



Economic growth through devolution

Towards a plan for cities and counties across England

November 2014

Why city devolution?

Growing the national economy through globally competitive cities

The national economy needs UK cities and city-regions to support and drive national growth. Cities account for 59 per cent of jobs and 61 per cent of economic output.¹ They are vital for achieving sustainable growth nationally, but they also operate in a global economy. UK cities need the economic and policy levers to support and attract businesses and jobs such that Manchester can compete with Munich, Birmingham with Barcelona and Leeds with Lille.

But many of the UK's largest cities underperform on a range of economic indicators, suggesting they do not live up to their full potential. The UK's second tier city economies are much smaller than the capital's, which is similar to the economic disparity seen in highly-centralised Eastern European countries.² Many small and medium sized cities lack the power and scale to make the most of their economic assets.

The centralised governance and funding system in the UK hinders cities from making the most of their local economies.³ Whitehall's control over decision-making and prioritisation of investments means council investments and programmes take too long to implement and get lost in bureaucracy, while city-regions are unable to adapt policy to take on their unique challenges and make the most of their assets.

In order to grow the UK economy, city economies need to be equipped with the tools, powers and flexibilities to drive growth. To get the dramatic changes government needs from cities to grow the economy, they need to offer dramatic changes for cities. This means putting more powers and funding on the

¹ Centre for Cities, *Cities Outlook 2014*. London: Centre for Cities

² Michael Parkinson et al, (2012) *Second Tier Cities in Europe: In An Age of Austerity Why Invest Beyond the Capitals?* http://www.ljmu.ac.uk/EIUA/EIUA_Docs/Second_Tier_Cities.pdf

³ Wilcox Z, (2014), *Breaking Boundaries: empowering city growth through cross-border collaboration*, London: Centre for Cities

table at the city-region and local levels to incentivise and enable places to act strategically when responding to local economic, social and political circumstances. This paper sets out a routemap for supporting stronger economic growth by empowering city-regions.

Achieving a balance of powers between national and local government

Before setting out how to devolve to city-regions, it is important to note that encouraging prosperity for the UK is about supporting growth across different scales of government, not concentrating powers at any one level or for any single institution. Some powers need to remain in Whitehall. Others are most efficient at city-region level. And local authorities and communities have local knowledge and expertise that makes them best suited to provide those programmes and services that require high levels of local knowledge. Any devolution programme that supports economic growth should ensure policies are designed and delivered at the lowest level at which they can be provided effectively and efficiently. This will include policies designed nationally but delivered locally as well as policies designed and delivered locally.

Many powers that currently reside within Whitehall should remain within Whitehall. Some policies, such as income tax, are most efficiently devised and collected at the national level to avoid a ‘race to the bottom’ between localities offering different levels of income tax. Design and delivery of income tax and other taxes on mobile assets should therefore remain at the national level. Other policies and programmes where standards should be the same for all citizens, like welfare and educational standards, are most effectively set nationally. But in order to meet those standards, there is likely a need for places to take a localised approach to delivery. In these cases, outcomes and the broad framework for policy delivery should be agreed in Whitehall and Parliament, and the detail of how this is delivered should move to lower levels of government.

Local authorities and communities are still the most effective, efficient places to deliver many of the services and programmes they currently provide. Vital services, such as social care, business support and libraries, can be delivered effectively at local authority level, while communities should continue to develop neighbourhood plans, run youth programmes and maintain parks. The gains from city-region government would not come at the expense of communities – rather it should provide the strategic framework for issues such as transport and housing that enable local government and communities to provide more efficient services and improve outcomes.

What should city devolution look like?

Stronger economic growth requires putting appropriate powers at the scale where they can be most effective. This means devolving the powers that improve the ability of cities to respond to local economic circumstances and strategically plan for growth. This includes greater flexibility over how national policies are delivered, as well as devolution of powers from Whitehall to local government and city-region government. Local authorities need greater control over local taxes and fees, setting budgets that better support their spending and investment needs. Other powers, policies and strategies would be more efficient and effective at the city-region scale by providing transport, infrastructure and coordinating skills at the geography at which the economy operates.

This paper sets out a routemap for supporting stronger economic growth through greater devolution. It outlines how to empower combined authorities in major UK city-regions and recommends new ways of joint-working for city-regions with counties. Political relationships as well as administrative boundaries and designations (two-tier authorities), add complexity to institutional arrangements for some cities. This routemap presents a pragmatic approach to empowering cities to drive growth within the current framework, without calling for wholesale re-organisation of local government (another way this could, theoretically, be delivered).

Box 1: The guiding principles of devolution to drive economic growth

- **More opportunities for every place.** All tiers of government require more powers and greater funding flexibility and certainty to drive growth. This is about empowering city-regions to respond to local economic needs and support the economy. Devolution would be easier in some city-regions than others, so devolution policy and geography need to be flexible and adaptive to local circumstances.
- **Powers to drive growth at the most effective scale.** Devolution is about putting the appropriate incentives and tools in place, at the right level, to stimulate economic growth. Some powers need to be devolved from Whitehall to local authorities. Others need to be passed down from Whitehall or passed up from authorities to city-regions, and some need to stay at national level.
- **Strong democratic accountability.** Directly elected representatives at the scale of the city-region are necessary to ensure they are accountable to the public, and that local knowledge and preferences shape city-region policy for more effective and efficient governance for the city-region economy. It is not about creating unnecessary layers or new bureaucracy, although some positions or powers may shift to avoid duplication.

Four institutional changes should be implemented to drive growth in the UK's economic engines – its cities, both small and large – and the counties that link to them. These changes are:

- **Combined authorities** for major city-regions
- **City-County authorities** for the UK's small and medium sized cities
- **Greater powers for Greater London**
- **Simplified remit and geography for LEAs.**

These institutional changes should be enshrined in legislation through a Cities and Prosperity Act. The Act would provide the legal certainty and framework to enact reform, and it would ensure that these changes cannot be unpicked. Ultimately, the Cities and Prosperity Act would set in legislation the changes, outlined in this routemap for devolution, that are required for city-regions to have the power and tools they need

to drive the economy.⁴ This would prevent each new city-region government from having to seek Parliamentary approval for the powers they need to drive growth, removing uncertainty and reducing time and transaction costs in the current arrangements.

Combined authorities for major city-regions

The seven⁵ largest English city-regions outside of London represent about 25 per cent of the population, 23 per cent of jobs and just under 21 per cent of GVA, but they are currently under-performing compared to the national average. They lack the powers to adapt investments and policies that could maximise their contribution to the national economy.⁶

Five city-regions have already come together to work in combined authorities (CAs): Greater Manchester, Liverpool City-region, the North East, Sheffield City-region, and West Yorkshire. Birmingham and Bristol city-regions should be the next combined authorities to be established (Figure 2).

Combined authorities offer large city-regions the most formally integrated and long-term means for local government to collaborate on economic development issues that will support long-term economic growth. They serve as statutory bodies which manage transport, economic development and regeneration functions of a city-region. Their statutory status allows them to manage their finances and invest across the functional area with reduced transaction costs. They subsume the Integrated Transport Authority (ITA) and provide the strategic planning and oversight for the constituent authorities and coordinate their strategy over a functional economic area.

Giving combined authorities the powers to support and coordinate growth

Combined authorities and their constituent local authorities need more powers to effectively drive economic growth in their city-regions. They should be empowered by providing them with the following tools, powers and flexibilities to drive growth, because they can offer the most effective scale for coordinating these policies, programmes and funds for the local economy:

Strategic planning

Strategic coordination of land use to enable development and economic growth, moving all strategic land use planning and development functions from constituent authorities to the CA level.

- Power to set a binding statutory city-region strategic economic plan incorporating housing, transport and land use at city-region level. As with the current relationship of neighbourhood plans to local plans, local and neighbourhood plans would both need to conform with the strategic policies of the city-region plan.
- Control of public sector land and property assets through the creation of a single land and property board for the city-region.
- Powers to conduct Green Belt reviews and redesignate land.
- Power to establish Development Corporations to support large scale development.

4 More detail on the Cities and Prosperity Act can be found in the Centre for Cities Manifesto, available here: <http://bit.ly/ZCpnMy>

5 This includes the five established combined authorities and the two proposed combined authorities for Bristol and Birmingham. Nottingham, the only core city not included, presents difficulties in designing a combined authority due to administrative designations and boundaries

6 See Wilcox Z, (2014), *Breaking Boundaries*. London: Centre for Cities

Transport

Powers to regulate providers and deliver effective city-wide transport at city-region level, subsuming functions of existing ITAs or transport authorities.

- Transport for London-equivalent integrated transport bodies – this would include existing and additional powers to the current TfL settlement:
 - 10 year funding settlements for capital investment
 - Control of pricing and fare box revenue
 - Powers to regulate private providers, such as bus operating companies
 - Powers to establish Oyster-style integrated ticketing across buses, trains, trams etc.
- 10 year funding settlements for major transport and infrastructure projects
- Integrated Highways Agency and Network Rail policy at city-region level

Jobs and skills

Strategic oversight of training, workforce development and welfare to work services to align skills with economic needs at city-region level, coordinating with constituent authorities on delivery.

