



Communities and Local Government Committee

Oral evidence: [Fiscal devolution to cities and city regions](#), HC 1018

Monday 10 February 2014

Ordered by the House of Commons to be published on 10 February 2014.

Written evidence from witnesses:

Panel 1 (Questions 159-203)

[Sunderland City Council](#)

[Staffordshire County Council](#)

[Leeds City Council](#)

Panel 2 (Questions 204-239)

[Greater Manchester Combined Authority](#)

Listen to the session

Members present: Mr Clive Betts (Chair); Simon Danczuk; David Heyes; Mark Pawsey; John Pugh; and Chris Williamson

Panel 1 Questions [159-203]

Witnesses: **Councillor Paul Watson**, Leader, Sunderland City Council, and Chair, Association of North East Councils, **Councillor Philip Atkins**, Leader, Staffordshire County Council, and **Councillor James Lewis**, Leeds City Council, gave evidence.

Q159 Chair: Welcome, everyone, to our third evidence session on fiscal devolution to cities and city regions. We are very pleased to be here in Manchester this afternoon taking evidence. For the sake of our records, could you all just identify yourselves, say who you are and the organisation that you represent?

Cllr Atkins: I am Philip Atkins; I am the leader of Staffordshire County Council.

Cllr Watson: I am Councillor Paul Watson and I am the leader of Sunderland City Council and the Association of North East Councils.

Cllr Lewis: Councillor James Lewis from Leeds City Council.

Chair: You are all most welcome. Before we begin taking evidence, can I make sure we put our interests on the record as far as the Committee is concerned? I am Vice-President of the Local Government Association.

David Heyes: I have two members of staff who are local councillors.

Simon Danczuk: My wife is a councillor; my father-in-law is a councillor and I also have two members of staff who are councillors in Rochdale.

Chris Williamson: I have two elected members on my payroll as well.

Mark Pawsey: I have an elected member of staff in my team.

John Pugh: I have one member of staff who is an elected councillor.

Q160 Chair: We must make a council up between us. You are three council leaders: core city; key city; county. Is it possible we can move fiscal devolution onwards in all different types of authorities at the same time, at the same pace in the same way?

Cllr Watson: Clearly, I am not sitting here with a solution or recipe to do that. Certainly, from our point of view, though, unless we do that, we will not be able to be successful. It is about inclusivity. It is about changing the direction of travel in this country from a more centralised place, which does not reach the best potential of our farther-flung regions and lesser cities in comparison to London, an international city. If we do not enable the furthest, lowest parts of our communities and our areas to contribute positively to the wider economy, we will find it difficult.

Cllr Atkins: From my perspective in Staffordshire, we have been trying to devolve finances down to the lowest possible level where we can get the maximum benefit. Responsibility and accountability are also important. If you devolve responsibility and accountability with your fiscal devolution, you have to have some measure of what they

are able to do. Governance and having a framework where people can make those decisions are key.

I quite often say: "The appropriate decision, the appropriate involvement, at the appropriate level." It is not right for a county council to tell a parish council where to put a park bench, but neither is it appropriate for a parish council to tell a county council what they should do about a large business development. However, there is a role for consultation and influence in terms of the eventual decision by the appropriate body. The county council may advise the parish council where they could put the park bench; it would be stupid to put it close to a road, let's say, where there is busy traffic. You have to take into account that a parish council can give a lot of advice to a county council about the facilities that their community needs. It is a balance of fiscal devolution tied in with the governance so we can maximise the value for money that we get out of it.

Cllr Lewis: First of all, I am not the leader of Leeds Council. That is Councillor Keith Wakefield. I am representing him. I just wanted to say that to avoid any confusion here and intrigue if word got back.

Our perspective on the progress and pace of devolution is that, in the Leeds City Region, we have a vehicle to deliver devolution through the combined authority, which comes into place in a couple of months' time. We have a very clear prospectus and purpose for devolution around improving infrastructure, investment, jobs and skills, and certainly a desire to look into some aspects of the welfare state in terms of devolving programmes. We also have a real focus on delivering those in our area.

That might not be the right approach in another area. It might not be an approach another area wants to take, but we believe we have something there to offer. Certainly, the clear evidence is there. I do not want to go over ground that other people have gone over in this inquiry, but the evidence is there that, where there is fiscal devolution to cities and that is turned into investment in infrastructure, it delivers economic growth. We think we have the right model for our area and the right model we want to take forward.

Q161 Chair: I am going to pick up one issue with each of you very briefly. I will come back to James Lewis. Is there a sense, though, that the core cities saw what the London Finance Commission recommended, and thought, "That fits in with what we are trying to achieve. We are going to get on and push for that; if other areas catch up later on then so be it, but we are not going to wait for them" ?

Cllr Lewis: That probably is a fair characterisation of what we want to do. We have seen that London started a process of devolution 14 years ago. We have seen the tremendous growth that has happened there. We want to be part of that programme. That is not to say that, if we do not have devolution, we are going to say that London should not have devolution and we will campaign against it. Nor is it to say that we do not want anywhere else to have devolution. It is to say that we think we are in the right place, at the moment, to take a bigger role in terms of local public service delivery and a big part of that has to be devolution of the resources to do so.

Q162 Chair: Paul Watson, you cannot really lose in this, can you? If the key cities do not get what they want immediately, perhaps you follow on down the line, but, in any case, if Newcastle gets the go-ahead, it will be done on the basis of a combined authority, so is Sunderland not in the driving seat whatever happens?

Cllr Watson: There is something in that, but we have to draw the competition out a bit, in terms of understanding that, when we get that devolved autonomy in whatever shape or form, it is a shared autonomy we have equal status in. We have partners who are lesser size, have lesser economic clout and things like that, so we need to ensure we empower everyone in the governance structure of it. I agree with what Philip was saying about devolution under the principles of subsidiarity, in terms of what should be done where and how it should be done.

Clearly, for Sunderland, at the end of the day, we are as big and important, and certainly the people of the city think we are as worthy, as everybody else. If a Government really wants to change the settlement or the footprint of local government, they need to do it through a parliamentary act, where everybody agrees, or they devolve in a way in which they can get general agreement. We talk about combined authorities, and see them working and understand the principle, but the way we work is almost as important as how we work and how we invest the resources that guarantee we get the best result.

Q163 Chair: Should this be conditional, then? A combined authority has to show it has a model that everyone feels comfortable with and is going to work before devolution is handed down to any bit of it.

Cllr Watson: I am not sure that can be done. How do you know what the omelette is going to taste like? You have to crack the eggs, put them in, cook it and then see what it tastes like. To some extent, it is absolutely true what the Government is doing, in terms of saying, "Look, I want to know that you have a robust system of decision making, and a sensible and able way of working so that you can handle

this devolution and the resources that may be handed to you.” It absolutely has to assure itself as best it can.

We have had this sort of earned autonomy anyway in certain city deals, where you promise that you will do something if they give you something. It is even more so with this payback at the end—payment by results—where you reduce your incidence of offending in youth offending teams and then you get paid afterwards. How do we do it in the first place? If we do not have the money to do it and are only paid afterwards, there are some issues. There should be a certain amount of Government assuring itself, as best it can, that it will not give responsibility and resource for people to do silly vanity projects and things like that. Clearly, though, it needs somebody to take the step.

Q164 Chair: Philip Atkins, an issue that the counties really have to address is that, looking at Leeds City Region or the north-east combined authority area, these are travel-to-work areas; they have an economic coherence to them, to a degree. Counties tend to be old, traditional, administrative boundaries, which do not necessarily have an economic coherence. Is it not a bigger challenge to argue for devolution, which often is about economic powers, skills, transport and that sort of thing?

Cllr Atkins: Staffordshire probably has the most complex economic geography in the country, if not in Europe, if not in the world. We have three city regions around us, with Manchester, Birmingham and the Black Country and what I call the golden triangle of Derby, Nottingham and Leicester. Then we have Stoke-on-Trent within our boundaries as a donor. We have quite a complex set of issues, which means that we have to play to the strengths of all of those areas. Yes, there is an administrative boundary, but Stoke was part of us at one time, as were Wolverhampton, Sandwell and Walsall. We all have a strong bond and historical ties around that.

When you have that complex economic geography, it means that, rather than become a vast, forgotten hinterland, you have an opportunity in all areas, because you are what is called a peri-urban fringe. The travel-to-work area means that it overlaps. If you had a look at it and said it was within an hour’s travel time, it extends from Stafford, almost all the way down to London. It is an hour and 20 minutes, currently, from Stafford down to Euston station. It has taken me an hour coming up the motorway today to get to Manchester. We have a very wide travel-to-work area.

If we are going to play to our best, we have to have some agreement with our partners. What I would say—but then he would, wouldn’t he?—with Staffordshire is that we have to make everything work together within our county boundaries. That means police, fire,

health, clinical commissioning groups, the districts, the county, Stoke. We share a fire and police authority with Stoke. We share a health service that knows no boundaries. It tumbles into the Black Country and, equally, northwards. There is a total public spend of £7.5 billion within Staffordshire. Rather than have complex agreements, sometimes you have to have the matter of trust, and understand that somebody will do the job.

In the commissioning cycle that we undertake ourselves, you first of all have to decide what the question is that you are trying to answer. Quite often, people jump straight to the answer rather than think about what we are trying to solve. The three priorities in our area are jobs, health—we have Stafford Hospital and Mid Staffordshire Foundation Trust, so that is a priority for us all—and being safe. We have decided that, if you have those first two right, the third one follows on behind.

As to the fiscal devolution and the governance arrangements that you have, yes, we will do a city deal; yes, we will put bids in to any growth fund, but you do need to have a common focus on where you want to get to within that area. Forcing people to do it does not do it. It has to be through trust. As a county, I would argue that we can do it, but to reach every village, town and city around us, you have to have that degree of trust. What is good for Stoke is good for Staffordshire, and what is good for Staffordshire is equally good for Stoke.

