

Real decentralisation will bring great benefits

improved public services, increased productivity
reduced costs, more control for people

Summary

A vision of real decentralisation

- Councils will be responsible for the prosperity and wellbeing of their local communities.
Currently, UK central government has this responsibility.
- The average size of councils will be substantially reduced to a size where people can identify with them as 'my local council'.
Currently, councils are large, remote from the people, unaccountable and more than 20 times larger than those of the 10 peer countries studied.
- Councils will have full control of, and responsibility for, how public services are best delivered for the community, raising the majority of the funds they need from their community in whatever way that they think is best for their electorate.
Currently, control of these lies mainly with central government, making the UK the most centralised democratic large country in the world.
- For efficient administration and voters' understanding, all bodies within the same tier of government will have the same responsibilities and powers as happens in all 10 peer countries studied.
Currently, nations and councils have a complete mishmash of responsibilities and powers with little financial control. Too much is dependent on bargaining with Whitehall.
- Voters will have the information to be able to hold their council accountable and to compare its performance with other councils through standardised annual reports and accounts. This would also encourage benign competition between councils.
Currently, no such information is available.
- Voter will be protected against abuses of powers by councillors with such measures as such recall and council law, as is used by our peer countries.
Currently, no such protection exists allowing councils like Woking and Croydon to run up such large debts that they become bankrupt.

- Ministers and permanent secretaries will be free to focus on the many grave challenges that face the UK, such as immigration, climate change, energy, the economy. **Currently**, they are prevented from doing this as they are bogged down in a myriad of petty decisions such as allocating £50 million to councils to fix potholes.

The benefits of decentralisation

- Decentralisation will be popular. It is strongly supported by 69% of voters who would like more power at a local level, [here](#), and in all the 2019 party manifestos – [here](#).
- Ministers and senior Civil Servants, freed from a mass of detail will have the time to focus on the serious strategic challenges that face the United Kingdom – [here](#).
- Public services will be improved with the focus of thousands of councillors on local issues instead of a handful of overworked Ministers and Civil Servants in Whitehall.
- Community will be strengthened and voters will re-engage with local politics when they feel there is local control and they can hold their elected politicians accountable.
- Recent research shows that 'freer economies are richer, grow faster, and score better across almost all metrics of well-being.

An all-party strategic proposal to promote discussion

- This report diagnoses the basic causes of why the machinery of government is failing, and proposes a vision of real decentralisation and a plan as to how it could be achieved.
- The purpose of the report is to validate each solution or to find better ways to achieve real decentralisation
- It is based on a study of the governance systems of 10 peer countries – [here](#) – and input from the EGF cross-party Advisory Board.

An important distinction

- **Decentralisation**: the permanent empowerment of communities to manage and finance their affairs as far as possible.
- **Devolution**: the temporary granting of powers from Whitehall to large units of national or regional government which have limited financial powers.

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Foreword

All political parties now accept that a century of over-centralisation of the UK is a problem that has had dire economic, constitutional and social consequences. This report is therefore to be greatly welcomed for it not only explains – lucidly – the problems involved with an over-mighty Westminster but puts forward concrete proposals for how power can be returned to our localities, to the benefit of us all.

The Advisory Board of the Effective Governance Forum consists of members from many different political backgrounds. Inevitably, we will all have our own preferences on the precise details of how decentralisation can be best arranged and so agree to a greater or lesser degree with different recommendations. But it is clear we all recognise that now is the time to move power and accountability far closer to the people.

The rewards, as this report makes clear, are huge: the harnessing of the local knowledge, energy and ingenuity of thousands of councillors; greatly improved public services delivered at lower cost; and a revitalisation of communities and the local government that serves them.

