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DEVOLVE BY DEFAULT

Decentralisation and a redefined Whitehall

Dr Simon Kaye
Rachael Powell

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After a decade of disruption, the country faces a moment of national reflection. For too long, Britain has been papering over the cracks in an outdated social and economic model, but while this may bring temporary respite, it doesn't fix the foundations. In 1942 Beveridge stated: "a revolutionary moment in the world's history is a time for revolutions, not for patching." 80 years on, and in the wake of a devastating national crisis, that statement once again rings true. Now is the time to fix Britain's foundations.

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ABOUT REIMAGINING WHITEHALL

This paper is part of the *Reimagining Whitehall* work stream. To effectively reimagine the State, major change must occur in the behaviours, processes, and structures of central government. The specific reform proposals sit under three core themes: New Mindsets, Rewiring the Centre, and Decentralising Power.

This paper is the first in the Decentralising Power series, and explores the potential benefits of devolution to central government itself, and its possible role in the creation of a Whitehall system that is more strategic in its outlook, less burdened by micro-managerial responsibilities, and more capable in its core functions.

Reimagining Whitehall Steering group
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Table of contents

1. INTRODUCTION…… 7

1.1 Why Whitehall needs devolution..... 7

1.2 Unfinished devolution……..…….…….... 12

1.3 A note about this report..……..……..…… 13

2. THE CENTRE CANNOT HOLD…….…….….. 14

2.1 Micromanagement……..... 14

2.2 Size matters…….…….... 17

2.3 Facing complexity…….……..…….…. 19

2.4 Identifying the barriers..... 20

3. A NEW FRAMEWORK ……..… 24

3.1 Objectives, approach, resourcing, accountability……..... 25

3.2 Devolving by default…..…….…….. 29

3.3 Dimensions of maturity…..…….……..…….. 32

4. CONCLUSION ……..…….. 37

BIBLIOGRAPHY…….. 38

Recommendations

Recommendation 1: The success of devolution should be assessed not only by local empowerment and improved outcomes but also by a measurable reduction in Whitehall's administrative workload that can be directly attributed to decentralising measures. Departments should be tasked to develop, track and publish metrics to this end – for example, the hours spent on managing place-specific activities, including the assessment of funding bids from local actors, over time. This quantifiable approach will provide clear indicators of successful devolution, aiming to shift responsibilities more effectively to local government and reduce unnecessary central oversight.

Recommendation 2: Devolution policy should be under continuous review and jointly steered by a new interdepartmental group, primarily composed by representatives from the Cabinet Office, the Treasury, and the Department for Levelling Up, Housing and Communities (DLUHC), chaired or attended by relevant ministers from these departments, and incorporating members from a group of local government leaders drawn from a variety of local authority and combined authority officers. Progress on devolution should be made an explicit part of the remit for Cabinet Office teams responsible for machinery of government and civil service modernisation.

Recommendation 3: Establish a comprehensive peer learning function for continuous improvement of local government with the explicit goal of both building systemic readiness for greater levels of devolution and bolstering the evaluation of the effectiveness of existing devolution**.** This peer-review capability should build upon existing 'peer challenge' and audit support work from bodies like the Local Government Association (LGA), and should be supported by an operationally independent Office for Local Government (Oflog). To ensure operational independence, Oflog should be transitioned to an arms-length body.

Recommendation 4: A standardised framework should be adopted by government departments to regularly reassess active and developing policies for their suitability for devolution. Ultimate responsibility for the development and adoption of this framework would rest with the interdepartmental national/local group detailed in Recommendation 2.

Recommendation 5: A new local empowerment function should be incubated by DLUHC, in close collaboration with existing local government networks, with the aim to create processes that will replace devolution by deal-making.

This local empowerment body should be specifically tasked with reviewing local systems wholescale and advising both central and local government about each system's readiness for further devolution. Its recommendations should trigger a rapid response from relevant central and local decision-makers. Its reports should be designed to help develop and share areas of good practice within each local system, and transparently published to foster cross-sector learning.

It should also be home to a check-in review function to respond to instances of local system failure and invitations from local leaders who believe their system is ready for further devolution.

1. Introduction

Nowhere in the world is there any country – comparable in terms of complexity, economic importance, or size – that is as centralised as England.

This is a stark but uncontroversial claim. It is constantly repeated by politicians of all parties, expressed by senior civil servants, and explored in policy reports.[1] London is a disproportionately powerful capital city. Investment and attention tend to be more focused on it and the regions immediately surrounding it. Public services outcomes are far stronger on average than in, for example, England's North. Economic activity and opportunities are similarly concentrated.

One of the other aspects of this overcentralised system is a tendency toward government micromanagement. The Whitehall system dominates local government structures at every scale. This means that local decision makers often lack the autonomy and resources to mitigate the other effects of overcentralisation. Where local government often has significant delivery responsibilities for realising outcomes in response to central decisions, these are detached from any ability to locally choose priorities or vary the funding model.

Just as important – yet rarely noted – is that this degree of micromanagement is bad for Whitehall itself.

1.1 Why Whitehall needs devolution

The negative effects of English overcentralisation are well established: one-size-fits-all, top-down public services; passive and disempowered citizens; and contribution to our significant (and growing) geographic inequalities.[2]

Near-consensus exists around these points. Yet there is far less discussion of the reality that one of the key underlying causes of overcentralisation – the Whitehall system and its biases – could also be a key beneficiary of a more decentralised system.

The tendency toward centralism reflects a simple theory, similar to the idea of 'economies of scale': by holding decisions and administrative functions at the centre, efficiency might be achieved by reducing the unnecessary replication of effort through the system, and consistency might be achieved by avoiding localised fragmentation. In some respects, and in some specific areas of policy, this theory remains the best guide to policy. Centralising some administrative functions, or at least creating shared tools at the centre, can be a boon to efficiency. Some strategic questions should not be answered differently in every place. And, as this paper will show, England has a relatively small local government sector: only possible because of the strength of its centre.

This, however, is only half the story. In practice, in a centralised system, many inefficiencies are created due to the gap between decision-making and local context. Additional complexity

[1] UK 2070 Commission, *Make No Little Plans: Acting at Scale for a Fairer and Stronger Future*, 2020.
[2] Professor Adrian Pabst and Professor Jagjit S. Chadha, 'Where Are We With Regional Inequalities in the UK?', Blog, *National Institute of Economic and Social Research* (blog), 2023.

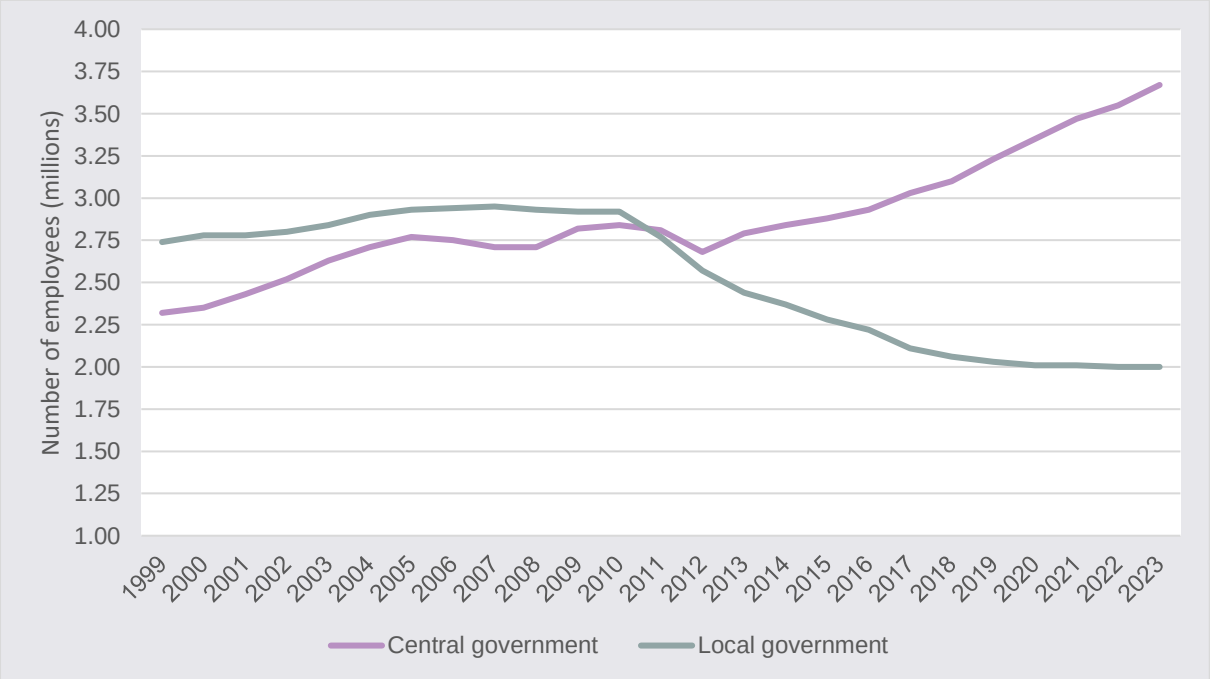
is introduced, and the pathologies of central government – particularly its hard-wired public service siloes – become everyone's problem. Outcomes suffer as a result.

The ramifications of overcentralisation – the way that it entails micromanagement that consumes central government capacity, crowds-out longer-term and strategic concerns, and compromises both the quality of policy design and the likelihood of effective delivery – must be brought into the Whitehall reform debate, and recognised as an important driver of the biases and challenges in the Whitehall system.

1.1.1 A streamlined system

As this report shows, England's local government sector is disproportionately small and shrinking, even as our central civil service (constantly the subject of government headcount reduction and efficiency-finding plans) has been continuing to grow (see Figure 1).[3] The shrinkage of local government capacity, at a time when state capacity has been required to expand as part of the pandemic response, is extraordinary, and symptomatic of the way in which new powers and responsibilities are held, by default, by Whitehall – even when Whitehall is not best placed to respond.

