



Economy First

A pragmatic English Devolution White Paper

October 2024

Reports that the English Devolution White Paper will be published before the end of the year are welcome. The Government is correct to see devolution within England as a priority and at the centre of their strategy on the economy and public services reform. The national debate on devolution is picking up in response.

At the heart of the debate is the geographies to which powers are devolved. This is a complicated issue that is not without controversy.

Pragmatism is to be commended; local government reorganisation is not for the fainthearted. But if ‘easy’ devolution avoids the difficult questions on geographies, the risk is that it will limit the benefits that devolution can achieve in the future.

To avoid this, the Government should take an economic geography-led approach to devolution. Economic geography should be at the centre of devolution to both the big cities and the shires. A simple system of combined authorities for the big cities and large county unitaries – with the powers of local authorities and combined authorities – for the shires is easier to accomplish than the alternatives and would have the best chance of improving outcomes.

Proposals that prioritise “scale” rather than alignment with economic geography risk wasting time and capacity on structures that will struggle to improve economic outcomes or absorb future reforms to public services.

This briefing is divided into three sections. The first sets out what the purpose of the English Devolution White Paper should be. The second sets out the risks the English Devolution White Paper must avoid. The third sets out what the English Devolution White Paper must change, and shows how this should be done.

What is the purpose of devolution?

1. Devolution should reconnect local government to local economies.

Local government faces two big problems. The first is that it is in the middle of a serious funding crisis, with the legal duties of social care, homelessness, and Special Educational Needs and Disabilities taking up ever larger shares of local budgets. In the short-term, councils need more grants from central government to stay afloat, but this is not sustainable in the medium term.

Second, local government in many places is fragmented across economic geography, so that it is hard for local and national policy to respond to places' economic and social needs.

These are two chunky issues that devolution can address over the medium term by reconnecting local government to local economies. Allowing councils to fund public services by growing their economy and tax base is how to solve the first problem. Aligning local government around economic geography would deal with the second, and maximise the ability of councils to shape growth and to benefit from it.

2. Devolution should look to make local government simpler.

Although big changes to local finance are not currently on the table, fixing the geography of local government also unlocks fiscal devolution and stability for local finances and services.

Local government is currently a mix of various different structures, with some areas covered by single-tier unitary authorities, others covered by two-tier district and county authorities, and some now having combined authorities above either unitaries or counties with districts below them, in the latter cases creating a triple-tier structure. A test of any devolution proposal should be whether it helps simplify local governance or compounds this complexity.

3. Devolution should prioritise existing commitments to deepen devolution.

The political imperative to “fill in the map” is understandable. But, given scarce government resources, there is likely a trade-off between going wider on devolution and going deeper. Given the contribution that those areas that have a deal already make to the national economy (34 per cent of England's land but 54 per cent of economic output), the economic payoff from going deeper will be much greater than from widening devolution.

The trailblazer deals announced for Greater Manchester and the West Midlands were rightly heralded as big steps in the devolution agenda, partly because they would set a precedent for other places to follow. There is some discontent that progress has been slower than expected – particularly on the Single Settlements – and there are rumours that new ministers are having a change of heart as they realise the implications of the Trailblazer Deals for their responsibilities.

Clawing back the devolution promised to the vanguards would be a step backwards. Given this, the White Paper should be explicit that Government will continue to move at the pace of the quickest, rather than the slowest, as it has done since city-region devolution began in 2014.

Risks for the English Devolution White Paper

At the heart of these principles is getting the geography right. Specifically, creating a devolved body that doesn't reflect the geography that people live their lives over:

1. Risks making local government more complex

The core principle for determining a devolution geography should be that it matches powers to the area an economy functions over, so that local economic policy (e.g. bus franchising, housing and strategic planning, skills) can be best tailored to this area. Forthcoming 'Local Growth Plans' are supposed to drive national growth across England by fulfilling this principle.

Unfortunately, the invitation to local authorities to "come forward" on devolution has seen a number of confused geographies emerge which seemingly value "scale" over economic geography, as highlighted in [Local Government Chronicle's map on emerging deals](#), such as "New Wessex", or "Bedfordshire and Northamptonshire".

