

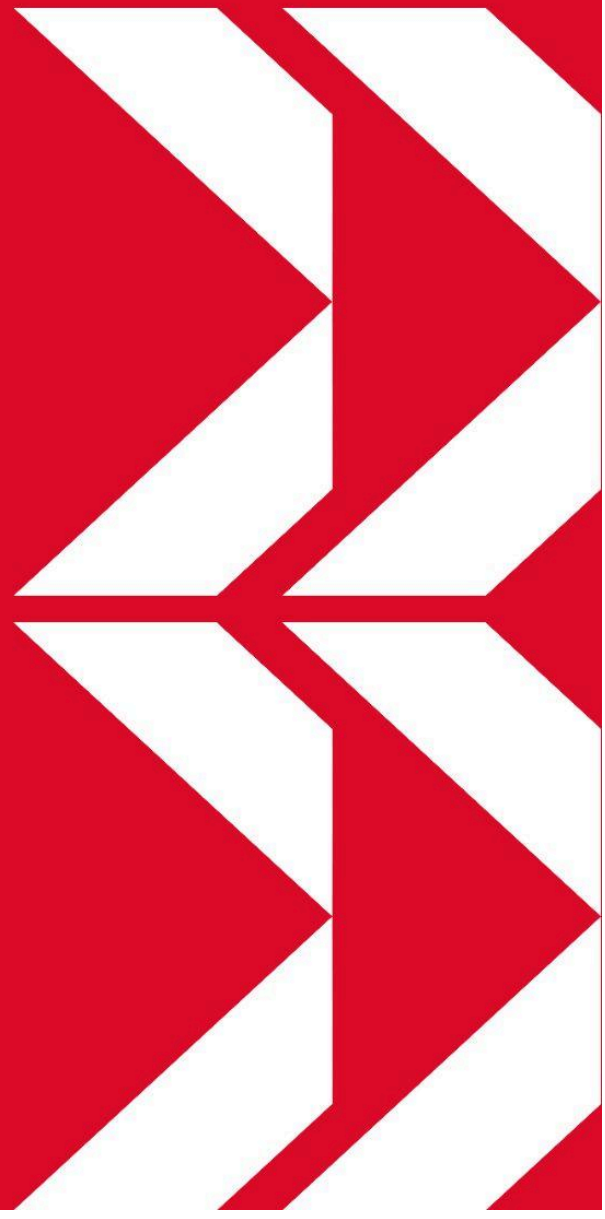
Public Service Reform and Devolution

How *Mayors* and *Combined Authorities* can
help deliver Labour's public services missions

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Labour  Together





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Preface

About the Author

Sam Freedman is a former senior policy adviser at the Department for Education. Since then he has held leadership roles in the charity sector and is now an author and journalist. His first book 'Failed State: Why Nothing Works and How To Fix It' was released earlier this year, and his substack 'Comment is Freed' is the most widely read one on politics in the UK, with over 60,000 subscribers. He is also a trustee and adviser to a number of charities.

About Labour Together

In Labour's wilderness years, Labour Together was founded by a group of MPs fighting to make the party electable again. Today, Labour Together is a think tank offering bold ideas for Britain under a Labour government.

labourtogether.uk

Foreword

Speaking on the steps of Downing Street on the 5th July 2024, the Prime Minister set out the new government's mission of national renewal. The foundations of our country need fixing, from the public finances to our public services.

And the new government has put devolution at the centre of this - empowering places to take their own decisions - with the potential to reduce regional inequalities, boost national economic growth and drive improvements in public services. National renewal will succeed where it is matched by and driven by renewal in every place.

The 2024 General Election saw Labour win 215 seats in mayoral areas in England, accounting for over half of Labour's seat total across the UK. National government and local mayors must work hand in hand to deliver for the people that put them in power.

That is why Labour Together has published this report from Sam Freedman on how mayors could support Labour's public service reform agenda. It builds on lessons from the tail end of the last Labour government, who started the current devolution journey with the creation of Combined Authorities and pilots on place-based budgeting. It also builds on the experience of Labour mayors and Combined Authorities who have been innovating in office.

The public services crisis we face now is severe. Labour Together's Review of the 2024 General Election shows that people expect to see tangible public service delivery - particularly reducing NHS waiting times - well within a parliamentary term. But we also know that serious reforms take time to achieve results. By doing both at the same time - solving short-term crises now whilst putting the building blocks of long-term reform in place too - the government can achieve national renewal within the decade.

As Sam sets out in this report, our leading mayors could be empowered with greater oversight of the health, education, criminal justice and other public service systems in their areas - with accountability and funding flowing via them rather than central departments. This will lead to greater join up for residents, with the potential to reduce costs whilst improving services, as seen in the Greater Manchester or South Yorkshire examples cited.

With a Labour government, mayors and local government working together, the contours of a new approach are coming into view. The reward is thriving places across the country, guided by local leaders who know their areas, driven by economic and public service reform, as the engine of Labour's national ambitions.

JP Spencer

Director of Devolution Policy, Labour Together

Executive summary



Executive Summary

Centralisation of public services has been a decades-long trend within England. This paper sets out the actions that the new government could take within a parliament to end this trend, building on existing institutions and supporting the delivery of Labour's missions on growth, health, clean energy, opportunities and crime.

Getting this right will set the government up to make meaningful progress quickly, building on the legacy of the later New Labour years, and aiming for a longer-term public services agenda that will undo years of damaging over-centralisation.

Mayoral Combined Authorities (MCAs) have emerged as an increasingly important layer of governance in England. Some MCAs have been notably successful - with the government planning to roll out greater autonomy over spending decisions in these leading areas.

The main focus of all MCAs has been their economic role. Each covers a core set of important microeconomic levers including transport, housing, and adult skills. The vast majority of their funding is ring-fenced for these and other policy areas focused on economic development.

Yet, from the start, MCAs have been about more than just economics. The initial Greater Manchester Combined Authority (GMCA) plan also focused on public services and the MCA has, over the years, sought powers in health, policing and probation. Other MCAs have also taken an interest in different elements of public services. Some mayors now have police commissioner powers. The South Yorkshire Mayor chairs his local Integrated Care Partnership, a committee of the Integrated Care System (ICS) through which the NHS is now managed. The North East MCA has established its own school improvement programme.

