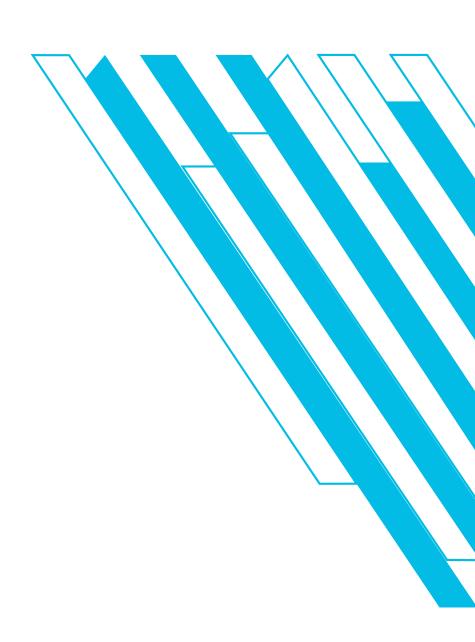


Making devolution deals work



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Contents

1. Introduction	
2. Background	5
3. Devolution deals	6
The development of the current deals process	6
Opportunities provided by devolution deals	8
Challenges brought about by the devolution deals process	8
Developing our guide	10
4. A guide to making effective devolution deals	11
Aims and outline of the guide	11
Who should use the guide?	12
Notes	24
About the authors	27

INTRODUCTION

1. Introduction

UK governments of different types have attempted to create new forms of subnational democracy and to decentralise power for the past two decades. However, by international standards, political control – within England at least – remains highly centralised.

At the Institute for Government we are interested not only in how government can decentralise – transfer power from higher to lower levels of aggregation – but also in improving the effectiveness of subnational tiers of government, and helping different layers of government to work better together in the future.¹

In this report we attempt to address these challenges in two ways. First, we take a look at the current devolution deals process in England – discussing its history and analysing the opportunities and challenges that it presents for achieving more effective government (see Chapter 3). Second, we present a practical tool – developed from a recent project in which we looked closely at devolution in one particular policy area – which aims to help guide decision makers across different policy areas as well to consider what, and how, to devolve (see Chapter 4).

BACKGROUND

2. Background

This report has its origins in a project that the Institute for Government – in partnership with the Gatsby Charitable Foundation – conducted over the summer and autumn of 2015. In the context of a new government that was aiming to achieve a 'devolution revolution', and anticipated heavy cuts to the adult skills budget in the Spending Review, our task was to take a detailed look at the devolution of skills policy within England and to use this to ask wider questions about what makes an effective devolution deals process.

We conducted a detailed literature review and interviewed 34 people from across the national and local skills policy landscape in England to identify the challenges and opportunities presented by skills devolution. From this we created a guide for central government officials, and also those working in local areas, to think through how to create and steward a new, more locally responsive, skills system.

In the course of this skills-specific piece of work, we uncovered a great deal of useful evidence about the questions and considerations that should be in the minds of decision makers when drawing up and evaluating proposals for devolution in other policy areas too. It is this broader evidence base on which we have based this report and our guide for effective devolution deals.

3. Devolution deals

The development of the current deals process

In the summer of 2014, the Chancellor of the Exchequer gave the first speech in which he talked about a 'Northern Powerhouse',² signalling the start of a new devolution programme aimed at devolving powers to cities in the north of England, with the aim of stimulating growth and productivity and tackling the north–south divide. While there have been many attempts at devolving powers in the past – including recent initiatives such as City Deals³ – this new devolution effort was to be distinct for a number of reasons:

- It had strong leadership within Whitehall. It was clear that this process was to be led by HM Treasury. Previous efforts to decentralise have foundered because their sponsoring department did not have the necessary clout to compel other departments to give up power. Having a strong department such as the Treasury leading the charge, greatly improved this initiative's prospects for success. Alongside this focus from the Treasury, a reformed and cross-departmental Cities and Local Growth Unit emerged, with the purpose of providing both support and challenge functions around devolution proposals for local areas and Whitehall departments. Increasingly, this unit has worked closely with an expanded team within the Treasury, who lead on centre—local negotiations and the evaluation of different areas' proposals.
- It had strong, clear political leadership. The devolution agenda, and the 'Northern Powerhouse' initiative in particular, is closely and personally associated with the current Chancellor. In previous work, the Institute for Government (IfG) has emphasised the importance of strong political leadership for decentralisation to be successful. Without this kind of leadership from the top, it is much more likely that Cabinet ministers will defend their own 'territory' and resist attempts to empower local areas at their own department's expense.
- It tied a promise of meaningful devolution to a demand for local governance reform. The Chancellor, in his first 'Northern Powerhouse' speech, said that he was willing to enter into negotiations over "serious devolution of powers and budgets for any city that wants to move to a new model of city government and have an elected mayor". 5 So, unlike City Deals or the mayoral proposals that preceded them, this initiative signalled the recognition by central government that meaningful devolution requires subnational structures that exist at an appropriate scale to take on tasks currently performed by Whitehall, and that these would likely require new forms of visible, accountable leadership.

