

SMEs and the Prospects of Devolution and Local Government Re- organisation

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This short note reports on the emerging findings of research into Small and Medium Enterprise (SME) business engagement in current plans for devolution and local government reorganisation. It seeks to capture the views of SMEs on the move to strategic authorities and larger unitary authorities as part of local government reorganisation and devolution in England.¹ While devolution is repeatedly linked to economic growth, productivity and improvements to local governance capabilities, there is often little evidence about the voice or voices of businesses in debates over devolution and how business understands the practical changes it might make to businesses and the business environment. In other words, the demands of business and its support for reform are often assumed or even taken for granted.

Here we set out emerging findings from an ongoing dialogue with SMEs and business leaders across the county of Staffordshire. In many ways, Staffordshire is a 'critical case' of local government reorganisation and devolution.² It is situated between the Greater Manchester Combined Authority and the West Midlands Combined Authority. It is home to international engineering and

advanced manufacturing, including ceramics, with leading centres for advanced logistics and digital, and tourism, but retains a large agricultural and rural sector.³ As part of local government re-organisation, its current local authority governance configuration of a unitary authority, a county council and eight districts will be transformed.

The research draws on a small group discussion, a focus group and a series of interviews with SMEs and business leaders from across the county. The roundtable brought together 19 representatives of SMEs. Through a 'question and answer' session that lasted 30 minutes, it piloted key lines of inquiry and refined understanding of the challenges facing SMEs. The focus group brought together 8 leaders of micro-SMEs to discuss their understandings of devolution and its prospects. The focus group lasted 65 minutes, was fully transcribed and thematically analysed. Themes and findings were tested in a series of semi-structured interviews with senior business representatives (these interviews are ongoing but emerging findings are included in this note). A critical review of academic literature, as well as policy documents and think tanks reports was undertaken.

In what follows, we first set out the emerging findings, focussing on the views of SMEs and business leaders across Staffordshire. We then discuss the broader lessons of the research, drawing out lessons for national policy and the process of devolution and local government reorganisation. We conclude with recommendations for policy and practice. Interestingly, as the dialogue with SMEs unfolded, we became increasingly aware of how SME leaders entwined the distinct processes and aspirations of devolution and local government organisation, shifting from one to the other and back again in a single intervention. Faithful to the views of our participants, we reflect this way of 'seeing' devolution and local government reform in how we report our findings.

¹ See MHCLG (2024) *English Devolution White Paper: Power and partnership: Foundations for growth*, 16 December, available at: <https://www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth>

² Hoole, C. and Newman, J. (2024) The intersection of productivity and governance capacity in spatial

inequality, *Contemporary Social Science*, 19 (4): 555-82.

³ Staffordshire Chambers of Commerce (2024) *Stoke-on-Trent and Staffordshire LSIP Progress Report*, available at: <https://staffordshirechambers.co.uk/wp-content/uploads/2025/01/Progress-Report-Sept-2024-1.pdf>

Views of SMEs and business leaders: Lessons from Staffordshire

1. Limited engagement with local government reorganisation and devolution agenda

Our evidence confirms the 'disconnect' or lack of awareness among Small and Medium Enterprises (SMEs) of the processes of, and proposals for, devolution and local government reorganisation.⁴ When questioned about their aspirations for devolution, participants repeatedly expressed their lack of awareness of current proposals for local government reorganisation and devolution. Typically, one leader explained their participation in the research itself was motivated by the aim of learning more about the devolution agenda, adding that 'I don't know enough about what is going on.' At the same time, participants expressed concerns over their lack of ability to influence debates over devolution. They called for greater public dialogue over devolution and increased availability of accessible information for SMEs about its processes and benefits, as well as those of local government reorganisation. Indeed, one business representative advocated the putting in place of a business leaders advisory board to support the negotiation of a devolution deal between central government and local authorities. The board bringing together different sectors and representatives of companies, it was suggested, could provide a necessary consultative arena for policymakers, voicing business interests during the formulation of any future devolution deal and in the immediate creation of a future strategic authority and reorganised local government structures.