Local action is already achieving results. Through greater join-up on probation over a decade, Greater Manchester has halved the women's reoffending rates seen in other parts of the country. During the pandemic, we saw clearly how local health teams were able to achieve better results than services contracted out centrally. MCAs are already starting to dip their toes into these waters. GMCA is working with constituent authorities to set up ten children's homes with a total of 24 places across the city. The MCA would provide upfront capital funding, a major barrier to setting up new homes, and authorities would jointly commission a provider to run the homes. The aim is explicitly to "disrupt" the local market.

The NHS and English school system are centralised to an unusual degree in comparison with other countries. This can mean accountability tools are blunt, and fail to acknowledge local context. The core benefit of centralisation is supposed to be

consistency – avoiding a “postcode lottery” – but in practice, there is huge variation between regions.

There is also a clear link from public services to the primary role of economic growth envisaged by central government. A sick workforce is more likely to be inactive. A less well educated one will be less productive. The prevalence of crime, rough sleeping, and anti-social behaviour are critical to the economic wellbeing of urban centres and shopping areas. As has happened on economic policy, MCAs will be able to complement the public services role of their constituent Local Authorities whilst having sufficient scale to enable devolution of powers from central government.

For instance, in 2022 Barnsley Hospital and the council jointly set up a Community Diagnostic Centre in the Glass Works shopping centre. This has had a double benefit of increasing diagnostic checks by making it more convenient for people – for instance breast cancer screening has gone up from 50% to 72% of the target population – while also boosting footfall to the town centre and helping local businesses.

Building on this success, South Yorkshire MCA is working with the NHS Trust and the council to develop a health and wellbeing centre in Barnsley’s Alhambra shopping centre. Co-locating a selection of hospital outpatients services, alongside other health care and support service providers will reduce pressure on the local hospital by moving c.85,000 outpatient appointments (which equates to 31% of all outpatients appointments currently taking place at the Hospital). At the same time, it will also support public health and help the local economy.

Despite promising signs, there has not been a coherent strategy from central government to develop MCAs as a way to improve public services. The benefits of doing so could be substantial, and make a big difference to the government’s ability to deliver their reform programme. As has happened with economic policy, the role of Combined Authorities can be developed so as to complement the role of the Local Authorities that it brings together.

The following five principles set out how a Labour government could implement this in practice, to build a lasting public service reform agenda:

1. Unifying powers through mayors

Adapt the scope of mayors’ role to oversee policy and delivery, within existing structures. We have seen how this can work already through the unification of the police and crime commissioner roles for some mayors. For MCAs that have a positive track record, and are most advanced in the devolution framework, more powers could be devolved in this way, with the potential for deputy mayors to be appointed to manage day-to-day operations.



2. First refusal for delivery of new programmes

For one-off or centrally determined schemes, the default should be to consider whether they could be delivered by MCAs (or LAs where better placed). A good example would be a new school improvement programme designed by the DfE under Labour, as per current pledges. The North East MCA already has its own programme and would be keen to have the budget and support to do something more substantive. The DWP is another department that runs a lot of pilots without engaging with MCAs.

3. Devolved flexible funding

The 'single' or 'integrated' settlements which give department style budgets to leading mayoral areas are focused on economic policy areas. A public services block could be added to integrated settlements, and include all the small pots, like the ones discussed in this paper, currently coming from the likes of DWP, MoJ, DHSC and MHCLG, for this purpose. Any future programmatic work would then be added to this stream over time through the proposed operation of the framework - putting local areas at the forefront of public service reform and prevention

4. Encourage MCA-level commissioning and expertise in public sector reform

Alongside devolving the delivery of programmes to MCAs by default, central government should also support them to become centres of commissioning expertise. For childcare and social care, MCAs could become centres of commissioning excellence, helping their constituent local authorities to get better deals, and potentially develop state alternatives to private providers by pooling resources. Sitting at a more strategic level, they can also connect public service reform with their economic levers - for example by considering the connection between health and housing - delivering greater improvements than can be delivered centrally.

5. Co-terminous boundaries

The regional structure of public services should match with MCAs to enable closer working and, if desired, mergers over time. The value of doing this is clear from Greater Manchester which has a coterminous Integrated Care System,

police force, and probation service. This has allowed them to make more progress on health and criminal justice than others as outlined below.

For different public service policy areas, these principles could be implemented as follows.

	HEALTH & CARE	EDUCATION	CRIME & JUSTICE	EMPLOYMENT
Unifying powers through mayors (for deputies)	Mayors to sit on chair ICBS	Mayoral accountability	Mayors as Police & Crime Commissioner	Mayoral accountability
First refusal on new programmes	MCA delivery option where not part of integrated settlements			
Funding flexibility	Public Services funding devolution as part of integrated settlements			
Commissioning and expertise	MCA commissioning support to help achieve efficiencies of scale (e.g. children's homes) and connect to economic levers (e.g. childcare)			
Co-terminous boundaries	Align ICS boundaries to MCAs	Align regional accountability teams to MCAs	Align police and probation contracting boundaries to MCAs	Align JobCentre Plus and other boundaries to MCAs

MCAs offer the opportunity to build regional state capacity at a tier that has never existed meaningfully before in England. They could also rectify some of the damage that has been done through decades of centralisation and destruction of local government.

It would be a mistake to keep public services on the periphery of these developments. MCAs have a critical role in boosting economic growth but can also help with longstanding policy challenges in public services. They offer an opportunity to make joined-up local services a reality; to reduce pressure on central government departments and allow them to focus more on key strategic issues; to reduce cost pressures on local authorities to free up their capacity; to offer an alternative delivery route to contracting out; to improve commissioning; and create mechanisms for more intelligent accountability, regulation and oversight.

MCAs are new and fragile institutions. Asking too much, too quickly could easily undermine devolution. They are also at different stages of development. Thus the aim must be to create greater involvement in public services as MCAs grow and develop based on the principles outlined in this paper.

An introduction to combined authorities



An Introduction to Combined Authorities

Mayoral Combined Authorities (MCAs) emerged as an increasingly important layer of governance in England in a typically British and haphazard way.

