

Cities Renaissance: Creating Local Leadership

Submission to the Shadow Cabinet
Cities Taskforce



Executive Summary

1. Local Leadership of our English Cities has become emasculated and hollowed out by successive over-centralising Governments. It lacks the power to address the problems of poverty, low skills levels and physical decay present in many of our once-great Cities. The new arrangements in Scotland, Wales and Northern Ireland require separate analysis and are not the subject of this paper
2. Excessive power has been granted to unelected Quangos – who often sit at regional level – including Regional Development Agencies, Learning and Skills Councils, English Partnerships and the Housing Corporation. They now disburse over £10 billion per year in regeneration funding. This poses severe problems:
 - a. There is almost no democratic accountability
 - b. They are bureaucratic and confusing: there are more than 50 different funding streams
 - c. It is not clear who is “in charge” which leads to inertia and buck-passing
3. Instead of regional Quangos, Local Government should be leading the renaissance of our Cities
4. In order for Local Government to fulfil this role in the Cities, it needs to be able to:
 - a. Consistently attract the very best people into Leadership roles
 - b. Have the full range of powers that they need
 - c. Cover geographical areas that make sense
 - d. Be freed from the suffocating regime of central targets (currently over 1,200) and heavily hypothecated funding from the centre
5. The Government’s own Task Force under Lord Rogers recognised these problems. However, the November 2006 White Paper is timid and does not propose meaningful reform
6. The Conservatives should propose a programme of reform that will allow Local Government to lead City renaissance:
 - a. The wholesale transfer of powers, responsibility and funding from the Quangos to Local Government (or the Regional Government Office on behalf of Central Government for the small number of truly regional functions). This will mean that RDAs, LSCs, Regional Assemblies, English Partnerships and the Housing Corporation will cease to exist as regional bodies and instead become agents of Local Government
 - b. Directly elected Executive mayors for Top-Tier Authorities, serving full four year terms. This will improve accountability, allow clear leadership and improve the prospects of attracting people of appropriate calibre
 - c. The creation of Pan-City Executive Mayors of Birmingham, Newcastle, Manchester and Liverpool (the pan-City area is unlikely to cover all existing Mets in these areas, e.g. Coventry may not be treated as part of Birmingham). The Executive Mayor would take powers almost entirely from the Quangos, *not* from the existing Metropolitan Districts
 - d. The Executive Mayors would have power over Strategic Planning (from Regional Assemblies), Regeneration and Development (from RDAs), Vocational Training (from LSCs), Highways (from the Highways Agency), Transport Planning, Passenger Transport, Fire, Waste Disposal and Police
 - e. The Government’s micromanaging target regime, the Comprehensive Performance Assessment (CPA), and its expensive attendant bureaucracy should be abolished. Data should be made available to the public who can then make their own mind up about the efficiency of Local Government
 - f. It is vital that Local Government has more control over its own finances if it is to play a true leadership role. At present, around 75% of Local Government funding comes by way of heavily hypothecated central grant
 - g. Local Government should therefore be allowed to retain the business rates which they collect from businesses in new developments in their first five years. This will allow Local Government to benefit directly from economic development in their area – and so incentivise them to encourage business
 - h. Capital Funding currently flowing through the Quangos (£10.5 billion) should instead be allocated directly to Local Government:
 - i. Partly by formula
 - ii. Partly by a competitive bidding process for projects
 - i. Local Government should be allowed to issue its own Bonds. These should not be underwritten by the national Government and therefore should not form part of the National Debt

1. Where we are today

1.1 Introduction

Historically, Britain's Cities led the world.

They led the world in commerce and in culture. They led the world in education and in politics. They were hubs of global trade and prosperity. They governed themselves, as great independent metropolises. The magnificent town halls in Cities like Manchester, Liverpool and Bradford speak of a glorious tradition of civic pride, prosperity, achievement and self-Government.

Today, the story is very different.

