

Devolution Disconnected: political priority, public apathy

GK *in partnership with* **onefourzero**



Foreword

by Director of Policy,
Louise Allen

GK and our sister agency, onefourzero, are delighted to publish “Devolution Disconnected - political priority, public apathy” - the second in GK’s series of reports to inform and shape the public policy agenda.

Supporting investors, businesses and the public sector to analyse, understand and manage political risk defines our work, and continues to set us apart in the market place. At GK we consider understanding the political realm is not a nice to have, but something which is vital to delivering the commercial and strategic priorities of the organisations we work with. Our approach is unashamedly research and evidence led.

In many regards the devolution agenda – a journey overseen by Governments of every colour – is creating a new landscape, of opportunities and risks, for businesses to respond to. This requires evolving approaches to business development, engagement and communications which reflect the shifting balance of power between central and local government.

Once again, GK is delighted to contribute our unique research and commentary to this important debate. As an agency GK are pushing boundaries - not only responding to, but shaping policy landscape.



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Executive Summary

- **Devolution remains a political priority despite public apathy.**

Our primary research suggests that despite the political capital the Government has invested in the devolution agenda over recent years, the public has not been enthused about the prospect of accountability being handed over to local government by central government. Confusion over the purpose and meaning of devolution has not been adequately addressed by the Government and it risks alienating the public from a process that has the potential to see a radical, if gradual, change in the way services are commissioned and delivered.

- **The desire to control public spending means that funding decisions remain largely in Whitehall.**

While the Government has sought to award greater powers over commissioning public services and infrastructure to local bodies through the devolution process, the impetus behind reducing public spending since 2010 has meant that central government has been reluctant to devolve significant decision-making powers over budgets to local government. Where local authorities do have greater control, they are working with smaller budgets and having to do more with less. The perception that devolution is merely passing the buck of spending cuts to local authorities may be another reason why the concept has failed to capture public interest.

- **There are opportunities available for businesses from devolution.**

Where newly-elected Mayors have the power to argue for funding and new powers are being devolved, there will be opportunities for local suppliers to engage proactively with decision-makers and commissioners. Whether this is in frontline public services such as social care and education, or improving infrastructure, Mayors and local commissioners will be looking more than ever to do business with suppliers who can offer an innovative and efficient approach to service delivery.

- **Engagement with central government will remain necessary to influence how decisions are made.**

The slow process of devolution means that businesses who want to shape the public policy agenda and contribute to the delivery of public services should continue to talk to both central and local government to maximise their influence. While spending and commissioning may be becoming more fragmented, it is clear that in many regards it is Whitehall still calling the shots, so a two-tier approach to engagement will be needed.

A photograph of a busy pedestrian street, likely in a European city. The street is wide and paved, with a large number of people walking in both directions. The street is lined with mature trees that create a canopy effect, and buildings with various architectural styles are visible in the background. The overall atmosphere is lively and urban.

The Devolution Agenda - A Coalition Priority

As part of its Programme for Government, published on taking office in May 2010, the Conservative-Liberal Democrat Coalition Government stated that it was ‘time for a fundamental shift of power from Westminster to people’. The Coalition planned to promote decentralisation and democratic engagement by giving new powers to local councils, communities, neighbourhoods and individuals. The Government’s plans included the creation of directly elected mayors ‘in the 12 largest English cities, subject to confirmatory referendums and full scrutiny by elected councillors’. ¹

The first manifestation of these plans was the Localism Act. The ideology behind the legislation is typically Conservative in nature, steering the country towards less interventionism from central government and more responsibility for local councils. The then Secretary of State for Communities and Local Government, Eric Pickles stated that the ‘excessive centralisation that has come to characterise government in this country’ had been accelerated by Labour, and insisted the Bill was a ‘triumph for democracy over bureaucracy’. ² The Act covers a wide range of issues related to local public services, with a particular focus on the general power of competence, community rights, neighbourhood planning and housing. ³

Following the return of a Conservative majority government in 2015, then Chancellor of the Exchequer, George Osborne, announced that a Cities Devolution Bill would be included in the Government’s first Queen’s Speech in order to forge a ‘radical new model of city government’. ⁴ Eight devolution deals have been agreed and several are still under negotiation. London has to a large extent been used as a template for success – In 2015, Osborne said ‘London has a mayor. Greater Manchester has agreed to have a mayor... my door is now open to any other mayor who wants to take this bold step into the future.’ ⁵

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf

² <https://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110117/debtext/110117-0001.htm#1101176000001>

³ <http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted/data.htm>

⁴ <https://www.gov.uk/government/speeches/chancellor-on-building-a-northern-powerhouse>

⁵ *ibid*



Although much is made of the comparison between London and Manchester, significant differences should be recognised, particularly with regards to accountability and governance. Under most of the Government’s city deals, mayoral spending plans are to be subject to rejection by cabinet members on a two-thirds majority and where powers to create a spatial strategy are available, this will require unanimous approval from the mayor and combined authority members. Comparably the Mayor of London is largely able to make decisions without the agreement of the London boroughs, and London Assembly. Whilst parallels can be drawn, each locality will be keen to carve its own path and shape services locally to meet the needs of its communities.

