

Responding to COVID-19 in the Liverpool City Region

Devolution in England after the Pandemic: Time to "Level Up" and "Fill Out"

Tom Arnold and Sue Jarvis

Map of Liverpool City Region Combined Authority (LCRCA) boundary (in red) and constituent local authorities



Data sources: Westminster parliamentary constituencies (December 2018 - ONS), local authority districts (December 2018 - ONS), and combined authorities (December 2018 - ONS)

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Key takeaways

1. The highly centralised British state has struggled to direct resources during the COVID-19 crisis, with failures on personal protective equipment (PPE) supply, testing and support for small businesses the most obvious examples of non-performance.
2. Local government meanwhile has played a vital role in responding to the pandemic, supporting local infrastructure and services despite reduced capacity after a decade of austerity.
3. City regions and combined authorities are responsible for decisions across their economic geography, including over skills, transport, planning and infrastructure related funds, but devolution in England must “fill out” at the local scale as well as “level up” to drive the economic recovery.
4. With a devolution white paper expected later this year it is essential that new settlements are more effectively shaped by a local, bottom-up approach compared to government’s previous emphasis on national policy considerations. This shift in thinking will support Liverpool City Region to “build back better”.
5. If levelling up is to remain relevant, local government must once again become the properly resourced rock upon which local economies are built.

1. Introduction

In January 2020, before the biggest health, social and economic crisis the UK has experienced since World War Two, Boris Johnson’s majority government was seeking to establish a narrative for its devolution agenda.

The focus, it was suggested, would be on “levelling up”; addressing the UK’s status as one of the most interregionally unequal nations in the world (McCann 2019). The devolution white paper scheduled for later this year would, it was promised, “level up powers between Mayoral Combined Authorities, increasing the number of mayors and doing more devolution deals...this will mean more local democratic responsibility and accountability”.

Fast forward just a few months and government has implemented the most significant increase in state intervention in the economy in 80 years, essentially

underwriting 80% of salary for workers during the crisis and making available billions of pounds in grants and loans for businesses affected by the economic downturn resulting from the current lockdown.

The British state tends to centralise at times of crisis. Both world wars were followed by periods of centralisation and a permanent expansion of Whitehall power. Despite moves over the last decade to devolve limited powers to city regions, combined authorities and elected mayors, this centralisation has never been meaningfully reversed and local government is much smaller in size and scope than most nations in Europe and North America.

Just 31% of the budget available to sub-national government is garnered from local revenue in the UK, compared with an EU average of 53%, and spending by sub-national government in Germany is 2.5 times higher per capita than the UK

(Raikes 2020). The sub-national devolution agenda now risks the threat of irrelevance as government grapples with COVID-19 and its consequences. However, the current crisis demonstrates the vital importance of local government and the failings of centralisation.

2. Centralised bureaucracy

The UK's powerful central state bureaucracy allows the rapid introduction of new policies at a time of national crisis, particularly when the government of the day has a large parliamentary majority. Policy delivery, however, is more complex. Rollout of the economic measures introduced in mid-March has been patchy at best. A [British Chambers of Commerce survey](#) found just 1% of businesses had successfully secured a loan under the Coronavirus Business Interruption Loan Scheme, and only 7% had received a COVID-19 Small Business Grant.

Aspirations to increase testing for the virus also appear to have been hampered by the government's decision to centralise testing in a small number of large hubs. The national coronavirus testing centre in Milton Keynes, intended by Public Health England to ramp up capacity, has capacity to analyse 8,000 tests – only a small portion of the government's current 100,000 a day target.

Supply of personal protective equipment (PPE) appears similarly uneven. Despite announcements of a “national effort”, including the deployment of firms such as Rolls Royce to manufacture protective equipment, the British Medical Association (BMA) reports severe PPE shortages in London and Yorkshire, with 65% of doctors reporting inadequate eye protection [according to a BMA survey](#). Centralisation, and the lack of capacity within local and sub-national government to respond either to the immediate health

crisis or medium-term economic concerns, has arguably exacerbated the crisis.

