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 level 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 Stieglitz, 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-

credit cuts mainly impacting on working-age people (Lupton et al., 2015). This extends a pattern established under the Coalition whereby benefits and services for older people have been relatively protected, shifting many cuts onto the younger and working age population (Hastings, Bramley, Bailey, & Watkins, 2012 p.50).

Meanwhile the local government grant distribution system, whereby local authorities face a 'flat rate' percentage cut to grant funding, results in spending cuts continuing to impact more heavily, in absolute terms, on those authorities who receive a higher proportion of their funding through central grants. These are typically local authorities with higher levels of multiple deprivation (Innes & Tetlow, 2015 p.322), which also experienced the largest spending cuts under the Coalition (Audit Commission, 2013 p.23; Hastings et al., 2013 p.50; NAO, 2014 p.14), albeit from a higher funding base. Such areas have generally lost greater sums from their local economies as a result of the Coalition's welfare reforms (Beatty & Fothergill, 2013; Wilson, Morgan, Rahman, & Vaid, 2013). The same local authorities have been those least likely to benefit from Coalition policies offering additional sources of income, such as the opportunity to retain business rates uplift, the 'new homes bonus' and council tax freeze grant (all these policies favoured local authorities with stronger local economies and higher value housing.) In short, there is a distinctive geography of austerity, in which different localities are affected to a greater or lesser extent, depending on factors such as their level of cuts to date, ability to raise additional income and access to sources of resilience, such as local assets and reserves. There is likely to be a deepening of spatial inequalities and increased polarisation between prosperous and struggling localities (Hamnett, 2014).

The Conservatives' austerity programme also starts from a very different position from that of the Coalition, where cuts initially acted to reverse Labour's sustained investment in public services (Innes & Tetlow, 2015a p.16). Where Coalition cuts were met by (relatively speaking) well-fed local authorities, Conservative cuts are l being met by emaciated councils. Failure does not look likely to be restricted to the councils suffering the deepest financial losses. Some local authorities in relatively affluent areas, which have historically existed on a low council tax base, with minimal reserves or inflexible high-value outsourcing agreements, also appear to be struggling (as in press reports on Northamptonshire, Isle of Wight and West Somerset) (Municipal Journal, 2015b, 2015c). Certain services, such as social care, are already suffering recurrent crises, and some local authorities have indicated that they are entering financial difficulties. The (Conservative controlled) Local Government Association (LGA) has warned that: 'Even if councils stopped filling in potholes, maintaining parks, closed all children's centres, libraries, museums, leisure centres and turned off every street light they will not have saved enough money to plug the financial black hole they face by 2020' (Local Government Association, 2015). Sceptics may suggest that funding gap predictions associated with LGA's original 'graph of doom' have failed to materialise (LGA, 2012 p.8), but multiple studies suggest that the scope for efficiencies is now severely reduced – a point that we return to later in the article (see Audit Commission, 2013; Fitzgerald & Lupton, 2015; Hastings et al., 2013). What is not clear is whether local government as a whole has reached a tipping point. Will the next five years represent austerity-redux, in which councils again prove themselves to be the 'great survivors' (John, 2014), or is the new round of cuts unsustainable?

David Cameron (2015a) addresses the challenge of austerity by posing these rhetorical questions: 'How can you be a "one nation" government and at the same time cut spending? How can you help people get on when there's not so much money around?' Cameron argues the he can square the circle though restructuring the state according to principles of devolution, reform and efficiency. What does this mean for local government? We start by considering devolution.