[Lord Porter of Spalding, Conservative](#)

Leader of South Holland District Council since 2003 and former Chair of the Local Government Association

Diagnosis

A comparison of UK's system of governance with 10 peer countries

An EGF study of the governance systems of 10 peer countries – [here](#) – points to why so many previous attempts at decentralisation have failed. The UK is unique among the medium and large countries studied in that:

- The UK is by far the most centralised large country, thus:
 - The energy, creativity and local knowledge of thousands of councillors is not harnessed as decision making is largely in the hand of around 25 ministers.
 - Ministers bogged down in detail have little time or energy to focus the grave challenges that face the UK – [here](#).
- UK local councils are more remote from and therefore less accountable to voters. They are over 20 times larger than any of our peer countries.
- The UK's tiers of government have fewer powers. Financial control remains in Whitehall.
- The UK has a complex mishmash of deals with the four nations and councils giving each tier different responsibilities and powers.

All of our peer countries studied have a uniform structure where bodies in the same tier have the same responsibilities and powers.

The role of central government has changed substantially but the system of managing government has not

Central government has taken so much responsibility from civil society and local government that it has become one of the most centralised large democratic country in the world.

In 1912 central government controlled expenditure of around 12% of GDP. Today it is around 51%.

Central government has become a huge complex conglomerate. No large conglomerate since the second world war has survived intact for more than five years after the retirement of its driving force – Slater Walker, Hanson, GEC, BET, IT&T.¹

¹ SSC Intralinks, [The Demise of the Conglomerate?](#)

The reason conglomerates are broken up is that no one can possibly have the knowledge or the mental energy to manage such a diverse and complex range of services.

The effects of centralisation

Ministers and senior civil servants have excessive workloads

Ministers and permanent secretaries do not have the time or mental energy to tackle the host of serious challenges that face the UK. – [here](#).

They are involved in managing departments whose staff range from 2,000 to over 60,000 most are larger than all but a handful of private companies. In addition they have to deal with parliament and the media, and look after their constituents,

This gives Ministers and Civil Servants impossible jobs. They are overloaded with so many diverse decisions that they can only give each one superficial attention. This precludes a long-term approach to problems.

As President Eisenhower is quoted to have said: 'The urgent always takes priority over the important'.

Creativity, energy and local knowledge are wasted

While Ministers and permanent civil servants are overworked the creativity, energy and local knowledge of thousands of councillors across the country are not harnessed. This is one of the greatest shortfalls of over-centralisation.

Public services are of poor quality and expensive

Public services do not meet the diverse needs of individual communities. They are poor quality – [here](#).

And expensive because of low productivity. The public sector productivity shrank by 16% between 1991 and 2021 compared to an improvement of 26% in the private service sector – [here](#).

Communities and democracy have been undermined

Local government used to be responsible for matters which most directly affect people's daily lives – housing, access to medical care, education, policing, public transport, potholes.

Successive governments have undermined community by the creation of ever larger councils – over eight times larger than they were in the early 1900s and four times as large in 1970.

| | Early 1900s | 1970 | 1974 | 2019 |
|--------------------------------|-------------|--------|---------|---------|
| Number of UK councils | 1,868 | 1,378 | 547 | 398 |
| Average population per council | 20,400 | 40,400 | 102,800 | 167,800 |

An EGF study of 10 peer countries – [here](#) – shows the UK has by far the largest councils: the average population per English borough/district is 167,800 compared to 1,600 in France, 4,900 in Germany, 7,000 in the USA. The ratio of electors to council members is 250:1 in Germany and 2,600:1 in England.

With large remote councils people have lost the feeling that this is ‘my community’ where they knew who to contact with problems and who to hold accountable. People would contribute to ‘to my local school’ or ‘my local hospital’.

Hence, people have lost interest in local politics and don’t vote. Turnout at local elections typically averages around 30% compared to between 65% and 70% in general elections.²

Central government controls all aspects of local finance

Local government in England has limited revenue-raising powers compared to our peer countries.

In addition, the three major funding streams of local government – block and mandated grants from central government, council tax and business rates that are retained – are all directly or indirectly controlled by central government.

There is no evidence that large councils are more effective or efficient

There is a belief that large units are more efficient and cost effective than small ones. While this may be true in manufacturing, it is not for service providers like councils.

More than 300 pieces of academic research over 50 years have found no consistent or conclusive results showing that increases in council size are any guarantee of improvements in efficiency, effectiveness, performance or cost reduction.³

A well run large council can be more economical than a small well run one but it will be remote from people and more prone to bureaucratic creep.

