

History of UK Devolution and Local Government

This piece is a companion paper to the Legatum Institute's report '*All politics is local: Strengthening communities, transforming people's lives*'. Alongside '*All politics is local*', it provides a contextual background to the evolution of local government in the UK, particularly the limitations of devolution and localism. This piece takes us through the history of UK devolution in six stages, from pre-20th century to the present day, with an additional focus on the Greater Manchester and West Midlands Combined Authorities.

The balance between central and local government has gone through several stages over the last century, with a sustained period of centralisation now being followed by devolution. While this has had a profound impact on governance in the United Kingdom, the picture is unfinished.

Pre-20th Century

Historically, the country was composed of counties, parishes, boroughs, and towns. Local councils expanded as industrialisation and population pressures forced the creation of urban and rural administrations. Under the Local Government Act 1888, larger urban areas could opt out of their county government and administer themselves. A key feature of the 19th century authorities was their 'municipalisation': each council acted on its own initiative, often funded by local property taxes, and provided services which it thought would best benefit its residents, such as gas, water, electricity, or tramway services.¹ Joe Chamberlain was one of the most noted examples: as the Mayor of Birmingham, he took control of private water and gas, improving public health and generating enough revenue to invest back into the city through libraries and swimming pools, and founded Birmingham University.

Post-WW2

The 20th century saw a move away from council autonomy. New experiments in social services, such as free school meals and public housing, became mandatory nationwide. The wave of nationalisations after 1945 led to a further transfer of power to central government.² Nearly all major local government services became grant-aided, as local government turned into a delivery arm of the national public services.³ Overall, the 20th century saw local government turn from ad hoc administrations to a more organised array of councils, ultimately focused on the delivery of national services.

1972-79

The 1970s saw a major restructure of local government take place. Central government was coming under increased pressure to reform the system of local administration. In the 1960s there had been public protests over rate increases, and the government was worried about its prospects at the ballot box.⁴ Successive Green Papers eventually led to a full restructuring of local government and its financing. The Local Government Act 1972, in many ways a landmark reform which still survives in some areas today, introduced a uniform, two-tiered structure across England and Wales. It was designed to create larger, more autonomous authorities with more equal tax bases.⁵

1 Tom Crewe, 'The Strange Death of Municipal England' (2016) 38(24) *London Review of Books* 6.

2 Tom Crewe, 'The Strange Death of Municipal England' (2016) 38(24) *London Review of Books* 6.

3 Tony Travers and Lorena Esposito, *The Decline and Fall of Local Democracy: A History of Local Government Finance*, Policy Exchange (2003).

4 Tony Travers and Lorena Esposito, *The Decline and Fall of Local Democracy: A History of Local Government Finance*, Policy Exchange (2003) 40.

5 Tony Travers and Lorena Esposito, *The Decline and Fall of Local Democracy: A History of Local Government Finance*, Policy Exchange (2003) 43.

The legislation divided the upper-tier into 45 county councils, including six metropolitan counties. The metropolitan counties were meant to cover functional city areas, and they handled police, fire, transport, waste disposal, economic development and land-use planning.⁶ The lower-tier was composed of 332 district councils, 36 of which were metropolitan boroughs. Similar restructuring took place in Scotland and Northern Ireland. Greater London, which since 1964 had been administered as a single authority, maintained its 32 boroughs, as well as the City of London.

Despite the Heath Government's desires to reform local government finance, it chose to increase central funding to local authorities, rather than to devolve revenue raising powers.⁷ This era saw the most uniform structure of local government ever in place in the UK.

The end of the decade saw the introduction of the Barnett formula, in response to unsuccessful devolution referendums in 1979. The formula was designed to determine the grant levels to Scotland, Wales and Northern Ireland.

The nature of local government was altered by the reforms of the 1970s, as the first attempt to institute a serious structure took place, not only in England, but around the UK.