Britain's Cities now lag behind the rest of Europe in economic prosperity, skills and environment. Research¹ shows that London is ranked 23rd in Europe, Leeds 43rd, Birmingham 56th, Manchester 57th, Newcastle 58th and Liverpool 61st by GDP per capita.

Local Government in Britain's Cities has been emasculated and hollowed out. The powers which they once exercised have been successively removed by centralising Governments unwilling to trust local people to shape their own destiny. Tragically, the ability of our great Cities to lead their own renaissance no longer meaningfully exists.

One of the main reasons for this is that many of the powers traditionally exercised by Local Government (or new powers that have been recently created) have been conferred on unelected, unaccountable and remote regional bodies or Quangos. There has been such a profusion of these bodies that it is unclear who is in charge. Yet these bodies now exercise some of the most important powers affecting the lives of people in Cities today.

An opportunity exists to restore to Local Government the central role in leading the renaissance of our Cities. This will provide democratic accountability and clear leadership. Yet after years of emasculation, some reform to Local Government itself will be needed in order to prepare it for this leadership role.

1.2 Who runs regeneration today?

Regenerating our Cities and developing the skills base of their people should be one of the most important functions for Local Government to lead. However, even the most cursory

examination of this area shows that it is emphatically not Local Government which leads. Here are three elements of major City regeneration that are not being led by Local Government that should be.

Regional Development Agencies: Regional Development Agencies ("RDAs") are responsible for leading development and regeneration across the Government Regions in England. A Government Region has between about 3 million and 7 million people, so each RDA covers a vast area. Their total budget in 2007/08 is £2.7 billion. RDAs are an agency of Central Government, with very limited local democratic control of their strategy.

Learning and Skills Councils: Learning and Skills Councils are tasked with co-ordinating post-18 training (often vocational) and building the skills base in their area. Their budget in 2007/08 is £3.7 billion.

The Housing Corporation. The Housing Corporation is responsible for large-scale housing projects developed by Registered Social Landlords (Housing Associations). Its budget in 2007/08 is £2.0 billion.

Together with English Partnerships and other regeneration bodies, a total of £10.5 billion is being spent by such Quangos on regeneration. Only £885 million of this is channelled via Local Government. The £10.5 billion being spent by unelected Regional Bodies compares to approximately £22 billion a year that is raised directly in Council Tax by Local Government; in the context of Local Government, it is a substantial sum. The regeneration of our Cities is being dominated by unelected agencies of abstract Regions, not by locally accountable City leaders. There are three reasons why we believe that this approach is not the right way to go about running regeneration:

1. Democratic Accountability

The bodies currently charged with delivering City renaissance are not accountable to the populations that they should be serving. They are agencies of Central Government and are subject to at best loose Ministerial oversight. Many do not even receive this. Even where there is Ministerial oversight, the democratic mandate is weak. National Governments have a national mandate that is based on their policy platform on national issues. In electing a Westminster Government, voters are not generally voting on the quality of local regeneration

¹ http://www.communities.gov.uk/pub/42/ChartshowingtheeconomicperformanceofleadingEuropeancitiesGDPpercapitaEuros2001Pb_id1164042.pdf

work. There is therefore no meaningful opportunity for voters to express their support or disapproval for the way that their Cities are being regenerated. This substantially dilutes the incentive to deliver the public's priorities, and certainly deprives the people of any direct ability to influence policy. The Quango state responds to Whitehall diktats, not to local people's votes. This is fundamentally undemocratic.

The scale of many of these Quangos are often not local, but regional. The nine English Government Regions have an average population of about 5.5 million people. They cover vast areas (for example, the South East Region stretches from Dover to Oxford). This means that decision-making is not close to the populations that the Quango is designed to serve. These Regions are large and arbitrary. The Local Government Association found in May 2006 that they bear no relation to either local economies or transport networks².

Even the Government acknowledges that change is needed:

*"...too many people still feel that they have little or no influence over the public bodies which effect their everyday lives and that they can play little part in local decision making"*³

The public realises that government by Regional Quango is wrong. Only 8% of the population think that Quangos are the best mechanism for running local services, compared to 66% who think that their functions are better delivered or overseen by Local Government⁴.

