

Critical Analysis and Refinement of the Data-Driven Discourse on UK Hyper-Centralisation: Quantifying the Cost of Fragmentation

I. Executive Summary and Diagnosis of Structural Flaws

This analysis critically examines the core structural and operational failures inherent in the United Kingdom's system of hyper-centralisation, providing a quantitative diagnosis of systemic inefficiency and recommending prescriptive refinements for policy discourse. The central thesis asserts that the UK's governance model—characterized by an internationally exceptional degree of fiscal centralisation¹—is not merely suboptimal, but acts as a quantifiable economic and administrative drag on national prosperity.

The primary refinement required for the discourse is an immediate shift from descriptive statements regarding centralisation to the definitive establishment of its quantifiable cost. The current system imposes structural fiscal impotence on elected local leaders and levies an explicit administrative "inefficiency tax" through fragmented funding mechanisms.

The diagnosis rests on two pillars of evidence:

1. **Structural Imbalance:** The negligible financial autonomy granted to devolved authorities creates an unavoidable democratic deficit. For example, the West Midlands Mayor controls a mere 0.4% of day-to-day public spending, while 84% remains dictated by Whitehall.³ This staggering disparity severely curtails the ability of local government to drive meaningful economic change.¹
2. **Operational Inefficiency:** Centralised control, particularly through competitive grant processes, generates significant administrative waste. Local authorities incur costs up to £30,000 for each competitive bid submitted⁴, often resulting in funding fragmentation across over 200 annual grants.⁶ Furthermore, centralized project management has

proven ineffective, with more than 80% of Levelling Up Fund Round 1 projects set to miss their initial delivery deadlines.⁷

The conclusion of this report is that hyper-centralisation actively undermines the UK Treasury's stated mission of achieving strong and sustainable economic growth.⁸ Consequently, policy reform must pivot to structured fiscal devolution, incorporating comprehensive tax sharing and funding consolidation, as the necessary prerequisite for achieving national economic stability and equitable growth.

II. Structuring the Argument I: Optimizing the Introduction (The Necessity of the Quantitative Hook)

2.1. Establishing Context and Urgency

The initial presentation of the hyper-centralisation narrative must be framed not as a political grievance but as a structural economic pathology unique to the UK. The UK system of subnational government suffers from an unusual level of fiscal centralisation, possessing very limited resources and responsibility for improving local economies compared to international peers.² This context establishes the groundwork: the problem is not isolated inefficiency, but an architectural flaw inhibiting national progress.

Despite a political consensus surrounding the need for further devolution, the progress remains limited, partly due to the lack of clarity on how to deliver devolution effectively, especially concerning fiscal responsibilities.¹ If the national economy is to escape the current trajectory of stagnation, fundamental changes to the system of subnational government are required, necessitating the devolution of fiscal responsibilities.²

2.2. The Fiscal Centralisation Shock (Quantitative Anchor)

To immediately establish the gravity of the structural pathology, the article's introduction must deploy a quantitative anchor that is stark, memorable, and undeniable. The chosen anchor

must be the profound disparity between local democratic mandate and financial capacity.

The most effective quantitative hook is the statistic relating to the control of public expenditure in core English city-regions. In the West Midlands, the elected mayor controls a mere **0.4%** of day-to-day public spending.³ This figure stands in direct contrast to the **84%** of spending that is still determined and controlled by Whitehall departments.³

The Mismatch of Mandate and Means

The analysis must explicitly define the significance of the 0.4% control. The existence of elected Metro Mayors (e.g., in Greater Manchester and the West Midlands) is predicated on the democratic premise that local leaders are best placed to address complex local issues such as transport, skills, employment support, planning, and policing.⁹ However, when an elected official, accountable to the local electorate, controls less than half a per cent of the operational budget, their ability to meaningfully impact or reform the core services that depend on the other 84% is critically constrained.

This structural imbalance—the profound mismatch between local democratic mandate and financial means—creates an endemic accountability gap.¹⁰ Local electorates may hold their mayors accountable for policy failures (or successes), yet the financial levers necessary for change remain firmly with central government. This dynamic leads to "upward accountability" to Whitehall requirements dominating the critical function of "local electoral accountability".¹⁰ This structural fault weakens public trust in devolved governance and frustrates the core objectives of the national Levelling Up agenda.¹¹ The immediate introduction of the 0.4% statistic converts a qualitative debate about "power" into a quantitative demonstration of financial impotence, proving the current system is fundamentally unsound.

