



## Local Governance under the Conservatives: Super-Austerity, Devolution and the 'Smarter State'

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## Introduction

Two issues have dominated the local government agenda since the election of a new Conservative government in May 2015: austerity and devolution. After five years of spending cuts, which reduced English local authority budgets by more than one-third (NAO, 2014a), the UK government has announced a further 56% reduction in central grant funding to local authorities over the next parliament (HM Treasury, 2015a, 2015b p.78). Whilst denuding local government in resource terms, the Conservatives have made devolution a cornerstone of their policy agenda, promising a radical decentralisation of power to local level. The 'localism' of the previous Coalition administration has developed into a strategy for stimulating economic growth based on greater sub-regional autonomy and increased competitiveness across and between the regions. Local authorities have been invited to come forward with joint proposals to form combined authorities, which can 'bid' to take over powers currently held by Whitehall. The government claims that the apparent austerity/devolution paradox can be resolved through moves to a 'smarter state' in which 'reform' and 'efficiency' combine with devolved powers to deliver a local state in which 'we can spend less but deliver more' (Cameron, 2015a).

Critics argue that the new agenda amounts to a strategy to decentralise super-austerity, shifting responsibility to the local for ever deeper cuts and inevitable service reductions, in the context of increasing demand linked to demographic pressures (Kennett, Jones, Meegan, & Croft, 2015). They also see the emerging patchwork of 'devolution deals' as challenging the redistributive assumptions of the established local government grant regime. At the same time, the government plans to make devolution contingent upon the introduction of directly elected 'metro mayors', with the aim of ensuring visible and personal accountability for combined authorities. But there is considerable doubt about the democratic merits of forcing mayors upon localities, given the lack of support for mayors in recent city referenda. There is also uncertainty about the role of locally elected councillors and prospects for citizen and community engagement, given that devolution involves an up-scaling to the sub-regional level (Hammond, 2015; Wood, Lyall, & Bailey, 2015).

This article examines prospects for local government under the first Conservative government for 18 years. Reflecting upon the combination of 'super-austerity', devolution, and the 'smarter state', we argue that the emerging political agenda shows a new assertiveness in relation to restructuring the local state, which stands in contrast to the laissez faire approach of the previous Coalition government. Although the Coalition piloted devolution in its final year (with the Greater Manchester Agreement), its signature policies of 'localism' and the 'Big Society' focused on non-state actors, providing rights and opportunities for communities to challenge local government and establish their own services. The common context, however, is spending cuts. We suggest that local government now confronts a situation of super-austerity, in which new cuts come on top of previous ones, compounding their original impact and creating dangerous (and unevenly spread) multiplier effects. We also ask whether the remarkable resilience shown by local government to date (Gardner & Lowndes, 2015; Lowndes & McCaughie, 2013) can be further sustained, especially in those service areas that lie beyond the devolution limelight. The paper starts with a consideration of the Conservative government's spending plans and goes on to analyse the devolution and smarter state agendas.

### **Super-austerity**

The Coalition government of 2010-2015 undertook a radical programme of public spending cuts, representing the most significant reorganisation of public spending since the second world war (Taylor-Gooby, 2012). Cuts were rooted in a political commitment to reduce aggressively the UK's budget deficit, which had burgeoned following the recapitalisation of major banks during the financial crisis in 2008. In June 2015 George Osborne, the Conservative Chancellor of the Exchequer, indicated that spending reductions would continue on the same trajectory, with a cut in public sector net borrowing of 1.1% of GDP per year, on average, to achieve an overall surplus in 2019-20. This aspiration is underpinned by a 'new fiscal charter' for the UK to become a 'country that lives within its means' (HM Treasury, 2015a). To achieve this (without significant tax rises), £18bn of 'consolidation' measures will be required, including £12bn cuts to departmental spending, £3.6bn from preventing tax-avoidance plus a further £3bn from a new 'apprenticeship levy' on major employers (HM Treasury, 2015b p.15). This 'new fiscal charter' marks an overt departure from post-war models for funding the welfare state, which have traditionally relied upon government borrowing financed by economic growth.

Under the Coalition, expenditure on the NHS, defence, education and international development were relatively protected, whilst the Department for Communities and Local Government (DCLG) took the largest cut of 51% (HM Treasury, 2010 p.10). This pattern is set to persist under the Conservative government, including a projected rise of £10bn a year (in real terms) in health spending to 2020. By contrast, 'unprotected' departments, including the DCLG, have once again been told to expect spending cuts of between 25 and 40% (HM Treasury, 2015 p.7). Although some services – such as the police – have escaped the cuts threatened in the summer of 2015, the heaviest reductions again fell on local government. Given that local government experienced the most extensive spending reductions under the Coalition, the new cuts are leading to strong cumulative effects. Local government is in the grip of super-austerity.

