



Political Studies
Association

Political Studies Association Research Commission

Examining the role of ‘informal governance’ on devolution to England’s cities

Published: March 2016



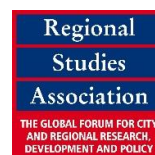
School for
Policy Studies



Political Studies
Association

INSTITUTE
FOR
GOVERNMENT

IPPR



RSA
21st century enlightenment

The Political Studies Association (PSA) is a charitable organisation that exists to promote the development of political studies and to encourage education and the advancement of learning in the art and science of government and in other branches of the political sciences. It is the leading organisation in the UK linking academics in political science and current affairs, theorists, practitioners, policy-makers, journalists, researchers and students in higher education.

In the spring of 2015 the PSA invited applications for funding to set up two new Research Commissions to help identify emerging issues in the study and practice of politics. The applicants were invited to address an issue of strategic importance and reflect on how the study of politics might respond to challenges and opportunities raised by the changing scope and form of politics in the 21st Century and to engage with questions regarding the pressures on democracies and the modern state. The PSA's decision to set up the Research Commissions was driven by an ambition for the profession, in collaboration with other disciplines and practitioners, to contribute to, and lead, current debates in public life and society more broadly.

In July 2015 two applications were selected and received a budget of £5,000 each to fund travel, meetings, research and other expenses. This is the report of the Commission on - *Examining the role of 'Informal Governance' on Devolution to England's Cities*, Chaired by Dr Sarah Ayres (University of Bristol & Board Member of the Regional Studies Association).

Although this is very much an independent research commission the PSA would like to thank everyone who contributed to the project, not least Sarah Ayres and the commission members. As the higher education environment shifts towards an ever-greater focus on engaged scholarship it is great to see such high quality examples of theoretically but policy-relevant research.

Professor Matthew Flinders

Chair, Political Studies Association of the UK

Executive Summary

This report is based on work conducted by the Political Studies Association Research Commission - *Examining the impact of 'informal governance' on devolution to England's cities*. It has explored the impact of informal governance on both the effectiveness of decision making around the recent devolution deals in England and its impact on democracy. The report's findings are based on an in-depth literature review and semi-structured interviews with key actors involved in the devolution deal process. It concludes that the devolution agenda offers a real opportunity to significantly transform the way England is governed. However, devolution to English cities is not sustainable without greater transparency and legitimacy in decision making. Based on the evidence presented, the Commission offers the following recommendations:

- Procedures for making decisions about devolution deals need to be more open and transparent and there is a need for 'light touch' guidance on (i) central government objectives (ii) what policy areas might be included in the deals (iii) characteristics of a successful bid (iv) how implementation might be monitored and (v) central and local government expectations for consultation and engagement.
- The Government needs to better articulate the benefits of a combined authority and metro mayor if broad support for this element is to be garnered.
- HM Treasury needs to stay involved in the implementation of devolution deals to ensure that the commitment to and momentum behind the deals remain.
- There needs to be more emphasis on sharing good practice about how deals are negotiated across Whitehall departments and local areas to promote policy experimentation, learning and innovation.
- Combined authorities need to move quickly to drive public engagement and wider stakeholder collaboration in implementation.

Our findings seek to contribute to the public debate and offer critical reflections on how to develop and improve plans for devolution in the future.

Examining the role of ‘informal governance’ on devolution to England’s cities

1. INTRODUCTION

Devolution to English cities is not sustainable without greater transparency and legitimacy in decision making.

The UK has long been regarded as one of the most centralised states in Europe. Yet, since the Scottish Referendum and the election of a Conservative Government in May 2015, the devolution agenda in England has moved forward at a rapid pace. It offers a real opportunity to significantly transform the way England is governed. There is energy and momentum behind English devolution that has the potential to address growing public concerns about the governance of England in a devolved United Kingdom. Central Government proposals for devolution have been met largely with enthusiasm from local areas and there is a firm commitment in parts of Government to see the devolution of power in core policy areas such as transport, economic development and regeneration and public service reform.