The initial momentum came from the local authorities within Greater Manchester, who had maintained good working relations with each other ever since the Thatcher government got rid of Greater Manchester County Council in 1986.

They convinced the New Labour government to include provision in the 2009 Local Democracy, Economic Development and Construction Act for councils to voluntarily combine, pool authority, and receive devolved responsibilities from the government. The Coalition government supported the idea and Greater Manchester Combined Authority was formed in 2011.

At that stage, few saw it as being particularly significant. But, after a 2012 report by Michael Heseltine pushed the idea, the government started to encourage other urban areas to combine, with Liverpool City Region, South Yorkshire and West Yorkshire CAs, all forming in 2014. Subsequently another seven have been created: North East, Tees Valley, North Yorkshire, West Midlands, East Midlands, West of England and Cambridgeshire/Peterborough.

These now cover well over half the national population (including the existing Greater London Authority, set up under a different Act). There are several others in the process of getting approval, including Hull and East Yorkshire, and Greater Lincolnshire, and there are more at earlier stages of discussion.

A critical moment in the evolution of the idea was George Osborne, as Chancellor, insisting on combined authorities having a mayor before granting them additional powers (this was known as a level 3 devolution deal; it is possible to have lower level 1 or 2 deals without a mayor). There are now also level 4 deals, with additional powers. Greater Manchester, West Midlands, the North East, West Yorkshire, South Yorkshire, and Liverpool are eligible.

There were good reasons for insisting on a mayor, including having a single point of accountability for voters, and a public face for the region. But there were also political ones: given the Conservatives' inability to win inner city authorities, Osborne felt it was the only way for them to gain control over urban areas, as Boris Johnson had done in London by winning a big majority of suburban voters when he became mayor in 2008. Osborne's calculation was proved right when Andy Street won in the West Midlands and

Ben Houchen won a surprise victory in Tees Valley, in the first round of mayoral elections in 2017.

Though the council leaders that collectively oversee combined authorities were nervous about investing power in a mayor (and many still are) it has helped create real accountability for their functions. It also encouraged talented politicians with national ambitions to make their name in regional government. Andy Burnham has used his position as Greater Manchester Mayor to become one of the most popular politicians in the country. He has also achieved notable successes, such as establishing the ‘Bee Network’ for transport and reducing rough sleeping by 44% since 2017.¹ A Lancet study showed improved health outcomes in Greater Manchester, though this could be due to other improvements in the area rather than health devolution per se.²

The evolutionary approach to developing the MCA model has had benefits. It has until fairly recently, gone under the radar. This has avoided a noisy national debate on devolution of the type that stopped John Prescott’s Regional Assemblies in their tracks. It has also been voluntary, ensuring local support and buy-in. And it has allowed for flexibility, with MCAs progressing at different speeds and taking on different responsibilities that suit their area.

But it also means the current situation is very messy. Every MCA has a different bespoke deal, a different funding set-up, and different local expectations. There are plenty of regions, particularly in the south, where there is much greater resistance to the idea, meaning the devolution of any national function can only be partial.

Partly as a result of this messiness some of the MCAs have been less successful, and relationships between authorities, and with mayors have not worked to date. MHCLG issued “best value” notices to the West of England and Cambridgeshire and Peterborough CAs.³ Allegations around the Teesworks deal done by the Tees Valley Mayor have raised concerns about the quality of governance and oversight.⁴

As part of the next stage of evolution, Greater Manchester and West Midlands have agreed “trailblazer” deals that will give them more control over funding but will come with additional forms of oversight. The plan is for similar powers to be rolled out across the ‘level 4’ authorities.

1

<https://www.greatermanchester-ca.gov.uk/news/greater-manchester-tackles-long-term-rough-sleeping-but-local-services-face-intense-pressure/>

2 [https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667\(22\)00198-0/fulltext](https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667(22)00198-0/fulltext)

3

https://assets.publishing.service.gov.uk/media/65b8dae4e9e10a000d031083/CPCA_BVN_Jan_2024.pdf;

https://assets.publishing.service.gov.uk/media/65e6ec747bc329020bb8c271/Best_Value_Notice_for_WECA.pdf

4 <https://www.ft.com/content/840bbbed3-fb56-4c63-8f7d-0794db458736>

The main point of overlap across all the MCAs has been their economic role. Each covers a core set of important microeconomic levers including transport, housing, and adult skills. The vast majority of their funding is ring-fenced for these and other policy areas focused on economic development.

To date, this is the main way MCAs have been discussed in terms of national policy. Labour's economic mission in opposition included a commitment to "devolve power from Westminster to allow places to develop local economic strategies and develop new clusters of industries and jobs."⁵ But devolution does not feature significantly in the "better opportunities" or "NHS" missions outside of adult skills and a mention of a desire for a "neighbourhood health service".

Yet, from the start, MCAs have not just been about economics. The initial Greater Manchester plan also focused on public services, with the councils working together across different areas to share the delivery of services - including in the Total Place pilots referenced below.⁶ Consequently, the MCA has over the years sought powers in health, policing and probation. They have also worked on a number of projects with local schools, and children's services departments, despite having no statutory powers in these areas. Indeed, their recent 'trailblazer' deal said that government would consider including "prevention and/or multiple disadvantage" funding in the integrated settlement in future.⁷

Other MCAs have also taken an interest in different elements of public services. Some mayors now have police commissioner powers. The South Yorkshire Mayor chairs the local Integrated Care Partnership, a committee of the regional Integrated Care System through which the NHS is now managed. The North East MCA has established their own school improvement and poverty reduction programme, building on pilot work by its predecessor the North of Tyne MCA.

Looking forward, the new North East Mayor has announced a new child poverty reduction unit and the West Yorkshire Mayor started her second term with a focus on public service reform and a potential renaissance of Sure Start.⁸

These are all promising signs but there has not, so far, been any kind of coherent strategy from central government to develop MCAs so as to improve public services. The benefits of doing so could be substantial, and make a big difference to the government's ability to deliver their reform programme.