1979-1996

This new decade saw the Conservative Party begin an extended period in national government, and with it, new challenges for local councils. The 1972 restructuring was subject to pressure during the 1980s. Labour gained control of many local councils—between 1979 and 1981 over 2,000 council seats—and in some cases, were greatly overspending. The Thatcher government responded by imposing expenditure targets, grant penalties, and rate-capping.¹¹ The two-tier structure of 1972 gradually dissolved, as the number of local authorities was reduced. The six metropolitan counties and Greater London Council were abolished in 1986,

Barnett Formula

Scotland, Wales and Northern Ireland are provided each year with a block of funding to finance their devolved powers.

The grants provided therefore make up the majority of the money each national administration has to spend. The Barnett formula works out how much the block grant changes year on year. It takes the change to the UK department's budget, and applies figures representing the extent to which the department's services are devolved, and the relative population of the devolved administration.⁸

For example, if spending on health increased by £100 million, the figure for Scotland would be: £100 million x 99.4% [health comparability % for Scotland] x 9.85% [Scotland's population proportion] = £9.79 million.⁹

The Barnett formula is applied to whole departments, not individual services or programmes.¹⁰

While originally designed as a temporary measure in the 1970s, the Barnett formula is still in place today.

and the poll tax, introduced in 1989, lasted only three years. Poorly implemented, the tax was considered regressive and its introduction led to widespread public demonstrations.¹² Eventually, it was replaced by Council Tax in 1992, following Thatcher's resignation.

This period was generally characterised by the centralisation of powers to Whitehall, and weakening of local council administrations, a legacy which is retained in the UK today. Central government remained in control of accountability and quality of services, and could not build upon the idea of having a singular tax at the heart of local government finance.¹³

After the metropolitan counties had been abolished, large cities were left as unitary, one-tier authorities, and

6 Mark Sandford, *Local Government in England: Structures*, House of Commons 7 Tony Travers and Lorena Esposito, *The Decline and Fall of Local Democracy: A History of Local Government Finance*, Policy Exchange (2003) 43.

8 Matthew Keep, *The Barnett Formula*, House of Commons Library Briefing Paper No 7386 (23 January 2018) 5.

9 Matthew Keep, *The Barnett Formula*, House of Commons Library Briefing Paper No 7386 (23 January 2018) 7.

10 Matthew Keep, *The Barnett formula: a quick guide* (27 June 2017) House of Commons Library.

11 Tony Travers, Local government: 'Margaret Thatcher's 11-year war' (9 April 2013) *The Guardian*.

12 Tony Travers and Lorena Esposito, *The Decline and Fall of Local Democracy: A History of Local Government Finance*, Policy Exchange (2003) 12.

13 Tony Travers and Lorena Esposito, *The Decline and Fall of Local Democracy: A History of Local Government Finance*, Policy Exchange (2003) 57.

many powers were passed on to joint boards or down to boroughs. At the same time, there was a push for more unitary governance in other cities. The Local Government Act 1992 removed some of the unpopular counties created in 1972, designed new unitary authorities, and left other areas as two-tiered council structures. These came into force between 1996 and 1998.

It was this period that combined the state withdrawing from the economic sphere through privatisations with increased centralisation of government functions, as national government intervention greatly affected local councils and their ability to spend.

1997-2010

The Blair Government ushered in sweeping changes to devolution throughout the UK.

The idea of more significant devolution for Scotland, Wales, and Northern Ireland was a key part of the Blair Government's programme. Support for devolution had been growing for some time, and the Good Friday agreement, together with the Scottish devolution referendum of 1997, gave new impetus to the cause.

The Northern Ireland Assembly was created in 1998 after the Belfast Agreement. Power-sharing between Nationalist and Unionists was a key issue for devolution in Northern Ireland, and the Assembly has been suspended and reinstated several times since 1998.¹⁴

In 1999, the National Assembly for Wales and the Scottish Parliament were formed following national referendums and acts of the UK Parliament. The powers devolved to each were not the same, nor were they comparable to those in Northern Ireland. Scotland, as well as tax-varying powers, has devolved matters including:

- health and social work
- education and training
- local government and housing
- justice and policing

- agriculture, forestry and fisheries
- the environment
- tourism, sport and heritage
- economic development and internal transport¹⁵

Since devolution, local government in Scotland, which consists of 32 single-tier councils, has called for additional powers from Holyrood.¹⁶

Under the Blair Government, regional devolution was also raised as a solution for local government. By the turn of the century, 85% of local government expenditure was determined by central government.¹⁷ After the establishment of the Greater London Authority and the London Mayor in 2000, there were hopes this sort of arrangement could be replicated across other regions in England, with eight further regional assemblies. This would create a 'middle tier' of government which was not only geographically new, but would take power from local councils.