However, the devolution agenda, and more specifically the process of negotiating the recent round of devolution deals, is characterised by a high degree of ‘informal governance’. Informal governance can be defined ‘as a means of decision making that is un-codified, non-institutional and where social relationships and webs of influence play crucial roles’ (Harsh, 2013, 481)¹. The issue of informality in policy making is particularly timely as global nations and cities seek to manage multifaceted policy problems within contested, complex and uncertain environments. This development has prompted a new style of political leadership - one that relies less on bureaucracy and formal structures and more on networks and informal relations. However, informal governance raises important questions about *effectiveness* and *transparency* in policy making. On the one hand it can lead to greater efficiency through more timely and streamlined decision making, based on high trust relationships. On the other, it may weaken transparency, accountability and legitimacy by undermining traditional (more formal) administrative structures.

Informal governance is everywhere in policy making but the devolution agenda is characterised by a particularly high degree of informal governance. The fact that guidance and procedure are absent generates scepticism and suspicion from some participants, councillors, and the public. This could damage the democratic legitimacy, and hence the sustainability, of the policy. The UK government is embarking on fundamental constitutional change driven largely by informal ways of working. While there are undoubtedly benefits to more informal and fluid governance arrangements, there is a danger that devolution could be undermined if key actors and the public feel disenfranchised by and disconnected from the process. This report offers some reflections on the *process* of decision making around the devolution deals to date. It draws on the shared learning and experiences of key actors involved to identify elements that have worked well and also potential areas for improvement. The report concludes that the devolution agenda offers a real opportunity to empower local areas, boost economic productivity and improve public services. Yet, there is a danger that the initiative will falter in the absence of greater clarity around process and enhanced local ownership of decision making.

¹ Harsh, M. (2013) ‘Informal governance of emerging technologies in Africa’, in Christiansen, T. and Neuhold, C. Ed, *International Handbook on Informal Governance*, Cheltenham, Edward Elgar, pp 481-501.

2. THE REMIT OF THE POLITICAL STUDIES ASSOCIATION'S RESEARCH COMMISSION

In July 2015 Dr Sarah Ayres (University of Bristol and Board Member of the Regional Studies Association) was appointed Chair of the Political Studies Association's (PSA) first Research Commission. It has examined how 'informal governance' is shaping devolution to English cities and has been a collaborative effort involving the following Commissioners - Paul Buddery (Royal Society for the encouragement of Arts, Manufactures and Commerce), Dr Jo Casebourne (Institute for Government), Tessa Coombes (University of Bristol), Ed Cox (Institute for Public Policy Research) and Mark Sandford (House of Commons Library).

The Commission conducted a detailed literature review and invited a number of stakeholders to meet with us face-to-face at an evidence gathering session in December 2015. Thirteen key actors from (i) central government (ii) research bodies and think tanks (iii) cities where deals had been struck and (iv) cities currently negotiating a deal were able to give evidence at this session. Respondents were interviewed under 'Chatham House' rules whereby confidentiality and anonymity were assured. Our findings were also informed by the Commissioners related research, inquiries and contacts. This report represents the findings of the Commission's work in this area. It is split into six sections that explore different facets of the *process* of negotiating devolution deals up until the period ending in 2015, namely:

- Objectives & Guidelines
- Content of the Deals
- Governance & Process
- Engagement & Consultation
- The Future
- Commission Recommendations

3. OBJECTIVES AND GUIDELINES

The Government has not, to date, provided an explicit statement of the purpose of their policy of devolution to city-regions and counties. The 2015 Spending Review indicated that devolution deals form part of the ‘Northern Powerhouse’ - the Government’s “plan to boost the economy across the North of England”.

