

Governing England: Devolution and public services

1. Health and social care devolution

2. Skills devolution

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Foreword

The British Academy's Governing England programme was established to explore how England is governed, focusing in particular on the devolution policies pursued by the current government and its predecessors.

In our work so far we have highlighted that the public have yet to fully engage with this new model of devolution, but this could change if people are able to link these reforms to changes to the services or infrastructure which they use.

In the second year of Governing England we have focused on how devolution is working in practice, convening three roundtable discussions with stakeholders in different urban areas affected by these new devolution arrangements. In these gatherings we assembled diverse groups of stakeholders – from local, regional and central government, civil society and business, as well as academic experts. These conversations explored three of the most important policy areas affected by these changes – health and social care, skills and infrastructure. The overarching aim was to facilitate reflections on several core themes: how well the new devolution arrangements have bedded down; what have been their strengths and limitations; and what differences they have made and are likely to make to the development and delivery of key policy objectives in these cities and their surrounding regions.

The summaries of the conversations which are presented here – with all individual contributions reported in anonymised form – illustrate the diversity of perspectives on each of these questions across these cities. However, they also bring to light a number of common themes and concerns. In each session the claim that Whitehall was too remote and its priorities too distant was aired and widely shared. Various participants argued that places still lack the tools to tackle some of the most obdurate challenges affecting their economic prospects and social environments, such as the task of matching the particular kinds of skills demanded by local employers with the capacities and qualifications of the local population.

Participants were more divided about how beneficial the government's devolution programme is likely to prove, with some reporting favourably on the implications of passing important new powers over infrastructure and skills to these city authorities. Others, however, view this form of administrative decentralisation as piecemeal and limited in impact, and unlikely to change the fundamental asymmetries of economic and political power across the regions of England. Some participants expressed the worry that a reduced role for central government as the redistributor of resources might mean a worse deal for poorer areas.

In Manchester we held a session on the major challenges associated with the responsibility that has been assumed by the new Greater Manchester Authority for integrating the delivery of health and care services in this city region. How this experiment fares is of particular significance to the perceptions of the broader devolution agenda being pursued by the current government. It will also have a bearing on the fortunes of the increasingly popular idea of developing systems of governance and policy that are geared towards tackling the challenge of making 'place' in general, and spatial inequalities in particular.

Central government in the UK has started to adopt this rhetoric in earnest. It is trying to address the challenges associated with promoting greater productivity and more balanced growth across the regions, towns and shires of England, and not just its largest cities – a shift of outlook that is apparent in the latest iteration of its Industrial Strategy. The passing of administrative powers to a group of city regions and combined authorities is heralded in some quarters as an integral aspect of such an approach.

However, the discussions reported here suggest that there is a long way to go before those involved in the governance and civic life of some of our major cities are convinced either that the UK government is fully committed to 'letting go' or that these new authorities have the resources, autonomy and trust required to tackle the deep inequalities that continue to characterise English society.

The British Academy would like to thank all of those who attended these events and participated constructively in them. The views reflected in this report are those of the participants at these events; they do not reflect the views of the British Academy itself.

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About Governing England

Governing England is a multi-disciplinary programme which seeks to address a number of issues around the government and governance of England.

The project was conceived to address the place of England in academic literature at a time when Scotland, Wales and Northern Ireland received increased public and political attention, but the largest member of the Union did not. Since then the 2015 General Election and the 2016 vote to leave the European Union have brought the political preferences of those in England and those who identify as English into sharp relief.

The first year of the project investigated mayors and devolved governance arrangements. Our work in the first year engaged with representatives of the combined authorities, council leaders, academics, journalists, business and trades union representatives, MPs, Peers and civil servants. Roundtables exploring devolution arrangements were held as part of this series of work in Newcastle upon Tyne, Sheffield, Bristol, Winchester and Cambridge.

The second year of the project directly follows that initial work with a focus primarily on the funding of sub-national government in England and on public services. Many of those who attended the roundtables in the first year of the project were keen to move on to address how devolution would affect the lives of those who live under combined authorities. It is to that end that we have worked on health, skills and infrastructure.

The project is co-chaired by Professor Iain McLean FBA FRSE and Professor Michael Kenny. Members of the working group include Professor Sir John Curtice FBA FRSE FRSA, Rt Hon Professor John Denham, Professor Jim Gallagher FRSE, Guy Lodge, Akash Paun and Professor Meg Russell.



1. Health and social care devolution

British Academy roundtable, Manchester

Health and social care devolution

Local government representatives, academics and other interested stakeholders gathered in Manchester in January 2018 to discuss health and social care devolution in England.

The roundtable explored several issues around the devolution of health services including whether services should be devolved and integrated, the importance of place, the role of politics, different organisational cultures and the importance of formal structures.

Most attendees were largely supportive of greater devolution over health and social care in order to integrate, adapt and tailor services to local areas. However, they were conscious that successful devolution may require accountability to be devolved and a new approach to formal frameworks which cover regulation and performance.

The discussion around devolution concentrated on whether health services should be tailored to the needs of an area rather than subject to direction from the centre, and how this could happen. The session touched on the importance of integrating services, specifically moving from service provision and regulation which centre on the provider organisation such as the local mental health service to looking

66 Most attendees were largely supportive of greater devolution over health and social care?? at the outcomes in a specific area. It was noted that politics also matters, especially in areas with high profile mayors who can be leaders for their places, raising the profile of important issues. Attendees spoke of the different cultures across local government and health services and how these could successfully work together. Finally, discussion focused on the importance of formal structures and the suitability of current statutory frameworks.

Some attendees were concerned about a lack of clarity over the purpose of devolution from central government, which they felt had led to uncertainty. The policy of devolution in England originally focused primarily on driving economic growth but, since 2015, the 'integration of services' has gained in importance. Some present felt that a lack of clear direction from government had caused confusion over how the devolution of powers over health fitted in to the wider devolution agenda. One speaker highlighted that one of the prime determinants of health is feelings of empowerment, and devolution can potentially empower people which in turn can lead to more positive health outcomes.

