

# DEVO MET: CHARTING A PATH AHEAD

MARCH 2015



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# ABOUT THIS DOCUMENT

The RSA City Growth Commission started its 12 month independent inquiry in October 2013. Chaired by renowned economist, Jim O’Neill, and directed by Charlotte Alldritt at the RSA, the Commission generated significant policy and media impact throughout. The final report, *Unleashing Metro Growth* was published in October 2014 and endorsed by the Prime Minister, Deputy Prime Minister, Chancellor and senior figures in the Labour party.

This document reflects on progress since the RSA City Growth Commission published its recommendations in October 2014. **It is not a Commission report and is not based on the views of individual Commissioners. Instead it was written by RSA staff.**

The city-devolution agenda continues to evolve rapidly. The Budget 2015 saw another devolution deal for Leeds City Region. This announcement builds on those of Sheffield City Region and Greater Manchester, which have also spurred

new levels of collaboration within and between city-regions across the UK, including in the Midlands (eg Birmingham, Solihull and Black Country Combined Authority)<sup>1</sup> and the Great Western Cities scheme of Bristol, Cardiff and Newport.<sup>2</sup> This paper considers this progress in the context of wider devolution debates within the UK and the forthcoming General Election on 7 May 2015. It then considers how city-led devolution could be driven forward across the UK during the next Parliament and beyond.

## Acknowledgements

Particular thanks to Ben Lucas, Chair of RSA 2020 Public Services; Chris Murray and the Core Cities. Thanks also to Brhmi Balam, RSA; Maximillian Yoshioka, RSA; Alan Trench, Honorary Fellow, UCL.

For more information about the RSA, see [www.thersa.org.uk](http://www.thersa.org.uk).

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1. See Sandwell Council Press Release ‘Combined authority to drive economic powerhouse’ (2014) [www.sandwell.gov.uk/news/article/3132/combined\\_authority\\_to\\_drive\\_economic\\_powerhouse](http://www.sandwell.gov.uk/news/article/3132/combined_authority_to_drive_economic_powerhouse)  
2. See Newport City Council Press Release ‘Great Western Cities – Creating a Severn power-house’ (2015) [www.newport.gov.uk/\\_dc/index.cfm?fuseaction=news.pressrelease&contentid=CONT733063](http://www.newport.gov.uk/_dc/index.cfm?fuseaction=news.pressrelease&contentid=CONT733063)

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# EXECUTIVE SUMMARY

## **The political landscape continues to change, fast**

The level of policy traction and rhetoric across all parties is so significant it seems almost inevitable that the next government will preside over further waves of devolution. It is important to recognise and celebrate this achievement, including devolution deals agreed for Greater Manchester, Sheffield City Region and Leeds City Region. These developments have accelerated collaboration and negotiations with other major city-regions in the UK, and all are set against a background of wider national devolution to Wales, Northern Ireland and Scotland.

For decades the UK has been one of the most centralised countries in the OECD. Recent policy progress suggests that, finally, the UK's political economy is now starting to show signs of reversing its march towards ever increasing centralisation. With only a few weeks until the next general election, sub-national devolution is one of the few points of cross-party consensus and this presents a genuine opportunity to empower our city-regions, drive growth, create jobs and achieve better public service outcomes for citizens.

However, if we are witnessing the start of a journey towards decentralisation and city-devolution, there is considerable uncertainty about the end goal, and how we will get there. Fundamental questions are still to be considered, including: what powers places will be entitled to, under which circumstances? Should all places ultimately strive for the same arrangements over time? How much will local residents, business, or civil society be involved in shaping new models of governance?

What are the implications for central Government, MPs and Parliament?

These questions are so important that they need to be explored in a transparent, systematic way; it is not enough to rely on a series of ad hoc and incomplete agreements. Our economy, our society and our politics thrive under dynamic, messy systems. But a process for policy, and ultimately constitutional, coherence will create a bedrock for city-regions to respond to their local needs and opportunities – enhancing prosperity and empowering their citizens.

Finally, a clear process for driving devolution will allow each major party to deliver on their commitments. The Coalition has already set out its vision for city-devolution in terms of rebalancing the economy and building a Northern Powerhouse. For Labour, the process we propose creates a fast track mechanism to be able to deliver its ambitions for apprenticeships and housing through specific agreements with combined authorities, as well as the Adonis review on economic growth.

## **Fundamental questions remain**

In pursuit of policy and process coherence, this report highlights five main issues to be resolved:

1. **Legislative** – In the next Parliament ministers should seek to bring transparency and a sense of structure to a complex series of asymmetric governance arrangements. Enabling legislation will be needed in making provision for new metro mayors (where applicable) and to give a clearer articulation of the specific powers and responsibilities bestowed to local and sub-national tiers of government.

This will help to provide a firm platform for integrated governance models, aiding collaboration between the centre, cities and localities.

2. **Public service reform** is vital to improve outcomes and drive down costs, and in many instances it is proving to be more effective and appropriate to design and deliver interventions at a local level. Public service reform needs to go hand in hand with the economic case for city led growth and devolution. This will involve ensuring national policy reform – whilst often under the guise of decentralisation – supports the development of locally tailored and integrated public services.
3. **Fiscal devolution** – The recently announced review into business rates suggests there might be opportunity for a more ambitious dialogue between cities and Government on fiscal devolution. Over the shorter term, moving to full retention of business rates (as recently announced for Greater Manchester and Cambridge), liberalising council tax raising powers and enabling retention of the proceeds of local growth (eg tax increment financing, Earn Back, Gain Share or other similar models) will enable combined authorities to demonstrate and build experience in managing retained fiscal revenues. Reform of the current, blunt system of Local Government Finance allocation is also long overdue. The most mature combined authorities should be able to borrow more flexibly, leveraging private funds as well as the value of public sector assets.
4. **Deficit reduction and a place-based Spending Review** – While central government will continue to be responsible for allocating nationally raised revenues, payment by results mechanisms are already proving an effective way of transferring risk and should form a key component of further city-devolution deals. Multi-year Local Government Finance settlements will be essential to enable places to invest strategically over a five to 10 year period. Over the longer term one solution might be a local government mutual insurance levy, pooling risk across Combined Authorities to assist other city-regions in the event of financial difficulty. This would also help to enable councils – where and when they would wish it – to become more self-sufficient.
5. **Capacity and collaboration** – Major metros across the UK will have to show they have – or are fast developing – the ability to deliver against new powers, responsibilities and risk sharing. Combined Authorities will need to demonstrate capacity for data collection and analysis, effective policy making and evaluation, and financial and risk management. The costs involved in this will not be inconsiderable and might prove to be a point of self-selection for those places prepared to put ‘skin in the game’; the pace of devolution needs to be set by those with the most capacity to deliver.

## Recommendations

Building on the recommendation of the RSA City Growth Commission, this report argues for an **Independent City-Devolution Commission (ICDC) to be set up shortly after the election**. This body would be the equivalent of the Smith Commission for city-devolution and would have a UK-wide remit.

An Independent City-Devolution Commission will ensure that city-regions which can demonstrate competence, accountability and collaboration, and have the economic platform and potential to shoulder financial risks, **should be able to enter into devolution negotiations with central government**. Taking this process outside the immediate political and official arena means that these negotiations are based on

independent assessment of the evidence, along clear and open criteria. **Ministers would then be held to account for delivering a ‘deal’ that aligns with the recommendations of the Commission**, answering to Parliament as to the nature and justification of their decision.

**The Commission would meet supported by a City-Region Devolution Bill, which would place its authority in statute and set out powers available for combined authorities**, subject to their fulfilling economic and governance criteria set out by the ICDC. City-regions would lead this process, given their weight and reach of economic activity, but in time other places (eg county-based combined authorities)<sup>3</sup> might also apply for ‘Devolved Status’, providing they can meet the eligibility criteria.

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DEVOLUTION TO CITY-REGIONS – UNITS OF  
SCALE THAT ALLOW FOR STRATEGIC DECISION  
MAKING AND INVESTMENT ACROSS FUNCTIONAL  
ECONOMIC AREAS – HAS BEEN THE MISSING  
PIECE OF THE PUZZLE

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3. There may be rural areas with high levels of economic self-contained areas that may wish to apply as single authorities. Cornwall is one example. For a definition and brief history of combined authorities, see Appendix 3.

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# INTRODUCTION

The case for city-led growth and devolved policy and budgeting powers gained serious traction throughout the course of the RSA City Growth Commission's inquiry. A central concept promoted by the Commission in spring 2014 related to the economic benefits of scale and agglomeration. First we started to speculate about the idea of 'Man-Pool' and then about 'Man-Sheff-Leeds-Pool', which in turn helped generate the 'Northern Powerhouse' proposition that was subsequently backed by the Chancellor. It was clear to the Commission that improved connectivity, within and between our city-regions, would unlock benefits, particularly where cities are geographically proximate as in the north of England.

Commitments to support a 'Northern Powerhouse' grew over the course of summer 2014 through to the Autumn Statement later that year – and this has been the most high

profile development in relation to devolution. Announcements included cultural investment in Greater Manchester, science investment in the new Royce Institute and an integrated 'Transport for the North' authority to drive connectivity between our northern cities.

