



MANCHESTER
CITY COUNCIL

**MANCHESTER CITY COUNCIL
RESPONSE TO THE LYONS INQUIRY INTO
LOCAL GOVERNMENT**

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MANCHESTER CITY COUNCIL RESPONSE

Manchester City Council welcomes this opportunity to respond as part of the consultation of the Lyons Inquiry into Local Government.

There are a number of key themes we would like to comment specifically on.

- The benefit of local choice in delivering public services.
- Place-shaping: what do we want Local Government to do?
- What needs to change? City Regions and Governance agenda - our proposals.

1.0 **The benefit of local choice in delivering public services**

1.1 We welcome the recommendations that central government should reduce its 'crowding out' of local priorities and reduce its supervision of local government. We agree that local authorities need fewer targets and fewer performance indicators.

1.2 We also support the report's view of local authorities as place shapers and convenors of public services across the piece. However while exercising this role, we regularly come up against the issue of national versus local priorities. It is important that local targets are given equal weight with national targets so that national priorities that are not relevant locally do not pointlessly dominate.

1.3 Within the area of crime and disorder for instance, difficulties are often created between conflicting local and central government priorities. National announcements within this area do not always take local agreements into account. Even at the sub-regional level, there is also the issue of partners within the same field using different performance measures. This is the case in Manchester with the Police using different criteria to the Crime and Disorder Partnership. We believe that supervision and inspection needs to be consistent with the contribution all partners make to tackling the priorities of a place. At present local government gets judged, in part, on what other agencies do or don't do.

1.4 We suggest that stronger emphasis could be placed on the benefit of faster achievement of national PSA targets. These targets will be achieved more quickly if the rate of improvement is greatest in those places where gaps between current performance and the national target is widest. Where national PSA targets are outcome based (the majority), improvement is dependent on understanding and managing how combinations of public service improvement can have optimum impact on the differing conditions of local areas and on resources being allocated in proportion to the level of improvement that can be achieved. Both of these

require a move away from a centralised command control of inputs and processes.

- 1.5 We welcome the suggestion for a contractual approach. The criticism of the LAA process outlined in the report is correct. In our experience government departments are, by and large, incapable of running processes and systems that can cope with local variation and flexibility. However, a combination of LAA and LPSA with its sharper focus on a smaller number of outcome targets and greater incentives through PRG does offer the prospect of a meaningful way forward. We also think there is a role for wider metropolitan area agreements at the city–region level.
- 1.6 In our proposals to Government for governance changes in the Manchester city region ‘A New Deal for Manchester’, our vision supports the Inquiry’s recommendations on ‘crowding out’ by proposing radical change to commissioning, delivery and scrutiny arrangements, where we will be able develop a more accountable and consistent local strategic framework at the city region level.

2.0 PLACE SHAPING: What do we want Local Government to do?

- 2.1 We welcome the emphasis on the ‘place-shaping’ role of local authorities and we are in full agreement that local authorities need greater responsibility to influence beyond narrowly defined service responsibilities. We support the calls for significant reform, required to fulfil this role effectively.
- 2.2 In Manchester, we have always taken seriously our role to adopt a broader view of Manchester’s interests. We believe that any reforms which give cities the tools we need to become more dynamic centres of growth, will build on our already successful track record on shaping our ‘place’. Manchester has always had a reputation as a city that makes things happen.
- 2.3 We recognise that Manchester’s place shaping role covers a number of levels - at the centre of the city region, at city level, district level and at neighbourhood level. The Manchester Partnership (our LSP) makes a significant difference because agencies are working together at every level.
- 2.4 Our Sustainable Community Strategy: ‘The Manchester Way’ encapsulates our place shaping ambitions for the city. We have a clear vision of change needed over the next 10 years. In essence, we will focus on three elements, which together will reshape the city. These are: neighbourhoods where people choose to live; reaching full potential through education and employment, and mutual respect, individual and collective self esteem. Our vision clearly reflects our continued commitment to taking responsibility for the economic, social and environmental well-being of our city.