2.3. Staking the National Economic Claim

The introduction must pivot from regional fiscal frustration to national economic necessity. The exceptional level of centralisation limits the ability of local governments to drive local economic change, which in turn contributes directly to the persistent underperformance of key urban economies, including Manchester and Birmingham, and has even contributed to the stagnation of London's economy since the financial crisis.¹

HM Treasury has identified the "growth mission" as the central mandate of the government, to

be achieved through a framework of stability, investment, and reform.¹² By demonstrating that centralisation actively depresses growth in major economic centers, the article reframes devolution not as a regional plea for resources but as a necessary national economic reform to unlock sustainable prosperity, directly aligning with HMT's own overarching goals.

2.4. Defining the Report's Scope

The introduction should clearly state the report's purpose: to rigorously quantify the administrative and economic costs of centralisation (the "Inefficiency Tax") and to propose definitive, revenue-neutral fiscal devolution mechanisms. The policy goal is established as achieving higher economic growth in the UK through structural, not merely incremental, reform.¹

III. The Engine of Evidence: Quantifying the Structural and Operational Costs of Centralisation

This section presents the quantitative evidence demonstrating that hyper-centralisation produces measurable systemic waste and undermines effective public administration.

3.1. Layer 1: Structural Fiscal Impotence (The 0.4% Reality)

The quantitative data shows an astonishing degree of fiscal constraint placed upon key elected leaders in England, directly correlating with their reduced capacity to execute long-term strategic plans.

Structural Imbalance: Fiscal Control in Key UK City-Regions

Region/Authority	Spending Type	Percentage Controlled by Local Mayor/Author	Percentage Controlled by Whitehall	Source
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		ity		
West Midlands Mayor	Day-to-day Public Spending	0.4%	84%	³
Greater Manchester/Liverpool Combined	Capital Spending (Collective)	3.5%	74.3%	³

The control deficit is apparent across all types of expenditure. For day-to-day operations in the West Midlands, the mayor’s 0.4% control ³ means that nearly all operational choices—from staffing levels to basic service delivery—are subject to the financial strictures imposed by the 84% retained in Whitehall.

The constraint is equally pronounced in infrastructure investment. In the North West, the collective control exerted by the Greater Manchester and Liverpool City Region mayors over capital spending is only 3.5%, while Whitehall decides 74.3%.³ Capital investment is the mechanism by which regional economies achieve growth through improvements to transport networks, digital infrastructure, and housing supply. Such low levels of local control mean local leaders cannot engage in long-term strategic planning or responsive counter-cyclical investment. Instead, funding remains short-term and subject to frequent policy shifts and departmental priorities set hundreds of miles away.⁶

This structural paralysis fundamentally limits local policy makers' ability to leverage growth. While the central government champions centralized planning for infrastructure (such as enabling greater flexibility for development corporations and updating infrastructure types ¹³), the financial reality is that strategic local prioritization—the cornerstone of effective regional development—is impossible without meaningful fiscal command. This demonstrates a deep-seated contradiction where local political structures are established to drive change, yet they are systematically denied the essential financial prerequisites to do so.

3.2. Layer 2: The Efficiency Penalty: Documented Administrative Waste

A crucial element in the critique of centralisation is the refutation of the idea that central control inherently equates to efficiency. While the Government Efficiency Framework may

argue that centralisation leads to cost savings through estate rationalisation ¹⁴, the evidence shows that Whitehall enforces a competitive funding model that imposes quantifiable, significant administrative waste—the "inefficiency tax"—on local authorities.

The system of fragmented grant funding is enormously resource-intensive. English local government receives over 200 distinct grants each year, many of which are small pots subject to competitive bidding.⁶ The administrative cost incurred by local authorities simply to pursue these pots is substantial, estimated by the Local Government Association (LGA) to be in the region of **£20,000 to £30,000 per competitive bid**.⁴ With authorities invited to bid for dozens of such grants annually, this represents a massive misallocation of scarce public resources. This expenditure is required regardless of whether the bid is successful, meaning public funds are dedicated to preparing elaborate documentation simply to enter a zero-sum competition.

The Efficiency Penalty: Administrative and Delivery Costs of Fragmented Central Funding

Metric	Quantification	Context	Source
Average Bid Cost (Competitive Funds)	£20,000–£30,000 per bid	Cost incurred by local authorities chasing fragmented funding pots, draining scarce resources.	⁴
Annual Number of Central Grants	Over 200	Volume of fragmented grants received annually by English local government.	⁶
Delivery Failure Rate (Levelling Up Fund)	Over 80%	Percentage of Round 1 Levelling Up Fund projects set to miss the initial completion deadline.	⁷

Capacity Capture and Delivery Failure Metrics

This model of competitive funding, designed and enforced by central government, effectively "captures" scarce local government capacity. Senior council officers, planners, and financial experts are diverted away from long-term strategic development and essential service delivery towards managing and reporting on disparate funding streams.⁴ This complex, disjointed funding system limits the long-term thinking required for successful project execution.⁶

The consequence of this complexity is a pronounced failure in implementation. Analysis of centralized funding initiatives demonstrates systemic dysfunction: over **80%** of Levelling Up Fund Round 1 projects were found to be behind schedule and set to miss their completion deadlines.⁷ This delivery failure is definitive evidence that the highly complex, fragmented process of central funding allocation—including competitive pots like the Levelling Up Fund and the UK Shared Prosperity Fund¹⁵—fails to achieve its stated objectives of effective, timely investment. The high administrative cost combined with a low success rate for timely delivery provides measurable evidence that the central control mechanism itself generates instability and inefficiency, making the argument for centralisation self-contradictory.

