



Political and Constitutional Reform Committee

Oral evidence: [The future of devolution after the referendum](#), HC 700

Monday 10 November 2014

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Written evidence from witnesses:

- [County Councils' Network](#)
- [District Councils Network](#)
- [Mayor of London](#)

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Members present: Mr Graham Allen (Chair); Mr Christopher Chope; Tracey Crouch; Mark Durkan; Paul Flynn; Fabian Hamilton; Robert Neill; Chris Ruane; Mr Andrew Turner

Questions 143 – 223

Witnesses: **Councillor David Hodge**, Chairman, County Councils' Network, **Councillor Tony Jackson**, District Councils' Network, **Steve Atkinson**, District Councils' Network, and **Charlotte Aldritt**, Secretary, Royal Society of Arts City Growth Commission, gave evidence.

Q143 Chair: Welcome. I have to say that we are threatened with a vote, in which case I suspend the Committee for 10 minutes and we clear off, vote, come back, ask each other what the vote was about and resume the Select Committee.

We are very pleased to see you today. Thank you for coming in and also for coming in at relatively short notice. You will know that we are trying to respond as speedily as possible to recent events in Scotland and a lot of the things that have happened subsequent to that. Since we asked you to come in to give evidence, the Manchester deal has been announced. There is a lot of interest and a lot of intellectual and political activity around these areas; think tanks reporting left, right and centre. It is a really interesting time to ask you to come in front of us and get your opinions. Did you want to say anything before we start, or shall we go straight to questions?

Councillor Jackson: I am happy to do something as a very quick overview from a District Councils' Network point of view. One of the things that we hope is recognised widely is that local government has demonstrated its ability to be adaptable and flexible during what have been quite challenging times for local government. I think we have demonstrated, across and between tiers of government and across partnerships, which we are able to collaborate in order to deliver outcomes

for our residents and, at the same time, look at more efficient and cost-effective ways of working to do that. We believe there is a real opportunity in terms of devolution for us to be able to do even more, given the wherewithal to do that. We feel very strongly that local areas need to have freedoms and powers to deliver what local people want—what we identify local people wanting—to be able to raise funds in order for us to deliver the outcomes that they require and to be free from the temptation of central government to hang on to too many strings.

From a district council perspective, one of the things we feel we bring to the discussion is that we are at the very foundation for devolution because of our proximity to our residents. No doubt, today throughout England, there will be many interactions between residents and Members and our various councils, dealing with a range of issues, many of which are not necessarily a district council remit, but they see us as advocates and a connection beyond the local authority. That is because we sit in a very privileged position of having connections with so many different organisations and agencies, from colleagues in county council through to business, the voluntary sector, registered social landlords, health, the police, and so on. We act as a very direct connection to local residents and for that reason we believe that anything that moves forward on devolution should have district councils as a foundation for the places that we might be talking about in the future.

Councillor Hodge: From a County Councils' Network perspective, I welcome the work that the DCN does and how we work with our partners across different county areas. I think it is quite important that we all recognise that it is not the institutions we are talking about here; it is talking about the people. It is about people power and people's trust and who the people trust. It is quite clearly evidenced that that has been clear for some time.

While I personally welcomed the announcement that the Government made about Manchester, I have some reservations about that type of devolution going forward. I think it was devolution like a puppet on a string—we are holding the puppet, wiggle all the strings—and I think that is a dangerous way to go. Devolution needs to be about real devolution, about handing power and responsibility down to what I call places, places that work together like we do. We work with the districts, the CCGs, the ambulance service, the hospitals. It is about place. I coined a phrase some time ago, which I think you have heard before, Chairman: one place, one budget. The reality is if we join services up we can deliver a better-quality service to the residents of an area. It is not about a county council or a district council or the police service. It is about the people who have the responsibility, whether they are elected or whether they have been given a chairmanship of a CCG or whatever it is. It is about getting the people to come together at the top and say, "We are going to work together to ensure that we can deliver a higher-quality service at a reduced cost".

I believe, and I have always said this—for some time now I have been a lone voice saying it—there is money to be saved in devolution. That is absolutely clear, in my opinion, and that money should be shared partly between the money going back to the Treasury, which I think is right, but also by reinvesting the money in the area, in the place. If Tony and I were in the same place together as a district and county, we would be talking with our partners. We would draw up a plan: where do we need to invest money; what are the key things that matter to this place, these people; how can we make it better for them? It could be a road scheme to help the business community. It could be about apprenticeships. It might be doing something about the hospital locally or something like that, but it is an agenda that would be agreed by the top people in the group. We do not need new structures. It is a total waste of time putting a new structure in. We should get the people who are in charge to run it together under a public service board. Cambridge has already started that, as you probably know.

Charlotte Alldritt: I am coming at it from a city perspective, having run the City Growth Commission for the last 12 months. We concentrated our work on the largest 15 major metro areas,

defining that by travel to work area, so looking at the economic geography to understand how we can boost the economic trend rate of growth through decentralisation and devolution.

With that in mind, I would say that I agree with everything that the previous speakers have just said, but there are layers of localism and, therefore, there will be layers of decentralisation. Within that, we need to find the most appropriate scale to be thinking about strategic decisions in terms of economic planning over large areas, be they whole regions all the way down, as previous speakers have said, to engaging with local people and partnerships with other organisations. I think it is a more complex picture, but that does not necessarily need to mean that the governance needs to be more complex. We should be working with the grain and building robust accountability structures that will at their best probably be clearer and simpler.

Q144 Chair: Steve, did you want to add anything?

Steve Atkinson: If I may, Chairman, just a few quick points backing up what others have said. I think it is important in terms of devolution that we use the local knowledge that we have between us. That will mean that there will be different solutions in terms of economic regeneration, for example, for different areas. Locally, that is where economic regeneration is being driven, sometimes in spite of strictures from Whitehall. We are already working. We can give examples between us locally, and probably more nationally, of where we are working together within the two tiers and beyond to drive that forward.

I think it is fair to say that we have some of the tools because of the powers we have for planning—section 106 agreements, for example—housing and the departments that we all run and the services that we all provide. What we need to provide better, more cost-effective services in collaboration is devolution of things like business rates far more than we have currently—that is between the tiers—and a lack of restriction or removing the restriction on council tax levels and the ability to borrow. Again, we can give examples where councils are now being less risk averse, not taking undue risk but less risk averse, which we have to be if we want to regenerate our communities and businesses. If those tools were given to us in a single pot and Government was to say, “That is the money that is going to Surrey or Leicestershire or Hertfordshire, you sort it out,” we are very confident that we can deliver what Government want in a better way.

Q145 Mr Turner: What evidence is there that there is public demand for devolution of powers to local authorities in England?

Councillor Hodge: I think the evidence is very simple. The evidence has been demonstrated by what happened in Scotland. At last, for once and for all, people have got up and said, “We want a say.” My wife and I watched “Question Time” the other night and I was quite surprised. There was a huge number of young people in that audience, which is contrary to what normally happens. The young people of this country want to see change and so do the older people. People like myself want to see real change. The BBC has done a poll and they found that 82% of people support devolution. MORI has just recently done one where they showed eight out of 10 people want to see change. I think it is really important.

This is about one word only. It is trust. Does Parliament trust local government and local providers of services to come together in a devolved manner to do a better job for the people they represent? That is what it is about, nothing else. Can Parliament and Members of Parliament—I do not mean disrespect to anybody here—in the wider context let go of some of the strings once and for all and say to local areas, “You take control. You deliver the services. You provide better quality at a lower cost.”?

The simple fact for saying that, Andrew, is that this country cannot afford the current state we have at the moment. We are just not able to afford it. We have an increased population of young people being born. We have an increased population. The demand for elderly services is going up and up and up. In between that chasm, there are the young people who have to earn the money to keep the old people alive, so we need to change how we do things.

Councillor Jackson: If I can provide an interpretation, Andrew, of your question, I have not had hundreds of people write to me saying, “Go out and beg for devolution,” but what I do believe is that there is a disconnect with the democratic mandate in general and beyond the shores of this country. I think we can see it happening all over the place. The further away decision-making gets from residents, the more difficult it is for them to feel engaged, the more difficult it is for them to be able to feel they can do something that makes a difference. For that reason, I firmly believe the opportunity that devolution brings is an opportunity to help to reengage, reignite some local interest, on the basis that without strings there is a very clear accountability at a local level that would enable people to say, “We disagree with what you have done and you will pay for it next time we go and vote.” That is almost how it should be rather than what I hear often—if I am being absolutely brutal—which is a real empathy towards local government, where they are saying, “You guys are doing a remarkably good job because we know a lot of the strings are being tugged still from Westminster.” There is that sense that people feel more connected and I think there is a great opportunity for them to feel more connected with the decision-making in their place. For that reason, we might see one of the significant benefits of devolution being a reengagement, as we saw in Scotland when they had something to really focus on.

Steve Atkinson: There is also the example of how devolution does work, perhaps not the best I could give but one where significant improvements have been made in terms of troubled families, where central government have let go of the purse strings and in two-tier areas have said to counties and districts, “Go and sort that out.” I know where I work in Leicestershire, and I am sure it is happening in other parts of the country, we have worked together and we are showing improvements. That is benefitting a lot of families who otherwise would not have those benefits.

