

## **COMMUNITIES & LOCAL GOVERNMENT COMMITTEE: INQUIRY INTO THE GOVERNMENT'S CITIES & LOCAL GOVERNMENT DEVOLUTION BILL**

### **JOINT MEMORANDUM OF EVIDENCE FROM THE CHIEF ECONOMIC DEVELOPMENT OFFICERS SOCIETY (CEDOS) & THE ASSOCIATION OF DIRECTORS OF ENVIRONMENT, ECONOMY, PLANNING & TRANSPORTATION (ADEPT)**

#### **Executive summary**

- Devolution has the potential to drive forward economic growth through policies in key areas such as transport, skills, business support, employment, planning and housing being rooted in local knowledge and understanding of the issues facing individual local areas.
- The opportunity for devolution deals should be available to all areas of the country, not only to London and the core cities but also to our other cities, counties and rural areas, which are equally important to achieving national economic growth.
- Because of the different circumstances of local areas, there should be no one-size-fits-all governance model for devolution in this country. Whilst the Manchester devolution deal provides *one* model, its scale, both political and financial, means that it will be difficult to replicate in many other areas not only in non-metropolitan England but possibly also in some city region areas.
- A mayoral model is likely to work best where there is a clear and strong sense of identity and is less likely to be appropriate in areas where there are more complex delivery and partnership arrangements with overlapping Local Enterprise Partnership areas and plans for more than one combined authority.
- In non-metropolitan two tier local authority areas there are inherent complexities and sensitivities in a model predicated on a directly elected mayor.
- The House of Lords amendment that provision for an elected mayor shall not be used as a condition for agreeing to the transfer of local authority or public authority functions is an important one, which we urge the Committee and the Government to support as the Bill passes through its next stages in the House of Commons.
- The Devolution Bill as it stands fails to acknowledge the variety of existing local structures and presents the combined authority model as a single solution to complex existing governance arrangements in England. It should recognise the range of solutions developed by local authorities and Local Enterprise Partnerships.
- Governance models need to be tailored to the particular needs and circumstances of individual local and sub-regional areas as will the precise mix of powers and responsibilities to be devolved. Form should follow function and reflect local circumstances rather than central government

attempting to dictate. Local Authorities have extensive experience of developing local governance to support local growth, i.e. delivery vehicles, and utilising good governance, such as the Nolan principles, to ensure democratically accountable and transparent procedures are in place.

- Rather than beginning with structure Government should set out the principles of good governance covering such things as openness and transparency, accountability, integrity, clarity of purpose, and effectiveness – and leave local areas free to design the governance models that best suit the circumstances of their areas within these principles.
- In considering the lessons so far of both city deals and local growth deals, a fundamental point is that devolution should be real and not just amount to decentralisation that is still accompanied by a high degree of process bureaucracy and approval of project activity, which has been the case with some transport schemes in local growth deals.
- Local councils – whether in their own right or through joint arrangements such as combined authorities or economic prosperity boards/committees – must be financially realistic when negotiating deals with the Government.
- What is notable from many of the city deals is that local areas have sought to acquire powers and resources from central Government, which whilst often quite limited have had conditions attached, which can include significant liabilities or risks for local councils and partnerships that should not be underestimated.
- The principle that city and future devolution deals have to be fiscally neutral can involve significant long-term financial risk for local councils. It fails to recognise that many areas outside the south east still experience market failure in terms of infrastructure and site developments.
- Cuts to local government funding present a major obstacle to devolution in this country. It will be vital in the national as well as the local interest that local authorities across the country have the resources for local action to stimulate economic growth and participate in the Government’s devolution agenda.
- An important part of this will be to ensure gain share is built into any deals and more widely for fiscal devolution to be an integral part of the devolution agenda as recognised by this Select Committee in the report of an earlier Inquiry published this year.

## **Introduction**

1. This Memorandum of evidence is submitted jointly by the Chief Economic Development Officers Society (CEDOS) and the Association of Directors of Environment, Economy, Planning and Transportation (ADEPT).
2. The Chief Economic Development Officers Society (CEDOS) represents Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary councils in non-metropolitan areas.

The Society carries out research, develops and disseminates best practice, and publishes reports on key issues for economic development policy and practice. Through its collective expertise, it seeks to play its full part in helping to inform and shape national and regional policies and initiatives.