2. Clear Leadership

One of the principal problems with the current bureaucratic Quango system for delivering regeneration is that there is no clear, unified leadership. Local Government, in its emasculated form, no longer has the powers to exercise leadership. There are so many other bodies now involved that it is completely unclear who is in charge. For example, there are over 50 different funding streams for social exclusion, housing and regeneration⁵. A regeneration landscape in which it is not clear who is in charge is a recipe for inertia and buck-passing.

3. Bureaucracy and short-termism

The Quango state loves bureaucracy. As money trickles down from Whitehall to the Regions and into specific projects, it is soaked up by administration and siphoned off to sustain bureaucracies. On the RDA's official figures, they spend £196 million per year on administration – almost 10% of their budget. It is of course likely that they have chosen to adopt an extremely narrow definition of "administration" in arriving at this figure. For example, it excludes administrative expenses in subsidiary delivery bodies, which in

some cases run at over 50% of their budget.

A common complaint from practitioners in the regeneration field around the country is that funding streams are often too short term, or end with a given project (this is a common theme; charities who work with Government often make the same observation). This means that it is very hard to plan for the long term. It also means that infrastructure – people, offices, partnerships – are built to deliver a project, and are then dismantled once the project is finished. This is a grossly inefficient way of managing the delivery of anything. It can also be difficult to reconcile the current short-term approach with the more commercially focussed disciplines required by private sector partners.

An indictment of the current arrangements was delivered by the Government's own Task Force, chaired by Lord Rogers of Riverside. He argued that:

*"The plethora of overlapping, but differently funded and monitored area-based regeneration bodies has reduced the delivery effectiveness of public sector regeneration schemes. This has been exacerbated by the disconnection of regeneration expenditure between Government Regional Offices, Regional Development Agencies and English Partnerships and the huge number of new ineffective partnerships at local and sub-regional levels, particularly in areas like Thames Gateway. This not only dilutes the effective use of money but also reduces the vision to mediocrity"*⁶

So, Government by unelected Quango doesn't work. The next section examines the case for putting local leadership back at the heart of Local Government.

1.3 The case for Local Government to be local leaders

We believe that there are powerful reasons to put Local Government back at the heart of leading a renaissance in our nation's Cities.

It is evident that many of the weaknesses of government by Quango described in section 1.2 above will not apply if Local Government leads the process.

Firstly, Local Government is directly democratically accountable to the local population. Since leading City renaissance should be one of the principal functions of Local Government, it is easy for local voters to reward good performance and punish poor performance at the ballot box in this area. Unelected Regional Quangos are not exposed to this

2 Prosperous Communities II and Closer to People and Places, a new vision for Local Government

3 Strong and Prosperous Communities, Vol. 1; Department of Communities and Local Government October 2006 p30

4 Local Government Intelligence Unit, Whitehall to Town Hall, June 2006

5 Hansard, 9 January 2006, Col. 262WA

6 Towards a Strong Urban Renaissance, Urban Task Force November 2005 p16

direct accountability; casting a vote in a national election for a Government one of whose Ministers may exercise distant oversight is unlikely to make a difference; in any event, Westminster elections should not be about local regeneration.

Due to the emasculation of Local Government, 61% of people think that they cannot influence decisions affecting their local areas, leading to lowered turnout in local elections. Re-empowering Local Government will allow people once again to determine their own destinies and provide a powerful incentive for civic leaders to get things done – to satisfy the public, not Whitehall box tickers, which is how Quangos are measured. Wasteful bureaucracy or paralysing inertia will not be tolerated by voters if they realise that their local authority is empowered to act but is not doing so.

Secondly, Local Government is by definition close to the population being served. It does not result in crucial decisions being taken at Regional level, remote from the populations being affected. Giving Local Government the central role in leading regeneration satisfies a central Conservative principle: devolving power as far as possible and trusting local people to take responsibility for their own future.