DEVOLUTION OF HEALTH AND SOCIAL CARE

Devolution of powers over health and social care began with a series of agreements starting with the Localism Act 2011 which established new combined authorities, Local Enterprise Partnerships (LEPs) and City Deals. The City Deals saw 'decentralisation' of some policy programmes and funding to deliver agreed outcomes such as improvements to economic growth, infrastructure or skills.

The powers of Greater Manchester come from a series of deals with central government. The November 2014 Greater Manchester Agreement outlined the range of powers devolved and included the first steps towards planning for the integration of health and social care across Greater Manchester.

The agreement covering health, the Greater Manchester Health and Social Care Devolution Memorandum of Understanding, was published in early 2015. This agreement allowed the establishment of the Greater Manchester Strategic Health and Social Care Partnership Board to produce a health and social care strategy. The Greater Manchester Health and Social Care Partnership now oversees devolution in Greater Manchester, having taken charge of the £6 billion health and social care budget across the NHS commissioners and providers and the 10 local authorities in Greater Manchester.

VARIATION AND INTEGRATION – SHOULD THE NHS BE NATIONAL IN NAME ONLY?

One of the key questions in this session concerned the need to balance local provision with national requirements. Many attendees expressed the view that health services already vary between localities to such an extent so that the NHS is national in name only. Largely, attendees felt that local variation should be embraced so that services can be tailored to fit the areas in which they operate rather than receive central direction which may not reflect the reality of the situation or needs in that area.

Embracing variation between areas is not without its challenges, especially in terms of service integration. One attendee spoke of the need to look beyond the integration of only health and social care services to include other determinants of ill health. The example was given that Manchester planned to invest significantly in mental health services, but a person could be sanctioned at a job centre which might cause or worsen mental ill health. Thus, it is necessary to consider the wider determinates of health when considering service integration.

It was also noted that integration and localisation are not a panacea. One medical professional stated that integration is effective in terms of the treatment of patients and service users but is not necessarily cost effective. Those present cautioned against seeing integration as a way to improve services while cutting costs.

66 Largely, attendees felt that local variation should be embraced ??

Several contributors noted that integrating health and social care services is challenging due to the different ways in which these services are funded. While health care is funded from central taxation and is available free at the point of use, social care is funded via a mixture of private and means-tested public provision and is delivered by both local authorities and private providers.

Resources

Another concern raised related to resource allocation. The differences in funding between health and social care services were seen as challenging but not insurmountable, especially in the long term. One medical professional stressed that hospitals, especially large hospitals, receive a disproportionate share of resources as 'big beasts dominate the jungle'. Further, this person outlined that social care must stay within budget, but health services need not, in part due to threats of legal action resulting from poor medical treatment. Attendees heard that it is easier for professionals to refuse to provide a social care service and those affected often feel less able to speak out against it. This was contrasted with attitudes to the NHS where patients and administrators expect 'all the care, all the time, and excellently' but 'in social care you can say sorry, we can't do that'. Thus, it is crucial to decide what to integrate and how to define success. One example was central government focus on Accident and Emergency waiting times when other services such as primary care were given less attention despite being accessed by more people. Attendees largely felt that allowing areas greater power to vary services could thus lead to greater improvements in health. Even if variation is desirable, questions remain about how to best implement and regulate such a system.

Wider determinants of health

Participants thought that, for integration to be a success, all the elements which influence a person's health must be considered as the NHS covers a small number of the factors which determine health and wellbeing. Some noted the importance of productivity and prosperity to good health while others highlighted that wellbeing should be given higher priority, including public health, housing, jobs, political power, economic growth and prosperity. However, the importance of inclusive growth was stressed. It was largely felt that the best way to integrate health with other factors with a focus on how services operated in a locality or 'place' rather than a focus on that service in isolation.

PLACE – WHAT WOULD A GOOD PLACE LOOK LIKE?

Place-based policy making, attempting to better tailor services to the needs of a specific area, has gained more political support in recent years and attendees were generally supportive of this.

One attendee made explicit the link between health and economic growth, and that the links between population health and economic growth had been a motivating factor in the Greater Manchester devolution deal. Factors such as housing, jobs and prospects for progression are important determinants of health, but they are also largely determined by health. It was widely felt that integrating services within a specific area, such as Greater Manchester, would allow these challenges to be tackled together.

66 Factors such as housing, jobs and prospects for progression are important determinants of health **99**

By moving to place-based integration in health, services could become centred on the place which they are to serve rather than on the organisations which provide them. The current organisation of services has resulted in tensions between the centre and the local, as areas which have been granted some devolution are still subject to the national priorities set by the Department of Health and Social Care.

Greater Manchester is taking steps to see 'people and place' as the 'principle currency' of health services, rather than organisations. To bring this about, Greater Manchester is attempting to move towards measuring how services are delivered and accessed in an area. The interplay between the factors which affect health can be seen in the round by looking at a 'unit of delivery' at the level of a neighbourhood with a population of around 30,000 – 50,000 people and looking at the coordination of 'health and social care, wider public services, the voluntary organisations' and others in that area rather than looking at the organisations in isolation.

While place-based integration was felt to be a positive, attendees cautioned that is it no guarantee of saving money. However, it was suggested that it would improve services for those who use them. Several speakers felt that focusing on place means that budgets can be better coordinated at a local level and focused on improving local outcomes. One medical professional present called for 'systems without walls' as few of the public knew or cared about the differences between services, how they are provided and by whom.

A focus on place was largely seen as important and useful, but attendees also stressed the importance of choosing the right size and scale of place. Looking at the level of electoral wards may make service integration difficult because people move but choosing a larger area may mean important details are missed. One administrator present shared their experience of seeing one local A&E with very limited capacity while others had a great deal spare. Thus, being able to integrate within an area should allow better distribution of both demands and resources.

POLITICS AND ACCOUNTABILITY – IS IT NECESSARY TO OVERPROMISE?