2. Support for the opportunities generated by devolution

Importantly, despite this relative lack of awareness or engagement, business leaders were quick to recognise devolution and local government re-organisation as being of strategic importance for the future of SMEs across the region. Devolution was widely seen as an opportunity to strengthen the voice of small and medium sized firms which lacked the lobbying and advocacy channels to influence national policy. Larger firms across the region were perceived (rightly or wrongly) to have their own

established access to national and local policymaking arenas. As one business leader suggested, 'JCB fights its own battles'.

In fact, and in keeping with existing national evidence, participants associated devolution with a broad set of policy and service delivery benefits. They repeatedly voiced expectations that devolution would usher in 'quicker' decision-making by enabling strategic authorities to take decisions without 'going back and forth with Whitehall'. They repeatedly associated strategic authorities and devolution with the promise of increased collaboration and joined-up policy locally, for as one participant declared: 'actually being integrated you know helps people to get holistic support rather than just focusing on one [policy] area.' Such efficiencies were expected to be seen in transport and infrastructure, economic development, training and skills, housing and health and social care. Interestingly, these priorities reflected the foundations of the multiple devolution deals to date, reproducing the widespread devolution policy narrative articulated by government.

Specifically, devolution was broadly associated with demands for a more pro-active and coordinated strategy policy of economic development. SME leaders underlined the need to better align planning processes and local public transport provision with the demands of the business community. In the case of broadband, one business representative thus bemoaned how there were multiple policy players 'all doing a little bit, but no [joined up] plan.' He continued that coordination and sustained investment were central to the effective development of a future digital sector, with SMEs 'in need of a consistent message'. Here despite the work of the Staffordshire Leaders Board to promote the business agenda, local authorities across the region were judged to lack collaborative capacity in economic development, 'never having recovered from the failure of the 2008 regional plan.'

3. Stronger advocacy for the region?

Against this background, strategic mayoral authorities were interpreted as a means of strengthening the advocacy for the region in

⁴ Such findings support national evidence. See for example Make UK (2024) *For or Against? The case for further devolution*, available at:

<https://www.makeuk.org/insights/reports/2024/05/09/for-or-against-the-case-for-further-devolution%20>.

national policymaking arenas. Moves to a strategic mayoral authority would, it was suggested, open up opportunities to better advance the economic interests or 'branding' of the region. First, the advocacy and lobbying work of a strategic authority would, participants argued, challenge the fact that Stoke-on-Trent is 'squeezed' between the West Midlands and the North West, as well as the East Midlands. Second, it would offer the critical collaborative capacity for regional and local authorities to negotiate with central government. Significantly, HS2, the high-speed rail connection from London to the West Midlands, was repeatedly advanced as a strategic infrastructure development where the region 'never got its head around the prize'. Finally, the creation of a strategic authority as part of a devolution deal was seen as supporting the business environment and its attractiveness for SMEs. In the absence of a devolution deal, business leaders across SMEs in Staffordshire feared the region would continue to 'miss out' with businesses "moving out" to surrounding regions and 'voting with their feet'; as one SME leader put it, 'we're not in Wolverhampton. We're not part of that industrial space and the big devolution of power that's gone there under the mayor.'

However, such arguments were countered by recognition that many of the challenges facing business across the region were macro-economic issues. The levers to tackle such issues remained with central government regardless of devolution or local government reorganisation. As one business representative reported, 'most of the things to help, and most of the things harming business, are at the level of central government.' Doubt was thus thrown on the capacity of strategic authorities to counter the continued dominance of central government in economic policy. As such, participants drew attention to the fact that the success of devolution depended in part on the reality of the deal negotiated with central government, as well as the powers of any mayor of the future strategic authority. One business leader asserted the 'need' to recruit a 'national personality' as Mayor to overcome the fragmentation of the county and kickstart economic growth.