Charlotte Aldritt: I think the devil is inevitably in the detail. The experience we have seen with the north-east assembly under the previous Administration and attempts under both this current Administration and previous to push for elected mayors means the public will respond to the question that you ask them. That means that the offer of local and central government needs to be one that is attractive and meaningful and tangible. I am sure we will get on to this later in the session, but I was at an event with the BBC in the north-west last week and the number of people, be they elected representatives, members of the public, academics or other, that felt that the Government’s offer to Greater Manchester was a centrally determined solution to what they saw as a decentralised problem means that we have to be so careful that the proposals that this Committee and others put forward get local buy-in.

Q146 Mr Turner: Two of you have already mentioned savings of money; not cost of money but savings of money. Could I ask the others what your reaction is? Will there be a guarantee of a saving if we push down to locals?

Steve Atkinson: Yes. I will use the example of troubled families again where, by pooling budgets and pooling the way people work, there have been savings already and, on the contrary, an improved service to people. We can almost get the holy grail of a better service and reduced costs. By other means, we could achieve that. Where I work and in the other parts of the country where you bring the services together—and I know it is something that Councillor Hodge has advocated—and have them in the same place under the same management almost in a local area,

you get significant savings and significant improvements in the service. Yes, it can be done and we have evidence of that.

Councillor Jackson: I am not sure I would add very much more. We could find very localised examples of where local government and agencies working more effectively to deliver common outcomes and joining up the work inevitably leads to a better quality of outcome and in a more cost-effective manner. On that basis, I think it is not unreasonable for us to make the assertion that joining up public services more widely should lead us very definitely to a significant opportunity to save. As Councillor Hodge has said, one of the conversations that we could have with Government is the elements that might be retained locally and the elements of those savings that can be passed back to the Exchequer. There are some interesting conversations and possibilities.

Councillor Hodge: Things are already happening now. Four or five years ago, we did a deal in Surrey with the Isle of Wight. When somebody rings for the fire service from the Isle of Wight, it does not ring in the Isle of Wight; it rings in Reigate. It is more efficient. With computerisation and maps and things, you can get on with that. We have done a deal with the East Sussex County Council and we are now looking to set up a business unit that will run all the back office services from finance, property, procurement, training, HR, payroll—you name it. We are going to have one and we are going to bring in a couple of district councils right at the start, so there will be four partners working on this model. We believe we can drive down the costs. You will not have four HR heads of departments, four procurement heads, four of this, and you can reduce your costs.

Q147 Mr Turner: Is that a guarantee you can give to people on the Isle of Wight that it will cost you less?

Councillor Hodge: We have already saved the Isle of Wight £1 million a year, by the way, by doing a deal with them. We can do lots of deals like this across the county by talking to each other.

Charlotte Alldritt: What I would add to that is the commission's approach is predicated on integrated social and economic policy reform. From that, you get not only savings but the growth as well. Of course, devolution is not a panacea. There are other things that could be brought in that would enable efficiency savings to be made and growth to be boosted, but I think it is important to stress that the examples that have been shown are contingent on robust governance, effective, collaborative decision making, and the capability and capacity for places to understand what they need, where those savings can be made, and how they can pool their budgets most effectively.

Q148 Mr Turner: How far have changes already affected local devolution areas such as localism and City Deals and so on?

Charlotte Alldritt: Throughout this Parliament, there have been some small, symbolic steps towards decentralisation and devolution. I think that the fact that central government has held the strings very tightly—it has been a very managed, centrally determined process—means that it was frustrating but perhaps of little surprise that the Manchester deal, which I think is a landmark one, was received not necessarily by local people in the spirit that it is meant. It is a challenge to, say, the City Deals process, which was meant to be giving places, particularly those that have demonstrated greater capability, more flexibility in the way they access the local growth fund. It turned out to be a list of projects at best that they could substitute in and out with very highly directed Cabinet Office sign-off. You can call it decentralisation, but I think it is potentially even greater centralisation because previously that money would have been allocated and local places could have done what they wanted with it.

Councillor Hodge: There is £23 billion worth of money in skills and business support, which Government runs. There are 124 different pots of money inside that £23 billion. It is unrealistic for it to work centrally. It is a one-size-fits-all idea that everything is going to be the same. What people need in places like Durham or Cumbria or Cornwall or Kent or Staffordshire are totally different in terms of what they need in Surrey. We know our skills base in Surrey, but I am not going to pretend I know what they need in other areas. The local people know best.

Q149 Mr Turner: That is true, but in other areas they are common. All housing is effectively more or less the same. I realise their costs are different and so on, but you have to have houses.

Councillor Hodge: Well, I would challenge you, Andrew, if I may.

Mr Turner: So I can say, “We do not want houses.”?

Councillor Hodge: No, on the contrary, I think one of the problems with this country is we are being dictated that, “You will build x number of houses,” and what we are not talking about is building communities.

Q150 Mr Turner: So it is not the houses?

Councillor Hodge: No.

Mr Turner: It is not the availability of the houses that we like?

Councillor Hodge: We need houses. Young people need to have a chance to have a house. I get sick and tired—and I do not mind publicly saying; I have said it before—of people in power who have a nice big house and do not want young people to have a house in the area. I think that is wrong. Morally, I think it is wrong. I think it is time we sorted it, but we need to be creating communities around housing, jobs, education, schools. Too often, we look at housing and housing alone and we do not address the bigger issue.

Q151 Mr Turner: So it is going to cost you?

Councillor Jackson: Yes—

Councillor Hodge: No, it does not cost me.

Mr Turner: Well, which?

Councillor Jackson: I think all of what David has said has to join up at a localised level so that all the dots join up, we are all working to the same outcomes and there is a commonality in how we go about that. The sort of structure can be decided in different locations depending on the different drivers, I would suggest. It would not be a single model, but it will be different models in different ways. It may be across a single county or two counties together, for example. One of the things that—

Chair: I hesitate to interrupt. I do not mean any discourtesy, not least since I agree with virtually everything you have said so far. I am just keeping an eye on the time and I am also conscious that we will lose 10 to 15 minutes on a vote, which will be your time, unfortunately. I am going to ask the witnesses and, indeed, the Members here to be a bit sharper, if I can.

Q152 Mr Turner: What improvements in accountability and governance arrangements would be required to change it from what is going on now to what you would like to go on two or three years hence?

Steve Atkinson: In the first case, it needs a step change from central government. You made the point or asked the question: what has been happening so far? Local authorities, very local authorities, have moved as far as we can, but we have not had that big step change from Government because, like it or not, the important thing that local authorities and local communities need is a release of the purse strings on the finance. If we get that from central Government, then we can make significant changes forward. The governance, as Councillor Jackson has said, will follow because that will be dealt with at a local level. There are a number of models and I think the important thing is if we have the power then we have the ability to make those necessary changes. Without that power, it makes it more difficult.

Councillor Jackson: If I just give you an example of my own authority: we pass 25% of our new homes bonus to our towns and parishes. It is a choice we have made locally. We have been able to do that. I would like to do more, but every time I try to do something I feel as though there is a string that tugs my hand in a direction I don't want it to go. They are the strings that are still connected here at Westminster. There are opportunities for us to build on some rather innovative, creative ways that we are trying to engage our communities at the lowest level possible, so that they feel they can have more control. You spoke about housing. One of the things we have found that helps local communities engage in housing and housing growth need is when they are taken on the journey and feel they have a genuine influence over how it might look and how it is shaped. That is why passing some of the new homes bonus money has helped them to make an investment into their community as they see fit. We would love to see an opportunity to do more of that, but joined up with other agencies so it becomes a very holistic, joined-up approach.

Councillor Hodge: We have recently commissioned a devolution survey with the County Councils' Network. We have interim findings that we are going to be handing out next week at the conference. It is very clear that what the counties are saying is that we are ready to take devolution now. We are ready to work with our district and borough partners and with other agencies now. I believe there are probably between 10 to 15 county areas that are ready now. There may be one or two little hiccups—there will be—but I think the big prize here is if people realise that devolution and responsibility and better quality of service at a lower cost can be delivered across a county with our district partners, more people would come to the table willingly to say, "We want to be a part of that." That is the key. Everyone I speak to says, "We want to do more."

Charlotte Alldritt: I think there is a range of things. In the immediate, there is a number of powers that can be given to all places and/or constraints that can be released. I would particularly refer the Committee to abolishing the referendum on council tax, the trigger referenda. Skills finance can be devolved pretty soon, similarly, to all places.

Where I think that you then see a spectrum, and it will take time for places to come forward once they have decided how they want to collaborate with what appropriate governance structures—and we are seeing, for example, last week Birmingham indicating that they wanted to work more closely with the Black Country as a part of a Greater Birmingham, Solihull and Black Country LEP—we can start to move towards some bolder proposals where you would see much greater flexibility around fiscal powers and borrowing.

Q153 Tracey Crouch: Can I very briefly follow up on the questions that Andrew asked? Do you think therefore that the localism agenda, which the Government is very proud of, has not gone far

enough in terms of devolution? Is the Government wrong to be proud of what it has achieved through localism?