3.3. Strategic Engagement with Centralist Counter-Arguments

A rigorous analysis must directly address the central government's rationale for retaining extensive fiscal control. HM Treasury's defense centers on maintaining control over public spending, setting economic policy direction, and ensuring the framework of stability (such as fiscal rules and welfare caps) necessary for sustainable growth.⁸

However, the analysis demonstrates that the *mechanism* used by Whitehall to enforce central stability—the fragmented, short-term, competitive funding system⁶—actively undermines the core elements of HMT's own growth mission: investment and reform.¹² The documented administrative burden (£20,000–£30,000 per bid) and the chronic delivery bottlenecks (80% project delays) negate any claims of macro-level efficiency. The cumulative administrative cost imposed on local authorities by managing over 200 separate funding streams dwarfs the potential savings achieved through centralised efforts like estate rationalisation.¹⁴

Furthermore, the centralized approach to infrastructure planning, while aiming for standardization and large-scale integration¹³, is rendered ineffective by the funding chaos. The failure of central mechanisms to simplify funding streams⁷ imposes an insurmountable barrier to coordinated local action, resulting in the high delivery failure rates observed in

major investment funds. This systematic dysfunction confirms that centralization, as currently practiced, is a constraint on, rather than a catalyst for, national growth.

IV. Prescribing Reform: Policy Integration and the Path to Fiscal Devolution

The quantitative demonstration of structural impotence (0.4% control) and operational waste (£30,000 per bid, 80% delays) mandates a policy shift toward deep, systemic fiscal devolution. Shifting power without shifting resource has proven to be politically meaningless and economically ineffective.

4.1. The Necessity of Fiscal Devolution

To escape the current structural constraints, fiscal devolution must reconnect local resources directly to local growth.¹ This approach frames devolution not as a zero-sum contest over existing resources, but as a mechanism to create new resources through sustained local economic uplift.

The 'Triple Deal' Framework

Policy analysts have proposed a revenue-neutral 'triple deal' framework negotiated with key Metro Mayors (Greater Manchester, the West Midlands, and London) as the next phase of devolution.¹ This deal is designed to empower local leaders while maintaining fiscal responsibility and accountability.¹⁰ The core mechanisms include:

1. **Devolution of a Share of Income Tax:** Mayors would retain a percentage share of the income tax raised in their area. This creates an immediate incentive for local policy makers to adopt measures that boost employment and increase wages.¹
2. **Complete Business Rates Retention:** Local authorities would gain full retention of all business rates revenues and control over the multiplier.¹ This directly links the success of local economic development (attracting businesses, developing commercial property) to local public funding capacity.
3. **Funding Consolidation:** All fragmented grants currently received by councils and

mayors from Whitehall would be replaced with a single, consolidated grant for each mayor.¹

4.2. Quantifying the Opportunity (Economic Growth Projections)

The proposed fiscal devolution structure offers significant quantifiable opportunities for enhanced local resources and national growth. The reform achieves the key goal of making local politicians fiscally responsible for their policy decisions, incentivizing productive local policy.² If successful, higher growth stimulated in these cities would lead to increased annual tax revenues, benefitting both local budgets and the national Exchequer.

The table below details the projected annual income tax revenue gains by 2038 based on higher growth rates stimulated by the Triple Deal, illustrating the opportunity cost currently lost due to hyper-centralisation.

Economic Opportunity Cost: Potential Annual Income Tax Gains from Fiscal Devolution (Projected by 2038)

City-Region	Projected Annual Additional Income Tax Revenue (Range)	Mechanism	Source
Greater Manchester	£49 million – £230 million	Devolution of Income Tax Share (Larger share than London)	¹
West Midlands	£40 million – £187 million	Devolution of Income Tax Share (Larger share than London)	¹
London	£2 million – £27 million	Devolution of Income Tax Share (Smaller share)	¹

HM Treasury (National Gain)	£161 million – £505 million	Increased Growth Stimulated by Devolution	¹
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These projections demonstrate that fiscal devolution is inherently a pro-growth, national economic policy. By yielding up to £505 million in additional income tax revenue annually for HM Treasury by 2038 ¹, the localized growth incentive translates directly into enhanced national revenue. The current system de-incentivizes local government from pursuing growth because they do not retain the benefits.² The proposed system fixes this structural failure by creating a virtuous cycle where local economic growth translates directly into enhanced local public service funding, aligning local political incentives with national growth objectives.