Thirdly, Local Government can fill the leadership vacuum that currently exists. If Local Government were given the power to become a leader rather than a spectator, then everyone would know who was in charge and who was responsible for making things happen. This is currently entirely unclear. Exercising leadership over regeneration does not mean that Local Government would actually *do* everything themselves. They might commission delivery from other (perhaps existing) bodies. But the Local Authority could drive and co-ordinate the whole process of renaissance across the full policy spectrum (from physical regeneration to building skills in the community) in a way that does not currently happen. Since Local Government is a permanent fixture, they could also ensure the longevity of funding streams.

Most importantly, the public endorse this case. 66% think that Local Government should exercise local powers; only 8% think that Quangos are best placed to do this.

1.4 Is Local Government today able to play this role?

Section 1.3 makes the case for putting Local Government at the heart of leading the renaissance of our Cities. However, we need to ask whether Local Government is currently capable of playing such a leading role. There are some concerns in this area that proposals for reform need to address.

Firstly, to play a leading role, Local Government needs to be

able consistently to attract people of the highest calibre into leadership roles. With dwindling turnouts in local elections and emasculated powers, all parties are finding it harder and harder to attract candidates. Local election turnouts have been consistently below 40%, and in May 2007, Labour only fielded candidates in 60% of wards. In order for people of outstanding calibre consistently to fulfil leadership roles, they need to be offered real authority and remuneration. It is widely recognised that the pressures of modern society are not easily reconciled with part-time local leadership. Indeed the Leader of a Metropolitan District or Shire County is on call seven days a week and for many hours a day. The responsibility is immense, as are the pressures. Yet the leader of such authorities can only typically expect to receive between £20,000 and £40,000 a year in allowances. By contrast, the Chief Executive of leading authorities will be one of the highest paid local employees. For example, 578 executives in 230 Local Authorities earned more than £100,000 in 2005/06⁷. The relatively low pay of Leaders may put off some potential high calibre applicants, or make it hard for those who do so full-time.

The system of Cabinet or Executive leadership may also contribute to the problem. A typical “cabinet” or “Executive” contains approximately ten elected members. This naturally dilutes the power the Leader is able to exercise. Further, the Leader is always subject to removal by a majority of his or her colleagues. Bold leadership may not always be encouraged if a Leader has half an eye on retaining such support.

The second concern is one of scale. In many Cities (such as Sheffield or Bristol) the existing authorities cover the whole City. However, in the four largest Cities outside London (Manchester, Liverpool, Birmingham and Newcastle) the same problem exists, as it did in London before 2000: leadership on some issues needs to be exercised on a pan-City basis, yet these four Cities comprise between five and ten authorities. For example, Greater Manchester is divided into ten Metropolitan District Councils:

Metropolitan District Council	Population
Bolton	263,820
Bury	181,880
Manchester	432,474
Oldham	218,070
Rochdale	206,618
Salford	216,532
Stockport	282,532
Tameside	213,410
Trafford	211,774
Wigan	303,846
TOTAL	2,530,956

⁷ <http://society.guardian.co.uk/localgovt/story/0,,2029161,00.html>

The ten Councils in Greater Manchester have recognised the concern about scale themselves. They have consequently begun to develop some voluntary governance structures to address pan-City issues. But these require a degree of consensus and consent which is not always easy to obtain.

The third and final concern is about the freedom of Local Government to act as it sees fit, without the deadening hand of Central Government overseeing every move. Local Government is given remarkably little freedom. Central Government has achieved this iron grip through three techniques:

- *Central Targets*: As with the NHS and other public services, the Government seeks to impose its will through myriad targets, detailing the minutiae of what a Local Authority does. There are 1,200 centrally set targets which are measured, monitored and reported on. Local Government is dominated by Central Government. Not only is any kind of local initiative to meet local needs suffocated, this bureaucratic system is vastly expensive to administer and contributes to an enormous amount of unproductive game-playing.
- *CPA (Comprehensive Performance Assessment)*: This detailing is a Government specified framework for measuring the performance of Councils – effectively, a composite of all the Government’s favourite targets. Additional funding streams and freedoms are offered as carrots in order to cajole councils into meeting CPA criteria, which Government assumes better measure performance than do local voters. 75% of voters agree that the performance of a Council is better measured by themselves rather than by Government⁸. The Government’s proposed change to a Comprehensive Area Assessment from 2009 is not a sufficient reform.
- *Heavily hypothecated (i.e. ring-fenced) funding*: The third and final technique is to heavily hypothecate funding against projects that find favour with the Treasury or other Whitehall departments. By limiting Local Government’s ability to choose how they spend their money (75% of which comes from Central Government rather than Council Tax), Whitehall seeks to control what Local Governments do. For example, in Camden Council’s 2007/08 budgets there are 73 different items of grant or income from Central Government, each with a precisely specified purpose. This funding can be spent in no other way.

In order for Local Government to be effective at leading a renaissance of our Cities, they need to be given enough power to attract consistently the right calibre of leaders, they need to have the right scale to act on pan-City issues that are currently controlled by Quangos and they must be free to be different. The

way to reach the best outcomes for local communities is to evolve diverse solutions relevant to local conditions.

Section 3 below makes specific proposals for reform which places Local Government at the heart of leading City renaissance, and at the same time addresses the concerns raised above.

⁸ Local Government Intelligence Unit, Whitehall to Town Hall, June 2006

2. Current Government Thinking

2.1 Lord Rogers' Task Force

The Government set up a Task Force under Lord Rogers to consider regeneration issues. He recommended a move to:

*"... city region mayors to integrate the city region strategies and investment plans for regeneration, planning, housing, economic development and transport".*⁹

He also recommended that government should:

*"Empower city governments and mayor to raise taxes and funds...to deliver visions and initiatives for their citizens".*⁹

Lord Rogers argued that the plethora of funding streams, delivery bodies and Quangos must be brought under the authority of the Mayor. This could be done in a number of ways. Lord Rogers continued to recommend:

*"one, clearly recognisable and empowered, regeneration delivery body, with a skilled management team. This agency is area based and combines all the relevant public funding streams and executive powers to act."*¹⁰

However, few of Lord Rogers recommendations made it into the Government White Paper published in late 2006.

2.1 The Government's White Paper

The White Paper does however acknowledge many of the problems identified by the Task Force. It admits that the need exists *"to reduce the amount of top-down control from central government"*¹¹, and of the need to give more control to citizens and communities. It goes on to identify the need for *"effective, accountable and responsive local government"*¹². The White Paper also admits that citizens currently do not feel Local Government represents their interests. *"61% of citizens feel that they have no influence over decisions affecting their local areas. Only 42% of people are satisfied with the performance of their local council"*¹³.

Despite recognising these problems, the White Paper does not propose radical reform. Although allowing the possibility of creating more directly elected Mayors voluntarily, it crucially fails to propose transferring additional powers currently exercised by Central Government and its Quangos. So, even if more elected Mayors are created, they will lack many of the powers necessary to make a real difference. The Institute of

Local Government Studies endorses this view, commenting that the White Paper's *"most significant proposals... [are] set in the context of an apparent reluctance to give significantly more responsibilities to councils as a whole."*¹⁴

The White Paper also comments on the electoral arrangements for Local Government. Labour's 1997 manifesto included a commitment to introduce annual local elections. They implemented this through the election by thirds process¹⁵. This was done in part to improve local election turnout, increasing participation and re-engaging communities with Local Government.

Since being implemented, this system has been under perpetual review and faced much criticism. The main thrust of opposition to it states that *"Analysis of turnout in local elections suggests that voters are more likely to participate in quadrennial than in annual elections... Universal whole council elections would do more for participation than a more frequent electoral cycle."*¹⁶ This view was endorsed by the Electoral Commission, which recommended that all authorities move to whole council elections every four years. The White Paper and its subsequent Bill enables councils to move to whole council elections, but does not require them to do so.

