

<b>Committee(s):</b>	<b>Date(s):</b>
Policy and Resources Committee	24 September 2015
<b>Subject:</b>	<b>Public</b>
London Devolution Settlement	
<b>Report of:</b>	<b>For Decision</b>
The Town Clerk and the City Remembrancer	

### **Summary**

Devolution to Scotland, Wales and Northern Ireland has not been accompanied by devolution within England. After the September 2014 Referendum on Scottish Independence, however, the Government outlined a series of proposals for the devolution of powers from central government to other parts of the country, including parts of England.

Within London, London Councils has been considering the devolution issue and has now agreed a proposal with the Mayor of London for the Government's consideration covering employment, skills, business support, crime and justice, health and housing. There are some significant issues to be resolved in respect of the extent of devolution in London and the governance arrangements for devolved powers. It is expected that sub-regional partnerships of boroughs will provide operational leadership in respect of any newly devolved powers. The City is a member of the most developed sub-regional borough partnership, Central London Forward.

The City has engaged fully with this work to date, and it is in its wider interests to continue to do so.

### **Recommendation(s)**

Members are asked to note current work to devolve powers to and within London and to agree that the City Corporation should -.

- Support London Councils' approach to the issue of devolution.
- Continue to work with the inner London boroughs in Central London Forward.
- Provide legal, technical and political support where this can be helpful to London Councils and Central London Forward to support the devolution agenda.

### **Main Report**

#### **Background**

1. Since the late 1990s Scotland, Wales and Northern Ireland have each achieved varying degrees of devolution, while London has an elected Mayor with responsibility for policy, transport and limited powers over planning and economic development. Nevertheless, the United Kingdom remains one of the

most centralised democracies in the developed world. In particular, there has been little devolution within England. Although proposals were brought forward in the early 2000s to devolve power to English regions, they were abandoned when the North East voted against them by a significant majority in a 2004 referendum.

2. The issue of further devolution to parts of England was catalysed, however, by the referendum on Scottish independence. On the morning after the vote, the Prime Minister outlined a series of proposals for the devolution of powers from central government to other parts of the country, including parts of England. Since then the Government has agreed substantial devolution deals with Manchester and Cornwall, covering transport, health and social care and economic development functions. Proposals for both areas had been in development for some time and, crucially, political leaders in both areas were able to come to a consensus on the details of the proposals.
3. The Government has linked the devolution of powers to enhanced governance. Areas seeking devolved powers are expected to demonstrate to Ministers and officials that they have robust governance arrangements in place. The Government's preferred model is devolution to an elected mayor at the head of a combined authority, in line with the deal agreed with Manchester. The Government has recognised, however, that the mayoral model may not be suitable for all contexts, particularly rural areas. Cornwall Council's deal does not require it to adopt a mayoral governance model.
4. The legislative changes required to implement the Government's devolution policy are in the Cities and Local Government Devolution Bill, introduced to Parliament shortly after the General Election. The Bill puts in place a broad legislative framework that enables the establishment of combined authorities led by elected mayors, and empowers Ministers to devolve a wide range of powers and functions to them. The Bill also enables functions to be transferred to district and county councils in England. As it stands, the Bill does not enable significant further devolution to London. It could, however, be amended to do so.

### **The position in London**

5. There is a tendency on the part of some to equate devolution with elected mayors, hence a view that because London has an elected Mayor it has devolution and that nothing more needs to be done. However, the powers of the Mayor of London are very limited in comparison to, for example, the Mayor of New York or the devolved assemblies/Parliaments in the UK. Accordingly, London political leaders, including the Mayor, have pressed the case for more devolution to London.
6. In 2013 the London Finance Commission, established by the Mayor of London and chaired by Tony Travers, reviewed the devolution issue. This exercise was recognised as part of a long-term debate to secure broad agreement on the need for devolution and how it might be achieved. On taxation the commission recommended the devolution of property taxes

collected in London. The Commission's report received widespread backing within London local government, but with no great expectation of early progress.

7. Devolving tax raising powers is generally opposed by the Treasury and carries with it significant practical issues. Partly for this reason, the focus of the debate about further devolution to London has shifted away from fiscal devolution towards the devolution of public services. In this context, the devolution debate has been linked with a separate debate about the inadequacy of national programmes in dealing with a number of major policy areas, particularly employment and skills training. Consequently, these areas are widely seen as the most fertile for devolution.
8. Within London there has also been recognition that some issues are best handled at a level above that of the boroughs but below that of the Mayor. As a result, a number of sub-regional groupings of boroughs have emerged with varying degrees of collaboration. The most developed of these is Central London Forward (CLF), which comprises the City, Westminster, Kensington and Chelsea, Wandsworth, Lambeth, Southwark, Islington and Camden. Each member contributes to the cost of a small secretariat, which is housed by the City Corporation. The chairmanship rotates annually between the leaders. Individual projects are typically led by one of the members. This grouping works well, with a high degree of trust having been developed among the members, notwithstanding political differences. CLF's three main objectives are: -
  - to influence policy on major issues affecting Central London;
  - to promote the strategic importance and needs of Central London; and
  - to identify and facilitate coordinated working on areas of mutual interest to partners.
9. The next most developed group is probably the "Growth Boroughs", the six councils (all labour) that hosted the Olympics – Barking and Dagenham, Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest. Other groupings are less well-established and can be susceptible to change of political control. None of the groupings has any legal status, so generally one borough has to be "purse holder" – as the City is for Central London Forward.
10. The most developed project run at sub-regional level is Central London Forward's Working Capital Pilot, established as part of the 2014 London Growth Deal. The £11 million project provides employment services to those leaving the Government's Work Programme without a job and claimants of Employment Support Allowance, and aims to demonstrate that improved outcomes can be achieved where services are devolved to a sub-regional level.
11. The Government has signalled that it is willing to consider fully worked-up proposals from areas seeking devolution, with the Treasury now acting as the lead government department on devolution. There have been intensive discussions between London Councils (the representative body for the