Devolution

The energy and emotion of the 2014 Scottish referendum provided fresh momentum to a formerly moribund debate about the powers available to local authorities in England, after New Labour's failure to garner sufficient public support for regional assemblies and local elected mayors. In the wake of the referendum, devolution to English regions presented the Coalition with an opportunity to link its 'localism' agenda to an economic growth strategy based on city agglomerations, which aimed at reproducing the success of London and the south east, and rebalancing the national economy (Centre for Cities, 2014; Core Cities, 2013; Cox, Henderson, & Raikes, 2014a; Heseltine, 2012). It also detracted (at least some) attention from more contentious calls for an English parliament, in the context of the Smith Commission's Report promising more powers for Scotland. Championed by the Chancellor of the Exchequer, George Osborne (himself MP for a Cheshire constituency), the policy was undoubtedly also aimed at 'doing something for the North' in the run-up to the 2015 general election.

Devolution has not, however, been simply a top-down political manoeuvre. Beyond parliament, the Scottish referendum strengthened calls for a redistribution of power within regions, reflecting discontent with London bias in politics and business investment, and a desire to express city and regional identities. The 'Core Cities' lobbying group, representing the eight largest cities in England, was instrumental in championing the benefits of local autonomy and economic self-sufficiency, and had initiated the first wave of 'City Deals' with the Coalition government in 2013, which (although limited in scope) provided a starting point for more detailed negotiations between Whitehall and localities. Meanwhile in Parliament cross-party consensus on devolution was growing, with the Commons Political and Constitutional Reform Committee suggesting that 'local government should be the model for devolution in England' (Werran & Hailstone, 2014), including provision for a secure financial base and a range of revenue raising powers (Political and Constitutional Reform Committee, 2013 p.3).

Ambitious plans for sub-regional devolution were subsequently pioneered in Greater Manchester from November 2014 (Sandford, 2015b). These plans built on a long tradition of co-operation between Manchester authorities culminating in the creation of the Greater Manchester Combined Authority (GMCA) in 2011. The GMCA was originally established to co-ordinate transport and economic development functions, using powers in the Local Democracy, Economic Development and Construction Act 2009. Under a devolution deal with the Coalition government the GMCA subsequently negotiated a novel 'earn back' scheme for business rates revenue and, in 2015, strategic oversight of substantial health funding, conditional on the adoption of a directly elected mayor. The total value of

transferred budgets has been estimated at £7bn (with £6bn accounted for by health and social care spending).

Building on Manchester's example, a further four combined authorities were agreed in principle by the Coalition, in Sheffield, West Yorkshire, Liverpool and the North East (LGA, 2015a; Sandford, 2015a), thus creating a vanguard for Osborne's 'Northern Powerhouse'. At first, the process of creating combined authorities was relatively rigorous and slow-moving, involving the following stages: a governance review; a requirement to publish a 'scheme' for the authority attracting the consent of all participating authorities; and a consultation by the Secretary of State to ensure that the arrangements would be both efficient and in the interests of communities. The first combined authorities were all centred on areas with strengths in regional working. Some built on the legacies of Metropolitan County Councils, abolished in 1985, which had been established on the basis of 'functional economic geography' (Sandford, 2015a). In addition they tended to demonstrate strong local and elite linkages (both within localities and vertically to Whitehall and Westminster), and strong and relatively homogenous local identities.

However, after the Conservatives' election victory in 2015, the impetus for 'devolution deals' has begun to overtake the creation of combined authorities. A Cities and Devolution Bill was launched straight after the election (HM Government, 2015), accompanied by an announcement that Cornwall had been granted a 'devolution deal' before a combined authority had been formally agreed. All local authorities (and not just city-regions) were subsequently invited to submit 'fiscally neutral' proposals for combined authorities and devolution in advance of the 2015 comprehensive spending review, with 38 proposals submitted by the 4th September 2015 deadline. This was a very different process, driven forward under the threat of spending cuts, over a summer of frantic negotiations between authorities that in many cases were not natural partners. New devolution agreements have followed, including with the Sheffield City Region Combined Authority, which agreed to adopt the mayoral model (worth £900m, focusing on transport, skills, planning and investment), and with two combined authorities which together cover the North East of England (worth a total of £1bn in devolved budgets). To underscore his 'devolution revolution', George Osborne announced his intention to move towards the full localisation of business rates by the 2020 (in exchange for scrapping revenue support grant) (Osborne, 2015; HM Treasury, 2015b).