A New Wessex authority would need to come up with a Local Growth Plan that applies to both Bournemouth and Minehead, two places 75 miles apart and with no connection to one another. Similarly, a future authority for Bedfordshire and Northamptonshire would be responsible for three distinct urban economies with different needs and priorities.

Other indications that the Government wants devolution deals to contain at least two upper-tier authorities risks creating similarly bloated combined authorities, especially where county council boundaries are already aligned with economic geography. In contrast, small authorities with no interest in co-operating with their neighbours risk becoming "stranded" outside the mainstream.

The combined authority structure was initially created by and for the big cities to solve their unique problem – a number of small and similar unitary councils all part of a larger city-region economy. Simply extending that structure outside of the big cities to the varied situation in the shires risks creating a triple-tier structure in two-tier counties, and clunky structures comprising only two or three, often very different, authorities in others. This increases local government complexity rather than reducing it.

2. Risks making future reforms to local government finance and public services more difficult

Easing the local government funding crisis (and how public services are funded) will require a rewiring of how local government is funded, including devolving tax raising powers. We are by far the [most fiscally centralised country in the G7](#), with only five per cent of taxes collected locally.

Tax devolution will work best if it is done over an appropriate geography that covers both (typically) poorer urban dwellers and (typically) wealthier commuters living in each urban area's hinterland. Otherwise, neither tax raising and redistribution nor the possibility of using local economic growth to raise revenues for local services stack up. We set out why this is the case in more detail in our report [Devolution Solution](#).

With many local authorities now warning that their finances are approaching breaking point, spending precious civil service bandwidth and the early years of a new government creating structures that cannot absorb a big increase in fiscal autonomy risks becoming a critical missed opportunity for public finances and services reform.

A pragmatic English Devolution White Paper

There is still a chance to avoid these issues. A clear emphasis in the English Devolution White Paper on economic geography, with an eye on local finance reform, creating simpler local government, and a national shift to mayoral leadership would ensure devolution fixes problems rather than creating more.

The approach would be simple and pragmatic, with three requirements:

1. Use High Skill Travel to Work Areas to define economic geography.

Competing definitions of economic geography and competing considerations for devolution can make it appear difficult to develop a clear preferred geography.

High Skill Travel to Work Areas (HS-TTWAs) – essentially the commuting areas of higher skilled workers – are the best geography for devolution to aim towards, for two key reasons.

First, HS-TTWAs are larger than “regular” Travel to Work Areas, and so include a mix of affluent and poorer neighbourhoods, making it possible for them to absorb fiscal devolution without increasing inequality.

Second, HS-TTWAs are small enough that large cities and counties with urban economies are consistently contained within distinct HS-TTWAs.

They capture the geography that housing and labour markets operate over and are a sensible scale for local economic policy, such that improvements in planning, transport, and skills have the best possible chance of increasing local and national growth.

2. Use district councils to build simple devolution structures that match economic geography.

Most modern devolution proposals use upper-tier county and unitary councils as their basis. This is understandable; lower-tier district councils have few powers, and moving them from one county to another or promoting them to unitary status solves few of the problems facing local government or local economies.

The big advantage in using district councils as the building blocks for devolution is that it allows for closer alignment between new structures and economic geography without redrawing the boundaries from scratch, because they are smaller than counties and many unitaries. This may make the devolution process more complicated than just dealing with upper-tier authorities. However, the end result is a simpler local government system, if districts are then promoted to unitary boroughs in combined authorities and merged into new unitary authorities elsewhere.

3. Combined authorities for the big cities, county unitaries for the shires.

For “wider” devolution to work, the counties need distinct devolution arrangements to the big cities.

Combined authorities in the big cities are the “strategic” economic service providers working with local authorities that deliver “personal” social services.

In the shires, which have local economies with larger areas but smaller populations than the big cities, “strategic” and “personal” services see economies of scale over very similar areas. Two-tier government therefore becomes much harder to justify in shires that are to be governed according to economic geography, especially when county councils already deliver most “personal” services.

