify evidence-based strategic priorities which are shared by a broad coalition of partners.

Devolution has generally moved quicker for places that have been able to articulate how their devolution ‘asks’ will deliver improved outcomes based on their specific assets and challenges. The very essence of devolution is the identification of arrangements that reflect the specific needs of a place. It has also moved more rapidly in places that have sought out innovative forms of devolution – such as co-commissioning – to enable national priorities to be delivered aligned with local circumstances.

Strength and depth of relationships between local partners is important in giving places the ability to maintain an open and frank dialogue with Government, which has underpinned successful negotiation processes and enabled deals to continue through to implementation.

Devolution from the centre is only part of the story, however, and it means little unless it is accompanied with changes in the way residents are engaged. More sophisticated approaches to resident participation are now a core part of many localities’ devolution implementation plans.

This is consistent with recent experiences elsewhere in the UK and in other parts of Europe, which suggest that devolution tends to be driven ‘from the bottom up’ and to happen faster and go further in some places than in others, rather than by a single, consistent national blueprint.

However, challenges remain in the devolution process with localities expressing frustration with unexplained ‘red lines’, which limit the ability of places to deliver the outcomes they are seeking, and a lack of consistent departmental buy-in to devolution across Government.

Devolution in Greater Manchester

As the first city-region to agree a devolution agreement in this wave of English devolution in late 2014, and having now secured four formal agreements with

Government, the experience of Greater Manchester provides a strong case study for other areas looking to develop and pursue their own devolution agendas.

An important element of Greater Manchester's successful approach rests on the long and stable partnership between its constituent local authorities, which is at the centre of a wider collaboration between public and private sector partners working across the city region. Resources have been put in place to develop a shared evidence-based strategy for economic growth and public service reform, and devolution 'asks' have been identified and progressed that support the delivery of this strategy.

Perhaps the most important message to take from the city region's recent experience is that the devolution 'deal' is an on-going process between local leaders and government which involves more or less continuous discussion, negotiation and implementation. The devolution agreements themselves are important milestones and statements of intent, but the devolution deal process is far wider and deeper. To deliver on this agenda requires a long-term commitment to the aims of the devolution agenda and appropriate resourcing.

Devolution in England

In addition to considering the experience of Greater Manchester and desk-based research, this study also draws on interviews with senior officers and politicians involved in the devolution process. Four themes emerge which provide a useful framework for understanding our key findings on devolution in England: **evidence, partnership, strategy and track-record.**

Evidence: Local authorities considering devolution need a dynamic understanding of their area, its key issues and opportunities

Interviewees for the study recognised that developing a strong evidence base is critical to identify and understand an area's unique geography, assets, opportunities and challenges. The message from central government is that the evidence presented must demonstrate this understanding and show that the improvements in the outcomes a locality is seeking would not be possible without the devolved powers they are asking for.

However, the imposition of 'red lines' by Government with little explanation of the rationale or evidence has acted as a brake on progress. This is particularly the case in large parts of education and skills policy, a key area where local partnerships are trying to improve outcomes.

Many local authorities highlighted capacity issues in developing locally specific evidence. Areas which have been able to develop a strong evidence base highlighted the importance of re-using existing local evidence (rather than starting from first principles) and drawing on the growing body of evidence available to support devolution from Government, universities, think-tanks and so on. However, most areas with agreed devolution deals have found it necessary to bring in independent

specialist support to help develop the evidence base in some policy areas and this is likely to continue to be the case.

Representatives of local areas recognised the value of monitoring and evaluating the outcomes of devolution but relatively few felt equipped to do this without central guidance. There is a case for Government offering increased policy flexibility locally in return for more stringent evaluation arrangements. More prosaically, evaluation is currently not explicitly funded in most deals and identified funding would likely improve the quality and consistency of information being gathered.

Partnership: Local authorities should look to formalise partnership working in order to develop a track-record of success

One consultee summed up the challenge of developing new partnerships and governance arrangements as '*it is not a case of form following function – the two must operate and develop in tandem*'. The experience from local areas clearly highlights that Government's preference to date has been for a mayoral combined authority structure. While this has been adopted by a number of areas, in localities where this structure is not thought to be appropriate it has made the deal process more challenging.

There was recognition that relationship building in a locality isn't easy; it takes time to develop existing relationships and to forge new ones. Key areas which can make a difference are a coherent narrative and strategy being in place, strong leadership, and transparency in decision making. Bringing together a broad coalition of partners with differing perspectives (for instance, different political groupings, trade unions, business representatives and so on) can be used for an area's advantage to 'stress-test' devolution asks and demonstrate their robustness and longevity. Making use of independent organisations to act as a neutral voice in local negotiations can also be an effective option.

Strategy: Building support for devolution relies on external communication which focuses on consistent strategic messages

Interviewees reflected that having a clear strategy was non-negotiable for a devolution deal. However, in order for it to be truly successful it must have a clear narrative and be 'lived and breathed' rather than being a paper-based exercise to get a particular deal over the line. It also needs to be clearly and consistently communicated to a wide range of partners and the public as devolution from the centre is only part of the story; it means little unless it is accompanied by changes in the way residents are engaged.

Evidence suggests that there is a real appetite for local control of public services. Research from Centre for Cities, the LGA and Ipsos MORI finds that the general public is more likely to trust local authorities (79% of respondents) than central government (11% of respondents) to make decisions about the areas they live in. Capacity is a major issue for local government to deliver strategic communications effectively.

Interviewees noted the importance of timing. They said that it was vital to take stakeholders and anchor institutions, as well as citizens, on a journey so that they understand the role of devolution in their area and have an opportunity to respond and engage on the strategic priorities which form the backbone of the devolution agreements with government. Scrutiny is also an avenue for involving the local community, other public service leaders and councillors in robust local decision making.

It was also evident from the research that having clear leadership can help to ensure a consistent and clear message is communicated. One consultee stated that if you *'want to speak to Scotland you know to contact Nicola Sturgeon, and we must have the same easily recognisable "go to" contact'*. Mayors have the potential to become the public symbol of this leadership but the complexity and number of organisations involved in making a place successful means that collective leadership will still be critically important in delivering on devolution.

The LGA is already working with many areas to develop better communication and engagement with the public and is making information available on the DevoNext resources hub. The LGA is also working alongside the Centre for Public Scrutiny (CfPS) on a number of areas to help develop new models of governance and scrutiny.

Track Record: Effective mechanisms for negotiating with government

Negotiation with government is one the most challenging areas for all localities and one which takes time to perfect. Areas have been able to aid the process by de-risking their 'asks' to government – this has been done by demonstrating a strong evidence-based approach, as well as a track record of partnership working and delivery on the ground. Rather than being just a bidding round, devolution is a process of collaborative working and relationship building with government, which does not stop once a deal is signed, but continues into design and implementation.

Effective negotiation must also be based upon a solid understanding of government's requirements and current 'red line' areas on both sides. This can place areas in a much stronger position and save time. Several areas which are at the earliest stages of devolution have suggested that a menu of options here would be helpful to set the 'rules of the game', but it should not stifle creativity and ability to push the boundaries. It should be noted that, while some areas have highlighted Government 'red line' areas as a point of concern, these do shift over time. The speed at which the devolution of health and social care has occurred in Greater Manchester is an example where a number of (local and national) 'red line' areas have changed as the devolution process has evolved.

However there is a need for both local and national Government to explain the rationale for 'red line' areas. Several areas expressed frustration about national 'red lines' relating to post 16 and other skill based programmes since the need has never been greater to address the effectiveness of the skills system as a whole. It is also still the case that commitment to the devolution agenda is not equally spread across

Government, which can often be more about departmental culture than it is about the merits of the form of devolution being proposed.

Co-commissioning has become an increasing feature of deals, which has the potential to be further expanded, as it allows for national priorities to be delivered in the context of local circumstances. National priorities can therefore be delivered with better outcomes. Health and Social Care devolution in Greater Manchester is a good example of a successful application of a co-commissioning approach.

Many areas have called for a demystifying of the process of devolution alongside a menu of options. Clearer guidance on devolution, particularly in the context of the EU referendum result, has been identified by several areas, including reassurances that those devolved funds and programmes (especially those linked to European funding) remain secure.

Future devolution: the impact of the EU Referendum

Although the research was undertaken prior to the EU referendum, the key messages from this report are all the more relevant as local government and the devolution agenda move into a new phase which will inevitably be shaped by Brexit. The importance of local areas being able to identify and respond to the economic and social opportunities and challenges of their place, as well as delivering services more efficiently and effectively in a time of constrained public spending, will once again put the need for local authority leadership to the fore.

Going forward, local areas will need to ensure that devolution deals are developed and positioned in a way that responds to significantly changed national priorities. Government will need to ensure that their attention and resources remain focused on delivering the devolution agenda.