- Co-commissioning powers for the city-region: shared control of funds and ability to direct further education and skills programmes alongside Skills Funding Agency, national government and other agencies
- Greater control over welfare to work contracts at the city-region level, setting priorities for investment alongside national government

Funding and Finance

Longer-term funding settlements at city-region level for strategic capital spending.

- Five-year City Budgets comprising integrated capital funding devolved from Whitehall departments (drawn from infrastructure, employment support, housing regeneration and business support budgets, ie. DWP, DCLG, DfT and BIS)

Incentives for local authorities to pool local income streams.

- 100 per cent retention of the additional local yield if constituent authorities pool revenue at city-region level
- HRA borrowing cap increased if local constituent authorities pool borrowing headroom

Powers to levy precepts on council tax revenue to support city-region funds for investing in transport and regeneration projects.

Remove restrictions on borrowing against assets and income streams (including CIL, business rates levy and poll tax, either separately or in combination with one another) within the prudential borrowing code.

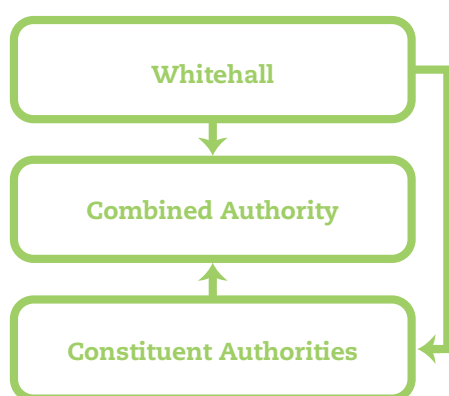
Change in balance of powers

Devolution is not a one-way street. As a result of joining to form CAs, constituent authorities would lose sovereignty over strategic economic growth policy functions. However the gains as a result of joint-working should outweigh the loss of individual local authority powers in the form of greater strategic planning, transport and fiscal powers afforded to the combined authority, as well as the ability to more effectively support growth by working together at the scale of the real economy.

Local authorities in CAs can gain sovereignty by sharing sovereignty. That means individual authorities can receive additional powers as individual organisations if they come together to share strategy and responsibility for delivering economic growth at the city-region level. Local authorities require additional powers in these arrangements for two reasons:

- **Local authorities in big cities are underpowered overall.** They lack the financial powers and control over many parts of their local economies that influence economic growth, but hold vital knowledge and relationships with business that can be capitalised on to support growth in the city-region
- **Local authorities require incentives to give up powers and sovereignty to the CA.** Without gains from forming CAs, local authorities would simply have less influence and resources, but with the same level of local accountability to businesses and residents.

Figure 1: Creating combined authorities creates a new distribution of powers



Additional powers for constituent authorities within CAs

As illustrated in Figure 1, the formation of CAs subsumes and brings together certain functions previously held by individual constituent authorities at the city-region level. This would result in more pooled resources, with less duplication and fragmentation of economic development functions and funds across local authorities. And as explained above, individual authorities that make up the CA would give up sovereignty on certain policy functions, while gaining from joint-working on city-region economic growth in the form of greater powers and responsibilities including:

- Five year resource funding settlements
- Power to set council tax rates and raise council tax rates without referendum
- Power to re-set council tax bands to match the local economy and housing market
- Power to set business rates
- Greater retention of business rates revenue at 75 per cent and 100 per cent if pooled at city-region level
- HRA borrowing limits lifted if allowances are pooled at city-region level.

Governance, leadership and scrutiny arrangements

The scale of powers that are on the table for combined authorities is significant, and that requires significant reform to their accountability to the public and amongst constituent authorities. To do so, this routemap recommends that a combined authority must have a directly-elected city-region mayor in order to receive additional powers and responsibilities. Four year terms for mayors should reduce political

instability and facilitate difficult strategic decision-making by reducing the churn in council leadership and bringing greater stability to councils where councillors are elected by thirds.⁷

Mayors provide visibility, legitimacy and decision-making power to work across councils and with the private sector that no other leadership structure can offer. The role of the mayor should be to set the overall vision for the city and develop plans and policies for the city, covering economic development, transport, housing and regeneration. To that end, he or she would also set the budget for the combined authority. A mayor could use both the formal and informal powers to:

- Help city governments be decisive on issues of strategic economic importance
- Act as a representative to local business and central government
- Bring coherence to the actions of the public sector
- Collaborate with local authorities, business and other players in the wider local economy.⁸

Direct election by residents from across a city, not just a single ward, should encourage strategic decision making that aligns the interests of the functional economy. This is because mayors should be elected to represent the interests of a city as a whole, be a figurehead for the city-region and represent the urban, suburban and further-reaching interests. A single, visible leader for the city-region also provides a clear point of contact and responsibility with whom central government and business can engage with the area.

Directly elected city-region mayors should be held to account by the leaders of the combined authorities. Unlike the assembly model in London, in combined authorities the Mayor would be held to account by the combined authority. To that end, the Mayor should be required to:

- Act as a public figure and representative for the city-region
- Consult on his or her draft statutory strategies and must consider doing so before exercising the general powers of the authority (similar to s. 30(1) of the GLA Act 1999)
- Set and publicise his or her strategies, produced through the combined authority
- Produce annual reports
- Hold an annual ‘State of the City Debate’
- Hold public meetings, where members of the public may ask questions.⁹

Internal scrutiny arrangements

The constituent authorities of the combined authority should establish joint overview and scrutiny arrangements to exercise scrutiny functions over the combined authority and any sub-boards and structures. This could involve each constituent authority appointing elected members to the joint Overview and Scrutiny Committee. The joint Overview and Scrutiny Committee could then appoint sub-committees to deal with matters within its remit.¹⁰ National scrutiny and accountability arrangements for city-region bodies are discussed below on page 16.

7 Leach, S et al, (2005), *Local political leadership in England and Wales* York: Joseph Rowntree Foundation

8 Swinney P, Smith R, and Blatchford K, (2011) *Big shot or long shot? How elected mayors can help drive economic growth in England's cities*. London: Centre for Cities and Institute for Government.

9 London Assembly. *How the Mayor of London is held to account*. <http://legacy.london.gov.uk/assembly/docs/how-mayor-held-to-account.pdf>

10 DCLG, (2013), *Proposal to establish a combined authority for Greater Merseyside: Consultation*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/262083/Proposal_to_establish_a_combined_authority_for_Greater_Merseyside_-_Consultation_v1.pdf

Geography and scale of coverage

A total of 42 local authorities would be covered by combined authority arrangements if the seven largest city-regions outside London adopt them:

- Greater Manchester: Bolton, Bury, Oldham, Manchester, Rochdale, Salford, Stockport, Tameside, Trafford, Wigan
- West Yorkshire: Bradford, Calderdale, Kirklees, Leeds and Wakefield
- Liverpool City-region: Halton, Knowsley, Liverpool, Sefton, St. Helens, Wirral
- Sheffield City-region: Barnsley, Doncaster, Rotherham, Sheffield
- North East: Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, Sunderland
- Greater Birmingham: Birmingham, Dudley, Sandwell, Solihull, Walsall, Wolverhampton
- Greater Bristol: Bath and Northeast Somerset, Bristol, North Somerset, Gloucestershire