Q165 Mark Pawsey: I want to ask questions about the way in which you can push the devolution agenda forward, but I am still a little confused, Mr Atkins, whether you are as bought into this project as are, perhaps, the two colleagues sitting on the witness table with you. Are you actively chasing additional powers from Government?

Cllr Atkins: We are. We are entering into a city deal with Stoke-on-Trent. We are actively pursuing that. We are almost there. We have most of our asks there on the table already. There is a skills pilot. There is an advanced materials hub. We have asked about the widening of the M6. We are very much into connectivity. We are signed up to the city deal, and we will do what we have to.

Q166 Mark Pawsey: But you do not want the same kind of powers as Mr Lewis would like. He would like the ability to use stamp duty. He is even talking about have a room rate levy on tourism. You do not want to go that far, do you?

Cllr Atkins: No.

Q167 Mark Pawsey: Given that you all want to go partway down the road, what is the best way of doing it? Mr Watson, you spoke about possibly having an Act of Parliament. Is that the way we are going to achieve this?

Cllr Watson: We live in a hierarchal political world. Government is elected to govern the country and tell us the way that we should be set up. It is great to see it done consensually, but if we keep on talking for another 30 years about how it will happen, it will be another 30 years before anything more might happen.

Q168 Mark Pawsey: Hasn't Government got a very clear agenda, which is inviting local areas to get together, come to Government and make a case and a proposal? An Act of Parliament is a top-down approach, which is contrary to the principles.

Cllr Watson: The way it is happening with the combined authorities in the 2009 Act, is, "Yes, the powers are there to do an economic partnership or a combined authority. If you want to do that, come and approach us; we will look at it and make assurances."

Q169 Mark Pawsey: What is wrong with that?

Cllr Watson: It is quite good, but you have to ensure that everybody is included.

Q170 Mark Pawsey: It is up to local communities to organise that. Why should Government be dictating what people should do?

Cllr Watson: I am not saying the Government should dictate, but the Government should govern. There is a slight difference between those.

Q171 Mark Pawsey: Mr Lewis, are you happy with this approach? Do you want an Act of Parliament?

Cllr Lewis: There are clearly some legislative changes needed here, particularly to empower combined authorities and existing local authorities. There are probably two parts to devolution. One is almost that event, like switching on the light bulb, where things go from one state to another. The other is that long-term process of change and saying, "We, as a combined authority, want to have a real drive on investing in infrastructure." That is not going to be handed down by an Act of Parliament. That will be a long-term period where we have access to revenue and capital, so we are able to get on with a programme of schemes that deliver that.

It might be that there is a legislative change in the beginning to make that happen, but I do not think that is the most important part of the process. Certainly, in some of the work we are doing, we are not encumbered by primary legislation; what we are encumbered by is not having access to our own devolved funding to deliver it.

Q172 Mark Pawsey: You spoke about transport and you are building up a combined authority. We are sitting in Manchester today. Are there lessons you can learn from what has happened here in Manchester?

Cllr Lewis: Yes, very much so. Manchester took very early advantage of a previous legislative change to agree a combined authority. In terms of some of the projects that are being delivered at the moment, the extension of the tram system being a very visible one, they are already taking advantage of that and using the ability to deliver capital programmes and linking that, through an earnback mechanism, to the ability to access funding in the future. So, yes, there are lessons to be learnt from Manchester.

The geography of different areas is different. You have heard already from my very good colleague Councillor Peter Box as part of this inquiry, in terms of an area like West Yorkshire, which has a core city in Leeds, and those groups that are a little bit self-defined—core cities and key cities—but the principles are there. It is also about the maturity of those relationships within an area to say, “Yes, we have a stake and a say in this, and that is what a combined authority gives.” There also then has to be an acceptance that things will happen somewhere else to make this overall vision happen.

Q173 Mark Pawsey: Mr Atkins, with your more cautious approach to what is happening, your road map would be very different from Mr Watson’s with a top-down Act of Parliament. How do you see things working out in your area?

Cllr Atkins: There is definitely a roadmap to devolution that is evolving as you enact deals and work with individuals. I see devolvment of powers gradually. The one area that I would highlight is business rates, because the way that is distributed is—

Mark Pawsey: We will come on to business rates a little later.

Cllr Atkins: There is a roadmap along the lines of devolution.

Q174 Mark Pawsey: Are you bothered about the Government’s focus on cities? It is all about cities: key cities and core cities. You have

cities close to you, but you do not represent a city as such. Are you bothered that there is too much emphasis on cities?

Cllr Atkins: The part that worries me, using housing as an example, is that, if you have city regions, the areas around them, if they are not careful, become a vast, rural, forgotten hinterland that has housing imposed on it from the city, because the city says, "We need to grow." There needs to be a counter to that to say, "Why are we not using up the brownfield sites and sitting down and thinking about what the hinterland can offer?" The hinterland can offer employment sites that are readily accessible. It can also offer the connectivity between other areas.

Q175 Mark Pawsey: Are you bothered that the shire counties might be forgotten in this rush for growth in the urban areas?

Cllr Atkins: Yes, I am really concerned that there are no county growth deals. There are no ways that counties can grow on their own. We have had to work with Stoke, but as I said earlier, what is good for Stoke is good for Staffordshire and vice versa, because we share police, fire and health services. That is logical, but you do need to have some definition, and when we have some of our districts in two local enterprise partnership areas, that brings about confusion, because we have eight LEPs around Staffordshire and Stoke Local Enterprise Partnership. Half the county has dual membership—the districts at any rate. That brings confusion. It is better to work as an equal with the Black Country LEP, i.e. as we have done around the I54 site, where Jaguar Land Rover are now building an engine plant, rather than the confusion of trying to align strategies. That is the problem with having no county deal as opposed to city deals.

Q176 Mark Pawsey: Is the ability to devolve down made harder by being in a two-tier authority?

Cllr Atkins: It definitely is.

Q177 John Pugh: I want to continue the question on the surrounding areas, and the effect devolution may have on them. Councillor Watson, there is a surrounding area near you called "Scotland", which is going to have quite a deal of devolution one way or another, in the next few years. Do you see that as a special problem for the north-east, in particular, if you do not have a comparable level of devolution?

Cllr Watson: We have done quite a lot of work with this. We have done a borderlands report with the Durham and Northumbria Universities, and clearly there are issues. Our opinion is, generally, that there is a European Union with 27 borders; there is a United States with 50-odd borders; borders should not be any real bar to you doing

business and working together. Indeed, when the report was published, there was a possibility that some opportunities might arise from that as well. I do not think we are standing in awe or frightened of that happening, if that were to happen.

Q178 John Pugh: You do not think there would be a contrast. You cross the border; north of the border, things are decided in Edinburgh, which is quite close to the border. If most things are decided in London, in terms of the north-east, it is a heck of a lot further, isn't it? The comparison will be quite marked, won't it?

Cllr Watson: It depends how the Scottish Government decide to work. We have already lost some employment, inward-investment opportunities to Scotland, with them still having the ability to give grants to inward investment. If full devolution in Scotland were to make changes to its corporation tax to make it more competitive, from a business point of view, or certainly air passenger duty, which would affect Newcastle Airport and even Manchester Airport, and give better deals that way, that would really concern us. Clearly, with being in Europe there is harmonisation of taxation and, certainly, I would hope that the British Government would step in and enable us to compete. We are not terrified of that. We will take it as it comes.

Q179 John Pugh: Do you think the perceived Scottish threat might make people in Newcastle and Sunderland think that they have more in common, because they get on very well at the moment, don't they?

Cllr Watson: Absolutely, and that happens generally. When I used to work in Southampton, we used to get on well with the people from Newcastle who worked there. When I worked in Germany, we got on with cockneys and everyone else who came from the British Isles.

Q180 John Pugh: So would the package be devolution to the north-east, or could you bear devolution first to Newcastle?

Cllr Watson: It would be much better to come to the north-east, and even to the north-east and Cumbria. To some extent, we work across those borders, quite often in different areas.

Q181 John Pugh: What I trying to find out is whether a deal going ahead in Newcastle, and a deal being held back in Sunderland for whatever reason—readiness or whatever—would be a problem.

Cllr Watson: No. What we need to understand, from my point of view, about the economy is I can stand in the centre of Sunderland, jump in the car and can be in the centre of Newcastle in 15 minutes,

and the same with the city of Durham, so, at the end of the day, those three economies are absolutely interlocking. They are together. If you go there in the morning, you will see thousands of people travelling from Sunderland to Newcastle to work, and thousands of people the other way. That economy is one homogenous mass. I wonder how you would be able to devolve to one and not the whole area. When something happens in one place, it really does benefit the rest.

Q182 John Pugh: Councillor Lewis, the surrounding areas of Leeds will obviously benefit from devolution to Leeds, and the economic benefits that may involve. How will they feel that benefit?

Cllr Lewis: In terms of the city deal and our devolution proposition, it is very clearly around economic growth, infrastructure and skills. I do not think people live their lives, and I do not think the economy works, on a set of local government borders that were drawn up in the early 1970s. Therefore, the distributive effects of what we want to see as benefits of devolution will be felt well beyond the borders of Leeds City Council. If people are using transport infrastructure to make their commute to work easier if they live outside the area—

Q183 John Pugh: Can I stop you there on transport? Where I live, in Merseyside, a lot of people travel through West Lancs. West Lancs is a completely different transport authority than Merseyside passenger transport authority. That makes it particularly problematic when you come to improving transport in the area. Does the same thing prevail in Leeds, with different transport authorities in play?

Cllr Lewis: My day job is chair of West Yorkshire Integrated Transport Authority, and one of the things we need to do and achieve is improving cross-border working without getting too stuck on transport things such as simple cross-ticketing and standard levels of service.

John Pugh: It is an issue, isn't it?