4. *Overcoming the postcode lottery of business support*

SME leaders repeatedly raised how the complex boundaries of local authorities produced artificial geographies of business support, which imposed artificial and uneven demands on businesses, their access to available support, and their capacities to engage in different markets. Notably, they challenged the 'unequal outcomes' of the delivery of Shared Prosperity funding whereby available support for SMEs depended on the administrative boundaries of local government with different rules and distinct patterns of distribution between authorities. Furthermore, they underlined the potential for a policy 'disconnect' between the Local Skills Investment Plan which operates at the county-level and the Shared Prosperity Fund which is delivered by the eight districts and Stoke-on-Trent city council. This demand to address the boundaries of local authorities is consistent with the expectations and long-embedded claims of national and regional business organisations across England.⁵

Devolution and local government reorganisation, it was widely hoped, would simplify this complex and unequal landscape of business support funding. One business representative stressed that 'business does not work according to boundaries', while a SME leader argued that 'you [SMEs] fall under these very arbitrary lines.' Typically, one micro-business owner, expressing his frustration at the current arrangements, declared that there was a mismatch between the operations of their business and their ability to access funding: 'my registered address is 300 yards, the wrong side of the border [to get business support] but socially and demographically all of the assets I need [to run the business] are the other side of that dotted line.' Our evidence found a broad agreement that 'very hard [administrative and political] boundaries [...] get in the way of the flexibility that's needed [by businesses] to actually make things function.' In other words, administrative or managerial logics were deemed to be incompatible with the flexibility required for business. Rather, participants advocated for bottom-up joined-up governance which would 'allow discussion for the business to decide where it needs to go for the best'. Such flexibility, it

⁵ See Federation of Small Businesses (2023) *An entrepreneurial North*, available at: [https://www.fsb.org.uk/resources/policy-reports/an-](https://www.fsb.org.uk/resources/policy-reports/an-entrepreneurial-north-)

was argued, would enable 'growth capability [...] driven by demand, not by the rigidity of the [authority] organisation.' In short, by removing artificial authority boundaries, SME leaders argued that 'the playing field would be levelled and that skills and training could be rolled out more equally.'

As evidence of such complexities and rigidities, one SME leader talked of how the complexities of local authority boundaries and funding decisions impacted on the everyday investment and workings of their business. This local business leader went through an application process for business funding support with Staffordshire Council only to find out that 'I wasn't eligible due to location, which obviously is quite frustrating'. However, although the company delivered training and events in Stoke-on-Trent, it was not eligible for Stoke-on-Trent business funding as it was registered outside the area. But, the business owner acknowledged, it was paid for training through Stoke-on-Trent Shared Prosperity Funding. As the SME leader concluded, this complexity over boundaries 'just demonstrates sort of how different pots work and how confusing it can be.'

5. *Recognition of the challenges of a polycentric geography*

Local business leaders were quick to raise the challenge for any future authority of the multiple economic geographies and place identities across Staffordshire. Participants repeatedly divided the region economically and indeed socially, suggesting that the north of the county was 'more connected' or 'looked to' Crewe and Cheshire, while the south remained 'more connected to the West Midlands.' These different 'economic pulls' were interpreted as posing a key strategic policy decision for any proposed reorganisation of local government and future devolved strategic authority. As such, SME business leaders repeatedly returned as part of the dialogue over devolution to the issue of the 'in-betweenness' of the region, suggesting that 'we [Staffordshire] sit in the West Midlands and the North West, and we don't know which we are'. That said, this question of alternative economic geographies was somewhat skewed in that it was often reduced to dealing with the 'pull' of South Staffordshire towards Birmingham, particularly in areas such as Lichfield, Tamworth and Cannock (and this

despite participants coming from across the region).

But equally, participants argued that devolution would have to address the absence of a city-region or metropolitan 'hub and spoke' economy across the region. One business representative spoke of the often rural 'uncomfortable spaces' between the main towns in Staffordshire, arguing that the challenge was how to render 'business more visible in these uncomfortable spaces between the main towns.' Rural businesses were seen to face a specific set of challenges which needed to be addressed, namely lack of broadband, poor local public transport networks and its knock-on effects on the capacity to recruit apprentices. In fact, SME leaders and business representatives expressed concerns that the growth model of recent governments 'did not get' the challenges of places like Staffordshire with imbalanced and multiple economies, multiple market towns and large rural and peri-urban geographies, with challenges for public service delivery. As we go on to discuss, SME leaders significantly characterised devolution as 'prioritis[ing] other bigger areas like Manchester or Birmingham because they've got more potential', suggesting that 'cities that are more developed [than Stoke-on-Trent and Staffordshire] are more likely going to benefit from this rather than underdeveloped ones.' Moving forward, the formulation of any devolution deal had to offer, in the words of one business representative, a 'distinct Staffordshire prescription'.