Many attendees felt that politicians can be leaders for their place as mayors and other politicians can raise and push issues using their profile and their mandate. However, some cautioned that politicians often made promises that they cannot deliver. This has led to public confusion and the risk that some may become disillusioned. The metro mayor of Greater Manchester has no formal role in terms of health and social care, nor can they. For that to happen legislation and the NHS constitution would have to be changed. Currently, the Secretary of State for Health and NHS England retain those responsibilities. However, attendees also discussed whether it was necessary to over-promise to get buy-in to the reform agenda and deliver those reforms which have come about.

The politics of expectation must not be underplayed. One attendee stressed that at this stage there has not been significant visible change in Greater Manchester, much has changed 'behind the scenes' in terms of the way services are organised or organisations work together. Attendees also cautioned that many of the things which have changed or are changing may take a long time to deliver results, such as school readiness.

66 The metro mayor of Greater Manchester has no formal role in terms of health and social care **99**

Accountability was discussed, which is crucial for both public services and politics because when politicians are accountable they have tended to want to maintain control. One attendee recalled Aneurin Bevan's centralising call that "if a hospital bedpan is dropped in a hospital corridor in Tredegar, the reverberations should echo around Whitehall". Contrast was drawn between the Secretary of State for Health, who is seen to be responsible for all aspects of the performance of health services, and the Secretary of State responsible for local government, who was felt not to be held accountable for the decisions or actions of councils.

Many present felt that if central government politicians and officials are held responsible for service failure, they will not be willing to devolve power. Accountability is especially important around health services due to the potential for the severity of the consequences of inadequate health care. Addressing this tension between control and accountability could be important for the success of devolution.

CULTURES – CAN THE CULTURES OF LOCAL GOVERNMENT, HEALTH SERVICES AND SOCIAL CARE WORK TOGETHER?

The issue of divergent organisational cultures is one difficulty of service integration. Many attendees felt that the differences in cultures in local government, in health and in social care made integration difficult, though not impossible. One example noted was the difference between the cultures concerning direction and accountability in local government, which 'looks down' to the communities it serves, and the NHS which 'looks up' towards the centre, both within the NHS and central government. Another attendee stressed that there is no single culture in organisations, especially one as large and diverse as the NHS. This attendee felt that the many different cultures within the NHS succeed because people work together and either overcome their differences or find ways to coexist. This was felt to be the only solution as 'policies cannot change cultures, though policy makers often try'.

Several attendees stressed that innovation happens at the front line, not from the centre. Therefore, for devolution to be successful the centre needs to 'let go' and to embrace variation and integration. Thus, devolution must be a means to an end, not an end in itself and resolving the accountability issue is key to making a success of devolution.

FORMAL STRUCTURES – IS DEVOLVING ACCOUNTABILITY THE KEY TO SUCCESSFUL DEVOLUTION?

Attendees discussed at length the importance of formal structures. Crucially, many felt that the current statutory framework does not adequately reflect the new devolved arrangements. Without a good statutory framework, informal relationships are of greater importance. Many of those present felt that governments too often attempt to enshrine their policies in legislation and that taking a longer-term approach to legislation, enacting something 'light touch' which enabled flexibility and change was more useful than timeconsuming legislation such as the Health and Social Care Act. One attendee pointed out that many similar changes to health services were happening in the North East without formal devolution arrangements, so it is possible to make changes within the current framework and this could be examined for wider applicability.

One formal structure which was highlighted was Health and Wellbeing Boards. These are institutions which have been given a coordinating role, but many felt that in practice they were powerless and had become 'talking shops'. They were, however, seen as having great potential and many were keen to ensure that they played a fuller role.

Questions about accountability, and blame, remain unanswered. There is little public understanding of the structures in health services, which are often opaque and diffuse regarding who holds which powers and where accountability lies. The 'patchwork' of uneven devolution across England was called 'soft devolution' as it is ad hoc, uneven and based on deals. Not all areas have devolution deals, and attendees pointed to the roles that Local Enterprise Partnerships now play in areas without devolution deals, despite having no formal accountability structure.

CONCLUSION

Attendees present at the roundtable were largely in favour of devolution but were alive to concerns about service variation leading to 'postcode lotteries' which may be unpopular with the public.

Many of those present felt that devolution must be a means to an end rather than an end in itself, but few attendees felt that they were clear as to what the 'end' of the current policy is. One attendee advocated devolution as a chance for 'decentralisation, embracing opportunities for variation and integrating fragmented services'. The question of the acceptable level of service variation is vital to the wider question of devolution: how willing are people to accept variation of priorities and standards across geographical areas?

The history and commitment to shared working in Greater Manchester has made this area uniquely suited to more comprehensive devolution. Areas must be ready for devolution and it was felt that 'the capacity and the history of Greater Manchester is not in place everywhere'. In Greater Manchester, the relationships between the key players have been embedded for a long time and this has been repeatedly cited as a reason for the success. So far, these relationships have been positive and are evolving, but decisions, especially difficult decisions, may place them under new pressures.

Finally, perhaps the factor most likely to determine the success of devolution is the extent to which the centre, both elected and official, is able and willing to relinquish control. One attendee stressed that, for devolution to work, 'the centre must let go of its initiatives, its targets, and its outcome measures' otherwise there is a limit to how far devolution can go. Doing so is vital for the kind of integration which embeds health, wellbeing and economic growth in a single strategy. Attendees felt that devolution would bring about improved outcomes for those who access health and social care services and welcomed steps in this direction. It is the devolution of responsibility and accountability, especially for outcomes, that will be crucial, as those who remain accountable will retain control.

Martin Rogers



2. Skills devolution

British Academy roundtable, Liverpool ***

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Skills devolution

Local government representatives, academics, employers and other interested stakeholders gathered in Liverpool in February 2018 to discuss the devolution of skills policy in England.