1 Introduction

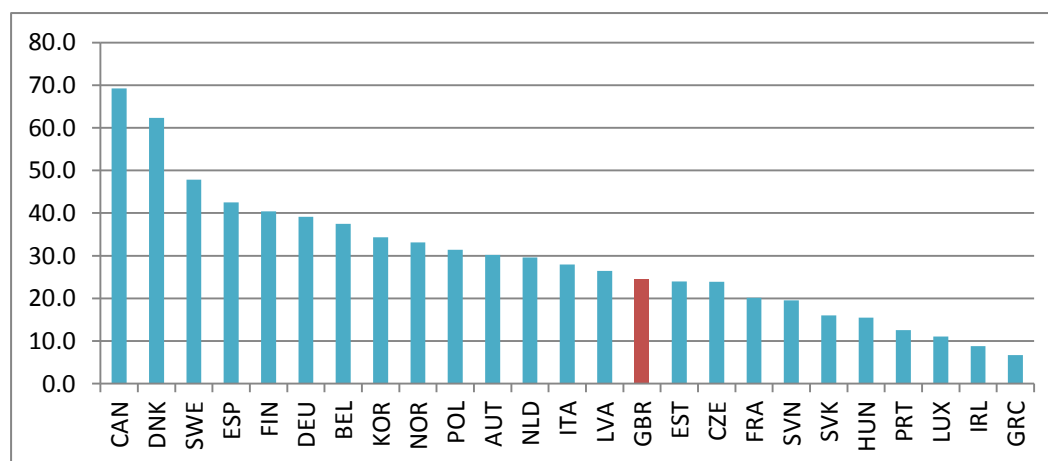
- 1.1 Devolution deals represent the principal, if not the only, mechanism through which recent UK Governments have sought to respond to demand for more place-sensitive and effective decision-making in England. The deal-making process is a challenge to established ways of working for all who are party to it, nationally and locally. It represents a watershed moment in relation to public service reform, local economic growth, and local democratic accountability in England.
- 1.2 Through its new DevoNext resources hub and its broader support offer, the Local Government Association (LGA) provides practical advice to local authorities on the devolution agenda. Working in partnership, New Economy and LGA have identified complementary areas where value could be added to current support for local authorities. These are:
- developing, sharing and using the evidence base for devolution; and
 - delivering targeted practical training, advice and support to areas at different stages of the devolution process.
- 1.3 New Economy, commissioned by the LGA, has undertaken research with 20 senior stakeholders engaged in devolution (see Appendix A for a detailed list). The aim has been to capture reflections on the experience of navigating the devolution process and of negotiating devolution deals within England from a local and national government perspective.
- 1.4 This report covers the following areas:
- **Devolution landscape** – the status of English devolution within the context of UK and international devolution.
 - **Greater Manchester case study** – identifying the main transferable lessons from Greater Manchester's devolution experience.
 - **Devolution in Practice** – wider research findings – bringing together both the major findings from the literature on devolution and the evidence from our independent research to summarise learning on the devolution process to date. These are focussed around four key themes and include case studies to reflect areas' experiences with devolution.
 - **Conclusions** – identifying how the devolution process might be improved for areas at all stages of their devolution journeys.

2 The Devolution Landscape

International Picture

- 2.1 Whilst a number of important, uneven steps towards devolution for different parts of the UK have clearly been taken in the last two decades, by international standards the UK remains a highly centralised country. The most obvious contrast is with the federal governmental systems that characterise a number of major economic competitors (e.g. the US, Germany) in which a middle tier of government (states, Laender) has long exercised control over a wide range of devolved functions and many of the sources of income that enable their delivery. Even by comparison to other states that were once highly centralised (e.g. France, Spain), the devolution and decentralisation of decision-making within the UK is limited in its scale and scope. This is borne out by evidence on the comparative spending power and fiscal autonomy of UK local authorities.
- 2.2 In 2014, under a quarter (24.6%) of the UK's public expenditure was managed by local authorities. The difference is stark when comparisons are made against OECD peers such as Canada (69.2%), Denmark (62.3%), Sweden (47.8%), Spain (42.5%) and Germany (39.2%), all of which illustrate significantly higher levels of sub-national decision making when it comes to area-based public spending. If Scotland, Wales and Northern Ireland are excluded then the figure would be even lower for local authorities in England. The majority of the evidence suggests that local areas that have greater control can more effectively plan public services and ensure that they are locally responsive, as well as supporting stronger local economies¹

Figure 1: Public Expenditure managed by local authority

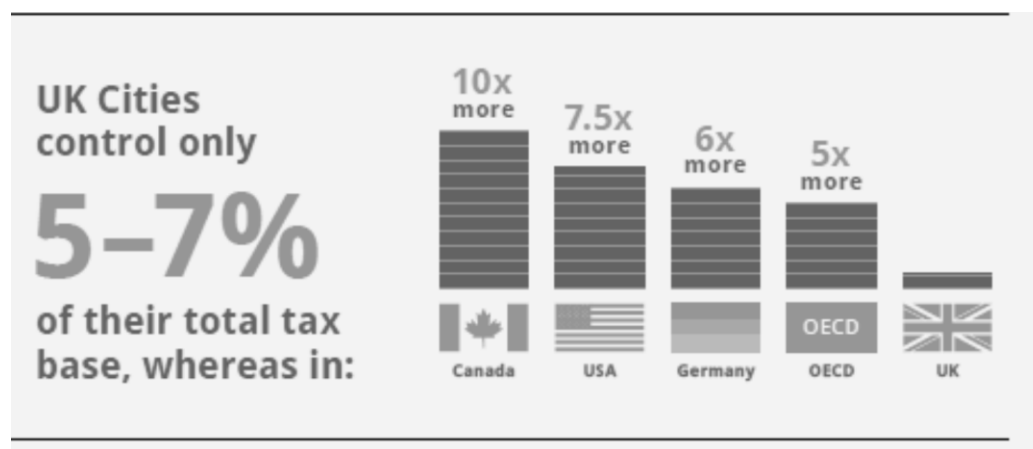


Source: OECD National Accounts 2015

¹ The Report of the London Finance Commission, Raising the Capital, (2013) p34; Blöchliger, H., B. Égert and K. Bonesmo Fredriksen Fiscal Federalism and its Impact on Economic Activity, Public Investment and the Performance of Educational Systems, (2013) and CURDS & LSE, Decentralisation Outcomes: A Review of Evidence and Analysis of International Data, (DCLG, 2011), p9

- 2.3 The limited level of control that UK local authorities have over spending in their area aligns with the level of control they have of their tax base. Core Cities have undertaken analysis to compare the level of control of UK cities over the local tax base with city peers in Europe, North America and beyond. They found that on average UK cities control between 5% and 7% of their total tax base, five times lower than the OECD average, six times lower than Germany and some ten times lower than Canada.

Figure 2: Fiscal devolution – International Comparisons: (UK, OECD, Germany, USA, Canada)



Source: Core Cities (2015): “Unlocking the Power of Place” – Core Cities Prospectus

UK Devolution

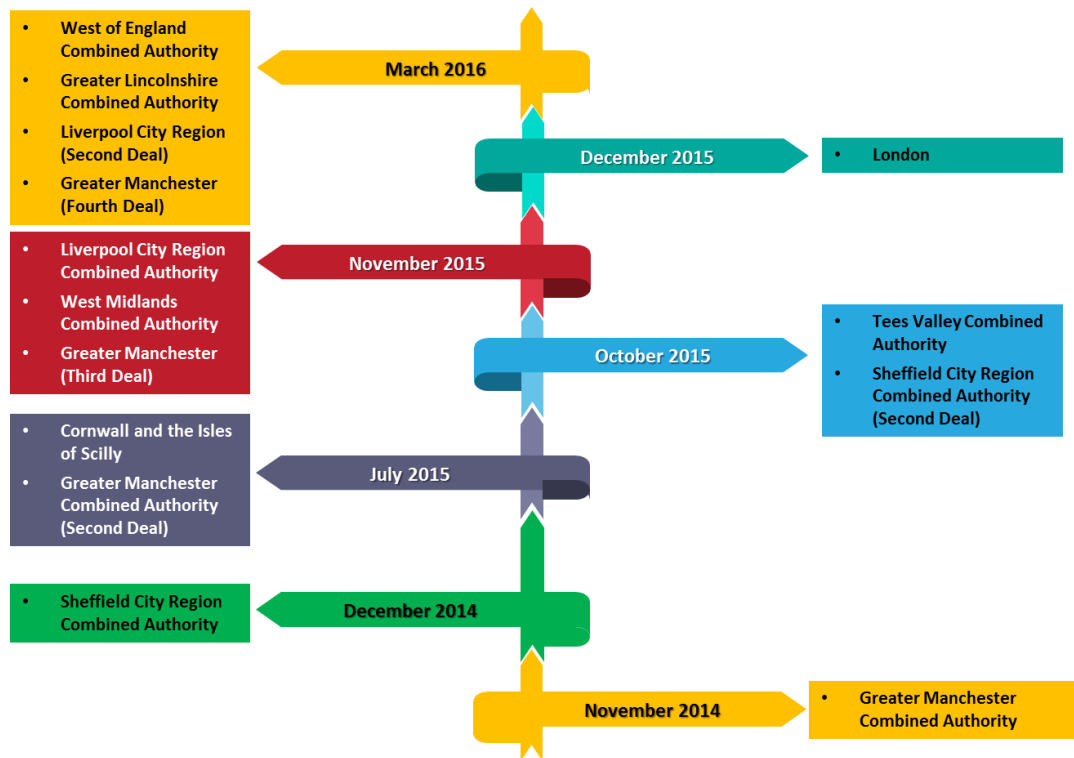
- 2.4 If the UK as a whole is a late and relatively timid convert to devolution and decentralisation, England has been something of a Cinderella nation within the process of UK governmental reform until even more recently. Very different forms of devolved machinery of government were created for the UK’s three non-English nations shortly before the end of the last millennium. Those reforms acknowledged the (differential) capacities of political parties organised at sub-UK level to challenge the dominance of the established UK parties in Scotland, Wales and Northern Ireland.² The absence of any comparable challenge within England meant that it was only in the case of London that a broadly-supported campaign to restore metropolitan governance for the UK’s one genuinely global city achieved any traction.
- 2.5 The picture began to change in the mid-‘noughties’ when a putative move towards elected English regional government stalled and the case for an alternative approach to strengthening sub-national autonomy began to be made by certain English city-regions, Core Cities, prominent think tanks and elements of national government. The influence of this place-focused rethinking of the relationship between tiers of government was ultimately reflected in the move towards the creation of Combined

² Vernon Bogdanor (2001) Devolution in the United Kingdom

Authorities and directly-elected Mayors, a variety of 'deal' processes based on bespoke packages of reform, a range of measures designed to incentivise place-specific growth and, most recently, a plan to phase out financial transfers from national to local government and to align local authority finances more closely to the total resources raised through local taxes (i.e. business rates and council tax).