A number of the city deals have met with difficulties along the journey, in most cases centred on local reactions to the creation of directly-elected mayors. September 2016 saw the collapse of the North-East deal when four of the seven participating local authorities voted against its proposed devolution deal, casting doubt on the future of the Government’s approach. This was in part due to concerns around EU funding, but also because of a lack of enthusiasm to increase council tax to pay for the mayor.

Overall, the deals have received mixed responses. As well as the obvious political figures championing the deals, some politicians have been more cautious or even critical, with Iain Wright MP arguing in Parliament in 2015 the areas being targeted by the Government for devolution are those that have 'suffered the greatest cuts', enabling the Government to localise the blame for cuts that have been made in Whitehall. Malcolm Brain, Gateshead Labour group secretary, similarly commented after the rejection of the north-east deal that 'without financial guarantees it was devolution of blame rather than of power'. GK's primary research shows a decline in public engagement, which is explored in further detail in the report. Clearly in having devolved powers, the role of the local authority is changing as it takes on more responsibility. With bigger budgets and more control over spending, councils are needing to become more commercially-minded and strategic. Given wider cuts and challenges facing local government over the last few years, most have had to develop (or recruit) these skills, and have had to streamline processes in order to maximise efficiency.

Councils have also had to become better at reaching out to and collaborating with other councils, businesses, communities and other public sector organisations to reshape service offers and delivery mechanisms and strategies. There is however, a natural tension between the local and central government – whilst power is shifting in many regards, central government remains often the decider in funding decisions. As such, businesses must be conscious to engage with both bodies; at local level with whoever may lead on the commissioning of services, and with those in Whitehall who are responsible for broader funding and policy decisions.

With this in mind, with greater responsibility comes greater accountability, and councils have had to adapt – and will need to continue to adapt – to a more heavily scrutinised role and become a 'more intelligent customer'. With some of the most sensitive services under their remit, and more say over how these are run and how much is spent on them (within allocated budgets, of course), local authorities will need to manage the public's expectations with a degree of exposure that they might not be accustomed to. They are likely to be in the spotlight to a much greater extent and to bear the brunt of further public criticism, thus needing to be more 'political' in the presentation of their decisions.

A growing phenomenon borne of the devolution agenda is the combined authority. Two or more local authorities are able to form combined authorities, which are in effect legal bodies set up using national legislation. The first to be set up was the Greater Manchester Combined Authority, which was set up in 2011, and six more have formed since. In many cases, where a devolution deal has been agreed, a combined authority's executive consists of one representative of each member authority (there must be two or more authorities) as well as a directly-elected mayor. The councils collaborate and take collective decisions, and are able to be more ambitious in the work they do, particularly as they can take advantage of the powers and resources devolved at a broader level.

The role of local government is clearly evolving, but there is some doubt as to whether councils are ultimately more empowered to improve service delivery as a result of their changing dynamic, or whether they will for the most part lift a burden off the Government's shoulders in suffering the difficult spending decisions and attracting the negative attention from the press and public.





Devolution Deals and the Northern Powerhouse

In November 2014, leaders of the Greater Manchester Combined Authority and the Chancellor of the Exchequer signed an agreement, allowing for the devolution of new powers and responsibilities to Greater Manchester, and a directly elected Mayor for the city-region. There has since been further progress in devolving powers, including an agreement to give the Greater Manchester Mayor powers over criminal justice, the adult education budget, and support for the establishment of a Life Chances Investment Fund.⁶

These measures reflect former Chancellor George Osborne's plan to create a so-called Northern Powerhouse to boost economic growth in the north of England. It was the Government's belief that the Greater Manchester agreement would create a powerful devolved administration with strong political leadership that would prompt policy to encourage economic growth, and allow for strategic planning across the city. Whilst in political circles the GM plan, empowering a metro mayor with control over budgets for housing, transport, health and police, was widely welcomed, GK's primary research suggests that public engagement in the devolution agenda nationally is declining.

Osborne – ever the political strategist – not only recognised the idea of devolution as having the potential to be one of the most radical transformations of the way in which public services and local infrastructure could be delivered, and a further consolidation of the Conservatives' economic advantage over Labour, but also the possibility of dividing the opposition in areas of the country in which its electoral performance is historically the strongest.