Finally, the White Paper acknowledges that the target culture, so evident elsewhere in the public sector, is also now out of control in Local Government. At present, there are 1,200 national targets and indicators for a local area. Ruth Kelly, opening the debate on the Local Government White Paper on 26th November 2006, said: *"We will cut that figure to 200 indicators with around 35 targets, plus statutory education and child care targets."* The implication that over 235 targets and indicators represents an acceptable number is itself of concern. It is evident from this remark that the Government's addiction to a target-driven, central command-and-control approach to controlling Local Government continues.

In each area, then, the White Paper acknowledges some of the problems that we are considering. However, its policy response is tepid, and fails to change how City Government works.

A more radical, visionary set of reforms is required to allow Local Government to lead a renaissance of our Cities.

⁹ Towards a Strong Urban Renaissance, Urban Task Force November 2005 p17

¹⁰ Ibid p16

¹¹ Strong and Prosperous Communities, Vol. 1; Department of Communities and Local Government October 2006 p7

¹² Ibid p8

¹³ Ibid p30

¹⁴ Strong and Prosperous Communities: A contribution to the debate, INLOGOV January 2007

¹⁵ One third of each council is elected each year, with one fallow year as each term is 4 years.

¹⁶ "An audit of local democracy in Britain", Parliamentary Affairs January 1999, quoted in Research Paper 07/01

3. Proposals for Reform

3.1 Principles for Reform

The objective of these proposals is to put City Government in charge of a renaissance of our Cities. In order to achieve this, the following principles should be followed:

- The ultimate decision making body should be the most local possible unit of Government
- Authority and control should rest with democratically elected representatives, not with unelected Quangos. Elected Leaders may choose to use Quangos to deliver, but the elected body should determine the allocation of its funds
- There should be a clear and simple structure, so that everyone knows who is in charge and who is responsible
- If Local Government is charged with leading the renaissance of our Cities, they must be able to attract consistently people of the highest calibre into leadership roles
- Local Government should be genuinely empowered

The rest of this section shows how to put these principles into practice.

3.2 Transfer of Power from Quangocrats to Democrats

Many attempts have been made to reorganise Local Government over the past half century. We are anxious to avoid further changes and consequent delay and do not therefore propose changing the boundaries of the existing Metropolitan District Councils, London Boroughs, Unitary Authorities or English Shires and their subsidiary Districts.

We do propose the wholesale transfer of the power and the funding currently vested in Regional Quangos to the top tier of Local Government. Local Government may choose to continue to use some existing entities (for example, English Partnerships or Housing Associations) as delivery bodies, but they will be subject to the direction of the Local Authority rather than acting autonomously. Such transfer of power into the hands of democratically accountable bodies would include the powers currently exercised by:

- Regional Development Agencies
- Learning & Skills Councils
- English Partnerships
- The Housing Corporation

- Disbursement of European Union Funding

This alone would transfer £10 billion per year from Central Government and its Quangos into democratically accountable local hands. Under these arrangements, Regional Assemblies would become entirely unnecessary, and should be abolished. The public's view of their value was demonstrated clearly in the referendum held in the North East, which overwhelmingly rejected the idea of an elected Regional Assembly. Their functions and powers (for example, strategic planning) should transfer to Local Government. Where there are powers that need to be exercised across an area larger than the Local Government areas contemplated below, the Government Office should play a leading role.

3.3 Create Dynamic City Leadership: Executive Mayors

In order to create dynamic local leadership and to attract high calibre individuals, we believe that directly elected Executive Mayors for top-tier authorities is the best Governance model. Almost every major City in the world outside of the UK has a directly elected Executive Mayor.

The full executive powers of the authority should be vested in the Executive Mayor, who would serve for a fixed four-year term, with a salary commensurate with this level of responsibility. The powers exercised are listed in section 3.4 below.