- 2.6 These reforms are commonly referred to, collectively, as 'devolution'. In reality, they encompass various alternative approaches to sub-national growth and public service reform that in some cases offer greater predictability in future public investment flows and in others either decentralise responsibility for policy design and programme delivery or make them subject to co-design and co-commissioning by sub-national authorities and central government departments and their agencies. The approach that has been adopted in England is more bespoke and less straightforwardly 'devolutionary' than is the case in the rest of the UK. Nonetheless, overall, the UK experience has begun to more closely resemble an emerging international pattern of 'asymmetric devolution', in which change is driven by a combination of 'bottom-up' aspiration and confidence and Governmental pragmatism about alternatives ways of achieving its substantive and political goals. The UK experience also bears out experience elsewhere that 'devolution' is characterised by a ratchet effect whereby levels of sub-national autonomy, once embedded, tend to grow over time.
- 2.7 Most recently, Scotland's vote to remain in the UK, coupled with consistent pressure for greater autonomy, acted as a catalyst for devolution in England opening up a debate about civic engagement and local empowerment across the whole country. Greater Manchester was the first area to secure a devolution deal in November 2014, reflecting thirty years of close partnership working between the 10 local authorities and agreement to collaborate on key city regional services. The securing of this first deal took place alongside the publication of the RSA City Growth Commission's devolution plan, which explored devolution to city regions, gained wide cross-party support and was eventually followed by the Cities and Local Government Devolution Act 2016. The 2016 legislation marked a significant constitutional shift from Whitehall to locally-elected Mayors and Combined Authorities, making provision for the devolution of powers, such as housing, transport, planning and enabling Combined Authorities to oversee previously centrally-controlled budgets.
- 2.8 English devolution has moved at a significant scale and pace over the past two years. The move towards devolution has seen Government receive bids from over 30 areas across England, of which, (at the time of writing), nine have been agreed with a number of others in advanced stage negotiations with government. Three localities have secured more than one deal – Greater Manchester, Sheffield City Region and Liverpool City Region.

Figure 3: Devolution Timeline: Agreed Deals to Date (September 2016)



Source: LGA Devolution Register / New Economy (September 2016)

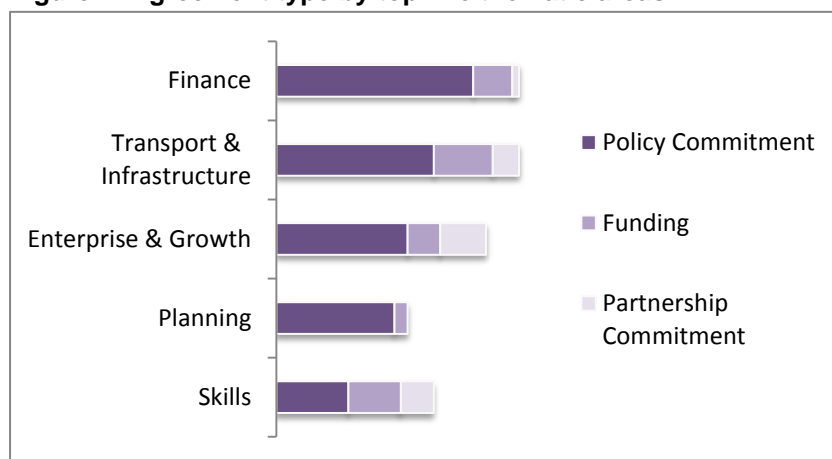
2.9 Whilst England’s urban areas have been the first movers towards devolution since November 2014, it is interesting to note that localities with significant rural populations are now pursuing and securing devolution deals, although rural areas do still appear less likely to go for this particular form of devolution than urban areas. At the time of writing, eleven areas have no firm plans for devolution and of these two thirds (seven out of the eleven areas) have a distinctly rural population.³ Reasons for this include the strength of existing partnership working, government’s own agenda, and local capacity and governance issues. It is also notable that, while the early devolution deals were primarily done with urban areas in the North, there are now major deals in the early stages in large parts of the South of England.

2.10 The breadth of policy areas within which devolution is being sought has grown over time and evidently it is the ‘early adopters’ that have achieved the broadest offer in terms of thematic coverage, notably Greater Manchester and the Liverpool City Region. Both of these areas are forging new ground with deals particularly in the policy areas of public service reform and increasingly moving from functional to fiscal devolution.

³ Rural areas as defined by DEFRA, ONS & DCLG in Urban and Rural Area Definitions for Policy Purposes in England and Wales: Methodology (v1.0) by DEFRA, ONS & DCLG

2.11 Looking at the specific form that the devolution agreements are taking, the majority are classified as policy commitments and, as such, make provision for localities to devise and manage their own strategic and delivery frameworks. Fewer devolution deals encompass direct funding from government. Where funding is included this is most commonly assigned to the development of transport and infrastructure schemes. In comparison, partnerships between government and local areas to jointly design, deliver and commission services are the least commonly seen form of devolution but are emerging particularly within enterprise and growth, and also in skills, transport and infrastructure. Co-commissioning as a form of partnership commitment offers an opportunity to deliver devolution which doesn't need to ignore national priorities, rather it enables them to be delivered with better outcomes. Greater Manchester's devolution of health and social care is an example of where this has worked in practice.

Figure 4: Agreement type by top five thematic areas



Source: LGA Devolution Register (July 2016)

Potential impact of the EU referendum result on devolution deals

2.12 Although the research was undertaken prior to the EU referendum, it is clear that the devolution agenda will now move into a new phase which will inevitably be shaped by Brexit. The importance of local areas being able to identify and respond to the economic and social opportunities and challenges of their place, as well as delivering services more efficiently and effectively in a time of constrained public spending, will once again put the need for local authority leadership to the fore.

2.13 The result of the EU Referendum has also brought with it a number of specific risks, including:

- the risk of the legislative process, which is putting new devolved powers and governance structures (including Mayors) in place, being delayed;
- the risk of a new Cabinet lowering the priority of devolution;
- the end of EU funding and uncertainty about what it going to replace it; and

- the risk of any economic downturn impacting on the public finances and (even) less resources in devolved deals.

2.14 Metro Dynamics in their AdiEU report have re-examined the legal status of the agreed deals in the context of the EU referendum result.⁴ The report analyses the legislative process that must be followed over the coming months to secure the delivery of the commitments for each of the agreed deals. Mayoral elections for the agreed deals are likely to be held in May 2017, yet for the elections to be held, secondary legislation will first need to be passed. In the Autumn, a second round of Statutory Orders are scheduled to be laid for each devolution deal. These will set out the detail of powers and funding to be transferred and further details of how local arrangements will work. Clearly, given the current levels of political uncertainty it will be important to maintain a watching brief on the status of these deals over the coming months.

⁴ Metro Dynamics (July 2016) AdiEU: The Impact of Brexit on UK Cities

3 Greater Manchester case study

Introduction

- 3.1 As the first mover in the current wave of devolution in England, Greater Manchester's experience provides some critical insights for other places looking to progress devolution in their localities. This case study draws out the main transferable lessons from Greater Manchester's journey on the road to devolution and the significant milestones it has achieved on the way. It seeks to provide examples of good practice for local government and other key public and private organisations who are involved in, or thinking about beginning to progress, devolution discussions in their area.

Solid foundations

- 3.2 While devolution in England hit the national headlines in November 2014 with Greater Manchester signing its first devolution deal with Government, it is important to recognise that the city-region's journey towards greater devolution did not begin then. Greater Manchester's 10 local authorities have been voluntarily collaborating through the Association of Greater Manchester Authorities (AGMA) since local government re-organisation disestablished the Greater Manchester Council in 1986. The need to continue to collaborate on key city regional services – especially transport given the significant cross border commuting flows across the city region and the fact that the local authorities, uniquely in the UK, owned the local airport – gave a solid rationale for the 10 district councils to continue to work together. Over time as a Greater Manchester approach was proved to be successful – the completion of the M60 orbital ring road, the creation of a single inward investment agency for the city region, the development of the Metrolink tram network – mutual trust was built and the number of policy areas where a city region approach was adopted grew. The partnership also expanded from being a local authority collaboration to include a wide range of public and private partners operating at the city region scale – including, importantly, the local enterprise partnership when this was established in 2010.
- 3.3 By the time of the November 2014 devolution deal, a complex but effective partnership and organisational structure was in place that was capable of conceiving, and driving through, city regional priorities. Crucially from a local government perspective the 10 local authorities invested their resources (partly through secondments and partly through direct funding) to put capacity in place at the city region level. Given the reductions seen to local authority finances since 2010, this was not a painless decision. More importantly perhaps, leaders and senior officers saw the city region (and now see devolution) as part of their "day jobs". Each local authority leader in Greater Manchester has a portfolio lead, meaning that they are responsible for delivering on a key policy area for the whole of the city region. Typically now a district leader can spend two days a week on Greater Manchester issues, in busy periods this time commitment can be significantly more. Leaders speak regularly and spend a day a month meeting to discuss Greater Manchester

business. Chief executives mirror this commitment and invest significant time in Greater Manchester issues, meeting at least twice per month to discuss the development and implementation of Greater Manchester priorities.

3.4 Greater Manchester also benefits from being a multi-party coalition. This has been important for several reasons. Firstly, it has given comfort (to this government and previous ones) that Greater Manchester's partnership is stable and has the ability to handle political difference and still continue to deliver and make difficult decisions. Secondly, it means that Greater Manchester can draw on the personal and political connections its Leaders have with Ministers in national government (and, importantly, with Special Advisors). Thirdly, it is important locally to demonstrate to local members of opposition parties that devolution is genuinely about what is best for the place, not what is best for one party or another's interests.