Cllr Lewis: We are working with the DFT on devolving the award of the Northern and TransPennine rail franchise. Part of that has to be about a simple ticketing structure, a common approach for investment. To give a very real example, the railway that runs from Leeds to Harrogate to York effectively runs through three different transport authorities. We are now co-operating on improving that line in a way that probably has not happened in the past under the auspices of the Leeds City Region. There are things we want to achieve through devolution, and things that cross administrative boundaries.

Q184 John Pugh: Councillor Atkins, I was listening to your account of Staffordshire a few minutes ago, and I was thinking you were almost making the case against there being a Staffordshire. It is a bit like Yugoslavia. In terms of the city region dynamic, a Greater Stoke or a Greater Derby, swallowing Uttoxeter, would almost make sense, wouldn't it?

Cllr Atkins: I am afraid not.

Q185 John Pugh: Why not?

Cllr Atkins: It would just become a vast rural hinterland that is forgotten about. That seems to come out of it.

Q186 John Pugh: A scenario might be the hinterland would then be owned by one of the economic power houses, like Stoke for example.

Cllr Atkins: Yes, it would be, and that is the problem. There is a long history of that feeling behind it. We need to tease a bit underneath that to understand that the health economy, as well as the business economy and everything else, knows no boundaries; we all wear the Stafford knot with pride in Staffordshire. We might fight like cats behind the door, but we come out very much as one together.

We understand that the top priority for us is getting jobs. We have focused on that. We have got on with it and done it, and not waited for Government to come along and say, "Here is a pot of money." It would have been a lot easier if there had been powers of governance passed down to us and some devolution of different powers. We are delivering the I54 infrastructure project that I am talking about at £12 million less than the Highways Agency costed at. It is the first local-authority funded and built motorway junction that has been brought to a site, not the other way around.

I would argue that something like Staffordshire County Council can stand up for its population and deliver. In a way, we could do with a growth deal, but the constraints of a city-deal type thing for Stoke means that that is within a very tight parameter. You can spend hours negotiating for asks and gives, but you need to just get on and do it. We need to do that.

Q187 John Pugh: How do you make that, though, in the interests of Stoke? I am wondering what levers you have. You are representing your area. It is relatively neglected, maybe not considered at first port of call. When people look at that area, they look towards the big urban centres. You want your piece of the action, quite obviously. How do you

make sure that you are involved, as opposed to simply considered as an afterthought?

Cllr Atkins: You have to sit down with your colleagues in the area and decide what your top priorities are, then go and bang on the door and make your case, because nobody is going to come and give you more and more money. Stoke is a highly deprived area that is costing the country a lot of money. It can be turned around, and it is turning around because the skills of the people are still there; they are required.

The Stoke and Staffordshire area is one of the fastest growing areas in the country. There are a lot of things we need to make sure, but the prime one is that the skill base within that community is lifted up, so that the people of Stoke and Staffordshire can take full advantage of the opportunities that are being delivered through growth fund projects.

Q188 David Heyes: If fiscal devolution is introduced at some point in the future, it seems more than likely we will need to move away from the principle of funding from central Government being determined on the basis of relative need. Councillor Lewis, I will ask you first. Leeds has accepted that that is the likelihood already, and your proposed solution to that is the idea of an independent commission to redistribute income within the area. Could you tell us some more about that?

Cllr Lewis: Yes; we recognise two things: first of all, that the amount of overall resource allocated to local government will always be a political decision. We are not challenging that, but we are saying that how it is distributed between districts could be looked at by an independent commission.

The second part of our approach to fiscal devolution would be: there would always be, at that first point, a deduction in the funding we would receive in the normal grant formula to develop a settlement, which would then build back up through our revenue raising powers. We have never seen it as a position where we would say, "We will have exactly the same settlement as someone who does not have devolution and then devolved fiscal powers on top of that as an extra." We have always seen it as a substitute for money within that, but with the ability to grow, and also the responsibility within that to have a different regime for the allocation of resources across the country, to ensure how different districts get resources is seen to be fair and transparent.

Q189 David Heyes: We asked the Secretary of State what he thought about your idea of an independent commission. He was fairly

dismissive of the idea, and particularly thought the Treasury would be extremely unlikely to accept it. Is there a fall-back position?

Cllr Lewis: There will always be, more within the local government world than out of it, a debate about how grant is distributed from central Government, particularly in a world where so much of local government income is determined by government grant.

Our idea of a commission was one attempt to try and resolve that. We recognise that even if there is not such a grand resettlement of local government finance, we would certainly recognise that elements, which other areas that did not have devolution received from Government grant, would be taken out. Again, a much more rough and ready process would be in place. Again, if was not done by an independent commission, it would fall back to a political decision about what aspects of centrally determined funding were removed and replaced by devolved funding.

Q190 David Heyes: Can I ask Councillor Atkins on this same theme? The briefing we have had is that you received £62 million in business rate top-up payments as a result of the arrangement you have now. If the fiscal devolution, were it to occur, was to city regions only, how would those payments to the counties continue? Are you sure you would lose out significantly?

Cllr Atkins: Yes, we would lose out significantly. It is this matter of—picking up on the previous question—feeling owned by a city. It would be a very inward looking perspective into the city itself, so that you may be having wealth creation outside the city on the boundaries but then a focus back within the city itself. Our view is, going back to this complex economic geography, as well as working together within an area across a whole range of matters—health, education, employment and private/public sector—you need to look outside the area to see where you can help other cities.

This is where the problem comes with dual membership and pooling business rates. We are in a strange situation where the county council or private sector can put money into an area and then the business rates are shared with somebody else elsewhere. We have already had evidence through the local transport board funding where it has been shared between two LEPs and it has all ended up being spent in the heart of Birmingham on their connection projects, which are important, but the project we would have allocated in the area is more about east-west connectivity rather than north-south. There are issues about standing of equal statute between different areas and coming to terms with how you best spend the pot of money rather than putting it into a city, so one area does all the hard work and then another area gets all the benefit.

Q191 David Heyes: That takes me nicely to Sunderland and Newcastle. As a football follower, your proposal of Sunderland and Newcastle as a homogenous mass is a bit hard to swallow after recent events, but I will take you at your word. Have you had any discussions with Newcastle, or indeed any other councils, about redistributing resources in the area in the event of fiscal devolution? And are you a Sunderland supporter?

Cllr Watson: Clearly, that is always an issue. It is an issue nationally, Europe-wide and there. We have just had the talk with the assisted areas and everything from Europe. There will always be resource issues. Look at participatory budgeting, the Brazilian thing, where we do not have enough to give everybody. I am sure, as MPs and local politicians, we would probably like to give everybody everything and then, when we go back to the polls next time, say, "I have given you everything you wanted. Why don't you vote us back in?" When we understand that the resource does not stretch that far, quite a good idea is to give what resource can be given and then devolve the decision making as to where it should actually go to that area. Then they have to make that hard decision for themselves, and that is about negotiation; it is about what is best for the area and looking at the whole dynamic of the area and doing the studies of the economic geography, understanding where people go to travel for work, leisure and entertainment, and then making those decisions about how you do best for the whole region.

Q192 Simon Danczuk: What impact do you think there will be, in giving local authorities the power to determine their own business rates? Because that is what fiscal devolution is about, isn't it? What is going to be the impact of giving councils that power?

Cllr Watson: It is a bit more as well. With locally based taxation through council tax and the various other taxes that are around it, you have geography. Then there is something different there, but on giving that back, we definitely have to be careful, because clearly we do not want two neighbouring authorities cutting their business rate so then the next one has to cut theirs further and the next one further. There has to be some Government oversight of things like that in one way or another, because clearly it is a downward spiral that would do nobody any good if we ended up with everybody being on the lowest common denominator.

Clearly, there are other differentiations where you see the centre might help out. As Philip was saying, the centre is highly sought after. The property is overheated; it is congested; property prices rise; wages go up in that area; and things become more difficult. If you have an

ability to differentiate with that kind of taxation, you might encourage some of that central stuff to be dissipated out to some of the regions.

Q193 Simon Danczuk: James, what is your view on local authorities having that power to determine business rates?

Cllr Lewis: It is positive in two ways. First of all, there is a real incentive for cities to support growth if there is a reciprocal relationship in terms of the resources available. Cities want to be part of growing the national economy, increasing prosperity, reducing worklessness and encouraging enterprise and employment. At the moment, when cities achieve that, there is a cost to them for doing so in terms of making budgetary decisions about putting money into events and infrastructure that might make that happen, but there is no reward at the other side of the table for making it happen. Having that clear link is a positive thing.

Secondly, it is a fairly recent phenomenon—I was just checking my notes—in the last 20 or 30 years that business rates have been at a nationally defined level. Cities are responsible organisations. We set a council tax every year. The combined authority that is coming in to West Yorkshire will have the powers to levy for transport funding through that. I do not think the power to set a rate is something uncommon to us. Like I say, the potential to incentivise a proper partnership in growth and deliver infrastructure projects that can support that is the right relationship to have between local taxation and local delivery.

Q194 Simon Danczuk: Philip, do you have a view?

Cllr Atkins: Yes, I do. I find it very interesting. The fear is that, if you have localisation of business rates, it would be easy for councils to put up the business rates tax. That to me would not work with the general partnership back in my part of the world of Staffordshire, because we want jobs. It could be quite easily taken account of at the ballot box, if there is somebody putting business rates up. Then there is the issue of businesses do not have votes. That is an interesting conundrum.

On the other side of the coin, if you have nationally set business rates, as we have now, we could miss out on the rate relief revaluation in 2020. Beyond both of them, there is how you equalise the business rates with an area like London, which is growing and everything else, where the national Government can take money out of that and put it back elsewhere. Maybe there are other vehicles you could do that with, such as corporation tax. However, if you want business to grow in an area, a local council would automatically start to think about putting

down the business rates. This leads to the sort of thing that district councils do in a two-tier area, where they may give relief to certain businesses and charities in the high street, so you end up with an awful lot of charity shops on business rate relief on the high street, whereas there are real businesses that have to pay the full whack, then the rents of an area take on the businesses that are there. If you have this charity-shop mentality in a high street, or a lot of charity shops in a high street, that can enable them to pay a higher rent, so you have a double-whammy effect out of it all.