This complex economic geography of in-between places and contradictory 'pulls' was not divorced in the responses of SME leaders from the absence of what might be called a collective or shared regional identity of Staffordshire. As such, economic 'in-betweenness' was repeatedly framed or discussed in tandem with the absence of a shared regional identity. One SME leader thus evoked the everyday differences of their lived experience across the region: 'I'm not from Stoke so I don't sound particularly northern. I do sound much more Midlands, but I am not part of the Midlands, but I am occasionally.' Indeed, this SME leader underlined how the experience of living and working in the county could differ significantly over 'the 30 miles between their working base in Stoke-on-Trent and their home in South Staffordshire where it is right on the border with Wolverhampton.'

6. *Concerns over further uncertainty and SMEs being overlooked.*

The devolution agenda and local government reorganisation did however raise concerns among SME leaders over increasing political and governmental uncertainty in the short to medium term as reorganisation and devolution was implemented. In the first instance, participants expressed concerns over the instability of current access to local government, as well as fears over the future of contracts that they had in place with councils. One SME leader underlined the potential for confusion, stating that despite the inadequacies of existing arrangements, local SMEs will lose their existing relations and networks, for 'if those boundaries are suddenly removed, is everybody going to be kind of flailing around, [as they] don't know who deals with this and that kind of stuff?' Small businesses, it was argued, could struggle to navigate the new arrangements put in place and the shifting governance responsibilities of new unitary and strategic authorities.

But equally, another SME owner questioned the stability of future contractual arrangements with the new reorganised authorities: 'I mean we do a little bit of work with the Council, you know, would we lose that contacts within them and the smaller boys get moved to one side?' Here the size of new authorities was interpreted as working against SMEs, for 'as you grow the size of an authority and the complexity of the structure, you can lose the little guy.' Importantly, such concerns extended beyond the particular interests of their company, with SME leaders voicing fears that devolution would fail to benefit their city or town. One SME leader running a business in Stoke-on-Trent thus raised concerns that 'if it is much larger (the local authority), it (Stoke-on-Trent) will kind of get lost in the ether [...] I just think that we will be overlooked.' Interestingly, this fear that Stoke-on-Trent would be 'overlooked' was related directly to the perceived existence of negative misconceptions and embedded biases towards the city and its population such that 'even those who actually live here have a certain perception [...] as to what's possible [which] I think that's definitely going to be a barrier.' One participant even raised the prospect of devolution having a negative impact on funding for the area. The SME leader argued that devolution and local

government reorganisation could result in government calculating down or 'covering over' levels of poverty and deprivation across Stoke-on-Trent by incorporating deprived communities into larger more economically prosperous geographic areas. Whatever the outcome, he was keen to stress that 'if you've got multiple areas of deprivation [coming together as a result of reorganisation], that then going to just make less of the pie to go round for areas that actually desperately need that funding?'

7. *Devolution and local government reorganisation as cost-cutting exercise*

Building on such concerns, research participants questioned whether future strategic authorities would have the resources and capabilities to work with SMEs. In the absence of the required resources, it was posited that devolution and strategic authorities may even 'slow things down for businesses' such that strategic authorities 'might be a real barrier in that sense.' Commenting on their everyday experience of collaborating with local government, one SME leader thus underlined their concerns over staffing capacity of any future devolved authority, asserting that 'at the moment it feels like they (local government staff) are very thin on the ground and that they are very under-resourced when we are asking for draw downs on grants.' This lack of personnel, it was suggested, already resulted in delays in accessing funding, with problems for SME cash flow. She concluded by positing the negative consequences if resources and personnel are not to increase or at least remain stable, asking 'not if, but when devolution happens, will there be the same amount of people in those posts to facilitate [...] the whole region? Or are they looking at this as a cost, as an exercise in order to use economies of scale?'