There are two competing instincts within the Labour Party when it comes to the question of devolution, arguably as a consequence of its disparate ideological roots: on one side, its historical commitment to socialism, tempting it toward the centralisation of economic power and a defence of the role of the state in the delivery of public services; on the other, the influence of the party's foundation from trade unions, friendly societies and other groups that were naturally sceptical of statism and argued for their constituencies and local communities to have a stronger voice.

It has been a consistent aim of UK governments over the last 20 years to improve collaboration and co-ordination in public service commissioning, and the devol

⁶ <https://www.gov.uk/government/publications/devolution-to-the-greater-manchester-combined-authority-and-transition-to-a-directly-elected-mayor>

Therefore, it is perhaps unsurprising that when the first details of the Manchester devolution deal were revealed, a divide immediately emerged in the party. In February 2015, shadow cabinet ministers – and Greater Manchester MPs – Debbie Abrahams and Andy Burnham were vocal about the prospects of Greater Manchester's £6 billion health and social care budget, with Abrahams criticising the policy as one of 'delegation not devolution'.

Although she declared support for the principle of devolution, Abrahams said she had grave concerns around the lack of clarity surrounding the financial and governance arrangements of the policy, and called for a 'comprehensive, independent assessment of the impact of the devolved health and social care arrangements'. Burnham, then Shadow Health Secretary, said the policy risked a 'Swiss-cheese NHS', with different parts of the NHS system having different powers or freedoms. Not only did these views contrast with those of the local council leaders who had helped to negotiate plans with the Government, but also with the then Shadow Chancellor, Ed Balls, who suggested that a Labour government from 2015 would continue with the Coalition's plans.

Like many of the political debates during the last parliament, Labour contented itself with disagreeing over technicalities and processes rather than the substance of the Government's approach, which has arguably contributed to a lack of clarity over the meaning and purpose of devolution. The Government has variously talked about it in terms of redressing the economic imbalance between London and the south east and the rest of the country, allowing people a stronger voice in their communities, and promoting better outcomes for public services from integrating funding and commissioning bodies, which has detracted from its ability to sell devolution as a concept. That neither the Government nor opposition has been able to articulate a definitive vision of devolution, the rationale behind it, or even a constructive case against it, is perhaps one of the reasons the concept has failed to gain traction with the public, as GK's primary research demonstrates below.

Sector In Focus: Health and Social Care by Phil Hope



The Government is devolving budgets and responsibility for health and social care in different ways in different parts of the country including Greater Manchester, Liverpool City Region, London, Cornwall and the North East Region. Whilst this is genuine devolution from national decision-making, it may feel more like local centralisation to the many different social care and NHS commissioners and service providers who will experience new area-wide structures for spending decisions across the whole footprint of each devolved area.

These local areas are taking this high risk opportunity in the hope that the advantages of increased local budgetary control, strong local relationships and a shared commitment to outcome-driven reform outweigh the political and service risks of coping with massive reductions in funding at a time of rapidly growing demand and nationally imposed costs.

For devolution of health and social care to be successful some key questions have to be considered - will the new structures be given freedom to diverge from national systems of funding formulas and tariffs, means tests and eligibility criteria, and governance rules and protocols?

In addition, given the financial pressures, will these areas look beyond the clinical drivers of high health costs among older people to reduce demand for services through improved self-management and tackling non-clinical drivers of cost such as loneliness, anxiety, and physical inactivity; will they seek turn over the 'care triangle' to shift spending from expensive institutional care (hospitals and care homes) to lower cost high quality care at home; and will they invest in prevention services and for high risk groups?

To be successful these areas will need the ability to implement rigorous performance management processes in new structures across complex health and care systems to ensure that cashable savings are generated from reform; and ensure that they are spent in new ways of delivering health and care that ensure a financially sustainable system. Have they got this capacity and what reserve powers will the government have to intervene and manage a failing devolved area?

There is one further possibility – that the government will devolve responsibility for the Attendance Allowance for older people – the key question is how will local areas manage a budget that is not means tested if demand will inevitably grow and the budget is capped?