3. Local government: austerity and resilience

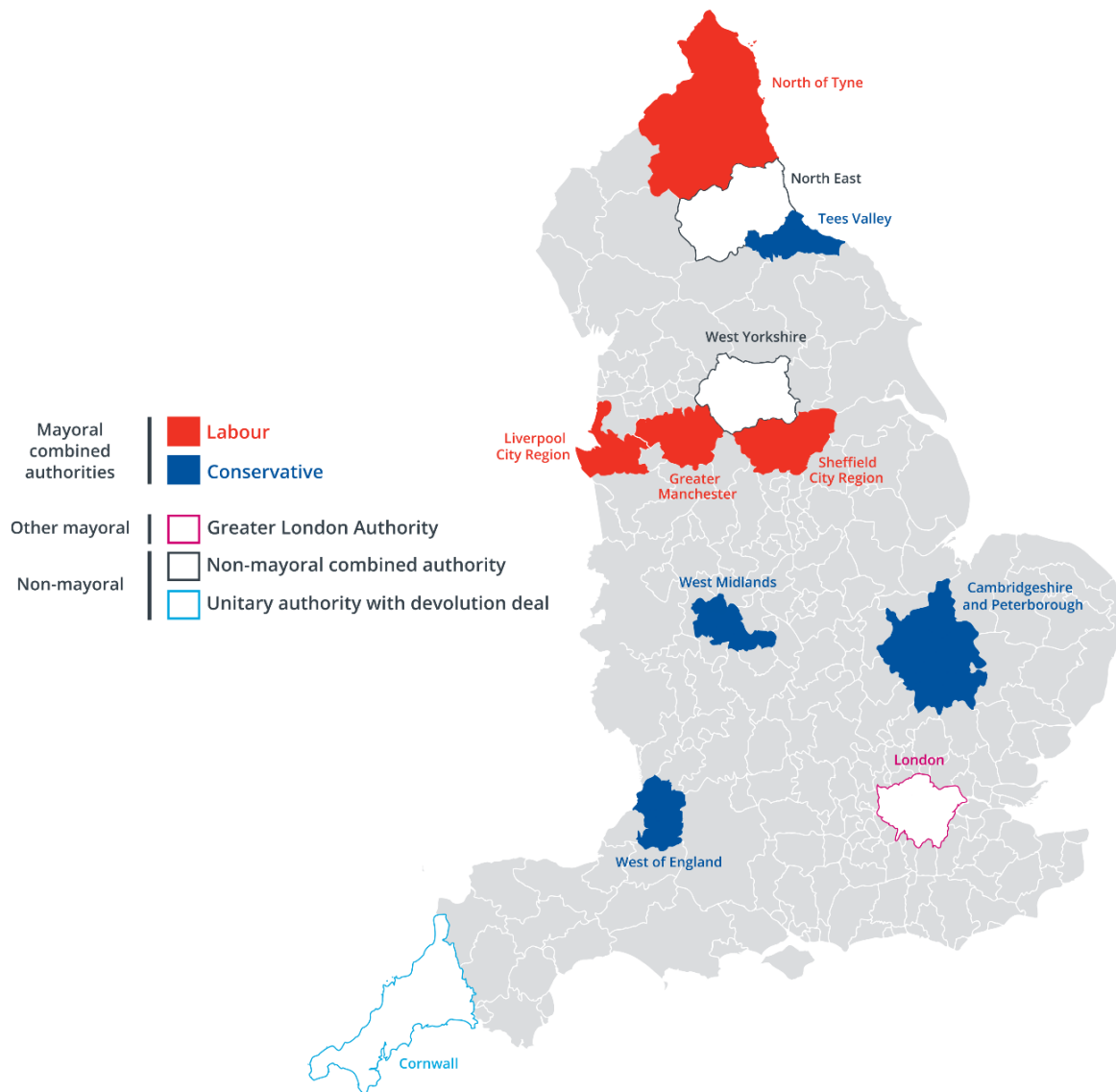
In recent years, attention has focused on the contribution of structures at the city region and combined authority scale to rebalance the UK economy and meet the “grand challenges” identified in the government's emerging industrial strategy. However, it is old-fashioned, much-misunderstood local government that is keeping many vital services running at this critical time.

Communities Secretary Robert Jenrick has acknowledged that councils are the “unsung heroes” of the pandemic. They have played a vital role in ensuring that over 90% of rough sleepers have accommodation, keeping schools open for key workers and vulnerable children, and perhaps most importantly working with care homes to safely increase capacity.

This has come at significant cost to local authorities already hit by a decade of austerity. The Local Government Association reports that the £1.6bn of additional government funding provided in March had already been spent tackling the crisis, mostly on care home fees. Local authorities are at severe risk of insolvency unless further funding commitments follow.