3.5 Clearly other parts of the country cannot recreate 30 years of relationship building overnight. There are, however, some key messages from GM's long-term partnership approach for other areas that are looking to develop devolution agreements. These are:

- **The geography of a devolution deal matters.** Greater Manchester's geography works in its favour, primarily because it is a coherent functional economic area, with strong cross-border travel to work flows, which will always drive the need for collaboration and dialogue. Moreover, its 10 unitary district authority structure is a relatively simple construct which does not impede collaboration. The consistency in the geography of the local authority partnership has also facilitated and encouraged other bodies to group at the same level. The LEP is aligned with the geography, as are key delivery organisations such as Clinical Commissioning Groups, Registered Housing Providers, the Colleges and Private Training Providers Group, and the Chambers of Commerce. It is possible to make devolution work with more complex and unaligned political and organisational boundaries, but some places will need to consider carefully a pragmatic way to work with existing, or possibly new, structures before they embark on a devolution process.
- **It's important to do the groundwork.** In particular relationships need to be established and continually renewed and worked on. While there has been remarkable stability in Greater Manchester's leadership over the past 20 years, it still takes time, money and political capital to maintain an effective partnership. Local authority leaders need to recognise that, if they are serious about devolution, it will become one of the key things that they will spend their working weeks delivering.
- **Difference helps.** Bringing in different partners and political views to a partnership can build its long-term resilience. Not all places will be able to have this at the pan-local authority level, however bringing on board opposition members, local MPs and other groups whose immediate interests are not necessarily aligned as part of the process can bring real benefit to test the robustness of the deal and ensure that it has longevity.

- **An evidence-led approach:** Greater Manchester's development and use of evidence is a key feature of the city region's successful approach to policy development and devolution⁵. The high profile Manchester Independent Economic Review (MIER) in 2009 – an 18 month, £1.2m research programme led by independent experts to undertake a root and branch analysis of Greater Manchester's opportunities and challenges – was a key point in the development of the city region's current strategic approach. In creating New Economy at this time, the city region not only invested in developing capacity to lead the research programme but, crucially, in ensuring that its findings were translated into strategy and implemented. The MIER led to the development of the first Greater Manchester Strategy in 2009⁶ with GM receiving the first elements of local control with devolved freedoms and flexibilities from Government via the 2009 Multi-Area Agreement and the 2010 Statutory City Region Pilot. The key points to note here are that Greater Manchester has had a consistent, evidence based, strategy that it has worked to since 2009; and that devolution has been a consistent part of the GM approach to deliver improved economic and social outcomes over that time.

⁵ What Works Centre for Local Economic Growth (August 2015). Using Evidence: Greater Manchester Case Study. Available at: http://www.whatworksgrowth.org/public/files/Best_Practise_studies/15-08-04_Using_evidence_-_Greater_Manchester_Case_Study.pdf

⁶ Note: the Greater Manchester Strategy was refreshed in 2013 to take into account changed economic circumstances and significant reductions in public sector spending but the economic narrative remained consistent with the MIER findings. The 2009 strategy was superseded with *Stronger Together: Greater Manchester Strategy*

Developing a Solid Evidence Base

Case Study: The Manchester Independent Economic Review (MIER)

The publication of the MIER in 2009 served as a watershed moment in Greater Manchester's use of evidence in the development of policy. Whilst the process of innovation in policies linked to local economic growth had been developing for more than 20 years in Greater Manchester, MIER accelerated the process significantly. Starting from an economic perspective, this evidence-led approach has now developed to include the wider reform of public services.

Both the Greater Manchester Strategy (the conurbation's framework for economic growth and public service reform to 2020) and the subsequent Devolution Deals, were set in motion by the MIER, which was borne out of an evidence review and paper Manchester Enterprises, the forerunner to New Economy, drafted in 2007. This recognised that whilst existing evidence had been valuable for decision making to that point, there was a need for a greater understanding of the Manchester city region economy to better respond to its structural strengths and weaknesses. The paper identified what was missing in terms of evidence and why this was crucially important. It was felt that a truly independent, non-biased view of the workings of the region was needed to push the boundaries and set a more ambitious agenda for a city region approach to driving economic growth. The £1.2 million cost of MIER (funded through North West Development Agency (NWDA), Nesta, the Manchester Innovation Fund and Learning and Skills Council monies) required real confidence to drive the programme through and justify the scale of investment.

The Review was published in 2009 and focused around the 'Agglomeration Thesis' which had been central to the London Review a few years before. Although MIER replicated elements of the London work, this breadth and depth of analysis had not been done before in the UK. The MIER work included studies on deep labour markets, networks and knowledge exchange, sustainable communities, key science and technology spillovers, inward investment and total factor productivity in firms. The review was also able to build on the release of new ONS data on productivity at a local level.

Since the creation of the MIER, there has been a heightened recognition of the value of evidence in policy making as the principal means to achieving agreement amongst the Local Authorities. Effectively the MIER supported a shift from 'political decisions supported by evidence', to one of 'evidence underpinning political decision making'.

There is now an intelligence-driven approach at the core of all GM's work. The development of leading techniques such as economic impact assessment, Cost Benefit Analysis (CBA) and tax and spend analysis have further established Greater Manchester as a centre of research excellence. This, combined with strong leadership and governance, has enabled the city region to progress its devolution agenda.

Devolution experience

- 3.6 Interestingly, at macro level, Greater Manchester's objectives from devolution do not perfectly align with those of the main devolution sponsoring department, HM Treasury. HM Treasury is much more driven by the growth agenda and, to a lesser degree, by the potential to reduce public spending. Greater Manchester, on the other hand, has a greater interest in delivering services differently to achieve better outcomes for residents. Clearly these overlap quite significantly, but what Greater Manchester has successfully done is adapt its approach to deliver Government's aims while still meeting its own growth and reform strategic objectives. This has been possible because of the consistent aims and strategy it has followed. To take a specific example, the final health and social care devolution agreement is more akin to delegation than devolution but, since the system delivers against GM's objectives, it has been embraced.
- 3.7 Greater Manchester has now agreed four formal devolution agreements with Government. It has also agreed to be one of the city regions piloting the full devolution of business rates revenue, bringing challenges on governance and administrative expertise to manage a wider range of fiscal risks. These relate not only to the business rates system but also to the further spending functions which will be devolved with the higher revenue. There are implications for the management of the city region's finances and for understanding, responding to, and developing further the new growth incentives from this first step in fiscal devolution.
- 3.8 However, devolution is much more of an on-going process and negotiation (both within GM and between GM and government) than a one off event. While the signed devolution agreements are important milestones and staging posts on a journey, the real work is done either side of them through agreeing policy areas for devolution, the specific wording of the agreements, and then how that wording is interpreted and delivered. Evidence plays a key role here, although the devolution negotiations are just that, negotiations, and Greater Manchester has not always been successful in getting control over the areas the evidence suggests are important to the delivery of its strategy. Examples where devolution agreements have not yet been agreed include schools, apprenticeships and wider fiscal devolution. The reasons behind devolution not progressing in some areas are complex. Greater Manchester's experience suggests that not all departments are equal in their buy-in to devolution. Civil servants may have different views to ministers and Special Advisors on the appropriate deal. Again broad messages can be distilled for other areas:
- **Evidence is important in and of itself, but the process of developing a shared evidence base is more important** in facilitating shared issues and a resilient partnership. The development of evidence and strategy is an opportunity to bring together a strategic coalition around a range of shared issues and develop the partnership to be resilient for the long-term. A shared evidence-base and agreed strategy is a fundamental building block of a successful devolution deal.

- **Independent research and advice can help but capacity needs to exist to absorb and act on it.** It is important to ensure that internal capacity exists which is capable of absorbing and owning the outcomes of any external work to drive this through to implementation. Generally external commissions should not be used in lieu of having capacity but alongside it.
- **An evidence-based and long-term strategy is key.** A solid understanding of the specific opportunities and challenges faced by their localities is essential to develop a devolution package that meets the needs of a place. Local authorities need to identify how devolution, and what specific funding streams or policy levers, will deliver against the needs of their place and negotiate with Government on these. If places have a robust evidence base and strategy which is informing their devolution asks it also gives them the ability to hold out for what is needed to deliver against their own objectives. While the principle of devolution is intrinsically right in some cases - for example, putting individuals in charge of their own destinies so that they can live fulfilled lives - it is first and foremost a means not an end. What matters is the outcomes that are trying to be achieved, not devolution for devolution's sake, and to ensure that settlements fit well with local strategies.
- **A track-record of delivery is critical.** Greater Manchester has developed a track-record as its partnership has matured; which has proven to Government that it is capable of delivering the outcomes it says it can. This has allowed Greater Manchester to take on more complex and challenging areas of policy and delivery through devolution. Leaping straight into large scale service re-design and delivery in an un-tested partnership runs significant risks.

Takeaways

Greater Manchester's experience is unique but four factors stand out as critically important for other places that are looking to progress devolution deals: **evidence, partnership, strategy and track-record.**

4 Devolution in practice: Wider Research Findings

Introduction

- 4.1 With nine devolution deals ratified to date and a number in process of being agreed, there is now a wealth of experience for areas to share and learn from. Localities are increasingly considering how to deliver effective public service reform and how to move from functional to fiscal devolution, as well as proposing geographies which better fit with what they see as their functional economic area (for example combining metropolitan and non-metropolitan areas such as the West Midlands Combined Authority). Other localities are looking to secure their first devolution deal. There is much to learn from each other's experiences.
- 4.2 This section of the report brings together the existing literature and evidence on the devolution deals that have been ratified and are under development. It also draws on the key findings from interviews New Economy has undertaken with stakeholders from across the country and within Whitehall on lessons from the devolution process to date. Building on the messages from the Greater Manchester case study, this section structures the research and interview findings under four major themes. Case studies and practical advice is provided under each theme. These are the:
- **Evidence:** Local authorities considering devolution need a dynamic understanding of their area, its key issues and opportunities
 - **Partnership:** Local authorities should look to formalise partnership working in order to develop a track-record of success
 - **Strategy:** Building support for devolution relies on external communication which focuses on consistent strategic messages
 - **Track-record:** Effective mechanisms for negotiating with government

Evidence: Local authorities considering devolution need a dynamic understanding of their area, its key issues and opportunities

- 4.3 Interviewees for the study recognised that developing a strong evidence base is critical to identify and understand an area's unique geography, assets, opportunities and challenges.

