

Businesses need a strong voice in the local decision-making process

It's often the case with public policy that the jargon which surrounds it starts to obscure what's really at stake. That is certainly true with devolution, where terms like 'growth deal', 'functional economic area' and 'strategic economic plan' can distract from the important issue at hand. In reality, besides Brexit, devolution is arguably the great cross-cutting theme of British politics.

The current problems with the UK's devolution policies can be illustrated with a simple business analogy.

Imagine a sales manager in a regional office of a large, multi-national consumer product firm. The manager meets with prospective buyers and distributors, but when it comes to selling has zero flexibility to negotiate price, can only supply a fixed quantity of goods on a take-it-or-leave-it basis, has no marketing material suitable for the local market, and the goods can't be adapted to suit the needs of local customers.

How successful do you think this company's sales department would be? A firm so rigid that it is unable to capitalise on opportunities and provide customers with what they want stands little chance of prosperity. Yet, incredibly, that this often how the relationship between central and local government functions in the UK.

The trend in recent years has been towards more local control – national parliaments and assemblies, elected mayors – but in many ways devolution fails to correctly address areas of business-critical policy. Budgets – in absolute terms and in relation to one another – are fixed centrally, mandatory service levels are stipulated centrally, the rules are set centrally, and the freedom to experiment or provide localised solutions is restricted.

The result is that much-needed investments in infrastructure go unfunded, businesses can't access the skills they need because local colleges don't have the means to provide them, and local property taxes never come down because councils are restricted in the ways they can raise funds.

The essence of a sensible 'devolution' from central to local government is really the same as a sound business re-organisation: ensuring that the right people, at the right level, are empowered to make the necessary calls, and are incentivised to do so.

There is a consensus across all major political parties in favour of more decentralised decision-making in government, which is welcomed by business communities across the country. But as in business, there is a balance to be struck: it's always easier to devolve responsibility for decision-making than it is to devolve accountability for when things go wrong. Increased devolution also means greater distance from what happens at ground-level for those at the top. For this reason, it is essential that as more and more elements of the business environment are decided in town halls and mayors' offices, businesses have a strong voice in the decision-making process – whether it be on infrastructure, tax, skills provision or land use.

Successful companies listen to their business customers – so should local decision-makers as they seek to improve their local economies.

Mike Spicer

Director of Economics at the British Chambers of Commerce