Figure 2: Map and coverage of seven city-region combined authorities in England

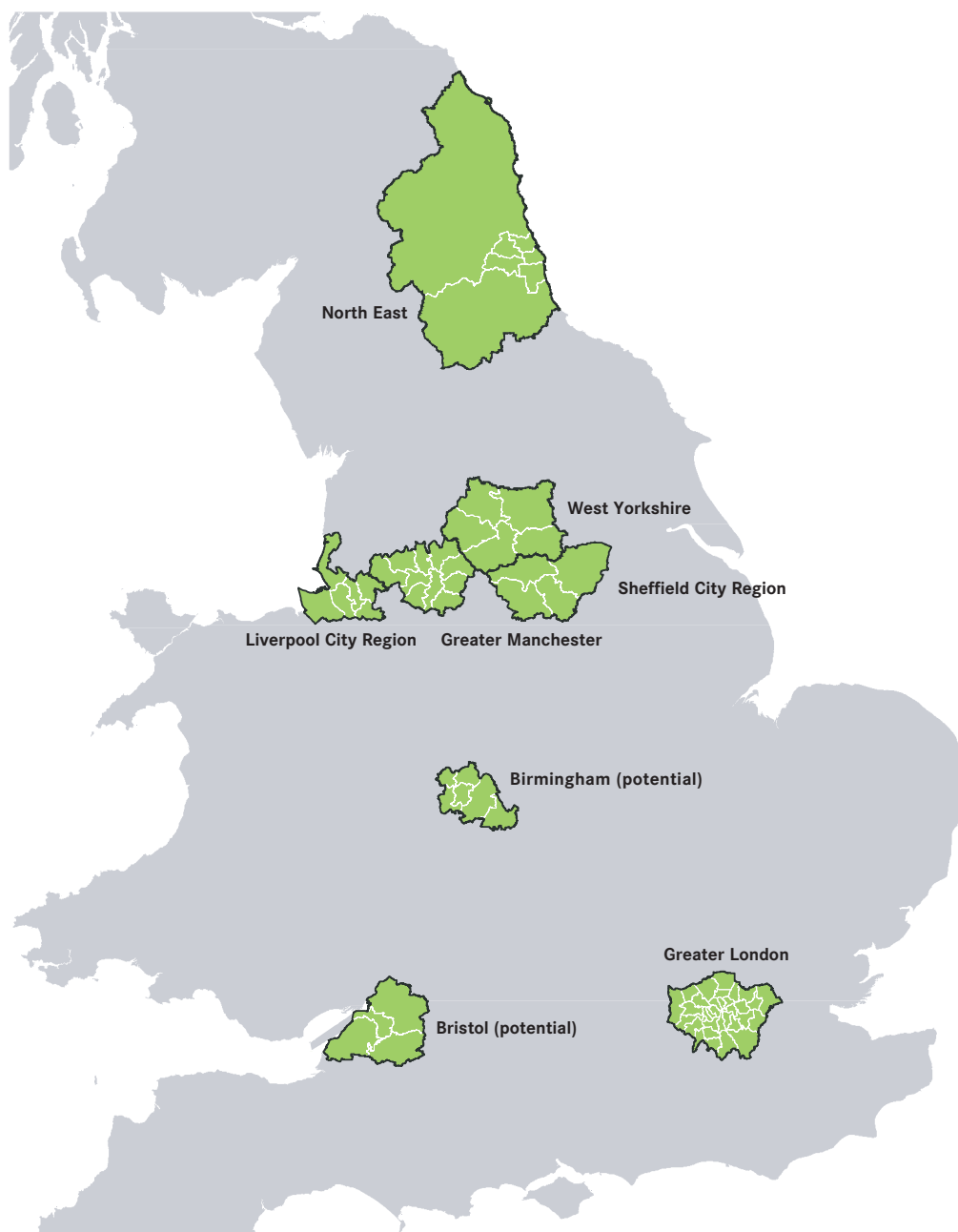


Figure 3: Population, jobs and GVA contribution of combined authority areas to the English economy¹¹

Combined Authority	Population (2013)	Jobs (workplace-based, 2013)	GVA (£m, 2012)
Greater Manchester	2,714,900 5.0%	1,207,400 4.9%	50,990 4.3%
Liverpool City-region	1,512,600 2.8%	594,800 2.4%	25,320 2.2%
North East	1,945,400 3.6%	770,700 3.1%	31,170 2.7%
Sheffield City-region	1,358,200 2.5%	531,900 2.2%	20,640 1.8%
West Yorkshire	2,252,300 4.2%	993,900 4.0%	42,910 3.7%
Greater Birmingham	2,453,700 4.6%	1,039,400 4.2%	43,310 3.7%
Greater Bristol	1,092,800 2.0%	547,100 2.2%	26,730 2.3%
Combined Authority Total	13,329,900 24.7%	5,685,200 23.2%	241,070 20.5%
Greater London Authority	8,416,700 15.6%	4,336,100 17.7%	309,340 26.4%
Total	21,746,600 40.4%	10,021,300 40.8%	550,410 46.9%

Empowering other UK cities: City-County Authorities

Combined authority-style city-county authorities (CCAs) would offer cities outside the seven major city-regions the means to collaborate on the issues that will support long-term economic growth.

Many small and medium sized cities' economies reach beyond their boundaries into counties, and cities need to be able to plan policy and strategy with the counties with whom they share a symbiotic relationship. Small and medium sized cities should form combined authority-style strategic bodies with their neighbouring county through which they would share strategic responsibility for transport, economic development, planning and regeneration.

For many cities, the creation of a CCA would be relatively simple. 17 cities¹² outside the seven major city-region areas are unitary or metropolitan authorities. They could come together into CCAs with their neighbouring counties in one single step – this is set out in Approach One on the next page.

The situation is more complex for other cities. 12 small and medium sized cities are shire districts governed in two-tier systems, and a further nine cities are made up by some combination of shires and unitary or metropolitan districts.¹³ Currently, these cities are underpowered in relation to the county or counties that surround them, because counties control economic strategy, strategic planning and transport for their districts (Appendix 1). Meanwhile, these city districts within counties have no control over particularly urban problems like linking people to jobs, relieving congestion and building enough homes for growing economies. For these places, the formation of a CCA requires two steps, as set out in Approach two below.

¹¹ Population: NOMIS, (2014). 2013 Mid-year population estimates. Jobs: NOMIS, (2014). 2013 BRES Employment data. GVA: ONS, 2012. Regional, Sub-regional and local Gross Value Added, 2012 data.

¹² Cities defined as Primary Urban Areas (PUAs) as defined by the *State of the English Cities* report by DCLG (2006)

¹³ Cities defined as PUAs

City-region governance with counties

This routemap suggests two approaches for establishing CCAs depending on whether the city is unitary/metropolitan district or a shire district.

Approach 1: If the city is a single unitary or metropolitan authority, the process is simpler.

The city council has powers on equal footing with the county, which allows it to form a strategic partnership without local authority reorganisation. These places, such as Coventry with Warwickshire or Nottingham and Nottinghamshire, move straight to step two (below).

Approach 2: If the city comprises one or more shire districts within a county, the process is two steps. It must first complete step one (below) to give the city equal powers with the county before coming together into a CCA. This is the case for cities such as Oxford and Norwich.

The two step process to city-county authorities:

- **Step 1: shire district(s) gain full unitary status to gain equal footing with counties.** Individual shire districts or groups of shire districts which constitute a functional economic area come forward, with the support of the relevant county, to be designated as a unitary authority. (In the case of an existing unitary or metropolitan district, this step is irrelevant). These new unitary authorities would be formed via three options:
 - Local referendum across all local authorities within the proposed PUA
 - Designation by the county
 - Application to the Secretary of State, approved by Parliament (with potential to move and make this secondary legislation)
- **Step 2: unitary authority or authorities form statutory body with a county.** The formation of a statutory CCA, with directed elected cabinet, between the city or cities and county which would manage transport, economic development and regeneration functions across the functional economic area.

Designating areas for CCAs is not an exact science; places need to be flexible and adaptable to their local economy and their administrative makeup. Because some city-region administrations are more amenable to CCA design, their designation may be easier and quicker. For other places, practicality and flexibility should influence the designation of CCAs.

Equipping city-county authorities with the powers to support and coordinate growth

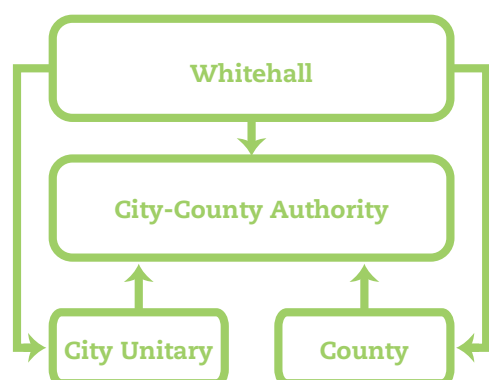
Once formed, new unitary city governments would work with their contiguous counties on strategic economic growth matters on an equal footing. Both the unitary authority and county would receive additional powers from Whitehall, increasing their sovereignty by sharing sovereignty. This could facilitate collaboration between the urban, suburban and rural, where previously cities had been underpowered – and urban interests potentially under-valued – because of their district status, or where the two-tier system prevented effective working at the functional economic area level. These CCAs would work in a similar way as a combined authority, with shared decision making, statutory joint economic plans and additional powers which are outlined above.

Figure 4: Summary of strategic economic growth powers and policy functions in combined authorities and city-county authorities

Combined authority or city-county authority	Constituent authorities (unitary, county, metropolitan)
Strategic Planning Statutory strategic plan maker, control of public sector assets Transport Transport for London style body operating at city-region or city-county authority, integrated highways and rail functions, long-term funding settlements Jobs and Skills Strategic co-commissioner in partnership with constituent authorities, central government and delivery bodies. Funding and finance City-region or city-county-region wide capital budgets, powers to raise local taxes or precepts, and borrow against income streams	Housing and planning Neighbourhood planning and development control Funding and finance Local taxation (rate setting and collection). (other functions of unitary authorities remain unchanged as a result of CA or CCA working)

Devolution is not a one-way street. By putting powers at the appropriate scale to drive economic growth, the balance of powers would change in a CCA. As a result of the creation of the CCA in a two-tier area, the county would lose full sovereignty over policy functions and powers in strategic matters previously held exclusively at county level in transport and planning. The new unitary city authority would gain powers over certain areas, as well as ceding autonomy over strategic planning and transport powers in the formation of the CCA. But as with the formation of combined authorities, all constituent authorities should gain from joining a statutory body for the city-region. Accordingly, all CCA member authorities—county and unitary or metropolitan districts—should receive the same powers outlined in “Additional powers for constituent authorities within CAs” above.

Figure 5: Creating combined authorities creates a new distribution of powers



Governance, leadership and scrutiny arrangements

A directly elected cabinet is necessary for ensuring city-county polities are accountable to the people. A cabinet selected by nominating county and unitary member authorities' councillors would not provide the transparency and direct accountability to the wider region that a cabinet of directly-elected cabinet members would provide.