With the failure of the North East England devolution referendum, the Labour Government found that a lack of demand, and the additional burden of government, was ultimately decisive in defeating the idea of regional government. Instead, Blair focused attention on Regional Development Agencies, local bodies setup to encourage regional investment, and in some cases, take over planning roles from local councils.¹⁸

The Blair Government also pushed to decentralise power to smaller, more autonomous units for specific service delivery. In education, for example, the academies programme gave certain schools greater freedoms to hire their own staff, modify the curriculum, and outsource services provided by their local education authority.¹⁹ Research has shown that, in certain settings, academies can improve pupil performance.²⁰ Since 2010, the Coalition and Conservative Governments have continued the programme, praising it for showing "a clear determination to empower schools by reducing bureaucratic burdens and increasing their control over resources."²¹

14 BBC, *A guide to devolution in the UK* (18 September 2016).

15 Office of the Secretary of State for Scotland, *Devolution settlement: Scotland* (20 February 2013).

16 Jenni Davidson, 'Local government group calls for devolution deals for Scotland's city regions' *Holyrood* (2 November 2016).

17 Tom Crewe, 'The Strange Death of Municipal England' (2016) 38(24) *London Review of Books* 6.

18 BBC, 'Scrap regional bodies Blair urged' (10 November 2004).

19 Andrew Eyles and Stephen Machin, *Academy schools and the transformation of the English education system* (14 December 2016) Oxford University Press Blog.

20 Andrew Eyles, Claudia Hupkau and Stephen Machin, 'Academies, charter and free schools: do new school types deliver better outcomes?' (2016) 31(87) *Economic Policy* 453.

21 Rt Hon Greg Clark MP, *Decentralisation: an assessment of progress*, Department for Communities and Local Government (2012) 9.

At the same time, NHS Foundation Trusts were instituted, hospitals that were fully part of the NHS but with “freedom to innovate and develop services tailored to the particular needs of their patients and local communities.”²² Importantly, these gave citizens more consumer power over their use of public services.

It was in this period that devolution was brought to forefront of the political agenda. In many ways, the changes that the Blair Government undertook shape the picture for subnational governance in the UK today.

2010–Present

Devolution continues to be an important issue in contemporary politics in the UK. Scotland has faced a renewed push for independence following its referendum in 2014 and Wales and Northern Ireland, responsible for many of the same functions as Scotland, have far fewer revenue raising powers.

The nature of the Barnett formula and block grants provided to the devolved legislatures are a matter of constant contention. While each national administration has some tax powers devolved, the process is ongoing. By 2020, about 50% of the annual budget of Scotland will be raised by local taxation.²³ From 2019, Wales will be able to vary its rate of income tax. Further moves to devolve taxation will put the nature of the Barnett formula up for debate.

Since the creation of the devolved administrations, there have been stronger calls for English devolution. The devolution settlements reached with the nations created a situation where powers have been devolved to some parts of the UK but not others. This highlighted the inequities of the ‘West Lothian question’—the power of Scottish, Welsh, and Northern Irish MPs in UK Parliament over matters which do not affect their nations.

Police and Crime Commissioners

Police and Crime Commissioners (PCCs) are directly elected by the public to hold the police and the Chief Constables to account.²⁸ With this also comes the power to set the police force budget.³⁰ However, this was devolution not in response to pressure from communities, but imposed by the centre.