There has been some international criticism of the UK's plans. Among economists, Joseph Stiglitz, Paul Krugman and Thomas Piketty have all been vocal opponents of austerity as a response to the international sovereign debt crisis. The OECD warned that Osborne's planned deficit reduction measures have the potential to impact negatively on the UK's growth (Giles, 2015); and the IMF suggested that advanced economies could be better served by living with high levels of debt, rather than aggressive debt-reduction programmes (Ostry, Ghosh, & Espinoza, 2015). However, there have also been international attempts to replicate the UK's approach, including by Tony Abbott (Australia) and Stephen Harper (Canada), although both now find themselves out of office. Domestically, both the Coalition and Conservative governments have to date been successful at minimising opposition to cuts in local government spending. This has been achieved partly through constructing a discourse on the necessity of deficit reduction, accompanied by appeals to culturally resonant memories of post-war 'austerity', associated with shared responsibility and interdependence (Appelbaum, 2014; Clarke & Newman, 2012). But it is also the result of a careful process of selective targeting, focussing on services without powerful institutional champions or voting blocs (Peck, 2012 p.631). Cuts are also obfuscated by variations in the way they are applied. For instance, the Conservatives' 'triple lock' guaranteeing pension growth (by earnings growth, price inflation or 2.5%, whichever is the highest,) means that the proportion of welfare spending on pensions is set to increase, with welfare benefit and tax-

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3 credit cuts mainly impacting on working-age people (Lupton et al., 2015). This extends a  
4 pattern established under the Coalition whereby benefits and services for older people have  
5 been relatively protected, shifting many cuts onto the younger and working age population  
6 (Hastings, Bramley, Bailey, & Watkins, 2012 p.50).  
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10 Meanwhile the local government grant distribution system, whereby local authorities face a  
11 'flat rate' percentage cut to grant funding, results in spending cuts continuing to impact more  
12 heavily, in absolute terms, on those authorities who receive a higher proportion of their  
13 funding through central grants. These are typically local authorities with higher levels of  
14 multiple deprivation (Innes & Tetlow, 2015 p.322), which also experienced the largest  
15 spending cuts under the Coalition (Audit Commission, 2013 p.23; Hastings et al., 2013 p.50;  
16 NAO, 2014 p.14), albeit from a higher funding base. Such areas have generally lost greater  
17 sums from their local economies as a result of the Coalition's welfare reforms (Beatty &  
18 Fothergill, 2013; Wilson, Morgan, Rahman, & Vaid, 2013). The same local authorities have  
19 been those least likely to benefit from Coalition policies offering additional sources of  
20 income, such as the opportunity to retain business rates uplift, the 'new homes bonus' and  
21 council tax freeze grant (all these policies favoured local authorities with stronger local  
22 economies and higher value housing.) In short, there is a distinctive geography of austerity,  
23 in which different localities are affected to a greater or lesser extent, depending on factors  
24 such as their level of cuts to date, ability to raise additional income and access to sources of  
25 resilience, such as local assets and reserves. There is likely to be a deepening of spatial  
26 inequalities and increased polarisation between prosperous and struggling localities  
27 (Hamnett, 2014).  
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31 The Conservatives' austerity programme also starts from a very different position from that  
32 of the Coalition, where cuts initially acted to reverse Labour's sustained investment in public  
33 services (Innes & Tetlow, 2015a p.16). Where Coalition cuts were met by (relatively  
34 speaking) well-fed local authorities, Conservative cuts are being met by emaciated  
35 councils. Failure does not look likely to be restricted to the councils suffering the deepest  
36 financial losses. Some local authorities in relatively affluent areas, which have historically  
37 existed on a low council tax base, with minimal reserves or inflexible high-value outsourcing  
38 agreements, also appear to be struggling (as in press reports on Northamptonshire, Isle of  
39 Wight and West Somerset) (Municipal Journal, 2015b, 2015c). Certain services, such as  
40 social care, are already suffering recurrent crises, and some local authorities have indicated  
41 that they are entering financial difficulties. The (Conservative controlled) Local Government  
42 Association (LGA) has warned that: 'Even if councils stopped filling in potholes, maintaining  
43 parks, closed all children's centres, libraries, museums, leisure centres and turned off every  
44 street light they will not have saved enough money to plug the financial black hole they face  
45 by 2020' (Local Government Association, 2015). Sceptics may suggest that funding gap  
46 predictions associated with LGA's original 'graph of doom' have failed to materialise (LGA,  
47 2012 p.8), but multiple studies suggest that the scope for efficiencies is now severely  
48 reduced – a point that we return to later in the article (see Audit Commission, 2013;  
49 Fitzgerald & Lupton, 2015; Hastings et al., 2013). What is not clear is whether local  
50 government as a whole has reached a tipping point. Will the next five years represent  
51 austerity-redux, in which councils again prove themselves to be the 'great survivors' (John,  
52 2014), or is the new round of cuts unsustainable?  
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3 David Cameron (2015a) addresses the challenge of austerity by posing these rhetorical  
4 questions: 'How can you be a "one nation" government and at the same time cut spending?  
5 How can you help people get on when there's not so much money around?' Cameron  
6 argues the he can square the circle though restructuring the state according to principles of  
7 devolution, reform and efficiency. What does this mean for local government? We start by  
8 considering devolution.  
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### 10 11 12 **Devolution**