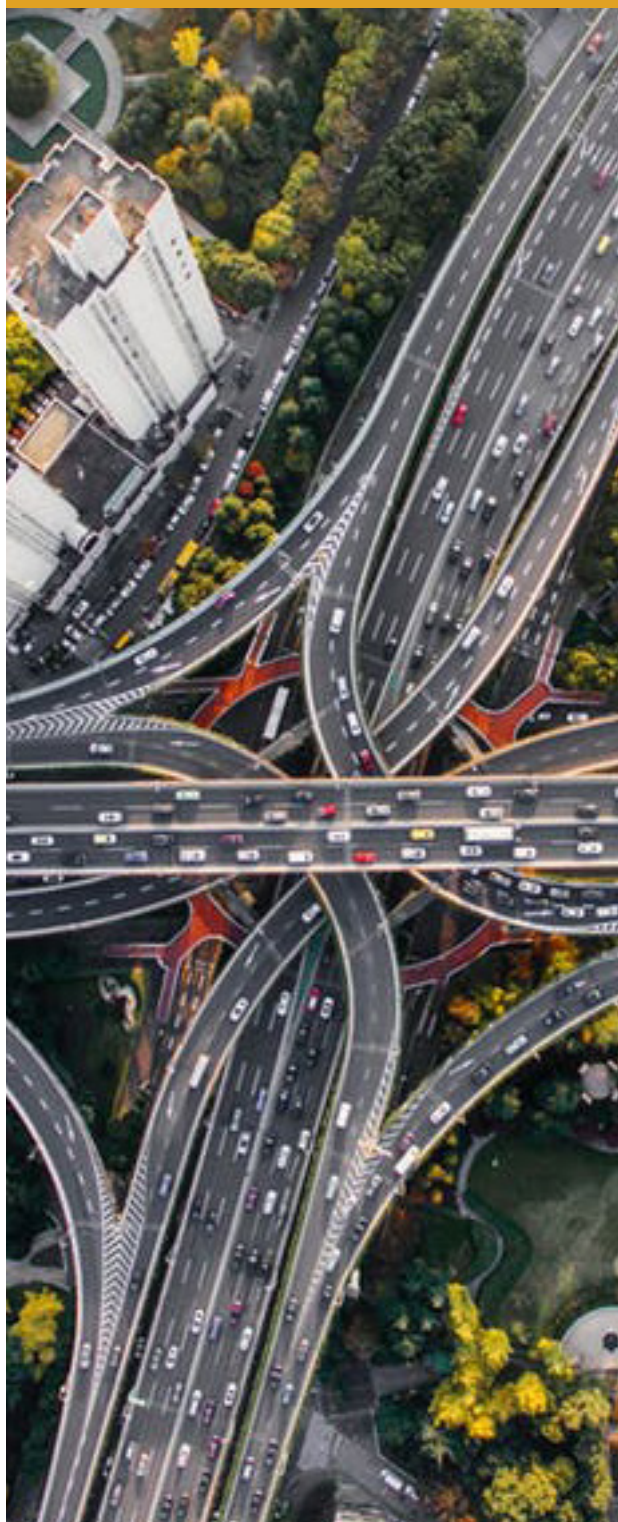
Devolution is one ingredient in the recipe for dealing with a drastically underfunded and poorly structured health and social care system. But unless the devolution deal is fair, manageable and affordable, the risks to local decision makers and their communities may outweigh the benefits.



Phil Hope, Associate, GK

Phil is a former Minister of State for Care Services, and has also previously held ministerial posts for the Third Sector and Social Enterprise, Skills and Lifelong Learning, Local Government and the East Midlands. He is currently Co-Director of Improving Care; Adjunct Professor at the Institute for Global Health Innovation, Imperial College; and member of the Doctor Foster Intelligence Ethics Committee. Phil provides strategic input and shares his experiences of making procurement related decisions as a Minister in Government.

Sector In Focus: Infrastructure and Transport by Matt Palutikof



Opportunities and challenges

The devolution of infrastructure and transport presents a series of challenges and opportunities for businesses across the UK. There is good news in the sense that the Conservative Government under Theresa May seems prepared to provide Keynesian fiscal shocks to the backbone of the UK, but doubt remains over how quickly much needed projects can get off the ground and arrangements for longer-term funding. Political consensus through the layers of national and local government is critical.

George Osborne's drive for devolution may have created a very effective lobbying tool for more transport and infrastructure funding: needy Mayors. The Mayors of the great cities will rightly want to spend large amounts on (amongst other priorities) building new motorways, providing a higher standard of interconnectivity in the region and ensuring public transport is up to scratch – as we have seen in Andy Burnham's manifesto for Mayor of Manchester.

After the Mayoral elections in May, we could see a series of newly elected Mayors – all keen to create a name for themselves as the first wave of Mayors – tussling with the Treasury for more funding to deliver better transport and infrastructure. It will be in the interest of the transport and construction sectors to make relationships with the new Mayors to ensure they go and bat for them when negotiating funding settlements in Whitehall.

Where might the Government invest further?

In the Autumn Statement, the Chancellor announced the Government would establish a £23bn National Productivity Investment Fund “to be spent on innovation and infrastructure over the next five years”

Much of that money will be re-allocated from other pots of money with different labels, but the Autumn Statement did include spending increases of an additional £3.5bn for affordable housing, £2.9bn on roads and £750m on broadband infrastructure over the five years to 2021/22.

The Government has flirted with other possible infrastructure projects. During the rest of this parliament, we might see some answers on HS3, Crossrail 2, construction of more than one runway in the South East, universal coverage of high speed broadband and a Trans Pennine Tunnel. If the Government decides to create more mayors, expect this wish list to grow.