In fact, local business leaders repeatedly framed devolution as a cost-cutting exercise, with knock-on impacts on the current capacity of government to engage with SMEs. Typically, one participant argued that local government was 'very under-resourced now and I feel that the cost-cutting exercise [devolution] will mean that it's probably going to be more under-resourced.' Another questioned whether devolution was 'just a massive cost-cutting exercise', posing the question: 'are we going to have effectively a lot less people trying to

serve a much bigger area that has even more needs, particularly if that means that boundaries are being moved and things like that?’ Significantly, one participant stressed doubts that devolution would even bring decision-making closer to localities and offer more support to SMEs. They acknowledged that the discourse of devolution gained support ‘because it’s [decision-making under devolution] coming more local, that we’re going to get more support and it helps [...] let’s say London or something [...] would become more accessible to us instead of going to like bigger corporates’. But they concluded that in practice, devolution risks not delivering, stating that it ‘probably doesn’t sound like that’s actually the reality, so it might be more challenging to get support.’

8. *The need for locality hubs in any future structure*

Given the salience of such uncertainties, our evidence suggests that among SME leaders there is widespread support for the existence of collaborative locality-hubs to support business, whatever the geography of any future devolved authority. There was broad recognition that online access and information technology could provide additional ways of supporting businesses wherever they were located. But firstly, participants agreed that there was a need for better signposting and directions on how to access online support, for ‘the online world is so swamped, it’s so busy, it’s so noisy [...] you know you’ve got to kind of search through any number of things to find the particular service you need or something like that.’ And secondly, physical support hubs were deemed to offer the required connectedness for SMEs to local authorities, as well as targeted and low-cost support: ‘you don’t want to make it so that some people have to travel a long period of time to get to somewhere where they could almost have that drop-in hub.’ Business hubs, it was envisaged by SME leaders, would have devolved budgets to ensure the flexible targeting of resources and to deliver ‘drop-in sessions that run in these local communities. So, you’re not losing that local connection.’ Indeed, hubs were repeatedly seen as a response to the distancing of decision-makers from local business communities in devolved structures, as well as a strategic response to the polycentric economic and social geography of the region. Yet, at the same time, the rationale

for hubs was also grounded in the persistence of competing interests, local identities and place attachments across the region. As one SME leader commented: ‘if, say, Staffordshire was linked with Shropshire, are you going to then have a competing identity [...] if the council is in Shropshire, are they going to favour Shropshire over Staffordshire because...?’ They associated such questions with long lasting identities because ‘you know county lines are going to remain. You know you can’t, you’re not going to take those away really.’ Indeed, one participant admitted that ‘I’m quite concerned about who can actually hold these people in charge accountable when it comes to favouring certain regions.’

Interpreting findings and broader lessons for devolution

Our study supports existing evidence that businesses, particularly micro-SMEs, lack engagement in, and knowledge of, the devolution agenda and local government re-organisation. But more importantly, it underlines the ambiguity and uncertainties that frame SME understandings of devolution, the rationale for local government re-organisation, as well as the limited resonance or ‘grip’ on SMEs of one of the principal pillars of the growth agenda of the Labour government.

Of course, SMEs were quick to advance how the reform of local and regional governance had the potential to strengthen businesses voices in policymaking and economic development. Strategic mayoral authorities were broadly perceived as a means of advancing collaborative policymaking, accelerating strategic decision-making and joining up services in areas such as transport and infrastructure, economic development, training and skills, housing and planning, and health and social care. Local government reorganisation was equally positioned by the leaders of SME as an opportunity to offset the uneven impacts of local authority boundaries on access to business support and funding, as well as providing efficiencies of scale through larger authorities.

But these interpretations arguably did little more than reproduce the dominant policy narratives widely articulated by this and previous governments. The primary

'concrete' demand expressed by SMEs was arguably that of the removal of the administrative boundaries to business support funding. In fact, the prospect of devolution was infused with a series of uncertainties for SMEs. These coalesced around the potential for new governance structures to 'overlook' small companies and further distance them from decision-making. They echoed fears that devolution was little more than a 'cover' for cost cutting such that any future authority would end up delivering less support for business development in under-resourced strategic authorities, while manipulating down perceived levels of deprivation and funding through their calculation over larger geographies. Indeed, SMEs even went as far as to voice concerns that their city or town would be further overlooked.