To achieve the leadership required for any CCAs, this routemap recommends that they would require a city-region cabinet made up of elected representatives covering the city-region. Whereas a mayor provides the leadership for a single urban economy, a cabinet will bring together many voices—both urban and rural – to build a consensus and strategy for the area. The CCA – made up of constituent authority leaders – would hold the elected city-region cabinet to account on behalf of the public by examining its policies, activities and decisions for economic development, transport, housing and regeneration policies and strategies.

All cabinet members would be elected to represent the CCA area as a whole, since the local authorities' interests would be represented by the constituent authority leaders in the CCA. The size of the cabinet should be set in the application for CCA status, but it would be assumed it would be no more than a dozen. (The London Assembly is made up of 25 members.)

As the CCA consists of staff from each of the member authorities, their actions need to be held directly to account in the interests of the wider city-region. In turn, the responsibilities of the cabinet could include:

- Set and publicise budget and strategies, produced through the CCA
- Consult on draft statutory strategies and must consider doing so before exercising the general powers of the Authority (similar to s. 30(1) of the GLA Act 1999)
- Produce annual reports
- Hold public meetings, where members of the public may ask questions.¹⁴

All of these responsibilities would be scrutinised and held accountable by the CCA which:

- Hold the CCA to account through a public meetings
- Examine how the CCA budget can deliver promised projects
- Serve as a statutory consultee in the production of the CCA's strategies and
- Ensure CCA is ethical and transparent.¹⁵

National scrutiny and accountability arrangements for new city-region bodies are discussed on page 16.

Geography of small and medium sized cities for CCAs

The complex geography of local government is an impediment to economic growth in many places. It follows that devolving powers to drive economic growth is not simple and would require a variety of approaches, some more straightforward than others. Unlike for combined authorities, political and administrative complexities make it very difficult to draw a definitive map of all the CCAs that should come forward.

In many cases the administrative and economic geography of urban and county areas lends itself to the formation of a CCA. In these instances the economic case is clear and indicates the need for a formalised strategic body to support growth at the scale of the city and county region. Formation of a CCA may still face **political barriers** in these places, but the economic case is strong and the administrative makeup of

¹⁴ London Assembly, *How the Mayor of London is held to account*. <http://legacy.london.gov.uk/assembly/docs/how-mayor-held-to-account.pdf>

¹⁵ London Assembly, (2014), *The London Assembly Annual Report 2013/14*. https://www.london.gov.uk/sites/default/files/London%20Assembly%20Annual%20Report%202013-14-_0_.pdf

the places could support a CCA model. Appendix 4.1 provides three examples of such cases for Bournemouth, Coventry and Oxford.

For some small and medium sized cities, the administrative, political and economic landscapes are complex, and there is no easy institutional solution for devolving powers at the appropriate scale to drive economic growth. In many cases, the preferred solution may likely not get past the political hurdles. A pragmatic approach favours less than ideal solutions which would still be an improvement on the current situation. Appendix 4.2 provides three possibilities for Brighton, Cambridge and Preston.

Box 2: What happens when the administrative and political challenges are too big?

In some cases, the administrative and political challenges may be so large that other forms of city-region collaboration—for example, Joint Committees—may provide the most practical solution. But, these other collaborative arrangements do not offer the same economic impact because they lack the long-term certainty, formal working relationships and statutory status as combined authorities. Without the formal governance structures, it is not possible to devolve powers on the same scale as combined authorities.

Further devolution for Greater London

Alongside other UK cities, London plays a key role in the drive for city-level devolution. By far the most successful UK city economy, the capital already has a directly elected mayor and the Greater London Assembly in place that create a robust and accountable governance structure. The financial and strategic powers of London create the right structures for stimulating economic growth across the city-region. The GLA has more powers than any other city-region government in the UK. The capital has proven what can be achieved with the appropriate powers, resources and governance at the city-region and local levels. But to keep pace and compete with other global cities, London now needs greater fiscal autonomy to keep up with pressure on infrastructure and services.

Additional powers for the GLA to support London's continued growth

Strategic planning - stronger powers to unlock development

- Powers to conduct Green Belt reviews and redesignate land
- Power to establish Development Corporations to support large scale development

Transport - more powers to deliver effective city-wide transport

- Passing on franchising powers for inner London suburban routes as routes come up for re-franchising
- 10 year stable settlement for Transport for London
- Integrated Highways Agency and Network Rail policy at London level

Jobs and skills

- Co-commissioning powers for the city-region: shared control of funds and ability to direct for further education and skills programmes alongside the Skills Funding Agency, national government and other agencies
- Greater control over welfare to work contracts at the city-region level, setting priorities for investment alongside national government and within national standards

Funding and Finance

- Longer-term five-year City Budget funding settlements

- Devolution of full suite of property taxes to GLA
- Greater incentives for London LAs to pool local income streams, including 100 per cent retention of the additional local yield if London Boroughs pool business rates revenue and raise the HRA borrowing cap if London Boroughs pool borrowing headroom. This would build on London's existing GLA share of locally-retained business rates and the council tax precept
- Remove restrictions on borrowing against assets and income streams (including CIL, business rates levy and poll tax, either separately or in combination with one another) within the prudential borrowing code

Simplify the roles and geography of LEPs

LEPs are currently tasked with coordinating government programmes and the business community around economic strategy for groups of local authorities. LEPs also have responsibility for developing multi-year Strategic Economic Plans for their area and receive allocations from the Growing Places Fund to tackle infrastructure investment constraints and now have responsibility for delivering part of the EU Structural and Investment Funds for 2014-20.

The roles and responsibilities of LEPs have evolved over time, and if the reforms outlined in this paper happen, LEPs would need to adapt to the new powers and geography of CAs and CCAs while ensuring that these structures make the most of the business community's voice in local strategy, investment and policy.

The role of LEPs alongside combined authorities and city-county authorities

LEPs are not statutory or democratically elected bodies, which limits their remit; but they provide a vital strategic business perspective. In this model of devolution, LEPs would focus primarily on strategy and private sector stewardship on economic growth issues, and would focus much less than they are currently being asked to on delivering programmes and investment. This focus on strategy would respond to informal feedback from businesses that LEPs are too time consuming and would play to the strength of businesses' role in policy for strategic oversight. Because LEPs are not statutory bodies, they are not best situated to manage budgets or deliver services. In addition, this has potential to duplicate the policies, programmes or services provided by city-region government or local government, meaning additional or duplicate costs.

LEPs' main objectives should be twofold: first, add the business perspective to local policy and strategy and second, hold the CA or CCA to account. To that end, the role of LEPs would be as an:

- **Advisor:** LEPs should provide private sector input and insight for policy and strategy in FEAs. They should contribute to, and sign off on (see below), the production of strategy for the CA or CCA.
- **Promoter:** Promote the city-region's assets for inward investment and garner support for city-region investment programmes.
- **Co-signatory:** LEPs should provide partnership and de-risk investment through commitment. They should be required to sign off strategic priorities and investment plans for transport, economic development, housing and skills for their area.

Implications for the boundaries of LEPs

LEPs should ideally share their boundaries with CAs and CCAs to provide effective and efficient strategic oversight. Appendix 3 demonstrates the importance of coterminous geography for city-regions and LEPs; when the boundaries divide a CA or CCA, this creates coordination and prioritisation challenges for investing in transport, housing and regeneration in the CA or CCA.

The following guidelines would make the most of the LEP and CA or CCA relationship:

- Combined authorities: LEPs should cover exactly the same geography.
- City-county authorities: there should be at least one coterminous LEP for each CCA.
- Multiple CAs or CCAs could fall within the same LEP.
- LEPs should not split a CA or CCA, nor should they overlap between them. This is about providing continuity and reducing duplication and confusion in LEP strategies and funding.

All in all, these rules would likely reduce the number of LEPs, as some CAs or CCAs would share LEPs to build scale and reflect the wider economic and transport relationships between the city-regions.

Coterminous LEP-city-regions should be prioritised in future LEP funding programmes. Those LEPs which can demonstrate joint strategic planning and investment alongside their coterminous CAs or CCAs should be prioritised in future rounds of government growth funds and deals. This is because the aligned structures of LEPs and CAs or CCAs means that money can be invested more effectively, minimising gaps and overlaps. This structure would provide government with better value for money and should be rewarded accordingly.

Scrutiny and accountability to central government

Scrutiny, accountability and leadership

Combined authorities and city-county authorities, like all forms of government, should be held accountable for their decisions and actions. The current arrangements for local government scrutiny and accountability are robust, so they should be extended to all CAs and CCAs. The local democratic accountability that should be instituted in CAs and CCAs was discussed above, but they must also be scrutinised by and accountable to central government.

CAs and CCAs should be required to demonstrate that they are making financially prudent and sound decisions within the standards set by Whitehall, and they should formalise their scrutiny and accountability arrangements to ensure that their new financial powers are subject to public accountability checks. This should not mean that local areas should be required to deliver outcomes in certain ways or held to account for specific outputs or processes set centrally (beyond statutory responsibilities).