Between the summer of 2014 and the general election in May 2015, several 'devolution deals' were agreed between HM Government and city regions:

- Greater Manchester Combined Authority (November 2014, with additional powers granted in February and March 2015)
- the Sheffield City Region Combined Authority (December 2014)
- the West Yorkshire Combined Authority (March 2015).⁶

We learned from these deals that central government was willing to recognise and reward Greater Manchester for its history of joint working, its shared plan and vision for devolution and its acceptance of a new governance model. However, the Sheffield and West Yorkshire deals showed the limitations of local areas only accepting part of the Treasury's desired governance reforms. A combined authority model meant that central government was

willing to deliver metro-wide powers that went further than those areas' City Deals, but the unwillingness of Sheffield and West Yorkshire to adopt directly elected mayors left their deals far from the more radical reform promised in Manchester's agreement.⁷

In May 2015, the future of English devolution after the general election seemed unclear, with the main political parties offering quite different proposals to continue this agenda. The IfG wondered whether devolution would remain a high-level political priority in any of the possible post-election outcomes. However, after the formation of the new Conservative Government in May 2015, one of the Chancellor's first announcements was that he would be pushing ahead with this decentralising drive, reiterating that there was a devolution deal on offer to cities willing to adopt city-wide mayors. This was quickly followed up by:

- the introduction of an enabling Bill in late May the Cities and Local Government Devolution Bill
- the inclusion of further powers for Greater Manchester in the post-election July Budget
- the announcement of a comprehensive devolution deal for Cornwall (July 2015).10

In addition to maintaining a focus on devolution, the new government put in place strong, cross-departmental political leadership to lead these efforts. The appointment of Greg Clark – cities minister and arch-decentraliser of the Coalition Government – to Secretary of State for Communities and Local Government signalled the Prime Minister and Chancellor's continued association with and support for devolution. The IfG has previously been sceptical about the extent to which English devolution would remain a political priority for those at the very top, so the appointment of dedicated 'Northern Powerhouse' ministers in the Department for Communities and Local Government (DCLG) (James Wharton) and the Treasury (Lord O'Neill) to maintain momentum and oversee progress on devolving power appears to be a shrewd move.¹¹

66the new government put in place strong, cross-departmental political leadership to lead these [devolution] efforts 99

In late July 2015, the Government clarified the process ahead for other areas seeking devolution deals, announcing that local areas' proposals for devolution – including from non-metropolitan areas – were to be submitted to the Treasury within just seven weeks for consideration in the Spending Review. Since the 4 September deadline for the submission of local areas' proposals – by which time 38 bids had been received – further deals have been announced in:

- the Sheffield City Region Combined Authority (October 2015)
- the North East Combined Authority and the Tees Valley Combined Authority (both October 2015)
- the Liverpool City Region Combined Authority and the West Midlands Combined Authority (both November 2015).¹³

We have learned from these deals that, as promised, there are significant powers and freedoms on the table for areas other than Greater Manchester that are also willing to adopt a mayoral governance model. So while the Sheffield City Region devolution deal in December

2014 was fairly limited, the new 2015 deal in which the City Region agreed to a mayoral model went considerably further, and is similar in many respects to the original Manchester agreement. However, with the exceptions of Cornwall and the North East Combined Authority (which incorporates County Durham and Northumberland), devolution deals to date have focused on urban, metropolitan areas. ¹⁴ Since more than half of the proposals submitted by the 4 September deadline dealt with devolution to county – and often predominantly rural – areas, it remains to be seen how far beyond the city-region boundaries the current devolution process will extend.