What then are we to make of devolution to date? On the one hand there is no doubt that the concept has widespread support, in parliament, amongst cities, and in some two tier areas. For local government campaigners, devolution represents a long awaited breakthrough. Simon Jenkins (2014) who chaired the Commission on Local Democracy 20 years ago, argues that devolution at last has 'traction'. Unusually for public service reform, the government has eschewed a one-size-fits-all approach and developed a strategy that not just tolerates, but actually celebrates, local variation, and also allows for future iterations as contexts and priorities change. Benefits for economic growth have been calculated by think-tanks, notably economist Jim O'Neill's City Growth Commission (2014). The Institute of Public Policy Research has demonstrated through polling public preferences for more power to be exercised locally, and argued that the current devolution deals should be situated within a 'decentralisation decade', in which a full range of powers are progressively passed from Westminster to local government (Cox, Raikes, & Henderson, 2014b).

However, devolution can also be seen as a diversionary tactic, aimed at drawing core local authority functions closer to central government, whilst distracting attention from the spending cuts that undermine remaining services. The abolition of national performance indicators and inspection regimes since 2010 has also meant that service delivery arrangements are increasingly varied at local level; in this context, devolution could be seen as making a virtue out of the 'post code lottery'. Crucially, although Conservative statements talk about devolution to communities and localities, combined authorities represent sub-regional rather than *local* government. Proposals for combined authorities have (to date) mapped on to Local Enterprise Partnership boundaries, which are business not community led and reflect 'functional economic areas' (DCLG, 2015) over other understandings of local identity and interests. Even where devolution is occurring, for example in the initiative to localise business rates, the ability to raise the rate (by a *centrally*-defined limit of 2%) will be dependent on the appointment of a directly elected mayor. Similarly the new 'social care precept' is limited to an additional 2% on council tax, a sum that the LGA claims is unlikely to resolve the funding gap (Municipal Journal, 2015a).

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

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

disavow responsibility for fragmented services it can no longer control, in the context of unpopular and unsustainable budget cuts.

A 'Smarter state'?

So how are the Conservatives proposing to address what could be seen as a devolution/austerity paradox? Cameron (2015a) proposes that building a 'smarter state' will mean that 'more can be delivered for less'. The smarter state will be characterised not only by devolution, but also by efficiency and reform. Cameron calls for 'streamlining' state bodies, breaking state monopolies, opening up contracts to small businesses, bringing in new providers, digitalisation, shared services, early intervention, and public service innovation (the 'Better Care Fund', for instance, will support collaboration between health and social care services).

There is a strange anachronism about Cameron's proposals; it is as if he were addressing the public sector bureaucracies of the 1970s. They are essentially a restatement of the 'new public management' mantra introduced by the Conservative governments of the 1980s, and normalised ever since. Claiming to constitute a radical new agenda, Cameron's proposals read more like a roll call of local government's own priorities over the last five years. These are not new ideas but a statement of processes already accelerated under the Coalition, as local government has sought to cope with public spending cuts whilst protecting, as far as possible, local services. Despite the overall extent of spending cuts, research shows that local authorities have (to a limited extent) been able to offset funding reductions and protect a wide range of services, mainly through back office efficiencies (Audit Commission, 2013 p.32; Hastings et al., 2013 p.24) but also through the re-design of local services. Local authorities have begun an ad-hoc process of integration, with numbers of 'shared services' arrangements rising from 220 in 2012 to 416 in 2015 (LGA, 2015b). These are agreements between individual local authorities to share services, most commonly back-office functions like HR, finance, legal services and procurement, but also highways, environment and regulatory services. Local authorities are also engaging in joint procurement of services from external providers. Charging, commissioning, co-production and early intervention characterise local government service delivery strategies across England. Digital technology is also being used to facilitate 'channel shift', join up customer contact (between services), reduce demand and pass administrative costs back to 'customers'.