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14 The energy and emotion of the 2014 Scottish referendum provided fresh momentum to a  
15 formerly moribund debate about the powers available to local authorities in England, after  
16 New Labour's failure to garner sufficient public support for regional assemblies and local  
17 elected mayors. In the wake of the referendum, devolution to English regions presented the  
18 Coalition with an opportunity to link its 'localism' agenda to an economic growth strategy  
19 based on city agglomerations, which aimed at reproducing the success of London and the  
20 south east, and rebalancing the national economy (Centre for Cities, 2014; Core Cities,  
21 2013; Cox, Henderson, & Raikes, 2014a; Heseltine, 2012). It also detracted (at least some)  
22 attention from more contentious calls for an English parliament, in the context of the Smith  
23 Commission's Report promising more powers for Scotland. Championed by the Chancellor  
24 of the Exchequer, George Osborne (himself MP for a Cheshire constituency), the policy was  
25 undoubtedly also aimed at 'doing something for the North' in the run-up to the 2015 general  
26 election.  
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31 Devolution has not, however, been simply a top-down political manoeuvre. Beyond  
32 parliament, the Scottish referendum strengthened calls for a redistribution of power within  
33 regions, reflecting discontent with London bias in politics and business investment, and a  
34 desire to express city and regional identities. The 'Core Cities' lobbying group, representing  
35 the eight largest cities in England, was instrumental in championing the benefits of local  
36 autonomy and economic self-sufficiency, and had initiated the first wave of 'City Deals' with  
37 the Coalition government in 2013, which (although limited in scope) provided a starting point  
38 for more detailed negotiations between Whitehall and localities. Meanwhile in Parliament  
39 cross-party consensus on devolution was growing, with the Commons Political and  
40 Constitutional Reform Committee suggesting that 'local government should be the model for  
41 devolution in England' (Werran & Hailstone, 2014), including provision for a secure financial  
42 base and a range of revenue raising powers (Political and Constitutional Reform Committee,  
43 2013 p.3).  
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47 Ambitious plans for sub-regional devolution were subsequently pioneered in Greater  
48 Manchester from November 2014 (Sandford, 2015b). These plans built on a long tradition of  
49 co-operation between Manchester authorities culminating in the creation of the Greater  
50 Manchester Combined Authority (GMCA) in 2011. The GMCA was originally established to  
51 co-ordinate transport and economic development functions, using powers in the Local  
52 Democracy, Economic Development and Construction Act 2009. Under a devolution deal  
53 with the Coalition government the GMCA subsequently negotiated a novel 'earn back'  
54 scheme for business rates revenue and, in 2015, strategic oversight of substantial health  
55 funding, conditional on the adoption of a directly elected mayor. The total value of  
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3 transferred budgets has been estimated at £7bn (with £6bn accounted for by health and  
4 social care spending).  
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6 Building on Manchester's example, a further four combined authorities were agreed in  
7 principle by the Coalition, in Sheffield, West Yorkshire, Liverpool and the North East (LGA,  
8 2015a; Sandford, 2015a), thus creating a vanguard for Osborne's 'Northern Powerhouse'.  
9 At first, the process of creating combined authorities was relatively rigorous and slow-  
10 moving, involving the following stages: a governance review; a requirement to publish a  
11 'scheme' for the authority attracting the consent of all participating authorities; and a  
12 consultation by the Secretary of State to ensure that the arrangements would be both  
13 efficient and in the interests of communities. The first combined authorities were all centred  
14 on areas with strengths in regional working. Some built on the legacies of Metropolitan  
15 County Councils, abolished in 1985, which had been established on the basis of 'functional  
16 economic geography' (Sandford, 2015a). In addition they tended to demonstrate strong  