Figure 1: Public sector employment in local and central government (millions)



Source: ONS

[3] Contributing factors to these trends include Whitehall workforce growth around Brexit, the pandemic response, and school academisation.

As with Brexit, Whitehall's primary response to a major challenge seems to be to expand, and to do so in a centralised way.[4] A larger Whitehall is not necessarily a more capable one, and subsequently finding the most appropriate 'business as usual' size for the home civil service is a far slower process, involving many inefficiencies along the way.

Senior officials openly advocate for a more "streamlined" central government.[5] It will be impossible to achieve this without understanding – and addressing – how micromanagement demands proportionally greater central capacity.

Figure 2: A case study in micromanagement and inefficiency: England's local government funding model

Local government in England is funded through a combination of local taxes (principally business rates and council tax, which localities themselves have little ability to alter), and grants from central government. Some of the responsibilities held by councils verge on 'unfunded mandates' – a form of part-decentralisation shown to yield worse outcomes.[6]

A great deal of local authority funding is allocated through competitive bids into centrally-held 'pots'. Sometimes thought to drive iterative improvement as local systems vie for resources, these competitive allocation processes can also cause significant inefficiencies.[7]

Competitive allocation is the default setting for one in three of the bid-in pots managed by central government.[8] Preparing bids is expensive – bids into the first round of the Levelling Up Fund, for example, cost an average of £88,000, not including staff costs.[9] Failed bids result in wasted time and money (three out of four Levelling Up Fund bids were unsuccessful) – a big problem for localities which already have relatively fewer resources.

Central control of these resources does not translate into streamlined processes. Rather, the fragmented and siloed nature of Whitehall teams and departments results in a confusing plethora of approaches and requirements. Even for successful bids, diverging administrative and reporting requirements lead to significant bureaucracy, and short time horizons make strategic planning harder to accomplish.[10]

Decisions about the grants' parameters and local areas' priorities lie firmly with central government,[11] and the centre is responsible for reviewing applications and deciding which projects to approve. To increase the likelihood of funding, local projects are often tailored to central government's priorities rather than specific local issues.[12]

[4] Professor Colin Talbot and Carole Talbot, 'Is Brexit Leading to the Recentralisation of Whitehall?', *Civil Service World* (blog), 2018.
[5] Deloitte and Reform, *The State of the State 2022-23: From the Pandemic to a Cost of Living Crisis*, 2022., p.34
[6] A. Rodriguez-Pose and M. Vidal-Bover, 'Unfunded Mandates and the Economic Impact of Decentralisation: When Finance Does Not Follow Function', *Political Studies*, 2022.
[7] Michael Heseltine, *No Stone Unturned in the Pursuit of Growth*, 2012.
[8] Local Government Association, *Fragmented Funding: The Complex Local Authority Funding Landscape*, 2020.
[9] Centre for Cities, *Pot Luck: What the Government Can Do to Streamline Grants for Local Economic Policy*, 2023.
[10] Centre for Cities.
[11] Centre for Cities.
[12] Stuart Bridgett, 'Local Government Is Tied up in the Red-Tape of Competitive Grants', *Centre for Cities* (blog), 2022.

1.1.2. A legitimised system

Our system and institutions of government are faced by a crisis of public confidence: a trend of growing distrust on the part of citizens.[13] Tellingly, levels of trust in local systems – even given the low overall turnout and engagement levels in local elections – are often found to be higher.[14] This contributes to a sense of democratic deficit – one which reflects the reality of how distant our overcentralised system is from the perspectives and priorities of our communities. It also undermines trust in national politicians, who are held accountable, by default, for local matters over which they ultimately have minimal influence.

Perhaps counterintuitively, devolution and decentralisation have the potential to significantly bolster the legitimacy of the Whitehall system by building ownership and connection with the activities of the State, the results of which often impact national politics. The low levels of engagement seen around local government and politics reflects its overall status compared with central leaders and decisionmakers. Empowered local government can create a genuine sense of efficacy and bring decisions closer to the public, generating more clarity for citizens.[15] This is already visible in considerably higher public awareness levels in with directly elected mayors, and public appetite for further devolution revealed by polling.[16]

By shifting powers to more localised structures, Whitehall can position citizens to see, feel, and contribute to the governance of the places where they live. This approach not only brings decision-making closer to the people it affects but also instils a sense of ownership and participation in the democratic process. In turn, this heightened sense of involvement and visibility could help mend the disconnect between citizens and the State, shoring up trust, promoting better outcomes through local transparency, and reconnecting a more distributed system to the public that it serves.

1.1.3. A strategic system

The devolution of powers can transform Whitehall into a more agile, future-focused entity, enabling it to concentrate on overarching national concerns such as security, competitiveness, and resilience. Where now teams of civil servants must carefully sift the applications of local communities and local authorities (whose circumstances they cannot fully understand) for crumbs of resource, Whitehall's attention could be focused on broad strategic priorities, allowing for the particularities of design and implementation to be handled by officers who are far better positioned to ensure their successful delivery.

If central government calls for the prioritisation of, for example, increased employment rates, its current approach would be to develop a centrally-managed, one-size-fits-all employment service. A more decentralised system could respond to that call with a diversity of locally

[13] Edelman, *Edelman Trust Barometer: Global Report*, 2023.
[14] Joe Sarling, *Community Calling: People Want More Influence* (New Local, 2022).
[15] Mariana Prats and Axel Meunier, *Political Efficacy and Participation: An Empirical Analysis in European Countries* (OECD Working Papers on Public Governance No.46, 2021).
[16] Centre for Cities, *New Polling Finds the Public Overwhelmingly Back More Devolution to Their Cities*, 2021.

adapted services, in tune with the needs of local jobseekers, businesses and labour markets.[17] This approach could ensure not only a more responsive government but also one that is far more effective in realising its objectives.

1.1.4. An efficient system

The move towards devolution and decentralisation can lead to significant improvements in the efficiency of public spending and service delivery. When money is allocated by Treasury, every layer of interaction with another 'layer' of the government machine creates the potential for deeper inefficiency: money intended to improve a certain health outcome must pass through DHSC, NHS England, and so on through a large and complex health delivery system. The simplicity and clarity of passing on entire budgets – and the autonomy to dispose of them as suits local conditions – also holds the promise of far less 'friction' of this sort as resources are passed down, directly, to where they will ultimately spent. Such a model will only be possible within a much more mature and decentralised system of government – until then, devolution will always simply produce yet another 'layer', with additional admin resource costs.

Moreover, with a more localised approach, services can be better tailored to meet specific local needs and integrated in a way that takes into account the complexity of local assets, actors, and opportunities to help ensure greater impact from public expenditure.[18] Officials in Whitehall are unlikely to realise such 'economies of context', and attempting to do so would involve a great deal of resource-intensive activity. They are also often prevented from 'joining up' their efforts, and so achieving significant efficiencies, by the highly siloed nature of the Whitehall system. By devolving more effectively, the place-based integration playing out at local and regional scales could in turn help to promote a less siloed Whitehall over time.

The need for systemic reform of central government – so often set aside or deprioritised in the face of pressing policy challenges or crisis response – is becoming harder to ignore. The effective decentralisation of power could democratise policy design and delivery, allowing for a more participatory, preventative, and locally tailored State. It could also put a stop to Whitehall micromanagement, facilitating a new, more focused and strategically capable central government machine.

However, the current model of devolution serves neither objective as well as it should.

1.2 Unfinished devolution

This report takes a different approach to both the Whitehall reform and devolution policy debates by deliberately bridging them. To achieve a higher performing and more strategic system of government, Whitehall must stop doing some things, both to hand responsibility to

[17] House of Commons Work and Pensions Committee, *Written Evidence from Professor Daniel Finn* (The future of Jobcentre Plus, 2016).
[18] Grace Pollard, Jessica Studdert, and Luca Tiratelli, *Community Power: The Evidence* (New Local, 2021).

more local tiers of government that may be better placed to achieve the desired outcomes, and to create the space in which central government can excel in the areas where it is the only or best actor.

The current programme of devolution to English local government, for all its ambition, remains a narrowly defined project. At its core is a laudable attempt to establish an entirely new regional tier of governance for England, something already present in most countries of comparable size and complexity. This is sometimes referred to as a 'meso'-governance layer; neither the home for hyperlocal self-government and local area coordination, nor for the nation-scale strategic functions expected of a nation-state. Meso-governance is a consistent feature within developed countries.[19]

Attempts to bring England in line and create this 'missing' tier have been long and complex. Regional Development Agencies, Local Enterprise Partnerships, and Elected Regional Assemblies have all emerged as models – and have all been rejected or abandoned at some stage of their development. The Greater London Authority, established in 2000, has persisted – but London's model, with its quasi-presidential system, has not been replicated anywhere else.

Instead, a 'combined authority' model emerged from 2009, where geographically contiguous groups of local authorities can voluntarily come together to establish a regional tier of governance. By definition these new systems are varied, the product of specific local agreements and deals with central government, wielding a combination of devolved powers from the centre and others that are 'drawn up' from constituent local authorities. Since 2016, these combined authorities have been able to add the role of a directly elected mayor, and of the ten currently operational combined authorities, nine have now done so. Indeed, devolution 'deals' of ever-growing ambition are rolling out in the most 'mature' regions where mayors are in place.

However, this is still devolution by increments, and devolution with gaps. Half of England has no governance larger than the scale of a County, and many places still have no plans to establish any. Crucially, this means that, even in its most developed form, this is a model of devolution which offers little opportunity to unburden central government officials of the parts of departmental activity that involve micromanagement of local activity.