Unique assets and a consistent functional economic area

- 4.4 Those localities that have been able to articulate a clear identity and sense of place have found that this has aided discussions with Government. Generally, although not exclusively, these localities are based on a broadly recognisable functional economic geography. Developing a coherent narrative setting out the rationale for the proposed deal is important. In this sense, evidence is critical to the process but it is not, in and of itself, sufficient with interviewees highlighting the importance of presenting a consistent (but not necessarily fixed) set of strategic messages for the area.

- 4.5 The message from central government to localities has been consistent that the strategic messages from a locality must demonstrate an understanding of a place's unique assets, opportunities and challenges and show that the outcomes they are seeking to achieve would not be possible without devolved powers, particularly as localities focus on public service reform and look to move from functional to fiscal devolution.
- 4.6 Tees Valley provides a strong case study of a locality that has retained a sense of its unique offer. They have drawn upon the collective strength of their industrial, manufacturing and increasingly low carbon economy to develop a coherent story to present to Government and to demonstrate the value of closer local collaboration.

Devolution based upon an area's unique assets and strengths

Case Study: Tees Valley

The Tees Valley covers the five local authority areas of Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees with a population of 666,200. The functional economic area has unique assets and strengths in terms of business composition, infrastructure, industry focus and growth sectors and is a major exporting area (the UK's largest exporting port is at Teesport). It is upon these common strengths and assets that the devolution deal has been brokered.

Analysis undertaken through the Tees Valley Economic Assessment demonstrates that the Tees Valley is distinct particularly in terms of industrial sectors many of which are high productivity sectors. Tees Valley is a major European hub for the process and chemical industries (comprising 58% of the UK's chemical industry) and is home to one of the largest integrated chemical complexes in the UK. The area has a growing reputation for advanced manufacturing, from oil and gas and automotive, rail, aerospace and mining. New growing industries include biologics and subsea. These are all supported by a large engineering design sector, universities and assets such as Centre for Process Innovation, Materials Processing Institute and TWI.

Tees Valley is also a leading destination for the low carbon economy, with a growing supply chain. The area is a designated centre for offshore renewable engineering and is leading the UK in hosting plants that produce biofuel and bioethanol. Tees Valley is also home to Hartlepool Nuclear Power Station.

The subsequent Devolution Agreement includes, alongside other commitments, the creation of a Tees Valley Investment Fund, which will bring together funding for devolved powers and be used to deliver a 30 year programme of transformational investment in the region. This will support economic growth across the Tees Valley and facilitate key sectors to grow and maintain their resilience. Furthermore specifically for the energy sector there is commitment for the Government to work with Tees Valley to explore how it can continue to develop its industrial carbon capture and storage proposals towards deployment of this infrastructure for its industrial sites in the 2020s. HM Government also agreed to work with Tees Valley to understand the challenges associated with connecting to the local electricity network.

- 4.7 The geography of a deal matters and it has been a sticking point for a number of areas that have negotiated and re-negotiated their deals with government on this basis. Lord Heseltine's 2012 'No stone unturned in the pursuit of growth' report recommended that Government invite Local Enterprise Partnerships (LEPs) to review their boundaries to ensure a good match with functional economic areas. Several interviewees highlighted that developing a devolution deal presents an opportunity to revisit this debate locally. Coterminal boundaries are clearly the most desirable option and parity on, for example, political (e.g. local authority, combined authorities, Mayors etc) economic (e.g. Local Enterprise Partnerships, Chambers of Commerce), health (e.g. Clinical Commissioning Groups), planning and housing (e.g. Registered Housing Providers) and skills and employment (Colleges and Private Training Provider Groups), boundaries is clearly most desirable. Interviewees highlighted the difficulty of changing multiple organisational and administrative boundaries meaning this was rarely achievable in a short space of time.
- 4.8 However, over the long-term a consistent approach in a locality would make this achievable. A mix of evidence and a strong understanding of the political landscape are vital here. There are specific lessons that can be learnt from the West Midlands Devolution Deal as a case study. In particular, from the approach the area has taken to using evidence, looking at a mix of travel to work flows and economic specialisms as a starting point to determine the most appropriate geographical boundary for the deal. It demonstrates that with a strong evidence-led case, localities need not be constrained by existing geographies.

Securing the right functional economic geography

Case study: West Midlands Combined Authority

The devolution agreement between Government and the West Midlands Combined Authority is predicated upon the economic potential identified by the West Midlands including the game changing investment in HS2 over the next decade, the opportunity to deliver significant additional economic growth and job creation through the Midlands Engine and potential to drive significant benefits through public service reform .

This cross-border agreement brings together three Local Enterprise Partnerships (LEPs): the Greater Birmingham and Solihull, Coventry and Warwickshire and the Black Country LEPs into one Functional Economic Area (FEA). The seven metropolitan councils are the WMCA's constituent members with five other local authorities being non-constituent members, alongside the LEPs. Five other authorities are awaiting non-constituent member status at the time of writing and it is hoped that others within the three LEP geography will join over time.

The rationale for the FEA is grounded in evidence alongside the political will of the parties involved and the support of the business community. A review of the functional economic geographies formed the backbone of the decision making process for this geographical collaboration. It revealed the strength of relationships between areas (travel to work flows) and the similarity of areas in terms of their economic specialisations.

There are evidently some administrative challenges of bringing together a functional geography of this size and complexity, however work-arounds have been identified. There are geographical overlaps with Greater Birmingham and Solihull LEP and Stoke and Staffordshire LEP and Worcestershire LEP and these have implications for decision making going forward. For example it has been agreed that further apportionments of funding streams that are already allocated to the Greater Birmingham and Solihull LEP on the basis of the existing overlap formula with Stoke and Staffordshire LEP and Worcestershire LEP will continue to be allocated in this way.

Furthermore the governance structure is complex with the agreement based on the establishment of a mayor for the West Midlands metropolitan area working as part of the combined authority with a cabinet of council leaders and subject to local democratic scrutiny. The agreement does however recognise that the wider partnership with business through the three LEPs and with neighbouring councils will be critical to success.

Evidence based strategic plan

- 4.9 Having an evidence-based and dynamic understanding of an area's assets, opportunities and challenges is critical, as outlined above, but it is equally important that this is fed into strategy effectively and that the strategy itself is 'lived and breathed'.
- 4.10 An ability to quantify key issues in a strategic plan has been shown to be valuable as it can generate bold statistics which stakeholders (partners and local residents) can easily understand. For example, in Dorset analysis was undertaken to examine the

potential cost savings that could be realised through the pooling of resources across all areas within the proposed Combined Authority to deliver key services. This helped to provide a clear message of the scale of the challenge and to secure buy-in to the strategy which was being developed.

- 4.11 Many local authorities highlighted capacity issues in developing locally specific evidence. Areas which have been able to develop a strong evidence base highlighted the importance of re-using existing local evidence (rather than starting from first principles) and drawing on the growing body of evidence available to support devolution from Government, universities, think-tanks and so on.
- 4.12 The Tax and Spend being developed by the New Economy, the LGA and Core Cities (outlined in the case study box) will add to the evidence base for devolution that local authorities can draw on. This tool gives localities the ability to understand the key building blocks of the totality of public sector spend across their area, as well as their contribution to the exchequer. As such it can support in building the case for place-based budgeting across public sector agencies to drive economic growth and increase the effectiveness of public spending locally.

Quantifying the issues in your local area

Case Study: Tax and Expenditure Tool

A tax and spend tool has been developed by New Economy to support local authorities in their understanding and discussions regarding devolution, particularly as localities explore the case for fiscal devolution.

The tool brings together datasets from a variety of public sector sources to assess total public service spending across a series of domains including education, transport, social care, housing, cultural services, environmental services, policing and criminal justice, waste, benefits and skills. Using a combination of 'real' data and proxies, it also identifies tax take in each area broken down by tax type (e.g. council tax, income tax, corporation tax, VAT etc).

The tool has been designed to provide a finer grained understanding of the composition of tax take in different places, as well as contributing to a more informed debate around fiscal devolution and delegation, and helping local authorities to make robust, evidence-based cases for devolution and public service reform.

One applied example of this tax and spend methodology is its use by the Core Cities group to collectively make a case for greater fiscal devolution across the UK's largest cities. In 2014, Core Cities used this analysis as part of a submission to government, highlighting that greater control of taxes raised locally would enable cities to be better equipped to join up public services and plan for future needs, with a call for place based budgeting for local public services. The supporting tax and spend analysis highlighted a collective gap of £53 billion per year between overall tax take and public expenditure across the UK's 10 core cities. This application of tax and spend analysis highlighted the potential economic contribution of the core cities to support the argument that greater control of taxes would further enable cities to deliver locally-tailored services, create jobs and free up spending, thus helping to rebalance the wider UK economy.

- 4.13 Interviewees mentioned that, in some cases, localities have seen developing a strategy as simply another hurdle to get through rather than a living document which supports a locality's journey to a place-based settlement. Those areas that have been able to fully embrace their strategy feel that they have benefited from this, particularly as it can help in bringing disparate partners and organisations together. It has also been useful in setting the tone for ongoing negotiations with government. A strong narrative which outlines an area's key strategic priorities can greatly aid discussions with Government, particularly in identifying 'red line' areas during the negotiations (for both sides) early in the process.