Accountability to Parliament

Any new CAs or CCAs would be subject to scrutiny and accountability by Parliament through the Public Accounts Committee (PAC). The PAC could call combined authority Mayors or CCA Cabinet Members to testify before the Committee.

Box 3: Role of the Public Accounts Committee

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted to Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the Committee may think fit” (Standing Order No 148).

Importantly, the Committee does not currently consider the formulation or merits of policy (which fall within the scope of departmental select committees). Instead, the Committee evaluates value-for-money criteria which are based on economy, effectiveness and efficiency.

If deemed necessary, a specific subcommittee within the Public Accounts Committee could be established to specialise in city-region governments. However, combined authorities and CCAs should only be subject to scrutiny based on outcomes and whether policies and programmes are achieving those. To do otherwise would undermine the importance of local knowledge and place-based design for policies to shape and support economic growth.

Accountability to Whitehall departments

The Audit Commission is currently being replaced by a new framework for local public audit¹⁶ with a transitional body overseeing existing business in the intervening period. The transitional body will be an independent, private company to be created by the Local Government Association (LGA). Following this arrangement, scrutiny and accountability will be managed by many different organisations. Figure 6 below sets out which bodies CAs and CCAs would be held accountable to under new arrangements as the Audit Commission is disbanded and what their tasks would be.

16 Due to start after the Commission's current contracts with audit suppliers end in 2016/17, or potentially in 2019/20 if all contracts are extended.

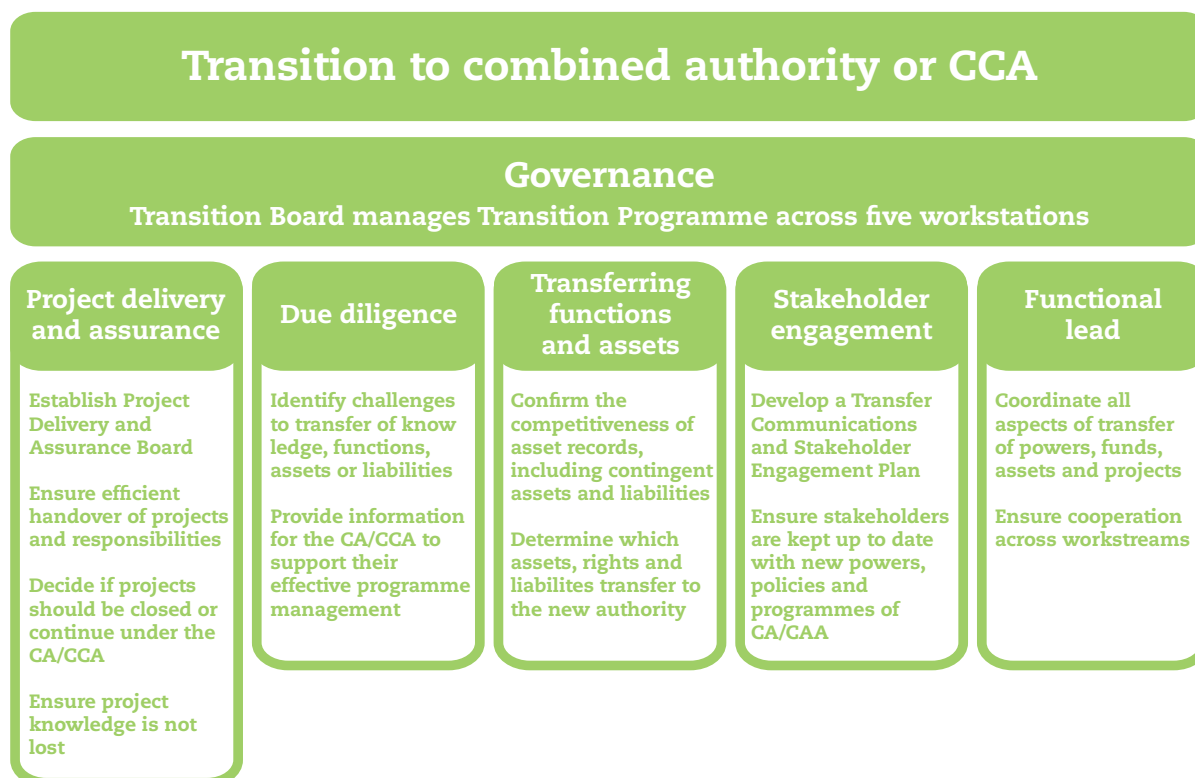
Figure 6: Role of public organisations in holding local government to account

Organisation	Task
Local authorities (LGA)	Peer review: local authorities judge one another's effectiveness, via private company established by LGA
National Audit Office	<ul style="list-style-type: none"> Studying the impact of central government policy on local government's ability to deliver value for money Determine the codes of practice for local government auditors Highlight any nuances or additional rules that combined authorities and CCAs should be subject to as an authority with constituent members
Financial Reporting Council	Regulate local government auditors.
Counter Fraud Centre (CIPFA)	<p>Analysis of local spending data via the National Fraud Initiative</p> <p>Counter-fraud functions</p>
Comptroller and Auditor General	Duty to prepare and issue Codes of Audit Practice and guidance to auditors; and a power to carry out examinations into the economy, efficiency and effectiveness with which relevant authorities have used their resources

Transition arrangements

Each new combined authority or CCA would need to establish a Transition Board that manages the handover of powers from Whitehall departments, local authorities and arms-length bodies to the combined authorities, CCAs and their constituent authorities. The handover programme from the London Development Authority to the Greater London Authority provides a model for such a transition. Figure 5 below outlines the comprehensive roles, responsibilities and tasks to ensure an effective handover of responsibilities, budgets, assets and projects.

Figure 7: Transition arrangements for combined authorities and city-county authorities



‘Transition Boards’ should manage the transition programme. They would be managed by the new CA or CCA, but they would have members from the Whitehall departments and constituent councils that represent their respective interests and responsibilities. The Transition Board should be in place for a set period of time, designated in the CA or CCA proposal—which can be extended upon agreement between the majority of Transition Board members.

Upon completion of the Transition Board duties, the Board should be dissolved and all records become the property and responsibility of the CA or CCA.

In addition to establishing a Transition Board and its duties, transition arrangements should be supported to ensure knowledge, assets and processes are passed on effectively. Secondments, for example, from Whitehall and constituent authority departments proved a useful tool for ensuring knowledge transfer and assimilating different organisational structures and cultures for the GLA. Other lessons from the GLA include keeping the budgets, targets and objectives that were in place for at least 12 months. This gives the new CA or CCA time to assimilate to the new role, gain a better understanding of the budgets, targets and objectives in the new city-region context, and assess their appropriateness. These lessons from the GLA’s transition speak to the successful transition programmes other local authorities have used.

Conclusion

To drive national economic growth the government needs to empower the UK's cities to drive growth in their area. That means putting the right tools and powers at the right scale and enabling cities to adapt, react and drive change at a much quicker pace. It also means local authorities in cities that can come together at the scale of the economy, taking the strategic decisions they could not take on their own because of political, economic or capacity challenges. Finally, it means having the resources and financial tools to make smart investments without bogging down HM Treasury and Whitehall departments with local projects.