⁵ <https://labour.org.uk/wp-content/uploads/2023/09/Mission-Economy.pdf>

⁶ <https://www.leadershipcentre.org.uk/totalplace/totalplaces/pilot/manchester-city-region.html>

⁷ https://assets.publishing.service.gov.uk/media/6411beeee90e07769a6ca4f8/Greater_Manchester_Combined_Authority_Trailblazer_deeper_devolution_deal.pdf

⁸ <https://www.northeast-ca.gov.uk/news/education-skills-and-inclusion/mayor-takes-first-steps-to-reduce-north-east-s-unacceptable-child-poverty>
<https://www.westyorks-ca.gov.uk/all-news-and-blogs/tracy-brabin-we-will-deliver-a-region-that-works-for-all/>

The potential prize on public service reform



The potential prize on public service reform

The core public services – those provided by DHSC, DfE, MoJ, Home Office and DWP - are struggling badly. NHS waiting lists and A&E waiting times are worse than ever, with more resources being pushed into managing acute crises rather than improving long-term public health. Schools are struggling with the effects of austerity and local authority cuts, and are having to provide ever more pastoral support to children who don't have enough to eat, adequate housing, or access to mental health professionals. The special needs system is in chaos. The DWP is struggling to get a grip on the rise in economically inactive people of working age. The criminal justice system is a shambles.

There are, of course, many reasons for these problems but one is over-centralisation. It is not a new phenomenon in England, but has led to services getting increasingly disconnected from their users and each other. The reduced capacity and limited scale of local authorities, especially smaller urban ones, has left previous governments with few options for devolving powers and building up state capacity outside of central government. Indeed the previous government focused cuts on local government, weakening it even further. So the growth of MCAs presents an important opportunity.

There are five main ways in which involving MCAs more in public services could improve quality even when there is little additional money available.

1. Joining-up

The idea of joining-up services at a local level to provide cross-cutting support has been around for a long time. The principle is obvious: reducing duplication and waste while giving citizens a better experience and identifying more quickly the key issue or problem they have.

It is well understood that Whitehall departments struggle to create this kind of join-up. There is increasing consensus that public services need to be pushed more towards integrated services, built on strong local relationships and focused as much as possible on preventing problems before crises arise.

This has been driven by the work of Hillary Cottam, as described in her book “Radical Help”, and by think-tanks like Demos and IPPR.⁹ Insofar as there was anything valuable in the now largely forgotten Conservative idea of the “big society” it was this.

⁹ https://demos.co.uk/wp-content/uploads/2023/11/Recovery-through-Reform_Paper.pdf

We have, over the years, seen powerful examples of local joining-up, based on this approach. The “Wigan Deal” is probably the most celebrated case study of a council leaning heavily into this way of doing things.¹⁰

But these successes have never been systematised beyond individual local authorities or time-limited projects, despite several attempts to do so. In the last few years of the New Labour government “Total Place” pilots in thirteen authorities saw them count up how much money was spent across different services and come up with proposals for better allocation, but the programme was subsequently scrapped by the Coalition government. The Coalition then proposed something similar called “Whole Place Community Budgets” but the original grand ambitions for joining up funding were cut back to a handful of pilots looking at specific services and the initiative ran out of steam.¹¹

The only sustained national programme in this space has been the “Troubled Families”, now “Supporting Families”, scheme which has been in place in some form since 2012. This has provided a funding stream for councils to engage in whatever interventions they deem necessary to help families with multiple challenges. It is however a set, and fairly small, amount per family and sits outside the main public services funding streams. Nevertheless evaluations have shown benefits to allowing even this level of autonomy.¹²

MCAs, which have greater scale and should have more autonomy over funding streams once single / integrated settlements have been introduced, offer a new opportunity to systematise join-up across services, and move towards this new model of local integration. Notably, GMCA has control of the “Supporting Families” funding for the region, which seems to have led to more positive results.¹³

There are other examples of MCAs using this kind of approach. For instance the “Working Win” and “Thrive into Work” programmes in, respectively, South Yorkshire and the West Midlands, involve helping people with health and other needs into employment. The initial evaluation from central government is positive, but again it’s reliant on a ring-fenced DWP pot that makes it vulnerable to changes in central priorities and limits the scope for real integration.¹⁴

In Greater Manchester there has been a decade long programme to reduce women’s reoffending, this now involves co-commissioning with Greater Manchester probation service (it is the only MCA where the probation region is coterminous). They have used a “whole system approach” involving women’s centres providing a wide range of support to help people find a stable place to live and manage mental health or addiction

¹⁰ <https://www.kingsfund.org.uk/insight-and-analysis/projects/lessons-wigan-deal>

¹¹ <https://www.local.gov.uk/publications/learning-20-years-place-pilots>

¹² <https://researchbriefings.files.parliament.uk/documents/CBP-7585/CBP-7585.pdf>

¹³ <https://researchbriefings.files.parliament.uk/documents/CBP-7585/CBP-7585.pdf>

¹⁴

<https://assets.publishing.service.gov.uk/media/64baa95d06f78d000d742704/health-led-employment-trials-12-month-outcomes-report-theory-based-evaluation.pdf>

challenges. It also involves “problem solving courts” designed to monitor progress and keep women out of prison. As a result, reoffending rates for women are around half what they are in other parts of the country.¹⁵

At the moment few MCAs consider themselves to have a role across the public sector which limits the scope for these kinds of projects. In particular they have no control over pre-19 education, few levers on health unless the local NHS cooperate, and lack consistent access to DWP funding/programmes. Policing depends on PCC status and only in Greater Manchester is the criminal justice system linked in via the probation service. There is clearly much more that can be done here.

2. Better Delivery

The British state lacks capacity for delivery. When central government decides it wants to run a new programme that sits outside the remit of existing service providers they often try and do it themselves or contract it out to a private provider like Serco or Capita. This is especially true for departments that have had poor relationships with local authorities like the DfE and DHSC. In some cases this has been because of an ideological anti-local view taken by ministers, but it is also a function of the limited scale and capacity of some local authorities, and the extreme pressure many are under due to cuts.