Matt Palutikof, Account Director, GK

Matt is an experienced political consultant with years of experience providing public affairs support to clients. Matt completed two internships for two members of the United States House of Representatives in the summer of 2012, and also worked on President Obama's re-election campaign in Florida. Matt has also worked for Richard Fuller MP as a Parliamentary intern and on the Boris Johnson campaign in 2012. Matt holds a degree in Economics and Politics from the University of Exeter.

Sector In Focus: Education and Skills by Jack Withrington



The British public's decision to exit the European Union has cast doubt over future policy for certain sectors but the same cannot be said for skills. Amid the change of Prime Minister, Supreme Court challenges, and even the full transfer of skills policy over to the Department for Education; the primary objectives of the Government have not changed. The Apprenticeship Levy is due to be introduced as scheduled, for better or worse, in April 2017 and technical education reforms continue to follow the ambitions of the Sainsbury Review. But perhaps most important of all, the path to devolution of skills commissioning continues at pace and without much deviation.

From 2018 onwards the Government hopes to begin handing all funding decisions on skills training - apart from apprenticeships and Advanced Learner Loans - to local regions. While this policy was announced under the Cameron government, Philip Hammond has already given his clearest indication for the continuation of this devolution ambition with his announcement in the Autumn Statement last year that the Adult Education Budget (AEB) will be devolved to London from 2019/20.

For many the devolution of skills is a natural choice, especially after an election where both major parties promised to devolve decision making on skills training to varying degrees to local government. The benefits are obvious. Local regions - whether as combined local authorities with a devolution deal or local authorities and Local Enterprise Partnerships (LEPs) - will be able to better identify what skills gaps exist in their communities and provide training in specific skills which meet local employers' needs. There is also a hope that decentralising funding will prevent large national training companies from maintaining a monopoly of nationwide funding pots which smaller providers find difficult to compete with. Devolution could particularly benefit FE colleges in this respect, typically having stronger ties with the community and local councils than national private training providers.

However, the pitfalls with this policy are just as significant as the benefits. The devolution of skills in London, as announced by Philip Hammond, is subject to “readiness conditions”, and therein lies the rub. The transfer of funding to local areas does not have a firm deadline and it is likely different regions will be handed the reins of skills commissioning at different times. Local regions are currently working through Area Based Reviews with the Government which must be agreed before any devolution can take place. Consequently this policy is particularly vulnerable to charges of fostering a “postcode lottery”, at least in the short term, as devolution is unevenly introduced across the country. This possibility is made even more probable when considering the varied performance of LEPs. Some LEPs have hit the ground running and taken a leading role in designing a skills strategy for their region, while others have been slow to organise. The fact that London will be in charge of its skills commissioning before anyone else is not surprising but does little to prove how seriously the Government treats its Northern Powerhouse strategy.

Beyond this, it is still unclear just how a devolved skills landscape would look. The Association of Colleges has called on the Government to delay devolution plans and publish a green paper to clarify responsibilities and priorities, as well as address concerns regarding providers that cross multiple regional boundaries. Yet this may be wishful thinking as it misses the point of the philosophy behind the policy. Once devolution begins, the Government will turn its full attention to apprenticeships and local regions could have a carte blanche to decide what skills to invest in. Yet this accountability could backfire given the Government’s priorities on productivity which may not necessarily be heeded by local authorities. It is certainly an exciting time for stakeholders in the skills sector but while the horizon may be in sight, the path leading to it is as opaque as ever.