Those present at the event supported devolving power over skills policy but were aware of the need to continue to make the case for further devolution by demonstrating the benefits to date. Attendees heard that the enthusiasm of many in Liverpool for skills devolution is driven by the specific needs of the region. One local government leader present explained that a desire for greater local control over skills had partly motivated Liverpool to seek greater skills devolution. This is because some believe that the current national curriculum does not always suit Liverpool as the national priorities may not address the needs of the area. This view was echoed by a local employer who has become so frustrated with being told that the 'courses out there aren't right for our staff' that they are considering investing £5 – £10 million in an Academy to train staff themselves. This demonstrates why many political and business leaders are keen for Liverpool to play a greater role in shaping the skills which are delivered.

The roundtable covered several issues around the need for better skills provision, the importance of place to skills policy, the need for improved collaboration and communication between employers and skills providers, the need to look beyond skills and the importance of politics. Those present were overwhelmingly supportive of the case for devolution of skills and were keen that Liverpool City Region take the lead in demonstrating the worth of further skills devolution by undertaking a pilot with extra powers devolved. The lessons from this roundtable should help inform any such pilot. Those present were in favour of the devolution of more measures than the Adult Education Budget which is set to be devolved in 2019/20, though much of this budget must be spent on requirements which have been set by central government. But this is only a relatively small part of the wider devolved skills system that leaders want which would include greater control over Further Education and some control over the apprenticeships levy.

Skills devolution

Many of the City Deals struck by the UK government from 2014 onwards included devolution of some aspects of skills policy. The Adult Education Budget (AEB) will be devolved to mayoral

combined authorities and the Greater London Authority in 2019/20, subject to certain conditions. Control over the AEB was included in each mayoral combined authority devolution deal along with devolution of the Apprenticeship Grant for Employers, which has now been shut down. Each devolution deal was broadly similar in terms of skills, including full devolution of AEB funding from 2019-20 and the need to produce an areabased review including production of a local Skills

66 A desire for greater control over skills was a motivating factor behind the Liverpool City Region deal **99**

and Employment Strategy. A desire for greater control over skills was a motivating factor behind the Liverpool City Region deal and political leaders involved in negotiations sought to gain more influence over post-14 education as well as Further Education.

THE NEED FOR BETTER SKILLS PROVISION

Several attendees stressed that the 'skills needs' of the Liverpool region are different to other areas and that this lay behind a desire for greater local control over skills policy and provision. However, the point was made that the correct scale is important as debate is often at too broad a level – it is inaccurate to talk about 'the north' due to the variations within regions as well as between them.

Much of the rationale behind the devolution of skills is driven by the desire to increase economic growth and productivity. Attendees heard that both unemployment and underemployment are pressing challenges in the Liverpool region. In order to address these, skills must be conceived in the widest sense and learning, retraining and upskilling should be viewed as an ongoing process throughout a person's working life. Attendees heard that current unemployment is not only due to skills shortages, as there is a demand for staff in the region, but there is a mismatch between the availability of skills and the demands of employers. However, there is a disparity in skills on both sides as there are a number of those who are 'under-skilled' and many who are 'over-skilled'. This mismatch

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has led to significant underemployment which has contributed to the region's low productivity.

Elected politicians, such as the Liverpool City Region metro mayor Steve Rotheram, are widely seen as having a role in pursuing a particular agenda in their region, such as the need for greater flexibility in skills provision. Attendees cautioned that systems designed centrally were unlikely to be successful as many feel that Whitehall is 'place blind' and not sufficiently

sensitive to the variations in different labour markets or to the needs of an area. Further, one of those present felt that the skills agenda is of low priority for the Department for Education and that greater devolution would allow areas to make skills a higher priority. Additionally, several contributors stressed that centralised skills policy has been characterised by near-constant reforms as new ministers try to make their mark. However, devolution is no panacea and expectations must be properly managed. Further, several people stressed that many areas have been 'hollowed out' due to cuts in their funding. Several attendees cautioned that, as devolution begins to take place, cuts to local authorities' budgets mean that local areas lack resources or capacity to play a full and constructive role in skills policy and provision.

PLACE-BASED SKILLS POLICY

Those present were broadly supportive of place-based policy making which relates to designing and implementing policies according to a geographical area such as the Liverpool City Region rather than at the level of the organisation such as the Department for Education. Attendees were keen to stress that devolution does not mean the end of national standards, rather it is the freedom to tailor to a specific area. Much of the wider debate around devolution explores the tension between local control and national frameworks and this was reflected in the roundtable.

Place has been chosen as one of the five foundations of the government's Industrial Strategy in order to reduce regional inequalities of prosperity and productivity. However, for this approach to be successful, attendees felt that a broad approach to skills is needed. Current policies including devolving the Adult Education Budget were welcomed, but some of those present stressed the need to integrate skills with other factors which affect and are affected by skills such as careers.

One attendee discussed the portfolio within which skills should sit. They noted that skills are often considered as part of the education brief, but they can also be considered to come under economic development or worklessness and that skills are relevant to these and other issues, such as health. This wider view, considering skills in the round, can best be achieved by looking at the issue at the level of a place. For example, the new T-level qualifications were widely welcomed but attendees felt their success would be largely dependent on the need for them to be sufficiently relevant to the local area in which they are delivered.

One attendee talked about the unintended impact of devolution. London will be one of those areas to receive Adult Education Budget devolution but if similar policies are rolled out more widely, such as if London were to retain the revenue from the apprenticeship levy, many other areas would lose out financially. This encapsulates the debate around the role of central government as a vehicle for redistribution, pooling and distributing resources across the country. The potential for devolution to reduce this redistribution is one reason why some are resistant to greater devolution both in terms of skills policy and more widely.

COLLABORATION AND COMMUNICATION

Low levels of collaboration between employers and skills providers was said to have contributed to the unsuitability of certain qualifications. Several speakers highlighted the poor coordination between schools, Further Education providers, and employers. This was felt to be especially the case with Maths and English but also with careers advice and guidance.