Greater Manchester's devolution deal has spurred new levels of collaboration within and between city-regions across the UK, including in the Midlands (eg Birmingham, Solihull and Black Country Combined Authority) and the Great Western Cities scheme of Bristol, Cardiff and Newport. In the Budget 2015 the Chancellor also announced full business rate retention for Greater Manchester and Cambridge, as well as a new devolution deal for Leeds City Region (see box below).

The timeline below illustrates just how far the devolution agenda has come over recent years.



## A RECENT HISTORY OF UK DEVOLUTION (2012–PRESENT)

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<b>2012</b>	<b>October</b> – Lord Heseltine calls for city-devolution in ‘No Stone Unturned’ report	<b>November</b> – Silk Commission on devolution to Wales recommends transfer of fiscal powers to Welsh Assembly
<b>2013</b>	<b>March</b> – Scottish Tory Leader Ruth Davidson sets up a commission to look at further devolution to Scotland	<b>October</b> – City Growth Commission launched as 12 month inquiry into how cities can be empowered to drive their economies  <b>December</b> – Draft Wales bill published in order to implement the Silk Commission’s fiscal devolution recommendations
<b>2014</b>	<b>June</b> – ‘Midlands Connect’ formed to champion transport investment across East and West Midlands  <b>July</b> – The City Growth Commission releases its report Connected Cities  <b>July</b> – Labour’s Adonis review on UK economic growth recommends package of devolution to English cities and counties  <b>July/August</b> – George Osborne gives his first speeches on his commitment to the ‘Northern Powerhouse’	<b>August</b> – Five northern cities (Manchester, Liverpool, Leeds, Newcastle & Sheffield) produce the ‘One North’ report proposing a £15bn, 15 year investment plan to boost regional transport links  <b>September</b> – The ‘No’ side wins in the Scottish referendum. All three parties promise further devolution to Scotland  <b>October</b> – Transport for the North set up by government to better connect the North and maximise its growth potential  <b>October</b> – City Growth Commission publishes final report, Unleashing Metro Growth  <b>November</b> – Birmingham and Black Country agree to form combined authority  <b>November</b> – The Smith Commission publishes its recommendations for the new powers to be devolved to Scotland, to be included in a 2015 bill  <b>November</b> – Greater Manchester Devolution deal announced, transferring greater powers over finance and policy and creating a Manchester mayoral post  <b>December</b> – Sheffield Devolution Deal devolves to new combined authority, increasing its control over policy and various budgets
<b>2015</b>	<b>February</b> – Labour pledge £30bn in greater UK devolution, with funds transferred to the regions over five years from 2016	<b>February</b> – Manchester becomes first English region to gain control of health and social care budget worth £6bn  <b>February</b> – The Prime Minister announces new devolution package for Wales including referendum on new income tax powers, Welsh bonds, and guaranteed funding

## GREATER MANCHESTER DEVOLUTION DEAL

In November 2014 Greater Manchester reached a new major devolution settlement with central government. The agreement aims to maximise the economic potential of the north and build on the work of the Greater Manchester Combined Authority (GMCA) through bestowing more power to the combined authority and working in partnership with a directly elected Mayor.

Powers to be devolved to Greater Manchester, worth £2bn per year, include:

- **Transport:** Responsibility for local transport, including control of bus franchises, service routes, frequencies and fares in a London style arrangement. Greater Manchester has committed to introduce a smart ticketing system (similar to London's Oyster card). The agreement will bring better joint working with the Highways Agency to determine shared priorities for strategic road networks.
- **Housing:** Control of a new Housing Investment Fund of up to £300m designed to deliver 15,000 homes over a 10-year period.
- **Planning:** Devolved planning freedoms, including the power to create a statutory spatial strategy, which will guide investment and planning across Greater Manchester.
- **Public Service Reform:** The devolution deal will enable Greater Manchester's work to be scaled up to help up to 50,000 people back into work, supported by a combined budget of £100 million. It also gives GMCA control of existing health and social care budgets, pooled by local Greater Manchester authorities.
- **Earn Back:** Control of a revamped 'earn back' deal, which allows GMCA

to be paid by results if investment in infrastructure leads to economic growth – with gains of up to £30m a year over 30 years.

- **Skills/Business Support:** Responsibility for devolved business support budgets, and a more integrated service. The GMCA will be able to address the mismatch between the supply of skills and the needs of business (eg through Apprenticeship Grants) to provide talent for future forecasted growth industries.
- **Governance Arrangements:** A directly elected Mayor for Greater Manchester will be created. The Mayor will lead GMCA, chair its meetings and allocate responsibilities to its cabinet. The first elections are expected to take place in 2017. The Mayor will be responsible for the new powers in transport, planning, housing and policing. The existing Police and Crime Commissioner's role will also be merged with the Mayor's role.

On February 25th, 2015 it was announced that Greater Manchester will take control of the entire NHS budget for the area worth £6bn per year, allowing it to join up its **health and social care services** to an unprecedented degree. The region will also control mental health, community services and public health, focussing on a preventative agenda in a bid to ease pressure on hospitals.

Greater Manchester will start making its own decisions with the introduction of a transitional roadmap from April 2015. The roadmap will provide foundations for joined up business and investment proposals, as well as a joint Greater Manchester Health and Social Care Strategy. Full devolution of health and care services is expected to be in place by April 2016.

## SHEFFIELD CITY-REGION DEVOLUTION DEAL

Sheffield City-Region's Devolution Deal was announced in December 2014 and sets out a further range of devolved powers and responsibilities, building on the City Deal (2012) and Sheffield's Growth Deal (2014).

Over the lifetime of the Devolution Deal (2015–2021), the Local Enterprise Partnership (LEP) estimates that up to 15,000 new jobs could be created, 12,000 new homes built and that it has the potential to generate £530m in public and private investment.

- **Skills:** The LEP and Combined Authority will form a joint venture partnership with the Skills Funding Agency, which will be responsible for recommissioning provision so that a new, forward looking system is in place by 2017. Through an enhanced version of its existing Skills Bank, Sheffield City Region will play a central role in enabling businesses, especially SMEs, to take up and invest in apprenticeships.
- **Employment:** The Department for Work and Pensions will consult with Sheffield City Region about the possibility of joint commissioning for the next phase of the Work Programme beginning in 2017. DWP will also work with Sheffield City Region on the development of a public service reform pilot to improve outcomes for Employment and Support Allowance (ESA) claimants.
- **Business Support:** Sheffield City Region will align national and local business support including Growth Accelerator and the Manufacturing Advisory Service, through the LEP's Growth Hub, so that businesses get a joined up service which meets their needs. UKTI will become principal partner with Sheffield City Region's Export Centre of Expertise and work closely with the LEP to encourage more businesses to export.
- **Transport:** Government will explore options to give the city-region more control over the delivery of local transport schemes, particularly in preparation for HS2 in conjunction with Network Rail. Government will work with Network Rail to ensure that the appropriate infrastructure works are undertaken to support introduction of Sheffield's Tram Train service.
- **Housing:** The local authorities within Sheffield City Region will form a Joint Assets Board with the Homes and Communities Agency to influence asset disposals in a way that supports the local economy.
- **Public Service Reform:** The Devolution Deal has initiated an ongoing, open-ended relationship between Sheffield City Region and Government to pursue further devolution of power to drive growth, reform public services and explore fiscal devolution.

## LEEDS CITY REGION DEVOLUTION DEAL

In the final Budget of the 2010–15 Parliament, the Chancellor announced a series of devolved powers to be extended to the West Yorkshire Combined Authority (WYCA) and Leeds City Region Local Enterprise Partnership. This builds on the Leeds City Deal (2012) and their Growth Deal (2014) as another step in the transfer of resources and powers from central Government to the Leeds City Region (LCR).

- **Skills:** the LEP and Combined Authority will re-commission provision for WYCA to ensure that a new, forward-looking FE system is in place by 2017 that includes a focus on specialisation and FE/HE graduate retention to meet the particular needs of the City Region. The Apprenticeship Grant for Employers (AGE) is also devolved, supporting an enhanced version of its existing Apprenticeship Hub network and Employer Ownership Pilot.
- **Employment:** DWP will consult with Leeds City Region about the possibility of joint commissioning for the next phase of the Work Programme beginning in 2017.
- **Business Support:** Government will work with LCR to develop a devolved approach to the delivery of business support from 2017 onwards, subject to the outcome of future spending reviews. UKTI will work with LCR and the newly created LEP International to allow greater local flexibility and focus on trade across key sectors and strengths.
- **Transport:** Government will explore options to give Leeds City Region more control over the delivery of local transport schemes, particularly in preparation for HS2. LCR will also work with Government, Network Rail and Rail North to ensure that infrastructure works are aligned with City Region's investment strategy for rail stations and to support the implementation of projects funded through the West Yorkshire plus Transport Fund.
- **Housing:** Leeds City Region will reconfigure its existing Joint Assets Board with the Homes and Communities Agency (HCA) to ensure asset disposals support the local economy. LCR and HCA will also develop a Joint Asset and Investment Plan to address barriers to development and leverage local housing and regeneration investments.