3. The Association of Directors of Environment, Economy, Planning & Transport (ADEPT) represents local authority Strategic Directors who manage some of the most pressing issues facing the UK today. The expertise of ADEPT members and their vision is fundamental in the handling of issues that affect all our lives. Operating at the strategic tier of local government they are responsible for crucial transport, waste management, environment, planning, energy and economic development issues. ADEPT membership is drawn from all four corners of the United Kingdom.

4. CEDOS and ADEPT welcome the opportunity to submit evidence to the Committee's Inquiry into the Cities and Local Government Devolution Bill. Our joint evidence focuses in particular on those key issues identified for the Inquiry that are directly related to our professional areas of experience and expertise. In framing our submission we have consulted with our members across the country.

#### **CEDOS/ADEPT overall position**

5. We welcome the Government's commitment to devolution in this country. We consider devolution has the potential to drive forward economic growth through policies in key areas such as transport, skills, business support, employment, planning and housing being rooted in local knowledge and understanding of the issues facing individual local areas. It has the potential to release the ambition, commitment and innovation to implement actions that enable local areas both to take full advantage of their opportunities and tackle problems that are holding them back. We believe strongly that the opportunity for devolution deals should be available to all areas of the country, not only to London and the core cities but also to our other cities, counties and rural areas, which are equally important to achieving national economic growth. In our view this requires a flexible approach both to the governance arrangements and the powers and responsibilities to be devolved.

6. As regards governance, the Government has made clear its strong preference for a devolution model in England that is comprised of combined authorities with an elected mayor at the helm. The essential purpose of the Cities & Local Government Devolution Bill is to enable this to happen by making provision for "the election of mayors for the areas of, and for conferring additional functions on, combined authorities established under Part 6 of the Local Democracy, Economic Development and Construction Act 2009"<sup>1</sup>.

7. Whilst this provision is welcomed, we believe strongly that because of the different circumstances of local areas, there should be no one-size-fits-all governance model for devolution in this country. In our view it is inconsistent with the principles of localism and devolution for a governance model to be imposed by central government. Local areas should be free to choose the model

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<sup>1</sup> Cities and Local Government Devolution Bill [HL] 2015-16

of governance that is appropriate for them. In this context and notwithstanding the focus on combined authorities and elected mayors in the Devolution Bill, we are encouraged that in the second devolution deal to be announced – that with Cornwall – neither a requirement for a combined authority nor for an elected mayor has been imposed. We hope this indicates that a pragmatic approach will be followed in negotiating deals in other parts of the country where combined authorities and/or elected mayors are inappropriate.

## **Views on key issues identified for the Inquiry**

### **How far the Manchester devolution deal provides a model, and the extent to which this is applicable to other areas**

#### **CEDOS/ADEPT views:**

8. As the first agreed devolution deal in the country, the Manchester Deal provides a model, the essence of which is city-region wide coverage with a combined authority covering the whole area under the leadership of a directly elected mayor, supported by a combined authority cabinet and with scrutiny arrangements to hold the Mayor and the Greater Manchester Combined Authority to account by examining the effectiveness of their policies, decisions and actions. Devolved powers to Greater Manchester include ones related to transport, planning and housing, business support and employment and skills programmes. This has subsequently been expanded to cover the local National Health Service budget.

9. Whilst the Manchester deal provides *one* model, its scale, both political and financial, means that it will be difficult to replicate in many other areas not only in non-metropolitan England but possibly also in some city region areas. Greater Manchester is a relatively cohesive metropolitan city region with a large critical mass and unitary authorities that have a long track record of cooperation under the Association of Greater Manchester Authorities (AGMA), first established in 1986.

10. A mayoral model is likely to work best where there is a clear and strong sense of identity and is less likely to be appropriate in other areas. In some areas a strong track record of collaboration and joint delivery may not yet be fully established. In other areas there are more complex delivery and partnership arrangements with overlapping Local Enterprise Partnership areas and plans for more than one combined authority. In non-metropolitan two tier local authority areas there are inherent complexities and sensitivities in a model which is predicated on a directly elected mayor. Securing consensus and political approval across areas that include district, unitary and county councils is always going to be a more significant challenge than in metropolitan areas where there is a common understanding of their functional economic areas and, critically, where the public recognise a coherent and logical sense of place and governance models that could legitimately benefit from a directly elected mayor.

