English Devolution White Paper: Opportunities and Challenges

Eugenio Vaccari[1]

1. Introduction

The UK has experienced greater regional inequality,[2] slower wage growth,[3] and a steeper decline in living standards compared to other developed countries.[4] These challenges are compounded by the financial difficulties experienced by local authorities across the country.

Rising financial pressures, increasing populations, higher demand for social care, and reduced council incomes are pushing many local authorities to the brink of insolvency.[5] Under English law, however, there is no formal framework for councils akin to corporate insolvency procedures. The principal mechanism for managing a council's financial crisis is the issuance of a "section 114 notice" under the **Local Government Finance Act 1988** (LGFA 1988).[6] A council's Chief Financial Officer (CFO) can issue this notice when the authority's projected spending exceeds available resources, effectively freezing all new expenditure except for essential services.

As discussed in detail elsewhere,[7] a section 114 notice functions as a financial moratorium but lacks the restructuring or creditor negotiation features typical of corporate insolvency processes. Its primary goal is to halt financial haemorrhaging, maintain statutory services, and create a financial recovery plan.

Recognising these systemic limitations, the UK government has recently focused its attention on strategies to enhance the financial resilience and soundness of local authorities, particularly in England. The most recent initiative in this direction is the publication of the **English Devolution White Paper** on 16 December 2024.[8]

---

[1] Senior Lecturer in Law at Royal Holloway, University of London; Member of the Steering Committee of the Research Network on Public Authorities and Financial Distress (RPAFD).

[2] A Carrascal Incera et al., 'UK Interregional Inequality in a Historical and International Comparative Context' (2020) 253 National Institute Economic Review R4-R17.

[3] B Francis-Devine, 'Average Earnings by Age and Region' (House of Commons Library, 15 November 2024).

[4] J Cribb and T Waters, Seven Key Facts about UK Living Standards (Institute for Fiscal Studies, 2024).

[5] For a more detailed analysis of the causes of financial distress in English local authorities, see: M Sanford, 'Why Are Local Authorities Going 'Bankrupt'?' (House of Commons Library, 16 July 2024).

[6] For a more detailed explanation of the procedure, see: M Sanford, 'What Happens if a Council Goes Bankrupt?' (House of Commons Library, 13 September 2023).

[7] E Vaccari, 'One Year After: Birmingham's Path to Financial Recovery and Ongoing Challenges' (RPAFD, 4 November 2024).

[8] Ministry of Housing, Communities, and Local Government, English Devolution White Paper (London, 16 December 2024).

2. What is a "White Paper"?

In English law, a white paper is an authoritative report or policy document issued by the government to outline proposals for future legislation or significant reforms. It serves as a precursor to formal legislative measures, providing a detailed explanation of the government's objectives, the problems the proposed legislation seeks to address, and the rationale behind the suggested approach. Unlike a green paper, which is more exploratory and invites public consultation on a range of potential options, a white paper represents more concrete policy decisions and is a step closer to legislative implementation.

White papers are not legally binding but are significant in the legislative process as they inform Parliament, stakeholders, and the public of the government's intentions. They often set the stage for drafting bills and are used to gather feedback on specific proposals before they are presented in legislative form. For example, the Companies Act 2006, one of the most significant pieces of English corporate law, was preceded by white papers outlining reforms to modernize and simplify company law. In this context, white papers act as a bridge between policy formulation and the legislative process, playing a critical role in ensuring transparency and public engagement in the development of English law.

3. Key Takeaways

As mentioned above, on 16 December 2024, the UK government issued the **English Devolution White Paper** to advance its agenda of decentralising power and enhancing local governance across England.

Key proposals include:

- **Streamlining local government structures**: Transitioning from the two-tier system of county and district councils to single-tier unitary authorities serving populations of at least 500,000. This aims to improve efficiency, accountability, and service delivery.
- **Expanding mayoral powers**: Granting directly elected mayors greater control over infrastructure, housing, and transportation to empower local leaders to drive economic growth and reduce regional disparities.
- **Strengthening financial resilience**: By consolidating local government structures and enhancing mayoral powers, the government seeks to create a more cohesive and responsive system that better serves the needs of local communities. However, it also seeks to establish more resilient authorities, thus reducing the risks of financial mismanagement or potential default, thus unleashing growth potential at the local level.
- **Integrated funding settlements**: The English Devolution White Paper was released shortly before the **Provisional Local Government Financial Settlement for**

2025/26.[9] This settlement allocates £69 billion overall to councils for 2025/26, representing a 3.5% real term increase in core spending power, with £2 billion in additional grants. The proposals signify a shift in the Labour government's approach, moving away from the austerity-driven policies of previous Conservative administrations, which had significantly reduced local government funding.

4. Analysis of Key Measures

The paper spans 118 pages, with some proposals being technical and/or country specific. As a result, these are not covered in this article. Instead, this section focuses on measures aimed, directly or indirectly, at improving councils' financial resilience.