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# WIDER CONSTITUTIONAL CHANGE BUILDS MOMENTUM FOR CITIES

Progress towards Devo Met has come in the context of a longer debate on UK-wide devolution,<sup>4</sup> which grew in intensity in the run up to the Scottish referendum in September 2014 and has seen a landmark decision in granting Northern Ireland the freedom to set its own corporation tax from April 2017.<sup>5</sup>

In response to the Silk Commission, David Cameron and Nick Clegg announced in November 2013 that they would allow a portion of income tax to be retained by the Welsh Assembly by 2020, subject to a referendum. In March 2014 the Silk Commission published its second phase report and recommended greater decision making powers for infrastructure and criminal justice. The UK Government's immediate response was to push the issue into the long grass and see that the political parties came with a position ahead of the 2015 general election. Since then the Prime Minister and Deputy Prime Minister have gone further, committing in the St David's Day Agreement to a 'funding floor' for Wales and referendum for devolution of income tax by 2020.<sup>6</sup>

The Scottish referendum on independence was a starker and more fiercely fought debate,

raising questions of national identity and the efficacy of our constitutional settlement. For the first time in a generation these discussions were heard on street corners and in pubs across the United Kingdom.

In November 2014 Lord Smith published his Commission report on powers to be devolved to Scotland,<sup>7</sup> and by January 2015 the Prime Minister, Deputy Prime Minister and Secretary of State for Scotland unveiled the draft Bill for an 'Enduring Settlement' for Scotland.<sup>8</sup> Complex and longstanding issues, not least the West Lothian Question and possible 'English votes for English laws' solution, have raised the stakes higher still, compounded as the general election could see the majority party in Scotland go on to hold the balance of power in the UK Parliament. This could reopen the matter of independence as well as the stability of new fixed term parliaments, whichever party or parties form the next government. We are at a moment of profound constitutional uncertainty.

However, we are also at a moment of considerable economic opportunity. The City Growth Commission argued that, by aligning place-based economic development and public service reform, government

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4. A comparative table of the different arrangements for the Devolved Administrations can be found in Appendix 2 (Table 3).

5. [www.gov.uk/government/news/new-bill-to-devolve-corporation-tax-in-northern-ireland](http://www.gov.uk/government/news/new-bill-to-devolve-corporation-tax-in-northern-ireland)

6. [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/408587/47683\\_CM9020\\_ENGLISH.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/408587/47683_CM9020_ENGLISH.pdf)

7. See box, 'Scotland and the Smith Commission, Appendix 2.

8. 'Scotland in the United Kingdom: An enduring settlement' (2015) [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/397079/Scotland\\_EnduringSettlement\\_acc.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/397079/Scotland_EnduringSettlement_acc.pdf)

could achieve its twin aims of growth and deficit reduction, as well as enable better outcomes for citizens; it is a principle gaining credence in Whitehall. The City Deals and Local Growth Deals started to explore the idea, albeit with a high degree of central control, and limited to prescribed areas such as arrangements for skills (eg Sheffield City Deal) and local variants to the Work Programme (eg Lambeth Working in London). The Sheffield City Region devolution deal, and – more significantly – the Greater Manchester devolution and NHS deals, signify a shifting tide.

Tangible investment commitment to the Northern Powerhouse in the 2014 Autumn Statement has since spurred new levels of collaboration within and between city-regions across the UK, including in the Midlands (eg Birmingham, Solihull and Black Country Combined Authority)<sup>9</sup> and the Great Western Cities scheme of Bristol, Cardiff and Newport.<sup>10</sup> Integrated economic and social policy decision making within and between city-regions will enable us to realise the benefits from a better functioning system of cities, empowered to manage investment, growth and outcomes for their local areas.

However, the landscape is now so severely fragmented that in the next Parliament central and local governments need to work together to review the number and geography of Local Enterprise Partnerships

(LEPs); particularly, two LEP jurisdictions overlap: and boundaries don't match those of emerging combined authority structures. Parliament will also need to establish more firmly LEPs' statutory functions, powers and accountability structure in relation to their Combined Authorities and constituent local authorities.

A transparent process and clear framework for sub-national devolution is needed to give structure to this evolving series of ad hoc deals and closed door arrangements, particularly in the context of a more variegated Union where the question 'what binds us?' is becoming more practically and conceptually profound. The list below explains how we set out comparative details about existing and emerging national and sub-national devolution arrangements in the Appendix.

## Guide to Appendix tables

### Table 1

Political party (public) positions on city-devolution

### Table 2

Existing city-level devolution arrangements

### Table 3

Existing national-level devolution arrangements

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9. See Sandwell Council Press Release 'Combined authority to drive economic powerhouse' (2014) [www.sandwell.gov.uk/news/article/3132/combined\\_authority\\_to\\_drive\\_economic\\_powerhouse](http://www.sandwell.gov.uk/news/article/3132/combined_authority_to_drive_economic_powerhouse)

10. See Newport City Council Press Release 'Great Western Cities – Creating a Severn power-house' (2015) [www.newport.gov.uk/\\_dc/index.cfm?fuseaction=news.pressrelease&contentid=CONT733063](http://www.newport.gov.uk/_dc/index.cfm?fuseaction=news.pressrelease&contentid=CONT733063)



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# ISSUES TO RESOLVE

The information set out in Tables 1 and 2 (below) illustrates that the level of policy traction and rhetoric across all parties is so significant it seems almost inevitable that the next government will preside over further waves of devolution. It is important to recognise and celebrate this achievement; progress has been unexpected but also unpredictable – with new initiatives seeming at times to be developed almost at random.

However, it is equally important to consider the barriers still in place and the limits of government and political commitment to city-regions. While Greater Manchester's devolution deal is a game-changing step towards integrated economic and social policy, complete with a new elected metro mayor, major questions and hurdles remain.

For example, local authorities, government department officials and political party staffers might reasonably wonder what powers are to be considered for renegotiation, and how relationships and arrangements between a range of local and national agencies and organisations will be impacted. Are all places entitled to receive the same powers, and, if not, how will this be assessed, and powers determined and enabled? Should all places ultimately strive for the same arrangements, even if it takes longer to achieve the requisite criteria? What happens if local authorities don't want to work across their functional economic areas, should they be coerced and by whom? What's the price to pay for devolution to city-regions, and how much will local residents, business, or civil society be involved in shaping these new models of

governance? What are the implications for central government, MPs and Parliament?

The following section examines five main issues yet to be resolved by Whitehall, Westminster and the cities themselves. These are not exhaustive, but are sufficiently important that they will each need addressing if the UK is to resume a sense of stable and coherent political economy:

## 1. Legislative

Enabling legislation will be needed in draft ahead of the 2015 Queen's Speech to ensure inclusion in the first Parliamentary session. Legislation is particularly needed in making provision for new metro mayors. The City Growth Commission previously endorsed metro mayors as one potentially effective form of governance, but noted that there might be other arrangements that could be sufficiently robust.

There are instances where mayoral models are limited. Despite the many successes of the Greater London mayoral model, for example, from transport to policing, the office has experienced barriers to social change – typically where it lacks remit over public services and their relationship with economic development. Initial proposals for the Greater Manchester metro mayor have sought to learn from this and the Combined Authority has put considerable weight on the necessity for integrated social and economic policy as well as an integrated model for governance between the tiers of government.

A framework for how tiers of government – local, sub-national and national – would work together, with a clear articulation of the specific powers and responsibilities

bestowed to each, could provide a firm platform for collaboration. For example, in Greater Manchester's case, it is currently not entirely clear what "joint-commissioning"<sup>11</sup> arrangements will mean in practice (beyond health and social care), either between the Combined Authority and the boroughs, or with central government and departments. London's recent deal with the Chancellor, which promises devolution of the Apprenticeship Grant to Employers, was similarly vague in its "remit to work with government to reshape skills provision"<sup>12</sup> in the capital.

However, city-led growth and reform should not be stalled by rows over types of governance arrangements. Effective governance structures are vital to ensure leadership, accountability and strong partnership working across services and localities, but we have seen a tendency for central government to prioritise specific forms of governance first and pursue policy outcomes second. Governance structures alone do not ensure capacity to deliver. As the UK has demonstrated in the past, top-down approaches can undermine public attitudes towards devolution.

It is vital not to risk the current momentum, defying decades of increasing centralisation, by dictating the terms for how local places and combined authorities should be accountable to their citizens. In the next Parliament ministers should seek to bring transparency and a sense of structure to a complex series of asymmetric governance arrangements. This need not require a huge Bill codifying local and central government or a Constitutional Convention (although there might be merits to initiating these approaches at some point); the immediate task is purely functional – how do we enable city-regions to take on a series of genuine powers to integrate strategic economic and social policy, thus driving growth and

prosperity for the people that live and work there? Enabling legislation needs to give overarching coherence to the devolution programme, whilst accommodating different governance arrangements in different places.

## **2. Public service reform**

Public service reform is vital to improve outcomes and drive down costs, and in many instances it is proving to be more effective and appropriate to design and deliver interventions at a local level. Greater Manchester's recent arrangement for health and social care are predicated on this argument and there are a number of other services where local authorities are getting better results (eg employment services and skills). Where government is responsible for ensuring minimum standards and value for taxpayers' money, evidence suggests that integrated resources for locally designed public services can achieve better outcomes.

More broadly, top down re-organisation of services – whilst often under the guise of decentralisation – complicates devolution to cities. Administrative boundaries for different public services are not necessarily co-terminous, which adds complexity to efforts to work in partnership. Joint commissioning arrangements between central government, cities, public service professionals and providers (including the private sector) will have to rely on sophisticated collaboration and/or the emergence of new accountability structures.