Improving coordination is not easy or simple, in part due to a lack of data on current and future employer needs. One local government representative from the North West outlined that employers were now regularly surveyed in their area to get a better and ongoing picture of employers' needs and some other institutions in Liverpool do the same. However, it is not as simple as employers knowing what they need and providers delivering it as there is often a disconnect or an inability to sufficiently tailor courses within the national framework. Concerns were also raised that courses could become obsolete by the time they are delivered, especially when seeking to better cater for technological change. One of those present drew lessons from the 'German success story', which is one of collaboration. They stressed that federal, state and local bodies work with employers and providers, including universities: 'they talk for one year, then implement it for 20 years'.

Employers

Discussion moved on to focus on the relationship between employers and skills. Employers were well represented at the roundtable, so a balanced discussion could take place. Attendees heard that England has a relatively low level of investment in skills, especially adult skills, by almost any measure or comparison. However, this was said to be a problem partly caused by lack of demand, not only supply. One attendee felt that employers do not

66 Several speakers highlighted the poor coordination between schools, Further Education providers, and employers.**99**

drive demand for high skills and are too often content with low skilled, cheap labour. This means both employers and employees are 'stuck in a cycle of low skills, low productivity and low wages'. Some contributors expressed the view that some employers are not committed to training and upskilling their staff, and rather were content to either have employees with a relatively low level of skills or hire more highly skilled employees without investing in their employees. One speaker contrasted the high levels of investment in physical infrastructure with far lower levels of investment in human capital. Attendees were keen to stress that employers are not solely to blame, and that there is significant variation between employers and across sectors.

Many felt that more could be done within current limitations and one attendee explored the difficulty in training people while they are at work. As such, some suggested more could be done to increase the flexibility of provision with more courses in evenings and at weekends. It was felt this could be effective if twinned with employers being more open to offering training. Others took a harder line that employers should have a responsibility to invest in training their employees. However, employers' representatives felt that employers also require greater help. One attendee called for greater clarity over many of the aspects of skills, including earlier and better exposure of young people to employers and a working environment. It was stated that, too often, young people are put in to placements to complete a box checking exercise, without necessary clarity over what a good work placement with an employer looks like. It was felt that fuller consideration of the needs of employers and those on work experience would help to ensure that people were better prepared when they entered the work place for the first time.

The skills picture is complicated by what many attendees felt are the inadequacies of some courses and qualifications. One representative outlined their experience of someone gaining a qualification but being unsuited to the demands of the work place. An individual may be qualified to operate a digger but unable to do so quickly and accurately in a work environment.

Skills provision

Some present questioned the quality of existing skills provision and felt that some courses are too often an exercise in filling places for financial gain. However, one attendee involved in the governance of an FE college, defended providers by pointing out that these organisations are businesses and require the income from those attending courses.

One current governor of an FE college expressed the view that competition between providers was costly and a poor use of scarce resources. Some of those present felt that longer term funding settlements might allow providers to be more innovative, which could be beneficial in the longer term, but that the need to compete for attendees stifled that innovation.

As well as discussing the role of employers, the session also covered the quality of the skills provided. One crucial element which was mentioned on several occasions was that many of those who entered colleges lacked the basic skills required as they had not received compulsory education of sufficient quality. Thus, skills providers such as Further Education colleges are forced to try to overcome the lack of a good school-level education in some cases.

BEYOND SKILLS

While the role of both employers and providers is important, many stressed the need to go beyond skills. One attendee felt that automation was the 'elephant in the room', that automation is inevitable and will put numerous jobs at risk. Thus, skills policy cannot only be about the short-term needs of current jobs but must also focus on adult skills and lifetime learning.

66 While the role of both employers and providers is important, many stressed the need to go beyond skills **99**

Numerous attendees stressed the importance of looking beyond skills to attitudes. Because automation could put many jobs at risk, and skills could be made redundant quickly, many employers look for attitudes such as enthusiasm and creativity which university degrees typically provide more than vocational qualifications. This is in part due to the need to make choices on vocational qualifications at a young age whereas

university graduates usually have until the age of twenty-one to choose their desired employment, and often gain far more transferable skills from their degree. Several attendees agreed that improved work experience placements would be more effective at providing discipline and motivation.

POLITICS

Attendees were largely in agreement that politics was an important and necessary part of the debate around skills. One speaker felt that the Liverpool City Region metro mayor has prioritised skills and this shows how metro mayors can act as a figurehead to push an agenda which central institutions may not prioritise.

Another important issue is unity. One person felt that Greater Manchester had been more successful at making the case for devolution because many of the political bodies there were united, while

Liverpool had seen disagreements between politicians at different levels. Demonstrating a united front was felt to show unity of purpose which makes devolution appealing to central government.

The forum discussed the importance of making convincing political arguments when making the case for further devolution, especially stressing regional inequality. Regional inequality within **66** Whoever is accountable for the outcome of a service is likely to want control over it **99**

England is a salient political issue. Thus, a political case can be made for action on skills to help to address this, especially as tackling regional inequality is central to the government's Industrial Strategy and crucial to preparing the economy for Britain's departure from the European Union.

The other key political issue is accountability. Whoever is accountable for the outcome of a service is likely to want control over it. Therefore, those who wish to see greater devolution of skills must also embrace accountability for outcomes. The session heard that bids for skills devolution too often propose an arrangement which is untested. Without some form of testing the recipient body is asking a Secretary of State to give up powers to a new system which has not been fully explored. For a greater chance of success, pilots could be undertaken to give an indication of the likely success of the proposed arrangements. There was widespread enthusiasm among those present for greater devolution over skills, and a willingness to pilot further skills devolution in Liverpool City Region.

CONCLUSION

Attendees were largely supportive of combined authorities and city regions as the level at which devolution can work. This was felt to be a good geographical and political level but with two significant disadvantages. Firstly, some felt that direction at a higher level is necessary to coordinate across areas, especially as Local Enterprise Partnership (LEP) boundaries do not always match political and administrative boundaries. Secondly, investing more power in combined authorities leaves open the question of what to do with those areas without mayoral combined authorities, or a similar figurehead to argue their case.

As attendees discussed the need to look beyond short-term problems and solutions, one considered the possibility of using the model of a Royal Commission to settle long term questions around the right objectives as a nation, in skills and beyond, and how to implement this. This Royal Commission model was proposed specifically to address issues around vision and purpose which go beyond seeking to devolve 'power, money, and management'.