17 local and elite linkages (both within localities and vertically to Whitehall and Westminster),  
18 and strong and relatively homogenous local identities.  
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22 However, after the Conservatives' election victory in 2015, the impetus for 'devolution deals'  
23 has begun to overtake the creation of combined authorities. A Cities and Devolution Bill was  
24 launched straight after the election (HM Government, 2015), accompanied by an  
25 announcement that Cornwall had been granted a 'devolution deal' before a combined  
26 authority had been formally agreed. All local authorities (and not just city-regions) were  
27 subsequently invited to submit 'fiscally neutral' proposals for combined authorities and  
28 devolution in advance of the 2015 comprehensive spending review, with 38 proposals  
29 submitted by the 4<sup>th</sup> September 2015 deadline. This was a very different process, driven  
30 forward under the threat of spending cuts, over a summer of frantic negotiations between  
31 authorities that in many cases were not natural partners. New devolution agreements have  
32 followed, including with the Sheffield City Region Combined Authority, which agreed to adopt  
33 the mayoral model (worth £900m, focusing on transport, skills, planning and investment),  
34 and with two combined authorities which together cover the North East of England (worth a  
35 total of £1bn in devolved budgets). To underscore his 'devolution revolution', George  
36 Osborne announced his intention to move towards the full localisation of business rates by  
37 the 2020 (in exchange for scrapping revenue support grant) (Osborne, 2015; HM Treasury,  
38 2015b).  
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43 What then are we to make of devolution to date? On the one hand there is no doubt that the  
44 concept has widespread support, in parliament, amongst cities, and in some two tier areas.  
45 For local government campaigners, devolution represents a long awaited breakthrough.  
46 Simon Jenkins (2014) who chaired the Commission on Local Democracy 20 years ago,  
47 argues that devolution at last has 'traction'. Unusually for public service reform, the  
48 government has eschewed a one-size-fits-all approach and developed a strategy that not  
49 just tolerates, but actually celebrates, local variation, and also allows for future iterations as  
50 contexts and priorities change. Benefits for economic growth have been calculated by think-  
51 tanks, notably economist Jim O'Neill's City Growth Commission (2014). The Institute of  
52 Public Policy Research has demonstrated through polling public preferences for more power  
53 to be exercised locally, and argued that the current devolution deals should be situated  
54 within a 'decentralisation decade', in which a full range of powers are progressively passed  
55 from Westminster to local government (Cox, Raikes, & Henderson, 2014b).  
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3 However, devolution can also be seen as a diversionary tactic, aimed at drawing core local  
4 authority functions closer to central government, whilst distracting attention from the  
5 spending cuts that undermine remaining services. The abolition of national performance  
6 indicators and inspection regimes since 2010 has also meant that service delivery  
7 arrangements are increasingly varied at local level; in this context, devolution could be seen  
8 as making a virtue out of the 'post code lottery'. Crucially, although Conservative statements  
9 talk about devolution to communities and localities, combined authorities represent sub-  
10 regional rather than *local* government. Proposals for combined authorities have (to date)  
11 mapped on to Local Enterprise Partnership boundaries, which are business not community  
12 led and reflect 'functional economic areas' (DCLG, 2015) over other understandings of local  
13 identity and interests. Even where devolution is occurring, for example in the initiative to  
14 localise business rates, the ability to raise the rate (by a *centrally*-defined limit of 2%) will be  
15 dependent on the appointment of a directly elected mayor. Similarly the new 'social care  
16 precept' is limited to an additional 2% on council tax, a sum that the LGA claims is unlikely to  
17 resolve the funding gap (Municipal Journal, 2015a).