City leaders have spoken of the impact of the re-organisation of the health service, for example, with the creation of Clinical Commissioning Groups and local Health and Wellbeing Boards taking time to embed and creating additional difficulty in integrating social care. While the aim might be an integrated system of 'networked governance', central government policy does not often support this.

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11. See Manchester City Council Press Release 'Devo Manc: Greater Manchester and Govt reach trailblazing agreement' (2014) [www.manchester.gov.uk/news/article/7015/devo\\_manc\\_greater\\_manchester\\_and\\_govt\\_reach\\_trailblazing\\_agreement](http://www.manchester.gov.uk/news/article/7015/devo_manc_greater_manchester_and_govt_reach_trailblazing_agreement)

12. See Greater London Authority Press Release 'Mayor delivers New Year boost to apprenticeships drive with £14m fund for small and medium sized businesses' (2014) [www.london.gov.uk/media/mayor-press-releases/2014/12/mayor-delivers-new-year-boost-to-apprenticeships-drive-with-14m](http://www.london.gov.uk/media/mayor-press-releases/2014/12/mayor-delivers-new-year-boost-to-apprenticeships-drive-with-14m)



### 3. Fiscal devolution

Fiscal devolution has not yet featured as much as it should, with scepticism inside Whitehall as to how this could operate in practice. In particular, do cities have credibility in managing the risks of greater fiscal self-sustainability and how can city level borrowing be accounted for, and managed, on the central balance sheet? The recently announced review into business rates may, however, create the opportunity for a more ambitious dialogue between cities and government.

Over the shorter term, combined authorities would have opportunity to demonstrate and build experience in managing retained fiscal revenues. This could quickly mean: moving to full retention of business rates, liberalising council tax raising powers and enabling retention of the proceeds of local growth via TIF, Earn Back, Gain Share or other similar models.

Over the longer term, the most mature combined authorities could borrow flexibly up to an agreed amount with HM Treasury. These ‘debt deals’ would be linked to cities’ public service reform and fiscal retention arrangements, allowing places to invest to save across multi-year settlements. There is also a case to review the reform and/or devolution of Stamp Duty Land Tax (SDLT) in England and Northern Ireland, with consideration for partial retention by city-regions.<sup>13</sup>

In conjunction with greater discretion over capitalisation (the ability to borrow or use capital receipts for revenue purposes), and setting of council tax bands, pooling funding streams and/or leveraging their full asset base (including the future value of public sector land), fiscal devolution is the fullest expression of city-based growth and reform. For example, cities aren’t currently able to borrow against the future value of public sector land, which could open up vast sources of regeneration and infrastructure investment. Cities might choose to adopt their own ‘fiscal rules’ by borrowing only for investment (rather than filling resource

gaps), but would have the freedom to choose how they managed their finance, funding and expenditure over multiple years.

### 4. Deficit reduction and a place-based Spending Review

City-led growth and public service reform will be key drivers in restoring the health of the nation’s finances. Only by aligning economic and social policy at the local scale will government be able to manage down the national deficit and respond to long term challenges such as ageing, climate change and wealth inequality.

This relationship between public service reform, economic development and sustainable, city-led deficit reduction is increasingly understood by local policy makers. However this argument is still to be won across Whitehall and might require a credible alternative to HM Treasury being the ‘backstop of local government’ if we are to see a radical step-change. While central government will continue to be responsible for allocating nationally raised revenues, where city-regions take on financial and fiscal responsibilities they need to be able to commit credibly to a real transfer of risk. In the short to medium term, payment by results mechanisms are already proving effective and should form a key component of further city-devolution deals.

Over the longer term one solution might be a local government mutual insurance levy, pooling risk across combined authorities to assist other city-regions in the event of financial difficulty. The narrow parameters of the existing Prudential Code would be a helpful start in avoiding problems of moral hazard. In any scenario, multi-year Local Government Finance settlements will be essential to enable places to invest strategically over a five–10 year period, shifting emphasis onto preventative approaches in order to realise, retain and reinvest savings achieved across government in the long-term.

However, none of the political parties have so far committed to rethinking

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13. SDLT was devolved to the Welsh Assembly in 2014 and Scotland’s reformed Stamp Duty – Land and Buildings Transaction Tax – comes into force from 2015.

the processes and principles of local government finance, or how current and future devolution deals will feature in the next Comprehensive Spending Review. Multi-year financial settlements are a precondition for genuine autonomy over local spending and investment. The Labour party has committed to devolving £30bn to city-regions over five years (see Table 2 below), but has not yet specified how a Labour government would allocate that funding: to which places, and under what circumstances. Figure 1 below shows that if Greater Manchester's November devolution deal was applied to all eight English Core Cities, the total would exceed the Labour Party's annual £6bn pledge. A mark of significant progress would be for the next Comprehensive Spending Review to allow for place-based capital and resource allocation over the course of its duration.

## 5. Capacity and collaboration

Local capacity to deliver devolved settlement and barriers to local devolution varies. Throughout the course of the City Growth Commission inquiry, local officers and political leaders identified central

government processes and initiatives as a frequent barrier to coordinated investment and tailored policy delivery.<sup>14</sup> However, many local authorities acknowledged that in many cases, and for a myriad of reasons – historic, structural and personal – consistent collaboration with neighbouring authorities is often difficult. The impact of this is perhaps greatest in house building where the Duty to Cooperate<sup>15</sup> has failed to ensure the number of homes identified in Local Plans in English city-regions is delivered.

Major metros across the UK will have to show they have – or are fast developing – the ability to deliver against new powers, responsibilities and risk sharing. At a first level, the ability for places to collaborate sufficiently to form a combined authority is an initial indicator of a city-region's capacity for governance. Combined authorities will need to demonstrate capacity for data collection and analysis, effective policy making and evaluation, and financial and risk management. The costs involved in this will not be inconsiderable and might prove to be a point of self-selection for those combined authorities prepared to invest, putting 'skin in the game'.

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TO ACHIEVE THE FULL GAINS FROM  
DEVOLUTION, IT IS IMPORTANT FOR METROS TO  
ALIGN THEIR ECONOMICS WITH THEIR POLITICS  
AND ADMINISTRATION

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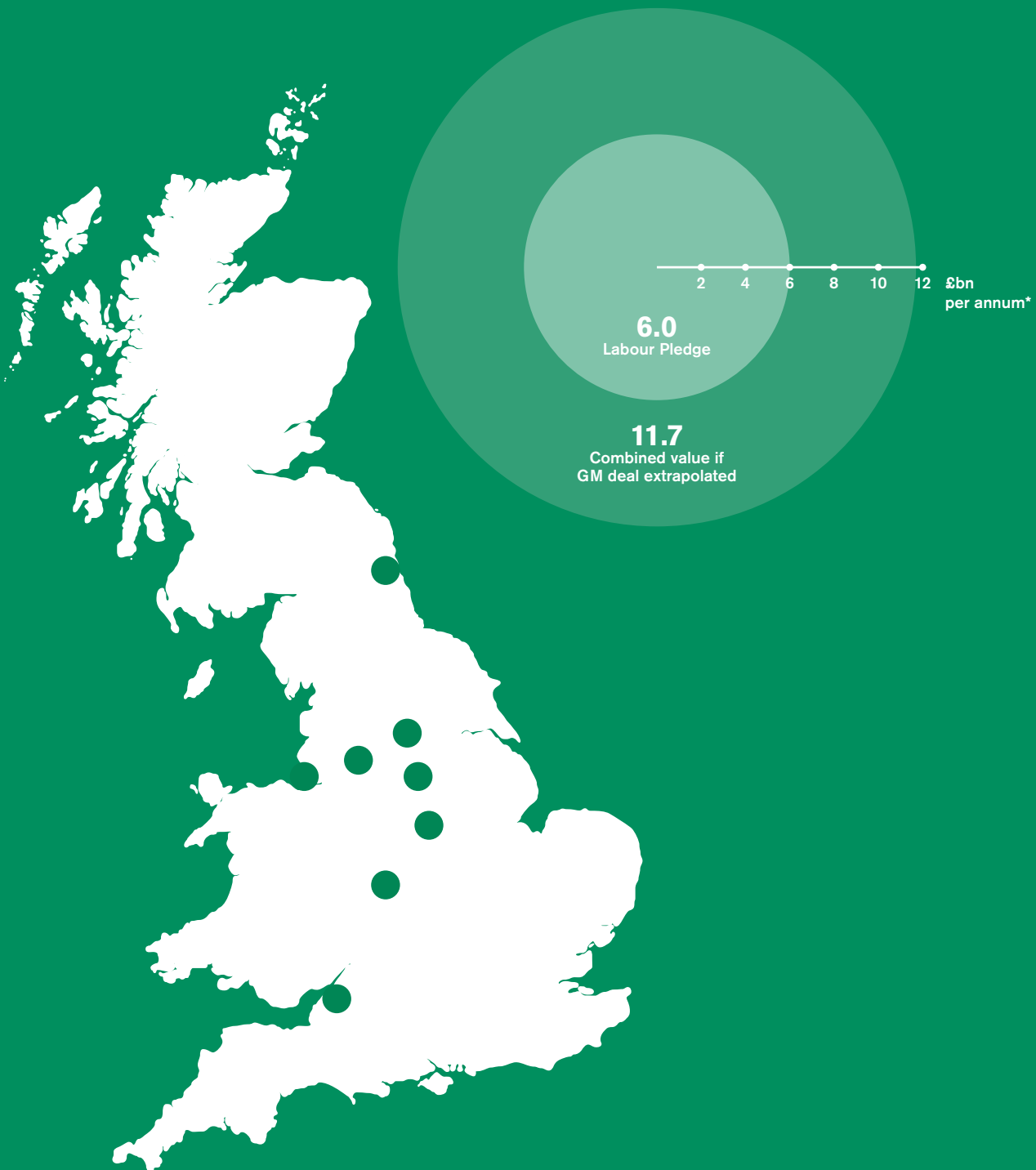
14. An example of this is Liverpool, one of the UK's biggest ports, which is currently not connected into the planned HS2 route.