One contributor discussed changing the way in which devolution is discussed so that debate is framed in terms of what could not be devolved, and then devolving everything else. This person felt that it was likely that a great deal could not be devolved but was keen for a full debate on which power could or could not be devolved and why. Many of those present were interested in the role that local industrial strategies could play in allowing areas to tailor skills provision to suit their strengths and needs. One civil servant described local industrial strategies positively as an 'empty vessel' to be shaped according to the needs of each area. Local industrial strategies were largely seen as 'exciting' as they would develop according to the priorities of an area, including how politicians and providers, both locally and in the centre, can shape and deliver each service. At the time of writing, Greater Manchester and the West Midlands are undertaking pilots whereby they will produce their own local industrial strategies.

66 Those present agreed the importance of current devolution being successful to prove to government that areas are ready for more **99**

Linked to local industrial strategies are Local Enterprise Partnerships, which will be especially relevant to those areas outside mayoral combined authorities. One speaker stressed that Skills Advisory Panels and LEPs are an opportunity for areas outside of city regions to redesign existing structures and policies. Many present were positive about how this could work in the future but felt that questions remained about how to embed the Skills Advisory Panels in the LEPs so

that they are central to LEPs and driving decisions rather than operating in a vacuum.

Finally, those present agreed the importance of current devolution being successful to prove to government that areas are ready for more. The devolution of the Adult Education Budget (AEB) was seen as a crucial test. If AEB devolution is deemed to be a success it could pave the way for further devolution. If places can demonstrate that they are providing improved courses and improved outcomes and, crucially, can develop a plan to evaluate these outcomes, then central government will be more likely to be open to further devolution in future. There was consensus among those present that greater devolution over skills policy was a positive, and that Liverpool City Region would be well placed to explore how it might work in practice by conducting a pilot. If the mood of those present is reflected more broadly then unity of purpose, willingness to reach agreement and to engage with the concerns of central government are necessary to ensure any such bid has a greater chance of success. One civil servant ended by saying that the time is right to work with central government to attempt to strike new deals.

Martin Rogers



3. Devolution and infrastructure

British Academy roundtable, Birmingham

Devolution and infrastructure

Representatives from local and central government and the public and private sectors and academia gathered in Birmingham in March 2018 to discuss devolution and infrastructure.

Government and others have linked infrastructure to many of the challenges facing the UK including low productivity, regional inequality, preparedness for Brexit and insufficient housing availability. The World Economic Forum recently ranked the UK 11th in the world for the quality of its infrastructure while the OECD is among the numerous commentators to have called for greater investment in UK infrastructure.

The main themes which emerged from this session are around the resources for infrastructure, political structures and the need for effective partnership working. The resources section covers both the financing of infrastructure (the upfront cost) and funding infrastructure (costs over the life of the project). The first section of this paper sets out the importance of devoting sufficient resources to infrastructure, then discusses the issue of risk which was an important consideration at the event. The second section of this paper considers political structures. Attendees debated the value of various political structures including regional bodies, combined authorities and mayors without reaching a consensus on a single preferable structure. The final section captures the broad agreement among those present that structures are less important than ensuring that those within them work together, continuing the pragmatism and partnership working that many in the region are showing. As many attendees referenced lessons to be learnt from the experience of devolution to London a number of these are collected at the end of this paper.

Infrastructure and employment

Poor infrastructure is important to employers and employees for many reasons. It impacts on the accessibility and take up of jobs. One roundtable attendee explained that potential employees demand higher wages or decline to take jobs in certain areas due to the lack of available housing and public transport. Further, employers have concerns that young employees such as apprentices may be unable to get to work on a Sunday without needing to be driven by their parents. Due to these difficulties around the availability of public transport, one employer representative said that businesses would be willing to make greater contributions towards infrastructure if they are able to realise the benefits from it.

Several attendees were concerned that England's 'patchwork' of governance arrangements has negatively impacted decisions on infrastructure, with around one third of the country covered by combined authorities but not the rest. Many of those present felt this could lead to fragmented decision making, which has hampered infrastructure decisions and planning in the past. Numerous contributors spelt out that changes to political arrangements and fragmentation had resulted in a lack of strategic and long-term decision-making.

RESOURCES

The resources to finance and fund infrastructure were a key issue discussed at the roundtable. Attendees largely agreed that the UK has failed to adequately invest in its infrastructure over several years and therefore requires greater investment. However, bodies such as local authorities are significantly restrained in terms of their ability to devote resources to infrastructure due to financial constraints. Those present were keen to explore options other than dependence on central government due to both fiscal restraint and competition between areas for scarce resources.

One representative of the business community stressed that business recognises the value of investing in infrastructure and so would be open to making greater contributions in order to improve the available infrastructure. Some employers' representatives stressed that employers were being impacted by inadequate infrastructure and were therefore willing to explore ways in which they could become more involved in both decision-making and contributing resources. This attendee stated that businesses are open to measures such as business rate supplements to help deliver the infrastructure they need.

However, concerns were raised as to how devolved infrastructure projects could be adequately resourced. If each area is to play a greater role in paying for its own infrastructure then the areas with the greatest ability to pay will gain, while those with less resource may fall behind. Fiscal devolution was discussed in this context, with one contributor stressing the inadequacy of business rates for resourcing infrastructure as 'attempts to link economic growth with a funding source are problematic'

and 'business rates do not relate to economic growth' as areas most in need have the least ability to raise revenue. Many of those present were concerned that devolving financial resources would reduce the role for central government in redistribution which could mean fiscal devolution causing a greater divergence between the resources of areas in England.

66 Attendees largely agreed that the UK has failed to adequately invest in its infrastructure **99**

Risk

One issue to have emerged from the discussion is that of risk. The risks attached to the funding and financing of infrastructure can be significant and therefore must be adequately taken account of.