Opportunities provided by devolution deals

The evidence for the benefits of devolution in the UK is patchy and contested. However, three opportunities form the basis of most arguments in favour of the process:

- Boosting economic growth and productivity. The Treasury bases its case for devolution on the analysis that, by giving local areas powers over economic enablers such as housing, transport, skills and infrastructure, they will be able to boost economic growth and productivity locally. Particularly within the north of England, this has been connected to a desire to address the gap between the economic performance of London and the northern cities. While the evidence about the effects of devolution and city-region governance on economic performance is limited, the current balance of opinion in many influential groups think-tanks, local government and many academics tends to support this analysis.
- Joining up and reforming public services. To some, devolution offers the chance to better join together public services at a local level, gaining efficiencies from closer working between services such as employment, health, skills, education, transport and social care. In addition to creating more cost-effective public services, devolution could – in this view – also lead to a simpler and clearer landscape of local services for citizens.¹⁵
- Increasing innovation and experimentation in public services. Many argue that
 devolved systems offer greater scope for local areas to innovate and experiment.
 Devolution could both provide a greater number of opportunities to try new ways of
 working, and lead to smaller, more localised services that are able to fail and adapt
 with fewer consequences than for large, uniform national systems.

Challenges brought about by the devolution deals process

There are a number of challenges brought about by the devolution deals process – concerns that are particularly relevant to decision makers across Whitehall. Some of these decision makers are responsible for evaluating local areas' proposals for devolution within their own, single policy area – for example, policy advisers in the Department for Business, Innovation and Skills (BIS) focusing on skills policy or advisers in the Department for Transport focusing on local transport policy. Others are looking at local areas' proposals as a whole and evaluating their impact across multiple policy areas – for example, officials within the cross-departmental Cities and Local Growth Unit or the Treasury's devolution teams.

The challenges are as follows:

The current devolution proposal and negotiation process has been opaque.

Many local areas feel that their negotiations with Whitehall have occurred within a vacuum, in which they haven't understood what they could and couldn't bid for.

Central government deliberately did not articulate a vision for what it thought devolution could achieve, as this was seen by ministers as going against the grain of a deal-making process that should start with what local areas want. However, it is clear that some programmes or policy areas are 'off the table' for negotiation, and it has become apparent that government does have unspoken expectations around proposals concerning scale and governance. To some extent, these unwritten rules have been demonstrated by the remarkable consistency of aspects of many of the deals agreed to date – including the use of identical phrasing to describe powers and flexibilities that were intended to be bespoke to the needs of different areas. However, it may have avoided wasting the precious time and effort of local areas asking for devolution in policy areas that they were never going to get.

- The timeline for the 2015 post-election devolution deals process has been extremely compressed and many are unclear about the future timeline. Local areas told us that the short time they had over the summer to prepare their bids did not give them sufficient time to do the extensive local partnership development work that was needed in order to put forward credible and deliverable proposals. In addition, although the Spending Review document states that 'the government will work towards further devolution deals with other major city regions', it is unclear what will become of those proposals that are not from 'major city regions' and have yet to become any form of deal.¹⁸
- Weak centre–local relations have put sustainable devolution at risk. Many local actors have told us that they feel that working relationships with Whitehall officials have deteriorated over recent years, suggesting that reductions to central departments' and agencies' budgets have led to less capacity to engage locally. As our work on relations between the four governments of the UK has shown, Whitehall is not always adept at understanding what is happening on the ground, or how to deal with asymmetric distributions of power and authority. Devolution deals will inevitably lead to greater asymmetry and will reduce central government's direct authority in many areas. Whitehall will need to come to terms with its new role. Where powers have been directly transferred this might simply mean Whitehall doing less. However, in other areas it may mean building new capability and adapting to different ways of working to match this new reality.
- It is not clear who in Whitehall will lead the devolution agenda in the medium and long term. HM Treasury involvement in driving the deal-making process has been critical to achieving the devolution deals struck to date, but its involvement should not end there. Spending Review settlements are the start of the process, not the end, and the Treasury needs to stay involved in the implementation phase, or agreements risk becoming watered down and ineffective. Without a powerful champion for the deals process, departments will be able to row back on the pledges that were made when an 'in principle' agreement was signed. It is not yet clear how the Treasury sees its role in the devolution agenda going forward while the Spending Review document discussed the role of the DCLG in continuing to 'oversee delivery of devolution deals agreed with city regions and other areas', it did not outline a similar future role for the Treasury.²⁰

66HM Treasury involvement in driving the deal-making process has been critical to achieving the devolution deals struck to date 99

Developing our guide

We drew on these opportunities and challenges of the devolution deals process to develop a guide for effective devolution deals, to help decision makers make the most of the opportunities offered by devolution, while mitigating the potential risks.