4.3. Simplifying Governance and Funding Structures

The replacement of the fragmented system of over 200 small grants ⁶ with a single, consolidated grant is a critical prerequisite for operational efficiency. This shift significantly reduces the administrative friction documented in Section III, eliminating the need for costly competitive bidding (£20,000–£30,000 per bid).⁵ A consolidated grant structure frees up scarce local capacity—currently captured by bid writing—allowing local authorities to dedicate time to strategic planning, service delivery, and managing core responsibilities.⁴ This simplification is essential for restoring local capacity for strategic, long-term economic development, thus reducing delivery delays like the 80% failure rate observed in centralized funds.⁷

4.4. Strengthening Accountability

Increased fiscal power must be accompanied by enhanced scrutiny to ensure legitimacy and effective outcomes. The need for effective accountability mechanisms was a central theme of the Levelling Up White Paper.¹⁰ Accountability, however, is a complex concept, often confused in governance.¹⁰

A successful framework for devolution must balance the "local electoral accountability" (the primary rationale for having elected Mayors) with the central government's requirements for "upward accountability" regarding the expenditure of national funds.¹⁰ The proposed increase in fiscal responsibility—especially control over local taxation and grants—naturally increases

political scrutiny, requiring clear roles, metrics for assessment, and strong local scrutiny mechanisms to review performance.¹⁰ This ensures that the newly acquired financial power is not only efficient but also democratically legitimate.

V. Structuring the Argument II: Delivering the Definitive Conclusion (Synthesis and Policy Call)

The conclusion must synthesize the quantitative evidence of failure and transform it into an authoritative, prescriptive call for comprehensive reform, positioning devolution as an economic imperative.

5.1. Synthesis of Quantitative Failure: The Centralisation Cost Multiplier

The analysis confirms that UK hyper-centralisation is functionally expensive, administratively cumbersome, and strategically crippling. The continuation of the current centralized model amounts to an economically irrational choice based on the following three definitive quantitative failures:

1. **The Structural Imbalance:** Elected local leaders operate with structural impotence, controlling as little as **0.4%** of day-to-day public spending in key regions.³ This systemic fiscal deficit fundamentally undermines the democratic promise of devolution, ensuring local leaders cannot effectively respond to mandates on transport, skills, or housing.
2. **The Administrative Waste:** The mechanism of central control, enforced through competitive funding, levies a significant administrative burden, quantified by the **£20,000–£30,000** cost associated with preparing each bid for one of the **over 200 fragmented grants**.⁵ This administrative chaos captures scarce local capacity and drains public resource into a bidding process, regardless of outcome.
3. **The Delivery Failure:** Centralized control, despite its stated aim of efficiency, translates into pervasive implementation dysfunction, exemplified by the finding that **over 80%** of projects initiated under major central funding streams (like the Levelling Up Fund) were set to miss their completion deadlines.⁷

The combined effect of these failures constitutes a "Centralisation Cost Multiplier." The failure of Whitehall to simplify funding streams exponentially reduces local government capacity, transforming the administrative burden into strategic paralysis, which ultimately results in

catastrophic project delivery failure and hinders the long-term economic planning necessary for sustained growth.⁶ Continuing the centralized status quo is therefore fiscally irresponsible.

5.2. Policy Imperatives for Completion

To reset the English devolution agenda and deliver meaningful and balanced economic growth, the next government must move beyond incremental deals toward definitive structural reform.¹⁶ Based on the data, three policy imperatives are non-negotiable:

1. **Fiscal Devolution:** Implement deep fiscal devolution via tax sharing and retention (income tax share, business rates control) to provide local leaders with the necessary financial means to match their democratic mandate, transforming regional economies into engines of national growth.¹
2. **Funding Consolidation:** Abolish the fragmented, high-friction system of over 200 annual grants and replace it with consolidated, simplified single grants to eliminate administrative waste and restore strategic capacity at the local level.¹
3. **Extension and Completion:** Extend, deepen, and simplify devolution to ensure it covers a vast majority of the country, putting English devolution on a firmer constitutional footing and ensuring that the economic benefits of local control are realized across all city-regions, towns, and counties.¹⁶

5.3. Final Call to Action

HM Treasury's central mission is achieving "strong and sustainable economic growth".⁸ The empirical evidence demonstrates that the current policy mechanism—hyper-centralisation—is a systemic obstruction to this goal, creating structural barriers to local economic revitalization and generating measurable administrative waste. Fiscal devolution is not merely an attractive policy option; it is the only credible and quantified mechanism available to reconcile the government's stated growth objectives with the current structural pathology, ensuring that local leaders have the authority and the resources required to deliver national prosperity.

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