In 2016, surveys recorded just 8% of people knowing the name of their PCC,³¹ while voter turnout in the 2016 PCC elections was just 27.3%.³² At the same time, the budgetary powers of the PCCs are still largely dependent on central government grants, which is the source for 62% of all police force expenditure.³³ As a result of poor voter turnout, low public awareness, and narrow fiscal scope, this new institution could be argued to lack democratic legitimacy.

Across England, directly elected Mayors have already begun replacing the PCCs, including in Greater Manchester, and as of 2020, the West Midlands.

The Coalition Government’s Localism Act, introduced in 2010, aimed to give councils more freedom from Westminster control. The wider aim was also meant to address fears of ‘Nimbyism’ and a postcode lottery.²⁴ Evidence for the Act called for “integrated and democratically accountable local governance, bringing together resources and decisions in a way that citizens can understand.”²⁵

As part of this, the Act abolished the nine regional government offices and regional development agencies which had been in place around England. It favoured the creation of local enterprise partnerships, which placed communities and businesses at the centre of decision-making,²⁶ and directly elected mayors, which would bring “direct accountability” and “increase the confidence of central government to give powers away”.²⁷

22 NHS, *A Short Guide to NHS Foundation Trusts* Department of Health Publications (2005) 2.

23 *Tax Journal*, ‘Scotland’s devolved taxes: the practical reality’ (16 November 2017).

24 Department for Communities and Local Government, *Decentralisation and the Localism Bill: an essential guide* (2010) 5.

25 Communities and Local Government Committee, *Localism: Third Report of Session 2010-12 Volume I: Report, together with formal minutes, oral and written evidence*, House of Commons (9 May 2011) 150.

26 Communities and Local Government Committee, *Localism: Third Report of Session 2010-12 Volume II: Additional written evidence*, House of Commons (9 May 2011) 60.

27 Communities and Local Government Committee, *Localism: Third Report of Session 2010-12 Volume I: Report, together with formal minutes, oral and written evidence*, House of Commons (9 May 2011) 159.

28 APCCS, Role of the PCC.

30 APCCS, Role of the PCC.

31 Tom Gash, ‘How to tell if the police and crime commissioner experiment has failed’ (8 April 2016) *The Guardian*.

32 The Electoral Commission, *The May 2016 Police and Crime Commissioner elections* (September 2016).

33 Neil Johnston and Benjamin Politowski, *Police Funding*, House of Commons Library Briefing Paper No 7279 (26 February 2016) 5.

At the same time, the idea of 'devolution deals' to city regions has gained traction. In particular, Chancellor George Osborne during the Coalition Government advocated for a 'Northern Powerhouse': new powers to cities in return for a directly elected (and financially accountable) mayor. The idea was to provide strategic, rather than socially interventionist powers, in order to stimulate economic growth.³⁴

However, the reformed structures did not cover the whole of England, and the powers given to the new institutions are still unsettled. Just as devolution in the regions is unresolved, so too is the framework through which central government and parliament will manage these new centres of power.

After the devolution of powers to Scotland, Wales and Northern Ireland, the UK Parliament passed English votes for English laws, a procedural measure designed to preclude MPs from nations with devolved governments from voting on matters specifically pertaining to England.

Since 2015, the Cameron Government designed bespoke combined authorities, which would have tailored powers and collaboration across council boundaries. These combined authorities were meant to create a stronger sense of governance and responsibility over major urban centres, and go some way to creating a sense of English devolution. As of 2018, there are nine combined authorities in England, including Greater Manchester and the West Midlands.

Like all new institutions, they will only earn the trust of local residents over time. As we have seen in London, and smaller authorities like Leicester, an active and responsive mayor can help increase turnout and engagement in future elections.³⁵ This is consistent with polling data that suggests once the role of the mayor is better understood and people see the impact they can have, the mayoral model becomes more attractive.³⁶

The Big Society initiative was also championed by the Coalition Government as a way to empower

communities and give individuals "more control over their destinies".³⁷ Initiatives to connect people at the local level through volunteering, citizen service, and neighbourhood groups were designed to strengthen community ties and engage civil society. Ultimately, the programme could not mobilise the private sector and did not capture those least advantaged communities with most to benefit from Big Society.³⁸ The voluntary sector was not mobilised well enough to fill the void left by budget cuts to local services. Additionally, charities were subject to funding cuts worth £1.9 billion in the three years after 2010.³⁹ While the emphasis on community was right, Big Society fell out of favour by 2015 due to its failure to meaningfully transfer power from the state to the people.