Councillor Hodge: I think the problem with the localism agenda is that nobody really understood what it meant. In theory, it was a good idea and in theory it should work, but the practicalities are that you have a puppet and Government is holding all the strings. I am a bit reminded of Sandie Shaw's song "Puppet on a String". It always brings it back to me. That is what is happening at the moment. We are not allowed to do things. Tony talked just now about what he would like to do with the parish councils. I go to the parish councils. There is only so much we can do.

I think we do need to have a situation where devolution really means devolution down. There are a lot of things people ask for, but there are some very simple things that could be done without legislation, with a simple MOU with Treasury, and you could sit down and draw up those terms of reference. You have a responsibility. The National Audit Office could quite easily check those annually: did you or did you not do it? Have you failed? You lose some money. I think that is really important. There has to be some strings and you need a bit of power to make sure we deliver what we say we will deliver.

Q154 Tracey Crouch: So the legislation is already there; it is just about the practical implementation?

Councillor Hodge: It is a desire. Do you remember when I said earlier on it is about trust? It is also about a desire. Does this House really have the desire and trust people locally to hand the power down?

Q155 Tracey Crouch: Charlotte, and probably for the DCN as well, would you support the idea of a framework for devolution of powers to local authorities?

Charlotte Aldritt: Yes, absolutely. I think this needs to be done in a very open, transparent manner so that deals cannot be done behind closed doors in such a way where people cannot see why Greater London has that and Greater Birmingham or wherever else does not have that. We propose that an independent committee is set up, given legitimacy via a Select Committee—we suggest the DCLG Select Committee but a Committee such as this would equally confer that same status—to evaluate proposals brought forward by groups of local authorities to say that they can collaborate at scale and have those structures and capabilities in place that I have spoken about previously. That is the kind of structure that we need to create the buy-in and show that this is a permanent feature of our evolving constitution.

Q156 Tracey Crouch: Tony and Steve, I saw you nodding furiously so, rather than answer the same question, do you think that if we did have a framework it would work for both the metro cities and the districts as well as for counties?

Steve Atkinson: There is absolutely no reason why it should not work for all bodies, as long as it is consistent and there is a framework that allows flexibility at the local level.

Councillor Jackson: What is also important is that different places will move at a different pace. David has already suggested there might be some authorities out there already in advanced conversations. They could be ready to move to a proposition that they could present to Government sooner than others. What we would want to ensure is that those who may not yet be ready are still given the time to evolve their own plans. We would hate to see some sort of deadline that says, "If

you haven't done it by this date, then it is too late." We would rather allow places to evolve their propositions in a timely way that ensures everybody is on board—everybody who needs to be onside is. Otherwise, we will end up rushing in order to beat a deadline and invariably we will end up with some propositions that will not have had the opportunity to be well formed and well founded. For that reason, we just ask for the flexibility in allowing that development over a period of time, a different pace at different places.

Q157 Tracey Crouch: The flipside to that was that you could end up with this two-track or twin-track kind of approach where one authority is going to reach it very quickly and others will be dragged behind, whereas if you have the framework and the targets, then that might help. For example, I know from the South East LEP we already have in place things like the skills and finance agenda that Charlotte was referring to. That might not be uniform across the entire place and the current structures allow for that flexibility in devolution of those particular issues.

Councillor Jackson: Indeed.

Q158 Tracey Crouch: Charlotte, last Monday, the Greater Manchester agreement was announced. Do you think that this agreement means that Greater Manchester will be the first of the metro regions to have the devolved city status that the City Growth Commission recommended?

Charlotte Alldritt: I think it is a step closer. I think, though, that there is a range of fiscal powers in particular that we would look to be allowing Greater Manchester and the GLA in London and other city regions as and when they were able to take them on. I have referred previously to varying business rates, but also thinking about other property taxes. The London Finance Commission, for example, talks about stamp duty. I think that raises difficult questions about redistribution and so on, but we should be talking about these things and at the moment tax powers seem to be off the table. I would be pushing Treasury in that direction but welcome everything on housing, health. It starts to move it in the range of integrating public service delivery that London, say, does not have that capacity to.

Tracey Crouch: Hold that thought.

Chair: They are playing our tune, so I will suspend the Committee for 10 minutes. If colleagues could be back here, that would be very helpful. Apologies to our witnesses.

Sitting suspended for a Division in the House.

On resuming—

Q159 Chair: Tracey was talking to you about the Greater Manchester agreement. There may be concerns that it is not perfect, but do you, nonetheless, think that it is a breakthrough and something that could be built on, if I can put words in Tracey's mouth?

Councillor Hodge: I think it is absolutely essential that Manchester was there first and gone through because clearly the Government was in long discussions with Manchester. Like all things, when you are first into the fray it is probably not the perfect way of doing it, but the fact is the ice is broken now and there is no doubt that what now needs to happen is county councils, with our district partners, need to come forward with our own agendas on how we can do that. We are in the process of doing some of that work at the moment.

Chair: Tracey, I was just finishing off your question about Greater Manchester, but I know you wanted to come on to whether there is a broader application.

Q160 Tracey Crouch: A lot of work on devolution in England has focused on the cities and the metro regions. How can we ensure that the principle of devolution benefits everyone and not just those around major cities? I have three authorities covering my constituency. I have a district council, a county council and I also have the unitary authority of Medway, so I am interested in your views on that particular question.

Councillor Hodge: It is interesting you say that because about five years ago we set up something called the South East 7, which was Surrey, Kent, Medway, Brighton, Hampshire and the two Sussexes. We have been going now for five or six years, doing a number of projects going right across the piece, and we have done some good collaborative work to find out the best way we can deliver services, and we have all learned off each other. Medway have led in some areas; Brighton have led in some areas; we have led in some areas. In highways we have led. We created the very first MSc for young people in highway services to start to qualify with an MSc. I think it is important to start training the staff, so they are ready to step up. When the older people move, you need somebody to step up ready and they have their qualifications.

There has been a great deal of collaboration work done by South East 7. Somebody said to me, "Why don't you put the SE7 forward as an area?" It is quite a big area with 70-odd districts and so on. From a county council point of view, working with the districts and boroughs, the health service, the ambulance and the police, I do not see why we cannot put forward some new solutions. I will say this even though I am the chairman of the CCN. In Surrey, we are holding a collaboration event next Wednesday week and that will have 500-odd staff there from right across every single service, including the voluntary service, even the military because they play a big role in what we provide in Surrey. It is about how we work together. It is surprising, even though we have organised it, I am not the first speaker. It is the health service that is going to introduce it, and I think that is what it is about. We all need to realise that if, collectively, we can work as one team, it does not matter what our role is. As long as we work together then we are working for the people of that area and it is all about the place, the budget and the people of that area.

Q161 Tracey Crouch: I would hope that that collaboration and co-operation does happen anyway as a matter of course. I see it perfectly in terms of the Medway Unitary Authority that has the same boundaries as the CCG, for example, and the Health and Wellbeing Board and so on. That can work very well, but my question is: do you think all different types of tiers of local government could cope and manage with the type of devolution that we may well see, for example, in the Greater Manchester agreement?

Charlotte Alldritt: In economic terms, I think if you want biggest bang for your devolutionary buck you would be going to the big major metros to give them the strategic, economic and development powers to tie in with their public services to enable them to become for their regions what London is for the south-east. That incorporates out towards Reading and Slough, even Oxford and Cambridge. Their economies are in many ways linked to that of Greater London. It is not just the case that economies exist in isolation in cities. They have incredible reach into their counties, but also between themselves and hence the focus of the Chancellor on the northern powerhouse and the relationship between commuting between those two major cities.

I talked previously about a spectrum based on capability and governance. Other places, in principle, should, of course, be able to say, "This is what we want. This is how we will be able to deliver it. This is the assurance against the risk that we hope the Government will transfer to us

according to this flexible, transparent framework.” That is a conversation that should absolutely be open. Even if you start with the major metros, I think there is going to be wider economic benefit and, from a political, social, trust-in-politics way, if you get that right you could start to unlock a domino effect as well.

Chair: Gentlemen, again there may be another vote, so we are tight for time. Very small interventions if I may.

Councillor Hodge: Just very quickly. County council areas account for 40% of GVA and 50% of the employment in construction, manufacturing and pharmaceuticals. We have the largest private sector job creation, with over 1 million enterprises, and the highest business rate in the UK. The Government cannot afford to ignore the county areas with our district colleagues. We are producing, and we do produce huge amounts of money for the Exchequer and when you look at the facts you will find that the GVA produced by the counties is something that this country desperately needs.

Q162 Mark Durkan: This relates mainly, I suppose, to the DCN, based on your own indications that you would like to see devolution of an appropriate share of the tax base. What elements do you think should be devolved to county or district controls? What do you think would be appropriate?

Councillor Jackson: I think the answer here is we do not have a specific proposition. The reason for that would be that, first of all, we would want to see devolution of all the growth in business rates to the place, whatever place that is defined as, and that that place is where the discussion should go on about proportions that may go to a county or to a district. It is going to be different in different places and, if we are talking about devolution that makes a difference in localities, then those are the conversations those localities should have, but the one thing that does not exist at the moment is a true incentive in terms of business rate retention as it stands. The 50% retention does not make it an easy decision when we look at risk versus reward for the local authorities, so we need to move to a position where the business rates are retained in the place.