Cameron's smart state repertoire may have already started to meet its limitations, however, just as the 'new' policy is launched. Some local authorities are now 'in-sourcing' (bringing services back in-house) to reduce inflexibilities and cost pressures associated with contracting (NAO, 2014b p.23) and a number of commentators have warned of 'limits to resilience' (Fitzgerald & Lupton, 2015 p.582). Many of the efficiency measures taken by local authorities to reduce their budgets under the Coalition have been one-off savings, which cannot now be repeated (Audit Commission, 2013 p.5). Further cuts can only be made through what the National Audit Office calls 'untested service transformation programmes' (NAO, 2014b p.10), but declining professional capacity, and reducing financial reserves, puts at risk future innovation to plug budget gaps. 'Efficiencies' have also obscured arms-length spending cuts achieved through the renegotiation of contracts with

external suppliers, particularly in the voluntary and community sector (Fitzgerald & Lupton, 2015 p.590), where the knock-on effects of austerity are being keenly felt. It is clear that the volume of services being delivered has fallen (NAO, 2014b p.33), despite the surface level stability of local government, and that eligibility for some core services, such as adult social care, has been steadily reduced. Implications for service quality are uncertain (partly due to the reduction in audited performance data under the Coalition), but it has been observed that relatively small adjustments to services or charges can nonetheless have considerable impacts on vulnerable sections of the community (Fitzgerald and Lupton 2015). The steady contraction of the state has also been linked to the 'responsibilization' of citizens in what is, in effect, a 'great risk shift', in which communities are increasingly called upon to provide their own safety nets (Kennett et al., 2015). It is hard to know whether the 'smarter state' marque itself will gain policy traction, but the direction of travel seems clear.

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

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

Coalition spending cuts were identified as potentially 'ideological' by Gerry Stoker and Peter Taylor Gooby (Taylor-Gooby & Stoker, 2011), who noted that projections showed Britain heading towards a level of state intervention below that of the USA. But the Coalition government showed a distaste for actively reorganising the state, preferring a laissez faire approach; to quote DCLG Secretary of State Eric Pickles, 'you change reality and wait for the structure to catch up'. The approach was to make the cuts and let the structures look after themselves. Pickles admitted to having threatened to 'shoot' the first official who

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

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

Because combined authorities are indirectly elected, in the sense of bringing together representatives elected at another level, there may be limited gains for local democracy. The new combined authorities will not have their own elected assemblies in the manner of the Greater London Authority. The scale of sub-regional authorities may also hinder practices of community engagement and citizen participation (such policies have certainly not had a high profile in devolution deals to date). A lot hangs on the democratic merits of the directly elected mayor provision embodied in the 2015 Cities and Local Government Devolution Bill (HM Government, 2015). Will mayoral elections attract sufficient public interest to ensure turn-outs (and attendant legitimacy) significantly higher than the (average) 15% achieved for the directly elected Police and Crime Commissioners introduced in 2012 (Berman, Coleman, & Taylor, 2012)? What are the prospects for 'constituting a public' (Newman, 2013) at the sub-central level, particularly for combined authorities outside the core city regions? Central government power could also be enhanced in a situation in which Whitehall deals with a cadre of individual mayors rather than a large number of locally elected councils, many of which are in the hands of opposition parties. There is a danger that this relationship could become a supervisory one, rather than a relationship between equals, and that metro mayors may feel themselves answerable to central government rather than sub-regional electorates.

It is also clear that the 'devolution revolution' is having different effects for different service areas. Although the landmark Manchester agreement included control over NHS and social care budgets (with a view to developing new integrated services), the focus of the devolution deals has been overwhelmingly upon economic development (investment, planning, transport and other infrastructure, jobs and skills). This is in keeping with George Osborne's intention that devolution should stimulate economic growth beyond London and the South East. However, the risk is that economic development develops a privileged status (in terms of access to funds and policy influence) to the disadvantage of other local services including social care, housing, culture and leisure. There is a danger that local elites (from business and civic life as well as local government) are turning like moths towards the bright light of devolution, and away from the 'too hard' box of delivering day-to-day local services, as the compound and escalating effects of a further round of austerity start to hit.