Given constraints on both central and local government, the private sector could be a useful source of resources, especially for projects with risk/reward ratios that the government may not be comfortable handling. Attendees discussed the possibility of engaging pension funds and insurers to that end, for example. However, attendees felt that the issue of risk is often underappreciated, especially as risk may be transferred during the life of the project. However, one attendee felt that risk always remains with the government, regardless of the formal arrangements and referenced the collapse of Carillion as an example.

Several attendees felt that funding must be more predictable over a longer term to provide greater certainty as numerous initiatives had started and been paused before being restarted or cancelled. Attendees largely felt that stability is important and underappreciated. One attendee told of their experience of road projects which were started, stopped, and then started again as 'funding stops, and the project gets dropped, and picked up and dropped again' such as the A453 near Nottingham which was started in the 1970s and finished recently.

The issue then is how to find that resource. Attendees felt that this demonstrated the need for better integration between the public and private sectors. Many of those present discussed the value of looking to pension funds or insurers as sources of investment, but in order to attract investors the government needs to structure deals appropriately.

Additionally, one attendee suggested exploring the potential of international funds because of the relatively small size of UK funds. One attendee suggested that corporate social responsibility budgets were an additional potential source for public bodies in need of investment.

Wider debate on resource and risk

Several wider issues were explored in the session. The participants examined the tensions between greater fiscal devolution and the need for redistribution. Further discussion explored potential options such as greater fiscal autonomy, land value capture and changes to council tax. Several attendees across the private sector and local government touched on the issue of council tax and outlined their support for more council tax bands, revaluation of properties and, potentially, some element of devolution of council tax. Attendees felt that a wider scope of funding options should be explored, with different projects having different sources of funding and different strategies which would cover a range of risk/rewards ratios.

66 The participants examined the tensions between greater fiscal devolution and the need for redistribution **99**

One final issue is around the breakdown between financing infrastructure (the upfront cost) and funding infrastructure (costs over the life of the asset). Attendees felt that these are rarely considered to a sufficient extent. While the upfront cost is often considered, the payments over time, including maintenance, may not be planned in sufficient depth, especially in terms of public investment in transport infrastructure.

Within this is the prospect of technological advancement and greater investment allowing a greater up-front cost to allow significant savings over the lifetime of the project. One representative of the engineering community spoke of how infrastructure has historically suffered from underinvestment and many infrastructure assets now need significant investment to be repaired or replaced. This attendee highlighted the need to strike a balance between 'capital' and the 'maintenance' budgets as 'there is a cost' to delivering infrastructure which costs less up front in the longer-term costs of maintenance. Further, this attendee cautioned that ownership may change through the life of the asset, such as something built by the private sector but transferred to the public sector, and the longer-term cost 'may be forgotten about', the result of which may be disrepair.

POLITICAL STRUCTURES

Another main theme to emerge from the meeting was political structures. The forum debated the worth of bodies taking decisions at regional levels, of combined authorities and of mayors.

Regional bodies

Attendees debated the value of a new layer of regional bodies without reaching consensus. This debate concerned the worth of regional bodies which could coordinate and take decisions over a larger area, and whether implementing these may help or hinder decisionmaking.

Some felt that new regional bodies would improve strategic decision making across larger areas such as coordinating across both East and West Midlands, and Midlands Connect was widely welcomed as a body which could improve coordination and cooperation. However, others called for existing bodies work better together and felt that adding new layers would be of limited value.

One local government representative made the case for a body at a regional level. He noted that the dependence of the West Midlands on the motor manufacturing industry meant that the region as a whole was at risk if a suitable Brexit deal was not reached and thus regional government was necessary to seek to address this risk. The former leader of a borough council in the region outlined their experience when a major employer was at risk and feared that similar problems would not be solved as well in the future due to political fragmentation which results from a lack of regional structure. This councillor outlined their experience of Rover 'running in to difficulties' in the year 2000 which had to be tackled at a regional level as 'London does not understand, it is too far away'. However, they were concerned that similar regional structures no longer exist, and so future problems may not be tackled as effectively.

Several attendees felt that the current centralised decision-making over infrastructure has created uneven amounts of investment and variations in the quality of infrastructure in England. One attendee cited international evidence showing that centralisation results in less total investment in infrastructure while devolution creates greater incentives to invest. They noted that devolution and fiscal autonomy together create a democratic incentive for voters to look to a mayor or other regional body to deliver things which impact their lives in very immediate ways, such as their journey to work. Another attendee referenced arrangements in other countries in calling for regional bodies which can direct decisions in regions. Many of those comparable countries have better infrastructure than the UK, they felt, but another attendee referenced underutilised Spanish airports in cautioning that other countries also make poor decisions and that the important point is that political structures do matter, but they are of less importance than the willingness of political leaders to work together to achieve the important ends.

One councillor contrasted the governance arrangements of London with those of the West Midlands. This councillor made the point that London has benefitted from regional government and so called for a West Midlands assembly to act as a regional body.

Combined authorities

One aspect of current devolution arrangements, combined authorities, were discussed in some depth. There was no consensus among the attendees as to the value or merit of combined authorities. One attendee described combined authorities as 'the only game in town' but felt that **66** London does not understand, it is too far away **99**

they are weak and operate at too small a scale because they are subregional. However, an alternative view posited was that the 'separation of powers' built into the London model has caused tension while combined authorities are more consensual because they operate by pooling the powers of the constituent authorities.

Another speaker stated that combined authorities have suffered due to a lack of resources. This speaker highlighted that those who hold the portfolios with the combined authority do so in addition to their role with their own local authority. This attendee felt that combined authorities were being 'run on the cheap'. To combat the reliance on second jobs, this attendee called for a dedicated political body for the West Midlands with politicians not having to take on additional roles. The resources of combined authorities, and the need for portfolio holders to undertake their work in addition to their local authority role was contrasted unfavourably with the resources of the Scottish Parliament, and Welsh Assembly despite their GDP and population being smaller than that of the West Midlands.