We hope that this guide – described in the next chapter – proves to be a useful tool for central government officials and local actors alike in thinking through some of the issues and challenges involved in devolution, and in creating a more effective devolution deals process for the future.

4. A guide to making effective devolution deals

Aims and outline of the guide

Our guide is designed to be a useful tool for policymakers and others who are developing, negotiating and assessing proposals for subnational devolution put forward by different local areas. It is based on the assumption that devolution in this Parliament will continue to operate on a broadly similar model to the 2015 process, with areas negotiating with central government to develop workable plans, and receiving flexibilities that they have identified as locally important.

The guide suggests four sets of questions for policymakers and decision makers to consider. These questions should help to test and refine plans, and to stimulate further thinking, but they are not intended to be a comprehensive set of decision criteria.

66 These questions should help to test and refine plans, and to stimulate further thinking 99

The guide has been adapted from a more detailed piece of work conducted by the IfG that focused specifically on the devolution of skills policy and funding. So while we intend for it to be used by people considering devolution across different policy areas, including within (dissimilar) areas such as transport and infrastructure, it may be most relevant to those looking at public services that are more directly analogous to the skills system.

While the questions contained within the guide should assist users in thinking about the feasibility of implementation and delivery of areas' plans, we have not directly focused on these stages, but have instead focused on setting up and running the negotiation process itself. Equally, while our tool aims to assist users in asking whether local areas' evaluation plans cover some of the right questions, it does not specifically test the strength or otherwise of evaluation models.

The guide comprises four sections:

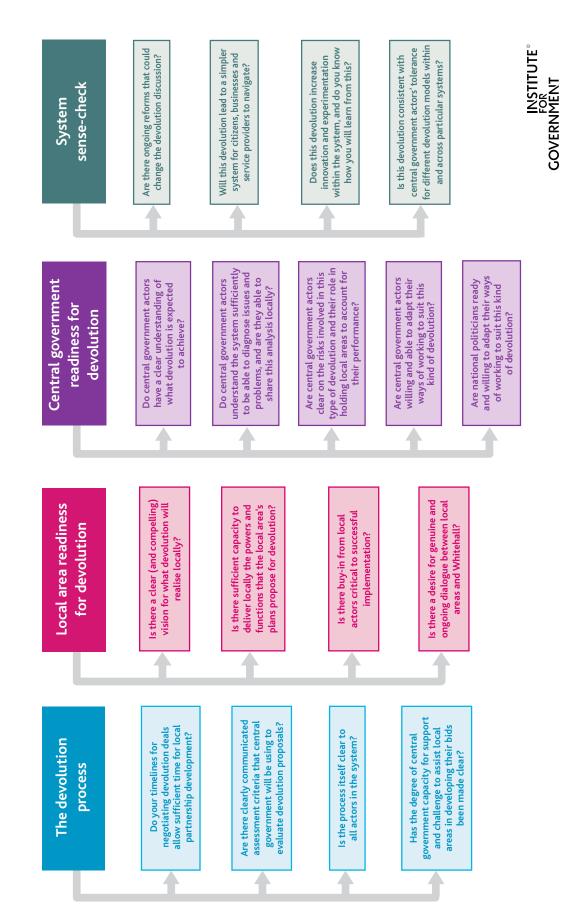
- setting up a devolution deal-making process
- assessing local area readiness for devolution
- assessing central government readiness for devolution
- 'sense checking' and understanding the implications for the system that result from the devolution proposals.

Who should use the guide?

All four sections of the guide are important, and they contain key questions that all those involved in negotiating devolution deals should consider. However, different elements of the detail in each section will be more or less relevant to different groups, depending on their role in drawing up or assessing individual devolution proposals relating to a single policy area, or their role in looking across the whole devolution process:

- The sections concerned with setting up the devolution process itself and sense-checking the system as a whole are primarily aimed at Whitehall officials with overarching responsibility for English devolution. While others could consider the questions in these sections to develop their own thinking and to challenge others, Whitehall officials are the ones who need to consider most carefully how to plan a process that makes the most of the opportunities offered by devolution, as well as how the different policy areas and different geographical areas' devolution plans fit together to form timely and coherent overall packages.
- The sections concerned with testing and assessing the readiness of different actors for devolution are primarily aimed at policymakers – both central and local – involved in developing, negotiating and assessing the detail of an area's proposals. The questions in these sections should help them to understand and test how they and others might need to work in different ways in the future if devolution is to be successful.