The pandemic offered numerous illustrations of the problems this can cause. The DHSC contracted private companies Serco and Sitel to try and run the national “track and trace” programme, which underperformed versus local health teams attempting to do the same.¹⁶

Meanwhile the DfE made a hash of trying to provide food vouchers for children forced to do their schooling from home,¹⁷ and an even worse mess of procuring the National Tutoring programme to provide additional support to those who had fallen back on their academic work during lockdowns. They ended up giving the contract to a Dutch HR firm with no experience of working in UK education, and it was a predictable disaster.¹⁸ A promising scheme, that could have made a real difference has now, in effect, been abandoned.

¹⁵https://committees.parliament.uk/writtenevidence/43035/pdf/#:~:text=The%20proven%20re%20offending%20rate,and%20the%20England%20%26%20Wales%20average;https://democracy.greatermanchester-ca.gov.uk/documents/s22426/14.83_HMPPS_Reducing-Reoffending_Greater-Manchester_WEB.pdf

¹⁶ <https://www.bmj.com/content/369/bmj.m2486>

¹⁷

<https://www.nao.org.uk/wp-content/uploads/2020/12/Investigation-into-the-free-school-meals-voucher-scheme.pdf>

¹⁸ <https://www.instituteforgovernment.org.uk/article/comment/randstad-procurement>

MCA

MCA could provide an alternative route for delivering programmes, either directly, or more likely by commissioning and supporting local authorities or other local organisations to deliver. We have seen this happen successfully with the strategic commissioning of local transport, there is no reason the same could not happen with public service programmes.

Indeed, as already discussed, this already happens in a small-scale and fairly arbitrary fashion. The DWP has funnelled some programmatic work through the MCAs, though only a fraction of their budgets, as have MoJ for the Greater Manchester re-offending work. There are other examples. Liverpool's "Housing First" programme, which also employs some of the principles of a "joined-up" local approach is funded by MHCLG.

In the North East the MCA has set up schemes with schools for child poverty prevention and school improvement, using money from a local business fund. This is despite the absence of support or interest from the DfE, who have often taken an avowedly anti-local approach. With proper funding, they could achieve a lot more, an important goal given the unusually poor outcomes for secondary pupils in the region.

At the moment the programmes that exist are small scale, with short-term funding pots from central government that are highly vulnerable to rounds of cuts, or are not funded at all. Some departments have been overtly hostile to delivering via MCAs. There are lots of opportunities for pushing more substantive and stable programmatic funding through MCAs, with wide parameters to allow for local design. For instance, Labour has pledged to fund more school improvement support. This could be done in partnership or through MCAs rather than contracting out or providing it wholly centrally through institutions that have little connection to the area. Something that has bedevilled previous attempts.

3. Links to Economic Growth

While things like transport and housing are seen as the key microeconomic drivers of growth, the divide between economics and public services is somewhat artificial. A sick workforce is more likely to be inactive. A less well educated one will be less productive. Prevalence of crime, rough sleeping, and anti-social behaviour are critical to the economic wellbeing of city centres and shopping areas. This is particularly true of areas like the North East that have higher levels of the population employed by the public sector (20% vs 14% in London¹⁹) and are more dependent on public sector spending.

Some of these links are obvious, if too often ignored in discussions on boosting growth, but there are all sorts of smaller interactions between public services and the economy that are only visible at ground level. For instance, in 2022 Barnsley Hospital and the

¹⁹ <https://researchbriefings.files.parliament.uk/documents/SN05635/SN05635.pdf>

council worked together to set up a Community Diagnostic Centre (CDC) in the Glass Works retail and leisure centre. This has had a double benefit of increasing diagnostic checks by making it more convenient for people – for instance breast cancer screening has gone up from 50% to 72% of the target population – while also boosting footfall to the town centre and helping local businesses.²⁰

Following on from this success South Yorkshire MCA are working with the NHS Trust and the council to develop a health and wellbeing centre in Barnsley's Alhambra shopping centre. Co-locating a selection of hospital outpatients services, alongside other health care and support service providers will reduce pressure on the local hospital by moving c.85,000 outpatient appointments (which equates to 31% of all outpatients appointments currently taking place at the Hospital). At the same time, it will also support public health and help the local economy.²¹

Another example is the focus in West Yorkshire on safer transport, particularly for women, which is possible due to the Mayor being both Police and Crime Commissioner and having responsibility for local transport. The strategy developed has a specifically economic rationale, as well as a public safety one, because so many women turn down employment opportunities due to fear of travel.²² In 2021 the national government appointed Anne Shaw and Laura Shoaf, who developed the West Midlands strategy, as national champions to make recommendations for transport safety.

But, again, MCAs ability to make these connections at the moment is limited by a lack of levers over key services, or access to substantial budgets.

Further Education (FE) colleges are a good example of where there is much greater potential than is currently being exploited. MCAs do all have a relationship with local FE colleges, which were recently reclassified back into the public sector by the ONS, because they all have control of a chunk of the adult skills budget. But even this is partial with some pots of funding still held centrally (e.g. for the Multiply programme to improve maths literacy amongst adults). Moreover, the bulk of FE college funding sits in the 16-19 budget which is still held centrally by DfE. Devolving this funding would give MCAs far more leverage with colleges to develop local skills strategies, and also give them a route into building relationships with schools that have sixth forms.

20

<https://www.clinicalservicesjournal.com/story/44236/award-winning-cdc-expands-imaging-services-in-barnsley-town-centre>

21

<https://www.barnsley.gov.uk/news/bringing-health-services-to-the-high-street-with-innovative-plans-for-barnsley-town-centre/>

22

<https://www.wmca.org.uk/media/xqhi4z3b/violence-against-women-and-girls-recommendations-by-the-transport-champions-final-version-1.pdf>

4. Commissioning

As MCAs gain more responsibilities they will need to build their capacity as commissioners. There is a general desire amongst MCAs not to become large delivery organisations but to maintain a largely strategic role. As we have seen where programmes have been devolved, their primary function has been to design and then commission either local authorities or other local partners to deliver the service.

As they develop this capability they could play more of a role in commissioning the set of important and costly services that are taxpayer-funded but largely provided by private providers. The key examples are: social care, childcare, and children's residential care. In each case the market for these services is becoming increasingly dysfunctional as highly leveraged private equity providers buy up existing providers and then increase prices or cut costs to manage high debt loads, enabling their buyers to sell on at a hefty profit.