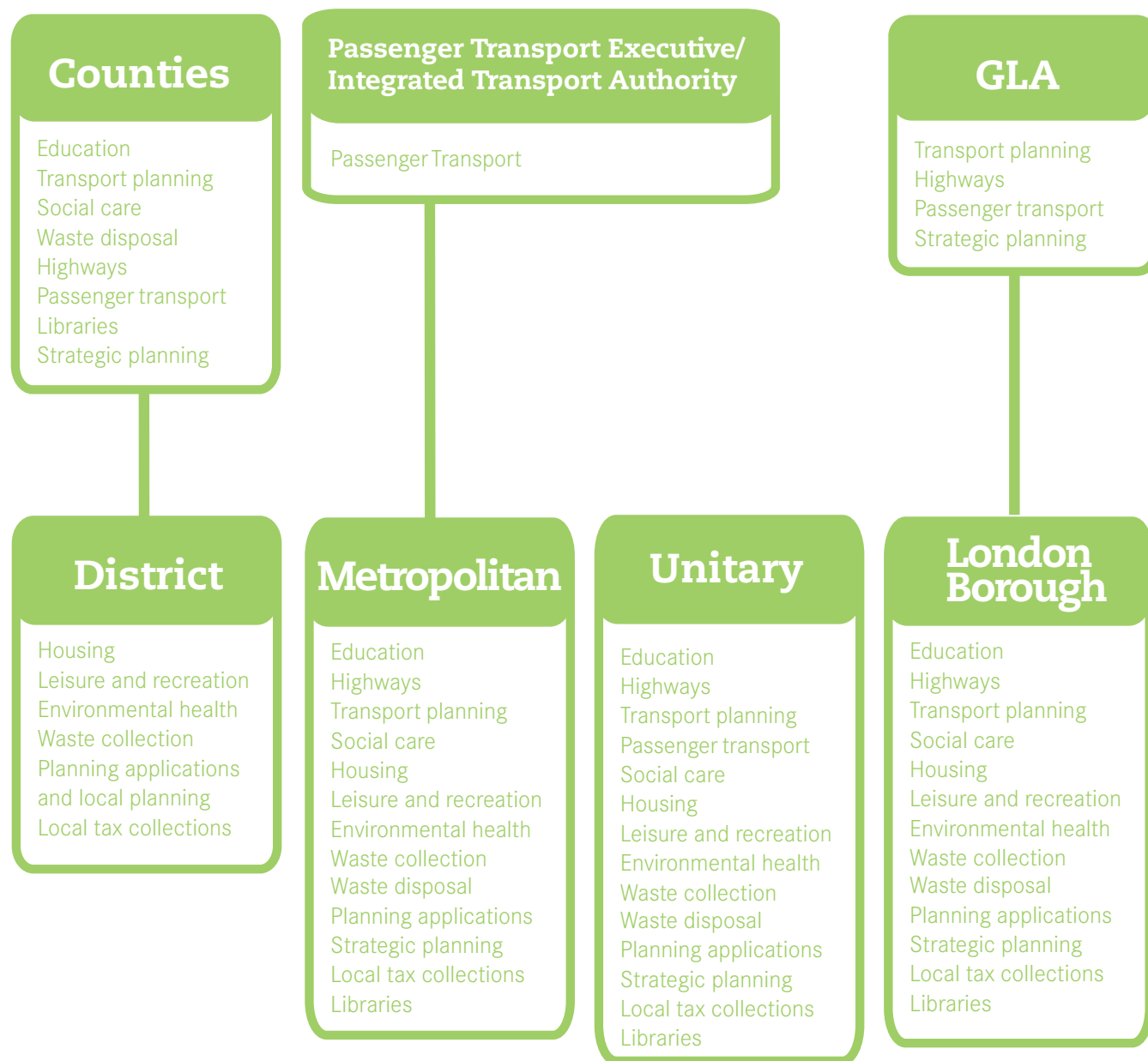
The pressures of demographic change and deficit reduction on the national economy also require smarter and more effective government, at local and national level. But reductions in welfare grants and more expectations on local government have not been matched with funding and programmatic flexibilities. Cities and city-regions need the tools and powers to respond innovatively to these and other challenges.

While the geographic coverage of governance for some city-regions is likely to prove challenging, the move to combined authorities and city-county authorities would provide a framework and strong incentive for city-regions to self-define and self-form. These new structures would enable cities to drive growth by putting the funding and power, with the governance required to effectively deploy them, at the scale where they can be most effective.

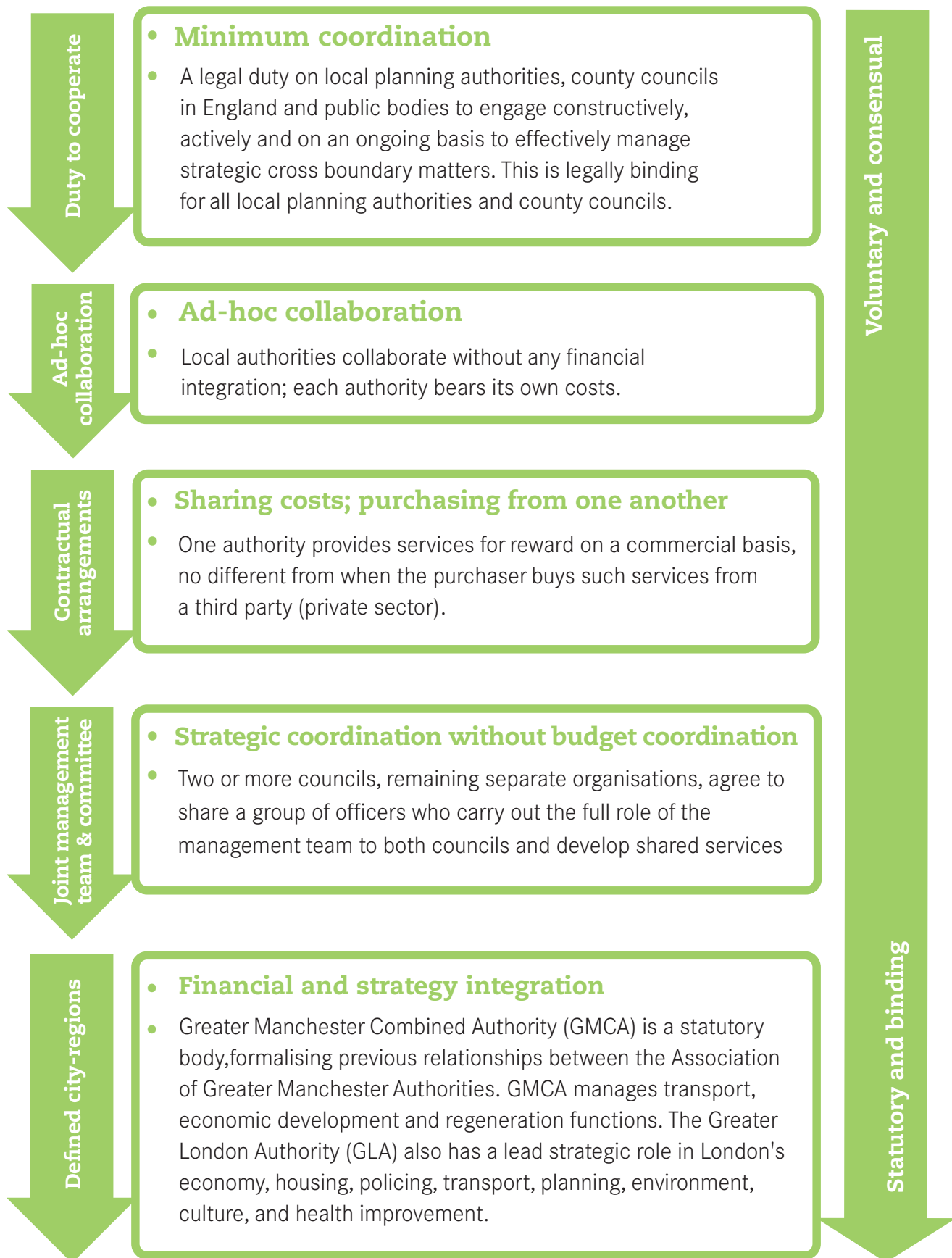
This paper sets out a plan for delivering higher levels of economic growth by devolving more power to cities to drive local and national economic growth. There is no perfect solution but the routemap aims to provide pragmatic and democratic solutions to the institutional challenges city-regions face in supporting the economy, with minimal disruption to the existing administrative, economic and political geography of the UK. The plan also provides more accountability and scrutiny, both to central government and local people, for city-region government to go hand-in-hand with the additional powers and responsibilities they may take on. It provides a range of solutions for different types of city-regions, some which will be easier to implement than others. Nevertheless, it sets out a means by which government could effectively empower UK cities to drive national economic growth.

Appendices

Appendix 1: Current responsibilities of local government by administrative type



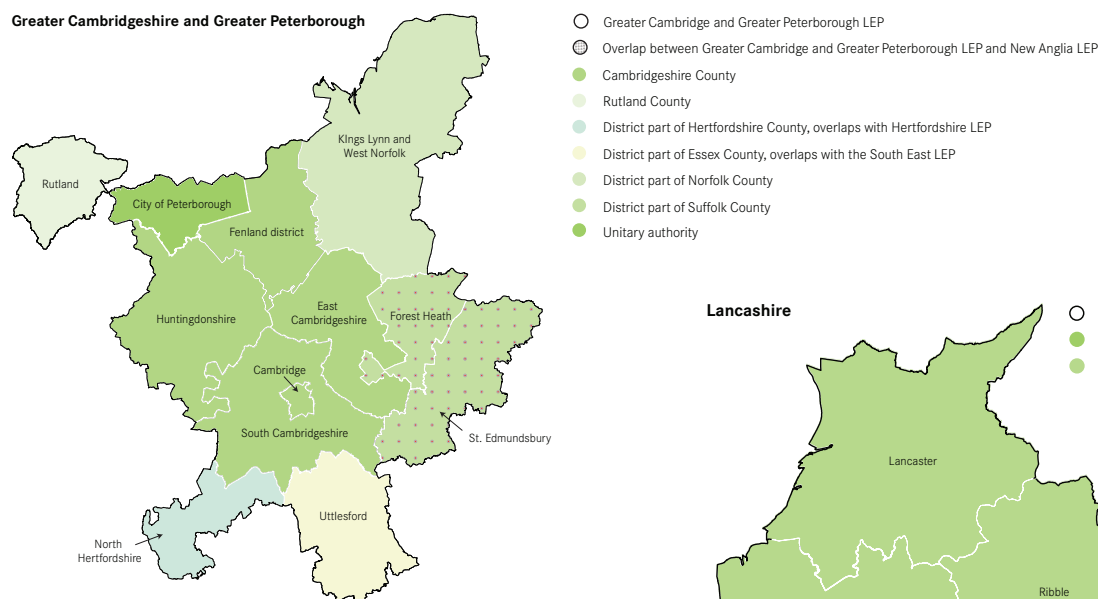
Appendix 2: Forms of collaboration between local government



Appendix 3: Complex geography of city-region and LEP administrative boundaries

Examples of the complexity and mismatched geography between city-regions and LEPs.