A robust outcomes framework to monitor and evaluate success

- 4.14 International research on the economic and social outcomes of devolution is relatively limited. The evidence base on the relationship between growth, social impact and devolution is mixed, with the majority of studies showing a positive impact but some showing negative impacts.⁷ Different studies have used different scales when seeking to measure subnational growth and, across all studies, clear causal links between devolution and beneficial impacts are rarely identified. In this relatively untested context, it is critically important that localities develop robust outcomes framework to monitor and evaluate the impact of devolution.
- 4.15 Most areas have included text within their devolution deals to state that they will monitor and evaluate the outcomes. Undertaking this work will both help inform the delivery of specific devolution deals (e.g. changing policy design mid-course as evidence emerges) and inform national strategy on devolution (e.g. highlighting the most suitable spatial scale when it comes to devolving powers in specific policy areas). Without robust evaluation, areas will reach the end of their devolution timelines without being able to demonstrate that it was devolution specifically, and not some other policy or socio-economic factor, that explains any achieved improvements in their locality.
- 4.16 Representatives of local areas recognised the value of monitoring and evaluating the outcomes of devolution but relatively few felt equipped to do this without central guidance. In many areas, performance monitoring and evaluation capacity and funding is limited, focused on other statutory reporting requirements, or non-existent. Where these staff are in place, feedback from areas suggests that they may lack skills and experience in relation to designing and implementing what can be complex evaluations. Getting the data necessary to prove the impact of devolution may require new data sharing agreements. Official datasets are reported with a 12-24 month time lag making it very hard to show the real time impact of devolution and it may be several years before the full outcomes of devolution are seen, meaning that a long-term commitment to research is required.

⁷ The Report of the London Finance Commission, Raising the Capital, (2013) p34; Blöchliger, H., B. Égert and K. Bonesmo Fredriksen Fiscal Federalism and its Impact on Economic Activity, Public Investment and the Performance of Educational Systems, (2013) and CURDS & LSE, Decentralisation Outcomes: A Review of Evidence and Analysis of International Data, (DCLG, 2011), p9

- 4.17 There is a need to better signpost the support that is available to help areas to overcome these challenges. Networks such as the What Works Centres (WWCs) run workshops and events on how to design monitoring and evaluation for particular policy areas. Resources such as the EPPI-Centre and Campbell Collaboration websites provide easy to digest summaries of what policy design have been shown to work in other parts of the world. Universities can be approached to see if devolution offers them an opportunity to undertake practical research. The joint LGA, Higher Education Funding Council for England and Universities UK “Leading Places” project sees councils and universities working together on a pilot project designed to help areas drive growth, re-design public services and strengthen the relationship between communities and academic institutions.
- 4.18 Greater Manchester is a good example of an area that is using the techniques outlined above to develop a robust monitoring and evaluation framework, as set out in the case study overleaf. It is recognised that this is an approach that many areas will not have the capacity to undertake themselves and there is therefore an important role for the LGA and other organisations to play in supporting places to evaluate the impact of their devolution arrangements.

Developing robust monitoring and evaluation frameworks

Case Study: Greater Manchester Combined Authority

The text of Greater Manchester's November 2014 devolution deal included an explicit commitment to 'an extensive programme of evaluation'. Since then, work has been ongoing to plan, resource and implement effective monitoring and evaluation of the deal.

In Greater Manchester's case the decision has been taken to conduct monitoring and evaluation largely at the policy theme level; six major policy areas were mentioned in the devolution deal (health and social care; work and skills; transport; business support; planning and housing; and the funding of capital schemes). For each theme, a theory of change has been constructed, key metrics for monitoring have been agreed, research methods have been designed, and an organisation has been identified to lead the work.

For some policy areas monitoring and evaluation will be undertaken in-house (for example, business support) and for other areas external consultants/experts will be appointed. Where research methodologies already exist the plan is to apply these wholesale to the GM context (e.g. a national approach to evaluating the impact of FE capital schemes is already in production and once complete this approach will be applied to GM's FE capital programme). Where other cities and regions have received similar devolved powers, the plan is to compare and contrast experiences.

For all policy areas, GM officers will be combining quantitative and qualitative data in an attempt to show not just what has changed but why it has changed.

GM has relied upon challenge and support from colleagues in central government and the What Works Centres network to ensure that plans are robust. In future GM expect to call upon local academic input and advice from agencies who are expert in designing practical research trials – for instance, the Behavioural Insights Team.

GM's devolution deal monitoring and evaluation framework has already produced some outputs. Evidence regarding the effectiveness of devolved work and skills powers has been fed back to policy leads and, as a consequence, the ways in which GM delivers the devolved Apprenticeship Grant for Employers (AGE) has been revised.

Takeaways:

Evidence isn't the full answer, but is critical to developing an understanding of an areas unique assets and geography. Re-use and recycle as much existing evidence as possible and get support and guidance where you can.

A clear strategy is non-negotiable for a devolution deal but in order to be truly successful it must have a clear narrative and be 'lived and breathed' rather than simply being a paper-based exercise to get a particular deal over the line.

Being able to evidence success through evaluation is not something that can be completed post-delivery of devolution. It must be prioritised from the outset to provide the evidence base for future rounds of devolution.

Partnership: Local authorities should look to formalise partnership working in order to develop a track-record of success

Governance structures

- 4.19** In addition to having a sound strategy in place, relationship building and partnership working, through both formal and informal structures, are critical to the success of any devolution deal submission and implementation. Ensuring robust and appropriate governance structures are in place is essential, and that all relevant local and national partners are engaged, which may include, business, local government, schools and colleges, police and the NHS.
- 4.20** One consultee summed it up that ‘it is not a case of form (i.e. governance structure) following function – the two must operate and develop in tandem’. Relationships, as in any sphere, are one of the hardest things to get right and this is particularly the case for devolution when so many partners can be involved.
- 4.21** The majority of ratified devolution deals to date have adopted a mayor and combined authority model, as set out in figure 7. A look at areas in the process of negotiating their devolution plans however, shows that building on the test cases of Cornwall and the Isle of Scilly and other areas, that there is a broader variation of proposed governance structures with more favouring the non-mayoral combined authority model, and a handful having proposed bespoke governance models.

Figure 7: Governance structures of ratified deals (Sep 2016)

Governance Model	Area
Combined Authority with elected Mayor	Greater Lincolnshire
	Greater Manchester
	Liverpool City Region
	Sheffield City Region
	Tees Valley
	West of England
	West Midlands
County Council and LEP	Cornwall and the Isles of Scilly

Source: New Economy, September 2016

- 4.22** Whilst many areas have made a mayor and combined authority structure work for them, caution was raised by consultees that this should be something which is locally right and achieves the buy-in of partners otherwise it will not be effective. Government will consider non-mayoral approaches to devolution however for the greatest levels of devolved powers a mayoral model is likely to be required. This further confirms the need for areas to fully understand their local needs and to be consistent in arguing for these throughout the process.

- 4.23 Sheffield City Region provides a good case study for an area that has adopted a mayoral combined authority structure, but one that has not entered into this arrangement lightly. Care was taken locally to examine the implications of this approach and safeguards have been put in place to maximise buy-in to the agreement. Sheffield City Region and other localities have urged other areas to consider their governance model carefully and have called for greater sharing of a template for the mayoral model. This would be particularly valuable for areas that have not yet made the step towards formal devolution agreements.

Facilitating a smooth transition to a mayor and Combined Authority model

Case study: Sheffield City Region

Political leaders in Sheffield City Region signed an agreement with Government which paves the way for an elected mayor for the region. A Sheffield City Region mayor will be elected in 2017 and the mayor will be responsible for transport budgets and strategic planning. This decision however has not been taken lightly by partners within the conurbation.

In the process building up to securing the devolution deal, Sheffield explored the combined authority and mayoral model and the type of mayor that they wanted. Considerable time was spent looking at the models for mayor and to provide clarity on the powers of the mayor so that stakeholders have comfort that this approach is right for Sheffield's unique circumstances.

There was concern by councillors that having a mayor would constitutionally affect them and encroach on their activities. Safeguards have therefore been put in place in recognition of this and to support partnership working. For example, the mayor doesn't have powers over all aspects of the deal, only over non-constitutional areas, and other aspects come under the combined authority.

A track record of partnership working has facilitated a smoother transition to this new governance structure. The partnership between the LEP and the combined authority is mature. It has been in operation for the last four years, although it can appear to the outside world as if the timescales have been very short. The Mayoral deal also builds on the outcomes of the first devolution deal secured in 2014.

A further benefit of the approach was that it focussed on an economic deal and was underpinned by a ten year economic strategy. This helped to be clear on the message to councillors that the devolved powers were additional to council's core business and did not detract or take away from anything that was already in place. To date this explains why the city region has currently not gone for health and social care devolution, although this is not off the cards for future asks.

- 4.24 Relationship building, without doubt, is one of the most critical factors in ensuring the success of devolution. Engagement across multiple sectors in a locality is key to enabling a consistent message to be developed and articulated both within the area and externally with government.
- 4.25 Consultees, whilst not always candid about the internal politics of their areas, did reveal a number of key ingredients that were crucial to successful internal stakeholder management. Clear leadership to unite parties internally and externally was seen as crucial. One consultee stated that “if you want to speak to Scotland you know to contact Nicola Sturgeon, and we must have the same easily recognisable ‘go to’ contact.” A track record of delivery is also important. Those areas that have been able to build on pre-existing relationships and joint working have been greatly facilitated. Recent initiatives such as City and Local Growth Deals were cited as having played a significant role in informing the design and content of several devolution deals. “Developing the devolution bid was the product of a great deal of joint working being brought together into one place – the foundations were already there”.
- 4.26 Differing views between partners was identified by respondents as a key challenge but also a valuable input in stress testing and building resilience into the devolution process. The bringing together of partners from public and private sector that may have different political persuasions, organisational structures, and leadership styles is challenging. Private sector partners reflected in some cases on the “unwieldiness and distinct cultural differences of local authorities which makes for slow decision-making”. More positively, other respondents highlighted that, by bringing together disparate partners, the devolution process can encourage cultural and operational change and increased efficiency across all organisations. Furthermore, those areas that had invested time in opening up internal negotiations to get a wide range of partners bought into shared strategic priorities benefited from the ability to address issues and concerns early on.
- 4.27 Finally, given the complexity of partnership working, respondents highlighted the potential benefits from having an independent voice to support negotiations and act as expert arbiter. A number of areas have used consultancies to support with this work, but many also reported having received one-to-one support from the LGA which has proved valuable, particularly relating to the liaison role the LGA has played with other areas who have already secured deals in order to understand the common pitfalls and issues. Some respondents were more sceptical about the benefits of using consultancy support and highlighted that it should not be used in place of local capacity given the importance of having internal capabilities to move forward into design and implementation once the deal is signed.