Part of the conversation and the proposition that would need to be put to Government would then articulate how that share might be shared out, but I do not think we sit here today saying, “It should be 75% to them, 25% to us,” or whatever. I do not think it matters at this stage. What matters is to move into a different territory in terms of the amount of business rates that can be retained locally and then we can have the conversation locally about how that is best distributed.

Councillor Hodge: I also think it is about the current policy of council tax freeze. While I am well aware of what the intention was, one has to ask the question, when you have clear demand pressures in adult social care right across particularly the county areas, because the diversity and disparity of the nature of where we deliver services puts a huge strain on county adult social care costs. There is no doubt about it. It is running away with itself. It is almost uncontrollable at the moment and something needs to happen. There needs to be a system whereby the council tax rate needs to be set by the local people, because only the local people understand what is happening. I can say this because I have set mine. I have been at a different place to everybody else, but I have been very clear about why I needed to do it and I think most of the counties now are in a situation where the sheer pressure of the adult social care is having an effect on them in the local areas.

Steve Atkinson: You talked about business rates and David has expanded on that—the ability to have the limits taken off the borrowing that we are able to do both in terms of building houses and wider regeneration. We have examples of where councils, my own specifically, have borrowed money at relatively low rates and this has helped us unlock a significant regeneration project that otherwise would not have happened. The more that districts and counties are able to do that, the

better for local communities. Yes, it is about risk taking, but we have had long experience. Most councils do not take risks beyond those that they can afford.

Q163 Mark Durkan: You do not see a magic figure in terms of what proportion of revenue should be raised locally, but if it is going to be subject to this local conversation, the local conversation will be about the next apparent tranche of devolution. How often does this conversation have to take place?

Steve Atkinson: It should not have to take place particularly regularly. I think it is establishing the principle and, if it is not some kind of constitutional change, some kind of memorandum between central government and two-tier areas that we are talking about here. Once that framework is in place then you have had the conversation about the principle; you have dealt with it. It is then about making changes locally, because that is where the authority and the responsibility has been vested.

Q164 Mark Durkan: The framework would be basically saying whatever you are having yourself. So councils, on the basis of the conversation, would decide there was so much revenue they were going for?

Councillor Hodge: I think there needs to be a national framework, but with some leeway to allow for different local pressures. I have done quite a lot of work on this over the last five years. I have analysed every single cost of every service in Surrey over the last five years, and we can now produce the actual unit cost of every service and I can tell if my services are going down or going up. There are only two services going up. One is skilled places, because we have a huge issue in Surrey with 24,000 people required over a nine-year period. The second issue is: how can I control my adult social care? I do not think I am different to any other county area.

How do you control the adult social care costs? You cannot control it because it is a fact of life that it will go up. I think there needs to be a mechanism in the system whereby if a county want to put adult social care costs up because they are demand led and they said, "We need to put them up by 1%," or whatever the figure is, that then needs to be checked a year after by the National Audit Office or the Treasury to say, "Yes, your figures did go up and you were right in your forecasts," and then you could work it out. It is quite a simple system to work out. If you put your rates up to meet that specific extra demand there then you have to prove that you did have that and you used the money for that. It can be done.

Charlotte Alldritt: The most important things for me, particularly in the short term, are in the local finance arrangements, that it is a multi-year deal; that it is independently determined so that conversations about who gets what are not happening at quad level, which happens from my own experience in Government; and that places have the ability to retain the proceeds of growth through any sort of shared, pooling investment or whatever structures that they want to be appropriate for their particular place.

Q165 Mark Durkan: Do you see a case for income tax assignment in this context?

Councillor Jackson: Certainly the Chairman has suggested, through a report, a few propositions. If we were inclined to think in those terms, the proposition of passing the element of income tax, which I think is suggested to be two-thirds, would then pay for those local government public services in the local place. That would seem to be one based around a logical proposition that we could understand. The other options have a little bit more complexity to them, which I am not sure would add particularly to the value. Option one of those three feels like it has more of a resonance.

Charlotte Alldritt: We have two contextual things that need to be borne in mind with all of these conversations. First, in the UK our political economy is entrenched with the idea of fairness and equalisation. If you go back to Beveridge and the post-war consensus, whichever side of the line or party you come from, there is an understanding that we have, in many respects, a universal public service, the NHS being a prime example. Redistribution is going to be a necessary part of whatever settlement we come to. We are not advocating, or I do not think anyone is at the moment, that places say, “Well, you are on your own. You get the proceeds that you are able to raise, and that’s it.” There is the equalisation point.

The other is the current Government has a national fiscal mandate. National fiscal finances need to be borne in mind and so the health of those national public finances and the degree to which we enable local places to borrow against a wider context of rising national debt or otherwise is something that we need to be getting right and have a mature conversation with local government and the rest as to the role of the Treasury, in effect.

Councillor Hodge: There is one area where there are substantial sums of money to be saved and that is in the role of property, the amount of Government, local government and NHS property right across the piece. Some counties I know have something like 800 buildings. You have to ask yourself the question when you see a Government department move from one building in one town to another town 15 miles away because the office is not big enough but did not realise the building next door was owned by the Government but by a different department. It had a sign outside “for sale” or “for rent” and they moved to another part, and I know that for a fact, by the way, and I can prove it.

A Government property department is a huge thing and I know that Francis Maude has worked really hard. I am aware of it because I have been in meetings with him. He has worked really hard to try to get us to understand that we do not need many of the properties we have and we should look to rationalise those properties or embrace the properties and create housing or stuff like that and give some money back to the Treasury. A lot of that could be done with local property managers understanding about having a conversation with the district council about what we could do with planning and just saying, “What do you need?” You could do an awful lot more with that and save a lot of money in the long term. A huge amount of money is to be saved.

Q166 Robert Neill: A sense of déjà vu for some of us, but welcome. We are pushed on time. There are three things I just wanted to concentrate on. David, the CCN and, Charlotte, your commission have talked in terms of trying to get a plan for devolution entrenched within the 2015 spending review. Many people would say that might be tough going. Is that feasible, for a start, and what evidence do you have that anything is being done on that?

Councillor Hodge: What would be helpful is if it was possible for the Chancellor to say in the autumn statement that we want to continue having discussions with counties and major cities, and we would obviously be dealing with our partners in the district because that is important. I think it is a statement of intent that this is what the Government want to do. That will go a huge way to making people come around the table and say, “Hang on minute, it is time we got our act together.” It is time we moved forward, went to the Government, went to the Treasury or wherever it is and say, “This is what we can do. Can we work on this together?” I think we can do that. I genuinely do.

I have been saying this for five years now. It is all about one place and one budget and we can make savings and improve the quality of services. I do not have to deliver all the services. I have said to Tony and Steve, “Why can’t you deliver some of the services for me?” for argument’s sake. It is not about me. It is not about the leader of a district. It is about the people. How are going to

make sure the people feel they are getting a better-quality service at a lower cost and how do we take out a lot of bureaucracy?

Q167 Robert Neill: It is a question of the intent?

Councillor Hodge: The intent, yes.

Q168 Robert Neill: Do you dissent from that proposition, Tony?

Councillor Jackson: No, we support that clear message of intent from the Government, which would allow the conversations to progress much more actively and with greater confidence. They are going to have a sense of purpose to them. I think the worry we have is that the messages will not be very clear and that is going to prevent many of us from feeling that it is worth engaging in the conversations.

Q169 Robert Neill: Charlotte, are you happy with that?

Charlotte Alldritt: I would just say there is a window of opportunity, and that time is now. There is a key fiscal landmark. Let us go for it.

Q170 Robert Neill: I think you might find a similar phrase used in an MJ article coming out this week but anyway, what about constitutional convention? LGA are in favour of it; some have their doubts. What is your take? What should be parameters be? What should the format be?

Councillor Hodge: The County Councils' Network have done a devolution questionnaire and the idea of a constitution is not coming out too favourably, but what is coming out is some of the work that Graham has been leading on, without any prompting from me. A great deal of what Graham has led on is about local government's place in Government and the responsibility. I think it is coming out much clearer that there needs to be recognition of what we can do locally on the ground.

We do not know who is going to be in next, but whichever Government is in, the Government is going to have to change its colours and change its way of working over the next five years because I do feel that unless there is a change and unless the Government starts to trust local government to deliver quality services, working with partners—we need to get away from the whole idea of it is only about local government. For me, it is about public services working together. If we can work better, I honestly do believe that would be good, but if Government does not start to trust us and does not start to take their hands off—we talked earlier about the puppets on the string—and allow local places and local areas to take responsibility, I think people will start to get totally turned off with what is going on.

Q171 Robert Neill: That is going to bring me on to my final point, but are there any other views around the convention point?

Steve Atkinson: I do not think there is a strong view from DCN either way on the convention. I think the important thing is that, if there were such a thing, it does not get in the way of doing some work on the ground, which is what we all desperately want to do.

Q172 Robert Neill: You would not want it held up to the window then, or to block the window?

Councillor Jackson: Charlotte spoke about that window of opportunity, and I think there is a real sense of desire at local government level to engage in this conversation. We do not want to lose that opportunity, and we hope that Government does not lose the impetus as well.

Robert Neill: Yes, I understand that.

Councillor Jackson: The danger with a convention is that that might be a reason to start to slow things down.