21 The opportunity for real local choice in the design of devolution deals appears to be heavily  
22 circumscribed. Indeed, the government has withheld deals for combined authorities that do  
23 not want a directly elected mayor. Mayors remain controversial because the largest cities  
24 (including Manchester) specifically rejected mayors in recent referenda (2012). The  
25 installation of mayors also challenges long-standing party dominance and, with it, a crucial  
26 power base for Labour (especially after Labour's decimation in post-referendum Scotland).  
27 Even without a mayor, democratic representation within combined authorities is problematic:  
28 governance consists of cabinets made up the leaders of the constituent authorities, with  
29 limited overview and scrutiny arrangements. Unlike the Greater London Authority, combined  
30 authorities will not have elected assemblies. There is a very real danger that power is being  
31 drawn further into executive functions, with very limited opportunity for local backbench  
32 councillors to influence, or take part in, the affairs of the combined authorities. Moreover,  
33 negotiations on devolution deals are being completed by elites, in conditions of secrecy, with  
34 little or no public consultation.

38 It is argued by some that the evidence base is weak for devolution's ability to actually  
39 stimulate economic growth – at least against the certainty of short-term spending cuts (Wood  
40 et al., 2015). The localisation of business rates, while increasing local autonomy, is also  
41 likely to prove regressive, reinforcing benefits to localities with stronger economies and  
42 penalising localities with higher levels of deprivation. Few localities share Greater  
43 Manchester's economic coherence and cultural identity, or its historic strengths in  
44 collaborative working across constituent boroughs. There is a danger that hurried  
45 agreements are being negotiated by 'austrian realists', to use Jonathan Davies' term  
46 (2016), in an attempt to offset spending cuts. There is no new money from the Exchequer,  
47 but devolution does provide combined authorities with opportunities to retain a share of  
48 business rates raised in their locality (scheduled to rise to 100% by 2020) and control the  
49 level of rates (albeit within centrally agreed limits). Instrumental deal-chasing on the part of  
50 both local and central government could lead to patchwork solutions, disadvantaging  
51 localities without natural local linkages, in a context where the principal of redistributing  
52 funding from prosperous to poorer areas is being steadily eroded. Given the Coalition's  
53 abolition of local government's regulatory and monitoring framework, devolution might also  
54 be viewed as a neat policy manoeuvre which allows the Conservative government to  
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3 disavow responsibility for fragmented services it can no longer control, in the context of  
4 unpopular and unsustainable budget cuts.  
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### 8 **A 'Smarter state'?**

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10 So how are the Conservatives proposing to address what could be seen as a  
11 devolution/austerity paradox? Cameron (2015a) proposes that building a 'smarter state' will  
12 mean that 'more can be delivered for less'. The smarter state will be characterised not only  
13 by devolution, but also by efficiency and reform. Cameron calls for 'streamlining' state  
14 bodies, breaking state monopolies, opening up contracts to small businesses, bringing in  
15 new providers, digitalisation, shared services, early intervention, and public service  
16 innovation (the 'Better Care Fund', for instance, will support collaboration between health  
17 and social care services).  
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20 There is a strange anachronism about Cameron's proposals; it is as if he were addressing  
21 the public sector bureaucracies of the 1970s. They are essentially a restatement of the  
22 'new public management' mantra introduced by the Conservative governments of the 1980s,  
23 and normalised ever since. Claiming to constitute a radical new agenda, Cameron's  
24 proposals read more like a roll call of local government's own priorities over the last five  
25 years. These are not new ideas but a statement of processes already accelerated under the  
26 Coalition, as local government has sought to cope with public spending cuts whilst  
27 protecting, as far as possible, local services. Despite the overall extent of spending cuts,  
28 research shows that local authorities have (to a limited extent) been able to offset funding  
29 reductions and protect a wide range of services, mainly through back office efficiencies  
30 (Audit Commission, 2013 p.32; Hastings et al., 2013 p.24) but also through the re-design of  
31 local services. Local authorities have begun an ad-hoc process of integration, with numbers  
32 of 'shared services' arrangements rising from 220 in 2012 to 416 in 2015 (LGA, 2015b).  
33 These are agreements between individual local authorities to share services, most  
34 commonly back-office functions like HR, finance, legal services and procurement, but also  
35 highways, environment and regulatory services. Local authorities are also engaging in joint  
36 procurement of services from external providers. Charging, commissioning, co-production  
37 and early intervention characterise local government service delivery strategies across  
38 England. Digital technology is also being used to facilitate 'channel shift', join up customer  
39 contact (between services), reduce demand and pass administrative costs back to  
40 'customers'.  
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45 Cameron's smart state repertoire may have already started to meet its limitations, however,  
46 just as the 'new' policy is launched. Some local authorities are now 'in-sourcing' (bringing  
47 services back in-house) to reduce inflexibilities and cost pressures associated with  
48 contracting (NAO, 2014b p.23) and a number of commentators have warned of 'limits to  
49 resilience' (Fitzgerald & Lupton, 2015 p.582). Many of the efficiency measures taken by  
50 local authorities to reduce their budgets under the Coalition have been one-off savings,  
51 which cannot now be repeated (Audit Commission, 2013 p.5). Further cuts can only be  
52 made through what the National Audit Office calls 'untested service transformation  
53 programmes' (NAO, 2014b p.10), but declining professional capacity, and reducing financial  
54 reserves, puts at risk future innovation to plug budget gaps. 'Efficiencies' have also  
55 obscured arms-length spending cuts achieved through the renegotiation of contracts with  
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3 external suppliers, particularly in the voluntary and community sector (Fitzgerald & Lupton,  
4 2015 p.590), where the knock-on effects of austerity are being keenly felt. It is clear that the  
5 volume of services being delivered has fallen (NAO, 2014b p.33), despite the surface level  
6 stability of local government, and that eligibility for some core services, such as adult social  
7 care, has been steadily reduced. Implications for service quality are uncertain (partly due to  
8 the reduction in audited performance data under the Coalition), but it has been observed that  
9 relatively small adjustments to services or charges can nonetheless have considerable  
10 impacts on vulnerable sections of the community (Fitzgerald and Lupton 2015). The steady  
11 contraction of the state has also been linked to the 'responsibilization' of citizens in what is,  
12 in effect, a 'great risk shift', in which communities are increasingly called upon to provide  
13 their own safety nets (Kennett et al., 2015). It is hard to know whether the 'smarter state'  
14 marque itself will gain policy traction, but the direction of travel seems clear.