Even the Greater Manchester and West Midlands 'trailblazer' deals often take the form of partnerships with different parts of central government (for example, this is the case across research and innovation, business productivity, trade, and data in Manchester). Such partnerships will arguably entail an increase in Whitehall activity, rather than a reduction, as specific approaches are co-developed with specific parts of the country even as a department retains full responsibility for how things work everywhere else.[20]

Meanwhile the complexity of local government systems at smaller-than-regional scales in England persists, and these councils lack both resources and autonomy when compared to local systems in other countries. This lack of capacity once again throws responsibility, by default, back to Whitehall.

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[19] Philip McCann, *The Fiscal Implications of 'Levelling Up' and UK Governance Devolution* (National Institute of Economic and Social Research, 2022).
[20] HM Government and Greater Manchester Combined Authority, *Greater Manchester Combined Authority Trailblazer Deeper Devolution Deal*, 2023.

There is a significant risk, therefore, that while current devolution efforts may establish – at least in some places – better local structures, it may not have the effect of freeing central government resources to allow the emergence of a more strategic Whitehall. Local matters currently preoccupy great swathes of Whitehall's capacity, a source of frustration for officials and politicians both locally and centrally.

1.3 A note about this report

Informed by interviews with senior civil servants and local government officers, this report intentionally sets out not a comprehensive case for devolution, but a Whitehall-centric case. This means developing an approach to devolution that could help to produce a more focused central government that is more confident about devolution as a way to realise shared objectives. This work explores the potential benefits of devolution to central government itself, and its role in the creation of a Whitehall system that is more strategic and resilient, freed from micro-managing activity best managed elsewhere.

The next chapter is an investigation of the ways in which English overcentralisation impedes central government performance. It also explores the barriers – or gaps – that stand in the way of effectively redistributing powers, particularly to the emerging layer of English regional authorities.

The third chapter seeks to help shape future devolution policy by exploring whether the objectives, design, resourcing, and accountability of any given policy should sit with central or local government, as well as providing the elements of a diagnostic tool to help understand the relative 'maturity' and readiness of local systems to take these powers on.

Across its recommendations and outline framework, this report calls for:

- New governmental and intergovernmental machinery to drive devolution policy beyond the current 'deal-making' model and tie it indivisibly into efforts to reform Whitehall
- Movement toward a new Whitehall policymaking norm which continuously asks whether any given policy or decision should be owned at a regional or local scale of government
- New independent functions to facilitate peer learning across every scale of government and track the performance of the whole English system in its efforts to devolve

In future reports, as part of 'Reimagining the Local State', *Reform* will explore in detail the current, complex landscape of local government, develop tools to help decide the most appropriate sub-Whitehall tier for ownership of a given policy responsibility, and offer proposals for how the distribution of powers should be arranged.

2. The centre cannot hold

One consequence of overcentralisation, often ignored, is that it demands that central government control and take detailed accountability for the entirety of an extremely complex system, rather than ensuring it is closely focused on the functions that only Whitehall can manage well. This section explores the effects of Whitehall micromanagement, and the barriers within Whitehall that prevent the deeper devolution that might help to end it.

In short, Whitehall tries to do too much. Among its necessary responsibilities – setting strategic direction, handling cross-cutting national projects, facilitating cross-department work, and matters of foreign affairs, defence and national security – it often must also manage and administer funding streams for specific local projects, and make decisions at every scale of public sector activity. The consequences of this can be seen in the absurdity of national government issuing guidance about the minutiae of park bench positioning,[21] creating specific funds to install chess tables in public spaces,[22] or creating taskforces to tackle the scourge of littered chewing gum.[23]

2.1 Micromanagement

The Whitehall tendency toward micromanagement is well known. Experts warn that the 'top-down' norms of central government will make the delivery of signature policies, such as levelling up, impossible.[24] This is a warning reflected in many realms, such as in the work of former prime ministers and national party leaders;[25] select committee chairs reporting a systematic lack of "bandwidth" in the machinery of government;[26] and one former minister who has described Whitehall's dismissal of local government as "bordering on contempt", making it impossible for the centre to be "doing less, but doing it better":

> "I had this not terribly easy discussion with a colleague who insisted that he had to have regular information on how many miles of footpath there were in every local authority in the country...This is micromanagement gone mad. And unfortunately those attitudes are still there…I think they've got to change,

[21] Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government, *National Design Guide*, 2019.
[22] Department for Culture, Media and Sport, 'Major investment to transform future of English chess announced', *UK Government*, 2023
[23] Department for Environment, Food and Rural Affairs and George Eustice, 'New Funding to Remove Chewing Gum Stains from Our High Streets', *UK Government* (blog), 2022.
[24] Dave Richards et al., 'Whitehall's Centralised System Can't Deliver Boris Johnson's Promises to "Level Up"', Webpage, The Conversation, 2022.
[25] Jeegar Kakkad et al., 'A New National Purpose: Innovation Can Power the Future of Britain', Blog, *Tony Bliar Institute for Global Change* (blog), 2023.
[26] Tobias Ellwood, 'Britain Must Rediscover the Will to Lead on Global Issues', *The Guardian*, 2021.

> because unless there is a change we're going to see a continuation of central government trying to do too much and not doing it always as well as it should."[27]

Even the most powerful leaders of the most mature regional governments in England refer to the "micromanagement" of Whitehall, and the tendency toward "man-marking" or "marking of homework" that central civil servants are often tasked with.[28] All of this demands resources at the centre, as well as impeding local efforts.

One local government chief executive argued in an interview for this report that even in areas where government cannot directly dictate how money is spent, it will often use bureaucracy to effectively exert control – such as requiring local government to produce a certificate each year to affirm that money is being spent in line with a grant's intention. The burden of form-filling to secure a grant also leads to some in local government to decide that it is preferable to not receive the money at all.

Figure 3: How Whitehall's time disappears into micromanagement – assessing the Levelling Up Fund

Using publicly available information, it is possible to get a sense of the administrative burden that is created by current, overcentralised Whitehall practices. Take, for example, the Government's flagship Levelling Up Fund. These funds are allocated through a competitive bidding process.

Local authorities have expended significant resources commissioning external advice and support for preparing bids for this fund. They have also devoted significant internal staff time to it. To take one representative example: one local authority prepared a detailed 65-page document to apply for £20 million of funding from the Levelling Up Fund.[29]

For the second round of the Levelling Up Fund, 529 bids were submitted.

Government has published its assessment criteria and evaluation approach for these bids.[30] This is a multi-stage process, involving a gateway eligibility assessment for each proposal, and then an assessment and scoring process conducted by Whitehall officials from across three different government departments (and, in some cases, involving input from officials in all of these departments for a single bid). For English bids, officials took into account strategic fit, deliverability, economic case, and the characteristics of the places in question – all of which would have required some background research for an official without immersed understanding of the contexts in question. A sample of bids was also selected for a second scoring moderation process to enhance the fairness of the assessment. A shortlist was then constructed from the highest scoring bids, and submitted

[27] Matt Foster, 'Whitehall Urged to Ditch "Contempt" for Local Government - or Risk Overload', Blog, *Civil Service World* (blog), 2016.
[28] Ann McGauran, 'Whitehall Micromanaging Is "Holding Back Economic Progress in West Midlands"', Blog, *The MJ* (blog), 2023; Michael Taylor, 'Deep Dive Devolution Deals End Begging Bowl Culture', Blog, *TheBusinessDesk* (blog), 2023.
[29] UK Government, *Levelling Up Fund Application Form: Newcastle City Council, Grainger Town*, 2021.
[30] Department for Levelling Up, Housing and Communities, *Levelling Up Fund Round 2: Explanatory Note on the Assessment and Decision-Making Process*, 2023, 2.

for consideration to several cabinet ministers and their senior officials, including the Chancellor, the Secretaries of State for DLUHC and Transport, and representatives from DCMS and No. 10. A new process for selecting successful bids from the shortlist was developed, taking into account background information about the applying local authorities. An equalities analysis for the provisionally selected successful bids was then conducted. The whole process took around four months.

A rough calculation provides an estimate of the time involved on the Whitehall side to assess the levelling up round two submissions. If we conservatively assume two working days of time for a single civil servant to adequately evaluate a single bid with a 60-page-plus application form, and around 500 bids that were fully evaluated after the 'gateway' evaluation, then an estimated 1,000 working days was devoted to evaluating the round two bids. This would require the effort of at least thirteen full-time staff working on nothing else for four months.

There are at least seventeen other funding pots that are directly associated with the levelling up policy agenda, and around a third of all centrally-held local government funds are assessed through comparable bidding processes.[31]

It is notable that, for its third round, no new applications were considered, but strong applications from the second round were chosen for funding instead.[32]

These complex and time-consuming practices are layered within a system that is already, arguably, overburdened – one where more than a third of civil servants report feeling that their workload is unacceptable[33] – and therefore poorly positioned to rapidly take on new responsibilities in a crisis, or operate strategically to deliver on long-term ambitions. This is one of the reasons that the functions that only central government can undertake are at times poorly performed.[34]

The faltering confidence in national project delivery provides a case-in-point. According to the Infrastructure and Projects Authority (IPA), in 2022-23 the vast majority of national projects (84 per cent) are considered unlikely to be delivered according to budget and time frame. The same system that is failing to efficiently operate these major projects is also tasked with administrating dozens of local activities and decisions which, in almost any other country, would be sitting with a different tier of government by default.

In the words of one senior civil servant interviewed for this report:

> "Whitehall needs to spend less time doing stupid things. There are dozens if not hundreds of people spending their time assessing grant proposals. It's not interesting, and they don't know whether what they're looking at makes sense [because they are not local to what is being proposed] – it's a roulette wheel in the process."