Proposals initiated by One North and developed by new Transport for the North seek to enable passenger and freight connectivity from East to West. [www.gov.uk/government/publications/northern-transport-strategy](http://www.gov.uk/government/publications/northern-transport-strategy)

15. The Duty to Cooperate was created in the Localism Act (2011). It places a legal duty on local planning authorities, county councils in England and public bodies to engage constructively, actively and on an ongoing basis to maximise the effectiveness of strategic planning across local administrative boundaries. See the 'National Planning Policy Framework; Practical Planning Guidance' for more information.

# COMBINED VALUE FOR EIGHT ENGLISH CORE CITIES IF GREATER MANCHESTER'S DEVOLUTION DEAL EXTRAPOLATED (PER ANNUM)

Figure 1



\*For each of the next 5 years

Source: Respublica (2015) 'Restoring Britain's City States' with analysis by New Economy

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# A COHERENT FRAMEWORK FOR CITY-LED DEVOLUTION

The array of devolution arrangements in Table 3 illustrates the extent to which the UK is increasingly moving away from being a uniform state where public services and economic policy are determined solely from the confines of Whitehall and Westminster.

Scotland, Northern Ireland, Wales and Greater London have enjoyed a longer history of devolved powers, but often these have been limited by their scope or degree of decentralisation. For example and in terms of scope, Greater London has had very limited policy direction over public services. In terms of decentralisation, Scotland is arguably the most centralised nation of the Union. Until recently in the United Kingdom, devolution to city-regions that allows for strategic decision making and investment at the scale of functional economic areas have been the missing pieces of the puzzle.

Considerable progress has been made during the course of the recent Parliament, culminating most prominently in Greater Manchester's devolution deal and its £6bn carve out of the national health and social care budget, as well as the Sheffield devolution deal and recent announcements for Greater London.

But these steps, and others before them, have been the work of protracted negotiations behind closed doors in Whitehall – often with central government ‘moving the goalposts’, ‘marking [cities] homework’ and, in the case of Greater Manchester's health deal, without

departmental involvement. A clear process is needed to bring transparency and legitimacy to this emerging patchwork of affairs, linked to – but not impeded by – concurrent processes of wider, national level devolution within the UK.

## **Driving Devo Met through an Independent City- Devolution Commission**

The City Growth Commission argued in its final report for an Independent Devolution Committee to be established, and fast, to deliver Devo Met for our major urban areas. Our cities are home to the majority of the population and are centres of productivity, knowledge-sharing and commerce. Cities have ‘economic reach’ stretching out into surrounding towns, neighbourhoods and rural areas, driving UK economic growth and prosperity. They need to be free to make appropriate, timely and forward looking decisions in the best interest of their place and local people.

The City Growth Commission welcomed the potential of the combined authority model, enabling places to collaborate formally along functional economic boundaries they identify with and central government to engage at the scale of a city-region. Combined authority areas also provide the basis around which LEPs are reconfigured (where necessary), ensuring coterminous administrative boundaries. To achieve the full gains from

devolution, it is important for metros to align their economics with their politics and administration.

An Independent Devolution Committee – or, as argued now here, an Independent City-Devolution Commission – will ensure that city-regions which can demonstrate competence, accountability and collaboration, and have the economic platform and potential to shoulder financial risks, should be able to enter into devolution negotiations with central government. Taking this process outside the immediate political and official arena means that these negotiations are based on independent assessment of the evidence, along clear and open criteria. Ministers would then be held to account for delivering a ‘deal’ that aligns with the recommendations of the Committee, answering to Parliament as to the nature and justification of their decision.

### **What would the Independent City-Devolution Commission (ICDC) do?**

Building on the RSA City Growth Commission’s work, we recommend that a Standing Commission be established shortly after the Election, meeting first on an informal basis and then as semi-permanent entity with its authority in statute:

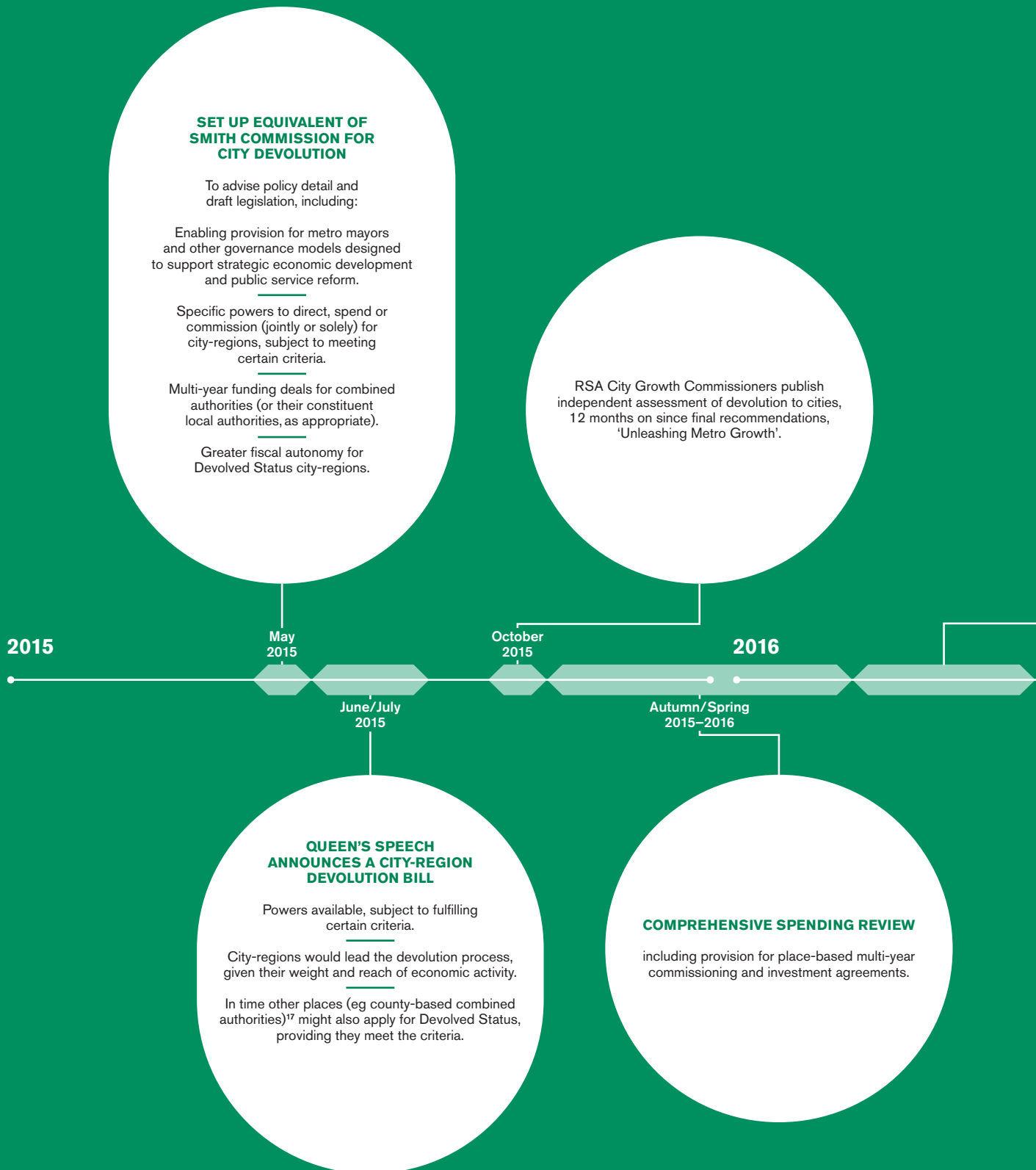
- The Commission invites bids from city-regions for devolved powers and arrangements on a rolling basis.
- The Commission would evaluate these bids, providing a comprehensive assessment as to whether and why they might be eligible and advising how unsuccessful bids could be improved – setting out clear steps for cities to pursue for bids to be re-evaluated at a later date.