Q173 Robert Neill: It becomes a bit like royal commissions, yes. You made an interesting point, David, about the issues around trust and people sticking to what the deals and the arrangements are, which leads me on to the final thing I was going to ask you about. Does that relationship need to be entrenched somehow, if we are going to have a relationship? So far, there have been a set of “conventions” in the other sense of the word. There has been an understanding as to how things are and what goes where and so on, but, broadly, there is nothing written in.

Some of you will know—and, Tony, you are probably on the case of this already—when I was on the old Committee of the Regions ages ago Graham Tope was there and Graham has always made the argument about there is a charter of fundamental rights for local government and so on that the Council of Europe and others have pushed. Should we somehow be entrenching in law what the rights of local government are, so that a successor of ours, but 15 down the track or whatever, cannot come along and change it all? Is that a primary legislation thing, or is it something else?

Councillor Jackson: Bob, I think the challenge here is the temptation would be to say, “Well, let’s enshrine it in legislation,” and that is the easy solution. There is a concern that what we need is something definitive—it might be a memorandum of understanding, to put it in its simplest terms—that allows the strings to be cut between central Government and local government such that it does not allow central Government to step in when it suddenly feels it wants to. The trust and confidence to allow local government to then move forward with a proposition that will have been put to Government, that it has been able to discuss and agree, is going to have built into it, I would imagine, governance and audit arrangements that will convince central Government that it is a proposition that they can have confidence in. But there does need to be something that allows us at a local level to feel more confident about that disconnection.

Then I think we go back to what I started with, which is the democratic mandate that we have locally that could well find that we become even more engaged with our residents because they know that we are responsible for the decisions we make, unfettered from central Government. At the moment, I hear very frequently from my residents very sympathetic noises that they know we have restrictions over what we can do and they recognise that what we do, we do in very difficult circumstances. Contentment among our residents is relatively high, despite those difficult talks.

Q174 Chair: On the question of entrenchment, David, and then Charlotte.

Councillor Hodge: I think we are faced with a huge moment of opportunity. On 15 June next year, we will celebrate 800 years of Magna Carta. I would like to think that by the time the new Government is formed next June, as part of the Magna Carta celebrations they say, “We are going to devolve more power down to local government.” That would set a real benchmark on the democratic lines of this country. If I was in Nigeria now and I was the leader or the chair, whatever

you like to call me, of an area—and there are 42 different areas in Nigeria—I would be responsible for 85% of what happens in those areas. Only things like defence are done by the national Government, but the majority of the stuff is devolved down to those 42 regional areas. Why can't we have that in England?

Q175 Chair: Just to press you, David, on entrenchment. We can all talk the rhetoric of devolution, but don't you need some guarantees? Don't you need something that most western democracies have?

Councillor Hodge: I think what they need is to put your paperwork into practice.

Q176 Chair: You are not pressing then for some statutory relationship?

Councillor Hodge: I think there needs to be something laid down because, with the best will in the world, those who are sitting round the tables now, including myself and others, have our own ideas, but there needs to be some sort of reality check here. What is it you want local government to do? I think the work that the Chairman has done is valuable in terms of putting the case forward, and I think that is the minimum I would like to see happen.

Q177 Chair: Charlotte, entrenchment or not?

Charlotte Alldritt: Speaking personally now—it is not something that the committee looked at—I think we need a written constitution and a bill of rights and that the framework about the relationship between central and local government would be part of that. I think legislation is necessary but it not a panacea. I think you need something that is binding. You need to create incentives on both sides of the coin to be able to share risks and rewards appropriately. All of the parties over the next Parliament, and particularly in the lead-up to the election, need to be embedding what is a new cultural norm; new expectations about who gets what, how, what decisions are made and where. It would be unthinkable to abolish the Mayor of London, say, and I think we need to get to that point in our relationship with all other places that we are talking about in terms of devolved powers.

Q178 Robert Neill: I agree with that. You have obviously not met my council leader. If any Government wanted to change arrangements in London now we would have to have another referendum. That is the reality of the thing. We seem to have regained a bit of time now. We will not blame the Mayor of London as it happens, but we may as well profit from the window of opportunity the Mayor has given us on this occasion. What I am interested in is, okay, we need a memo of understanding. We need something that cannot be changed, ideally. One thing we have not been talking about but it seems to me we had hinted at with the spending review is: to what extent does the sort of devolution that we are talking about depend in reality upon a significant financial devolution? How do you entrench that in any arrangements, constitutionally or by a memorandum of understanding?

Steve Atkinson: I think financial devolution is fundamental to making a success for local communities, not the organisations. Both Tony and David have spoken about this. It is not the organisations; it is about the communities. Without that financial clout, that financial control, then true devolution will not take place. In terms of how we make that entrenched—and I think Charlotte mentioned it earlier—five-year deals in effect for the length of a Parliament, or the term

of a Parliament, are fundamental, otherwise the long-term planning and medium-term planning that needs to take place can't take place in the proper context.

Robert Neill: That was what I was expecting. That is very helpful. Thank you very much. Any other comments on that while Eddie gets his breath back?

Q179 Chair: I will throw one final one in. One of my colleagues raised the question of income tax assignment. Is there something in the water or the genes of English local government that means you are incapable of taking the opportunity that Scotland has seized with both hands, before the referendum, to have a retained element of income tax?

Councillor Hodge: I am quite nervous about that, Chairman, for a simple reason. How do you come up with a system that would be fair?

Q180 Chair: If you are asking me a question I am very pleased to answer that at some length. The word I would use is "equalisation", exactly the same as happens now.

Councillor Hodge: I, and most of my county council colleagues I am sure, would like to be able to raise more money locally and less nationally and then have a greater understanding about how we use that money locally, for the local services, but there is a substantial amount of money that is held centrally that is controlled centrally and it is all based on one size fits all. It is not good economics when you see local authorities spending £6 billion to bid for money out of a pot of £50 million-odd and, realistically, all the money that is in the skills budget should be passed down to Manchester or to Surrey and we can then work with our other county colleagues.

Charlotte Alldritt: I spoke earlier about equalisation and the national perspective on the health of our public finances. The only other question I throw back here is to say if you are going to go for income tax, why would you not throw other buoyant taxes into the ring? Corporation tax is the one that springs to mind.

Q181 Chair: I think the answer from Government would be that if you are not grabbing this stuff, if you are not very enthusiastic about income tax or other stuff, why would I, because you are not up to it; whereas in Scotland they have gone for it.

Charlotte Alldritt: They have gone for it, but they have not used it.

Q182 Chair: In every other western democracy, they demand it and they entrench it, whereas here we seem to be a bit passive and let's negotiate deals rather than stake a claim of right for an element of income tax.

Charlotte Alldritt: There should be nothing, as you say, in the genes that prohibits it, apart from the first two things that I mentioned. The only other thing I would throw in there, though, is the Mirrlees review of tax reform is something that we should probably refer back to because we need to modernise our tax base and there is a whole load of things in there that you could probably do at the same time.

Steve Atkinson: Simply because of the potential complexity of it, I wouldn't not embrace it. I think it just needs to be addressed with care because it would take some time to do properly. There is a

potential danger that we might get it wrong, so I would just take great care over it rather than say, “Don’t do it.”

Chair: Thank you all very much indeed. It has been a very enlightening session and we are always grateful to have your advice. This is a report we are going to do fairly speedily because of the pace at which the politics is moving along. We wish to make a contribution to William Hague’s Cabinet Committee and have already done part of that, and also there is Lord Smith’s exercise going on in Scotland. Your words today will have a great impact on us and you may see them in operation faster than you may have imagined. Thank you so much. It was good to see you.

Examination of Witness

Witness: **Sir Edward Lister**, Chief of Staff and Deputy Mayor (Policy and Planning), Greater London Authority, gave evidence.

Q183 Chair: Do we blame the local authority for your late arrival?

Sir Edward Lister: I think it is a good example of the difficulties with our lack of infrastructure in London that it takes so long to get across from London Bridge to here because we have had to close most of the station.

Q184 Chair: Excellent. Welcome, Sir Edward. It is a real pleasure to see you. Did you want to start by making an opening statement on the current state of devolution and the political interest that has been generated at the moment?

Sir Edward Lister: Thank you very much, Chairman, and thank you for giving me the opportunity of coming along here and saying a few words on this subject. I think it says something when this rather dull area of local government finance has become interesting for a lot of people now, which is a major step forward. Over the last year or so, we have seen that and that is a great beginning. I think the Scottish referendum has added impetus to that because we now quite clearly do need to look at what is in it for England. I would argue what is in it for England is very much finance and it is about local finance.

A bit of background: London is growing by 100,000 people a year; we are on 8.6 million. Our last peak was in 1939 and we were 10.6 million then. We will be on 11 million by 2020. We will be going up, and by the 2050s we will be around 12 million. This kind of growth is putting an enormous strain on the infrastructure. Even if that growth drops back because people start to move out of the city, it will still only drop back by about 75,000 to 80,000. It is still going to be enormous growth.

We are campaigning in London, along with the other core cities, to try to retain more of the tax base that is raised in the city. I want to stress that what we are campaigning for is not revenue as such. It is the revenue that we need for capital expenditure and it is about long-term ability to borrow and to sustain the kind of infrastructure investments that we as a city need, whether those are further expansions to Crossrail, expansions to the tube network, housing or you name it.