[31] Simon Kaye and Patrick King, *The Future of Levelling up: Can Investment Zones and Devolution Transform Places like East Birmingham?*, 2022.
[32] Department for Levelling Up, Housing and Communities, *Levelling Up Fund Round 3: Explanatory and Methodology Note on the Decision-Making Process*, 2023, 3.
[33] Cabinet Office, *Civil Service People Survey: 2022 Results*, 2023.
[34] Simon Parker et al., *Shaping up: A Whitehall for the Future* (Institute for Government, 2010).

Crucially, when major, unpredicted challenges arise, this stretched, centralised system struggles to perform. Both Brexit and the pandemic response have, from the perspective of civil servants, led to a culture of "firefighting" that has markedly impacted on the Whitehall system's "bandwidth" to get other things done and focus on delivery.[35] Famously, then Prime Minister Boris Johnson compared the effort to galvanise Whitehall in response to Covid to a nightmare where you find you cannot make your feet move.[36]

Tellingly, during the pandemic, local government's response efforts were actually impeded when central government failed to make use of the local expertise of public health and other teams, actively resisted sharing data, and struggled to communicate and coordinate activity in a proactive and timely way.[37]

Micromanagement is also symptomatic of a Whitehall that lacks direction, suggesting a circular relationship – the centre does not have the bandwidth to operate strategically, and operates in a prescriptive way as a result, further reducing its bandwidth. In the words of one local government chief executive:

> "There is a sense at the moment that there is a higher prescription of how councils are working almost because the government has no policy ideas, which is why it is getting involved in the delivery of services to give it something to do and a meaning."

2.2 Size matters

Calls for a smaller and more strategically focused civil service have become so frequently repeated that they are almost clichéd. Most recently, the Government has announced a hiring freeze and required departments to develop plans to increase their productivity in order to "reduce the size of the state", with the aim of creating a "leaner and more effective workforce".[38]

These attempts to achieve a more streamlined Whitehall are reasonable. The UK has a large central civil service – over 7,000 civil servants per million population – compared to most countries with more decentralised governance, including Japan, Germany, Australia, and Canada.[39] Notably, those Whitehall staff numbers have been growing while total staff numbers in local government have been in decline – seeing a reduction of around 40 per cent since 2012.[40] England is one of the few countries with roughly similar numbers of officials working in central and local government; outside France, there are very few countries of similar size and complexity where local government does not have a substantially greater workforce and thus capacity (see Figure 4).

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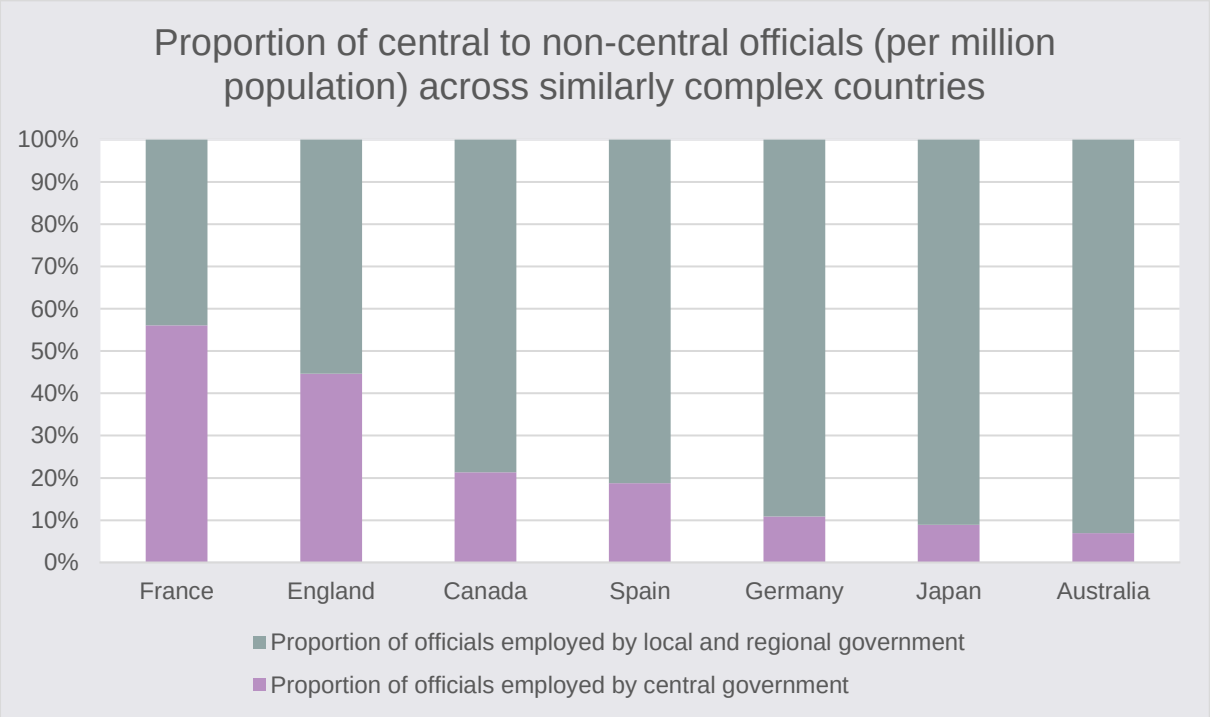
[35] Amy Gandon, *Civil Unrest - A Portrait of the Civil Service through Brexit, the Pandemic, and Political Turbulence* (Reform, 2023).
[36] Prime Minister's Office and Rt Hon Boris Johnson MP, *PM Economy Speech: 30 June 2020*, 2020.
[37] Richard Machin, 'UK Local Government Experience of COVID-19 Lockdown: Local Responses to Global Challenges', *Local Economy: The Journal of the Local Economy Policy Unit*, 2023.
[38] HM Treasury, 'End to Civil Service Expansion and Review of Equality and Diversity Spending Announced in Productivity Drive', 2023.
[39] Calculated from publicly available demographic data and officially published workforce counts; see *fig.4* for sources.
[40] Local Government Association, *Local Government Workforce Summary Data*, 2023.

Figure 4: Proportion of central to non-central government officials (per million population) across similarly complex countries[41]



Sources: see footnote

Often missing from these aspects of the Whitehall reform agenda, however, is the fact that smaller civil services are usually made possible in other countries by the existence of more developed, capable, and autonomous regional and local government. A purely unitary state bureaucracy, where even local decisions are often approved, checked, funded, or held accountable by central government officials, will necessarily be larger, and more unfocused on the specific, essential competencies that can *only* be managed centrally.

Attempting to administer over a multitude of localities is particularly resource-intensive for a central government bureaucrat who lacks place-specific expertise and has fewer local connections to inform decisions compared to their local government counterpart.

[41] Calculated as officials per million population for each national context based on publicly available data, and compared as percentages of the total amount across central and local government. Some figures are from different years and are approximate. Sources: ONS, 'Public sector employment', 2023; LGA, 'Number of local authority employees, full time (head count) in England, 2023; Collectives Locales, 'Local authorities in figures 2023', 2023; National Institute of Statistics and Economic Studies, 'In 2020, employment increased by 0.6% in the French civil service', 2021; Federal Statistical Office of Germany, 'Public service personnel: Germany, reference date, area of employment', 2022; Italy; Ministry of Internal Affairs and Communications, 2021; National Personnel Authority, 'Profile of National Public Employees in Japan', 2020; Ministry of Territorial Policy and Public Function, 'Civil Service Statistics', 2021; Eurostat, 'Public employment – Spain', 2010; Australian Public Service Commission, 'Size and shape of the APS', 2021; Australian Bureau of Statistics, 'Public sector employment and earnings', 2023; Treasury Board of Canada Secretariat, 'Population of the Federal Public Service', 2023

2.3 Facing complexity

Whitehall's instinctive micromanagement is arguably the product of an understandable interest in achieving 'grip' and working to ensure 'delivery', strongly incentivised by national politicians being held to account, by default, for local issues. Paradoxically, it is in this attempt to grasp everything that Whitehall finds itself overstretched. For example, as one local government chief executive worded it:

> "We've got civil servants that are caught in and involved in delivery, when they should be shaping the policy and parameters and then thinking about which is the best part of our State's apparatus to make this happen."

Whitehall's habit of getting "caught in" delivery of local services leads to an overworked engine that is less capable of delivering on its own priorities. In a complex system, this centralising tendency will lead to the system missing crucial information and producing one-size-fits-all answers – even when context-specific approaches would be more effective.[42] A former civil servant expressed this in terms of distorted accountability:

> "The current system for most devolved services is the worst of both worlds … central government isn't accountable for lots of things, but is held responsible in practice because local government isn't powerful. And they don't get to operate them, but they do fund them. It's the appearance of control instead of actual control, and because everyone's involved nobody's to blame when things go wrong."

An approach to policy design and administration that takes complexity seriously would also mean recognising how difficult it is to predict outcomes from, or directly manage, a system as complex as England's interconnected web of public services.[43] This complexity is significant even at the scale of neighbourhoods, and magnified enormously for governance over larger jurisdictions, producing 'knowledge problems' and other challenges to central government officials, and making direct citizen participation in decisions all but impossible.[44]

Figure 5: Locally tailoring services – employment support

Central government-designed employment support policies in the UK often grapple with challenges inherent in complex systems, such as diverse local job markets. For instance, a one-size-fits-all, centrally designed approach may not be able to simultaneously address the specific needs of a declining industrial town and a tech-centric city. Centralised policies can overlook local economic nuances and fail to adapt swiftly to industry-specific shifts in particular places, like a rapid growth in green energy jobs based on local market conditions. Additionally, the 'knowledge problem' is pronounced: decision-makers in London might lack the crucial detail, and have few routes for 'filling in the gaps'.