Jack Withrington, Associate Director, **GK**

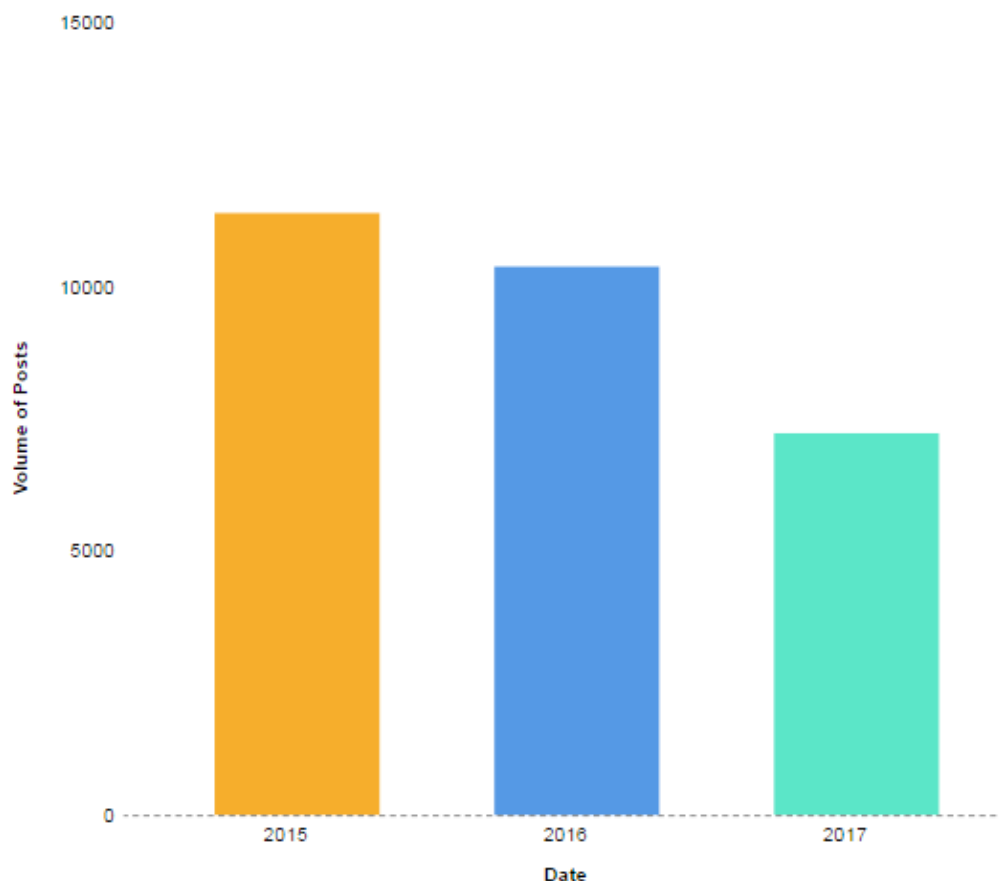


Jack is an Associate Director at GK, providing senior counsel and strategic advice to our public affairs and integrated communications clients. His policy expertise spans from financial services and education to planning and tax policy, as well as managing high profile and sensitive accounts. Before joining GK in 2014, Jack worked as the Senior Parliamentary Researcher and Head of Office for former Rail Minister, Claire Perry MP. Jack supported Claire’s work as a Parliamentary Private Secretary to Philip Hammond and the Prime Minister’s Adviser on Preventing the Commercialisation and Sexualisation of Childhood, in addition to handling Claire’s PR and parliamentary activities.

What does the public really think about Devolution?



The political emphasis on devolution has emerged not only in the context of liberating service commissioners and providers to develop their local offers, but also to empower communities to shape the services they use. Despite the appetite to place communities in control, GK's primary research suggests a decreasing level of interest among the public towards devolution as a whole.



This graph shows that there has been a **37%** decrease in online conversations regarding devolution in the UK from November 2014, when the first City deal was announced to present. Peaks in conversation in 2015 are most likely to be due to the announcements of devolution deals in Liverpool (November, 2015) and Birmingham (West Midlands Combined Authority agreement, November 2015.) What is remarkable is that despite the impending mayoral elections this May, conversations have steadily decreased year on year indicating a disengaged public.

There are two likely reasons for the level of disengagement with the concept of devolution, both of which are closely associated with the specific roles of elected mayors. The first is that the two largest cities outside of London – Manchester and Birmingham – both voted against having an elected mayor less than five years ago in a referendum in each city. The second is that the public lacks a clear understanding over the role of the mayor in relation to the devolution process and the elected councils in the local authorities in question.

If mayors are interpreted as the 'figureheads' of devolution, then it is easy to see why the public is sceptical of the concept as a whole. Party political affiliations may also play a part in perceptions here. Policies on devolving power from a Conservative Government are likely to be poorly-received by Labour voters, while non-Labour voters in these areas are likely to be ill-disposed towards the idea that it might award more power to Labour politicians over services and budgets in their area. This tendency towards political partisanship further adds to our understanding of why the concept of devolution as a whole remains unpopular with the public.

What's the Future of Devolution?

The Devolution agenda aims to encapsulate and consolidate the idea that cities and regions should have the power to shape services around their local populations. This, so the argument goes, will create a commissioning framework across the public sector that enables local commissioners to adopt an approach that is both system-wide in focus – eliminating boundaries between different bureaucratic organisations – and more responsive to local demand. Despite this aim, the nature of commissioning over recent decades has arguably become more, rather than less, fragmented; a recent report by the think-tank Reform found that an increasing number of local bodies are being created under the devolution agenda, but decision-making remains based largely in London⁷.

Arguably, part of the difficulty that the devolution agenda has encountered is the Government's efforts to reduce the budget deficit. This has effectively meant that although the Government has been seeking to devolve significant powers to local authorities and city regions over a range of public services, the political impetus behind controlling spending since 2010 has meant that decisions over where funding is directed have remained largely with officials in Whitehall.