We have already done a London infrastructure study, which is out for consultation at the moment, where we have identified expenditure north of £1 trillion by 2050. Not all of that is public expenditure, but all of that is expenditure that this city will need if it is going to continue to grow at

this kind of rate and stay as a world-class city. The Mayor and Professor Tony Travers put together the London Finance Commission, which called for evidence and looked very closely, and one of the things it clearly identified was that if you took all the grants that we currently get and added them together, they would basically come to the same as all the property taxes.

Our suggestion to the Committee is that if you transferred property taxes to the city, you would be doing no more than giving us what you give us already in various forms, but you would give it to us on a continuous basis and you would give it to us in a way that would enable us to use that for long-term infrastructure growth. What we are talking about is moving from about 5% at the moment of the tax in London to about 11.5%. That is all. We are not looking at an enormous amount. If I may compare us with New York, they keep 50% of their taxes, or Tokyo 70%. So you can see we are not asking for that much.

Q185 Mr Turner: What evidence is there of public demand for further devolution and especially when you look at the percentage of votes cast in London when you compare that with general elections?

Sir Edward Lister: Well, I would say that the mayoral election was quite a high turnout.

Mr Turner: But not as high.

Sir Edward Lister: It wasn't, was it? It was a big one, but BBC did a study last week and 80% of the people they surveyed were advocating they would like to see more of the local funding within the city itself.

Q186 Mr Turner: It is one thing to have a poll surveyed in the comfort of people's homes; it is another to get them out and get them to vote, and, purely by general elections, that is much more than the London results.

Sir Edward Lister: Yes, but if people thought that local government meant more to them, it would be an impetus for them to get out and vote because they would see why they were coming out to vote. At the moment, they often see it as we are just an agent of Government; we are very much dependent upon the kinds of grants that Government give us. As they have done in the past, if they saw that local government spent more or less than they thought was right, they would come out and they would clearly show their support or otherwise to that policy.

Q187 Mr Turner: Was there a wonderful time when London or Birmingham, or for that matter, any large cities, had the power to make these—

Sir Edward Lister: None of the cities have ever had the kind of fiscal powers that we are advocating, certainly not in living memory. We are asking for something that is new. It has never been there before, but local government has been spending this money, and I do stress we are not asking for money that we do not currently get. It is just that Government give it to us in penny packets and you see this quite regularly. You see the kind of funding that we get. It is usually good for four years and then it falls off a cliff until the new Government of the day gives us the next dollop for the next four years. That is how you see this working and that is what we cannot live with, with infrastructure.

Q188 Mr Turner: Assuming those transfers of money are additional devolution, what other powers would you like to have?

Sir Edward Lister: Our big push is very much about infrastructure and about capital expenditure in the city—areas particularly in transport but not exclusively in transport, in housing and other areas. After that the area of greatest interest to us and, indeed, to London councils is the skills agenda and the desire to have greater influence on skills, but that is very much a secondary one to the fiscal that we are anxious to obtain.

Q189 Mr Turner: What is the difference between London and any other area—rural areas in particular?

Sir Edward Lister: I am less able to comment on rural areas, but I can certainly comment on cities and I do not think there is any difference with us and the other cities. Indeed, I think all the core cities are arguing for the same thing. We are all talking about the need to put our infrastructure in place in a way that it is going to be sustainable for the 21st century. I think that is our main drive. I am sure you could run the same arguments for rural areas, but I am not equipped to mount those kinds of arguments.

Q190 Robert Neill: Good to see you, Sir Edward. The sense I get there is that you see there is a sort of metropolitan model and the difference between London and the other core cities is essentially scale rather than function.

Sir Edward Lister: Yes.

Q191 Robert Neill: How would you then fit that within what some have argued for, understandably from their perspective, as a broader, England-wide framework or do you say you cannot have a one-size-fits-all for England but you can have for the urbans, let us say, as against more rural areas, as Andrew was saying, or is there some commonality?

Sir Edward Lister: To be fair, London does have a very mature structure now where it has been handling powers that have not been available to any other city: our powers with policing, the fire service, transport and indeed housing. These are all powers that we, as a city, have. From what I can understand from the Chancellor's announcements, a similar power is going to be transferred to Manchester and it is a similar type of package. I do not necessarily think it has to be the same. I do not think we would argue it has to be the same, because there are going to be differences, but we think the fundamental arguments are the same arguments.

Q192 Robert Neill: When you are talk about we have a mature structure, which includes the checks and balance and scrutiny models, would you say that Greater Manchester needs a Greater Manchester assembly—I say slightly tongue in cheek?

Sir Edward Lister: My understanding is they are using their borough councils as the scrutiny machine. That indeed was an argument that a lot of people ran. In fact, I was one of those at the time.

Robert Neill: You and I probably remember the argument more than most.

Sir Edward Lister: When the GLA was established, that was a perfectly credible alternative way of providing the kind of scrutiny that you need. There has to be a scrutiny of some sort. We have a particular model. It looks like Manchester may have a different one.

Q193 Robert Neill: A joint authority model that you adapt for Manchester could work perfectly well, yes. Can we move on to talking about the London model? London does have, in that structure, some quite significant boroughs dealing with major functions, as will the metropolitan districts in the core cities. Have you reached any particular agreement with the London boroughs, assuming that there was some devolution particularly of property tax revenues, how you would split that in terms of how the spend goes, who takes responsibility for it and how London boroughs have an input into that structure?

Sir Edward Lister: Yes, we have had those discussions with the London councils and have broad-brush agreement to how that would be handled. I do not think there is any real dispute between us. We would stick with the powers that we currently have and operate and, likewise, they would deal with theirs. We do not see conflict. They have the same issue that we do that they need certainty in their funding. If they get that kind of certainty they can plan much better. That is what we are both arguing for; there is no difference between us.

Q194 Robert Neill: Logic would say you would have the same discussion if you were in Greater Manchester or West Midlands or wherever.

Sir Edward Lister: Yes. I do not think anybody in local government is particularly going to disagree on this. We might have a little bit of an argument over an individual power or something but not about the broad principles.

Q195 Robert Neill: Tell me if I am wrong, but it strikes me that one of the significant points you are making here is where you are looking for devolution in particular is around capital expenditure and capital programmes and around infrastructure projects but, of course, a lot of the personal service functions of the London boroughs and the mets are, to a much greater degree, revenue-spend intensive. Is that an important part of the package as you see it?

Sir Edward Lister: It is a difference between us, but I think, even as far as the boroughs are concerned, we do recognise there is good borrowing and bad borrowing out there. Good borrowing is where you are building up the balance sheet and we do try to differentiate between us. None of us is looking to be able to borrow money to sustain services, but it would obviously be much easier for those boroughs, if they currently get a grant at the moment from central Government, if that grant could be turned into tax revenues, which are there already. I am not asking for new taxes or anything, but taxes that are there already. It would give them that certainty and they would be able to plan much better.

Q196 Chair: The Mayor and Professor Travers, who has been a witness in front of us on many occasions, have made a very strong case for the devolution of property taxes. Some three years ago, this House passed in the Scotland Act an element for Scotland, at their request, of assigned income tax, which I think started at 10p and no doubt the Lord Smith package will change that quite considerably. Does the Mayor favour additional tax raising ability through income tax assignment or what is his view on that? Do you know his mind?

Sir Edward Lister: Yes. His view has been, as indeed was the view that came out of the London Finance Commission, that we can get what we need out of the property tax base that is already there. It may be necessary to slightly alter or rearrange that; not looking at more money out of it but perhaps making some of it fairer. The fact remains that we think that is sufficient. We have never looked at income tax or any amounts from that.

Q197 Chair: In a strange way, these reports and this consciousness out there over other forms of income have come on top of the Scottish referendum and the excitement and big democratic involvement that was generated. If I can allow you the fantasy of your report having been issued a couple of years ago and having been, bit by bit, accepted by Government, were you in a position now with those powers and income tax assignment on offer to the rest of England, one assumes that you would jump at the chance of having your share from the DCLG of the income tax pot.

Sir Edward Lister: We have always seen that any income we got would have to be matched by the relevant grant being withdrawn, so it would always be cost neutral. I think it would depend on what was the item in question and was that grant being withdrawn, but if that was the case then, yes, of course. I do stress, because I think it is terribly important and we have been misrepresented on this at times, none of us is asking for more money. I keep on underlining this because I think it is important. This is not an inflationary grab for anything. It is about certainty.

Q198 Chair: Also transparency, because local electors and taxpayers do not understand that, in fact, a very high chunk of income tax already goes to local government, but it is disguised in the rate support grant and block grant and all the jargon and difficulties around that. Just to continue a thread from our previous witnesses, income tax assignment would not change equalisation, the rates and the money amounts, but would give accountability and transparency—all those things that you think would be valuable in London.

Sir Edward Lister: Yes, absolutely. I think this is important because we are providing a lot of very major services to people and we are having to fund those through various grants. If we can get that flowing through the boroughs and through the City Hall, we would prefer that.

Q199 Chair: We have just cleared a report in private session, before witnesses came in to talk to us, on voter engagement. Do you feel that if you had that level of local expenditure and it was transparent to local people, that would have a healthy impact on political involvement, the growth of political partners or the improvement in turnout if people could see, for example, on their wage slip that, rather like national insurance, a certain chunk of what they already pay, not additional, went to local government? Would that be a stimulus that we are all searching for to improve voter engagement?