[42] Nicholas Sowels, 'A Brief Introduction to Complexity Theory in Managing Public Services', *Revue Française de Civilisation Britannique. French Journal of British Studies* XXVI, no. 2 (2021).
[43] Melanie Mitchell, *Complexity: A Guided Tour* (Oxford University Press, 2011).
[44] Friedrich A. Hayek, *The Use of Knowledge in Society* (Econlib Books, 2018).; Elinor Ostrom, 'A Communitarian Approach to Local Governance', *National Civic Review*, 1993.

By contrast, localised initiatives, such as Manchester's devolved approach to skills training, may be better scaled to tailor strategies to community needs and quickly respond to local market changes. They are also better positioned to integrate their response with other aspects of the local system, such as health, and coordinate activities with a variety of partner organisations and providers. In the first year after devolution, 51,000 residents accessed the service, though this uptake rate was affected by the pandemic.[45] Full evaluation of the effectiveness of this approach is still in process.

Governance approaches emerging from complexity science instead emphasise community coproduction, small-scale experimentation, and the creation of bespoke, context-tailored policies.[46] These approaches are difficult to achieve within an overcentralised system.

2.4 Identifying the barriers

Given the above, to reserve Whitehall's strategic bandwidth for the matters that it is best placed to tackle, a new way of thinking about devolution will be required – one that is willing to devolve more of the components of policy development, administration, and accountability to local scales of operation.

Multiple barriers prevent the introduction of more profound devolution in England. These barriers might be best understood, on the Whitehall side, in terms of gaps between central government's needs or expectations and what it perceived to be the case 'on the ground' in local places.

[45] Greater Manchester Combined Authority, *Greater Manchester Adult Education Budget Annual Report 2019-2020*, 2020.
[46] Human Learning Systems, *Public Service for the Real World*, 2021.

Figure 6: Four 'gaps' preventing devolution

The capacity gap. In many parts of England, local government structures at the regional scale are wholly absent and councils are dealing with resource constraints that make the prospect of devolution untenable.

The capability gap. Even when both regional and local authorities are present and have sufficient capacity to take on more powers, central government may lack confidence in the capability of these local systems to operate effectively.

The accountability gap. Where sufficient capacity and capability are both present, central government often continues to devote significant resources to the oversight of local systems. This 'vertical' accountability model persists due to the weakness – perceived or actual – of functioning, 'horizontal', local accountability mechanisms. Central institutions have been notably resistant to the idea of direct financial accountability on the part of devolved bodies.

The culture gap. Hardest to define, and shaped in part by the three other gaps set out above, is the 'power-hoarding bias' present within the dominant culture of the Whitehall system.[1] While this culture is pervasive, it may be possible to address, to some degree through improvements in civil servants' knowledge. In the words of one senior civil servant interviewed for this report, "the culture of civil servants is anti-devolution, not because they have thought about it deeply, but because they don't know what mayoral combined authorities are and are very suspicious of things they don't know about."

Addressing these gaps will require reforms that counter existing incentives which tend to motivate highly centralising behaviours.

Recommendation 1: The success of devolution should be assessed not only by local empowerment and improved outcomes but also by a measurable reduction in Whitehall's administrative workload that can be directly attributed to decentralising measures. Departments should be tasked to develop, track and publish metrics to this end – for example, the hours spent on managing place-specific activities, including the assessment of funding bids from local actors, over time. This quantifiable approach will provide clear indicators of successful devolution, aiming to shift responsibilities more effectively to local government and reduce unnecessary central oversight.

2.4.1 Ensuring consistent capacities and capabilities

The goal of streamlining Whitehall's focus implies the need for a particular model of devolution: one that transfers responsibilities and decision-making powers to local governments in a way that actually reduces Whitehall's role. At present, a relatively ambitious programme of devolution is at times producing additional work for central government, which is, as one civil servant put it during an interview, a "headache" for Whitehall:

> "We have to fill the map of England with new institutions that create a consistent new tier of governance. New and planned devolution deals will get us to 50 per cent of population under combined authorities, but government departments like the Department for Work and Pensions are interested in 100 per cent of the population, and are not interested in slicing and dicing as a result. … [T]hey are very nervous about how messy it will be."

In part, the "headache" stems from having a country whose subnational government map is complicated and messy, and taking a place-based approach means that different policies have to be generated to fit different city regions or counties. If policy design, accountability, or resource decisions continue to involve central civil servants, then adding a local component to deliberations will often complicate matters.

This represents a challenging inflection point for the current approach to devolution. Central government capacity cannot be freed when only some parts of the country are able to take on responsibility for a given policy with any degree of autonomy; indeed, the variation between places could create more work as central administrators struggle to adapt to shifting local contexts. While some parts of England still depend on central government management, the relevant capacity will need to exist in Whitehall – and the temptation will be present to micromanage and 'check the homework' of local government which has already taken on more responsibility.

In the context of devolution deal-making with regional authorities, this continuing overreach may take the form of 'partnerships'. As noted above, the Greater Manchester Combined Authority's (GMCA) 'trailblazer' deal includes six explicit 'partnerships' between local and central government actors, such as the Strategic Innovation Partnership, the Strategic Productivity Partnership, and the Greater Manchester Strategic Cultural Partnership.[47] In reality, most of the new powers given to GMCA were invitations to collaborate or feed into Whitehall-based policymaking (with the exception of the Single Settlement). Thus, even the 'deep' devolution deals with GMCA still sustain Whitehall control, and accountability may still default to Whitehall in these areas, requiring considerable central government resource.

2.4.2 Cultural resistance in departments

The incentives created by Whitehall's accountability processes will often point in the wrong direction. While overall responsibility for delivery of some function remains with central government departments, or individuals within those departments, there will be little reason for the civil service to build local autonomy and decision-making. One senior civil servant argued:

> "Asking Whitehall colleagues to design many different policies – retrofit policy needs to be different in city regions or counties – is a very challenging thing to do with policy teams, but that's the reality of having a place-based approach. … Accountability in many senses sticks with the accounting officer and Permanent Secretary of a department, which is why we get nowhere... [it] doesn't matter how

[47] HM Government and Greater Manchester Combined Authority, *Greater Manchester Combined Authority Trailblazer Deeper Devolution Deal*.

> much we say that the right decisions will be made by local leaders, until we are removing accountability from the Permanent Secretary then that's not true."

This culture at times extends to a tendency to avoid decentralisation in order to sustain the status quo. As one former senior civil servant with local government experience put it:

> "If you devolved much power and influence so that actual accountability happened more at the local level than the national level, then what are all those people who are managing and supervising local authorities going to do? They're not incentivised to question it. They have less of an appetite to devolve things because then they would have less to do."

Whitehall departments are also dissuaded from devolution because the case for cross-cutting activity is often less obvious from within policymaking siloes.

During the 'trailblazer' deal negotiations some parts of the central government machine found the case for more powerful and autonomous regional government highly compelling – including, to the surprise of some of the negotiators interviewed for this report, the Treasury. Objections to deeper devolution were far more common from other government departments, such as the larger departments with direct responsibility for public service delivery to the public (and therefore with the strongest incentives, under the current system, to seek to directly manage the outcomes relevant to their remit). One senior civil servant explained:

> "It's a kind of collective action problem. If you look at it from a siloed government department perspective, it always seems like the wrong decision to devolve. You have a specific set of objectives and accountabilities and you want control over them. But if your goal is more strategic, like 'grow the economy', you know you need to think about housing and skills and roads and alignment between all those things. At the local level you can look across all the siloes, just as you want to in DLUHC or the Treasury, but departments can't. They will only take the risk if they are confident enough that other departments are going to do it."

This perspective was confirmed by one local government chief executive in interview:

> "It is quite often the case that different parts of Whitehall don't really know what's going on in different departments. We often act as the integrator. We see how things actually work and interact on the ground."

It is striking that this potential is harder to recognise from within the specialised, siloed perspectives of public service departments. Whitehall's culture and structure therefore both drive a tendency toward micromanagement and create obstacles to prevent the redistribution of power which might mitigate it.

The next chapter elaborates a framework to respond to these gaps, both in terms of deciding what should be controlled at smaller scales than central government, and in terms of evaluating the 'maturity' of local systems.

3. A new framework

England needs a revised framework for devolution policy to end its exceptional centralism and create conditions for a Whitehall system with the bandwidth to operate differently and to achieve local benefits. The current framework, as set out in the Levelling Up White Paper and recently extended with a new 'tier 4' based on the powers negotiated by combined authorities during the 'trailblazer' deals process, has allowed for ambitious steps at the regional scale, but it is already clear that this will not be enough to reap the full benefits of devolution.

A functional devolution framework would address the 'gaps' set out in the previous section by creating clarity around a new approach to accountability where Whitehall 'lets go' and shifts the culture away from 'centre knows best'. The framework would help to enable the rollout of regional governance to bring England into parity with comparable developed countries, and create procedures to identify and build the capabilities of local government at multiple levels, particularly through peer learning and mutual practice exchange.

As a first step, one of the explicit objectives of devolution should be that it creates meaningful efficiencies for central government, and the evaluation of devolution should include regular reviews of the extent to which it has successfully reduced central government activity.

The elements of the framework proposed in this section are intended to function not only as the basis for a diagnostic process within Whitehall to identify the extent to which new and existing policy should be devolved, but also as a set of parameters for thinking about the maturity of local systems and their readiness for taking on new powers and responsibilities.

By adding the dimensions of capacity, stability, performance and governance within local institutions, the spine of a self-evaluation and continuous improvement process begins to emerge. This could build the confidence of Whitehall decision makers to share greater power at the same time as supporting the strengthening of local government.