The English Devolution White Paper should prioritise combined authorities in the big cities, with governance split between metro mayors and boroughs, and unitary county authorities elsewhere in the country.

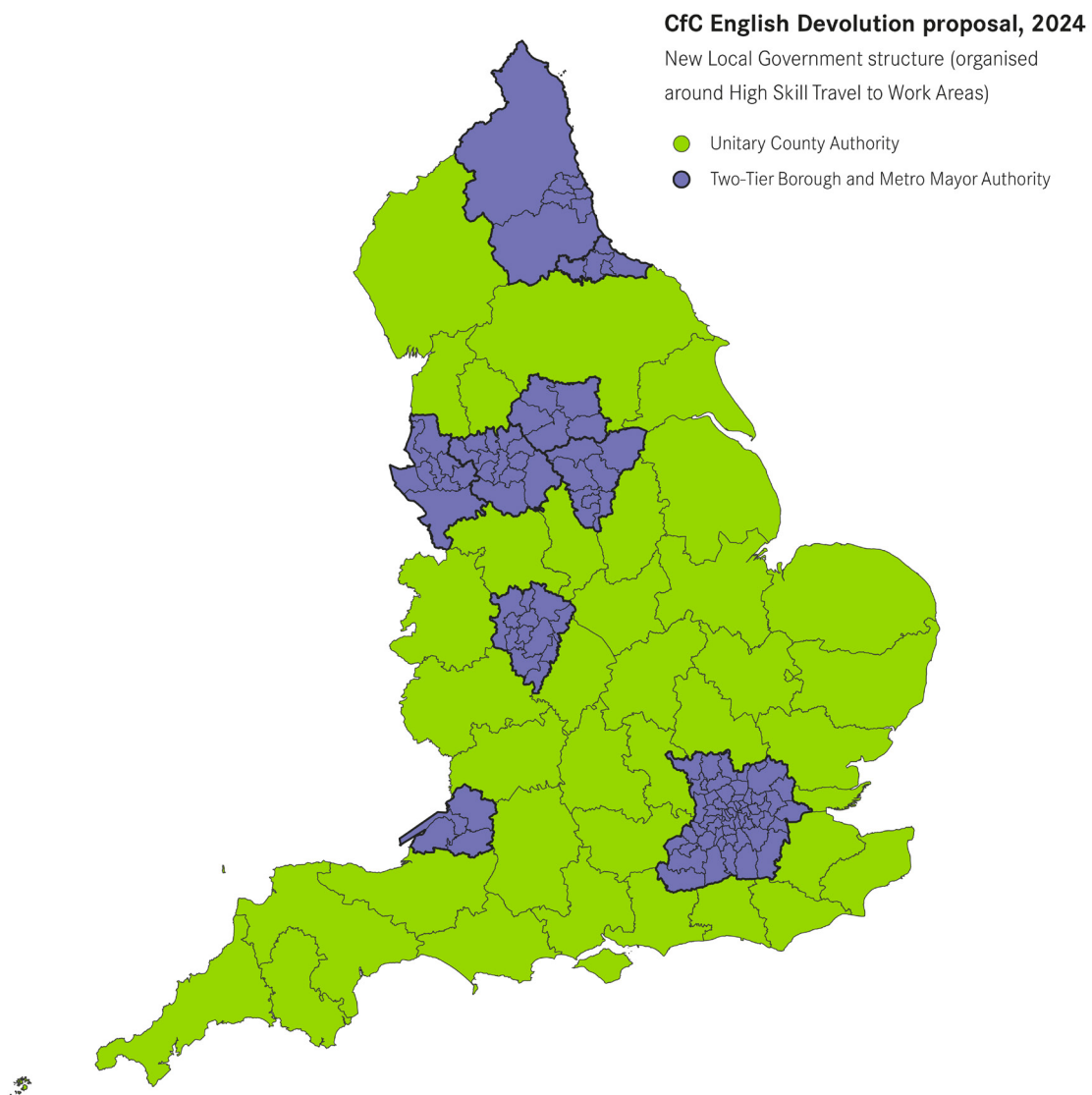
These unitary counties should have the powers of both local authorities and combined authorities under devolution. The logic is the same as that of the Redcliffe-Maud Report, still widely considered the best proposal for local government reform in England since it was accepted and almost implemented by Harold Wilson in 1969.