Figure 1: A guide to making effective devolution deals: Overview



On the following pages we address each question in the guide, describing why it is important, and putting forward some ideas for further thinking.

Setting up a devolution deal-making process

Why is this important? **Further thinking** Question Do your The IfG has argued elsewhere that in order for devolution to Have you identified and be taken seriously by Whitehall departments, it is important considered the trade-offs timelines for that it is tied in some way to the Spending Review (the process between maintaining negotiating through which departments negotiate with the Treasury on momentum behind the devolution deals their future plans and expenditure limits).²¹ However, while devolution agenda, and allow sufficient the connection between this process and the deadline for local the need to give local areas time for local areas' devolution submissions in 2015 is to be welcomed, it led sufficient time to develop to an extremely ambitious deadline by which time local areas considered and robust partnership were expected to have drawn up credible proposals. proposals? development? There are positives to an accelerated devolution timetable What are the risks - and such as the one run over the summer of 2015. We have heard, associated costs - of devolution deals failing prior for example, that it galvanised local areas' conversations and added a sense of urgency and purpose to these internal to implementation due to negotiations. It also contributed towards maintaining a sense lack of sufficient partnership of momentum behind the devolution agenda within Whitehall development? departments. However, others have pointed out that this 'incredibly tight'22 deadline did not take sufficient account of: the need to build trusting and effective local partnerships the difficulty and the detail of the negotiations that needed to be conducted the need to involve the public in some way in these important discussions. Past IfG work on local partnership development – and on policy implementation more generally – has repeatedly emphasised the need for longer lead-in times and greater investment in early analysis and preparation.²³ And those leading devolution efforts in Greater Manchester – generally considered to be the vanguard of the current devolution agenda – emphasise that the conditions for its success were put in place through two decades of difficult joint-working and negotiation between the 10 constituent authorities that now comprise the Greater Manchester Combined Authority.

Are there clearly communicated assessment criteria that central government will be using to evaluate devolution proposals?

Central government wants local areas' devolution proposals to be credible and well supported by evidence. However, throughout the 2015 devolution process, many local areas expressed concerns about the lack of assessment or success criteria that Whitehall was intending to use to guide its decision making about devolution proposals. Without a clear sense of what central government wanted devolution to achieve – or an understanding of which programmes or policy areas were 'off the table' – it has been difficult for local areas to know how to develop their plans.

Others have noted that this lack of guidance has led to tensions – particularly for counties and rural areas – over whether the kinds of outcomes that local areas wish to achieve through devolution align with those that central government will prioritise.²⁴

There is undoubtedly a logic to the central government defence of the current process – that a 'menu' of outcomes and powers would undermine the purpose of a devolution process that is supposed to start with the bespoke needs of a local area. However, the desirability of a wide array of bespoke local deals reflecting the different needs of different localities, should be balanced against an equally desirable simple, clear process that mitigates the risk of accusations of favouritism.

Have central government actors set out minimum standards that devolution proposals must meet in order to be considered?

Is there a set of broad outcomes (and indicative measures) that devolution proposals should be capable of achieving?

Is the process itself clear to all actors in the system?

While it is easy to conceptualise devolution negotiations as a two-way conversation between central government and local government, the reality is, of course, much more complicated than that. To use skills policy as an example, an effective devolution settlement that passed greater control over the skills system to local areas would likely begin with discussions between the Treasury and a combined authority, but would likely also involve the input and engagement of:

- other central government departments with a stake in the skills system – such as BIS, the Department for Education and the Department for Work and Pensions
- officials from within arm's-length bodies such as the Skills Funding Agency and the Education Funding Agency
- teams and units of civil servants concerned with managing an effective devolution process – such as the Cities and Local Growth Unit, as well as other officials from the DCLG, the Cabinet Office and Number 10
- officials from local authorities who comprise the combined authority – which may include twotier authorities with vertical as well as horizontal relationships to manage
- opposition councillors from those local authorities –
 whose votes may be required to approve any agreement

Is it clear who is responsible for communicating the process – and recent developments – to different stakeholders, both nationally and locally?

Is the process clear and transparent to local people, who should be the ultimate beneficiaries of devolution deals?

- local providers of skills services including schools, universities, further education colleges, private businesses and charities
- businesses and employers including small- and medium-sized enterprises based solely within a single functional economic area, and larger enterprises that may span different areas with different bespoke devolution deals
- citizens and learners themselves.