² House of Commons Library, [Turnout at elections](#), August 2021.

³ Colin Copus, Steve Leach and Alistair Jones, [Bigger is not better: the evidence case for keeping local government](#), District Councils Network, 2021.

The head office of HM Prisons has grown from 1,700 in 2005 to 5,000 and the Cabinet Office from 2,500 in 2015 to 10,200 today.

19 of the 20 richest countries per capita in the world have populations of under 10 million.⁴
8 of the 10 most productive countries have populations of under 20 million.⁵

⁴ [GDP per capita, PPP \(current international \\$\) - World Bank](#)

⁵ BBC Science Focus Magazine, [Top 10 most productive countries](#), 12 August 2021.

Voters and politicians want decentralisation

Voters want decentralisation

People are most concerned with local matters which affect their daily lives. They want access to housing, a doctor, education for their children, policing, public transport and roads without potholes.

However, voters feel they have no influence over these matters, no one listens to them and decisions are made by remote politicians in London or a unitary council with a population of around 500,000.

Polling carried out by Savanta in April and June 2023 for EGF – [here](#) and [here](#) – revealed that support for decentralisation is both substantial and growing as the quality of public services decline:

- Seven in ten people (69%) want their community to have more control over how their council delivers services. Only 3% want less control.
- Four in five people (81%) say that it is important to vote in local elections – yet only about 30% of people do so, indicating that they feel that there is no point in doing so.

These polls also reveal a strong desire for more local control:

- 56% want a greater proportion of their taxes raised by and for their local community instead of by central government. Only 14% disagree.
- Over three in five (63%) want elements of health and social care to be devolved to a more local level. Only 11% disagree.

In an age of cultural divide between right and left, young and old, Remain and Leave, one policy change on which a majority of voters agree is the need for greater localism.

Politicians say they want decentralisation

The most recent manifestos of all political parties supported decentralisation – [here](#).

A recent poll of councillors found that 68% believe that 'I do not have enough power to represent the needs of my local community'.⁶

⁶ [Results of the Electoral Reform Society Survey of Local Representatives](#), March 2022.

The principles of subsidiarity

Subsidiarity

Organisations, in the voluntary and business sectors, have long recognised the weaknesses of centralisation and have changed their management approach to decentralisation through subsidiarity.

The Oxford English Dictionary definition is 'A central authority should have a subsidiary function, performing only those tasks which cannot be performed at a more local level'.

The principles of subsidiarity for UK government

To achieve successful decentralisation councillors must know that they, not central government, are responsible for:

- The prosperity and wellbeing of their community.
- The provision of services to meet the needs of their community.
- Financial control – including deciding the total level of expenditure and how it is allocated between services.
- Raising the majority of their funds from the local community.

Benefits of subsidiarity

Decentralisation through subsidiarity is practiced because of the substantial benefits.

- Leaders, freed from routine matters, can focus on the grave challenges that face the UK and long term strategy.
- Managers and staff get greater satisfaction from their work as they feel trusted to perform tasks their way.
- When a task is 'my responsibility', people will use their creativity, ingenuity and detailed knowledge of the task to constantly find more efficient ways of doing it. This leads to big increases in productivity.

Applying the principles to the UK

Bottom up, not top down

The aim of subsidiarity is for powers to be driven from the bottom up. Thus individuals and families should only delegate those things they cannot do for themselves to the local community which in turn delegates to the next tier of government and so on up to Parliament.

Central government should consult each tier starting with the lowest to ensure that the maximum number of functions and the greatest financial control are decentralised.

Tiers of Government

There should be five tiers of government in the UK – Parish councils (only on demand from voters), Town and Borough Councils, County & City Councils, Parliaments for England, Scotland, Wales and Northern Ireland, and the United Kingdom Parliament.

All bodies in the same tier, except parishes, should have the same responsibilities and powers. This removes complexity and citizens can understand who is responsible for what.

A uniform structure is in place in all the countries studied.