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17 Interestingly, although local government could be seen as a vital prototype for the  
18 Conservatives' smart state, it is strangely absent from Cameron's (2015a) vision. This  
19 focuses on national services, including the NHS, security and prisons. Where 'local' is  
20 mentioned it isn't linked to elected local authorities but to 'local people', 'areas' and  
21 'communities'. There is a mention of rising public satisfaction with local government under  
22 the Coalition (disputed elsewhere, see Hastings, Bailey, Bramley, Gannon, & Watkins, 2015  
23 p.24), but otherwise local authorities are mentioned only in relation to failing services, and  
24 with reference to further collaboration with charities. There is a hint that Cameron's intention  
25 is to use local government approaches for national services; for instance, he proposes  
26 learning from the opt-out of schools in providing prisons with greater operational autonomy.  
27 But this does not fully explain the invisibilising of local government.

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31 Cameron also places a familiar Conservative emphasis upon the individual rather than the  
32 collective experience (the word 'people' is mentioned 20 times, but 'public' only five times).  
33 Paradoxically, Cameron (2015b) goes on to argue, in his speech to the post-election party  
34 conference, that the country 'doesn't just need a stronger economy – it needs a stronger  
35 society'. While promising to tackle the 'no go' areas of entrenched poverty, criminality and  
36 extremism, he omits to link these challenges to support for *local* services, indeed for the very  
37 services that have suffered the most under Coalition cuts, and now face a further wave of  
38 austerity. The cessation of 'supporting people' funding, for instance, has impacted on  
39 services assisting those in danger of becoming homeless, whilst police and community  
40 safety budgets have been cut, and investment in community cohesion, youth services and  
41 community development has been among the worst hit areas of local government spending  
42 (Gardner and Lowndes 2015). Local government is also being 'written out' of services that  
43 were previously its core business. All schools are to be moved to 'academy' status  
44 (managed as separate entities, funded and inspected by central government), and similar  
45 'freedoms' are promised to high performing children's services (child protection and social  
46 care).

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51 Coalition spending cuts were identified as potentially 'ideological' by Gerry Stoker and Peter  
52 Taylor Gooby (Taylor-Gooby & Stoker, 2011), who noted that projections showed Britain  
53 heading towards a level of state intervention below that of the USA. But the Coalition  
54 government showed a distaste for actively reorganising the state, preferring a laissez faire  
55 approach; to quote DCLG Secretary of State Eric Pickles, 'you change reality and wait for  
56 the structure to catch up'. The approach was to make the cuts and let the structures look  
57 after themselves. Pickles admitted to having threatened to 'shoot' the first official who  
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suggested local government reorganisation (Pickles, 2014). Coalition policies of 'localism' and the 'Big Society' represented a 'backing off' from New Labour's interventionist policies towards local government (Lowndes and Pratchett 2012). The only significant restructuring under the Coalition was negative, with the abolition of regulatory bodies like the Audit Commission. In marked contrast, the Conservatives are promising to 'reimagine the state' (George Osborne quoted by Jenkins, 2015) through devolution (focused on economic growth) and the ongoing marketization of core public services (like social care and housing). No less ideological, the Conservatives appear to be pursuing what Peck and Tickell (2002) call 'roll-out' strategies, in contrast with the 'roll-back' approach of the Coalition. Rather than simply cutting back previous state forms, roll-out involves active state building in pursuit of right wing political ideology. But state restructuring doesn't have to imply 'more' state. As we have seen, the Conservatives are ramping up the Coalition's programme of public spending cuts. The devolution/smarter state formula neatly reflects what Peck and Tickell call 'the 'neoliberal lock-in of public sector austerity and growth-chasing economic development'.