Evidence to the Commission did not suggest that the lack of an explicit purpose was problematic. There was a broad consensus from all sides that devolution was intended to boost economic growth, and to facilitate the joining-up of public services. Most stakeholders did not have a definable end-point for the policy in mind: they shared what one described as a “*Heseltinian belief*” in the possibility of change.

The involvement of prominent figures, such as the Chancellor and Secretary of State for Communities and Local Government, was seen as an essential driving force in championing devolution in Government, which had raised the profile of the agenda and achieved significant progress in a short period of time.

This is all the more impressive given that many previous policies on devolution to local government - most recently City Deals and local authority mayors - have struggled to attract political support, encountered complexities, or failed to live up to expectations.

Speeches from the Chancellor, and from Ministers during debates on the *Cities and Local Government Devolution Bill*, have made clear that a combined authority with a metro mayor is essential if localities are to benefit from the full suite of devolution options. This condition would be hard to withdraw given that some localities have gone to great lengths to implement this against significant local opposition.

That local opposition, however, should not be easily dismissed. Local support for the new directly-elected mayors - not to mention a willingness to turn out to vote at their elections - will be critical to the legitimacy of the new structures. In turn, legitimacy is a vital, if tacit, dimension of their potential to last.

The informal, often secret, apparently haphazard nature of the deal negotiations - which we refer to here as ‘informal governance’ - make this particularly important. Informal governance, involving negotiations, deals, understandings, tacit agreements, is everywhere in politics. It is often the oil that keeps the system functioning. Devolution deals, though, have been delivered *solely* through informal governance. Without a framework of aims, objectives, and guidelines, it is hard for people who are not involved in the process to understand where it is going. Clarity about the objectives of this new policy would be helpful in dissipating any local scepticism generated by the deal process. Such a framework need not be exhaustive, but it could articulate the implicit objectives of the deals so far:

- To join Whitehall capacity with local innovation;
- To make use of local tacit knowledge in local growth-related decisions;
- To access local expertise and knowledge in public service reform;
- To improve policy delivery, and/or more efficient local public spending.

4. CONTENT OF THE DEALS

The deals agreed so far feature many similarities, despite the ostensibly ‘bespoke’ approach taken by the Government. Most deals refer to transport (including bus franchising and smart ticketing), adult skills, business support, public sector land and planning, and European Union structural funds. Equally, most deals include some unique features. We heard evidence that suggested once a formula to achieve devolution of a programme or power has been agreed, the Government has been quite ready to apply it to new localities.

In general, the Government has been willing to devolve only where a convincing case has been made that local areas can do things better: *as one witness said, “Why would you devolve something that already works?”* Because of this, the content of successful devolution bids has depended on the quality of the business cases and negotiating strategies adopted by local areas. Thus the negotiators themselves, some of whom were working with private-sector consultants, could not help but influence the shape of the new powers for localities. This is one of the consequences of the devolution agenda relying *entirely* on informal governance. It raises questions about accountability for policy changes that could be described as constitutional.

At the evidence gathering session, contacts from central government assumed a high level of dialogue, consultation and sharing of ideas and ‘best practice’ across the core cities regarding the devolution deals. However, discussions with local actors revealed the opposite was true. Local areas viewed themselves in competition with one another and remained *“guarded about sharing their best ideas with one another”*.

Collective local lobbying and discussions with central government could prove more strategically advantageous in the future if localities can overcome the propensity for individualism and desire for ‘first mover advantage’. There are no doubt untapped opportunities for sharing ideas and practice between core cities.

Content as guidance

Central government actors indicated that they did not want to constrain the possibilities of the deals by introducing a formal suite of options or guidelines and that deals were to be ‘bespoke’. However, one consequence has been for local areas to use the early bids, such as the Greater Manchester deal, as a template or footprint. As one witness said, *“what is the counterfactual of guidance? Precedent”*. In practice, the early devolution deals became ‘guidance’ for later authorities, as they were one of very few sources of information about the Government’s negotiating position.