Takeaways

Relationship building is critical but isn't easy; it takes time to develop existing relationships and to forge new ones. Key areas which can make a difference are a coherent narrative and strategy being in place, strong leadership and transparency in

decision making.

Bringing together a broad coalition of partners with differing perspectives (for instance, different political groupings, trade unions, business representatives and so on) can be used for an area's advantage to 'stress-test' devolution asks and demonstrate their robustness and longevity.

Making use of independent organisations to act as a neutral voice in local negotiations can also be an effective option, but not as a replacement for internal capability and capacity.

Strategy: Building support for devolution relies on external communication which focuses on consistent strategic messages

- 4.28** Interviewees reflected that having a clear strategy was non-negotiable for a devolution deal. However in order for it to be truly successful it must have a clear narrative and be 'lived and breathed'. It also needs to be clearly and consistently communicated to a wide range of partners and the public, as devolution from the centre is only part of the story; it means little unless it is accompanied with changes in the way residents are engaged.
- 4.29** The House of Commons Communities and Local Government Committee Report, *Devolution: The Next Five Years and Beyond*,⁸ recommended further involvement from the public in the preparation of devolution proposals. The Committee recommended that this should be both during the negotiations and once the results of a deal have begun to make an impact, with clear communication throughout the process. Recent research supports this, suggesting that there is a real appetite for local control of public services and that residents and businesses are keen to be a part of the discussion. Members of the public think their councils are best placed to make decisions about their local areas and are increasingly interested in local political engagement.⁹ Research commissioned by the LGA in 2014 revealed that significantly more people trust their council to make decisions for their local area (79%) than central government (11%)¹⁰ It is likely that the decision to leave the EU has further rejuvenated interest in local politics and democracy.
- 4.30** Respondents from localities involved in the devolution process recognised the challenges that they have faced with external communication. Many were open to explore methods of engagement beyond any legally required public consultation, for example where additional functions are to be conferred upon a combined authority. Greater Manchester's recent public consultation offered the public and stakeholders the opportunity to share their views on the additional functions that it is proposed be conferred on the Combined Authority. It closed in May 2016 and received 243

⁸ House of Commons: Communities and Local Government Committee (January 2016) *Devolution the Next Five Years and Beyond First Report of Session 2015-16*

⁹ *Devolution Express* (collaborative survey research by Ipsos MORI/NLGN/PwC, 2015)

¹⁰ Local Government Association (2014) *"Polling on resident satisfaction with councils"*

responses from residents (including online and hard copy submissions), businesses and other stakeholders across all areas of Greater Manchester.¹¹

- 4.31 Beyond this legally required stakeholder consultation, those localities that have been most successful in engaging their citizens have focused on communicating the headline strategic priorities and the unique assets of their offer. Simple and clear messaging in terms of citizen and stakeholder communication and relationship management was deemed to be absolutely critical.
- 4.32 Scrutiny provides one effective mechanism for local communities, public service leaders and councillors to be engaged in local decision making. Increasingly however more innovative techniques and methods have been used by some localities to provide greater transparency and to engage the general public. Greater Manchester for example are now live streaming Combined Authority meetings so that the general public are able to see leaders and better understand the decision making process. Cornwall has also sought to engage with the public to capture their interest in the potential of devolution using social media and other tools.

¹¹ GMCA (27th May 2016) GM Consultation on governance review and scheme (phase 1)

Clear and consistent messaging in communications to the general public

Case study: Cornwall & the Isles of Scilly

The securing of a deal in Cornwall and the Isles of Scilly, as one of the early adopters, is evidently related to the strong identity which the locality enjoys, alongside a clear sense of strategic direction. 'We capitalised on our unique identity; heritage and culture which is part of Cornwall's DNA'. This sense of place, matched with a keenness to engage with the public alongside a consistent devolution narrative, all played a major role in its success.

Cornwall as a unitary authority also benefits from co-terminous boundaries with CCG and LEP which provides clarity and accountability in respect of place based leadership and strengthened the argument that there wasn't a need for a mayor.

Standing shoulder to shoulder with partners, including the Members of Parliament for Cornwall, and presenting a united front was, and still is, critical to reassuring both the public and the Government that there is a shared commitment to making a success of devolution.

That sense of collective leadership helped in canvassing public opinion; firstly, on what residents considered were the aspects of daily life in greatest need of improving, and thereafter their views on the Case for Cornwall that set out the devolution proposals that would help deliver those improvements. Cornwall created a successful devolution campaign with the slogan of Stand Up for Cornwall (including #standupforcornwall) which attracted significant media attention and captured the imagination of the wider public. Most importantly, post devolution deal, a newsletter is issued every eight weeks on their website to keep the public up to speed on progress as well as attending public events, such as the Royal Cornwall Show, to ensure devolution remains in the spotlight.

Cornwall's recommendations to other localities:

To keep the 'ask' focussed and about the 'place'. Most notably not to go in with an overtly council focussed pitch – this won't win hearts and minds. "It isn't about Cornwall Council wanting to take over the world, it's about Cornwall and that is what people of Cornwall identify with and will back to the hilt – organisations don't command that level of emotional attachment!".

To hone and prepare negotiation and communication protocols/techniques in readiness to head off challenge. There is always the risk that a devolution deal comes unstuck on account of lack of agreement and unity. Cornwall made sure that the Councillors, partners and MPs were engaged before the Case for Cornwall submission and spoke with a single strong voice thereafter. Post devolution deal, Councillors and MPs continue to play a key role on the monitoring board – the latter as Cornwall's representatives in Westminster - to oversee the delivery of the deal and overcome any challenges that may arise in Cornwall or Whitehall.

- 4.33** Evidently, the communication strategy must be tailored to the local demographic in each locality and the timing of this is crucial to obtain buy-in. It was also evident from the research that having clear leadership can help to ensure a consistent and clear message is communicated. Collective leadership from public and private sector leaders is critical to unite people and focus on shared strategic objectives. The media and press coverage which the mayoral elections have generated to date is on the whole positive. It demonstrates the level of interest that there is with local governance and decision making and also highlights the potential impact which mayoral candidates could have upon a locality. However, the complexity and number of

organisations involved in making a place successful means that collective leadership will still be critically important in delivering on devolution.

- 4.34 The LGA is already working with many areas to develop better communication and engagement with the public and is making information available on the DevoNext resources hub. The LGA is also working alongside the Centre for Public Scrutiny (CfPS) with a number of areas to help develop new models of governance and scrutiny.

Takeaways

External communication beyond that which is legally required is an area recognised as important, but further guidance and support is needed to ensure that this is most effective.

It is important to take stakeholders and anchor institutions, as well as citizens, on a journey so that they understand the role of devolution in their area and have an opportunity to respond and engage on the strategic priorities which form the backbone of the devolution agreements with government.

Having clear leadership can help to ensure a consistent and clear message is communicated. Mayors have the potential to become the public symbol of this leadership but the complexity and number of organisations involved in making a place successful means that collective leadership will still be critically important in delivering on devolution.

Track-Record: Effective mechanisms for negotiating with government

Experience and an evidenced approach matters

- 4.35 Effective negotiation with government is one of the hardest elements of the process and one which many areas have found problematic. Particularly in the context of the EU referendum result, government has many competing priorities and this places emphasis on the need for areas to understand how best to put forward their devolution ask and to work collaboratively with government to achieve it.
- 4.36 Consultees emphasised the role being able to de-risk the process, by confidently outlining an evidence based approach and delivery experience, plays in securing a devolution deal. One respondent stressed that he was “impressed by ongoing conversations with London and Greater Manchester, in particular by the quality of the thinking that has gone into their proposals and the previous experience of programme delivery. This enables conversations that are less about principles and more about deliverables.” Devolution evidently should not be reduced to being purely a bidding round but it is clear that government welcomes localities ‘putting in the leg work’ to develop ambitious but realistic proposals based on an understanding of its priorities. Consultees noted that, generally, to make a persuasive case to Government it is necessary to set out an evidence based strategy and identify how devolved powers are essential in enabling the identified outcomes to be achieved.

- 4.37 Good examples of this are evident in localities that are pushing the boundaries and exploring the pooling of resources to join up different elements of the public sector. This includes the current thinking around the local elements of the Work and Health programme and opportunities for a local approach based upon priority targets such as mental health issues and disadvantaged groups. This is not just about getting the right levers, as much thought needs to be applied to selection, contracting processes, and contract management.

A strong understanding of both parties' positions is vital

- 4.38 Strong negotiation techniques are evidently important. Insider knowledge here is a huge help, but liaison with other areas that have been through the process can be invaluable. What is critical is a strong understanding of what government's expectations are and their 'red line' areas within the negotiations. Areas reflected that they needed to understand what is achievable from the negotiations with government given the limits of their area and its offer and government's priorities.
- 4.39 Several respondents said that more could be done by government to demystify the process and within central government to ensure that all departments are aligned in their thinking on devolution and are positively engaged in the process. Particularly for areas obtaining devolution for the first time, better guidance (potentially including a framework outlining activities to be complete before engagement with government could take place) was thought to be helpful. This 'off-the-shelf' approach could aid smaller areas that do not have the capacity to develop their 'asks' in the same way that larger areas have been able to. It would also assist in reducing the caseload time for central government and enable Whitehall to engage with the growing number of local areas wanting to take forward devolution, effectively. It was clear from many though that, while this could be useful, it should not stifle creativity, particularly for 'early adopters'. One consultee stated that: "There is a balance between re-inventing the wheel and testing stuff that is hard to strike. A drive to 'do something' rather than figure out what's best for a locality risks overly identikit solutions".
- 4.40 An ability to test the existing boundaries is welcomed. The speed at which the devolution of health and social care has occurred in Greater Manchester is an example where a number of (local and national) 'red line' areas have changed as the devolution process has evolved with co-commissioning in particular offering an opportunity to achieve local outcomes whilst not ignoring national priorities, but rather enabling national priorities to be delivered with better outcomes. There are other priority areas which would benefit from closer examination of the current boundaries including in particular post 16 and other skill based programmes. These require explanation by Government as to why they cannot be devolved, particularly when the need has never been greater to address the effectiveness of the skills system as a whole. Another area which is currently a 'red line' area for government is housing benefit and outside of the areas that have ratified devolution deals, Blackpool is an example of a locality with ambitions to become a testbed for this aspect of fiscal devolution.