Sir Edward Lister: I believe it would be. I believe people have to be able to equate the services they are getting to the money they are paying and have to be able to see that relationship. Nobody understands that while it is just a central Government grant. I would suggest that very few people understand how any of these calculations are done. It has become a specialist subject for us all as to how some of these grants are calculated, but the fact remains that if everybody could see what they are paying and then see what they are getting back, I think you would have better local government as a net result.

Q200 Fabian Hamilton: Sir Edward, sorry to jump in on the back of that, but I represent part of the city of Leeds, although I am a Londoner by birth. The resentment in Leeds towards the amount of money that goes to London is quite considerable. It is an imbalance. Do you think that if the money that is already allocated was raised instead, or was paid through the method that you have described and we have been discussing this afternoon, that would go some way towards allaying and resentment?

Sir Edward Lister: We are not after something that we do not think should go to Leeds—

Fabian Hamilton: No, I understand that. You have made that very clear.

Sir Edward Lister: And nor are we asking for more than Leeds gets. The trouble is at the moment there is no transparency in the system. None of us can, hand on heart, say that Leeds is getting that much less than London. It is in so many different pots and so many different places that it is hard to make that equation.

Fabian Hamilton: Whether it is a perception or a reality, would that be allayed by—

Sir Edward Lister: But I think this would allay it. I completely agree with you and it would explain to people just how important it is. Indeed, it could well be that people see that kind of infrastructure and the money that goes into it and they decide they want to spend more money on it. You could mount those kinds of arguments. You cannot mount that kind of argument today.

Q201 Chair: What are the constraints currently on capital borrowing for London? I understand that the Mayor has requested that if you are a devolved authority you should be able to borrow more for capital purposes. How would that work?

Sir Edward Lister: Obviously, this is all about prudential borrowing, but at the moment we are very much bouncing along on our ceiling because we have already borrowed very substantial sums of money for Crossrail, circa £3 billion. We have other debts to do with the Olympic Park and the Olympic Games, which are on our books, and we are borrowing a further £1 billion towards the Northern Line extension. That has taken us very close to our ceiling. What we are arguing is that we will have to relook at the borrowing powers of local authorities, and, of course, they have to be able to stand up. The asset base and everything else has to be taken into account, but you will need to lift that level.

Q202 Chair: Should devolved authorities be able to issue bonds for specific purposes, perhaps consulting the population, providing they can raise that and they have the appropriate credit rating on the open market?

Sir Edward Lister: A clear rating, which is very important. Ours is a very high credit rating. They need to have that, but, above all, they need certainty of the income to be able to support that bond or whatever. Provided that certainty was there, then yes. May I just mention that we are in the process of putting a bond together, which we will be issuing during the early part of next year, for the Northern Line extension where we are borrowing a considerable amount of money? That is being borrowed against future incomes from SILs and from business rate uplift. We are already moving in that direction, but we just need to go further.

Q203 Robert Neill: Logic says command authorities like Greater Manchester or Greater Leeds and so on ought to have the same capacity to do that. This could be a good rating on the bond as well, couldn't it? Essentially, it is a quasi-sovereign.

Sir Edward Lister: Yes, it is. Indeed, a number of the local government pension funds are looking at it quite seriously.

Q204 Fabian Hamilton: To follow on from what Bob said, if you superimpose the London Underground map on Leeds, it will swamp the entire city. However, if you superimpose it on what I would call Greater Leeds, which would include Harrogate and York, the combined authority in other words, Bradford, Wakefield, Halifax and Huddersfield, then it begins to make sense and yet we have

nothing approaching the kind of public transport system that Londoners enjoy, and rightly so of course. Would you think that raising a bond for a combined authority like that would make sense? Would that be something that you would advocate?

Sir Edward Lister: I would argue that, when you are talking about job creation and improvements and opportunities, it always starts with the transport. It is the number one ingredient for regeneration. Provided that bond is going towards capital expenditure and it is going on the balance sheet as a clear asset and has a clear story and all other things are equal, it would create rating and everything else, then, yes, I think it is the right way to go forward, but obviously that does need Treasury approval.

Q205 Chair: If you are raising additional money, people are a bit anxious sometimes, “If you let these local authorities raise this money what is going to happen?” If you raise the money, one of the ideas was that there would have to be a democratic check of some description and an approval of some description. You may say that could be the GLA. I may say that it should be some sort of proposition on a ballot paper at election time that if you want to raise money—particularly if you are talking about £15 billion to £20 billion for a big capital project—it should be there for the people to argue about and politicians to try to persuade people about so that people say yes or no. Do you feel that that would be healthy if we are devolving, that it is not merely devolving the financial responsibility; it is devolving political responsibility to the electors, too?

Sir Edward Lister: Yes, I do because I think it is quite important. We cannot grow the cities and we cannot provide the kind of infrastructure. I would fully support, with the example of Leeds, a Leeds combined transport authority, something like TfL. It works. It works extremely well, being linked into the city. Those kinds of projects do require enormous capital investment and I think, provided that is what we are talking about—it is about capital investment in the city—there has to be, as you say, proper checks with the local authorities. It has to be done through the ballot box. It has to be done through all the normal checks and balances, but I think that would make people much more interested in local government if they were starting to debate those kinds of subjects and the way their city is going to develop.

Q206 Chair: The last one from me, before I call Fabian: another bogey is that these local authorities will all go crazy, they will all borrow and they will all do this, that and the other and, at the end of the day, someone will have to pick up the tab. Do you feel that local government, at some point, has to have a process whereby they do go bust, which we have seen in other countries, as the ultimate sanction for that sort of behaviour because it would mean, I suspect, whichever political party was in control at that point would never be in control again for many decades? Do you feel that is a nuclear option that you do have to have as a reserve power? May I immediately equivocate my question by saying that in my experience local authorities manage their financial affairs better than national Government, but nonetheless, Sir Edward?

Sir Edward Lister: Yes. That is a bit of a nuclear option you are putting on the table. I think the majority of local authorities would have no difficulty managing sensible borrowing limits, and indeed they are going to be capped because it is about the asset base and the revenues that have to come in to support that borrowing. Borrowing is not a cheap option. It is quite expensive and it has to be paid for, so it can only take place if there is a sensible financial case. I do not think we would object from a London point of view, and I am not sure any of the other cities would object, even if there was the kind of scrutiny that Parliament would give—or, indeed, Government would give—to sign those off. What I am trying to argue is with any of this borrowing we need long-term certainty in the revenue and that is what we do not have. That is what makes doing any of this almost impossible, because the amount of moneys we have coming in is very much in penny packets.

Q207 Fabian Hamilton: Can I move on to the constitutional change issue and process? I know we have touched upon it, and I apologise I was a bit late into the Committee. I believe that the Mayor made it plain in his memorandum that the Government should be more ambitious in its timetable for devolution and the goals for devolving powers to cities in England. What kind of timetable for devolution of powers to cities would you like to see?

Sir Edward Lister: We very deliberately launched the London Finance Commission so that it was out there well before the general election and well before the political parties started writing manifestos in the hope that we could influence those manifestos because we would like to see this now. We believe it is something that is immediate. We are not necessarily saying we want all of it at once, but we need to start this journey and get greater autonomy within the cities to put the infrastructure that they need in place. We have a long list of schemes that we think are essential for London's growth.

In London, we have 38 opportunity areas. These are areas where we believe we can get a sizeable amount of our new housing, but each of those 38 opportunity areas has a problem. In some cases, it is land assembly; in some cases, it is contamination; in many cases, it is transport. All of them need something, and unless we can do whatever it is that frees that area up, we will never get the kind of housing built that we need as a city. This could also be argued for offices and all the other employment areas. What I am trying to argue is that we need this now. We need this ability to start planning how we are going to open up those areas.

The second point I would make is that you do not have to start delivering this immediately. What the market needs is a clear signal that we are going to do it and the best example for all of this is one of our opportunity areas, Vauxhall Nine Elms, where we are building an extension to the Northern Line. It is costing £1 billion to build this extension and we are building in that area now just under 20,000 new homes, 25,000 new jobs, but the point I want to make is that 18,500 units of housing have been through the planning or are in the planning system and they are all there. The cranes are all over the place and it is all happening, but we have not started building the Northern Line. There are no shovels in place. We are just about to start the Transport and Works Act through the House. We have put the funding arrangements in place, so people know and have certainty, and with certainty has come all the commitment and that is what we need right across the city. If we can give certainty, we can get the kind of growth that we need.

Q208 Fabian Hamilton: I have certainly seen some of the cranes in Nine Elms. A lot of work on devolution in England has focused, as you will be aware, around cities and metropolitan areas. How can we ensure that the principle of devolution benefits everybody, in other words those in rural and small villages and towns, rather than just those in and around major cities?

Sir Edward Lister: I did say earlier I am not the best person to argue this because I do not know enough about some of the rural funding issues that are out there, but I am sure the principles are very similar. They have a need for infrastructure; they have a need to change things, and I would suggest that often local communities are going to be much more sensitive to the needs of their area than remote organs of government. I cannot believe this would not work just as well in those areas.

Q209 Fabian Hamilton: The Local Government Association has called for a constitutional convention to be convened to look at how devolution should proceed across the United Kingdom. Do you believe a constitutional convention is necessary?