It is a very complex question, but we would welcome some mechanisms where business rates can be used to pay the infrastructure necessary to attract business. If you do have a business site you want to develop and you have to put infrastructure in, you do have to have a mechanism to pay back the capital that is invested by a local council. That is how I54 is working, because it is an enterprise zone. South Staffordshire District Council agreed that the business rates collected on that site would go back to pay the loan that built the motorway junction. With it being an enterprise zone, the other half, which the Government collects, is used to pay back the cost of the junction. There is an example of how it does work, but there are other issues on a wider basis.

Q195 Simon Danczuk: This is the problem, isn't it? The beauty of the current system is that business rates, come rain or shine, collect £24 billion a year for Government. That is then redistributed. If you start setting it yourselves, which is what you are proposing in terms of fiscal devolution, you cannot rebase or revalue it across the country. The amounts that are coming in and then going out again to local authorities are all thrown up in the air, and it is a complete hornets' nest. Where do you take it from there? One of the concerns that are coming through is that there are no hard and fast proposals being put forward in terms of the level of detail required to make this devolution happen.

Cllr Watson: We have talked about principle, and just about everybody has given a plus and a minus for it. Local business rates are determined on the valuation, so the valuation officer will give a valuation of that building or that premises on that road. It could be brought down to a more local level, but we need to understand how that would be done. Obviously, a multiplier and things are set, and we need to ensure we do not leave holes or unforeseen consequences. We are arguing about the principle, and the mechanics of it would have to be worked out to the Treasury's satisfaction.

At the moment, they do not devolve everything back. We have had 49% since 2013. The 2012-13 base year was a really low year, after we had had cuts in 2010-11 and 2011-12, so it was based on a

very low year, and it did not help us a great deal, but revaluation would.

Cllr Lewis: In terms of the national fiscal picture, we have always accepted that devolved funding streams would be a displacement for existing funding streams, not additional to the overall grant that Leeds receives. We have always seen it in that way.

Secondly, in terms of what you can achieve, you can see that, in terms of the current system, Leeds is a massive net contributor to the national business rate pool. Yet there are things the council have done—I will use one example: a new arena—that bring business into Leeds and help business grow. The proceeds of that go back into the national business rate pool. If we have the ability to do more to stimulate the economy and get the rewards for it, that is the right thing to do, but we always accept that that is going to be a replacement for, not additional to, funding that is coming in at the moment.

Chair: I cannot, coming from Sheffield, let that go without just pointing out Yorkshire Ford gave a rather large contribution towards Leeds Arena from national taxation.

Q196 Chris Williamson: Do you think that decision makers in devolved areas should be directly elected?

Cllr Watson: That is one of the things on which we need some guidance from Government. I am happy with that. Decision-making people should be accountable, absolutely. For me, that is best done at the polls, so people can decide they want you or decide you have done right. I am fine with it, but it is how we keep this engagement with democracy as we evolve up this decision-making process to the wider geographical areas. Again I will talk about subsidiarity: keeping the right decisions at the grassroots and local levels. There has to be somebody who makes them locally. I have no problem at all with that, but it is understanding how we secure that accountability when it starts to get further away from the people it affects.

Q197 Chris Williamson: What is your preference, though? Is that what you would advocate, then: direct accountability; direct elections for decision-makers in the devolved areas? Are you saying you are happy with indirect?

Cllr Watson: There are two issues there. I would not support the single elected metro-type mayor for the whole of our city area, because, clearly, we have seen instances where that one person can do some weird and wonderful things when they have all that executive

power in one pair of hands. They do not seem to have the break or the checks and balances needed for good decision-making.

On the other hand, in 2004, we had the referendum against a fully elected assembly, so we are in a bit of a limbo at the moment. We have general and widespread approval for some sort of interim, regional—dare I say the word—governance to happen. We have support for that, because most people, over that period of time, have seen how there has become a gap in the regional decision-making processes; the regional bit is missing. The leaders of the North East are being used as an interim measure: “Right, you get together over there and tell us what you think about this, that and the other.”

There has been absolutely demonstrated a need for an interim level there regionally, but, where we are at the present moment, I would not advocate a single person to stand as representing the whole area. I would be happy with an elected body of some kind that went there, but the only way we can get through the decision made in 2004 with the referendum, for a while, is to have some leaders of the area put there. If we can demonstrate that works, and then people can be reassured, there may be an argument to say, “Why shouldn’t we simply elect them, then?” It could prove that for us.

Q198 Chris Williamson: James, you looked like you were bursting to intervene on that one.

Cllr Lewis: The Chair gave an excellent example of a project that should be funded locally—

Chair: I agree.

Cllr Lewis: –and a project the national Government should not have been involved in: an excellent example of devolution, there, Chair. I commend you on that.

In terms of the relationship of voters to levels of decision making, we had a referendum in Leeds, like many big cities did, on having an elected mayor the other year, which was comprehensively rejected by the electorate. A year before, we had a national referendum on the voting system. That was also comprehensively rejected. I would draw the conclusion that there is not a huge appetite for constitutional and electoral reform.

What I do think we have to get right is two things. First of all, Philip made a point earlier about aggregating out the right place for decision-making, so we see the combined authority on that level looking very much at strategic issues. We still see the role of the ward councillor as tremendously important in local government, even if a

coalition of authorities takes responsibility for some more strategic decision-making. I would see that as really important.

The second thing is—again I would turn to the mayoral referendum—the offer given to cities that accepted a mayor was quite colourless and lifeless. There were some fairly illusory things, for example the opportunity to meet with the Prime Minister in a cabinet of mayors, but no real, tangible powers and funding at place that really meant something to the electorate, and I think that is why that failed. There is a real need to say, if we are going to have a process of having strong, directly elected politicians, there needs to be a significant shift, not just in terms of fiscal devolution, but an actual shift in powers and responsibilities as well.

The one referendum that people in England were offered and accepted on a significant scale was a Mayor of London on those terms. That was one example that we would look to. Of course, with the Mayor of London, there was no contest over the geography; it was accepting a lot of roles that were already there, examples like the Metropolitan Police and Transport for London, and it was seen as having that figurehead role. That was something that was lacking in the referendums we have seen so far.

Q199 Chris Williamson: You said there was no appetite, in your opinion, for electoral or constitutional reform. Is devolved funding in this way not, to some extent, a constitutional change? If there is no appetite, is that, then, something we should not look at?

Cllr Lewis: In terms of fiscal devolution, which is a reapportionment, in the global scheme of things, of a relatively small part of government expenditure, I would not quite classify that as a constitutional reform. It is not the formation of a parliament or regional assembly, as Paul referred to happened in the North East. We are not looking for another huge layer of government. What we are saying is, in a small but beautifully formed proposition, there are a number of strategic issues that we think a group of councillors could do better and need to have the ability to fund locally, in terms of that devolved fiscal thing. We are not saying we want a constitutional resettlement of the country. That is well beyond the scope of fiscal devolution.

Q200 Chris Williamson: Philip, do you have any comments on this?

Cllr Atkins: We had an experience of a city mayor in Stoke. It was a disaster, and had to be dismantled and intervention put in place. It was the mayor with the city manager. It did not deliver, and it

probably put Stoke back 10 years in its economic development given some of the issues we have there. I do not think the people of Stoke would welcome that. The danger behind having one person in charge of an area is, as Paul has hinted at, if you get the wrong person, you have them for four years. With the strong leader model, which you may wish to have in trying to move things through in an area, if you have an indirectly elected leader, you have the opportunity to have a vote of no confidence and get rid of them. I hope nobody back at Staffordshire is listening.

Q201 Chris Williamson: We are running short of time, and I have just been told by the Chair we need to move on. We have a couple of minutes left. I would like to have asked a number of other questions, but I will put one to you. We are sitting in Manchester Town Hall. They have a long history of collaboration and working together. Do you feel that the authorities would be able to hit the ground running if you got fiscal devolution in your areas?

Cllr Watson: If you look at the North East of England, particularly the seven in the North East area, you will find that we have worked together on joint committees since 1986, and probably 1974 with the local government reform, the integrated transport authority, fire authority and police. We work together. I have never heard them in the news, and that is probably a marker of how successful they are.

Q202 Chris Williamson: You are ready, you would argue.

Cllr Watson: Yes, absolutely.

Cllr Lewis: Yes; within the terms of our city deal and the things that are still there, principally transport, jobs, schools and work, we are ready to start as soon as possible.

Cllr Atkins: The principle of devolution of fiscal responsibility is the heart of localism, and we should be moving in that direction. We are up for it and ready. Those that are ready for it should be allowed to get on with it and go at the speed of the fastest. This will inevitably lead to a two-speed local government, but why should those that are ready be held back by those that are not?

Q203 Chris Williamson: At risk of straining the Chair's patience, in terms of determining those who are ready, how would we determine that? Is it just those who are up for it and wanting to go? Should we leave it to be determined at a local level? Perhaps just a one-word answer would be helpful.

Cllr Watson: Earlier, we talked about trying to force it on people, so even if Government thinks somewhere is ready, and they feel they are not, it should not be forced on them. The Government certainly needs to ensure that there is robust governance and decision-making process in that place.

Chair: Thank you all very much for coming and giving evidence today. Just to emphasise, Sheffield and Leeds do love each other really. All we need is HS2 to bring us even closer together. Thank you very much indeed for coming.

Examination of Witnesses

Witnesses: **Sir Richard Leese**, Deputy Chair, Greater Manchester Combined Authority, **Lord Smith of Leigh**, Chair, Greater Manchester Combined Authority, and Leader, Wigan Borough Council, and **Councillor Sue Derbyshire**, Vice-Chair, Greater Manchester Combined Authority, and Leader, Stockport Borough Council, gave evidence.

