Labour's plans for city and regional devolution are welcome, but don't go far enough

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By Democratic Audit UK 2014-7-3

*On Tuesday, Lord Andrew Adonis released his report on regional growth in the UK for the Labour Party, which was welcomed by Ed Miliband as 'long-term plan to show that there can be jobs in every part of country'. In responding to the plans, regional economic policy expert **David Bailey** argues that the plans represent a step in the right direction, but stop short of what is needed.*

Andrew Adonis will be hoping that a Prime Minister Ed Miliband will introduce his recommendations (Credit: ARCHIVED Department for Energy and Climate Change, CC BY NC ND 2.0)

This week Labour leader Ed Miliband promised "the biggest devolution of power to England's great towns and cities in a hundred years" in a move which shifts Labour's focus on local economic development away from the 'old' administrative regions as in RDA-days towards 'city and county regions'. Speaking in Leeds, Miliband said that he wants cities like Birmingham, Manchester, Newcastle and Bristol to become powerful urban dynamos, taking control of budgets for skills, housing, transport and the Work Programme so to boost their economies.

So far so good. Such a radical decentralisation is much needed as England is by far the most centralised state in western Europe even after all the recent fanfare over localism, City Deals and local growth funds. England's second-tier cities punch well below their weight economically. And the inspiration for the move is in large part Lord Heseltine's 'No Stone Unturned' report. The Tory peer's report came up with 89 proposals, with the goal of shifting £60bn over four years from central government to English regions.

As Miliband said earlier this year, Osborne's response to Hezza was way too modest: "the best report this government has produced has been the one that they have most ignored." That was in part because of a no-holds-barred 'Yes Minister' style turf war won by the Treasury which stymied further decentralisation (of course one wonders what Ed Balls would actually make of devolution if he ever became Chancellor given that he is steeped in the tradition of top-down Treasury control-freakery).

That Treasury 'win' was no surprise, and now neither is Labour's enthusiasm for backing Hezza. In particular Labour has been trying to figure out what to do with LEPs, recognising that it couldn't – if elected – scrap them as the current government did with RDAs, as that would cause yet more chaos and alienate businesses which have put considerable time and effort into making a go of them. The Lib Dems of course, via Vince Cable, had tried to pour a big bucket of cold water on Hezza's plan, arguing that LEPs simply don't have the capacity to handle such big amounts of money (which is rather ironic given that it was a Cable-Pickles double act which replaced RDAs with LEPs). But the Business Secretary was at least right in noting that giving big wads of public cash to unelected bodies wouldn't be appropriate.

And this is where the new Labour move comes in, recognising that the argument over a lack of democratic accountability shouldn't be used to forestall broader devolution to English cities. Look north and the big cities such as Greater Manchester, Greater Leeds and the North East have built or are setting up new 'combined authorities' or 'supercouncils' which have the legal footing to receive large amounts of public cash and which have some public accountability.

Greater Manchester's ten local authorities have been collaborating for over a quarter of a century and set up England's first combined authority back in 2011. It has been allowed by Sir Humphrey in Whitehall to retain some business rates through an "earn back" scheme. Some of the other combined authorities have had a difficult start to life but the Northern cities seem light years ahead of Birmingham in getting combined authorities off the ground.

For example, a plan to set up a combined authority in the North East made up of seven councils is now in the final stage of parliamentary approval after Sunderland finally realised it had to join the party to get its share of a bigger pie. Meanwhile, the West Midlands does have a city region-wide transport authority, but moves to create a combined authority with more responsibilities have failed to get going. Birmingham risks missing the boat. Indeed, sadly 'Birmingham and the Black Country' (or whatever name might eventually be used) looks increasingly like a mournful Cinderella unable to hitch a ride to the devolution ball.

That's because it's these cooperating super-councils which offer the potential for channelling public money down to the local level without it all going via LEPs. And it's very clearly this 'Manchester Model' which Labour now wants to back. Under the Labour plans LEPs would gain control over skills budgets currently allocated in a top down way at a national level, and super-councils would gain powers over transport, housing and other infrastructure spending. That makes a lot of sense. It appears that only city regions that meet strict tests established by the Adonis Report will be given new powers over transport and housing infrastructure funding, as well as over the Work Programme and skills.

However, it seems that regions will still have to take part in a bidding process into the Local Growth Fund (Hezza's big pot), with the Government ultimately deciding which cities receive devolved powers and how much they can spend. That's a shame as the bidding process itself eats up huge amounts of time and effort. Super-councils should simply be allocated resources and powers when they show that they have met certain criteria and that their economic strategies are predicated on creating high-skilled, well-paid jobs in the private sector. In that vein, earlier this year Miliband wrote to local councils, LEPs and universities to come up with plans, with Miliband stating that "these changes will only bring new jobs, greater prosperity, if the towns and cities are willing to put the private sector at the heart of decision-making."

But look at the detail and Miliband's initial plan is actually pretty tame. Labour says it is planning to devolve up to £30bn of funding to the local level. If that was £30bn a year then that would indeed be a significant step forward. However, it seems that this is £30bn over the lifetime of a parliament. Just a few months ago, Miliband said that he wanted to "at least" double central government funding allocated annually to the local growth fund from a paltry £2bn to £4bn. It seems that he has now upped that figure to £6bn a year. Remember that Chancellor Osborne had heaped praise on Hezza's plan then promptly turned the taps off, with a promise just a few weeks' ago of some more money to come. But just £2bn a year was and is peanuts. That makes £6bn a year three bags' worth of peanuts.

So while there is much to welcome in Miliband's statement today, for example in revamping and empowering new LEPs that better match functional economic geography, all we can really say is that labour seems only slightly less timid than the Tories over the decentralisation of resources to our great cities. We can and should go much further. Our big cities need to be cut free from the dead hand of central government and given the real powers and resources to plan, fund and deliver the transport, housing and skills they need to grow and develop. That should allow them to use more innovative methods to fund investment, whether in the form of tax increment financing or working with local government pension funds.

Meanwhile, the message to local council leaders is simple. Get your act together, Manchester-style, or risk missing the devolution party, whoever is in power centrally.

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David Bailey is Professor of Industry at Aston University. His full academic profile can be found here.