We have argued that David Cameron's 'smarter state' amounts to little more than a recycling of new public management diktats, and that his call for 'efficiencies' is likely to be met by hollow laughs among those in local government who have applied cuts of one-third to budgets since 2010. It is possible that we will see a segmentation of local government along the lines of Peter Saunders' (1982) 'dual state thesis', whereby services related to economic production are up-scaled to the sub-regional level while services oriented to social consumption are concentrated in a residualised form of local government. Such a distinction, Saunders argues, reflects the priorities of the capitalist state. David Cameron has promised to tackle the 'no go' areas of entrenched poverty, criminality and extremism, yet refuses to link these challenges to new support for local services weakened by super-austerity (Cameron, 2015). Disadvantaged areas have also suffered the greatest impact from the cuts, an effect that could become more extreme as devolution starts to undermine the redistributive assumptions of the grant regime (with localities increasingly dependent on business rates raised in their own area). Devolution could come at the cost of a disconnect

between major strategic services and neighbourhood councillors and communities, alongside a much higher level of local risk, devolved to localities on a model increasingly similar to that found in US cities (where municipal bankruptcy is not uncommon).

Our analysis of prospects for local government under the Conservatives reveals, however, narratives of optimism as well as pessimism. Optimists celebrate the creativity and resilience shown by local authorities in mitigating the impact of cuts to date. Evidence shows local authorities developing new technologies and service delivery mechanisms and building collaborative relationships with each other and with non-public sector providers. There is even a new assertiveness, which sees local authorities moving beyond the 'new public management' to develop ventures more redolent of nineteenth century civic traditions (Gardner & Lowndes, 2015). Local authorities have enabled their in-house services to take in business from the private sector (vehicle maintenance in municipal bus garages, for instance), whilst also developing their investment role in local infrastructure (like new city tramlines), their potential as commissioners or providers of lower-cost utilities (notably energy and broadband), and even their scope for bypassing banks through support to peer-to-peer lending schemes. For optimists, devolution provides a golden opportunity for local authorities (in combination) to build on a new self-confidence (wrought out of hardship), as they champion local identities and acquire new powers in a challenge to England's historically centralised and London-focused governing culture. An ongoing devolution programme also holds out the possibility of better, and more economical, social care services for the elderly and vulnerable, if local government and NHS funding can be integrated at sub-regional level.

We must be careful not to dismiss such optimism as naïve. Peter John's (2014) portrait of local government as the 'great survivor' depicts a history of resilience through opportunism, driven by a stable political and bureaucratic core. This mechanism may be in action once again in the current acceptance of austerity, hand-in-glove with devolution. Officers and local politicians may be pragmatically addressing the challenges of austerity (delivering both efficiencies and innovative local reforms), knowing that their legal and financial room for manoeuvre is minimal, but seeking to expand their capacity for agency by any available means. Referring to the negotiation of devolution deals, one local authority chief executive has remarked: 'If we are going to sell our soul, we are going to have to make sure we do it for a decent price' (Jameson, 2015).

Yet the diversity of local government undermines its capacity to extract that high price lies. Some local authorities may benefit from devolution, while for others the risks will outweigh rewards. There is mounting evidence that resilience to austerity could prove to be a thin veneer, intensely localised and place specific, dependent on local advantages, historic assets and resources. At the same time, the sector could be further fragmented by a differentiated patchwork of governance and service delivery accountabilities. Some political elites, notably in major cities, may be undermined through the installation of elected mayors. All these factors speak of local institutions being steadily eroded. Moreover, the public has yet to be adequately engaged in what is in danger of becoming a technocratic transfer of power.

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