### Discussion

In 2013 Lowndes and McCaughie observed the lack of a 'big idea' for local government under the Coalition (beyond austerity). Localism and the 'Big Society' were focused on the space beyond local government, with the intention that this should expand to fill the gaps left by shrinking the local state. In contrast, the Conservative government *does* have a big idea for local government - devolution. But, as this article has shown, the real effects of devolution upon local government are as yet unclear. It is important to note that any plan for devolution needs to be seen in the context of multi-level governance. Decentralising moves from central to sub-regional government can also be seen as *centralising* movements from local government (including districts, counties and city unitaries) to the sub-regional level. At the same time as combined authorities are gaining powers from Whitehall, responsibilities for entire areas of policy are being lost from local government as they are drawn upwards into new combined authorities. It is true that the amalgamation of municipalities, or the establishment of service-delivery consortia, is common elsewhere in Europe, but this is in a context where primary authorities serve far smaller populations and geographical areas (Baldersheim & Rose, 2010).

In general terms, decentralisation has both political and operational dimensions; clarity is needed as to what sort of power is being devolved in the case of the new 'devolution deals'. It looks very much like central government is holding onto *political* power, whilst decentralising operational responsibilities (and responsibility for contracting budgets). Central government is exercising control over the parameters of individual 'deals', which determine the specific menu of devolved powers for each locality. The use of enabling legislation alongside locality specific negotiations provides flexibility to suit local needs but, at the same time, gives central government the opportunity to exercise political patronage by differentially rewarding assorted localities. The promise of future powers, linked to performance against centrally agreed targets, may serve to rehabilitate the phenomenon of 'earned autonomy' established under New Labour (Lowndes, 2002). Such an approach may be effective in an operational sense (including delivering central government priorities), but

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3 should not be confused with the devolution of political power or local autonomy (Pratchett,  
4 2004).