Others present stressed that combined authorities are more highly thought of than is often assumed and a positive case was made for them. One private sector representative outlined their support for combined authorities noting that they felt too many local authorities do not always collaborate effectively and so additional regional structures are unlikely to be successful. One private sector representative was supportive of combined authorities as 'this seems to be a model that works', especially where they have a business rate supplement and businesses can see the benefit of that, such as in the case of Crossrail. Discussion also covered the importance of a Spatial Plan to direct investment in their region which combined authorities were felt to be well placed to deliver. Several attendees expressed concern that the uneven nature of devolution in England may negatively impact decisions on infrastructure due to the different decision-making processes. While one attendee posited that the solution was to further roll out combined authorities to ensure more continuity in political structures, several of those present stressed the importance of leaders being able to overcome different governance arrangements, for example where a project cuts across areas with and without combined authorities.

Mayors

In addition to the debate on combined authorities, attendees discussed mayors, which so far has been a condition of all combined authority devolution deals. One attendee was positive about the role of a mayor as an identifiable figurehead leading an area, bringing people together and promoting their area. Another attendee recalled Lord Heseltine's statement that "unless you have an elected scapegoat, central government will not give you anything". Numerous attendees felt that the figurehead role played by a mayor has been effective at securing additional resources for certain areas.

Another attendee recalled Lord Heseltine's statement that 66 unless you have an elected scapegoat, central government will not give you anything **99**

One civil servant present felt that Tees Valley demonstrates the value of a mayor. They noted that the North East was said to now be 'a tale of two city regions', one of which has been 'put on the map' by having an elected metro mayor. Ben Houchen was elected as metro mayor of Tees Valley in May 2017 and was said to have demonstrated the value and worth of a mayor as Tees Valley now has a far higher profile in Whitehall and beyond than before Mr Houchen was elected. Having an elected figurehead allows the mayor to make an area more visible and to 'articulate the key priorities' to central government. This should allow that area to secure resources it would not otherwise be able to. This civil servant felt that 'it is the political case which often makes the difference' and this has often been lacking in regional plans for investment, and mayors are able to push that political case. Further, the mayor of the West Midlands was said to have played a crucial role in securing the second West Midlands devolution deal by applying political pressure and clearly articulating their priorities.

BETTER UTILISATION OF CURRENT STRUCTURES

Many attendees felt that the greater priority should be that better use is made of current structures rather than the addition of new ones. One attendee advocated ensuring that existing bodies and people work well together before devolving the relevant powers. Another attendee felt that every additional layer increases fragmentation which is bad for decision making. Several attendees stressed that no structure is perfect, and each model will have disadvantages. The most important outcome is to focus on ensuring that relevant people work well together to deliver better infrastructure.

Forging partnerships

Attendees agreed that political structures are of less importance than ensuring that partnerships are effective, and that people work together. A private sector representative stressed that what makes or breaks political structures is the willingness of individuals to work together as 'you can't put a quantitative figure on relationships, but we all know that they add big value'. Structures such as combined authorities must ensure that the people within them work together to ensure that good decisions are taken, and that conflict is avoided where possible. This was echoed by others, including the council leaders present.

Attendees stressed the importance of partnership working because infrastructure rarely maps on to political boundaries. Effective partnerships are also necessary because a wide range of elements are key to infrastructure, including the interplay between digital and transport infrastructure. One may affect the other in that improved digital infrastructure in an area may impact the need for transport infrastructure.

LESSONS FROM LONDON

Several attendees drew lessons from the experience of London. Firstly, some attendees stressed that devolution in London has evolved over time. The first tranche of London devolution saw the city get a relatively small amount of power and resources, and in 1999 Transport for London (TfL) only had powers over bus services. One important lessons for the West Midlands, attendees heard, was that London and TfL had earnt the additional powers and that other areas should look to do the same. That process involved London and TfL proving themselves able to utilise the powers they had, then making the case for more. This was agreed to be a lesson that other areas should follow.

Despite devolution and the figurehead of the mayor, attendees heard that tensions exist between the levels of London government, and some attendees contrasted that with the pooling of political power in combined authorities. This was said to be seen most clearly in terms of housing. One attendee spelt out that the mayor has ambitious housing targets, but that this is no guarantee of delivery and 'boroughs often ignore them'.

However, one attendee cautioned against referring to London. This person believed that the West Midlands should not be compared to the 'global city' that is London, but another felt that Birmingham is comparable to global cities of similar size such as Frankfurt.

CONCLUSION

The main themes which emerged from this session are resourcing infrastructure projects and how political structures and partnership working can help or hinder infrastructure decisions. This forum discussed many of the debates around the issues of resourcing infrastructure, including who holds the risk. Attendees debated the value of various political structures including regional bodies, combined authorities and mayors without reaching a consensus beyond broad agreement among those present that structures are less important than ensuring that those within them work together. One of the crucial lessons from devolution to London is that London, and TfL in particular, demonstrated its suitability for the power it received, then made a case for more on that basis.

66 London, and TfL in particular, demonstrated its suitability for the power it received, then made a case for more **99**

One issue which was not resolved was around how acceptable divergence was. Attendees felt that the issue of different levels of provision was not publicly debated and confronted, especially if taxes are devolved and wealthier areas would gain the most. Therefore, attendees felt that a more open and honest debate on this issue was required.

Attendees were supportive of the need to look

across the midlands region, and not to look at just the East Midlands or West Midlands. One private sector representative stressed the need to see East and West Midlands as connected, but felt that this is not the case, which is exemplified by the lengthy journey from Birmingham to Leicester. However, many attendees were also keen to look beyond only transport to all the ways in which these areas are connected.

Overall, the forum supported devolution, and agreed that the key issue is how to ensure that it works well. Those present at this roundtable felt that devolved areas should embrace two key lessons: firstly, all areas must embrace the challenge of proving themselves capable of sustaining and making the most of devolution in order to get further powers, which London has done. Secondly, local leaders should seek to forge fruitful partnerships regardless of the political structures around them. If this is coupled with stability in devolution policy this may allow areas to follow London and earn greater devolved powers for themselves, progressing from control of buses to control of commuter rail lines and, finally, to projects such as Crossrail.

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