- The ICDC would have a UK wide remit, analysing how devolution to cities applies in Devolved Administrations and contributing to their processes of legislative change.
- The Committee would advise upon the eligibility criteria for cities achieving ‘Devolved Status’ including a guiding list of the powers and level of multi-year funding settlements available under which circumstances.
- The Independent City-Devolution Commission will receive bids only from combined authorities. The ability for places to collaborate sufficiently to form a combined authority is a useful initial indicator of a city-region’s capacity for governance.<sup>16</sup>
- A presumption in favour of devolved powers would operate and government would be required to explain to Parliament when and why it decided against the recommendation of the ICDC.
- Metros with Devolved City Status should be reviewed at least every five years, enabling metros to bid for, and propose, new powers. Devolved arrangements could not easily be reversed, with clear principles in place as to when and how central government might remove specific powers.
- Ahead of the Spending Review the Commission would publish an interim report holding government to account for the extent to which it had enabled and/or delivered progress.
- Thereafter, the Commission would report annually to Parliament, holding government to account for the pace and degree of progress on sub-national devolution.

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16. Note that where groups of local authority boundaries do reflect functional economic areas, there should be a process in place in which these can be changed with relative ease in order to enter Combined Authority arrangements.

# TIMELINE OF ACTIVITY



17. There may be rural areas with high levels of economic self-contained areas that may wish to apply as single authorities. Cornwall is one example. For a definition and brief history of combined authorities, see Appendix 3.

**CITY-DEVOLUTION LEGISLATION GETS ROYAL ASSENT AND PUTS STANDING DEVOLUTION COMMISSION ON A STATUTORY FOOTING**

The ICDC would continue to recommend to the Quad<sup>18</sup> whether individual metros should proceed to negotiate the specifics of their Devolved Status (within a specified time period).

Spring 2016

**BY 2020 DEVOLUTION AGREEMENTS WITH ALL 15 MAJOR UK METROS<sup>19</sup>**

including Belfast, Cardiff Capital Region, Edinburgh, South Hampshire (Southampton and Portsmouth) and Tyne and Wear (Sunderland, Newcastle and Tyne Valley).

Spring 2020

2017 2018 2019 2020

June 2016

**ICDC PUBLISHES FIRST ANNUAL REPORT TO PARLIAMENT EVALUATING GOVERNMENT'S PROGRESS ON CITY DEVOLUTION**

What powers have been devolved, and where?

Overall, how might cities' bids be improved and what are the lessons for central and local leaders and policy makers?

18. The Quad is comprised of the Prime Minister, Deputy Prime Minister, Chancellor and the Chief Secretary to the Treasury. It was an arrangement designed to facilitate decision making across the Coalition during 2010–15 and may or may not be introduced in subsequent Parliaments – whether a single party in the UK government has a majority or not. The idea behind using the Quad in this model is that this group of ministers comprises the most senior figures in the Executive as relate to financial and constitutional matters.  
19. See Appendix 3.

## How would the ICDC be structured and how would it fit into the existing landscape?

The ICDC would be chaired by a leading, credible voice respected across the political parties and by central and local government alike. In a similar way to the Smith Commission, an independent chair would be appointed by the Prime Minister, agreed by members of the Quad.

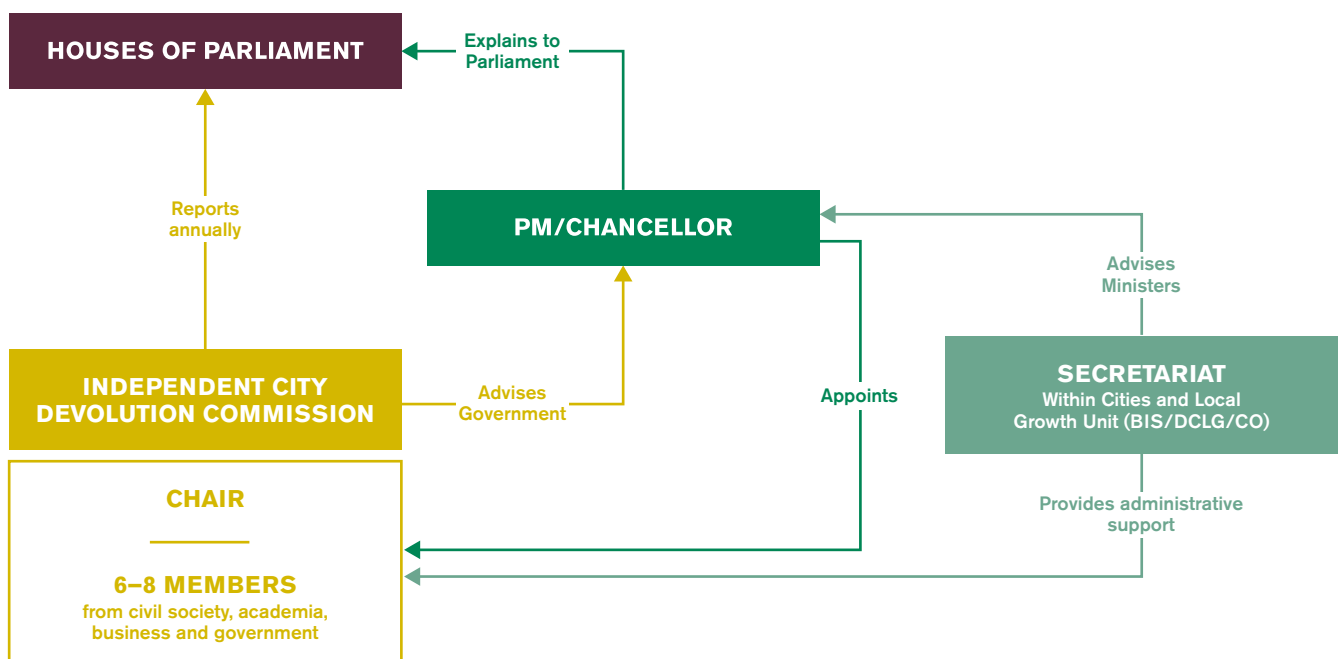
The Chair would be supported by approximately six to eight members approved by the Quad and drawn from persons with the relevant knowledge, experience or expertise that would enable them to advise upon, and assess against, the eligibility criteria for city-devolution (see box below for the City Growth Commission’s

proposed criteria). Members might include academics or leaders in civil society or business without active political affiliation, since this commission derives its authority from its independence and advisory role ‘above the fray’.

The Committee would advise the Quad directly (or equivalent under the next government) so as to ensure maximal political visibility and prioritisation. A sub-Cabinet Committee, such as that led by William Hague, Leader of the House, during the Smith Commission, would be a credible alternative. Other options include the recent proposal by Lord Faulkner to restore the No.10 Policy Unit to drive a Labour-led administration’s priorities.

Figure 2

## STRUCTURE OF THE INDEPENDENT CITY-DEVOLUTION COMMISSION AND ITS RELATIONSHIP TO PARLIAMENT AND THE EXECUTIVE (ILLUSTRATIVE EXAMPLE)





## DEVOLVED STATUS CITY-REGIONS

The City Growth Commission specified in its final report a range of measures designed to create a thriving 'system of cities' where inclusive, sustainable economic development is achieved hand in hand with effective public service reform. This would enable city-regions to design and finance more strategic and tailored local policy and programmes for skills, transport, housing and broadband infrastructure.

At the maximal end of the devolution spectrum, these measures would enable city-regions to manage their 'fiscal gap' with central government by retaining more of the proceeds of local growth and having greater financial and fiscal flexibility. These cities would be 'Devolved Status' city-regions.

Those metros with the most robust governance structures, which have a track record of delivery and risk management, should be considered for 'Devolved City Status'. This would grant the same consultation rights as the Devolved Administrations within Whitehall decision-making and UK government structure.

### Proposed key criteria for Devolved City Status

#### Capability in governance and a proven track record

- Does the metro have an effective geography, defined by its wider functional economic area?
- Does the metro have a strong track record of collaboration between its constituent Local Authorities?
- Does the metro have a robust system of governance, enabling effective decision-making and accountable leadership and management?

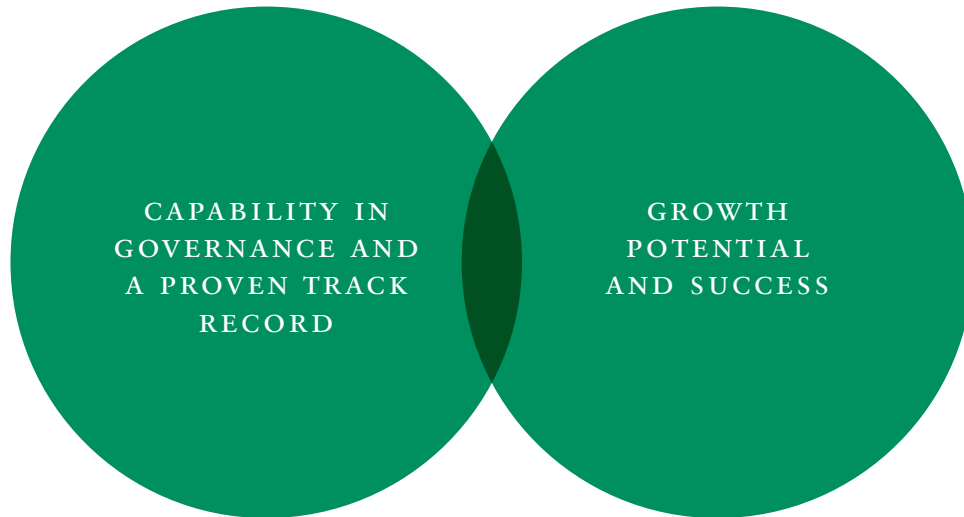
- Does the Metro have a rigorous approach to risk management and has it clearly demonstrated its risk capability?
- Has the metro demonstrated capacity to work with other metros and central government to devise and deliver regional or national projects?