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6 Because combined authorities are indirectly elected, in the sense of bringing together  
7 representatives elected at another level, there may be limited gains for local democracy. The  
8 new combined authorities will not have their own elected assemblies in the manner of the  
9 Greater London Authority. The scale of sub-regional authorities may also hinder practices of  
10 community engagement and citizen participation (such policies have certainly not had a high  
11 profile in devolution deals to date). A lot hangs on the democratic merits of the directly  
12 elected mayor provision embodied in the 2015 Cities and Local Government Devolution Bill  
13 (HM Government, 2015). Will mayoral elections attract sufficient public interest to ensure  
14 turn-outs (and attendant legitimacy) significantly higher than the (average) 15% achieved for  
15 the directly elected Police and Crime Commissioners introduced in 2012 (Berman, Coleman,  
16 & Taylor, 2012)? What are the prospects for 'constituting a public' (Newman, 2013) at the  
17 sub-central level, particularly for combined authorities outside the core city regions? Central  
18 government power could also be enhanced in a situation in which Whitehall deals with a  
19 cadre of individual mayors rather than a large number of locally elected councils, many of  
20 which are in the hands of opposition parties. There is a danger that this relationship could  
21 become a supervisory one, rather than a relationship between equals, and that metro  
22 mayors may feel themselves answerable to central government rather than sub-regional  
23 electorates.  
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28 It is also clear that the 'devolution revolution' is having different effects for different service  
29 areas. Although the landmark Manchester agreement included control over NHS and social  
30 care budgets (with a view to developing new integrated services), the focus of the devolution  
31 deals has been overwhelmingly upon economic development (investment, planning,  
32 transport and other infrastructure, jobs and skills). This is in keeping with George Osborne's  
33 intention that devolution should stimulate economic growth beyond London and the South  
34 East. However, the risk is that economic development develops a privileged status (in terms  
35 of access to funds and policy influence) to the disadvantage of other local services including  
36 social care, housing, culture and leisure. There is a danger that local elites (from business  
37 and civic life as well as local government) are turning like moths towards the bright light of  
38 devolution, and away from the 'too hard' box of delivering day-to-day local services, as the  
39 compound and escalating effects of a further round of austerity start to hit.  
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43 We have argued that David Cameron's 'smarter state' amounts to little more than a recycling  
44 of new public management diktats, and that his call for 'efficiencies' is likely to be met by  
45 hollow laughs among those in local government who have applied cuts of one-third to  
46 budgets since 2010. It is possible that we will see a segmentation of local government along  
47 the lines of Peter Saunders' (1982) 'dual state thesis', whereby services related to economic  
48 production are up-scaled to the sub-regional level while services oriented to social  
49 consumption are concentrated in a residualised form of local government. Such a  
50 distinction, Saunders argues, reflects the priorities of the capitalist state. David Cameron  
51 has promised to tackle the 'no go' areas of entrenched poverty, criminality and extremism,  
52 yet refuses to link these challenges to new support for local services weakened by super-  
53 austerity (Cameron, 2015). Disadvantaged areas have also suffered the greatest impact  
54 from the cuts, an effect that could become more extreme as devolution starts to undermine  
55 the redistributive assumptions of the grant regime (with localities increasingly dependent on  
56 business rates raised in their own area). Devolution could come at the cost of a disconnect  
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3 between major strategic services and neighbourhood councillors and communities,  
4 alongside a much higher level of local risk, devolved to localities on a model increasingly  
5 similar to that found in US cities (where municipal bankruptcy is not uncommon).  
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7 Our analysis of prospects for local government under the Conservatives reveals, however,  
8 narratives of optimism as well as pessimism. Optimists celebrate the creativity and  
9 resilience shown by local authorities in mitigating the impact of cuts to date. Evidence  
10 shows local authorities developing new technologies and service delivery mechanisms and  
11 building collaborative relationships with each other and with non-public sector providers.  
12 There is even a new assertiveness, which sees local authorities moving beyond the 'new  
13 public management' to develop ventures more redolent of nineteenth century civic traditions  
14 (Gardner & Lowndes, 2015). Local authorities have enabled their in-house services to take  
15 in business from the private sector (vehicle maintenance in municipal bus garages, for  
16 instance), whilst also developing their investment role in local infrastructure (like new city  
17 tramlines), their potential as commissioners or providers of lower-cost utilities (notably  
18 energy and broadband), and even their scope for bypassing banks through support to peer-  
19 to-peer lending schemes. For optimists, devolution provides a golden opportunity for local  
20 authorities (in combination) to build on a new self-confidence (wrought out of hardship), as  
21 they champion local identities and acquire new powers in a challenge to England's  
22 historically centralised and London-focused governing culture. An ongoing devolution  
23 programme also holds out the possibility of better, and more economical, social care  
24 services for the elderly and vulnerable, if local government and NHS funding can be  
25 integrated at sub-regional level.  
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30 We must be careful not to dismiss such optimism as naïve. Peter John's (2014) portrait of  
31 local government as the 'great survivor' depicts a history of resilience through opportunism,  
32 driven by a stable political and bureaucratic core. This mechanism may be in action once  
33 again in the current acceptance of austerity, hand-in-glove with devolution. Officers and  
34 local politicians may be pragmatically addressing the challenges of austerity (delivering both  
35 efficiencies and innovative local reforms), knowing that their legal and financial room for  
36 manoeuvre is minimal, but seeking to expand their capacity for agency by any available  
37 means. Referring to the negotiation of devolution deals, one local authority chief executive  
38 has remarked: 'If we are going to sell our soul, we are going to have to make sure we do it  
39 for a decent price' (Jameson, 2015).  
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43 Yet the diversity of local government undermines its capacity to extract that high price lies.  
44 Some local authorities may benefit from devolution, while for others the risks will outweigh  
45 rewards. There is mounting evidence that resilience to austerity could prove to be a thin  
46 veneer, intensely localised and place specific, dependent on local advantages, historic  
47 assets and resources. At the same time, the sector could be further fragmented by a  
48 differentiated patchwork of governance and service delivery accountabilities. Some political  
49 elites, notably in major cities, may be undermined through the installation of elected mayors.  
50 All these factors speak of local institutions being steadily eroded. Moreover, the public has  
51 yet to be adequately engaged in what is in danger of becoming a technocratic transfer of  
52 power.  
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