From a local perspective, this has enhanced the quality of the deals. Indeed, implementing the deals will require an ongoing relationship between central and local government. The experience of ‘co-designing policy’ should be of benefit to both sides. However, witnesses were clear that the Treasury’s political commitment to the agenda has been the main source of energy behind the deals. Local areas were adamant that the Treasury should remain centrally involved as the implementation of the deals proceeds. Experience so far suggests that the Treasury and DCLG should continue to drive the agenda from a strategic perspective, and that the Cities and Local Growth Unit should act as the contact point within central government for local areas.

Where progress stalled

We heard evidence that the non-negotiable nature of some policy areas only emerged later in the process. For example, no progress was made on devolving power over matters such as Jobcentre Plus, school education, and fiscal devolution beyond business rates. But it did not become clear that these were out of scope until some way in to the process, when local areas had expended considerable work on them. The Government could consider clarifying what matters it will not devolve, now that several deal negotiations have been concluded. This need not hamper innovative ideas emerging from local areas.

5. GOVERNANCE & PROCESS

Timescales & capacity

The political momentum behind the devolution deals was praised for activating change in an area of policy that was described by one interviewee to “*have limped along for years*”. Nonetheless, the pace with which the devolution deals have progressed has caused some concerns about the capacity of those involved to fulfil associated tasks. For example, the Government’s imposition of a deadline of 4th September 2015 for the first round of devolution deals undoubtedly had the desired effect of providing a mechanism to assess local enthusiasm for the deals, galvanise effort and provide a catalyst for resolving difficult local decisions around metro mayors.

However, the pace with which the agenda has unfolded, and continues to unfold, has placed a huge strain on central and local government resources. In particular, central and local actors referred to a lack of capacity that potentially threatens the (i) quality of central-local negotiations (ii) ability to explore more innovative and creative possibilities and, what one respondent referred to as (iii) “*parity of opportunity if not parity of outcomes to all areas*”. This issue is made even more acute in the context of recent public spending cuts that have drastically reduced staffing levels in local government and parts of Whitehall.

Managing expectations about priority areas earlier in the process, for example a focus on core cities or clearly identified policy areas in the first round, might have managed demand. For instance, a staggered introduction might have given localities more time to develop proposals that reflect their local circumstances, rather than seeking to replicate the substance of previous deals.

Central-local relations

The involvement of senior HM Treasury officials and politicians was welcomed by all who felt that it had made a real difference in giving the agenda traction in both government and core cities. The Cities and Local Growth Unit provides the main conduit for central-local discussions and was viewed positively by local stakeholders. Some local actors suggested that inter-governmental relations were more ‘collaborative’ than under previous attempts to decentralise to the sub-national tier, which were viewed as “*being far more adversarial and top down in the old days*”.

However, stark differences in the enthusiasm for devolution across government departments was perceived by some to undermine a coherent approach to devolution in Whitehall. While some like HM Treasury and the Departments for Communities and Local Government (DCLG) and Transport (DfT) were seen as advocates, others like the Departments for Work and Pensions (DWP), Education (DfE) and parts of Business, Innovation and Skills (BIS) were perceived by local areas to have reservations about devolving power.

We heard contrasting evidence about the different departments' roles in the process. The joint BIS/CLG Cities and Local Growth Unit and HMT officials, were praised for their willingness to engage. To an extent, these teams sought to 'pitch' local devolution bids to other Whitehall departments. However, we were also told of frequent bilateral meetings between local areas and Whitehall departments to convince them of the quality of bids.

Nonetheless, these activities are resource intensive and it was clear from our evidence that central government does not have the staff capacity or financial resources in the short term to broker a deal with all localities who submitted a deal by the September 2015 deadline. This raised some concern amongst respondents about which areas might be prioritised and the impact of an asymmetric approach. Given the ongoing relationships that will be needed to implement much of the deals' content, this may also be a concern in the longer term.

