

Relieving democratic stress: Devolution and strong cities

By Democratic Audit

*Although devolution is no panacea to the drivers of populism, it could bring decision-making closer to people's lives and communities, and move towards a bottom-up rather than top-down centralised state management approach, argues **Alexandra Jones**.*

In an age of austerity, in which the most favourable surveys find that only one in four of the public trust politicians, it is unsurprising that populism is on the rise throughout Europe. Those arguing for ideas seen to represent the 'common people' against an 'out-of-touch elite' are tapping into a rich vein of cynicism about political systems and politicians' (and other public institutions, from banks to the media) perceived inability to understand the challenges facing everyday people, from immigration and unemployment to housing costs and poor public transport.

The cynicism is nothing new: representative democracies have always had to grapple with deciding whether a 'populist' measure is the 'responsible' thing to do and will deliver jobs and a better quality of life for citizens in the longer term – and whether those decisions will result in re-election or not. Yet the rise of protest populism in recent years suggests that, despite technological advances such as email and social media facilitating closer connections between politicians and the citizens they represent, the perceived gap between politicians and citizens is growing.

There is a well-recognised political dividend associated with populist policies regarded to represent 'common sense' rather than 'out-of-touch' politics. Broadly this seems to be driven by: (a) General cynicism regarding remote leadership and institutions – that "they are in it for themselves rather than for people they represent"; (b) Cynicism regarding whether things work, and if they do, who benefits from them working; (c) Cynicism regarding the role ordinary people have in "owning" solutions to problems they see, and taking pride in their place.

The exception to this cynicism is, strikingly, trust at a local level. A recent Ipsos Mori survey showed that 79% of respondents trusted their council to make the important decisions about public services, compared to just 11% who trust the government. Other surveys suggest trust in local MPs is higher than in MPs in general (with the Liberal Democrat MPs, famed for being close to their constituencies, scoring particularly highly).

Yet the UK is one of the most centralised western democracies, with limited decisions taken at local level. Some progress has been made in recent years, with City Deals (enabling policies to be flexed to city circumstances) the most significant step, but compared to international counterparts, there is far more that could be done. So could greater devolution alleviate the pressure for, and appeal of, populism?

The benefits of devolution

The Centre for Cities has long argued for greater devolution of funding and powers to the lowest level at which effective decisions can be made. While some large-scale projects are most efficiently managed at a national level, such as High Speed 2, and there still needs to be a national framework with national politicians intervening in areas that are failing, taking decisions at a local level makes it far more likely that money will be spent effectively.

On economic issues, decision-making is likely to be most effective when made at the level of the 'real' economy – the area in which people travel to work, study or leisure. On public services, first Total Place pilots and subsequently Community Budget pilots have demonstrated that significant savings can be made and better outcomes achieved when local partners work together to wrap services around an individual, rather than national programmes being delivered to those individuals.

So what would a devolution agenda that made more effective use of public money, supported local economies to thrive and helped to alleviate the drivers of populism look like?

First, stronger institutions and democratically elected leaders at a level that matches the 'real' economy,

would help strengthen the link between voters and decision-making.

The Centre for Cities' research suggests that directly elected mayors at 'city region' level would be particularly valuable as this would allow economic decisions to be taken at the level of the 'real' economy, as in London. While the rejection of mayors in 2012 suggests a lack of public interest in additional elected leaders (although the offer to voters was very unclear, and the geography was restricted to the local council), in cities such as Bristol, Liverpool and London, having a mayor is having an impact. Their ability to use formal and informal powers, as well as be held directly to account can have an impact on the sense that institutions are out of touch and only in it for themselves.

However, Toronto has shown that having a mayor is by no means perfect solution on its own. Stronger, democratically accountable bodies at a local level (whether combined authorities or something else) can help build public trust and confidence. There would also need to be a new accountability structure with local institutions held to account for local decisions, rather than national politicians. This could involve, for example, local MPs holding local institutions to account in Parliament, with Secretaries of State able to intervene if areas are failing. This could help ensure stronger links between national and local decision-making.

Second, more money would be raised and spent in local areas, more decisions made locally about spending priorities, and more of the benefits of those decisions would stay local too.

Currently the OECD estimates that, on average, 17% of the money that UK councils spend is raised through local taxes. The average across the rest of the OECD is 55%, with the level of taxes controlled locally or regionally being about 10 times greater in Canada, 7 times more in Sweden and nearly 6 times more in Germany. And while local authorities are able to raise some funds, rules and regulations that cap council tax rises and restrict what councils can charge for mean that this is autonomy more in name than in reality.