In order to facilitate rapid transition to this new system, the first Executive Mayor of an authority should be the existing Leader of the Authority, who would serve for at least one year before an election can take place. This will avoid the otherwise inevitable uncertainty and delay.

The Mayor should be subject to loose scrutiny by an Assembly, who would require a two thirds majority to block executive actions and would debate policy matters. If the Mayor covers one existing authority, sitting Councillors would fulfil the role. If the Mayor covers more than one existing Authority (see 3.4 below the Assembly could be directly elected (as in London) or be drawn from sitting Councillors in the existing Authorities. The Boundary Commission could also be asked to consider whether there is an opportunity to reduce the number of Councillors, given that executive powers will be exclusively vested in the Mayor.

This change will also present an opportunity to end annual elections to Local Government and have four-yearly “all out” elections. This will save money and create stability in Local Government.

Auditors should be appointed by the Audit Commission who will ensure that their staff have full access to the records of the Authority. They will have any necessary powers to unearth and report improper or inefficient use of funds. An enhanced code of conduct should have the backing of the criminal law.

This system will create a dynamic, transparent and accountable structure. It is a role that should consistently attract the highest-calibre individuals.

3.4 Authorities and Powers in the Cities

Some of the powers that newly-empowered Local Government will exercise do need to be held at a pan-City level. In some cases, existing authorities already cover self-contained Cities (such as Sheffield, Leeds and Bristol). However, in the cases of the very largest Cities, a new tier of City Government should be created (like the Mayor of London) to exercise these powers, stepping into the shoes of the Quangos listed above, and dealing with genuinely pan-City matters. This would only happen where there is a genuinely unified City Region that does not currently have its own tier of Government. There are only likely to be four examples of this:

- Liverpool
- Manchester
- Birmingham
- Newcastle

These new pan-City authorities would not necessarily cover the whole of the area covered by the current clusters of Metropolitan Districts (for example, Coventry may not wish to be included with Birmingham, although they are currently in the same “West Midlands” Met cluster. This may also apply to Sunderland in relation to Newcastle).

Where existing Metropolitan Districts or Unitary Authorities already cover self-contained areas, the existing single-tier structure should remain as it is. This would include authorities such as:

- Sheffield (Met)
- Leeds (Met)
- Bradford (Met)
- Bristol (Unitary)
- Leicester (Unitary)
- Nottingham (Unitary)

In the pan-City areas, the Executive Mayor for the initial “transition” period should be elected by the existing Authority Leaders from amongst their number, prior to a direct election.

Where there are residual powers that need to be co-ordinated across a whole Government Region (and we expect these to be limited in scope) or which require co-ordination on a scale much larger than any of the Authorities contemplated here, these powers should be managed by the existing Government Offices. These offices are agents of Central Government and are not therefore appropriate for local democratic accountability. Their accountability is to the elected National Government.

No change is proposed to the tiers of government in Greater London.

The structure of City Government would therefore be:

Area	Change to Tiers?	Tier 1 Powers	Tier 2 Powers
Greater London	No	City Executive Mayor	London Boroughs
Unitaries*	No	Executive Mayor of Unitary Authority	
Liverpool, Birmingham, Newcastle, Manchester	Addition of pan City Mayor	City Executive Mayor	Metropolitan District
Existing Metropolitan Districts – stand alone**			
	No	Executive Mayor of Metropolitan Districts	
* e.g. Bristol, Leicester, Nottingham			
** e.g. Bradford, Sheffield, Leeds, Coventry			

Below we define Tier 1 and Tier 2 powers. Tier 2 powers are those that are best exercised at the lowest possible level. Tier 1 powers are those that need to be exercised on a larger scale, and include those transferred from Quangos.