This effort to build confidence should be just one in a range of measures to change the status and institutional ownership of government's devolution agenda. To enable this, responsibility for devolution, and its alignment with other aspects of system modernisation, should be co-owned by the Cabinet Office and DLUHC. This approach will foster a more collaborative and strategic process in developing devolution policy.

Most importantly, this will have the effect of bringing devolution policy into the natural home of Whitehall reform in central government, ensuring that changes to policy will align with broader civil service modernisation goals. The overall intention would be to position the end of micromanagement as an essential component of Whitehall's ongoing reform agenda.

Ensuring lasting and system-wide alignment around this kind of objective represents a major policy challenge, one which *Reform* will return to in its future research. Establishment of effective external accountability, cross-party political buy-in, effective internal reporting – perhaps through the harnessing of existing Whitehall mechanisms such as departmental Outcome Delivery Plans – and an objective source of independent review/assessment may all be required in order to command the confidence of both the government of the day and a diverse local government sector. Effective tools could include an independent or Royal

commission to reset the policy debate, though this would be less useful over the decades-long process that the establishment of a genuinely new framework would demand.

Creating a broader and higher-priority basis for devolution policymaking within Whitehall which actively incorporates perspectives from local leadership would be an important initial step.

Recommendation 2: Devolution policy should be under continuous review and jointly steered by a new interdepartmental group, primarily composed by representatives from the Cabinet Office, the Treasury, and the Department for Levelling Up, Housing and Communities (DLUHC), chaired or attended by relevant ministers from these departments, and incorporating members from a group of local government leaders drawn from a variety of local authority and combined authority officers. Progress on devolution should be made an explicit part of the remit for Cabinet Office teams responsible for machinery of government and civil service modernisation.

3.1 Objectives, approach, resourcing, accountability

The following framework starts from a simplified version of the 'policy cycle' concept.

Governance involves the development of priorities and objectives – often in a way that includes democratic mandate-setting or the direct participation of citizens. The next step is policy design: the process of identifying and refining an approach that will achieve, or help to achieve, the objectives. This in turn creates the need for resourcing, and the need for systems of learning, evaluation, and accountability.

These elements are principles for devolution – and elements for decision-making *about* devolution.

Local systems will require capacity and capability across these four aspects of the framework – objective setting, approach design, resource management, and accountability systems – in order for devolution to genuinely free resources within Whitehall. These are also the key considerations that can help determine the correct extent of devolution in a given policy area, from Whitehall's perspective.

The proposed analytical framework for devolution isn't only a tool for assessing the degree of local autonomy. It also offers a way to gauge the maturity of local governance systems. By evaluating how a region or locality fares across the four dimensions of this framework, a sense emerges of the robustness and resilience of its governance structures – and the areas where improvements may be required in order for deeper devolution to take place.

3.1.1 Local influence over objectives and priority-formulation

The foundation of meaningful devolution lies in local influence over policy objectives and priority setting. Where a policy has implications for a locality, that locality should have the opportunity to, at minimum, offer input into the high-level decisions that then determine how policy will proceed.

Including local actors in the formulation of overarching objectives ensures that policies reflect the realities and unique challenges of individual regions and places. This primary step in devolution doesn't merely lead to policies that resonate more deeply with the populations they affect, it also fosters a critical sense of ownership and commitment. By integrating grassroots perspectives into policy direction, there's a stronger alignment between local needs and national goals, bridging potential divides between central mandates and regional aspirations. It is notable that in England this kind of input is, at present, rarely possible.

Capacity for priority-setting as an indicator of systemic maturity

The involvement of local actors in determining policy objectives is the initial indicator of maturity. Mature systems acknowledge and harness the value of ground-level insights, understanding that local expertise is indispensable for shaping directives that are both pertinent and sustainable. When local voices are integrated into high-level decision-making processes, it denotes a system that is inclusive, responsive, and adaptive.

In a mature local system: it becomes normal for a regional authority to set out a programme of priorities – built from a combination of shared national objectives, elements from the mandates of local leaders, and responsiveness to community needs and aspirations – which in some ways deviates from or supersedes national policy goals. It becomes unthinkable for core national government priorities to be developed in any details without direct input from local government in places that will be affected by decisions or required to implement policies.

Whitehall benefit: This would remove any need for Whitehall activities being devoted to the 'regionalisation' of a given central government priority.

3.1.2 Local control of policy design and approach

In England, this is presently the part of the policy system where local government tends to have the most say, with a degree of implementation latitude in a variety of policy areas (subject to Whitehall approval and, at times, override). Ideally, however, such latitude would build upon a bedrock of locally influenced objectives.

This is the crucial layer of local control over policy design and approach. A top-down, one-size-fits-all approach is often ill-suited to address the rich tapestry of diverse regional needs and circumstances. Empowering local actors – councils in close collaboration with, or fostering the leadership of local partner institutions, third sector organisations, and communities themselves – to design and tailor policies can yield a flexible and nuanced approach, better positioned to address specific challenges. This level of autonomy not only enhances the effectiveness of policies but also enables innovation, as regions experiment with varied approaches to meet their unique challenges and learn from each others' successes and failures.[48]

[48] Simon Kaye, *Think Big, Act Small: Elinor Ostrom's Radical Vision for Community Power* (New Local, 2020).

Capacity for policy design as an indicator of local system maturity

The autonomy to design and customise policy frameworks represents a higher level of system maturity. This suggests that the local governance structure isn't just a passive recipient of mandates but actively participates in shaping the trajectory of its region. Mature systems exhibit a balance of adhering to national standards while innovating and adapting policies that cater to specific local nuances. Local policy design of this sort would not be any less rigorous or evidence-based than nationally-led efforts – indeed, by placing decisions closer to the context of implementation, it can be better tuned to local conditions.

In a mature local system: wherever policy objectives arise from, local government has the autonomy to design an approach that is responsive to local context, builds upon local partnerships across state, private, third, and community sectors, and makes the most of local assets – and it has become normal for these approaches to deviate significantly between different places as long as these divergent approaches can be shown to be effective.

Whitehall benefit: This would remove any need for Whitehall's close involvement in the selection of policy approaches in particular contexts, and in particular the resource intensive issue of tailoring national policy to suit different population needs. Whitehall 'approval' would no longer be a decisive factor in local plans, further freeing resources.

3.1.3 Local management of resources

While setting objectives and designing policies are foundational, their successful implementation hinges on resource allocation and management. When local entities have the autonomy to manage their resources, it brings about agility in decision-making and the execution of policies. Without the bottleneck of central approval, funding can be more efficiently allocated to pressing local needs, ensuring swift responses to emergent challenges.

This direct control also ensures that funding is linked to regional priorities, ensuring that resources are channelled where they're most needed. Localised resources could mean block allocation with local autonomy over spending priorities, or fiscal devolution with enhanced taxation powers: the defining factor is that central government ceases to hold the purse strings.

Crucially, this approach to resourcing must spell the end of local systems being driven to debt-fuelled financial collapse. This would mean a root-and-branch rethink of local government finance to ensure long-term and sustainable funding. Within such a context, a track record of sound financial management will be a necessary requirement for devolved control of resources (and, ultimately, a greater ability to autonomously manage local taxes).

Capacity for financial administration as an indicator of local system maturity

A local system's capability to manage its finances underscores a pivotal aspect of its maturity. This suggests a well-established administrative machinery with robust financial management protocols in place. A mature system not only allocates resources effectively but also has the ability to optimise, reallocate, and reprioritise based on evolving local contexts.

In a mature local system: it becomes more usual for local and regional authorities to directly manage block allocated funds, making locally informed decisions about how to allocate resources in order to achieve outcomes. An increasing proportion of local tax revenue (such as from business rates, council tax, or newly introduced local taxation/shares of nationally raised taxation) is locally retained to align incentives and accountability with local governance and policymaking.

Whitehall benefit: This would remove the need for Whitehall activities such as the design and administration of funding pots and the evaluation of competitive bids.

3.1.4 Local accountability systems

The capstone of this framework, and the 'deepest' form of possible devolution in the English system, is the possibility of developing localised accountability mechanisms that might minimise, or remove outright, the need for Whitehall oversight from policy processes.

The potential advantage of such an approach would be that those responsible for policy implementation and design would be directly answerable to the communities they serve. Localised accountability could foster stronger engagement between administrators and citizens, ensuring that governance remains transparent, feedback loops are shortened, and corrective actions can be taken swiftly.

Accountability systems as an indicator of local systems maturity

Localised accountability mechanisms are the hallmark of the most mature systems. These systems recognise that their ultimate responsibility lies with the local populace. Mature governance ensures transparent operations – clear annual statements of objectives, priorities, approaches, and success metrics, all proactively published – and establishes clear feedback loops, while constantly striving for improvements based on community feedback.

In a mature system, local leaders and officials are routinely held to account through 'horizontal' and 'bottom-up' systems backed up by a thriving local democracy. Regional authorities have accountability responsibilities over constituent local authorities, and provide peer oversight and audit support for each other.

Whitehall benefit: This would minimise the need for the specific tracking, direct evaluation, and peer-monitoring of local systems.

A version of this framework, having been fully co-produced by local government, could form the basis for a new peer learning function to help bridge the central government confidence 'gaps' detailed in the previous section. This would have the effect of facilitating the dissemination of good practice, removing a major barrier against further devolution and creating the conditions for a more focused Whitehall.

This peer learning function should focus on systematically coordinating local government to review and share best practices in policy capability, accountability, and resource management, informed by a framework such as the one detailed in this report. Such a system would foster a culture of continuous improvement and learning in local government, helping to minimise overreach from Whitehall and encouraging more effective local governance.