All part of Cameron's push for localism, these efforts have "not been enough to fundamentally change the balance of control in neighbourhoods".⁴⁰

The area which threatens devolution in the UK is the issue of fiscal decentralisation. Of the Localism Act, former Hackney Mayor Jules Pipe said that "services have been devolved ... yet it is often simply a cost-shunting exercise rather than a true devolution of power and fiscal autonomy."⁴¹ This has limited the ability of local authorities to govern autonomously, and many are being forced to reduce expenditure (and in doing so, the quality of services) in line with cuts to their income.⁴²

This continues to be the greatest constraint on local government in England. Lord Adonis has said, "We have got to see prosperity shared more widely, and it can only be shared more widely if we have strong powerful economic and political institutions at the local level."⁴³ All parties are in favour of more local governance. Yet, as an example, none have been able to meaningfully re-evaluate Council Tax bands. Localism, it was hoped, would make councils 100% funded by council tax, business rates, and other local revenues by 2020,⁴⁴ yet it remains to be seen whether the government will deliver on this ambition.

34 Tom Crewe, 'The Strange Death of Municipal England' (2016) 38(24) *London Review of Books* 6.

35 Dr Jo Casebourne, *Now it's time for the new metro mayors to start governing* (8 May 2017) Institute for Government.

36 PwC, *The local state we're in* (2017) 22.

37 BBC, 'David Cameron launches Tories' "big society" plan' (19 July 2010).

38 Civil Exchange, *Whose Society? The Big Society Audit* (January 2015) 7-8.

39 UK Civil Society Almanac, *Income from Government* (26 May 2015).

40 Lord Kerslake, Lord Kerslake: 'Let's reignite the possibilities of localism' (22 January 2018) *The MJ*.

41 Jules Pipe, 'Two years on, what has the Localism Act achieved?' (2 November 2013) *The Guardian*.

42 Tom Crewe, 'The Strange Death of Municipal England' (2016) 38(24) *London Review of Books* 6.

43 Patrick Wintour, 'Lord Adonis review backs devolution as key to "balanced economic recovery"' (1 July 2014) *The Guardian*.

44 The Rt Hon Greg Clark MP, *Oral statement to Parliament: Provisional local government finance settlement 2016 to 2017* (17 December 2015).

Greater Manchester Combined Authority

"There is a sense of accountability here which is a good thing, as it means that people have accepted the legitimacy of the role and truly feel it can bring change at a local level in a way that the remote systems of Westminster perhaps no longer can."⁴⁶

Andy Burnham, 2017

The Greater Manchester Combined Authority (GMCA) is a city-region in England with 2.7 million inhabitants. Established in 2011, the area comprises ten metropolitan boroughs: Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan. Leaders of these ten councils, together with a directly elected Mayor, govern the area. Greater Manchester's current Mayor is Labour's Andy Burnham, elected with 359,000 votes on a majority of 230,000.

Prior to its creation, the councils of Manchester operated independently as metropolitan and non-metropolitan boroughs. A track record of cooperation among the councils, combined with the success of the Greater London Authority, led to the creation of the GMCA. In 2014, its powers were greatly expanded through a new devolution agreement.

Under the current devolution deal, the GMCA is responsible for, among other things, local transport, planning, housing, health, and criminal justice. Nonetheless, these powers are still funded predominantly by central government. Health and social care has been the subject of a £6 billion devolved budget, over which the GMCA has full control. Housing is being funded over ten years at £300 million, while a 30-year investment fund of £900 million has been allotted to the metro mayor. Around 80% of the funding for police comes from a central government grant. In fact, only the fire and rescue service is funded predominantly by council tax and business rates (£60 million, at 60% of total funding).