Both central and local government, as well as business, will have their work cut out to reach a settlement on devolution that adequately meets the needs of all constituencies. Central government funding goes some way towards achieving the goals of devolution. In health and social care, for example, the Better Care Fund provides some assistance to CCGs and local authorities seeking to work more closely together, and the NHS funding awarded to Sustainability and Transformation Plans will enable this strategy to get off the ground. However, Whitehall's grip on budgets could limit the effectiveness and influence of local commissioners moving forward.

This said, the continuing political appetite for devolution presents a number of opportunities for nimble-footed, creative businesses that have innovative solutions for improving public services.



Emily Wallace, CEO

Emily is an experienced and award-winning communications professional, with in-depth knowledge of Westminster gained over 20 years. Named Public Affairs News Consultant of the Year in 2013 for her insightful and practical support of clients large and small, Emily is a highly experienced public affairs practitioner with an approachable and engaging manner. Emily continues to provide clients with day to day advice, primarily focusing on delivering high value consultancy and strategic support, developing and implementing strategies, helping clients to embed their political communications into their wider business objectives.

While there remain constraints on funding, local commissioners will have the chance to look to new providers, whether this is on the frontline or services elsewhere. Service providers should also notionally have to deal with fewer decision-makers in the longer term as commissioning bodies co-ordinate and collaborate to a greater extent, although the relative lack of financial incentive means that this is likely to continue at a gradual pace and central government will maintain a strong influence.

The clear challenge for businesses as things stand is the lack of co-ordination between commissioning powers and decision-making over budgets. While limited funding has been forthcoming from the Government to support city deals, greater ability to determine service provision for local authorities and commissioners is arguably still held back by funding decisions overwhelmingly being made in Whitehall rather than at a regional level. Local commissioning bodies will have their capacity to design services around the needs of their population constrained if Whitehall retains its stranglehold on funding decisions. This means that even as devolution takes place, businesses looking to sell into locally-commissioned public services will need to maintain good relationships with central government decision-makers as well local authority leaders and the new elected mayors.

7 <http://www.reform.uk/publication/faulty-by-design/>

Business with the New Devolved Administrations

How should businesses currently, or wanting to provide into the public sector respond to these challenges? GK's expert on local government and procurement matters, Stephanie Elsy, shares her thoughts:

Change of political leadership is always an opportunity and a risk for suppliers but in this case a whole new marketplace is in the process of being created with some very large budgets. For existing contractors transitional arrangements should help in the short term; however, the new Mayors may want to do things very differently and could completely re-configure the market. They may want to make their own mark and get in new suppliers, especially if the old ones are discredited. In the case of buses, for example, they could use the new powers under the Bus Services Bill to create a contracted market under franchising with the incumbent operators in the presently unregulated market, putting their business under real threat. By contrast, new market entrants have a one-off chance to get a foot in the door.

What will Mayors be looking for from their suppliers?

There is a view in local government that Whitehall only ever devolves services when a) it is unable to deliver a service, or b) when there are budget cuts. So despite large Whitehall budgets being devolved they are still subject to tough austerity targets from Treasury. There is a presumption that savings will be made through reconfiguration and integration of services and more shared services. The new Mayors will have to get more for less and they will expect their suppliers to help them.

The new Mayors will want early wins on delivery of their manifesto pledges. These will most likely relate to targets for keeping public transport fares down, delivering new housing, bringing in investment for jobs and economic growth. They will use their own supply chain to help deliver this. Contractors may be required to use local SMEs in their own supply chain, may be set new job targets to win contracts, and may be required to offer apprenticeships and training.

What businesses should be doing?

Businesses therefore need to:

- Look closely at the devolutions deals to see where they may be affected. Will the budgets being devolved represent an opportunity or a threat? There is one myth to knock on the head: contractors often think that where savings are needed that government will look to outsource more in order to generate savings. In my experience the opposite is more likely to be the case and they are more likely to come back and renegotiate contracts downwards (as Frances Maude did in 2010).
- Look at governance structures. Who actually makes the buying decisions (is it a cabinet member not the Mayor?)
- Study the likely winning candidate manifestos. What are the risks and opportunities? How can you help the new mayor get some quick wins and deliver their promises and/or save money? Be ready to give them a proposal on day one.
- Anticipate that they may decide to re-negotiate a contract and ask for more. What will be your strategy in that situation?
- Engage with the Mayor and his officials. Ideally you should have been building your relationship with the leading candidates already.
- Create an engagement strategy and plan for after the election – the sooner you do so the easier it to achieve your goals.
- Ensure you have a broad range of local champions who understand your organisation and the value of what you can do.

A cross sector public service leader with 30 years' experience of working at a senior level, as an Executive and Non-Executive Director, in service delivery in the public, private and charity sector. Stephanie has spent 8 years in local government as a Councillor and Council Leader, along with 9 years working for Serco Group plc as Group Director of External Affairs. Stephanie brings a wealth of experience of public sector procurement processes to the GK offer. She provides strategic input and shares her experiences of working on both sides of the procurement process.