However, nations and councils should be free to subcontract or merge backroom functions as they are now and to set up local or regional bodies to achieve common objectives. The responsibility for the performance of any subcontracted or merged functions would remain with the relevant nation or council.

Parishes, down to street level, should be able to set up their own council if demanded by voters in a referendum. They should state the responsibilities they wish to take over and be granted control of the proportion of funds that the council has budgeted for these areas.

Size of councils

Town & Borough Councils, the tier that manages aspect that most affect people's daily lives, should all be of a size people can identify with. People should feel that this is 'my council. I know what it is responsible for and I can influence change'.

Financial control

Councils should have full control of, and responsibility for public services, budgets, and the types and rates of taxes. They should raise the majority of their funds from the local community. An Equalisation Fund will ensure that all councils can provide adequate services.

No financial guarantees should be given by central or another tier of government.

Accountability

Each tier of government should be accountable to the voters it serves, not to central or another tier of government.

Comparable reporting standards

Every listed company has to provide an annual report and accounts in a standard format. Investors have the opportunity, through resolutions, to vote on such items as accepting the report, approving items such as director's salaries and borrowing levels.

All levels of government should be obliged to publish similar Annual Reports. These should contain comparable data for accounts and the performance of services, thereby enabling the electorate and the media to assess how well their Council is performing.

Responsibilities to be decentralised to tiers

See page 14.

Voter protection

Decentralisation will give the four Nations and councils much greater powers. Voters will therefore need greater protection against poor management and overreaching their powers, particularly from over-borrowing, as has recently been exposed in Woking, Croydon and Liverpool, and from starting ventures outside their remit such as the eight council-bought energy companies which lost a total of £114 million over four years.⁷

Voter protection should be achieved through the following measures.

⁷ TaxPayers' Alliance, [Council Energy Companies](#), October 2021.

Recall

Five years is too long a time to suffer poor management. A form of recall, as practiced by peer countries, should be introduced whereby voters can force whole assemblies and elected members to resign, provided sufficient signatures have been collected.

Direct democracy

Citizens should be allowed to propose topics which parliaments or local governments must consider, provided enough signatures are collected.

Council law

Governance Law similar to Company Law, which protects investors, should be introduced to regulate what the four nations and councils cannot do, such as borrowing over a certain limit limits or investing in new ventures, without holding a referendum.

Responsibilities to be decentralised to tiers

| | UK Parliament | 4 Nations | Counties & Cities | Towns & Boroughs |
|-------------------------|---------------|-----------|-------------------|------------------|
| Defence | ✓ | | | |
| Foreign affairs | ✓ | | | |
| International trade | ✓ | ✓ | | |
| Immigration | ✓ | | | |
| Climate change | ✓ | | | |
| Food Standards | ✓ | | | |
| Energy | | ✓ | | |
| Fiscal policy | ✓ | ✓ | ✓ | ✓ |
| Monetary policy | ✓ | | | |
| National debt | ✓ | ✓ | | |
| Tax types & rates | ✓ | ✓ | ✓ | ✓ |
| Pensions | ✓ | | | |
| Disability benefits | | ✓ | | ✓ |
| Unemployment benefits | | ✓ | | ✓ |
| Childcare | | | | ✓ |
| Social care | | | | ✓ |
| Primary education | | | | ✓ |
| Secondary education | | | | ✓ |
| Tertiary education | | | ✓ | |
| Healthcare | | | ✓ | ✓ |
| Police | ✓ | | ✓ | ✓ |
| Courts | ✓ | | | |
| Prisons, probation | | | ✓ | ✓ |
| Fire services | | | ✓ | ✓ |
| Housing | | | | ✓ |
| Leisure, sport | | | | ✓ |
| Museums | ✓ | | ✓ | ✓ |
| Tourism | | ✓ | | ✓ |
| Airports | | ✓ | | |
| Shipping, ports | | ✓ | | |
| Rail network | ✓ | ✓ | | |
| Public transport, roads | ✓ | ✓ | ✓ | ✓ |

Implementing decentralisation

Show voters that action has begun

There has been plenty of talk about levelling up and decentralisation but only limited piecemeal implementation. What is needed is action.