The uneven rollout of sub-national devolution in England means local capacity to respond to the pandemic differs between city regions (see Figure 1). While Greater Manchester has full control over its £6bn budget for health and social care, responsibility for healthcare provision in Liverpool City Region (LCR) is divided between local authorities, clinical commissioning groups and NHS England.

Figure 1. Current state of English devolution, by mayoral arrangement and metro mayor party



(Credit: [Institute for Government analysis of combined authority websites](#))

The severity of cuts to local authority budgets in LCR over the last decade meanwhile has left local government ill-equipped to deal with the economic and social fallout from the pandemic, with Liverpool City Council’s budget cut by 64% in real terms between 2010 and 2020. The soft power deployed by LCR Metro Mayor Steve Rotheram is significant, as evidenced by the establishment of a crowdfunded community support fund (LCR Cares COVID-19 Community Support Fund). But

the resources available at city region level are far short of those deployed by mayors across North America and large parts of Europe, and by London’s Sadiq Khan.

The economic impact of the crisis also appears likely to be felt differently between different cities and regions of the UK. Evidence from the [ONS Business Impact of Coronavirus survey](#) suggests areas heavily reliant on tourism, retail and student spending are likely to be worst affected.

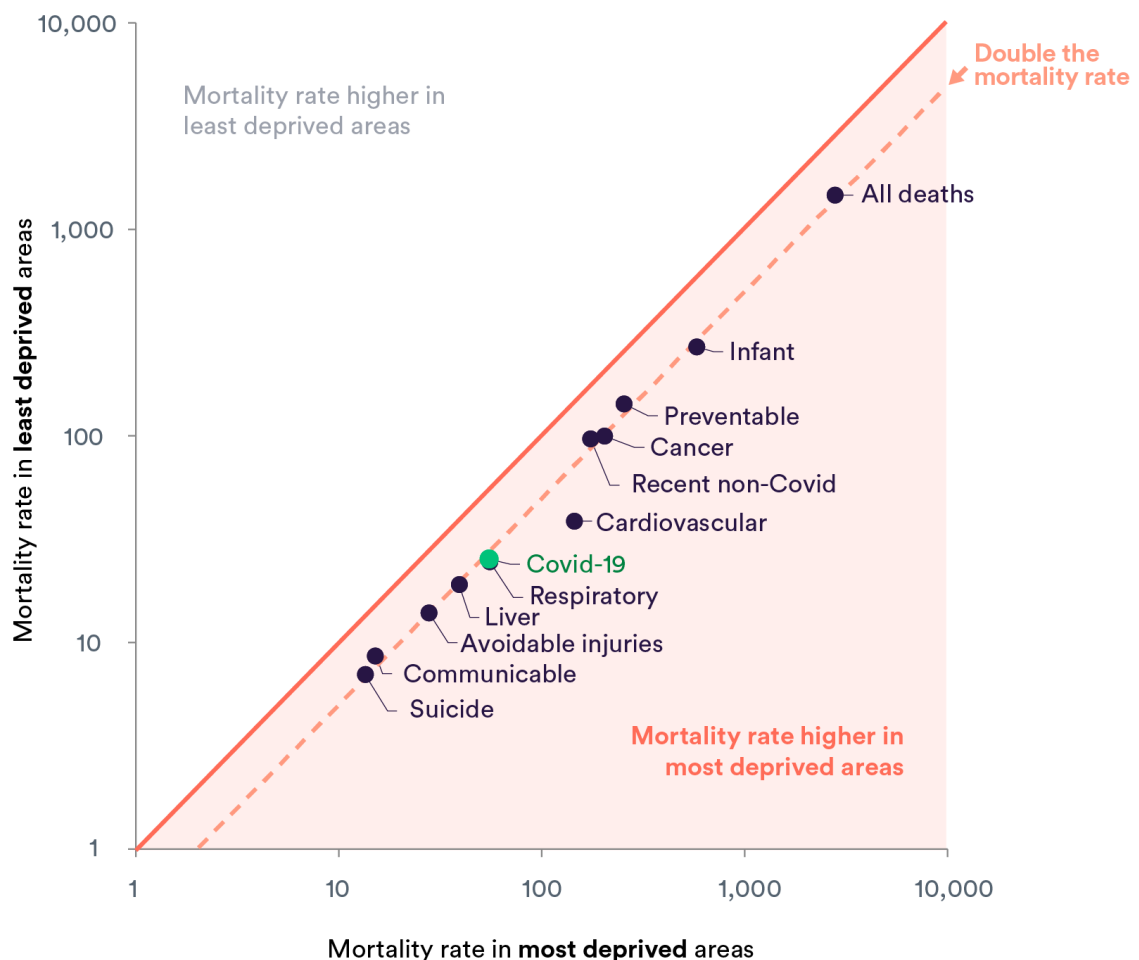
LCR entered the crisis in a position of particular vulnerability, despite slow improvements in levels of employment and business growth in recent years. The City Region has a high proportion of employees in the most at risk sectors: retail (11.2% of the workforce); transport and distribution (5.7%); accommodation and food (7%), and arts and entertainment (2.9%).