To resolve this, there should be:

a) Greater fiscal devolution

Instead of Whitehall receiving the vast majority of taxes and then redistributing them according to thoughtfully constructed, hugely complex formulae, local areas should raise more of their own money and take their own decisions about how to spend it. Whether through property taxes, tourism taxes or other forms of revenue raising, cities would have greater control over their investment decisions and there would be greater transparency. This means that it's more likely that local citizens would have an impact on decisions about how money is spent.

b) Local authorities should be given three year budgets and allowed to take their own decisions about spending the money

Even when more money is technically devolved and despite reductions in ring-fencing, significant portions of the money given to local authorities is dedicated to specific services, leaving limited local discretion regardless of whether this is the best use of constrained funds for the local area. Centre for Cities' annual Cities Outlook shows this is a problem: cities are very different. From Milton Keynes having more than double the rate of business starts as Swansea, to York having more than double the proportion of highly skilled workers as Southend; the challenges and opportunities facing cities vary and so do the priorities for those places and the people who live there. From Community Budget pilots we also know the benefits of delivering public services in a way that works for the individual rather than siloed services. There should be greater flexibility to do this, together with the certainty that comes from three year budgets.

c) More of the benefits of local decisions should be retained in local areas

Manchester's Troubled Families Initiative demonstrated £10m cashable savings, with local partners investing two-thirds of the money required for the initiative. Yet 80% of the savings made went straight back to Whitehall. This needs to change. Undoubtedly this will be complex, and will require institution building at the local and city region level, as well as realignment of accountability structures, national accounting officers and multiple pots of money.



But in an era of austerity, more locally designed and delivered services – often by community groups rather than the institutions receiving the money initially – will be the only way to achieve savings required, so radical restructuring is necessary.

Third, national policies need to take place into account.

Even in a UK with devolved city regions and counties, national policy is needed – but taking ‘place’ into account could help alleviate populist demands. Housing is a good example of a policy area where there is considerable pressure on politicians to build housing at a national level, because the UK as a whole lacks housing. Yet there are concerns at a local level that national policies do not understand local issues. This is both because in leafy shires there are concerns that building houses would destroy communities or the countryside, and because in cities such as Burnley, the issue is not undersupply of housing but oversupply of poor quality stock. This means that national policy needs to be more place sensitive. Incentives such as the New Homes Bonus are a useful idea but need to be much bigger. To benefit the local communities directly, they need to convince people that new homes are a good idea. In other areas like Burnley, national policy could support regeneration through, for example, reducing VAT on refurbishment. This would avoid some of the ‘place-blind’ policies that can result in voters feeling misunderstood.

This is not to argue that there are no challenges associated with greater devolution. In addition to issues around establishing appropriate democratic and financial accountability and long-standing chicken-and-egg concerns about local capacity, there is no popular movement behind devolution, although this may change in the year of the Scottish referendum.

There are also ongoing concerns that devolution would lead to a postcode lottery. Yet the evidence tells us that the status quo of a highly centralised state hardly guarantees equality of service provision or economic performance. Of the nine largest English city economies, only two consistently perform above the national average – London and Bristol. The UK continues to be one of the most unequal countries in the OECD – there is a gap of 9 years in life expectancy between different parts of the UK, and you are more likely to get an A* to C GCSE in Maths or English in the most affluent rather than the most deprived cities. A national framework will still be required to ensure redistribution of funds between the most affluent and the more deprived places, to commission some projects at the national level where this is most effective (such as High Speed 2) and to hold places to account on certain outcomes to ensure minimum standards, as well as ongoing scrutiny. But a centralised state has not avoided different outcomes for different people and places.

There is also a final challenge, that a more devolved politics could in fact exacerbate populism, not diminish it – that greater local power could encourage politicians to play only to their local base, rather than the national interest, potentially leading to policies that mean no new houses get built, restrictive immigration policies are introduced or money is invested poorly. This is clearly a risk, of any kind of politics, local or national. Key to managing this will be ensuring sufficient checks and balances in the system, institutions at the level of the ‘real’ economy so that they cross administrative boundaries, and ongoing scrutiny from the public and national politicians and officials alike.

Devolution is no panacea to political decisions that focus more on short-term popularity than long-term benefit, but it would bring decision-making closer to people’s lives and communities, and be able to respond better to a 21st century way of operating that is more bottom-up than top-down. Austerity means that the days of top-down centralised state management are numbered; we cannot afford it. Devolution could be a way to respond not only to this imperative, but also to the wider challenge of a disconnect between politicians and the people they represent.

Note: This is a contribution to the Policy Network and [Barrow Cadbury Trust](#) project on ‘[Understanding the Populist Signal](#)’. It can also be found [here](#). It represents the views of the author and not those of Democratic Audit or the LSE. Please read our [comments policy](#) before posting. The shortened URL for this post is: <http://buff.ly/1kQI1bl>

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