Greater Cambridgeshire and Greater Peterborough



Greater Manchester



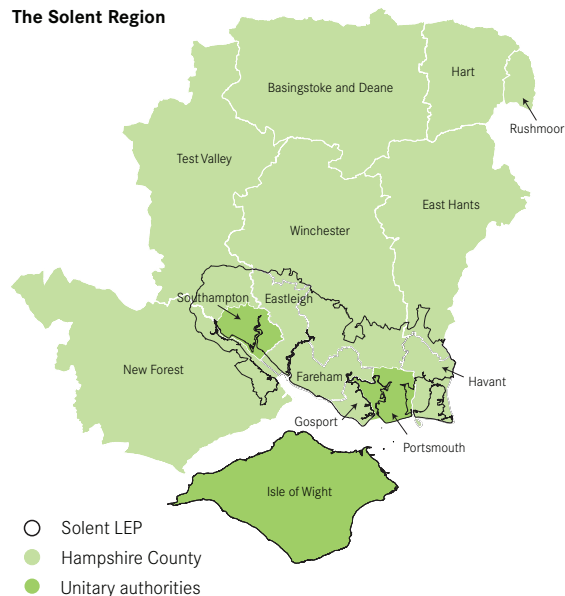
Lancashire



Sheffield City Region and LEP area



The Solent Region



Source: *Breaking Boundaries* (Centre for Cities, 2014)

Appendix 4: Geography of cities and counties

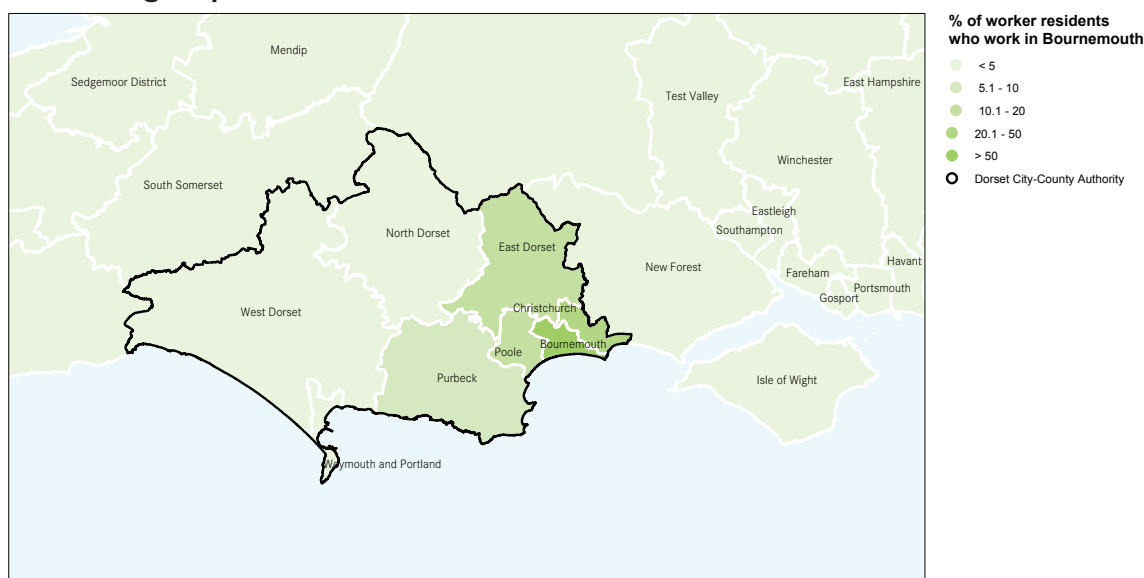
Examples of relatively simple city-region and county geographies

Appendix 4.1: Bournemouth and Dorset CCA

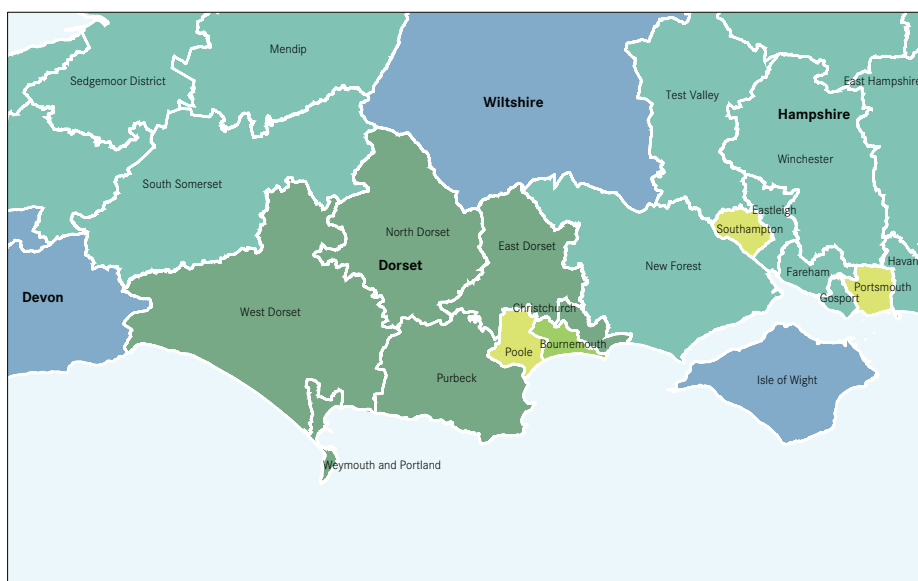
The map below shows the strong economic ties between Bournemouth Unitary Authority and Dorset County through commuting patterns in these areas. Bournemouth and Poole – both unitary authorities – are the economic heart of Dorset (representing 45 per cent of the population, 50 per cent of jobs and 51 per cent of GVA).

Bournemouth and Poole both could enter a CCA with Dorset County without going through Step One (acquiring unitary status). This would give them an equal footing on strategic economic growth decision making with the county and enable a more coordinated approach. In this scenario, however, Christchurch, a district council which is highly economically tied to the two unitary authorities, would not have the same status. From an economic perspective it would be valuable for Christchurch to gain unitary status with the support of Bournemouth, Poole and Dorset forming an authority that manages the whole of the city economy.

Commuting map of the CCA



Current local authority administrative map



Appendix 4.2: Oxfordshire and Oxford CCA

Oxford district is part of, and fully bounded by, Oxfordshire County Council. It provides 23 per cent of the county's population, 32 per cent of the jobs and 32 per cent of the GVA. One of the strongest performing UK cities, Oxford district needs more powers and resources to keep up with its growth; congestion and high house prices are symptomatic of the city not having the control or money to tackle these urban challenges. Rural interests often compete with more urban issues, like housing, where the costs and benefits of economic growth are not shared evenly. A CCA arrangement gives both the city and the county the formal institution to manage those tensions and spread the costs and benefits more appropriately.

There are many potential benefits to Oxford and Oxfordshire working together. By demonstrating joint ambition for collaborating, they could gain unitary status for Oxford to form a statutory CCA with a directly elected cabinet. This would support a more productive and collaborative relationship between the city and the county, allowing the CCA to provide objectivity and vision for the city-region – both urban and rural – easing tensions around house building, traffic congestion, and expanding the benefits of Oxford's knowledge economy to the wider county.

Commuting map of the CCA

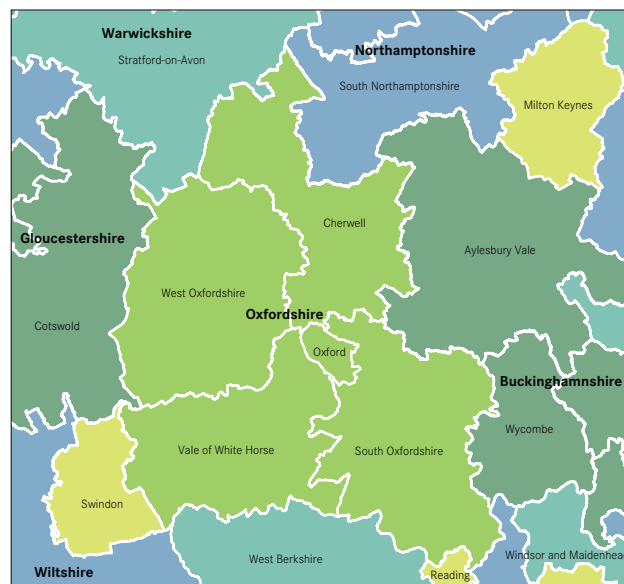


% of worker residents who work in Oxford

- < 5
- 5.1 - 10
- 10.1 - 20
- 20.1 - 50
- > 50

○ Oxfordshire City-County Authority

Current local authority administrative map

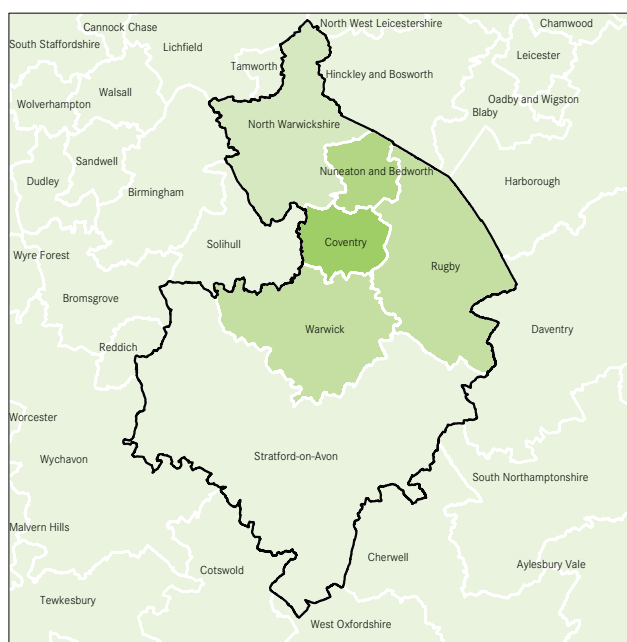


Appendix 4.3: Warwickshire and Coventry CCA

Coventry, a metropolitan authority, is bounded by Warwickshire County Council to the North, West and South. Coventry accounts for 38 per cent of population, 36 per cent of jobs and 34 per cent of GVA between itself and Warwickshire.