Tier 1 Powers

- Strategic Planning
- Regeneration powers currently exercised by Regional Development Agencies and English Partnerships
- Vocational Training powers and funding currently exercised by the Learning & Skills Councils
- Regional Highways (not Motorways)
- Transport Planning
- Passenger Transport
- Fire*
- Waste disposal*
- Potentially, the organisation and delivery of welfare and combating dependency
- Direct oversight of Police (similar to that in U.S. Cities by the Police Commissioner); substantially stronger powers than

those exercised by current Police Authorities, including the power to direct operational priorities*

* For standalone Mets, these may still be exercised on a pooled basis or by a directly elected Police Commissioner

The vast majority of these powers are currently exercised by Quangos (Regional Development Agencies, Learning & Skills Councils etc) or by the unelected Regional Assemblies. This reform will therefore confer substantial extra powers on Metropolitan Districts where they will remain the top tier of Local Government (e.g. Bradford, Leeds, Sheffield etc) or confer the Quango's powers on the new pan-City Executive Mayor in the four Cities (Newcastle, Liverpool, Birmingham and Manchester) where there is a case to do this. In these four cases, the existing Mets will not significantly lose any current functions.

Tier 2 Powers

- Housing
- Social services
- Libraries
- Leisure
- Primary and Secondary education
- Waste collection
- Local Roads
- Environmental health
- Local tax collection
- Local (non strategic) planning

The transfer of powers and resources from Quangos to Local Government outside the Cities should be the subject of further consideration and consultation.

3.5 Funding and Targets

In the spirit of freeing Local Government from micromanagement, the Comprehensive Performance Assessment and the Standards Board should be abolished, along with their expensive apparatus.

We wish to see Local Government take more control of its own finances. At present, only about 25% of the funding is raised and spent locally. This adds to the emasculation of Local Government, and steps should be taken to begin to reverse this. Some level of central re-balancing is of course always required, in order to ensure equity between richer and poorer areas.

Total Local Government Revenue Expenditure in 2006/07¹⁷ was £91.4 billion (including schools, about £30 billion), funded by:

- Central Government Grants: £64.8 billion (including £17.5

billion of re-distributed business rates¹⁸ and the grant money to fund schools)

- Council Tax: £22.4 billion (raised and spent locally)
- Expenditure from reserves: £4.2 billion

One way of giving Local Government some more control over their finances is to allow them to retain the Business Rates which they collect (all £17.5 billion is currently passed to Central Government, who then re-distribute it) from businesses in new developments in their first five years. This will allow Local Government to benefit directly from economic development in their area – and so incentivise them to encourage business.

Another way to give Local Authorities more control of their finances is to re-allocate to them the capital funding currently channelled via Quangos (including Regional Development Agencies and Learning & Skills Councils). This equates to approximately £10.5 billion per year, and Local Government could of course choose to commission delivery from the Quangos if they saw fit. Capital should be partly granted on a formula basis for Local Authorities to spend at their discretion, and partly awarded against corporate plans drawn up by the Mayor. The concept was developed experimentally when known as City Challenge in the 1990s. It is capable of expansion to cover the plans and activities of a whole authority. It would lead to a much more unified concept of the needs and opportunities of local areas and encourages the participation of locally based public and private sector organisations. Such grants should be for long-term (five years or more) projects. Such competitive bids could include requests for CPO powers or exceptional planning powers in the area affected, besides money. These plans should incorporate contributions from stakeholders, including the private sector, local universities and the voluntary sector. They would involve local consultation and participation and lead to a diversity of response tailored to local employer' (in the public and private sector) needs and aspirations.

Finally, in order to allow Local Government to invest in the future of their area, Tier-1 Local Government should be allowed to issue bonds and borrow on the open market. In the event of default, there should not be recourse to Central Government, and so this borrowing should not form part of the national Government's debt. This means that each Authority wishing to borrow would have its own credit rating.

¹⁷ <http://www.lga.gov.uk/Documents/Publication/newvisionforlgfinance.pdf>

¹⁸ Currently collected locally, remitted to the centre and then re-distributed by them

Cities Renaissance: Creating Local Leadership

by Michael Heseltine

Assisted by Chris Philp

This is an extract from a report by Lord Heseltine's
Cities Taskforce to be released in Summer 2007

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- Lord Sandy Bruce Lockhart
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