Sir Edward Lister: To be blunt, no. I think this has a danger of becoming a delaying tactic so we keep on talking about it even longer. I would much rather argue that we should start the devolution process and start transferring some of these powers. By all means, let it evolve gradually. It does not all have to happen overnight, but at least let us start that process.

Q210 Fabian Hamilton: Parliament should do that in conjunction with the Local Government Association?

Sir Edward Lister: Yes.

Q211 Fabian Hamilton: We have previously published a report in this Select Committee looking at the prospects for codifying the relationship between central and local government and we are currently holding a consultation on the possibility of a codified constitution for the UK. Do you think that a stable relationship between central and local government in England requires primary legislation to make it work, or should there just be some form of entrenched code that acts as a precedent?

Sir Edward Lister: I think these things can be done by codes. After all, Governments of various persuasions will change this as time goes by and it would be naive to believe that they will not. I think it is more about having some kind of agreement out there and we can evolve this, but we need to start the process and that is what I am really arguing for, because it has already been two years since we published the London Finance Commission and we are still arguing the case. We have not transferred anything yet. We need to get to the point of getting some of these services transferred—let them evolve—and I am sure the codes and, in due course, if somebody feels legislation is needed then fine, that will have to follow.

Q212 Mr Chope: London is a successful world city. Don't you think a lot of that success is attributable to the fact that it is part of a unitary state rather than a separate island on its own?

Sir Edward Lister: Yes.

Q213 Mr Chope: I do not know what the exact figures are but, unlike Scotland where the number of people crossing the border into and out of Scotland every day is relatively small, in London you have hundreds of thousands if not millions of people crossing from beyond the outer London boundary into London and back again. Doesn't that show that this is better dealt with by a national Government rather than by local government?

Sir Edward Lister: I hope I have not given the impression that I am trying to argue for the city state, because I am not trying to mount that argument at all and I want to stress that. London's population is 8.6 million. I think I am right in saying that the transport network deals with 9 million people a day moving in and out of London, so you can see that there are very substantial numbers of people coming into London from outside as a net result of that. We are very much dependent on the greater south-east for much of the labour force in London.

My argument is that we are very much part of the United Kingdom, but we also do need investment if we are going to continue to grow as a city, and it is that investment that we are trying to argue for and that needs funding. We will only get that if we have certainty. We need certainty to get it. We are not asking for a lot. You could argue that a city like New York keeps just north of 50% of the

tax base there. We are not even after that. We are after 11.5% of our tax base, so we are a long way away from some of these other models that are out there. That is the argument.

Q214 Mr Chope: You are asking for more certainty about the revenue streams that come from the Government, rather than control over the amount of revenue?

Sir Edward Lister: Correct.

Q215 Mr Chope: When you say you want to have power over property taxes, you want the receipts of property taxes, but you do not want to decide the levels of property tax yourselves?

Sir Edward Lister: No, not particularly. We are very happy for you to do that, but I would argue that in the course of time, if you looked at all of the property taxes, you would probably look at them in a different way. There is no question about it. Stamp duty tax is not a rational tax at the moment in the way it is affecting the city. It is one of the reasons people are not moving out of the city; it is so expensive to move home. There are a number of taxes there that you could do in a different way if you wanted to, but that is not the argument today. The argument today is that if we have that certainty we can then put in place the programmes to build the infrastructure that we need as a city and we can build in all sorts of safeguards. For example, if business rates were tied to council tax, businesses would be paying a much lower rate of business tax today. It is things like that. We are very happy to build the safeguards and we recognise there is a need for those safeguards.

Q216 Mr Chope: You make a very powerful argument against stamp duty, because it is effectively a tax on transactions and if you have a tax on transactions, it results in fewer transactions. Are those issues that you have to lobby about? You are a very substantial and effective lobbyist on behalf of the Greater London Authority. Is that not something that has to be lobbied on and sorted out ultimately by the national Government?

Sir Edward Lister: Yes, but if you can in the process of that, at the end of that debate give us that income and the certainty of that income and allow us to borrow against it—and I do stress this is about capital expenditure rather than revenue expenditure; it is about the capital moneys—we will be able to build the sort of things we need to build in this city and that is what we need to have. If we are to continue to be a world-class city, we have to continue to have very sizeable investments into our infrastructure.

Q217 Mr Chope: We have heard today that £54 billion a year is what it is costing the United Kingdom taxpayer to pay the interest on the country's borrowings. What is the cost of the interest on your borrowings at the moment and what would be the maximum amount you would think reasonable?

Sir Edward Lister: I think I would argue at the moment that we are part of that £54 billion today because you are giving us the money in the form of grants. What we are saying is, "Don't give it to us the form of grants. Give it to us in the form of revenue, and we as a city will work out the most cost-effective way." We are not going to make the situation worse than it is today. We are not after more.

Q218 Mr Chope: You say have borrowed up to your limit or almost to your limit.

Sir Edward Lister: Yes.

Mr Chope: There must be an interest cost associated with borrowing at that level. Can you give us a feel for what that level of interest is?

Sir Edward Lister: No, I can't. I would have to take note of that question and provide you with the information. I can assure you it is going to be quite low, relatively speaking, but I will give you that information.

Q219 Mr Chope: Basically, you would like to have more money and more certainty to deal with the transport infrastructure, but you are not thinking in terms of taking more powers to yourselves from the boroughs?

Sir Edward Lister: No, we are absolutely clear on this and that is where we and the boroughs are in complete agreement. There is no conflict between us and the boroughs. We are not looking to tread on their toes in any way. We are looking very much in the economic area and the infrastructure area—the things that apply to the city as a whole—and we are certainly not touching any of their areas.

Q220 Mr Chope: Do you think the City of London Corporation supports your line on this?

Sir Edward Lister: I think it would be reasonable to say that all the London boroughs and the City do support our arguments.

Q221 Chair: If I can take you back to Fabian's last question about safeguards and entrenchment, I know it is something that could never happen but the structure of government in London could be abolished by a Prime Minister who did not approve of a particular authority. I am sure that has never happened, even in the recent past, but let's imagine that it could. Have the negotiations; have the interactions; but at the end of the day, if you are to have what you have underlined here, very powerfully, sustainability and long-termism, particularly in your transport and infrastructure projects, don't you need the certainty that Whitehall can't come along again and take away from you, just on a political whim very often, powers that it has already given? Doesn't there need to be that element of entrenchment?

Sir Edward Lister: At the end of the day, we have to be a responsible city and have to be seen to be a very responsible city, and therein lies our safety, if you like, because, yes, of course, Government can always change things. I do underline this whole argument. This is about finding the finance that we need to grow and expand the city. It is not about finding more money to pay for our revenue services. We fully understand that those will continue to decline. The amounts of money available to us, as indeed to all of local government, will continue that reduction, but in capital areas we cannot afford that. We have to keep on putting that in and that goes on the balance sheet at the end of the day, and we can build in checks and balances on it as well, but this is the area that we are after. I do not think that is particularly contentious because these big programmes that we are trying to argue for—the Mayor is arguing for Crossrail 2. If that is anything like Crossrail 1, that is north of £14.5 billion. Those are the kinds of programmes that we need as a city and if we do not build these kinds of rail links in the city, this city will start to choke up. We have to get these big schemes off the ground.

Q222 Chair: Let us imagine you negotiate that and the satisfactory deal is concluded by a particular Government with a particular mayor or Greater London Authority, but that after the next

election people are telling me that the austerity package must be at least as severe as the one that we have experienced over the last five years. Do you not want some stronger guarantee that what you have just negotiated will stick and cannot be unpicked by an incoming Government when you have done the deal and signed the contract?

Sir Edward Lister: London is 23% of the GDP of the United Kingdom. The rest of the south-east is about another 22%. Very much of the city's fortunes are the same as the country's fortunes. If London sneezes, everybody catches a cold. That is the reality of the situation. We are very supportive of the work done by the Chancellor in creating a northern powerhouse. We fully support that because that makes sense for us as well in London. We do need a more balanced economy, so we are totally supportive of that. But, yes, we do need to continue this devolution of powers to the cities and I think, regardless of your political views, the role of mayor has been a great success in London. We have two mayors and both of them have made a mark on the city and they have come from different political backgrounds, but the city has grown stronger as a net result of that. I think the current political structure speaks for itself and provided we keep on being relevant and the electorate sees that what we have in the big cities is relevant, we will continue to have that support, which will enable us to continue.

Q223 Chair: Sir Edward, thank you very much. Are there any last thoughts or last remarks you want to leave with the Committee or anything that we have omitted to ask you about?

Sir Edward Lister: No, I think you have pretty well covered everything, one way or another, and probably some areas I was not expecting. Thank you at least for listening to this argument and certainly I do hope that we can get your support to argue this through both with Government and Opposition.

Chair: You may have heard the conversation I had with the previous witnesses, that we are doing this report on the back of the emotion, as much as anything else, that was generated by the Scottish referendum and we intend to report fairly quickly, so that we can hopefully have some influence on the way devolution is going to spread from Scotland to other places. I hope that the window of opportunity that a number of witnesses have talked about will be one that we can collectively leap through in the not too distant future. Sir Edward, thank you so much for your time and for struggling across London to get to see us. We do appreciate it. Thank you very much.