London boroughs and the City), the Mayor's office and the Treasury to develop a devolution package for London. A full proposal, entitled 'The London Proposition', was submitted to Treasury at the beginning of September by London Councils and the Mayor of London. The full document is not yet in the public domain and has been circulated separately. The document calls for devolution and public service reform in the following areas:-

- employment;
- skills;
- business support;
- crime and justice;
- health; and
- housing.

12. Included in the proposal was an outline for joint decision making arrangements for the exercise of newly devolved powers, designed to meet the governance requirements requested by the Government. Under the proposals, the London Congress—which consists of the Mayor and the leaders of the boroughs and the City of London—would have strategic oversight for newly devolved responsibilities across Greater London, with sub-regional partnerships of London local authorities, such as Central London Forward, exercising the powers at an operational level.
13. There are, however, difficulties associated with further devolution to London. The key points are: –
  - The Government's preferred option is to devolve to an elected Mayor rather than to a body such as the London Congress.
  - The Mayor's office would generally prefer powers to be with the Mayor whereas the boroughs are uncomfortable with this and want power to be with them.
  - The boroughs recognise that sub-regional groupings are needed, but if these are to have devolved powers they need to be formally constituted with sound governance arrangements.
  - There are differences of view between boroughs on the extent to which they are willing formally to share power on specific issues with other boroughs.
  - There is no enthusiasm for any formal merger between boroughs.
14. There is currently no provision in existing legislation or the Cities and Local Government Devolution Bill that would allow substantial powers to be devolved to the Congress or sub-regional groups of boroughs. Although more modest initiatives, such as the Working Capital Pilot discussed in paragraph 10, would be possible without the need for legislation, the devolution settlement agreed at the Congress is likely to require legislative changes. The City of London Corporation has been working with London Councils and Central London Forward to secure amendments to the Cities and Local Government Devolution Bill that would enable further devolution to London.

15. Amendments sponsored by London Councils that would have enabled the devolution of powers from central government to sub-regional groupings of boroughs were debated during the Bill's Report stage in the House of Lords. However, the proposals were portrayed as premature, with Lord True, leader of the London Borough of Richmond upon Thames, objecting with concerns that the amendments could curtail the independence of the boroughs. Following the debate, the Minister leading on the Bill suggested that further discussion on changes to the Bill that would enable devolution to London be continued at a later stage. It seems likely that a substantial devolution deal for London will only be secured if the boroughs and the Mayor of London can achieve a degree of unanimity over powers sought and the governance arrangements under which they will be exercised.
16. The Bill has now completed its House of Lords stages. There will be a further opportunity to press for changes that would enable devolution to London when the Bill enters the House of Commons after the party conferences.

### **City of London position**

17. Successive Policy Chairmen have taken the view that it is in the interests of the City, as well as London as a whole, for the City Corporation to be fully involved in London government issues and pan-London bodies such as London Councils, for which the current Policy Chairman is Vice Chair and a member of the Executive Committee. By deepening the City's involvement in London government, the City is better able to shape and influence discussions on issues that affect the Square Mile. For example, the City convenes a number of events for London's political leaders and is able to use its non-party status to play other useful roles, as in the case of the collective investment vehicle for local authority pension schemes, which the Policy Chairman chairs.
18. The issue of devolution is currently one of the most salient policy issues in London, with several key bodies pressing the Government for further devolution. As an integral part of London, noting the position of the current current Policy Chairman and previous incumbents, the City should be fully engaged in these discussions to secure a new devolution settlement for London. Specific attention will be paid to the City's constitutional position in the discussions.

### **Proposals**

19. Members are asked to note current work to devolve powers to and within London and to agree that the City Corporation should -.
  - Support London Councils approach to the issue of devolution.
  - Continue to work with the inner London boroughs in Central London Forward.

- Provide legal, technical and political support where this can be helpful to London Councils and Central London Forward and the devolution agenda.

## **Conclusion**

20. The UK has one of the highest levels of centralisation across democracies in the developed world. London in particular has far fewer powers compared with other world cities, and hardly any independent sources of revenue. Following the referendum on Scottish independence, however, the Government has indicated its willingness to devolve significant powers and functions to areas of England. This momentum and the Government's introduction of the Cities and Local Government Devolution Bill has created an opportunity for London to push for its own new devolution settlement. London Councils is continuing to develop proposals and advocate for such a settlement, and the City of London Corporation should play its full part in the debate.

## **Appendices**

- The London Proposition (non-public circulated separately)

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