11. In financial terms, the scale and scope of the Manchester model exceeds what other areas may be able to achieve given both the financial position of the authorities involved, their appetite for risk and risk-sharing and the level of direct investment support offered by the Government under the Northern

Powerhouse initiative. The Manchester deal model clearly accords with the Government's preference for combined authorities with an elected mayor covering the whole of its area as a basis for devolution to local areas in England as underlined by the Chancellor in his Summer Budget: "The historic devolution that we have agreed with Greater Manchester in return for a directly elected mayor is available to other cities who want to go down a similar path"<sup>2</sup>.

12. The reality is that whilst the Manchester model may be able to be replicated in some areas it will not be appropriate for others. We consider that devolution should be available to local and sub-regional areas across the country and for this there cannot and should not be a one-size-fits-all approach either in terms of governance or range of powers to be devolved. Local governance arrangements should not be imposed by central government and to do so could be counter-productive.

13. In this context, whilst the Cities & Local Devolution Bill as introduced by the Government makes provision for elected mayors of Combined Authorities (Clause 1 Section 107A subsection 1), the House of Lords inserted: "An order under subsection (1) shall not be used as a condition for agreeing to the transfer of local authority or public authority functions". In our view this is an important amendment, which we urge the Committee and the Government to support as the Bill passes through its next stages in the House of Commons.

### **How the Bill will build on existing local accountability structures and ensure appropriate governance mechanisms are put in place for devolved functions**

#### **CEDOS/ADEPT views:**

14. The Bill as it stands fails to acknowledge the variety of existing local structures and presents the combined authority model as a single solution to complex existing governance arrangements in England. It should be recognised that local Authorities have extensive experience of developing local governance to support local growth, i.e. delivery vehicles, and utilising good governance, such as the Nolan principles to ensure democratically accountable and transparent procedures are in place. Whilst the Bill as amended by the House of Lords prevents an elected mayor being imposed as a condition for a devolution deal, if this were to be overturned by the House of Commons the combined authority model would be even more restrictive.

15. Clearly democratic accountability and transparency is required in any devolution process and the Bill should recognise the range of solutions being developed by local authorities and Local Enterprise Partnerships and already in place, including: Joint Committees/Leadership Boards, Economic Prosperity Boards and Strategic Transport Partnerships.

16. The Bill fails to consider the inter-relationship between combined authorities and Local Enterprise Partnerships, which is particularly important given the role of LEPs in some existing devolved budgets. For areas where LEP boundaries

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<sup>2</sup> Rt Hon George Osborne MP Budget speech to House of Commons 8 July 2015

overlap and/or do not coincide with existing upper tier council boundaries, this issue is a particular challenge.

17. A specific issue that has been raised in our consultation with member authorities is that in county areas the Bill and the related regulatory order enable a council to have associate (non-voting) membership of more than one combined authority but not full membership of more than one. This creates potential problems for county councils who may have different areas within their geography, which might want to create separate combined authorities within them. There ought to be the flexibility for the upper tier authority to have a dual membership option open to them.

### **How the range of models available in the UK and abroad may suit the needs of different authorities, including all areas which have or intend to have a combined authority**

#### **CEDOS/ADEPT views:**

18. Following the Manchester deal, a second deal has been announced for Cornwall and the Isles of Scilly, which will see Cornwall Council given new powers and control over budgets and assets worth £5 billion, including power to decide how to spend EU funding in the county, control of a budget to improve employment and skills opportunities, a greater say in the way businesses access and receive support to aid growth, and control of health and social care budgets from April 2016.

19. The Cornwall deal recognises that it already has an effective governance landscape that enables “enhanced partnership and co-operation between public sector organisations; and effective joint working between the public sector and private sector”<sup>3</sup>. Key elements include one unitary council with a Leader-Cabinet model and one Local Enterprise Partnership. A combined authority is not applicable to Cornwall and there is no requirement for an elected mayor. For implementation of the deal the intention is for Government to agree with local partners which organisation will lead the delivery of each policy area.

20. The governance arrangements for devolution to Cornwall differ from those for Greater Manchester but just as the Manchester model will not be able to be replicated in many areas of the country, neither will the Cornwall model. The reality is that governance models need to be tailored to the particular needs and circumstances of individual local and sub-regional areas as will the precise mix of powers and responsibilities to be devolved.