Each of these groups needs to be engaged with and brought along with the devolution process at different points and in different ways. However, this is complicated in a scenario in which there is little in the way of a clear structure or process to the deal-making process itself.

Through our work we have found that there has been considerable confusion at all levels with regard to simple facts about the devolution process, such as:

- the deadlines for final devolution proposals to be submitted
- the current state of central–local negotiations
- the likely timetable of any agreement
- whether the process has been abandoned formally or informally – by either side.

Has the degree of central government capacity for support and challenge to assist local areas in developing their bids been made clear?

The Government has, through cross-departmental teams such as the Cities and Local Growth Unit, and through bilateral engagement between policy departments and those developing local bids, attempted to support local areas to develop their proposals for devolution. In addition, where deals have already been struck, departments have (to varying degrees) worked with local areas to support their planning and implementation of new service configurations.

However, concerns have been raised about the 2015 devolution process in terms of the level of capacity at the centre for providing these support functions. Some local areas have reported that they have found it extremely hard to engage with particular Whitehall departments and teams, and there have been reports that departments could not cope with the volume of work required to respond to all the devolution proposals submitted in September.²⁵ Looking at the level of bespoke support that has been given to some areas after their deals have been completed, other officials told us that this would rapidly become unsustainable if required after all devolution deals.

To ease the progress of future deal-making rounds, central government actors need to consider setting out clear limits to the support on offer for local areas, otherwise they may risk further propagating perceptions of favouritism or unfair advantage between different local areas.

Are there resource limits to the support that central government officials can provide to local actors in developing proposals? If so, have these been clearly communicated?

Are there ways for local actors to contribute towards the ongoing support they require to make devolution work?

Assessing local area readiness for devolution

Question	Why is this important?	Further thinking
Is there a clear (and compelling) vision for what devolution will realise locally?	Local areas' devolution plans should have a clear vision for what devolution will realise locally. They should: • be credible and persuasive, with a clear rationale that all actors in the system can understand • address or resolve significant problems within the system • lead to improved outcomes for citizens and businesses locally.	Do the local plans align with the opportunities that central government has identified in devolution? Do local areas have the necessary data/ understanding of the relevant system in order to be able to plan?
Is there sufficient capacity to deliver locally the powers and functions that the local area's plans propose for devolution?	Local areas' devolution plans need to be deliverable. This means that there should be a clear strategy for implementing them and the areas need to have sufficient capacity to put them into practice. Areas need four types of capacity: • analytical capacity – including robust data collection and the ability to identify ongoing local challenges and opportunities • technical capacity – for example, the specialist skills needed to operate complex funding and outcometracking systems previously held by Whitehall • delivery capacity – an understanding of the composition and quality of the existing provider base and whether this contains the mix of specialisms and skills that the devolution plans rely on • political capacity – the ability to look across an economic geography or combined authority area (rather than just within a single local authority's boundaries) and make difficult distributional choices.	Is there an existing local supply of high-quality providers? Do local actors have sufficient information about cost and quality to measure local provider performance? Are there functional and stable relationships among local political leaders?

Is there buyin from local actors critical to successful implementation? Wide consultation and effective engagement are features of any good policy process. An area seeking greater control over any policy area locally should seek to engage widely and deeply in order to test its plans and approach. At a minimum, those actors whose behaviour is critical to the success of the proposals should be 'bought in' to the local area's plans.

Particular groups likely to require consultation include:

- employers, who are crucial stakeholders in many of the areas being considered for devolution, such as education and skills, planning, transport and health – employer engagement will be particularly important if successful implementation of the plans will require their ongoing goodwill, engagement or action
- service providers, who may need to work in different ways, be accountable to different actors and respond to different incentives in a more decentralised public service landscape
- citizens, who may need to change behaviour for proposals to be implemented successfully – good proposals will include evidence that plans have been tested with citizens
- actors in different levels of local government, who may have different or overlapping statutory responsibilities, or have pre-existing relationships or services in place, and need to be brought along with cityregion devolution.

Is there evidence that those critical to the success of the proposals are 'bought in' to the local area's plans?

Is there a desire for genuine and ongoing dialogue between local areas and Whitehall? In order to jointly steward more devolved systems in the future, there needs to be mutual understanding between central government and local actors.

Devolution is 'a process, not an event', and it is likely that a more complex, asymmetric distribution of powers and responsibilities will require good working relationships between the centre and local actors.