The job of commissioning these services currently sits with local authorities, though their ability to do so is seriously constrained by rules that limit their ability to intervene, budgets, and scale. This latter point is particularly important for children's residential care because the numbers who need this kind of support within any given authority are small and fluctuate each year, making it harder to deal with rapacious companies, who have pushed up prices by 72% in the past five years.²³ Josh MacAlister, in his report on children's social care for the DfE, recommended developing Regional Care Cooperatives that would commission across multiple authorities for precisely this reason.²⁴ A number of MCAs, including Greater Manchester, have bid to be Regional Care Cooperative pathfinders, though the DfE have not yet announced how these will be taken forward.

It certainly makes sense for MCAs to take on this function, rather than set up something new. And the model could be applied to other similar services. It would need to have local authority buy in, given that these budgets and responsibilities sit with them. It may be that different approaches are preferable for children's residential care as opposed to social care and childcare where there is a more regular level of demand at local authority level. For the former, MCAs could play the function of Regional Care Cooperatives, and for the latter provide frameworks and deals that local authorities could buy into while retaining budgets.

In advance of any DfE announcement, MCAs are already starting to dip their toes into these waters. GMCA is working with all constituent authorities on "Project Skyline" to set up ten children's homes with 24 places across the city. The MCA would provide upfront capital funding, a major barrier to setting up new homes, and authorities would

²³ <https://www.lgcplus.com/finance/revealed-spiralling-cost-of-childrens-homes-19-03-2024/>

²⁴ https://webarchive.nationalarchives.gov.uk/ukgwa/20230308123111mp_/https://childrensocialcare.independent-review.uk/wp-content/uploads/2022/05/Executive-summary.pdf

jointly commission a provider to run the homes. The aim is explicitly to “disrupt” the local market.

This is potentially a model that could be applied more widely, especially if encouraged by central government. It could also offer a route to managing other commissioned markets while still leaving decisions and budgets at LA level.

5. Accountability and System Management

The NHS and English school system are centralised to an unusual degree in comparison with other countries. This can mean accountability tools are blunt, and fail to acknowledge local context. The core benefit of centralisation is supposed to be consistency – avoiding a “postcode lottery” – but in practice there is huge variation between regions.

The NHS has always been a highly centralised model compared to other taxpayer funded health systems in, for instance, Spain and Denmark. The introduction of 42 regional Integrated Care Systems (ICS) across England, in 2022, was designed to try and integrate services more at local level, with a more prevention-focused strategy driven in a more bottom-up way.

This has come into conflict with a more traditional “command and control” model, whereby NHS England try to manage ICSs through a complex array of quality and output targets. Inevitably, given this top-down accountability is connected to funding, it drives behaviour more than the theoretical benefits of integration. Local government is represented on ICS but, in most cases, has been largely shut out of conversations that are focused on resolving acute crises in hospitals.

There has been even less of an attempt to decentralise for schools. Their behaviour is heavily driven by the publication of national examination league tables, and, most of all, Ofsted inspections. These are the only substantive metric on which they are judged by central government, and the only basis on which there can be a quality-based intervention by the DfE in schools. Around half of schools, and the big majority of secondaries, are now in academy trusts, over which local authorities have almost no powers. But even those that are still technically maintained by local authorities look primarily towards Ofsted and DfE guidance.

In light of the inquest into the suicide of headteacher Ruth Perry and wider concern about Ofsted within the sector, Labour have removed “single word judgments” on schools and proposed wider reforms. This will require opening up the question as to how best to regulate schools, and whether it can ever be done well, or with adequate nuance, by national government.

Naturally these challenges lead to the question of whether MCAs could, over time, provide the strategic management and regulatory oversight that currently sits with NHS England and the DfE. The Reform think-tank recently proposed devolving NHS management to MCAs supported by long-term fixed budgets, that would allow for proper planning, as a way of resolving the inherent tension in the ICS model.²⁵

Building on this idea, it is possible to envisage a model whereby the tasks currently undertaken by DfE's regional directors – essentially oversight of schools, intervention in cases of underperformance, and academy brokering – could instead be done by MCAs. In both cases it would represent a dramatic shift from a centralised model.

There are, though, reasons for caution. MCAs are still fairly new, quite small, and, in some cases, fragile. Giving them too much power over critically important services too quickly could undermine the whole policy, especially if it led to high profile failures. It would be preferable to increase MCA involvement in current structures first, to build expertise and capacity, while testing the potential, and support for, more radical reform over time.

²⁵ <https://reform.uk/wp-content/uploads/2024/04/Close-enough-to-care.pdf>

Policy recommendations



Policy recommendations

As MCAs are all at different stages of development, with different deals, and different mayoral agendas, it is not possible, in the first instance, to apply a single model of public service reform across them. Rather the aim of the new government should be to help build capacity and create an environment in which MCAs can play a greater role in public service reform and delivery, working closely with the local authorities in their area. Over time this may lead to a more standardised model of devolution, as more of the country falls under MCAs, and they become a more settled part of the state.

In order to create this more enabling environment and build capacity, the new government should look to apply the following set of *policy principles* wherever possible. They would, collectively, increase the role MCAs play in public service design and delivery, and provide improved, more locally appropriate services, held accountable in smarter ways.

Principle One: unifying powers through mayors

One way to evolve public services to involve MCAs more is through giving formal roles to mayors, within existing structures. We have seen how this can work already through the unification of the police and crime commissioner role with the mayoral one in London, Greater Manchester, West Yorkshire, North Yorkshire and South Yorkshire. It was due to be unified in the West Midlands too, but a court ruled it could not go ahead following Home Office errors with the consultation. In practice the PCC function is typically delivered via a deputy mayor.

For MCAs that have a positive track record, and are most advanced in the devolution framework, more powers could be devolved in this way, with deputy mayors potentially appointed to manage day-to-day operations. Health is an obvious area where this could be done, as an alternative, at least in the shorter-term, to the proposals to essentially replace ICSs with MCAs.²⁶

The South Yorkshire Mayor is chair of the Integrated Care Partnership in their region but these have less power and little control over funding compared to the Integrated Care Boards. Offering mayors (or deputies) the opportunity to be chairs of Integrated Care Boards, which decide on the distribution of ICS budgets, and their overall strategy, would give them more authority over health policy and strategy while retaining, for the time being, national oversight of the health system. It would make it politically harder

²⁶

<https://reform.uk/publications/close-enough-to-care-a-new-structure-for-the-english-health-and-care-system/>

for NHS England to overrule the strategy of an elected mayor, and harder for hospitals to dominate ICSs.