It is worth noting that private consultants have entered some negotiations to boost capacity and offer guidance. One perspective is that they have moved into the vacuum created by a lack of formal guidance by offering an 'insider' view on the informal processes that have guided previous deals. This type of arrangement is clearly to the advantage of some areas but does raise an issue about who is setting the direction of travel for UK economic policy and whether the process is territorially distinct and locally owned.

Criteria for making decisions

Central and local actors indicated that there was an absence of any formal criteria to determine the composition of deals or which localities would secure a deal. In practice, the success of negotiations depended upon meeting the (unspoken) objectives set out earlier.

Two implied criteria emerged from our interviews that were seen to guide departmental decisions on deals: (i) for local areas to do it better and (ii) at no extra cost. Moreover, it was the responsibility of local areas to make this case. There has, however, been explicit confirmation that the most ambitious deals will only be secured with the introduction of a metro mayor.

Criteria for appraising individual policy components

Government departments have not outlined any criteria for assessing the individual policy components of deals around, for example, transport or skills. Instead, once they have found a proposal they are happy with they appear willing to transfer that agreement to other areas. Because the process has been so fluid, a number of interviewees questioned whether "*the required data and information would be available for an audit of the process if required*".

Nonetheless, this more fluid and ad hoc way of working was supported by the majority of interviewees who recognised the value of a reduced formal bureaucracy in (i) working to tight timescales (ii) having honest and frank discussion (iii) avoiding public and damaging disputes through the media and (iv) building a degree of trust and understanding between government tiers.

While individuals at the heart of the process could clearly see the merits of informal working, there is a danger that other key stakeholders will feel disconnected and ill informed, which could undermine public confidence in the policy. The absence of formal decision making procedures could undermine confidence in the transparency and accountability of the deals. This issue may prove problematic in persuading an increasingly sceptical public to participate in forthcoming mayoral elections.

Criteria for measuring the success of deal implementation

Discussions also revealed the absence of any formal template or criteria for judging the implementation of the devolution deals in the future. One performance measure identified by central government actors was the turnout figures for the election of metro mayors. However, this benchmark is a measure of public support for the institutional structures in place to manage the deals, as opposed to a performance indicator to judge implementation.

If the tacit objectives of the deals are economic growth and transforming public services, then more robust indicators of success in these areas will need to be found. Given that the deals have been very fluid, there should be more examination of how the deals will deliver on these objectives in the future.

The devolution agenda represents a significant political and constitutional transformation. It might be described as a live “policy laboratory” that we need to learn from. Stakeholders at all governance levels are not going to be in a position to learn and improve if they cannot reflect and if the benchmarks for success are not defined.

6. ENGAGEMENT & CONSULTATION

Decision making around the devolution deals has tended to focus at a high level, involving a small number of key individuals at central and local government levels. Those involved indicated that broader consultation and engagement would have been a real challenge given the timescales, political sensitivities of the bids and the speed of developments. Many were reluctant to consider the possibility of a more consultative approach.

The Government’s view appeared to be that consultation and engagement was the responsibility of local areas and that if elected representatives were leading the process then democratic legitimacy was evident. This view is perhaps dismissive of the value and efficiency gains of broader societal engagement and generating local consensus.

The view of local actors was that a “*streamlined and closed*” process afforded them the right environment and opportunity to broker the best deal for their areas. Some were concerned that a “*large numbers problem*”, incorporating too many local actors and viewpoints, could undermine the deal-making process.

Local Enterprise Partnerships (LEPs), and key personnel within them, were viewed as making an important and valuable contribution to the process of negotiating devolution deals. The pivotal position of LEPs is also emblematic of local power shifting upwards to a combined authority level, again raising questions about genuinely local perspectives feeding into policy.