Much of this will be about getting the formal structures, processes, roles and responsibilities in place. But as the IfG's past work on system stewardship has indicated, there needs to be genuine, trusting, two-way relationships between the actors responsible for jointly stewarding a system.²⁶

For the devolution process to continue to operate in the public interest, the conditions for ongoing productive dialogue must be present.

Have conversations to date suggested:

- mutual understanding
- good working relationships
- productive dialogue?

Assessing central government readiness for devolution

Question Why is this important? **Further thinking** The IfG's work on past attempts – successful and unsuccessful Do central Are central government - to devolve power has shown that clarity of aims and vision is actors clear about what a government vital to achieving a sustainable devolution package.27 'good' devolution proposal actors have from a local area looks like? a clear The current devolution process emphasises the need for local areas to be imaginative, and places the onus on local actors Do central government understanding to articulate a vision for what they want to achieve through actors already have clear of what devolution. However, interviews with central government priorities for the policy devolution is policymakers – as well as the fact that some officials have area being considered for expected to been working closely with local areas to strengthen their devolution? achieve? proposals – show that there are clear, if unspoken, ideas in Are these aims and priorities central government about what devolution should achieve. shared within and across Central government actors should have a degree of internal departments? clarity (both within and across departments) on what 'good' Are these aims and priorities devolution looks like and the outcomes it is hoped that shared with local areas? devolution will achieve. It is not yet clear that enough of these difficult conversations within Whitehall have taken place. Do central Central government officials' capacity to monitor and analyse Do central government the system is important for a number of reasons: actors have sufficient data government and analytical capacity to actors Officials evaluating local areas' proposals for devolution identify the challenges that need to understand current issues and problems in the understand devolution could help solve? system, so that they can evaluate whether the proposals the system are likely to be effective in addressing them. Are central government sufficiently actors willing – and do they Central government officials will need to be prepared to be able to have capacity – to share this to play an ongoing strategy or oversight role in many diagnose issues locally? areas being considered for devolution. The extent of this and problems, role will depend on the nature of the devolution deals Does central government and are they agreed with local areas, but it may require that central have enough information able to share government retains the capacity to identify system-wide about cost and quality challenges, and possibly also the capacity to measure this analysis to be able to measure provider and local area performance. locally? provider – and local area – performance? In a more devolved system, central government will likely retain a key role in collecting data from and sharing it with local areas. It will need to understand the costs and capacity involved, and clearly communicate any limits on this support to local areas.

Are central government actors clear on the risks involved in this type of devolution and their role in holding local areas to account for their performance?

Alignment of power and accountability is a necessary precondition for achieving:

- a stable and lasting devolution settlement
- effective public services that respond to both local and national needs.

There is no clear and easy guide to the role that central government should play in policing a devolved system. However, officials should work to assess the following risks in any devolution proposal:

- that poor local service delivery creates spill-over effects for services that remain nationally controlled
- that there is insufficient capacity locally to address failure
- that local accountability processes/structures are unclear or weak.

If the devolution proposal implies that local areas will be accountable to central government for their performance, central government officials will, of course, also have to ensure that they have the mechanisms, processes and capacity to support this accountability role.

What is the risk that devolution creates spill-over effects affecting demand for nationally controlled public services?

Are clear step-in procedures and/or central government failure regimes in place?

Is there sufficient monitoring capacity in central government to play the accountability roles required?

Are central government actors willing and able to adapt their ways of working to suit this kind of devolution?

Stewarding a complex, asymmetric system, in which functions and funding could be differently devolved across areas of England, will require central government policymakers to be prepared to operate in new and different ways.

Past IfG work on devolution and the intergovernmental relations between the UK's four national governments has suggested that Whitehall needs to become more 'spatially aware' – improving its understanding of:

- devolution
- territorial difference
- the different effects of its policy across the UK.²⁸

It is likely that in the complex, asymmetric policy landscape that is emerging from the current round of devolution deals, similar needs will apply to English devolution too.

A set of *Devolution Guidance Notes*²⁹ and a cross-Whitehall network of devolution co-ordinators already exist to inform civil servants about the national devolution settlements and (in theory at least) to give them easy access to devolution advice from officials in each department. This may be one model to consider learning from in order to prepare for a more devolved landscape in England.

What roles could central government add most value by playing in a more devolved version of this system?

How might central government actors adapt their ways of working to suit the type of devolution under consideration?

Are national politicians ready and willing to adapt their ways of working to suit this kind of devolution?