Q204 Chair: Good afternoon. Thank you very much for joining us this afternoon. Sir Richard, welcome to Manchester.

Sir Richard Leese: I am sorry you have to welcome me to Manchester Town Hall, but thank you.

Chair: Just for the sake of our records, could you say who you are and the organisation you represent?

Lord Smith of Leigh: Hello, I am Peter Smith. I am leader of Wigan and chairman of the Greater Manchester Combined Authority.

Sir Richard Leese: Richard Leese, leader of Manchester and vice-chair of Greater Manchester Combined Authority.

Cllr Derbyshire: Sue Derbyshire, leader of Stockport Council and one of the vice-chairs of the combined authority.

Q205 Chair: Thank you very much for coming. Can we start off with what is happening in Greater Manchester? Do you have a nice blueprint now for devolution to the combined authority, and to the individual authorities for that matter, and a timescale over which you would like to see that achieved?

Lord Smith of Leigh: As a timetable, probably yesterday. We have been a combined authority now for just over two years and working together for over 25 years through AGMA. We are confident we have a form of governance that works together for 10 different authorities with different interests politically, as well as wholly different parts of the conurbation. The confidence we have is shown in the quality of work we have done, particularly on community budgets but also what we have done on transport across Greater Manchester. There are lots of examples of how the 10 of us have worked well together to make this city as prosperous as we can, and that is what drives us forward: to try to get prosperity and to drive that prosperity throughout our communities.

Sir Richard Leese: We have done an enormous amount of pilot work over the last few years, both on economic and social issues. Clearly, through the city deal, we have a certain amount of devolution that has come through that route and with other things, and there is some more particularly with the work-programme leavers programme we have now commissioned on behalf of the DWP and we will start running next year. We are now in a position in Greater Manchester to scale that up. I would hope, from the work we are doing on business planning between now and the next general election, that from 2015 to 2020, when there will be another expenditure round, we will see significant devolution, both in social and economic policy. As I think we can demonstrate, they are inextricably linked.

It is fair to say there is still a limit to that. We are talking about Government giving us the ability to do stuff. We would also like to see, to support greater financial devolution, less dependence on Government giving us permission; it is a greater ability at a local level, by which here I mean the combined level, to make those decisions for ourselves, because we are raising the money.

Cllr Derbyshire: It is always difficult going last. I would agree with all that. We have a combined growth and reform agenda, which is well thought through and clearly linked. Through the earnback and the work-leavers programme, we are piloting quite a bit of some devolution from central Government. The frustration is that, every time a scheme comes up, it has to be argued from first base. We have to prove we are competent to do that. We are the oldest combined authority, aren't we?

Lord Smith of Leigh: We are the only one.

Cllr Derbyshire: But we are only two years old.

Sir Richard Leese: We are the only one so far.

Cllr Derbyshire: However, the major message we have is we came out of the AGMA working, and there is a very long history of working there, which may make us slightly different from the others that are going for combined-authority and city-deal basis. We would probably like to start a bit further on in the conversations, rather than always having to start with convincing we are competent to do things. We believe we have demonstrated a great deal of competence.

Q206 Chair: Would it be fair to say you almost have a twin-track approach—it is a well-used expression—where you continue to work through the sorts of extensions of power you might want through things like a city deal and community budgets? If that is as far as you get, you will keep on pushing it, but you would like something more radical and fundamental—real fiscal devolution and the right to do these things without having to argue the case every single time you want to do them.

Sir Richard Leese: Yes. I think there are three things. Yes, we want that, absolutely. We want fiscal devolution so that, in a lot of areas, we can take more decisions ourselves. We also want a fair number of what would remain central Government services or agencies to be far more decentralised so they are far more able to make their decisions about what is best for a locality on outcomes set by Ministers, clearly, but on a locality base. That implies a very new and different sort of deal between local government and central Government. There has to be, in some areas, agreement on that.

If we look at early years, for example, where we have been doing pioneering work across Greater Manchester, it requires a whole range of agencies, including the National Health Service, to work together. As well as fiscal and other devolution, we also need a new way of working between central Government and local government.

Q207 John Pugh: My question is largely directed at Lord Smith, but please feel free to chip in. Some financial instruments work, some do not—the PFI and so on. If an earnback did not work, what would it look like? What would be a symptom of failure?

Lord Smith of Leigh: The presumption of earnback is that we will get growth in the economy. If we do not get growth in the economy, we will all be in trouble, although we are confident we have the tools to determine what will work in Greater Manchester. We have now appointed a professional to help us manage those funds. We take it very seriously; it is not just a group of us sitting around thinking, “Oh, that is a good idea.”

John Pugh: I am not suggesting that.

Lord Smith of Leigh: We are making sure of that, because it means a lot to us. It has worked so far in that the money is beginning to improve our transport network. We have held up reasonably successfully as an economy over the last few years; other areas have done worse than we have.

Q208 John Pugh: Do you view it as wholly risk free?

Lord Smith of Leigh: Nothing in life is risk free, John, like crossing the road. We do not think it is risk free.

Q209 John Pugh: What about the scenario where you borrow against the projected business growth but do not get the projected business growth?

Lord Smith of Leigh: In a sense, the risk is shared by us and central Government, and we both have an interest in wanting it to work. That is the point: both parties want growth in the economy. We want to see that happening, and we think giving power more to us, who know what is going on in Greater Manchester, will be more successful than teams of civil servants trying to second-guess what is best for us.

Q210 John Pugh: The Authority mentions an “investment fund that has allowed us to co-ordinate funds to deliver growth priorities across the city region”. How is this controlled and how can you ensure this has been done fairly and to everybody’s satisfaction? Maybe Stockport has a view on this.

Sir Richard Leese: Probably, in the sense the Chief Executive at Stockport has been the controller general for this, although Sue has not been the lead member on investment; it is actually the leader of Tameside who is the lead member on investment. Maybe none of us should answer on that basis.

First of all, we have agreed very clear criteria by which investment decisions are made. Those are agreed across the whole of the combined authority and they are rigorously applied. They are, in crude terms, what creates or protects the most jobs and gives the best return for the combined authority to be able to reinvest. That is controlled, clearly, through professional management, through an investment board, and that reports through the leader of Tameside to the combined authority and to the local enterprise partnership.

Q211 John Pugh: Could I invite any of you to comment on this part of your submission? “Capturing the benefits of growth ... should also be related to new investment models which are designed to deliver

savings by reducing dependency. This can only be delivered on an individual place basis.” What precisely did you mean by that?

Cllr Derbyshire: That refers to the reform side of the agenda. For instance, on the investment in businesses, you referred to fairness. We do not work on a fairness basis: one for Stockport, one for Rochdale, one for Wigan. We work on the basis that preserving jobs or creating jobs within the conurbation—within Greater Manchester—helps all.

Q212 John Pugh: Is that what you meant by “new investment models”?

Cllr Derbyshire: Certainly with regard to the investment into the growth side. With the reform agenda, for instance early years, working with troubled families, supporting people, clearly the delivery is much closer to the ground. I have my troubled families, and everybody else has theirs. We are now looking at ways in which we can put together the best practice, and where, for instance, capital might be needed to do that, to try to replicate the very successful model we have on growth in the reform agenda. At the moment, we work very closely sharing good practice with regard to particularly troubled families, early years and health; those are three areas perhaps where most is done.

Q213 John Pugh: Would it be fair to say you are keen to see an element of devolution even within the system, then?

Cllr Derbyshire: Even within that system, there is very local delivery, particularly on the reform agenda, but we want to make sure we maximise the resources we have for delivering that.

Sir Richard Leese: We are going to have to have, between local government and national Government, far more sophisticated business planning and budgeting procedures. A simple, practical example is pilot work with troubled families in one relatively small neighbourhood in Wythenshawe in South Manchester. Over six months, that showed an 81% reduction in antisocial behaviour and a 70% reduction in crime. That led GMP to identify that they probably needed 12 fewer police officers in that neighbourhood. However, it was not Greater Manchester Police who were making the investment there. That is why I say the new investment models have to take the totality of the budgets of the agencies to work with that family, so effectively what they put in and get out balances out in the end.

Q214 Simon Danczuk: Is it realistic to retain the principle of national equalisation under fiscal devolution?

Sir Richard Leese: Yes.

Cllr Derbyshire: Yes.

Lord Smith of Leigh: Yes. Equalisation means presumably passing money to areas of deprivation. It is the very opposite of the way funding is passed to local authorities at the moment, so, yes, we want to go back to a system whereby where there is need, we get the money. Wherever it is distributed to, we support the idea that those areas need more control themselves over how the money is to be spent, whether in Greater Manchester or the areas you talked to earlier.

Sir Richard Leese: Also, apart from moving money around from richer areas to poorer areas, which is an important element, national Government has tended to interpret—and this is all Governments—equalisation as having a national programme and giving everybody the same thing, wherever they are. That almost certainly guarantees you do not get the same outcomes, because different people in different places need different things to get the same outcomes. I would argue, for those things of genuine national significance, that Government needs to move commissioning programmes through outcomes, rather than those inputs. It is places and the public sector working together at place level that are best placed to determine what you need to do to achieve those outcomes.

Q215 Simon Danczuk: Just developing that further, how would that work in terms of business rates? Would you set your own business rates under fiscal devolution?

Sir Richard Leese: We are arguing, along with London Councils and the Mayor of London, that we should have control over the whole range of property taxes, and that should include the ability to revalue, set the rate, and so on. Going back to John Pugh's question, we take the risk that goes with that as well. That can only work, ultimately, if every so often there is a periodic resetting of the base to ensure that it is a fair system.

Q216 Simon Danczuk: Would that work within the Greater Manchester area? For example, the failure to revalue business rates recently does not affect Manchester City very much but adversely affects Stockport and certainly Rochdale. How would that work under devolved fiscal responsibilities?