Andy Burnham, like other directly elected mayors, has demonstrated a commitment to transparency and accountability with regular, open citizens' forums, and online budget documentation.

West Midlands Combined Authority

"It's only worth having [a mayor] if the outcomes for people here are better ... I do think having a mayor, someone to champion the region around Britain and around the world is making a difference."⁴⁷

Andy Street, 2018

The West Midlands Combined Authority (WMCA) was created in June 2016 and covers 2.8 million people. It is made up of constituent authorities, which have full voting rights, non-constituent authorities, with fewer voting rights, local enterprise partnerships, and observer organisations. The significance of the different memberships reflects geographical realities (the constituent authorities are at the heart of the West Midlands), functional opportunities (non-constituent authorities have the opportunity to join more than one combined authority) and stakeholder management (local enterprise authorities are able to bridge both government and business). The current mayor of the WMCA is the Conservatives' Andy Street, elected with 238,000 votes.

The WMCA has been subject to two devolution deals, in 2015 and 2017. Unlike in Greater Manchester, the West Midlands has always been more diverse, and as such, its devolution has been less extensive. The deals empower the new combined authority and allow it to control functional policy areas such as housing, skills training, and local transport. These three areas were identified as among the top priorities for the new metro mayor in the West Midlands, and were subject to the highest level of funding from central government.

Planning for affordable housing was listed as the top priority for the new mayor among survey respondents.⁴⁸

46 Andy Burnham, Andy Burnham: "I have never wished I was back in Westminster" (19 November 2017) Centre for Cities.

47 Neil Elkes, 'One year on: What has West Midlands Mayor Andy Street done for us?' (6 May 2018) *Birmingham Mail*.

48 Centre for Cities, *West Midlands*.

Housing supply has grown at only 7.9% since 2001, below the national average of 11.9%.⁴⁹ As part of the devolution package, £6 million will go towards a housing delivery taskforce, and £5 million for construction skills training.

Transport has received £250 million to go towards upgrading existing infrastructure, extending metro lines, and connecting cities across the West Midlands into one conurbation. The historic low level of qualifications in the

region has created a critical skills shortage. More people in Birmingham have no qualifications than in any other UK city, and the output gap between the West Midlands and the rest of the UK is widening.⁵⁰ £1.1 billion has been allocated to a 30 year investment fund for the WMCA to address this shortfall. The West Midlands' focus on investment, new industries and medical sciences are likely to be one of the key drivers of successful devolution in the region.

Conclusion

Local government in the UK has been subject to many different reforms. Traditional local administration was centred very much on a notion of community and providing services for localised benefit. In the 20th century, the system underwent a long period of centralisation, as the national government became concerned with social inequalities and the provision of national public services.

As this developed, central government came to control the vast proportion of tax revenue, and local administrations were increasingly reliant on central grants to deliver essential public services. Despite efforts to institute a stronger, symmetrical structure in the 1970s, local councils, already constrained by their inability to fund themselves, had their spending reined in.

The period that followed was characterised by a trend towards central government financing of local government, including the introduction and withdrawal of the unpopular poll tax. Without a broad tax base, local government came to look to central government for funding, rather than to the communities it served.

Since the Blair Government, the UK has been decentralising in several ways. Devolution to the national administrations represented a significant change in the country's governance, and new combined authorities and directly elected mayors offer a glimpse of the future process in England. Other autonomous bodies, such as academies and NHS Foundations Trusts, offer a tailor-made approach to specific services.

Nonetheless, the push for devolution in the 21st century, predominantly through the Localism Act, has led to a significant asymmetry of powers in different parts of the UK. In its present shape, local government varies greatly across the country, with some regions having significant responsibilities devolved, but without significant funding.

Central government finds it difficult to accommodate this great variety when it comes to shaping policy. Each devolved administration is a variant of another, creating complexity and excess costs. The structure and financing of subnational government as a whole, particularly in England, remains unsettled.

49 Centre for Cities, *West Midlands Metro Mayor Data Dashboard* (10 May 2017).

50 West Midlands Combined Authority, *Productivity & skills*.