This may seem radical. But all of the big cities now have combined authorities, and unitarisation is already half-complete in the shires and completed in the devolved nations. Only one two-tier county remains in the North (Lancashire), and experienced local government commentators recognise [unitarisation is already the direction of travel](#). Reports suggest [the Government is considering this option in the White Paper and it should pursue it](#).

A map for wider and deeper devolution

Figure 1 sets out the devolution map based on the principles laid out in the briefing. The map uses lower-tier authorities as building blocks and defers to existing structures and identities when economic geography is awkward.

It replaces the 317 authorities with economic powers today with 48 unitary counties and two-tier combined authorities, with 118 boroughs beneath the combined authorities. Of the 48, 21 are either the same as today (e.g. Cornwall, West Yorkshire), or involve “obvious” reform (e.g. Cumbria; Shropshire; Suffolk).

Figure 1: Centre for Cities' proposed map for English local government

Source: [Centre for Cities \(2024\)](#)

There are challenges with the map. For example, Hampshire County Council is split into three different unitaries. These kinds of changes are challenging to some people for civic identity reasons, and for others for institutional complexity reasons.

But there is precedent for this approach, including in the local authority of devolution minister Jim McMahon. Parts of what are Oldham local authority today were transferred from Yorkshire into Greater Manchester in 1974. This wasn't without controversy either. And yet now the residents of Saddleworth in Oldham, because they have a metro mayor, will soon reap the benefits of a publicly controlled bus system that will give them more frequent, more reliable and cheaper buses while still enabling them to retain their Yorkshire identity.

Other proposals are less pragmatic

The map in Figure 1 is more pragmatic than other proposals that emphasise “scale” and risk disconnecting local government from both economic geography and civic identities.

For example, Somerset, Wiltshire, and Dorset all remain as principal local units in this map, instead of being subsumed into a “New Wessex” geography as set out in the emerging map published by Local Government Chronicle. Giving more powers to reformed Norfolk, Gloucestershire, and Oxfordshire County Councils, among others, is more pragmatic than creating entirely new structures from scratch.

Economic geography-led devolution will give us the best chance of increasing prosperity across the country

The English Devolution White Paper will inevitably have to balance other priorities alongside economic growth including identities, practicalities, and public services, and compromises will need to be struck along the way.

An economic geography-led approach is the best place to start from as it sets the stage for future reforms. The closer that local government is to a structure that reflects economic geography, the easier it becomes to pursue economic growth, address the local government funding crisis, and improve other public services.

Ultimately, this is what pragmatic devolution really means. A system of effective local government that provides solutions rather than problems for national government will be one that can continue securing more rounds of devolution and the transfer of more competencies from Whitehall. A strong economic geography framework would make this possible and should be at the centre of the English Devolution White Paper.

Contact

Anthony Breach, Associate Director

a.breach@centreforcities.org | 020 7803 4306

About Centre for Cities

Our mission is to help the UK's largest cities and towns realise their economic potential.

We produce rigorous, data-driven research and policy ideas to help cities, large towns and Government address the challenges and opportunities they face – from boosting productivity and wages to preparing for Brexit and the changing world of work.

We also work closely with urban leaders, Whitehall and business to ensure our work is relevant, accessible and of practical use to cities, large towns and policy makers.

For more information, please visit www.centreforcities.org/about

Partnerships

Centre for Cities is always keen to work in partnership with like-minded organisations who share our commitment to helping cities to thrive, and supporting policy makers to achieve that aim.

As a registered charity (no. 1119841) we rely on external support to deliver our programme of quality research and events.

To find out more please visit: www.centreforcities.org/about/partnerships

© Centre for Cities 2024

Centre for Cities Second Floor, 9 Holyrood Street, London SE1 2EL

www.centreforcities.org

Centre for Cities is a registered charity (No 1119841) and a company limited by guarantee registered in England (No 6215397)