Lord Smith of Leigh: Our view, as I said earlier, is the evaluation ought to be done on a national, independent basis, rather than by politicians. I agree; there had been cross-party agreement to have a regular revaluation, as there should be, because it reflects the changes in the economy. Five years, which is the previous review

period, is probably too slow anyway. It should be much more regular to reflect the changes in the economy. The way it has been done this time is massaging the figures, because the majority of cases that were known would show businesses were missed out. The only area in which they did not was the area that they almost invented: manufacturing, services and everything else. For everything else, they thought it would be beneficial. That includes public houses now. If you travel around any part of the country, I would suspect that public houses are not doing particularly well. A number are up for sale or closed. We should not do that.

I am quite worried about local government finance. We have a council tax system based in 1991 that has never been revalued. You buy a new house where there are all these broadband facilities and so on. How do you measure that? It was built in 1991. We are getting back to the same in business, if we do not get proper revaluations. I understand why, in the Autumn Statement, the Chancellor did relief for business; it is understandable and in some ways welcome. It undermines, again, the basis on which property tax is raised.

Sir Richard Leese: One area where we have some discretion over business rates is the enterprise zone. The enterprise zone is based around Manchester Airport. It is entirely located within the City of Manchester, but we are very clear that the business rates that we are able to retain there are reinvested across Greater Manchester. Again, it is on the basis of an economic assessment of where we will be able to do the most to create or protect jobs.

Q217 Chair: To explore a couple of things you said a little bit further there, the idea of retention of business rates under the property tax is so that areas are rewarded for taking decisions on investment and growing their own local economies, and that money stays in the area. If that happens, surely therefore less money goes to central Government to redistribute for equalisation purposes, to help more needy areas that cannot grow. Isn't that true?

Sir Richard Leese: Part of the deal you do with central Government is, if you retain this money, what do you provide? At the point at which you start, what does Government provide in grant or not provide in grant? What does it provide from other departmental budgets? If we have the money, what will the locality take the responsibility for? There are a number of areas, particularly those things that support business growth and economic development, where we would wish to take a greater level of responsibility.

Q218 Chair: What you are saying, therefore, is the pot of money that will be looked at overall is larger. If authorities are taking, say, the business rate element for themselves, because the totality of what is within that devolved pot is bigger, there is still sufficient money there to do the equalisation process that Government needs. Have I got that right?

Sir Richard Leese: Both that, but also something else as well, which is that the Treasury has tended to make assumptions that economic growth, in terms of spatial locations, is a zero-sum game. If you get a bit more economic growth in one place, that is because you have less in another place. That is a fundamentally flawed way of thinking of things, and I believe that we can get accelerated economic growth in Greater Manchester and not at the expense of other parts of the country.

Lord Smith of Leigh: That is right, and we mentioned in the earlier session that there is probably a £5 billion gap between public spending in Greater Manchester and the level of taxation that we raise. If we are going to bridge that gap and stop that happening, which we want—we do not want to be the dependent part of the country—we need to do it through getting growth, growth that is spread across the parts. Public sector reform is so important to us because we want to end the great level of dependency in many of our communities. All of this is kind of in investment terms. We see that we can improve the growth and get more revenue coming through, and the Government will not need to distribute as much money to those deprived areas.

Q219 Mark Pawsey: Can we stick with business rates? The Chair has just referred to the fact that there is less money available for redistribution. One of the reasons why I think the ability to set the business rate locally was taken from local authorities years ago was, to use the expression of an earlier witness, silly vanity projects. Look at it from the perspective of central Government: bearing in mind that businesses do not have a vote or a say in what happens to it, although lots of small businesses are paying business rates, why should Government allow you even greater powers, which is what you are calling for?

Lord Smith of Leigh: I am so old in local government that I remember the time when we controlled business rates. Whereas, in fact, you got complaints from local businesses, they were a lot happier then, because they had more control over what I did, as Chairman of Finance at the time, and what we did collectively than they have now. The money is just going to a central pot, where they do not see anything. So, the fish and chip shop owner in Rochdale just pays his money and does not see it again. He does not think of it; it is a

disconnect for him. However, we would consult with local businesses; we have a good relationship with the chamber across Greater Manchester and within local areas. We would say, if we got that back, we would need to consult with businesses about what we did.

Q220 Mark Pawsey: Let's stick with the fish and chip shop owner in Rochdale who is unhappy about the level of the business rate. He knows who his Member of Parliament is. He goes to see his Member of Parliament, expresses his anger and concern, and tells him lots of other people feel the same way, and his local Member is able to raise it in Parliament, so the whole issue gets brought out. In the current system, he does not know, perhaps, who his local councillor is, who is then responsible to the leader of that particular district council, who then has a seat on the Greater Manchester Combined Authority. It is all a bit vague in terms of getting any influence over the fact he is a taxpayer and he is unhappy.

Sir Richard Leese: Yes, a chip shop owner can go and see his excellent Member of Parliament in Rochdale, who then goes to see another Member of Parliament from not very far away, George Osborne, who takes no notice at all. That is the way Government works. It is a lot harder for local councillors to get away than it is for the Chancellor of the Exchequer. We are on the ground, and for us, as leaders of councils, if people want to see us, by and large they see us. We are available.

Q221 Mark Pawsey: On the issue of business rates, lots of MPs came together and made representations to the Chancellor, and I think there was some regard taken by the Chancellor to the weight of opinion. I am just arguing that may be a more direct method of local accountability for a small business owner than under the new model.

Cllr Derbyshire: If business owners in Stockport had known people were lobbying George Osborne to stop the revaluation, they would have done one the other way. That was very much behind the scenes. As far as most people knew, including the businesses very seriously affected by the fact the expected and planned revaluation did not happen, it was all behind closed doors. I would argue, with Richard, that what happens at local authorities is quite transparent. We try to be very transparent at the combined authority. It is difficult to get people terrifically interested in coming along and watching us, but all our decisions are published, all our papers are published, and we work closely with the LEP.

To overcome the issue you raised about vanity projects, you have to define whether it is a vanity project from Westminster's point of view or crucial to us. It must be based on the outcomes. We must be

challenged to prove that what we are doing produces the outcomes. What we are asking for is to be left to decide how to do that, knowing our own area. We are not arguing that Government does not have an interest in saying what it wants us to achieve.

Q222 Mark Pawsey: You raised the business of revaluation, and I wonder if I could ask you all about that. We can all agree that a property-based tax should be based on a relatively recent valuation, but are we going to keep an army of valuers in business by revaluing every 12 months, every three years or every five years? What is a reasonable period of time in which to carry out your revaluation?

Lord Smith of Leigh: It has been five years, since the system was brought in, and then it was raised to seven years, which is far too long. I would have thought three to four years, not on an annual basis, would be ideal.

Q223 Mark Pawsey: Is that a consensus?

Lord Smith of Leigh: Going back to house valuations, there is a view from estate agents of what houses are worth across all areas. It is quite sophisticated. We could use that as an index in different areas.

Sir Richard Leese: Whilst business rates are very important, there is a danger of seeing it as the only show in town. All the evidence shows that a stable taxation system, and clearly we want a stable taxation system, requires a basket of taxes to raise the same sum. This is not about squeezing people; it is from a balance of sources, so that when one is in a bad way, another will not be in quite such a bad way.

Q224 Mark Pawsey: In Manchester, you are pretty keen on sticking with property-based taxes, and that is great, because property is immobile and there is some certainty around that. We have heard evidence from other people talking about local sales tax and bedroom taxes. What is your view on that? Governments say, "We are going to stick with the business rate as it is, because it is very certain and it provides a substantial sum of money for the Treasury." Here is a series of alternatives. What would you go for?

Sir Richard Leese: Having other choices available—hotel tax might be one of those choices for local discretion—does make sense. Indeed, we are talking in Manchester about a tourism BID, which would, effectively, be a voluntary tax on hotels for services that they receive in return for that. Being able to determine those arrangements would be a good place to be. There is a way of doing it now, but it is a very clumsy way.

Q225 Mark Pawsey: Would you go as far as a top slice of income tax? Would you want those sorts of powers?

Cllr Derbyshire: I think I would.

Sir Richard Leese: We may have some political differences.

Lord Smith of Leigh: Properly valued property taxes, both for individuals and for business, I am okay with. That is a good basis for local taxation. Others specifically might work from time to time, but they would not be significant revenue raisers. Those would be the two main revenue raisers. It has worked for a long time in history, and I think it would work. Income tax is a national tax and could be used for the redistribution we talked about earlier.

Sir Richard Leese: We could adopt the Swedish model, where income tax is local and property taxes are national. It is the other way round. In terms of the basket of taxation, we could think about an apportionment between local and national. It is not on the table at the moment, but it is something I think is worth considering.

Q226 Chris Williamson: Last year in December, the GMCA's executive announced it was going to undertake a root and branch review of the combined authority. I wonder what you would say to those who suggest that indicates you are not yet ready or fit for fiscal devolution.

Lord Smith of Leigh: No. It just means we want to do even better than we are doing at the moment. That is why we did it. We have been in existence for two years. It is a very new organisation. Nobody has done it before. We use the legislation as a guide, but it is not in as much detail as it might be. We need to understand exactly what we can do as a combined authority as to how we integrate more with some of our other agencies that are directly under local democratic control: the fire authority, Transport for Greater Manchester and so on. We need to ensure that arrangement is right. We need to make sure we do a review of blue-light services, to see whether there are economies that can be gained through collaboration in terms of police, fire and ambulance services across Greater Manchester. We are working with our health partners to integrate at the local level but also to have a review of acute services. Again, we need to ensure we get all the governance arrangements right.

It is not just about us. As an authority, we work well. One change I introduced was, as Richard referred to earlier, each of the 10 members having a portfolio interest. We are not just there on a committee once a month. Between the committees, each of the members has a particular area of speciality that they get into, and as

they need to, they report back to the combined authority so we understand more about what is going on. We think we are pretty good, but we are not satisfied. We want to be the best. We want to be the cutting edge. There are one or two other areas that want to become combined authorities, but we want to make sure we are the best combined authority, and that is what it is about.