The Government’s narrative on devolution has been constrained by a single model of local democratic change: the metro mayor. However, there is the potential to reinvigorate civic participation in communities feeling disenfranchised by greater devolution to Scotland and Wales and public sector spending cuts. Public engagement will be vital in securing a decent turnout in the forthcoming mayoral elections. Failure to secure this could undermine the legitimacy of new devolution deals. Furthermore, a lack of perceived legitimacy could also undermine the ability of newly-appointed metro mayors to command local support.

7. THE FUTURE

There was no support from respondents for a highly prescriptive and formulaic deal-making process. The majority agreed that flexible, bespoke discussions, tailored to local circumstances remain the most effective way to negotiate deals. Indeed, there was a view that “*something is lost in attempts to prescribe details and stages in the process*”.

Nonetheless, this position was tempered by calls for some clarity about the devolution deals at critical points, including (i) central government objectives (ii) what policy areas might be included - and those that are definitely *not* included (iii) characteristics of a successful bid (iv) how implementation might be monitored and (v) central and local government expectations for consultation and engagement.

The devolution agenda is viewed as highly political and needs to assume the mantle of a more objective and evidence based process if it is to instil confidence around parity of opportunity for all localities. Deal-making needs to be based on evidence of efficiency, effectiveness and returns on investment. However, this remains difficult to judge in the absence of clear criteria for assessment.

The Government’s rationale for metro mayors is about providing mechanisms for local democratic accountability. Yet, democratic accountability is lost in the broader, overarching narrative of economic development and public service reform that has framed the un-codified objectives of the devolution deals. Political narratives around the deals need to complement one another.

8. COMMISSION RECOMMENDATIONS

Based on the evidence presented, the Commission offers the following recommendations:

- Procedures for making decisions about devolution deals need to be more open and transparent. There is a need for ‘light touch’ guidance on (i) central government objectives (ii) what policy areas might be included in the deals (iii) characteristics of a successful bid (iv) how implementation might be monitored and (v) central and local government expectations for consultation and engagement.
- The Government needs to better articulate the benefits of a combined authority and metro mayor if broad support for this element is to be garnered.
- HM Treasury needs to stay involved in the implementation of devolution deals to ensure that the commitment to and momentum behind the deals remain.
- There needs to be more emphasis on sharing good practice about how deals are negotiated across Whitehall departments and local areas to promote policy experimentation, learning and innovation.
- Combined authorities need to move quickly to drive public engagement and wider stakeholder collaboration in implementation.

Our findings and recommendations are consistent with other recent evaluations of the devolution deal process. For example *Devolution: the next five years and beyond*² identifies concerns about the pace of the devolution agenda, a lack of rigour in procedures and concerns over public engagement and consultation. *Empowering Counties: Unlocking county devolution deals*³ calls for greater clarity on the purpose, process and timescale for devolution. Moreover, *Making Devolution Deals Work* offers a guide to making devolution deals effective⁴. Our findings seek to contribute to this debate and to offer critical reflections on how to develop and improve plans for devolution in the future.

Political Studies Association Research Commission

Dr Sarah Ayres (University of Bristol and Board Member of the Regional Studies Association), **Paul Buddery** (Royal Society for the encouragement of Arts, Manufactures and Commerce), **Dr Jo Casebourne** (Institute for Government), **Tessa Coombes** (University of Bristol), **Ed Cox** (Institute for Public Policy Research) and **Mark Sandford** (House of Commons Library).



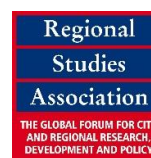
School for
Policy Studies



Political Studies
Association

INSTITUTE
FOR
GOVERNMENT

IPPR



² Department for Communities and Local Government (DCLG) Select Committee (2016) *devolution: the next five years and beyond*, Draft report, February.

³ Institute for Public Policy Research (IPPR) (2015) *Empowering Counties: Unlocking county devolution deals*, November.

⁴ Institute for Government (IfG) (2016) *Making devolution deals work*, January.