#### Economic growth and potential

- Does the metro have a clear vision for its economy and public service reform over the long term, and a feasible strategic economic plan to deliver this ambition?
  - Eg has the metro considered how to nurture its innovative, enterprising economy, and attract and retain high skilled talent?
  - Eg has the metro (plans for) an integrated transport authority designed to improve connectivity within the city-region?
- Does the metro have a firm, data-based understanding of the structure of its economy, including its current strengths and weaknesses, and the potential challenges and opportunities for the medium to longer term?
- Does the metro have an effective, co-terminous Local Enterprise Partnership with robust, collaborative business leadership?
- Does the metro have an established economic development delivery capacity?
- Does the metro exhibit signs of economic potential, including established and emerging areas of growth success?

## DEVOLVED STATUS VENN DIAGRAM

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**Source:** City Growth Commission, (October 2014) 'Unleashing Metro Growth: The Final Recommendations of the City Growth Commission'

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A CLEAR PROCESS IS NEEDED TO BRING  
TRANSPARENCY AND LEGITIMACY TO THIS  
EMERGING PATCHWORK OF AFFAIRS, LINKED  
TO – BUT NOT IMPEDED BY – CONCURRENT  
PROCESSES OF WIDER, NATIONAL LEVEL  
DEVOLUTION WITHIN THE UK

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# APPENDIX 1: CITY-DEVOLUTION

## POLITICAL PARTY (PUBLIC) POSITIONS ON CITY-DEVOLUTION

Table  
1

	Conservative Party	Labour Party	Liberal Democrats
<b>Fiscal devolution</b>	<p>Against new local taxes. Enacted stronger fiscal incentives for councils to support enterprise and growth (eg by extending the local retention of business rates to 50 percent), and reducing ring-fencing so that councils are more self-sufficient.</p> <p>Greater Manchester and Cambridge (and surrounding local authorities) awarded 100 percent business rate retention in the Budget 2015.</p> <p>Introduced trigger referendum system for local authorities wishing to raise council tax. No plans to remove this.</p>	<p>Propose that councils are able to keep all of their growth in business rate revenue.</p> <p>As part of five-year devolution plan, would give local authorities greater control over funding for housing, transport, and other policy areas.</p>	<p>Support the devolution of greater tax raising powers to cities, counties and regions of England, including business rates and a review of the case for localising stamp duty land tax.</p>

	Conservative Party	Labour Party	Liberal Democrats
<b>Policy making powers and processes</b>	<p>More Growth Deals, with metro mayors a key criterion for substantial devolution of funding and policy powers.</p> <p>Working with Local Enterprise Partnerships (where boundaries determined locally, rather than centrally) and local authorities to promote jobs and growth.</p> <p>Propose helping local authorities join up public services locally.</p> <p>Support greater local accountability and direct democracy, eg local referendums.</p> <p>Will continue to support first past the post elections for Westminster and all levels of local council in England.</p>	<p>Propose giving city and county regions more power in order to re-balance the national economy, based on conclusions of 2014 Adonis review.</p> <p>Do not think devolution should be dependent on cities being run by mayors.</p> <p>Plan to keep Coalition Local Enterprise Partnerships but will reduce these in number, probably along combined authority boundaries.</p> <p>Want to prioritise localised skills training and apprenticeships.</p> <p>Support the creation of a public accounts committee for local governments to oversee how money is spent.</p>	<p>Support the devolution of greater legislative powers to cities, counties and regions of England.</p> <p>Desire the introduction of a process of 'Devolution on Demand' via an 'English Devolution Enabling Bill' which would be introduced in the next parliament if the Lib Dems are re-elected.</p> <p>'English Devolution Enabling Bill' would allow areas to demand from Westminster the powers they want from a menu of options – including many of the powers devolved to the Welsh assembly. This would be implemented via a set of 'tests' around geography, population, competence, local democratic mandate, a fair electoral system and transparent governance structures.</p> <p>Favour establishing a Cornish Assembly with legislative powers for Cornwall, which would run housing, healthcare and transport decisions.</p>
<b>Funding committed</b>	<p>The government recently released £2bn for local growth deals, and plans to invest £12bn in local economies nationwide.</p> <p>An additional £2bn and further £6bn were devolved to Greater Manchester and £31m to the Sheffield City Region in their respective devolution deals.</p>	<p>Adonis review recommends that £6bn for infrastructure, training, transport and housing be devolved each year to city-regions and combined authorities.</p> <p>Have laid out five-year devolution plan with £30bn devolved to local authorities.</p>	<p>Have not made specific funding commitments.</p>

# EXISTING CITY-LEVEL DEVOLUTION ARRANGEMENTS

Table  
2

	Greater Manchester Combined Authority (GMCA) and Directly Elected Mayor (DEM)	Sheffield City Region (SCR)	Greater London	Glasgow	Other UK cities
<b>Fiscal devolution</b>	<p>Control of a reformed earn back deal (which allows the 10 Greater Manchester local authorities to retain part of the uplift in the local tax yield in addition to the business rate), within the current envelope of £30m a year for 30 years.</p> <p>Full business rate retention awarded in the Budget 2015.</p>	<p>No fiscal powers, but will be considered in future negotiations.</p>	<p>Power to locally retain business rates, whereby councils retain 50 percent of their business rate growth, subject to a strong national equalisation mechanism.</p> <p>Discretion to offer business rate discounts.</p> <p>Ability to require a referendum if council tax was raised above a (very low) national threshold.</p>	<p>In order to maximise the impact of the Infrastructure Fund, the Scottish Government will, as part of the City Deal, explore proposals to change the current legislative provisions relating to local authority borrowing and repayment based on prudential principles.</p>	<p>Full business rate retention awarded to Cambridge and surrounding local authorities in the 2015 Budget.</p> <p>Newcastle and Gateshead will benefit from new Tax Increment Financing powers, with all growth in business rate income generated within four key Accelerated Development Zones (ADC), ring fenced by government and retained by the two Councils for 25 years.</p>
<b>Budgeting powers</b>	<p>Control of the Apprenticeship Grant for Employers in Greater Manchester and power to reshape and re-structure the Further Education (FE) provision within Greater Manchester.</p> <p>Responsibility for devolved business support budgets, including the Growth Accelerator, Manufacturing Advice Service and UK Trade and Investment (UKTI) Export Advice.</p> <p>Responsibility for a devolved and consolidated transport budget.</p> <p>Control of a new £300m Housing Investment Fund.</p> <p>Full control over health spending of £6bn a year from April 2016.</p>	<p>Control of the Apprenticeship Grant for Employers in Sheffield and the Adult Skills Budget.</p> <p>Devolved business support through the LEP's Growth Hub, including a new Export Hub from 2015.</p> <p>Possible devolution of business support from 2017.</p> <p>The Department for Work and Pensions will consult with SCR about the possibility of joint commissioning Work Programme.</p>	<p>Responsibility for transport, policing, and fire and rescue, including ability to set their budgets.</p> <p>Plans for a skills deal which will devolve Apprenticeship Grant to Employers to the Greater London Authority.</p>	<p>Responsibility for implementing the agreed projects under the Glasgow Infrastructure Fund, which pools together £1.13m in funding.</p>	<p>Devolution of Apprenticeship Grant for Employers to Leeds City Region and power to re-commission FE for West Yorkshire Combined Authority from 2017.</p> <p>Leeds City Region given greater control over employment services, business support, transport and housing/regeneration (with HCA).</p> <p>Control over skills funding and provision to combined authorities in the Midlands, including Birmingham, once they are formed.</p>

	Greater Manchester Combined Authority (GMCA) and Directly Elected Mayor (DEM)	Sheffield City Region (SCR)	Greater London	Glasgow	Other UK cities
<b>Wider policy powers</b>	<p>Power to assume the role currently covered by the Police &amp; Crime Commissioner.</p> <p>Responsibility for franchised bus services, integrating smart ticketing across all local modes of transport, and exploring opportunities for devolving rail stations across the GM area.</p> <p>Powers over strategic planning, including the power to create a statutory spatial framework for GM.</p> <p>Control of an expanded Working Well pilot, with central government funding linked to good performance up to a fixed Departmental Expenditure Limit (DEL) in return for risk sharing.</p> <p>Have the opportunity to be a joint commissioner with Department for Work and Pensions (DWP) for the next phase of the Work Programme.</p>	<p>Power to roll-out 'oyster-style' smart ticketing on all local bus services.</p> <p>Authority to make more decisions about preparation for HS2 improvements to roads and rail.</p> <p>Authority to lead discussions with Highways Agency and Network Rail, ensuring that investment decisions are in line with what local people need.</p> <p>Authority to make decisions about which assets to sell, and how to regenerate some sites, will be shared between local and national government to get the best deal for taxpayers and the local economy.</p> <p>Will enter into discussions with SCR over a public sector reform pilot from 2015 bringing together JCP, SCR local authorities and other bodies to improve outcomes for ESA claimants.</p>	<p>Responsibility for policing and fire and rescue services, including determining their priorities in London.</p> <p>Responsibility for planning and provision of transport.</p> <p>Given expenditure powers in relation to housing and regeneration, with ability to influence spend of national housing programmes.</p>	<p>No power over policymaking in justice and related services.</p> <p>Responsibility for developing a citywide single assurance framework which will guide decision making and ensure infrastructure schemes taken forward will deliver: value for money; additional economic growth; and support economic inclusion. This will include consideration of housing.</p> <p>Responsibility for designing, commissioning and implementing a new scheme to provide employment support to up to 4,000 Employment and Support Allowance (ESA) claimants and help 600 in sustained work.</p>	