Q227 Chris Williamson: I am not saying I am sceptical, but could you convince a sceptical Minister, say, who is wedded to control from Whitehall, and does not want to let go? What would you say if they use that as an argument to say, "It is clear the GMCA is not ready"?

Sir Richard Leese: There are two things. It is just sensible for a new organisation—we are nearer three years old, Peter, than two—to review itself. That is just common sense and good management. It is nothing more than that. In terms of our ability to take on things, there is one happening at the moment. The work programme is a nationally commissioned programme by DWP, except in Greater Manchester we have already done the commissioning. It will start running next month, where we will have commissioned, using DWP money largely, a work programme for all the people who failed the work programme. There is sufficient confidence from both sides, and the DWP is one of those ministries that does not like handing any powers away. We have commissioned work programme leavers, starting next month, on behalf of DWP. We are doing it.

Chris Williamson: Sue, do you have anything to add to that?

Cllr Derbyshire: Yes, one of the changes was the creation of the portfolios, and one of the things we are looking at is how we broaden political involvement, engagement and the wider community, because the combined authority can look a bit techy to people who are not interested. That is part of it. One of the things that came out of the public service reform is, as Richard has talked about, the way all the organisations need to work together. There are issues about who does the spending, who gets the saving and how that is balanced. We think that is probably going to raise governance issues into the future. We want to be as ready and prepared as we can be to deal with those challenges as they come up, rather than be surprised by them. It is really a temperature-taking and making sure that we are best fit for the next leap forward.

Q228 Chris Williamson: Do any of you think the GMCA would work better with a directly elected mayor?

Sir Richard Leese: You are going to get three different views, I think.

Lord Smith of Leigh: To have a directly elected mayor of any area, you need some kind of political coherence in that area. For people who live in the East, in David's area, and people who live in my area, Wigan, there is not that much between them. They would not understand who would represent them whom they feel well connected to. We think that, by using the local authorities, we do not have the challenge that sometimes existed in London, although London itself is a recognisable area, with all of this tension between the mayor and the boroughs. We do not have that tension, because the boroughs are effectively the central governance body too.

Q229 Chris Williamson: Do you think there is tension with the electorate and the mayor in that sense? Do you think that in London there is greater affinity with the mayor than in the arrangement you have in Manchester?

Sir Richard Leese: Turn out in the last London mayoral election was 38%, of which just over half voted for the current incumbent, so it is a similar sort of mandate to what the average councillor has. You cannot make the case from that point of view. I am rather more sympathetic to a Greater Manchester mayor than perhaps Peter is, but certainly not on the London model. The London model is fundamentally flawed, because it separates the mayor from the 32 boroughs, and I do not think the mayor is genuinely accountable. For basically four years, within the powers, they can do what they like. I do not think that is a very good model.

It is worth looking for, not because a combined authority does not work; it does work. It would be quite nice, particularly on the outward-facing part of the combined authority, to have somebody who can do the work on our behalf. It is what the Americans would describe as the weak-mayor model. In places like Los Angeles, for example, the mayor is clearly the figurehead for the city, as the outward-facing face of the city, but most of the decisions are taken by the council within Los Angeles, not by the mayor. That sort of system could work very well in Greater Manchester, but rather more for the audience out there internationally than within Manchester itself.

Chris Williamson: Is there a third view?

Cllr Derbyshire: I tend to believe we do not need an elected mayor. If we did, it would certainly be the weak-mayor model. AGMA has survived—and the combined authority came out of that—because the 10 authorities managed to work together. We work together because we want to work together; we want to find solutions to our problems. If there was someone saying, "Well, I'm actually the mayor, and I have the power," I have a feeling that could cause difficulties,

because it is not always easy to convince everyone back in councils. There are 10 councils; only one of them is Manchester, although it is the Greater Manchester Combined Authority. We all have our own independence; we all have our own uniqueness and pride in our own area. It is the fact that we are working together in that way that makes it work. I can just about see the value for the outside world of having a figurehead or person. However, we have a chair, and I do not think that outweighs the disadvantages of it I would see.

Q230 Chris Williamson: Obviously, in Greater London, they have the London Assembly, with scrutiny powers and so on. Do you think Greater Manchester would benefit from a similar directly elected body?

Lord Smith of Leigh: I think we abolished those in 1986, didn't we?

Cllr Derbyshire: Yes.

Chris Williamson: This is common; they go round and come round again.

Cllr Derbyshire: I am old enough to remember Greater Manchester and Merseyside county councils being abolished. Although we quite clearly see Manchester as an economic unit, and we work well together, the electorate do not necessarily see it in the same way as in London. Londoners might describe themselves as Londoners from all over the place. People do not describe themselves as being Greater Manchester's residents—Greater Mancunians. I suspect it would have the same impact as the police commissioner elections, which is very little. Maybe as police commissioners move on and people see the value, hopefully, of them, that might build, but I do not think it helps a democratic body to be elected on mass indifference. That is probably what you would get if you held elections for a Greater Manchester body at this stage.

Sir Richard Leese: On underpinning principles, there is agreement between all three of us, which is that the combined authority is a success, and part of the reason for its success is it is owned by the different geographies that make up Greater Manchester. It is not separate to the different geographies that make up Greater Manchester. It is vital to maintain that principle. There are alternative ways of taking that forward as we develop and grow.

The other thing I would say about what we have done in Greater Manchester is it has been an evolutionary route that we have developed; it is not something that has been imposed on us. Where did combined authorities come from? Well, Peter, Susan Williams, one of your colleagues—I cannot remember which one—

Cllr Derbyshire: Dave, probably.

Sir Richard Leese: —and I went to see David Miliband when he was Communities Minister in 2006, saying that we needed statutory authority for Greater Manchester. This is something that came out of our own work, not something imposed on us.

Q231 Chris Williamson: What mechanisms are in place to ensure that minority political views are heard?

Cllr Derbyshire: That is me. The vice-chairs go across the three parties that are represented. We sit around the table. We do not divide along party lines very much. The biggest row AGMA ever had was not on party lines; that was before the combined authority, and that was on the congestion charge. It managed to survive that and move on and form the combined authority. We have a great deal of depth of discussion, involvement and the leaders working together to reach a conclusion that is, as it were, good for everybody. That was built into AGMA's DNA and it is in the combined authority's DNA.

I am a very recent leader compared with Richard or Peter; I only became leader of Stockport in 2011, just as the combined authority came about, but I know what the previous leaders did. It is about the fact that we are very open and we discuss, and we are all signed up to the best for Greater Manchester. I go back to AGMA because it is older than the combined authority. The political balance within that has altered fairly significantly over the years, but without us pulling apart.

Lord Smith of Leigh: The tension is not just within political representation across Greater Manchester but obviously between Manchester and outer areas—there can be some tensions there. Also, in some ways, what we notice is a political division; the makeup of Greater Manchester has changed as the politics have changed in recent years and Labour gained more control of councils. Sometimes where we had a very enthusiastic opposition leader—the leader of, for us, an opposition party, a Conservative or Lib Dem—who lost their seat and Labour took over, the incoming Labour leader was often very sceptical: "What is this all about? My political opponent thought it was a good idea; I am not sure I should," so we had to re-educate some of them to understand why they need to work together, what is in it for all of us. We all give up something, but we gain a lot more.

Sir Richard Leese: The constitution for the combined authority requires that, if a political party has the leadership of one of the 10 districts, they have a vice-chair of the combined authority. That is built in. For some bodies like Transport for Greater Manchester, again, where there are committee chairs there, they are allocated on the basis

of the number of places that they have on that body. There is a political proportionality. We do have a Greater Manchester scrutiny pool as well. That scrutiny pool is constructed on a politically balanced basis as well. At a number of levels, we have political balance and the rights of minority parties very clearly built into the constitutional arrangements. However, as Sue says, it really works by spending a lot of time talking and agreeing a shared agenda. That is what really works best.

Q232 David Heyes: This evolutionary process you refer to, Richard—a piecemeal development of devolution—is going to continue for the foreseeable future. Certainly, in Greater Manchester you have deservedly achieved combined-authority status way ahead of everybody else. If that process is to be followed by fiscal devolution and you get that before anybody else, what is going to be the impact on adjacent local authority areas? I particularly have in mind those to the north and south of Greater Manchester. If you look east and west, you potentially have combined authorities on either side of you, but not to the north and south. How are you going to work with authorities like the example that has been given, for instance, of Burnley?

Sir Richard Leese: It is a very good question. Earlier this morning, I had a meeting with, amongst other people, the person who will be head of the paid service for the West Yorkshire Combined Authority, because, again, as they come into being, they want to learn from the Greater Manchester experience. I know Peter has had similar meetings with the leader of Wakefield and others from West Yorkshire.

David Heyes: Can you show them your scars?

Sir Richard Leese: The head of the paid service happens to come from Kirklees, which is a neighbour of Greater Manchester, and part of the conversation was exactly about how we have a strategic relationship when there are industrial sectors, particularly around Calderdale, Kirklees, Rochdale and Oldham, that have quite a lot in common, where there are travel-to-work patterns that cross those borders. Part of the answer to the question is that we will develop, and are in the process of developing, strategic partnerships with our neighbours. We are developing a strategic partnership with High Peak and Cheshire East, again, crossing party political lines. Cheshire East is very keen to have a strategic relationship with us. You have formal links that cross those boundaries.

Q233 David Heyes: We heard earlier that your attempts in Cheshire East had broken down.

Sir Richard Leese: No, they have not. Sorry, no.

Lord Smith of Leigh: We jointly agreed not to go over the business rate pooling, because we thought it was too much of a risk for all of us. We will have a look at it again next year, but because of all the big changes in business rate, it was just thought to be too much of a risk for all of us.