Challenging the status quo – housing benefit devolution

Case study: Blackpool

Blackpool is currently exploring opportunities for fiscal devolution with respect to housing benefit – a key issue for the area and one which is focussed upon chronic failure within the private rented sector.

In February 2015 there were just over 14,000 people in receipt of Housing Benefit in Blackpool, with 73% of these living in the private rented sector. This is in comparison to 32% of Housing Benefit claimants nationally who live in the private rented sector, while 34% of claimants in the North West live in the private rented sector. Blackpool also has the highest percentage of housing benefit claimants living in the public rented sector followed by Torbay (69%), Tendring (66%), Castlepoint (64%) and Bournemouth (64%).

Evidence suggests that much of Blackpool's private rented sector is cramped and not fit for purpose, concentrated in approximately 3,500 Houses in Multiple Occupation in former holiday areas. The operation of existing housing benefit arrangements delivers a series of perverse incentives that effectively reward landlords for sub-dividing former bed and breakfast accommodation, and this had led to a rapid agglomeration of vulnerable people in sub-standard housing in the heart of the town. This structural imbalance in the inner areas is now driving one of the Country's most serious cases of socio-economic failure. The council and other organisations have exhausted all available powers to regulate this sector, and have very limited ability to incentivise and effect the structural market change required and ensure minimum accommodation standards are met.

Blackpool are looking at a range of devolution options that would offer them greater control over housing benefit levels in the areas of chronic private sector failure. New powers would be used to incentivise different choices on the part of landlords, as well as enhancing the ability to better support housing benefit claimants to find accommodation which meets their needs more effectively. This is alongside a wider package of holistic support to aid individuals to get back into work.

To date housing benefit is a red line area for government, and therefore this will prove to be an interesting test case to explore whether Blackpool as a pilot could potentially de-risk this ask and provide a model for fiscal devolution which other areas may choose to adopt.

- 4.41 Many consultees (and much of the literature on deal-based devolution) have reported that areas have found the process of negotiating with government to be opaque and timescales difficult to achieve. Several respondents highlighted that greater clarity from Government would be welcomed, as well as a potential role for the LGA in providing support to help areas prepare for devolution. In light of the vote to leave the EU, there is also need to provide clarity that devolution remains a priority for Government and that devolved funds and programmes (particularly those linked to European funding) remain secure.

Takeaways

- A strong evidence based approach, as well as a track record of partnership working and delivery on the ground, can 'de-risk' asks. Rather than being just a bidding round, devolution is a process of collaborative working and relationship building with government, which does not stop once a deal is signed, but continues into design and implementation.
- Effective negotiation must also be based upon a solid understanding of government's requirements and 'red line' areas on both sides, as well as offering an opportunity to test 'red line' areas including on post 16 and other skill based programmes where the need has never been greater to address the effectiveness of the skills system as a whole. This can place areas in a much stronger position and save time.
- Many areas have called for a demystifying of the process. Clearer guidance on devolution, particularly in the context of the EU referendum result, has been identified by several areas, including reassurances that those devolved funds and programmes (particularly those linked to European funding) remain secure.

5 Conclusions

5.1 This report has described the process of devolution in England since 2016 and the experience of those that have been involved in it. Experience of this change, and of patterns of reform elsewhere in the UK and beyond, suggests that we increasingly live in a world of ‘asymmetric devolution’ in which the main catalysts of change are ‘bottom-up’ aspirations and demands for higher levels of autonomy to respond to place-based challenges and potential. During the course of the research for this report, little evidence has been found to suggest any substantial change to what has become a multi-speed, bespoke approach to the reform of English sub-national governance in the near future. Within this context, four major themes emerged from the research as critical to the success of a distinctively English form of devolution. These are focused around evidence, partnership, strategy and track record. The collective learning from these is highlighted below.

Evidence: Local authorities considering devolution need a dynamic understanding of their area, its key issues and opportunities

5.2 Interviewees for the study recognised that developing a strong evidence base is critical to identify and understand an area's unique geography, assets, opportunities and challenges. Evidence presented must demonstrate this understanding and show that the improvements in the outcomes a locality is seeking would not be possible without the devolved powers they are asking for.

5.3 Many local authorities highlighted capacity issues, with the advice from successful areas being to re-use and seek out existing data sources to support this activity, as well as bringing in independent help where necessary.

5.4 Local areas interviewed recognised the value of monitoring and evaluating the outcomes of devolution but that few are equipped to do this without central guidance. There is a case for Government offering increased policy flexibility locally in return for more stringent evaluation arrangements. More prosaically, evaluation is currently not explicitly funded in most deals and identified funding would likely improve the quality and consistency of information being gathered.

Partnership: Local authorities should look to formalise partnership working in order to develop a track-record of success

5.5 The experience from local areas clearly highlights that Government's preference to date has been for a mayoral combined authority structure. While this has been adopted by a number of areas, in localities where this structure is not thought to be appropriate it has made the deal process more challenging.

5.6 There was recognition that relationship building isn't easy; it takes time to develop existing relationships and to forge new ones. Key areas which can make a difference are a coherent narrative and strategy being in place, strong leadership, and transparency in decision making.

- 5.7 Making use of independent organisations to act as a neutral voice in local negotiations can also be an effective option.

Strategy: Building support for devolution relies on external communication which focuses on consistent strategic messages

- 5.8 Interviewees reflected that having a clear strategy was non-negotiable for a devolution deal. However in order for it to be truly successful it must have a clear narrative and be ‘lived and breathed’ rather than being a paper-based exercise to get a particular deal over the line. It also needs to be clearly and consistently communicated to a wide range of partners and the public.
- 5.9 Evidence suggests that there is a real appetite for local control of public services. Research from Centre for Cities, the LGA and Ipsos MORI finds that the general public are more likely to trust local authorities (79% of respondents) over central government (11% of respondents) to make decisions about the areas they live in. Capacity is a major issue for local government to deliver strategic communications effectively.
- 5.10 Interviewees noted the importance of timing. They said that it was vital to take stakeholders and anchor institutions, as well as citizens, on a journey so that they understand the role of devolution in their area and have an opportunity to respond and engage on the strategic priorities which form the backbone of the devolution agreements with government. Scrutiny is also an avenue for involving the local community, other public service leaders and councillors in robust local decision making.
- 5.11 It was also evident from the research that having clear leadership can help to ensure a consistent and clear message is communicated. Mayors have the potential to become the public symbol of this leadership but the complexity and number of organisations involved in making a place successful means that collective leadership will still be critically important in delivering on devolution.
- 5.12 The LGA is already working with many areas to develop better communication and engagement with the public and is making information available on the DevoNext resources hub. The LGA is also working alongside the Centre for Public Scrutiny (CfPS) with a number of areas to help develop new models of governance and scrutiny.

Track-Record: Effective mechanisms for negotiating with government

- 5.13 Negotiation with government is one the most challenging areas for all localities and one which takes time to perfect. Areas have been able to aid the process by de-risking their ‘asks’ to government – this has been done by demonstrating a strong evidence-based approach, as well as a track record of partnership working and delivery on the ground. Rather than being just a bidding round, devolution is a process of collaborative working and relationship building with government, which does not stop once a deal is signed, but continues into design and implementation.

- 5.14** Effective negotiation must also be based upon a solid understanding of government's requirements and 'red line' areas on both sides. This can place areas in a much stronger position and save time. Several areas which are at the earliest stages of devolution have suggested that a menu of options here would be helpful to set the 'rules of the game', but it should not stifle creativity and ability to push the boundaries. It should be noted that, while some areas have highlighted Government 'red line' areas as a point of concern, these do shift over time. The speed at which the devolution of health and social care has occurred in Greater Manchester is an example where a number of (local and national) 'red line' areas have changed as the devolution process has evolved and both sides build an understanding of their shared objectives.
- 5.15** Many areas have called for a demystifying of the process alongside a menu of options. Clearer guidance on devolution, particularly in the context of the EU referendum result, has been identified by several areas, including reassurances that those devolved funds and programmes (particularly those linked to European funding) remain secure.

Appendix A: Stakeholders Consulted (listed alphabetically)

Sean Anstee, Greater Manchester Combined Authority (Leader - Trafford Council)

Matt Barton, Assistant Head of Customers and Communities (Strategy & Communications), Cornwall Council

Sir Howard Bernstein, Chief Executive, Manchester City Council

Jessica Bowles, Former Head of Policy, Manchester City Council

Deborah Cadman, Chief Executive, Suffolk County Council

Richard Cornish, Deputy Director, Devolution, Department of Work & Pensions

Philip Cox, Cheshire & Warrington LEP

Will Garton, Deputy Director, Local Government Reform, HM Treasury

Rebecca Herron, Greater Manchester LEP

Councillor Sir Steve Houghton, Leader, Barnsley MBC

Councillor Mark Hawthorne, Leader, Gloucestershire County Council

Andrew Lewis, Assistant Chief Executive, Newcastle City Council

Andrew Lightfoot, Strategic Director Public Service Reform, Greater Manchester Combined Authority

Phil Martin, Deputy Director, LM Interventions Strategy, Department of Work & Pensions

Councillor John Pollard, Leader, Cornwall Council

Mark Rogers, Chief Executive, Birmingham Council

Paul Shevlin, Chief Executive, Craven District Council

Paul Taylor, Heart of the South West LEP

Mike Wiltshire, Deputy Director, Department for Business, Innovation & Skills