Recommendation 3: Establish a comprehensive peer learning function for continuous improvement of local government with the explicit goal of both building systemic readiness for greater levels of devolution and bolstering the evaluation of the effectiveness of existing devolution**.** This peer-review capability should build upon existing 'peer challenge' and audit support work from bodies like the Local Government Association (LGA), and should be supported by an operationally independent Office for Local Government (Oflog). To ensure operational independence, Oflog should be transitioned to an arms-length body.

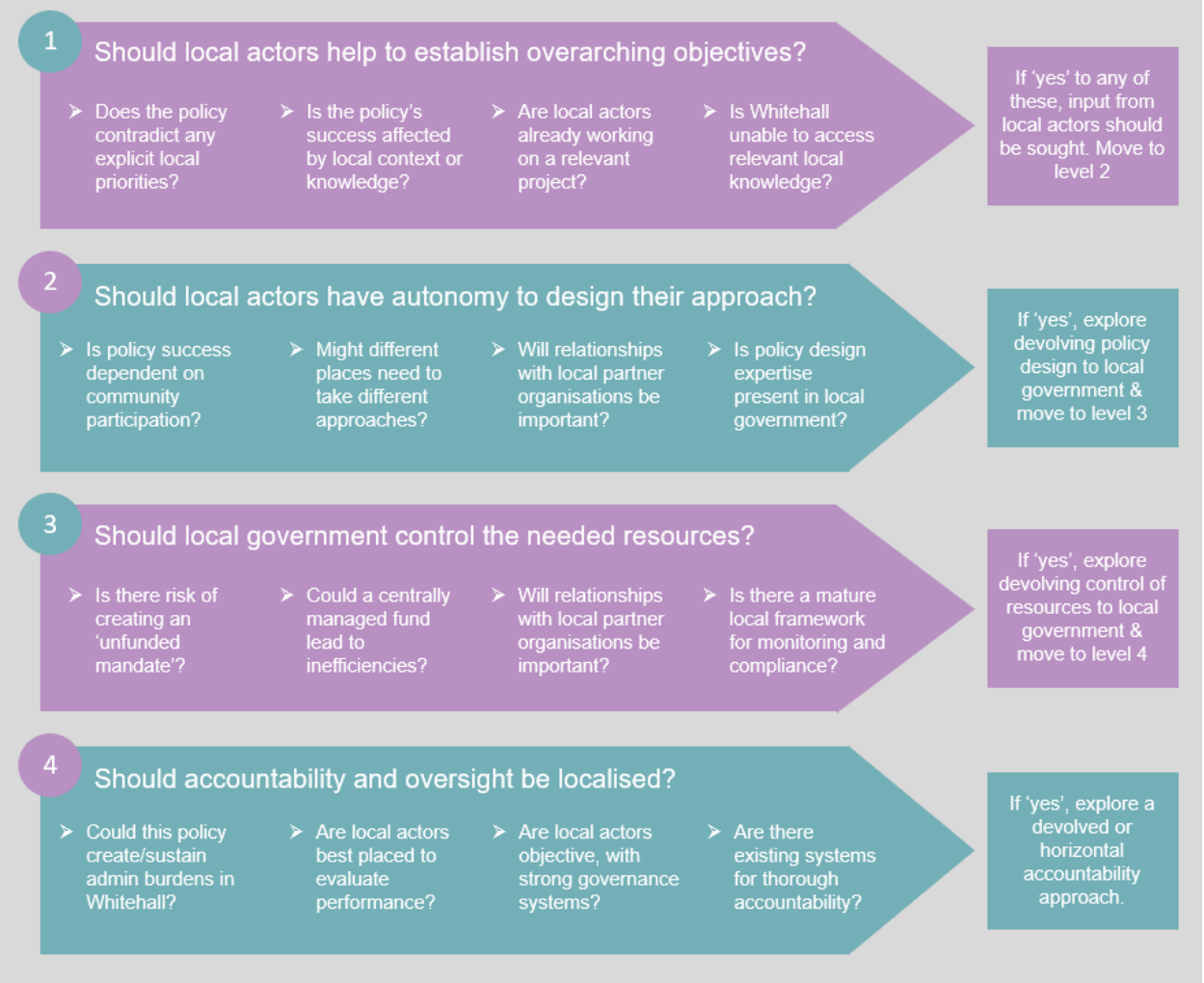
3.2 Devolving by default

Just as local government can proactively remove barriers that prevent further devolution and decentralisation, central government can adopt new approaches into its policy development and evaluation. This should ensure a degree of subsidiarity, so that decisions and accountabilities are always situated at the most localised scale compatible with effective delivery.

Figure 7 provides an illustration of a process that a Whitehall decision maker might use to challenge systemic assumptions about the appropriate scale of control at different stages of policy design and implementation.

The presumption should be that most locally implemented policy should have its design, resourcing, and accountability processes devolved by default unless there are compelling reasons not to. This assessment could lead to partial devolution, such as granting more decision-making authority or flexible resource allocation to local government, or complete devolution in areas where local systems are robust and mature. This ongoing review process would ensure that policies are efficiently managed at the most appropriate governmental level.

Figure 7: An example decision framework for assessing central policies for devolution



By systematically moving through the tiers of this process, stronger alignment can be created so that local actors are not required to design policies for priorities over which they have no ownership, are not required to implement ideas without a say on design, and are able to take accountability over approaches for which they have had more say.

Recommendation 4: A standardised framework should be adopted by government departments to regularly reassess active and developing policies for their suitability for devolution. Ultimate responsibility for the development and adoption of this framework would rest with the interdepartmental national/local group detailed in Recommendation 2.

A possible end-state for devolution: the example of Germany

The systemic maturity that would form the basis for deeper devolution does not only lie in structures and institutional design: it is an attribute of a whole system, where both central and local government are more 'mature' in the ways in which they relate to each other. In many respects, Germany offers a case study of such maturity, and illustrates the variety of institutional structures that can be adopted by highly complex and populous states.

Germany's federal system is often described as 'unitary federalism' or 'quasi-federalism' due to the cooperative relationship between the federal government and the states, the Länder. Replicating the German approach in England would require a cultural and constitutional sea-change that go far beyond the proposals in this report.

As a proportion of the population, Germany has fewer central government civil servants than England.[49] Connectedly, English central government directly controls twice as much of total state spending as its counterpart in Germany.[50] The German federal cabinet tends to be notably smaller than that of the UK Cabinet, mirroring a smaller total number of ministries or departments, producing a tighter core decision-making unit at the heart of government.

German central government does not contain any agencies that undertake general administration activities; rather, it is home to specialised agencies, some of which serve simultaneously as parts of both the central administration and the regional Länder.[51]

Germany takes a bottom-up approach through a principle of subsidiarity; governance responsibilities generally go to the lowest level of government and are only passed upwards to higher tiers if necessary.[52] The main responsibilities reserved for exclusive control by the central government are foreign affairs, defence, national citizenship, currency, foreign trade, and nationwide transport.[53]

Länder are strong, geographically comprehensive, and long-established regional authorities. In 2006, a reform programme transferred more exclusive responsibilities to Länder, including education, environment protection, prisons, care home regulation, and pay for public servants. This facilitated not total autonomy at the regional scale, but flexible cooperation between different tiers of government. Ten of the sixteen Länder, for example, worked with the federal government to draft new laws for prisons, with only the largest Länder taking full advantage of their new autonomy.[54] This combination of close cooperation and regional autonomy was sustained through the COVID-19 pandemic, where the Länder's responsibility for emergency management put them at the forefront of the state response.[55]

The legislative body, the Bundesrat, is composed of representatives from the Lander governments, proportionate to the population size and the political composition of each Lander government. Through the Bundesrat, any laws that affect Länder interests can be rejected outright.[56] This ensures a system of checks and balances, enabling Länder to participate in nationwide political objectives.

[49] Federal Ministry of the Interior, *The Federal Public Service: An Attractive and Modern Employer*, 2014.
[50] Effective Governance Forum, 2023.
[51] Arthur B. Gunlicks, *The Länder and German Federalism* (Manchester University Press, 2003).
[52] Kevin Muldoon-Smith et al., *A System Wide Perspective of Local Government Finance in Germany* (LGiU, 2023).
[53] Gunlicks, *The Länder and German Federalism*.
[54] Ed Turner and Carolyn Rowe, *A Race to the Top, Middle or Bottom? The Consequences of Decentralisation in Germany* (IPPR North, 2015).
[55] Katharina Kuhn and Irene Morlino, 'Decentralisation in Times of Crisis: Asset Or Liability? The Case of Germany and Italy During Covid-19', *Swiss Political Science Review* 28, no. 1 (2022).
[56] Gunlicks, *The Länder and German Federalism*.

But this also comes with clear trade-offs within the system. Länder's effective veto power can lead to stalemates.[57] Public and political appetite for a nuanced multi-tier system, with explicit commitment to trading-off central control against regional autonomy, is a hard-to-replicate feature of systems with a well-established 'meso' tier of governance. However, the very existence of this possible end-state demonstrates that a more decentralised approach is viable.

The cultural norm of consensus-building at the heart of government means there is little central government appetite or incentive for direct control of all policy levers, particularly region-specific challenges. Instead, there is an expectation that regions will tend to take different approaches even to shared objectives, which makes devolved responsibility uncontroversial and frees central government capacity of the need to universalise citizens' experience of public services. Germany's robust approach to fiscal equalisation between regions also ensures confidence that regional authorities taking alternative approaches will not lead to significant differences in living conditions.[58]

3.3 Dimensions of maturity

For this framework to become the basis for a new way of understanding the maturity of local systems – and therefore overcome the 'gaps' that prevent Whitehall from devolving power in more effective ways – a more granular way of thinking about the different dimensions of systemic maturity is required.

In Figure 9 below, the domains of objectives, approaches, resource control, and accountability are each broken down into four dimensions of maturity. Indicators of local system maturity are developed where these intersect.