The IfG's work on past attempts – successful and unsuccessful – to devolve power has shown that political leadership is crucial to successfully devolving power.³⁰ Equally important, however, is addressing the incentives that encourage politicians to attempt to hold on to power at the centre.

As the IfG has argued previously,³¹ politicians in the UK are incentivised to set out a clear agenda and stick to it. For a minister, there are relatively few opportunities to change course to accommodate decentralising reforms, and so crosscutting devolution can be perceived as undermining their agenda. Even without this, devolution itself – which removes levers from the control of national politicians – is often seen as a threat to ministers' ability to achieve stated goals.

Ways of overcoming these obstacles include:

- leading devolution efforts from a powerful departmental or political base
- setting out a clear, well-articulated purpose and rationale for devolution, which may allow ministers to feel more confident in local areas' plans.

Have politicians publicly committed to programmes or policies that might conflict with these devolution plans/this type of devolution?

What would a minister responsible for this area need in order to feel insulated from public pressure to act in an instance of localised failure?

Sense-checking the system that results from devolution proposals

Question	Why is this important?	Further questions
Are there ongoing reforms that could change the devolution discussion?	Devolution is not a permanent one-way process, but it can be extremely hard to reverse. Reforms are therefore highly path-dependent and may preclude further attempts to reform, rationalise or integrate service provision in the future. Central government officials should therefore think extremely carefully about how devolution interacts with any pre-existing, ongoing reforms that might need time to bed in. Despite this, officials should be extremely wary of using this as a rationale for resisting change. It is unlikely that the complex policy areas under consideration for devolution will ever be sufficiently 'fixed' or 'clear' that devolution would not be disruptive. Nevertheless, it is important to consider the sequencing of reforms carefully in advance.	Is this the right time to devolve these powers and functions within the system? Are there pre-existing, or ongoing, changes to the system that need to bed in, and which may change the devolution discussion?
Will this devolution lead to a simpler system for citizens, businesses and service providers to navigate?	A general principle of good policymaking is that reform should increase rather than reduce the clarity of roles and responsibilities. There may be different dimensions to simplification, and different actors are likely to prioritise the experiences and engagement of different stakeholders in any policy area. It would be hard – maybe impossible – to devolve powers while simplifying powers, funding and public services for all actors simultaneously. So this test should not be used to stand in the way of devolution. However, careful consideration should be given to the cumulative effect of different types of devolution on citizens', businesses' and service providers' ability to navigate the system.	Looking across the various devolution plans submitted by different areas, would the resulting national picture be simpler or more complicated for citizens, businesses and service providers to understand and navigate? How likely is it that these groups will need to navigate the national system? If it is not very likely, then how likely is it that devolution will result in a local picture that is easy to understand and navigate? Are the costs of additional complexity in the system outweighed by the improved outcomes on offer?

Does this devolution increase innovation and experimentation within the system, and do you know how you will learn from this?

Devolution presents opportunities to inject greater innovation and experimentation into devolved policy areas.

At best, devolution could result in systems whereby many different areas are thinking differently about the design and/ or delivery of services at a local level, and actively sharing experiences and best practice. However, at worst, devolution could simply result in different areas attempting to recreate existing national systems.

Robust and effective evaluation of local areas' proposals will be needed in order to ensure that we can learn from innovation, and that this learning can be shared with areas at earlier stages of their devolution journey.

Is there evidence of local areas purposefully attempting to innovate and experiment in their plans?

Do local areas' plans have mechanisms through which innovations may be evaluated and learned from?

Is this
devolution
consistent
with central
government
actors' tolerance
for different
devolution
models within
and across
policy areas?

Some policy areas being considered for devolution (such as skills):

- are controlled and funded by multiple departments
- are guided by competing aims and objectives
- contain components that are closely tied to national political commitments.

The 'jagged edges' in the devolution settlements between the nations of the UK are a much-analysed area. From this we know that different devolution models across closely related policy areas can cause instability and conflict, particularly where there are spill-over effects between related services controlled locally and those controlled centrally.

Central government needs to reflect on the overall devolution settlements that emerge in each policy area from each round of bespoke devolution deals. It should carefully consider the risks that could arise from devolving different parts of related systems (often with the same customers, the same provider base and seeking the same outcomes) in different ways.

What are the risks associated with different parts of a system operating according to different devolution models?

What might be the spill-over effects arising from poor performance in nationally or locally controlled aspects of a system for other parts of the same system?

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