4.1 Local Government Restructuring

A central assumptions of the White Paper is that centralisation hinders economic growth. The Labour government firmly believes that devolution is crucial to unleashing economic growth and increasing disposable income. However, the White Paper advocates not only for a shift in power, but also for changes in how functions are delivered locally to enhance transparency and accountability in the management of public funds.

The White Paper envisions redistributing political, social and economic power from central government to local communities. Building on previous devolution initiatives across the UK's nations (Northern Ireland, Scotland and Wales), as well as on the devolution of powers to London and other mayors across England since the 1990s, it assumes that mayoral devolution drives economic growth and reduces inequalities.

It also proposes abolishing the two-tier system of local government. Currently, especially in rural areas, local services are provided by county councils (upper tier) and district councils (lower tier). County councils are responsible for strategic services such as education, transport, highways, social care, libraries, and waste disposal, and they generally cover large areas, including several towns and districts. District councils handle more localised services like housing, local planning, waste collection, and recreational facilities, and operate within smaller areas that collectively make up the county.

The White Paper advocates merging these structures into unitary authorities serving a population of approximately 500,000 citizens or more. The "unitarization" is presented as a way to deliver efficiency savings and improved public services by integrating 'lower' and 'upper tier' responsibilities. The principles guiding future devolution agreements include scale (preferably over 1.5 million people), economic geography, alignment with public service footprints, and local identity.

[9] Ministry of Housing, Communities, and Local Government, 'Provisional Local Government Finance Settlement: England, 2025 to 2026' (London, 18 December 2024).

4.2 Strategic Authorities

The White Paper also proposes replacing "combined authorities" with "strategic authorities" that consolidate multiple councils. Led by mayors (preferably), these authorities will be tasked with creating spatial development strategies and apportioning housing targets across local areas. Mayors would also gain call-in powers to override certain local planning decisions in some circumstances. This should allow these strategic authorities to deal with the existing housing crisis in the country.[10]

On financial matters, the White Paper suggests moving Mayoral Strategic Authorities to majority voting, eliminating the current veto powers of constituent councils on budgetary decisions. These Mayoral Strategic Authorities[11] would receive an Integrated Settlement, allowing for flexible funding allocation across policy areas. This would include local transport, with the White Paper openly supporting attempts to renationalise local bus services and create an integrated transport system similar to Transport for London. Additionally, local authorities are encouraged to invest in projects that support the transition to a net-zero economy.

4.3 Financial Oversight and Audit Reform

In terms of auditing, the government plans to transform the audit system to give greater clarity on the purpose of audit. Measures include addressing the audit backlog and implementing recommendations from reviews like the Redmond[12] and Kingman[13] reviews to simplify leadership and regulation of local audit. In line with Sir Tony Redmond's recommendations, legislation will aim to consolidate audit functions into a single body, which would also offer insights from audits.

The White Paper stresses personal accountability for those deviating from proper standards, resulting in financial losses for local authorities. It also advocates replacing the current fragmented accountability frameworks[14] with a single, streamlined model that clarifies the roles of the Secretary of State, accounting officers, and mayors.

---

[10] C Barton et al., 'Tackling the Under-Supply of Housing in England' (House of Commons Library, 19 May 2023).

[11] Currently, these are Greater Manchester, Liverpool City Region, North East, South Yorkshire, West Midlands and West Yorkshire Combined Authorities.

[12] Ministry of Housing, Communities and Local Government, 'Local Authority Financial Reporting and External Audit: Independent Review' (8 September 2020) "Redmond Review".

[13] J Kingman, 'Independent Review of the Financial Reporting Council' (December 2018).

[14] The current system of accountability and scrutiny is guided by the English Devolution Accountability Framework and Scrutiny Protocol, which set out the requirements Strategic Authorities must meet on the use of the public money they receive and how council officers should undertake their duties.

5. Conclusion

To date, England's devolution policy has generally been *ad hoc* and inconsistent. The White Paper promotes a framework for defining the powers associated with each authority type, and facilitating mergers into larger entities. This is certainly a welcome development over the fragmented *status quo*.

The White Paper simplifies procedures for mayors to build houses and local infrastructure. However, it neglects key recommendations from experts and the industry, such as multi-year financial settlements, which are crucial for long-term planning. Additionally, the White Paper does neither embrace fiscal devolution nor allow local authorities to increase their revenues by establishing new levies (e.g. tourist taxes).

While merging councils and consolidating services may lead to significant savings in the long term, these require substantial upfront investment. Although the White Paper allows mayors to appoint remunerated commissioners for specific tasks, it is unclear how these costs will be covered or what will happen if the expected savings are not realised.

The government has pledged greater flexibility for local authorities in designing services and allocating funds. However, there is a need for accountability mechanisms to ensure consistent service quality and disseminate best practices. While the previous government established the Office for Local Government (Oflog) in 2023 for this purpose, the White Paper confirms its abolition. Although this government committed in July 2024 to establishing the Audit Reporting and Governance Authority (ARGA), this is not mentioned in the White Paper, which merely promises fundamental reforms to the local audit system, leaving accountability arrangements uncertain.