Capacity

'Capacity' incorporates the structural and human resource abilities of a local governance system to design, implement, and manage policies effectively – in terms of the 'gaps' discussed in section 3, capacity here incorporates the idea of capability. It addresses both the functional capabilities and the representation of diverse perspectives in decision-making.

[57] Bundesrat, 'A Constitutional Body within a Federal System', 2023.
[58] Gunlicks, *The Länder and German Federalism*.

Capacity system maturity indicators include:

Technical and administrative capacity: The foundational abilities of the system to execute and manage policies, considering expertise, infrastructure, and procedural efficiencies.

Inclusivity: Ensuring decision-making incorporates diverse perspectives, enhancing policy robustness by representing varied needs and challenges.

Sustained experience: Churn and staff turnover are minimised to ensure continuity and steadily growing experience, as well as longer-term relationships with strategic and community partners.

Performance

Performance assesses the efficacy of the governance system in delivering its promises and its adaptability to evolving context. A high-performing system is both results-driven and flexible.

Performance system maturity indicators include:

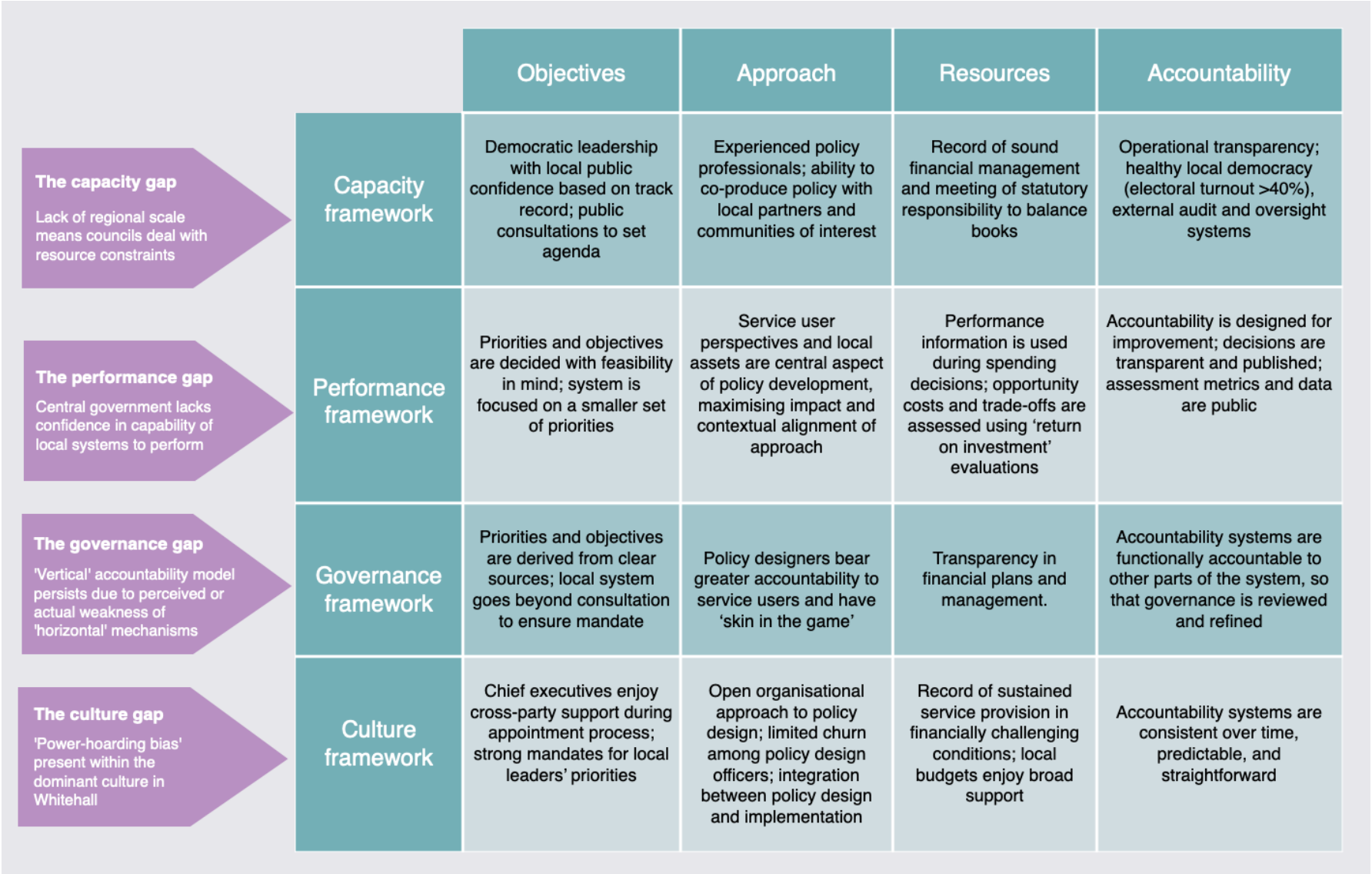
Agility: The ability to quickly respond and adapt to new challenges.

Integration: Coordinated and cohesive interactions between different governance levels and sectors, promoting policy consistency and resource optimisation.

Outcomes focus: Systems are not narrowly focused on measurable outputs but focus on the achievement of objectives and wider outcomes indicators to demonstrate good performance.

Evidence driven: The best available evidence is used to inform decisions and judgements about policy, over and above other considerations – which means that efforts are also made to accumulate and make use of such evidence.

Figure 9: The proposed framework



Governance

Governance underscores the ethics, transparency, and quality of decision-making processes. It ensures that power is exercised responsibly, with avenues for public engagement and scrutiny.

Governance system maturity indicators include:

Transparency: Openness in decision-making, ensuring processes are understandable and accessible to stakeholders.

Accountability: Mechanisms making decision makers answerable, ensuring that actions align with responsibilities.

Feedback and redressal mechanisms: Platforms for various system participants to voice concerns, provide input, or seek redress for grievances – dispute resolution is effectively managed in a way that local people generally approve.

Participation: Ensuring that stakeholders, especially citizens, have opportunities to influence and engage in governance processes.

Culture

Stability reflects the resilience and continuity of local governance. A stable governance system maintains its functionality amid challenges, anchored by a constructive political culture and resistant to excessive volatility.

Cultural system maturity indicators include:

Political culture: The shared values and behaviours characterising local political processes, such as trust in institutions and civic participation.

Constructive disagreement: Divisions – within or between political parties in governing positions – are not so profound as to preclude joint working or consensus-seeking around some local issues.

Resilience: The system's capability to withstand shocks and disturbances, from economic downturns to political upheavals.

Institutional continuity: Ensures effective and trusted functioning of governance institutions over time, regardless of transient political dynamics.

Long-termism: Plans and funding decisions are – wherever possible – arranged with longer time horizons to allow for greater strategic purpose within the locality.

Experimental: The system uses innovative approaches, runs pilots and evaluates them effectively, and is able to ‘fail well’ – stopping fast and learning from what doesn’t work.

In 2023, DLUHC published guidance on the scrutiny protocol for local areas that are the recipients of devolution deals.[59] Missing from this guidance is a developed sense of the substantive aspects of systemic maturity that should form the basis for the more ambitious devolution which could allow central government to free resources for more strategic ends. Incorporating a range of indicators around particular aspects of local system capability could begin to fill in this gap.

To complement the evolving landscape of regional authority devolution, the new local government scrutiny protocol guidance should incorporate a dynamic framework like the one outlined above in this report, which explicitly identifies the barriers against further devolution on Whitehall's part and addresses them with – at this point broad – indicators of systemic maturity. Such an approach should be adaptable, allowing for the scale of devolution to match the readiness and capabilities of local systems. This approach would incentivise the development of local governance capacity, ensuring that devolution aligns with local abilities and aspirations.

Recommendation 5: A new local empowerment function should be incubated by DLUHC, in close collaboration with existing local government networks, with the aim to create processes that will replace devolution by deal-making.

This local empowerment body should be specifically tasked with reviewing local systems wholescale and advising both central and local government about each system's readiness for further devolution. Its recommendations should trigger a rapid response from relevant central and local decision-makers. Its reports should be designed to help develop and share areas of good practice within each local system, and transparently published to foster cross-sector learning.

It should also be home to a check-in review function to respond to instances of local system failure and invitations from local leaders who believe their system is ready for further devolution.

[59] Department for Levelling Up, Housing and Communities, *Scrutiny Protocol*, 2023.

Conclusion

This report has argued that the advancement of devolution is not merely an exercise in decentralisation, but an overlooked aspect of any effort to reform the Whitehall system itself. The current overcentralised model is a bottleneck, hindering the potential for both strategic national governance and locally tailored policymaking.

A more distributed governance model, made possible by the development of a coherent tier of regional authorities, has the potential to transform Whitehall from would-be omnipresent administrator into a strategic and focused overseer. This shift would allow Whitehall to focus on broad national priorities, delegating more specific, localised responsibilities to local government, which is so much more likely to be able to address unique community needs.

The recommendations in this paper emphasise the necessity of rethinking policy design, evaluation, and implementation – establishing new frameworks to inform a new era for devolution in England. More broadly, and beyond such recommendations, a significant shift in the distribution of power within England would require central government to behave quite differently, adopting the role of a convenor, facilitator, and source of challenge to a confident new local government sector.

Ultimately, the report sets out a path for a different Whitehall system, one less burdened by micromanagement and more focused on its core strategic roles. In this future, devolution emerges as a key catalyst for creating a more dynamic, efficient, and effective governance framework across England. The detail of this framework, and the varied local government and community systems within it, will be the subject of future *Reform* research.

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@reformthinktank

info@reform.uk

www.reform.uk