Stephanie Elsy,
Associate

As the devolution landscape evolves, Account Manager, Ned Lamb, discusses how communications need to change to keep the pace.

In the long-term, devolution will have a profound impact on the way companies engage with Government. Whether the objective is to source and win procurement contracts or to influence policy direction, much deeper engagement is increasingly required at a local level to be successful at this.

Regional communications strategies driven by real time commercial and digital insights will be a necessity 10 years from now. A majority of companies have been cautious about how to respond and organise themselves as powers in the UK become increasingly devolved. As these powers become more defined over time, we will see corporate affairs functions organised in ways which reflect the changing policy making landscape – and this is a good thing. The devo agenda creates more audiences for businesses to understand and communicate with; talking simultaneously to local stakeholders and Whitehall is a necessity – to ensure you are shaping the agenda from the top down, and bottom up.



Ned Lamb,
Account Manager

Ned is a reputation specialist, with over two years' experience creating public relations strategies that help businesses protect and enhance their value. He believes reputation is a critical ingredient to sustainable business, supporting growth, improved employee morale and retention rates, and greater customer loyalty. Prior to joining GK, Ned worked for national broadcaster ITV in their commercial insights team, with responsibility for multiple channel analysis. He has also worked at a major corporate communications firm, worked in the visits team for Nick Clegg MP's 2015 General Election Tour and with the former MP for Solihull, Lorely Burt.

Conclusion

The devolution agenda has become well-established over recent years, but risks becoming fraught with contradiction at the point at which it should be running full steam ahead. For years, politicians have been focused on how to improve outcomes in public services and facilitate infrastructure projects by devolving decision-making powers away from Whitehall to local regions. This has gathered pace over the last seven years and enjoys the broad support of national politicians, but our research suggests that the Government has failed to take the public with it on the issues at play.

There is also something of a distance between the rhetoric and reality of the Government's position. While the devolution programme under the Coalition and then the Conservative majority government has driven attempts to create more localised commissioning, efforts to reduce public spending from central government since 2010 have stifled progress in devolving budgets and decision-making over funding to local regions. The political support for different approaches to public services is not translating into funding for local bodies; for this reason, among others, the Government's continued enthusiasm for devolution as a political project is not matched by growing public engagement.

Nevertheless, there remain significant opportunities for businesses to engage with the devolution agenda. Changing approaches to commissioning and the limited funding that will be available to local authorities, as well as the financial incentives associated with city deals, mean that it is an important time for businesses to be proactive in engaging with local government and newly-elected Mayors. However, the gradual pace of change and the retention of control over budgets by Whitehall mean that it is also essential for businesses to continue to build relationships in central government in order to influence and shape the agenda.

How Can GK Help?

- **Strategy Development:** As an integrated agency with consultants drawn from across the field of politics and communications, GK can help you shape, deliver and measure your engagement with key influencers and decision makers
- **Policy Analysis:** GK has a dedicated research team who specialise in delivering high quality political and policy analysis to inform your business or campaigning decisions
- **Market Mapping:** Audit of policy environment in your key markets, your current relationships and provide comprehensive lead sourcing of key decision makers to provide strategic plan for growth
- **Message and Collateral Development:** Ensure your sales and marketing messaging resonates with the policy priorities of the public sector and the individual procurement teams
- **Business to Government (central and local) Sales Support:** Stakeholder engagement strategy to support your sales and advice on how best to approach opportunities
- **Market Shaping:** Strategic engagement to shape the opportunities of tomorrow to best suit your products or services
- **Profile Raising:** Building brand recognition and understanding with key influencers and decision makers

About the Authors



Louise heads up GK's in-house research function, overseeing our projects with the public sector, investment community and businesses. Joining GK in 2011, Louise led the health and social care division, providing strategic communications and research. Prior to joining GK, Louise held a number of other roles, including providing political support to a Labour-run local authority, providing research to a Directorate of the Treasury, starting out working for Labour MPs on constituency and campaign matters.

Jamie is GK Strategy's Research Manager, working on political due diligence, political risk analysis and opportunities profiling. He specialises in qualitative research on a range of public policy issues, including health and social care, financial services, energy, employment and education. Prior to joining GK's research team in 2014, Jamie worked in the offices of a former Shadow Education Minister and Shadow Transport Minister.



Sophia is a Research Executive within the GKI team, producing in-depth political analysis and risk reports in a variety of sectors for private equity investments. She has worked on transactions in the health, education and financial services sectors, among others. Prior to joining GK in October 2015, Sophia worked at Oxford University Press as part of the editorial team for humanities and social science journals, and worked with the editors of a number of politics journals. Sophia graduated from the University of Oxford with a B.A. in History of Art.

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