This approach could be trialled in South Yorkshire, where the ICS is coterminous and the mayor is already involved via chairing the Integrated Care Partnership. And in Greater Manchester, which, in effect, pioneered the ICS model via the Greater Manchester Health and Social Care Partnership that was part of the devolution deal agreed in 2015. This has now been replaced by a coterminous ICS, which is arguably less devolved than the original model. Greater Manchester has used informal relationships to make this work: Richard Leese, who was Andy Burnham's deputy mayor until 2021, is now chairing the Integrated Care Board. There is no good reason not to formalise this and make lines of accountability and control clearer.

In theory the same model could be applied to other functions like the Regional Director role at DfE, if these regions were made coterminous. This would tie mayors into the decision-making process in a formalised way that does not require either a complete structural overhaul or a complete loss of national involvement and oversight.

The process would also enable the 'Total Place' approach that was pushed under the last Labour government and others have called for a revival of.²⁷ Place-based budgets can be mapped, the connections with economic policy levers can be more easily made and combined authorities can support the work of their constituent local authorities.

Principle Two: first refusal for delivery of new programmes

When departments design new programmes, that are either one-off or intended to be rolled out permanently, the current default is usually to contract them out or try to deliver them centrally.

Ideally, this new government will have fewer one-off schemes and centrally directed programmes. But sometimes, as we saw during the pandemic, these are necessary. And inevitably governments will always want to push some initiatives from the centre.

When this does happen in future the default should be to consider whether they could be delivered by MCAs, at least in those parts of the country that have them. We have seen examples of this happening already, but it is sporadic and often the result of a proposal from one or more MCAs.

A good example would be a new school improvement programme designed by the DfE under Labour, as per current pledges. The North East MCA already have their own programme and would be keen to have budget and support to do something more

²⁷

https://www.newlocal.org.uk/wp-content/uploads/2024/01/Place-Based-Public-Service-Budgets_New-Thinking.pdf

substantive. They have already built up a relationship with local schools and have a much better sense of the specific challenges faced by them than the DfE do. The DWP is another department that have run a lot of pilots without engaging with MCAs at the moment.

Programmes that work and which government want to permanently embed should then be fully devolved as part of integrated settlements so that MCAs still had a duty to deliver them, but could incorporate the funding into their wider budgets. This would start to work rather like the Barnett formula does for Scotland and Wales. Had this been done with, for instance, Sure Start, it would have been much harder to cut.

Principle Three: Devolved flexible funding

The single most common complaint from MCAs is their lack of flexibility when it comes to funding. The big majority of funding comes in pots attached to specific responsibilities around transport, adult skills, and other economic investment (for instance 75% of the WMCA budget comes from adult skills and transport alone).²⁸ They also bid for dozens of different small pots of funding, either opportunistically or in line with mayoral priorities, which can then be top-sliced to provide some core funding. And there is a small mayoral capacity fund of around £1m per MCA which is typically used to fund the mayor's office itself.

Beyond this, arrangements vary significantly across MCAs. Several have business rates retention agreements with government. This allows them to share additional business rates above what they would have been expected to raise with councils. For instance, GMCA gives 75% of the “gain” to councils and retains 25% for central projects, currently around £22 million a year.

Mayors can also add a precept to council tax bills, subject to central government approval, some do, and some have made electoral promises not to. Each MCA also has an investment fund which gives them a sum in the order of £20-£50 million a year to make investments to boost economic growth – but these investments are reviewed every five years via a complex “gateway” process.²⁹

It's an extremely messy situation and gives little scope for investment in public services or related programmes. The previous government acknowledged this by proposing a move towards a “single settlement” for leading MCAs, initially with Greater Manchester and the West Midlands. These integrated settlements will see five funding blocks covering existing areas of responsibility like transport and adult skills, agreed at

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<https://governance.wmca.org.uk/documents/s11182/230323%20Budget%20202324%20Overview-%20ARAC%20pension%20risk.pdf>

29

https://www.local.gov.uk/sites/default/files/documents/54.8%20Combined%20authorities%20accessible_1.pdf

spending reviews for the full review period. MCAs will have flexibility of funding within each block and be able to move 10% to other blocks. They'll also be able to switch some revenue and capital funding.³⁰

The next multi-year spending review should add a public services block (or functional blocks) to integrated settlements for leading MCAs. This would clearly define the functional role of MCAs in public services and could include all the small pots, like the ones discussed in this paper, currently coming from DWP, MoJ, DHSC and DLUHC, for this purpose.

The Greater Manchester trailblazer suggestions to include prevention and multiple disadvantage spending would provide a good starting point for this definition. Under the rules of the “single settlement” agreed with the previous government, any future programmatic work and budgets would then be added to this stream over time through the operation of the framework. Under current proposals these settlements will still be subject to some of the stringent Treasury oversight that applies to all departments, and which is harmful to productivity. This should also be limited as much as possible while retaining enough oversight to intervene in corruption or severe maladministration.

Principle Four: encourage MCA-level commissioning and expertise in public sector reform

Alongside pushing the delivery of programmes down to MCAs as a default, central government should also support them to become centres of commissioning expertise. This will be necessary anyway given they are unlikely to want to start directly delivering programmes and services. But it will be even more important if MCAs start to take a bigger role in supporting commissioning of taxpayer-funded but privately delivered care services.

There is, unsurprisingly, considerable concern from local authorities about “centralising” commissioning of service from them to MCAs, given how many powers, and how much budgetary control, they have already lost over the decades. But, there is a good argument for LAs to come together to have some provision where there is common cause and better outcomes can be achieved. For example, residential children’s homes commissioned at a higher level due to the need for buying power to take on private equity owned companies.