Unlike many white-collar industries that make up a larger proportion of employment in London and the South East, the vast majority of employees in these industries are not able to work from home during the lockdown. In total, Liverpool City Region Combined Authority

estimates that there are over 250,000 jobs at risk in the sectors of the economy hardest hit by COVID-19.

The impact of the pandemic has also amplified existing inequalities between LCR and other parts of the country. Recently published data by the Nuffield Trust on 6 May 2020 (see Figure 2) suggests that the most deprived areas of England have twice the rate of deaths involving COVID-19 than the most affluent. This data identifies an issue for the LCR, where more than a third of Lower Layer Super Output Areas are in the most deprived nationally, particularly in Knowsley and Liverpool.

Figure 2. Mortality rate by deprivation level in England



(Credit: [Nuffield Trust analysis of ONS data](#))

4. The future of devolution in England: levelling up and filling out

While the “levelling up” concept appears a distant memory in these tumultuous times, as the dust settles government will need to consider once again the relationship between national, sub-national and local government. The risk at this time of crisis is that Whitehall tilts to its default mode of what Jim Bulpitt, in his classic analysis of British territorial governance, described as “central authority”, with Whitehall and Westminster hoarding powers and resources within the centre as they seek to deal with multiple crises (Bulpitt 1983). As government looks to re-open and rebuild the economy over the coming months, local and city region governments are in danger of being marginalised.

Lessons from previous recessions suggest that the impact of the current shutdown will vary significantly between cities and regions, and these differences will be exacerbated in the recovery. Recent evidence suggests recovery of many post-industrial towns in Northern England and the Midlands was slow after the 2008 global financial crisis, with persistent problems with low productivity and slow labour markets continuing in the decade following the crash (Beatty and Fothergill 2020).

The economic rebuilding job will therefore need to be targeted to respond to specific local issues, and while national schemes such as the Coronavirus Job Retention Scheme clearly play an important role in the immediate term, development of a post-COVID local economy will require greater local input and access to funding.

Liverpool City Region Combined Authority has been responsible for local decisions on skills, transport and infrastructure since 2015, and has begun to demonstrate the effectiveness of devolution in tackling long-standing challenges and improving outcomes for the local area. As LCR

prepares an economic recovery plan to “build back better”, it must continue to harness local strengths and strategic partnerships. In the words of Lord Heseltine, “we need the imaginative thinking that can only be found with the experience that comes from living and working locally” (Heseltine 2020).

The devolution white paper will emerge into a very different landscape than was anticipated in last autumn’s Queen’s speech. But there is a risk government continues to adopt a contractual approach to devolution and simply delegates a “new” package of measures, with combined authorities “effectively acting as agents of government” (Pike et al. 2016) and unable to unlock their area’s full potential. In light of the COVID crisis, government should take the opportunity to reassess the interplay between the national, regional and local tiers of government in driving the recovery.

The role of local government in this rebuilding will be just as crucial as its part in tackling the pandemic has been. This crisis has re-emphasised the fundamental importance of long-established structures of local government in supporting the infrastructure on which we all rely. Whilst it will be crucial to invest creative thought in how the regional tier can help stimulate the economic recovery, it will also be necessary to end local government’s status as the poor relation. As Mark Sandford (2020) notes in a recent contribution for the UK2070 Commission, local councils often appear to be considered by central government as principally a delivery vehicle for public services, rather than democratically accountable organisations in their own right. The problems with this conception of local government have been brought to the fore in recent weeks.

Health, social care, food manufacturing, distribution and utilities are inherently local services in which councils play a major

role in ensuring that support is delivered to those who need it. A renewed focus on city region devolution of powers over economic development, transport and skills must be accompanied in any post-COVID-19 settlement by a comprehensive package of support for local authorities and a reassessment of their part in a devolved England. Bringing power and resources closer to people is the key to delivering better outcomes for communities and promoting inclusive growth.

If levelling up is to remain relevant, local government must once again become the properly resourced rock upon which local economies are built.

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