Sir Richard Leese: With Cheshire East, there were three areas where there was a common interest, although I perhaps say this more easily than Sue, because there are a few disagreements between Stockport and Cheshire East. In housing, there is the ability of Cheshire East to meet some of our housing supply needs. Transport is a key element, but also, in industrial sectors, bioscience. There are areas where we can have a real strategic relationship.

I think the other part of the answer to this question is that what we have discovered in Greater Manchester is that most of what we want to do in devolutionary terms is not possible for an individual local authority to do. We can achieve a lot more by combining together on a statutory basis. I would not choose to dictate the boundaries for other sub-regional areas but I could envisage, for example, in Lancashire the equivalent of a combined authority that involved Lancashire County Council, the unitary authorities in Lancashire and the district councils in Lancashire. Other areas are going to have to develop their own arrangements to have the sort of power we get from operating collectively.

Q234 David Heyes: I think it is beyond dispute the Greater Manchester economic area is far larger than the administrative boundaries. You almost hinted at: let us take over some of these adjacent areas. Is that on your agenda?

Cllr Derbyshire: No.

Sir Richard Leese: No.

Lord Smith of Leigh: No, I do not think we want to take them over, that is for sure. Working together as 10, we found we could do better. We understand that, if we need to work on what our natural economic boundaries are, we will need to work with adjacent authorities, but working with someone does not mean to say you want to take them over.

Q235 David Heyes: Does Wilmslow, for example, gain or lose from the combined authority of Greater Manchester?

Cllr Derbyshire: I am not sure it does either at the moment, but one of our big projects is the A6 relief road, which involves Manchester, Stockport and Cheshire East councils, because it goes through those

three areas. As I say, there is a great deal of discussion going on on Cheshire East's proposals for new settlements, in effect, along the A34. The duty to co-operate is happening at quite a level. There has always been quite a lot of discussion with Cheshire East. Stockport shares a lawyer with them. They are looking at potentially joining some of the combined joint services. I think they are looking at the procurement service that we have.

We are the combined authority, but we are not closed for business with other authorities. We will look at those. We would hope that it would be good for Wilmslow. We certainly put a great deal of mitigation on the road to help the A6. No, I do not think it is an either/or. It is not Greater Manchester and nobody else. It is just that we will carry on working with others, whether they are a combined authority or individual council, depending on what is going on and what the need is.

Lord Smith of Leigh: When we set up the combined authority in 2011, we thought that the natural political boundaries were what we had: because we had 10 authorities, we had experience working together and we could push that forward. When the police and crime commissioners came in, we became the police and crime panel. The leaders became the panel, so we can have a relationship with the police. We talk about strategy and certainly talk in a very detailed way about: "What do you want to do with this precept?" We talk at that level; then we have an operational side to it, which talks about the more detailed police operation. As leaders, we do not have time to get into that police operational thing, but we felt strategically we wanted to have that relationship with the police and crime commissioner.

We understand that, if he is to achieve the budget changes he will need to achieve, he has start to work with our public service reform agenda, as Richard said, in closing his case in Wythenshawe. He is not going to have as much money to police Greater Manchester as he did 10 years ago. We need to make sure we put that application in to prevent crime happening, rather than assume we are going to be able to load areas with police when crime takes place.

Q236 Chair: You say you will not take any areas over. What happens if another district wants to join?

Sir Richard Leese: It is a very hypothetical question in a way.

Cllr Derbyshire: I am sure we would listen politely.

Lord Smith of Leigh: We have had more formal arrangements in the past with Blackburn, Warrington and oddly, in a sense, Blackpool, because they thought themselves Billy-no-mates. When

they became unitaries outside the counties, there was a natural antagonism between the former county and the unitary, and they did not understand. We helped them in terms of getting their European policies together and talked about regeneration and stuff like that. As we became slightly more internal, as we looked to the changes the combined authority led us to, they saw a bit less relevance to our meetings. We do meet together; Richard chairs the regional board here, which brings together the whole of the North West. We try to keep that power shared; we want to have a good, strong relationship with all our neighbours.

Sir Richard Leese: David said the economic footprint of Greater Manchester extends beyond the boundaries of Greater Manchester, but if we take Cheshire East as a case in point, you can argue that the northern end—Macclesfield, Wilmslow and so on—of Cheshire East is part of the Manchester economic area. It would be a lot more difficult to argue that Crewe, at the other end of Cheshire East, is in that economic area. In order to consider taking another authority into membership of the combined authority, first of all we would have to form a view as to whether that local authority was entirely or largely within the Greater Manchester functional economic area, because one of the things that holds Greater Manchester together—probably the most important thing that holds us together—is that we are a single economic area.

Cllr Derbyshire: Also fire, police, waste—it is all coterminous for us. That makes it a lot easier for us to have that strategic overview. As I say, if anybody else came in, it would start to be more complicated.

Q237 Simon Danczuk: On fiscal devolution, we had the congestion charge reports, and under fiscal devolution in Greater Manchester, that would have been agreed by the combined authority and become a financial-collection process. However, through the referendum, the public stepped in and stopped that happening. If we fast forward to the precept you mentioned in terms of policing, if it were left to the combined authority, it would have gone up by £5, because the police and crime panel agreed with the police commissioner, but Eric Pickles stepped in and reduced it to £2.97. There is a risk with fiscal devolution, isn't there? The public do not get a chance to step in. Eric Pickles does not get a chance to step in. Where are the checks and balances?

Sir Richard Leese: You are opening up some of my scars now, Simon, I can tell you that. No; under fiscal devolution the congestion charge would not have happened, because it would have required all 10 districts to have individually voted for a congestion charge, which is the case now. In that area, there is fiscal devolution; we could have a

congestion charge, but it would require all 10 districts to vote for it. I think at the moment the prospects of any voting for it are very low indeed. If you go back to the circumstances pre-referendum, there were two districts that said, "We will not support that." The reason the referendum happened was that it was the only way politicians agreed that they could settle the dispute between the eight that wanted it and the two that did not. It could not have happened simply through fiscal devolution.

Lord Smith of Leigh: On the police precept, Simon, things go on that do not always get reported, but if you look at the powers of the police and crime panel, we cannot stop precepts going through; we can just delay them. We had a long and hard discussion, I can assure you, with the police and crime commissioner on his plans. This was agreed reluctantly to be this year's effort, but we said to him, "We want to talk to you throughout next year so you are more ready to embrace some of these ideas about public service reform, but you will be able to get away with not simply assuming you can put it on the precept."

Sir Richard Leese: The veto powers there are clear. We can tell the commissioner to go up or down, but not how far to go up or down. If we had vetoed £5, it would have been £4.99, and there is nothing we could have done about it.

Q238 Chair: Finally, there was a point someone raised this morning about the issue of democratic accountability. If, say, a substantial package of devolution were agreed—fiscal devolution in terms of the property taxes you were talking about and maybe some powers to have more responsibility for other services—do you think there is any merit in that package being put to a referendum of local people, as we saw with the changes in London with the creation of the mayor and those reforms?

Lord Smith of Leigh: It would be an interesting question to frame, I think, so people understood it. I am not a great lover of referendums in lots of ways. In this country, we have an elected democracy. We elect people to make decisions. If they do not like what we do, they have the obvious answer: they can get rid of us. You would have problems talking to most councillors about fiscal devolution, let alone members of the public. It would be really a whim of things. I do not like to attack neighbouring countries, but in Ireland they always lose the referendum the first time around and then win it the second time around. These things are not done sensibly in politics. We have long-standing arrangements, and we ought to stick to what we have.

Sir Richard Leese: We ought to talk about devolution here on a cost-neutral basis. By and large, I think people in Great Manchester do

not care that much who provides support to get people back into work and so on; they care about doing it well. We are arguing for being able to do it better rather than anything else. In terms of fiscal devolution and the ability to raise taxes at a local level, it is a question of whether a local authority should have a completely unbridled right to raise taxation by as much as it wants. I think the answer to that has to be no. There is some debate as to who chooses to curtail that: should it be the electorate, or should it be national Government? I think you can argue that it is quite reasonable for the national Government to set parameters about what is excessive. It is a bit hard to argue that 2% is excessive.

Cllr Derbyshire: I do not really have anything to add to that. I do not see how you could have a referendum on the potentially complex set of proposals there would be for fiscal devolution. You would need to tell people it was happening and whom to hold responsible for the outcomes.

Chair: I would say Scotland, Wales and London have had a fairly complex set of arrangements each, but never mind.

Q239 Mark Pawsey: A simple last question: is there anything to be said for local authorities having sufficient powers not to need to rely on central Government for anything, so that councils could effectively be self-sufficient?

Cllr Derbyshire: That would be lovely.

Lord Smith of Leigh: That would be an ideal world, wouldn't it? However, we have to accept that parts of this country, for various reasons, have certain levels of deprivation that nationally we need to do something about. In Greater Manchester, this is our ambition: we do not want to be a dependent part of the country forever. We have had significant social change in this area. I come from an ex-mining area. We need to get beyond that, but we do not want to be people who are always on the receiving end. We want to create a successful economic and social background so we can get away from that, but there may then be economic change that means other parts of the country need support. We will willingly give that.

Sir Richard Leese: When I talk to my friend the leader of Glasgow Council, he will tell me that he is still waiting for devolution to reach Scotland. It now has problems with a parliament in Edinburgh, rather than one in Whitehall. That is as far as devolution has gone. The case for fiscal devolution is as strong there as it is here.

It would be an ideal position for local government in England to have that level of financial independence. However, there are still

going to be a whole range of things that are genuinely national, where a national Government will quite reasonably want to say, "These are the outcomes that we want to achieve." I cannot imagine at any time a national Government would suddenly say, "Economic growth is nothing to do with us," for example. Whether it is financial independence or not, that assumes that there needs to be a relationship between national and local around delivery of outcomes. I think the devolutionary argument in part is calling for a more sophisticated and balanced relationship between national and local, not anarchy in the UK.

Chair: Thank you all very much for coming this afternoon for a very interesting session.