There are immediate steps that can be taken, which will demonstrate that action has started and the will be popular with voters.

Phase 1 Set up

A new unit

A new unit, with cross departmental responsibility, should be set up as part of the Cabinet Office. Its role will be to manage decentralisation.

It should be led by a Secretary of State. The senior management should consist of a CEO, who will bring objectivity and has wide experience of change management in the private sector, a Permanent Secretary, a board and the support of a Select Committee.⁸

The role of the unit will be to devise an implementation plan for decentralisation based on the principles of subsidiarity. This should be the first priority.

The following tasks can be implemented in Phase to show voters that action is taking place.

Voter protection

Governance Law, similar to Company Law.

A standard comparable Annual Report and Accounts for each tier of government.

A form of recall as practiced by peer countries.

⁸ See by the same authors [Effective Management of Government](#), EGF, April 2023.

Phase 2 Implement the decentralisation plan

This should include:

- Restructuring of councils' boundaries around communities so people can identify with them as 'my council'.
- Working with local councillors from each tier of government to decide the responsibilities and powers should be decentralised.
- Planning the sequence in which responsibilities will be handed over.
- Calculating the amount of funds needed for each decentralised responsibility
- Designing an Equalisation Fund to replace the Barnett formula.
- Drawing up the necessary legislation and getting it passed by Parliament.
- Keeping citizens informed of progress.

The benefits of decentralisation for the UK

- Subsidiarity will drive the building of people's sense of community,
- Ministers and senior Civil Servants will have the time to focus on the serious challenges that face the United Kingdom.
- Public services will improve with the focus of thousands of councillors instead of a handful of over-worked Ministers.
- Voters will re-engage with local politics when they feel they can hold their elected politicians accountable.
- Decentralisation will be popular and is strongly supported in party manifestos, and by 69% of the electorate who would like more power decentralised to a local level – only 3% disagreed.

How peer countries benefit from decentralisation

Countries with more decentralised taxes and spending have better public services,⁹ and lower spending *and* taxes overall.¹⁰

- Freer economies are richer, grow faster and score better across almost all metrics of wellbeing – [here](#).
- The World Bank has found that the quality of governance improves when local services are matched to citizen preferences.¹¹
- The OECD has concluded that decentralising power results in ‘enhanced allocative efficiency and may include improvements in service levels, quality and efficiency of public services. Indirect effects of decentralisation, such as faster economic growth or better stability of the society, result from direct outcomes of decentralisation such as better education or higher participation in political decision-making.’¹²
- The same report shows that greater variety in the way in which services are provided coupled with begin competition between councils will leads to more replication of successful approaches and therefore over time better services and increased productivity.
- Decentralisation has strengthened Ukraine. After the 2014 Ukraine Revolution, communities were allowed to voluntarily organize into local units. 60% of spending and revenue was controlled at the local level.
- Local militias formed volunteer brigades, which were later integrated into the Ministry of Defence. Civilians with little or no military experience were encouraged to join these local forces, enabling them to use local knowledge to respond rapidly and effectively to Russian attacks.¹³

⁹ N Gemmill, R Kneller and I Sanz, [Fiscal decentralization and economic growth: spending versus revenue decentralization](#), 2013.

¹⁰ W Buser, [The impact of fiscal decentralization on economic performance in high-income OECD nations: an institutional approach](#), 2011.

¹¹ J Huther and A Shah, [Applying a Simple Measure of Good Governance to the Debate on Fiscal Decentralization](#), World Bank, 1998.

¹² OECD, [Making Decentralisation Work: a Handbook for Policy-Makers](#), 2019.

¹³ Tymofii Brik and Jennifer Brick Murtazashvili, The Source of Ukraine’s Resilience: how decentralized government brought the country together, Foreign Affairs, June 2022.

The Effective Governance Forum

The role and complexity of government has changed substantially since the Northcote-Trevelyan Report was published in 1854 but the mechanics of managing government have remained virtually unchanged.

The objective of the Effective Governance Forum is to demonstrate how UK government should be structured, using modern management practice and radical decentralisation, to significantly improve public services at substantially reduced cost.

Authors

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