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## Step 9: Set Cities Free

### 1. What we want to achieve

For Core Cities to be able to achieve the dual objectives of outperforming the national economy and becoming financially independent by 2030, we need to fundamentally rethink the relationship between central and local government. We need to unleash the pride and independence of our cities and set them free to be able to deliver in response to local needs and opportunities. We also need to ensure that English cities are not left in a position where they have less freedom than cities in Scotland and Wales. Some of this can be achieved through exploring legally binding agreements between local and national government but there is ultimately a need to rewire the system and bring about a wider culture change.

### 2. Why change is needed

#### *Freer cities are more competitive cities*

We know from international examples that there is a strong relationship between the ability of cities to drive growth and the levels of local financial control and the freedom to make policies that match the needs of places. Those cities which have higher levels of autonomy, in particular financial autonomy, tend to do a lot better economically. Financial independence enables cities to join up public spending and plans more easily to get better results. There is also evidence to show that countries which support all their cities equally and don't just rely on the capital do better economically.

95% of all tax raised in English cities goes to national government (excluding recent changes to business rate local retention, which make little difference in this respect). This means that the Core Cities are much more dependent on central government decisions than those in other developed countries including Scotland and Wales. Central government control is onerous, adding additional process and bureaucracy and bringing in poor results.

#### *City Deals are a welcome first step; we now need to go further*

Progress to date illustrates that with increased levels of flexibility, cities have the ability to outperform national programmes. One example is the Youth Contract, with 27% of young people moving into training or employment through national providers but with up to twice as many outcomes when delivered by cities (57% in Leeds and Bradford, 47% in Newcastle and Gateshead). Local flexibility also meant that Birmingham could target neighbourhoods with the highest rates of unemployment. As a result, 73% of individuals, who were helped to access employment by Birmingham City Council, came from these priority neighbourhoods. However, City Deals are only a first step, and despite this major step forward, England continues to be one of the most centralised government systems in the developed world.

### 3. Core Cities offer and proposal

The Core Cities are already making changes including the implementation of City Deals, and development of Growth and Reform plans. Core Cities are ready to take forward the ambitious proposals set out within the Prospectus for Growth, and to achieving our goals of outperforming the national economy and reaching financial self-sustainability. However the Government needs to let go and reverse decades of centralisation to create the really big shifts that are needed on growth and jobs. We are ready to work with Government on better and more effective policy making that saves time and money, and gets better results for the national economy. We propose;

**1. A new ‘Constitutional Settlement’, a legally binding agreement, between local and national government setting out roles and responsibilities.**

We welcome continued waves of devolution to Scotland and Wales but there is an imbalance which needs to be addressed to ensure that English cities are freed up to be able to deliver on their ambitious plans for jobs and growth, for the benefit of the country. One of the routes to support this would be to introduce more radical reform to the central-local relationship. The Political and Constitutional Reform Committee has put forward the case for ‘codification’, to enshrine the independence of local government and in particular to ensure greater financial autonomy than currently exists, which the Core Cities support.

**2. Change Parliamentary Standing Orders so ministers can’t constantly question the decisions of local politicians without good reason.**

Constitutional reform will only bring about the change that we need if it is accompanied by a systemic change in culture across government. This means that at Ministerial as well as Departmental level the traditional way of doing things needs to be re-wired to places. This includes freeing up local politicians without unnecessarily questioning their decisions. It also means that we need to explore new mechanisms for risk and reward, so that when cities take the risk on an economic investment (where the rewards in increased tax take go back to Government), or in improving service delivery (where the rewards in terms of savings may go to another agency and not directly to the city), they can also benefit in the rewards. This will incentivise both economic investments and the reform of the public sector, understanding how city authorities, Government, other agencies and the private sector can co-invest in new delivery models that could bring a return both centrally and locally.

**3. ‘Dual accountability’ arrangements between cities and Government, devolving ‘accounting officer’ functions to get decentralisation moving.**

Decentralisation is not just about whether powers should be devolved or remain at the centre. There are a range of policies and funding streams which need to reflect national and local priorities and where new models of accountability could be explored in more detail. We need to explore models of joint accountability that could work through the current formal requirements of Accounting Officer responsibilities, defining where the accountability lies for the success or failure to achieve key outcomes. A solution may lie in creating a link between the channels of accountability already established by central government to manage its

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relationship with arms-length bodies, and the arrangements for local accountability in place in local government. For example, a Permanent Secretary or other senior official could delegate their Accounting Officer function to a Core City Chief Executive.

### **4. A new 'default option' for co-design of any policy that affects a city, using the skills and experience of Core Cities to help Government out.**

As set out above, in some cases it is not appropriate to devolve powers. In these circumstances it may be the case that we require co-design of policy. Cities are able to bring their experience of working in places, ensuring that policy is not designed in silos. This will enable an open and honest reflection on what policy, commissioning or spending needs to become more closely and strategically aligned within a functioning economic area.

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