Such fears cannot be divorced from what was seen by SMEs as the absence across the county of a city-region metropolitan economy and shared regional identity. The city-region model informing devolution policy narratives was interpreted as being somewhat divorced from the polycentric economic and social geography of Staffordshire and regions with a recognised agricultural or rural sector. Staffordshire as a region was repeatedly presented as being subjected to different economic 'pulls', as being in the words of one business leader 'sandwiched' between the West Midlands and Greater Manchester and punctuated by urban centres, towns and villages, and rural communities and 'uncomfortable spaces' in-between; a social and economic geography which did not always match with the predominant policy narrative of a hub-and-spoke city-regions.

Overall, therefore, devolution and local government reorganisation was in the view of SME leaders something of a two-headed beast. On the one hand, the devolution agenda (and local government reorganisation) was lauded for its potential improvements to existing governance capabilities. But on the other hand, it was at the same time derided for its fragile grounding in the everyday challenges and practices of SMEs, framed as yet another exercise in government re-organisation fraught with associated uncertainties. Given such uncertainties, SME leaders may well remain themselves disconnected from the agenda of devolution; as one of our research participants concluded: 'whatever

happens [over devolution], it's just another day.'

Concluding reflections: The promise of devolution and the 'fear of missing out'

How are we to understand such contradictory interpretations and policy tensions? It is tempting to dismiss such contradictions as mere inconsistencies born of a lack of information or policy engagement. But our evidence suggests an alternative explanation, one which is grounded not in the realities of the devolution agenda, how well or less understood, but in the promise of devolution to come.

In other words, devolution is not for SMEs effectively tied to any specific everyday demands for change *per se*. It is not advocated for its direct relevance to the current challenges facing business. Rather devolution is associated with a future state of developments and/or hoped for conditions in which the frictions of decision-making and conflicts of collaboration disappear. In other words, its benefits are displaced into the hopeful future.

In our view, such displacement activities cannot be divorced from 'devo FOMO' or the fear of losing out in the absence of a devolution deal. Put alternatively, the risk of not having a devolution deal was arguably more important for business leaders than any appeal to a clear and defined set of tangible benefits that might be associated with a strategic mayoral authority. Rather, business representatives expressed concerns that, in the absence of devolution, their region would not have a 'voice' at the national policy table, that it would lose out to other regions and miss out on a set of competitive policy advantages. In 'devo FOMO', the promise of what devolution might bring was more important than its actual capacity to meet the challenges facing SMEs.

In fact, the benefits tied to devolution, as we discuss above, were somewhat distanced from the particular and everyday interests of individuals SMEs, articulating collective universal benefits only to be realised in a future time and space. And such benefits in the future were continually offset with a range of policy and organisational uncertainties which had the potential to

erode SME support in the immediate present.

As such, our findings indicate that for government the devolution agenda may well resonate poorly beyond the confines of local government policy communities. More importantly, we suggest that at least for SMEs, government may well be over-preoccupied on institution building and delimiting territorial boundaries at the expense of constructing and generating regional identity and embedding it in understanding of the everyday.⁶

Policy recommendations

1. Disseminate further accessible and dedicated information on the relevance of devolution for small businesses, raising capacity of SMEs to engage in devolution and local government reorganisation agendas.
2. Review predominant policy narratives of city-region economies, offering guidance of alternative models of economic development that can enable local authorities to work with stakeholders to adapt future devolution deals to the complex and multiple realities of economic development across England, particularly in largely rural counties.
3. Ensure formal communication channels are in place for SMEs to act as a sounding board for the demands of SMEs in the process of devolution and local government reorganisation and the negotiating and brokering of devolution deals and local growth plans.
4. Minimise business uncertainty by advance announcement of principles of procurement and fair funding allocations for businesses across any new local or strategic authority.
5. Establish business locality hubs across any future authority ensuring

the 'double devolution' of decision-making and funding down to local communities from any future strategic authority.

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⁶ Here we draw on the debates surrounding region building. See for example the work of analysis of Passi. A. (2013) Regional planning and the mobilisation of 'regional identity' *Regional Studies*, 47: 1206-19; Jones,

M. (2015) City-region building and geohistorical matters, *Nordia Geographical Publications* 44 (4) 21-27; Jones, M. (2021) *Cities and regions in crisis*, Cheltenham: Edward Elgar.