# APPENDIX 2: WIDER UK DEVOLUTION

## EXISTING NATIONAL-LEVEL DEVOLUTION ARRANGEMENTS

Table  
3

	Scotland	Wales	Northern Ireland (NI)
<b>Fiscal devolution</b>	<p>Can vary basic rate of income tax by three pence (has not been used).</p> <p>Smith Commission recommends new powers in retention of Scottish income tax and VAT revenues to be implemented in the new bill.</p> <p>Will gain new borrowing powers in 2016 (Scotland Act 2012).</p>	<p>Does not yet have borrowing powers, but will gain new powers with upcoming Wales Bill.</p> <p>St David's Day 2015 package allows referendum on Welsh income tax powers, and guarantees minimum funding for Welsh government and ability to raise cash on money markets independently.</p>	<p>NI Executive has borrowing power (increasing up to £1,000 per capita).</p> <p>Extremely limited fiscal variation (Regional Rate and Air Passenger Duty taxes only).</p>
<b>Legislative and budgeting powers</b>	<p>Primary legislative powers for devolved matters.</p> <p>Provided block grant by UK government which it can spend as it pleases.</p> <p>Budget determined within a Comprehensive Spending Review alongside UK departments.</p>	<p>National Assembly can make laws in all 20 areas devolved to Wales.</p> <p>Provided block grant by UK government which it can spend as it pleases.</p> <p>Budget determined within a Comprehensive Spending Review alongside UK departments.</p>	<p>NI Assembly has full legislative powers on most economic and social matters.</p> <p>Provided block grant by UK government which it can spend as it pleases.</p> <p>Budget determined within a Comprehensive Spending Review alongside UK departments.</p>
<b>Wider policy making powers</b>	<p>Devolved powers over health (NHS) and social care, education and training, local government and housing, justice and policing, economic development and internal transport.</p> <p>Powers relating to disability and housing payments to be devolved, new £2.5bn Scottish welfare system to be created following the Smith Commission.</p>	<p>Devolved powers over economic development, education and training, health and social welfare, housing and local government, highways and transport, public administration.</p> <p>February 2015 Devolution package proposes control of energy and fracking.</p>	<p>Devolved powers over health and social care, education, employment and skills, social security, local government and housing, pensions and child support, justice and policing, economic development and transport, and NI Civil Service.</p>

## SCOTLAND AND THE SMITH COMMISSION

Scotland's devolution journey dates back to the creation of the Scottish Parliament in 1999 as enshrined in the Scotland Act of 1998. Once the Scottish Parliament was established, Scotland immediately became responsible for core devolved matters such as the NHS and education. The Scotland Act of 2012 devolved further powers in executive borrowing and income tax that are due to come into effect in 2015 and 2016 respectively.

In the aftermath of the 2014 Scottish Referendum, Prime Minister David Cameron made clear that in light of Scotland opting to remain part of the UK the pre-referendum commitments made by the three main pro-union parties to deliver further devolution of powers would be honoured.

To determine how this would be done, Lord Smith of Kelvin was invited to bring together Scotland's five main political parties in order to reach an agreement on the future devolution of powers. This 'Smith Commission' concluded in favour of a new set of powers for the Scottish Parliament, which will be translated into a bill at the beginning of the next UK Parliament in 2015.

Planned changes include:

- Scottish income tax revenues will be retained by the Scottish Government to be spent in Scotland, rather than being pooled and redistributed across the UK. The Scottish Parliament will control 60 percent of spending in Scotland and retain 40 percent of Scottish tax.
- Powers relating to disability and housing payments will be devolved, and the ability to create new welfare payments will deliver a Scottish welfare system with a starting value of £2.5bn a year (one quarter of all welfare spending outside the state pension).
- The Scottish Government will be given the power to change the frequency of Universal Credit Payments, vary existing plans for single household payments, and pay landlords directly for housing costs (in Scotland). It will also be solely responsible for the employment programmes currently contracted by the Department for Work and Pensions (DWP).
- The Scottish Parliament will acquire the power to extend the franchise to 16 and 17 year olds in time for the 2016 Scottish Parliamentary elections, should it wish to do so.
- Receipts raised in Scotland by the first 10 percentage points of the standard rate of VAT will be assigned to the Scottish Government's budget.



# APPENDIX 3: DEFINITIONS OF METROS AND COMBINED AUTHORITIES

## COMBINED AUTHORITIES

- A combined authority is a legally recognised entity able to assume the role of an integrated transport authority and economic prosperity board. The first combined authority was established in April 2011 as an indirectly elected, top tier, strategic authority for Greater Manchester. Combined authorities have since become a means to achieve additional powers and funding as part of 'city deals' to metropolitan areas. In April 2014, four combined authorities were created in order to coordinate transport, economic development and regeneration. These combined authorities were formed voluntarily, allowing groups of local authorities to pool funding and responsibility to govern more effectively over a wider area.
- In addition to the Greater Manchester Combined Authority, the list includes Liverpool City Region Combined Authority, North East Combined Authority, Sheffield City Region Combined Authority, and the West Yorkshire Combined Authority. A further combined authority is proposed for the West Midlands conurbation around Birmingham, to be formed in 2015. Councils in the Tees Valley area, including Middlesbrough, Hartlepool, Redcar and Cleveland, Stockton and Darlington, have also announced plans for a combined authority. Respectively, Nottinghamshire and Nottingham, and Derbyshire and Derby, are also developing combined authorities with a single LEP 'N2D2' overarching these. Buckinghamshire, Oxfordshire and Northamptonshire have agreed to bid for a combined authority and are negotiating agreement with their district councils.
- In 2014 the government consulted on changes to the legislation governing combined authorities. Proposed changes included extending the legislation to Greater London, Wales and Scotland.

The RSA City Growth Commission used travel to work areas to define new metro areas, including city centres and their surrounding hinterlands.

## CITY GROWTH COMMISSION COMPOSITION OF METRO AREAS

Metro	2011 Census population	Composition of metro area
<b>London Metro</b>	12,578,981	London built-up area, plus following built up areas over 100,000: Luton, High Wycombe, Crawley, Chelmsford, Southend, the Medway Towns, Slough, Farnborough/ Aldershot, Basildon and Reading
<b>Greater Manchester Metro</b>	2,894,240	Manchester, Wigan and Warrington built-up areas; includes Glossop and Wilmslow
<b>West Midlands Metro</b>	2,800,248	Birmingham, Wolverhampton, West Bromwich, Dudley, Walsall, Solihull, Coventry, Bedworth built-up areas
<b>West Yorkshire</b>	1,777,934	Leeds, Bradford, Wakefield, Huddersfield, Dewsbury, Keighley, Halifax built-up areas
<b>Glasgow Metro</b>	1,601,154	ONS-defined agglomeration
<b>Merseyside Metro</b>	1,189,386	Liverpool and Birkenhead built-up areas. Comprises Liverpool, Bootle, Litherland, Crosby, Prescot, St. Helens, Ashton-in-Makerfield, Birkenhead, Wallasey, Ellesmere Port, Bebington
<b>Tyne and Wear Metro</b>	1,110,306	Tyneside and Sunderland built-up areas. Comprises Newcastle upon Tyne, Gateshead, South Shields, Tynemouth, Wallsend, Whitley Bay, Jarrow, Sunderland, Washington, Chester-Le-Street, Hetton-le-Hole, Houghton-le-Spring
<b>South Yorkshire Metro</b>	1,066,790	Sheffield, Rotherham, Rawmarsh, Barnsley/Dearne Valley and Doncaster urban areas: (Barnsley, Wath upon Dearne, Wombwell, Hoyland, Doncaster, Bentley, Armthorpe, Sprotbrough)
<b>East Midlands Metro</b>	1,000,445	Nottingham and Derby built-up areas: Nottingham, Beeston, Carlton, West Bridgford, Ilkeston, Hucknall, Derby, Borrowash, Duffield
<b>South Hampshire Metro</b>	855,569	Southampton and Portsmouth built up areas: includes Eastleigh, Gosport, Fareham, Havant, Horndean, Locks Heath/Bursledon/Whiteley and Hedge End/Botley built up areas
<b>Edinburgh Metro</b>	853,253	Edinburgh, Dunfermline and Livingston built-up areas
<b>Cardiff Capital Region Metro</b>	754,131	Cardiff and Newport built up areas
<b>Bristol Metro</b>	731,776	Bristol, Filton, Pill, Frampton Cotterell, Winterbourne, Bath, Keynsham, Saltford built-up areas
<b>Belfast Metro</b>	579,554	Built-up area
<b>Leicester Metro</b>	508,916	Leicester, Syston, Whetstone, Birstall, Narborough, Enderby built-up areas

**Source:** City Growth Commission (February 2014) 'Metro Growth: The UK's economic opportunity' based on Office for National Statistics built up area definitions of continuous commercial or residential development, aggregated along travel to work area patterns.

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