21. There clearly is a range of possible models. In the UK we have referred already to Joint Committees/Leadership Boards, Economic Prosperity Boards and Strategic Transport Partnerships. The Local Government Association in its report on English devolution also referred to: statutory joint committees - building on the non-statutory model that exists in many places; public service boards - comprising representation from all public bodies who would jointly come up with

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<sup>3</sup> Cornwall Devolution Deal - Kevambos Digresennans Kernow – 15 July 2015

a service strategy and investment plan; and enhanced health and wellbeing boards<sup>4</sup>.

22. Examples from around the country include:

- *Cheshire & Warrington* - where an Economic Prosperity Board was established in 2014 by Cheshire East, Cheshire West & Chester and Warrington Councils to co-ordinate local authority activities and combine resources to support economic growth and the activities of the Cheshire and Warrington Local Enterprise Partnership;
- *Nottingham and Nottinghamshire* – where a joint Economic Prosperity Committee has been established and functioning for over 18 months as a decision making body on strategic economic development issues and oversees individual local authority plans to ensure they are aligned and contributing to economic growth;
- *Humber* - where the four local authorities in the Humber LEP have agreed to create a formally constituted Joint Committee – the Humber Leadership Board, to provide strategic decision-making on all economic and employment related matters including infrastructure and flood mitigation investment;
- *Buckinghamshire, Northamptonshire and Oxfordshire* – where the three county councils are reported to have submitted a proposal to government for devolved transport funding including proposing to establish a 'transport forum' to manage the devolved funding.

23. The lesson from these and other examples is that form should follow function and reflect local circumstances rather than central government attempting to dictate. Rather than beginning with structure what Government should do is to set out the principles of good governance covering such things as openness and transparency, accountability, integrity, clarity of purpose, and effectiveness – and leave local areas free to design the governance models that best suit the circumstances of their areas within these principles.

### **What lessons can be learnt from the City Deals programme?**

#### **CEDOS/ADEPT views:**

24. In considering the lessons so far of both city deals and local growth deals, a fundamental point is that devolution should be real and not just amount to decentralisation that is still accompanied by a high degree of process bureaucracy and approval of project activity, which has been the case with some transport schemes in local growth deals.

25. A key point emerging from consulting with our members is that local councils – whether in their own right or through joint arrangements such as combined authorities or economic prosperity boards/committees - must be financially realistic when negotiating deals with the Government. A push for devolution of

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<sup>4</sup> *English Devolution – Local Solutions for a Successful Nation* Local Government Association May 2015

powers and resources at all costs can mask significant future problems for local areas. What is notable from many of the City Deals is that local areas have sought to acquire powers and resources from central Government, which whilst often quite limited have had conditions attached, which can include significant liabilities or risks for local councils and partnerships that should not be underestimated. The principle that City and future Devolution Deals have to be fiscally neutral also fails to recognise that many areas outside the south east still experience market failure in terms of infrastructure and site developments. Thus negotiating a deal that is fiscally neutral can involve significant long-term financial risk for local councils.

26. These warnings are reflected in a report by the National Audit Office into Wave 1 City Deals, which highlights in particular that it will be important for government and local places to think through, from the outset, how the objectives of the deals will be delivered and funded in practice. It says that Government funding cuts could make it difficult for local areas to manage devolved funding effectively and goes on to warn “the risk of there being insufficient capacity to manage and oversee programmes locally is likely to increase if more funding, or more complex programmes are devolved”<sup>5</sup>.

27. This underlines the fact that cuts to local government funding present a major obstacle to devolution in this country. The fact that, as the Office of Budget Responsibility has warned, local government is set to face one of the toughest spending reviews in living memory following a reduction in central government funding of up to 40% during 2010/11 – 2015/16, could undermine devolution in England. In our view it will be vital, in the national as well as the local interest, that local authorities across this country have the resources for local action to stimulate economic growth and participate in the Government’s devolution agenda. An important part of this will be to ensure gain share is built into any deals and more widely for fiscal devolution to be an integral part of the devolution agenda as recognised by this Select Committee in the report of an earlier Inquiry<sup>6</sup>.

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<sup>5</sup> *Devolving responsibilities to cities in England: Wave 1 City Deals* National Audit Office July 2015

<sup>6</sup> *Devolution in England: the case for local government* House of Commons Communities and Local Government Committee July 2014