For childcare and social care, MCAs could become centres of commissioning excellence, helping their constituent authorities to get better deals, and potentially

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https://assets.publishing.service.gov.uk/media/655d0945d03a8d001207fe19/Memorandum_of_Understanding_for_the_Single_Settlements_with_Greater_Manchester_and_West_Midlands_Combined_Authorities_FINAL.pdf

develop state alternatives to private providers by pooling resources. Sitting at a more strategic level, they should also be able to join the dots of public service reform and connect up with their economic levers to deliver more fundamental improvements to the area.

Principle Five: Coterminous boundaries

Wherever possible the regional structure of public services should match with LAs and MCAs to enable closer working and, if desired, mergers over time. The value of doing this is clear from Greater Manchester which has a coterminous Integrated Care System, police force, and probation service, that has allowed them to make more progress on health and criminal justice than others.

Coterminosity for health and policing is, at the moment, fairly arbitrary. There are some matches – South Yorkshire has both, allowing the mayor to chair a health committee and be the PCC. Others, like the North East, have neither.

DWP split JobCentre Plus geographies by district – two of which (Tees Valley and West of England) align with MCAs. DfE split their school oversight and regulation function into regions, none of which are coterminous with MCAs.

Departmental reorganisations are not without cost and there will be reasons why it's not always straightforward to make functions coterminous, such as hospital trusts that cross borders. But the presumption should be that all departments aim to create as much overlap as possible, as it makes it much easier for MCAs to partner with public services, even if they don't have formal control over them.

Broader policy questions
on the future
development of *MCA*s



Broader policy questions on the future development of MCAs

The question of how to engage MCAs more in the design and delivery of public services is inevitably connected to wider questions about their future. As the government considers the next steps for MCA evolution they will need to make decisions about the following questions that currently remain open:

1. What is the right balance between “bespoke” deals and uniformity?

On one hand it makes sense, given the purpose of devolution, for mayors to be able to pick their own priorities. Different parts of the country have different problems. At the same time, for functions to be properly devolved that needs to happen everywhere. Otherwise, the centre still has to do almost the same amount of work, and Whitehall officials and ministers will still feel like they “own” the policy.

Probably the best path is to allow divergence initially, as different MCAs build up capacity at different speeds, but aim to have consistency of functions over time. This is essentially what has happened on the economic side with transport and adult skills. Of course, how MCAs choose to handle these devolved functions will still allow for national variation and prioritisation, especially if there is more flexibility to move money between budget lines. Creating a legislative framework via the English Devolution Bill that allows for greater standardisation than the current process of passing deals via individual Acts of Parliament will help make this easier to achieve.

2. What’s the right balance between local authority control and mayoral freedom to pursue an agenda?

From the start, most local authorities have been nervous about the establishment of combined authorities, and their concern increased once mayors got involved. This is entirely understandable. Councils have been significantly weakened over many decades, and have seen their autonomy, power and budgets whittled away. They have sought to protect what they have left and limit mayoral power.

As a result MCAs are designed to give local authorities a very strong veto power. Most decisions require unanimity (though not all – accountability for police and crime commissioner functions, where mayors hold these, works differently). This can be very frustrating when one hold-out authority stops a project from going ahead. In practice it has meant mayors, and their teams, spending a lot of time on relationship management and building consensus. This has its advantages in securing buy-in but can also slow progress and, when it goes wrong, prevents them from working properly. This may become more of a problem over time if more MCAs see split political affiliation of councils.

For larger MCAs, central government might give them a bit more space to operate by, for instance, introducing qualified majority voting or a “double lock”. For example, this could mean that decisions could go ahead when a majority of councils *and* councils representing a majority of the population supported a measure. It would still mean they had a high degree of control and mayors would need to work for their support, but also that a single recalcitrant council could not block something that everyone else wanted to happen. It would be difficult for this to apply in smaller MCAs where other options should be considered.

3. What is the right balance between central government grants and locally raised funding?

In the 2024 round of mayoral elections, all incumbent mayors outperformed regional polling for their parties. This is a positive in that voters are distinguishing between mayors and national parties, but it also highlights a potential problem. If MCAs remain largely dependent on central government for revenue then what is to stop them being permanent supplicants – taking credit for every bit of money they “win” from the centre and blaming any failures on lack of largesse? It also limits the incentive for mayors to grow their local economy and tax base.

There have been some moves to improve this through business rates retention and allowing a council tax precept. But these are very limited. Giving mayors more powers over tax would allow them to boost spending on priorities, and create strong incentives around growth and building. Initially this could take the form of smaller taxes – like tourist taxes on overnight stays – but serious fiscal devolution would require the ability to vary bigger taxes, following the models seen in the Devolved Administrations. Clearly there would be significant challenges to doing this but central government should at least be open to the conversation about trade-offs and possibilities.



4. Will they be rolled out everywhere and on what timetable?

Perhaps the biggest question is whether the new government will aim to bring the whole country under the same system. In a scenario where MCAs start to take more responsibility for public services, particularly for commissioning and regulatory oversight, this could lead to a messy dual system of government for different parts of the country.

Initially it might make sense to strongly incentivise forming an MCA by devolving more money and power. And only if this doesn't work moving to a more top-down solution. There may also be merit in aligning the powers and accountabilities of the London mayoralty with the rest at some point.

Conclusion





Conclusion

MCAs have turned into a major constitutional innovation. They offer the opportunity to build regional state capacity at a tier that has never existed before in England, and to rectify some of the damage that has been done through decades of centralisation and destruction of local government.

It would be a mistake to keep public services on the periphery of these developments. MCAs do have a critical role to play in boosting economic growth but they can also help with a number of longstanding policy challenges across social policy. They offer an opportunity to make joined-up local services a reality; to reduce pressure on central departments and allow them to focus more on key strategic issues; to reduce cost pressures on local authorities to free up their capacity; to offer an alternative delivery route to contracting out; to improve commissioning; and to create mechanisms for more intelligent accountability, regulation and oversight.

At the same time, MCAs are new and fragile institutions. Asking too much of them too quickly could easily undermine devolution. They are also at different stages of development. Thus, the proposal for a principles based approach – with the aim of creating the space for greater involvement in public services as MCAs grow and develop. Some of the broader questions the government will have to answer regarding the future development of MCAs will have implications for these principles. But they should be applicable regardless.

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