A CCA between Warwickshire County Council and Coventry Metropolitan District would enable the city and county to coordinate on matters of strategic economic growth more effectively. It would also give Coventry city-region more scale and a formal institution with which they could communicate and collaborate with a Birmingham combined authority – a city-region with whom they have strong economic and political ties.

Commuting map of the CCA

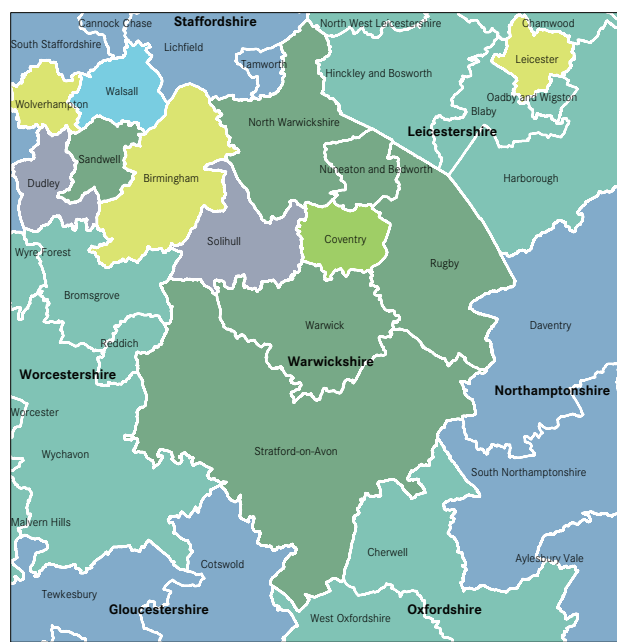


**% of worker residents
who work in Coventry**

- < 5
- 5.1 - 10
- 10.1 - 20
- 20.1 - 50
- > 50

○ Warwickshire City-County Authority

Current local authority administrative map



Examples of more complex city-region and county geographies

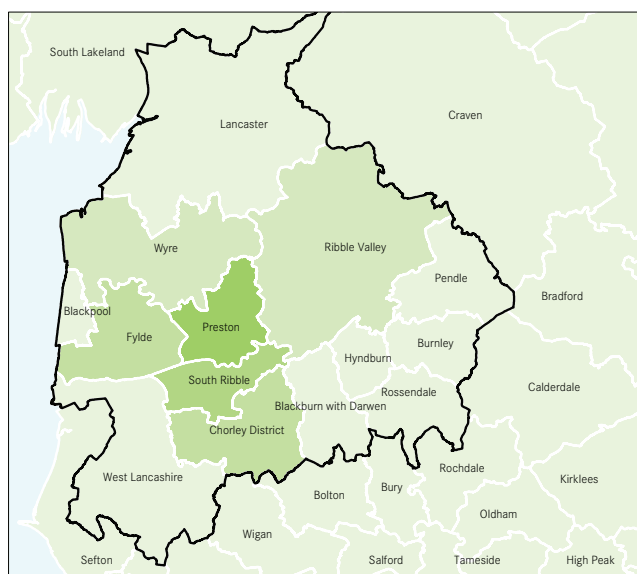
Appendix 4.4: Blackburn, Blackpool, Burnley, Preston and Lancashire CCA

The Lancashire functional economic area comprises four cities: Blackburn and Blackpool – which are unitary authorities – and Burnley and Preston – which are districts that sit within Lancashire County Council. Preston is the strongest performing economy of the four cities.¹⁷ Commuting patterns show a key economic hub in Lancashire with Preston, South Ribble and Chorley. But the city does not have the same powers as Blackpool and Blackburn to drive growth and cannot coordinate on a level playing field with the county.

Devolving additional economic powers to Lancashire County alone is not a sufficiently targeted approach to driving growth in these cities. The county and cities should come forward together to gain unitary status for Burnley and Preston. Then, the four cities and the county can enter into a CCA in order to effectively coordinate economic growth across the functional economic area.

But this is not as straightforward a process as in other cities. Preston, South Ribble and Chorley would ideally form a unitary together, but the political reality and deciding which authorities should form a unitary authority is difficult. In addition, the DCLG State of the English Cities report defines Blackpool city as including the Lancashire districts of Fylde and Wyre, which raises the question as to whether they should come together into a single unitary with Blackpool or simply work with Blackpool as a part of the CCA.

Commuting map of the CCA



**% of worker residents
who work in Preston**

- < 5
- 5.1 - 10
- 10.1 - 20
- 20.1 - 50
- > 50

○ Lancashire City-County Authority

Current local authority administrative map



17 www.citiesoutlook.org

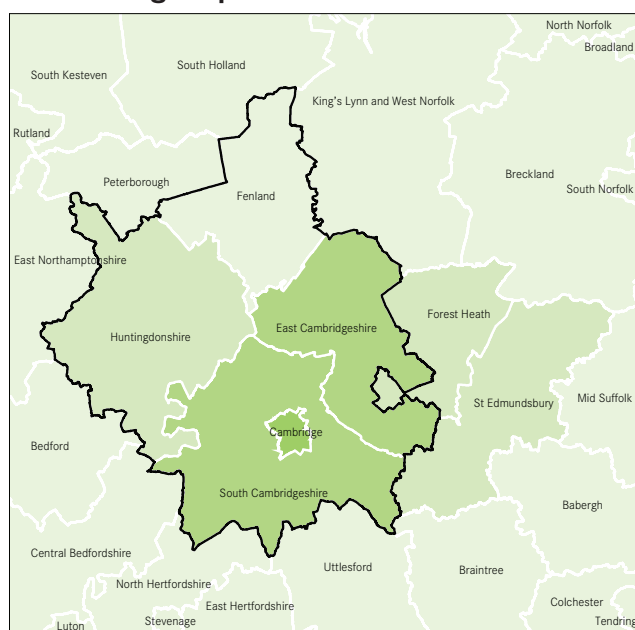
Appendix 4.5: Cambridge and Cambridgeshire CCA

Cambridge is one of the strongest performing UK cities.¹⁸ Despite its significance to the national economy, Cambridge is an under-bounded district council with relatively few powers to cope with the high demand for jobs, housing and transport the city faces.

A district council within Cambridgeshire County Council, the city has few strategic transport or planning powers to support and drive growth in the city and wider areas. Commuting patterns demonstrate the scale of the contribution of Cambridge city to the county economically, with people coming into the city from across the county – East and West – to work. In addition, Cambridgeshire already works with Peterborough under the umbrella of the LEP, but the limited commuting between Cambridge District and Peterborough does not indicate the need for a more formalised arrangement.

Given the size of Cambridgeshire County, Cambridge could build scale by joining up with South Cambridgeshire authorities to become a single unitary authority, working strategically with Cambridge County Council. However, Cambridge City Council could gain unitary status on its own and collaborate with the CCA effectively. Either option would significantly improve the ability of Cambridge to support and coordinate economic growth across the area for which it has a wide economic influence.

Commuting map of the CCA



**% of worker residents
who work in Cambridge**

- < 5
- 5.1 - 10
- 10.1 - 20
- 20.1 - 50
- > 50
- Cambridgeshire City-County Authority

Current local authority administrative map



18 <http://www.citiesoutlook.org/summary/cambridge>

Appendix 4.6: Brighton & Hove and West Sussex CAA

Brighton is also a strong performing economy.¹⁹ Commuting data shows strong economic ties with both West Sussex and East Sussex counties, drawing workers in from Worthing and Adur in West Sussex as well as Lewes in East Sussex. The case for a CCA with West Sussex rather than East Sussex is most compelling however, with the Brighton and Hove wider economic area drawing in people across the county. In order to form an effective CCA capable of delivering the strategic ambitions required to support growth in the area, Adur and potentially Worthing would need to gain equal footing with Brighton & Hove by joining the unitary authority. Together, the new larger unitary could form a CCA with West Sussex County Council.

Commuting map of the CCA



Current local authority administrative map



¹⁹ <http://www.citiesoutlook.org/summary/brighton>

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