- 2.5 In order to achieve these ambitions, we believe that it is essential for cities such as Manchester to be given extended powers of scrutiny to cover all public services operating in the City. Current structures do not always ensure that agencies operating in the City and wider city region are working towards shared strategic goals and powers of scrutiny are often undertaken by a variety of different organisations. One integrated and consistent framework for scrutiny, undertaken by the local authority, could be applied across the spectrum of economic development, transport, housing and planning, health, safer communities, and environmental protection.
- 2.6 We also support the proposal referred to in paragraph 4.24 for the introduction of a statutory duty on other local agencies to cooperate with the local authority in providing leadership to develop and deliver the Community Strategy. This is important if local services are to be freed from central control, in order to focus on place. This is also important if we are to enable the priorities of different places to be reflected in the core business planning processes of agencies, in order that local managers are judged by and held accountable for local as well as national priorities.
- 2.7 In Manchester we are fully committed to local people to shaping the future of our city. Our neighbourhood focus is particularly essential to ensure that action for change is targeted to those areas or neighbourhoods where the quality of life differences are greatest. We are creating places where people choose to live by using ward plans (each ward has £40k to spend on community led activity), local area partnerships and local areas groups.
- 2.8 Our Ward Coordination programme brings service providers and residents together to determine specific priorities for their area. It puts residents at the heart of improving local services and making their neighbourhoods safer and attractive places to live, allows councillors to fulfil their crucial role as community leaders and representatives, and ensures that public sector agencies and partnerships are accountable for their efforts to create successful neighbourhoods.
- 2.9 The City Council fully recognises the importance of residents' involvement in decision-making. For example, the Crime and Disorder Partnership, Joint Health Unit and newly developed Unified Children's Services have all been actively developing an area approach to their work. We are therefore firmly committed to the concept of decisions being made at the most appropriate level, whether at neighbourhood, local or sub-regional levels.
- 2.10 Recognising that everyone needs to play a part in contributing towards a better city and better quality of life, we are currently developing the idea of a Mancunian Agreement. The agreement is based on the idea of a shared set of principles between the people and the city.
- 2.11 We believe that the LAA model creates the architecture for achieving change needed at the local level, but at the same time we recognise that this must be implemented in a dynamic way. The current system of

performance management does not allow for the complex interconnections between issues that all affect the economic, social and environmental well-being of an area.

- 2.12 LAAs should be an exciting opportunity to manage the convergence between national and local priorities. However, they are in danger of being turned into a bureaucracy, as there are too many mandatory outcomes. Long lists of Whitehall-imposed targets lose the interest and commitment of local politicians and partners. A return to the focus within LPSA to around a dozen outcome-focused targets which are agreed with government but driven by local priorities, would be much more effective.
- 2.13 Civil servants are currently completely focused on their own mandatory targets within LAAs and we detect no interest in freedom and flexibilities nor enabling measures, with government departments approaching freedoms and flexibilities discussions with an adversarial attitude. Local areas are challenged to come up with proposals and civil servants see it as their role to show why these are not possible or are within existing powers. This needs to be replaced by a more mature discussion focused on the needs of the place where central and local government officials and officers work together to develop appropriate enabling measures.
- 2.14 Local Government also needs support to be able to develop methods of tracking changing communities. Understanding the flows into and out of local areas and the churn of people moving around different places within deprived urban areas, is important if issues of community cohesion and deprivation are to be dealt with effectively within the place shaping role.
- 2.15 As well as place shaping within our administrative boundaries Manchester also plays a greater and more strategic role in place-making as the core city at the heart of the city region. Our 'place' Manchester provides employment and business opportunities for people from across the city region, and this has implications for the powers and partnerships needed to shape it effectively, particularly in areas such as transport, skills, employment and spatial planning.
- 2.16 Metropolitan Area Agreements could offer a mechanism for councils and others across city regions to co-operate to deliver agreed outcomes at this spatial level. In the Manchester city region we are just starting to look at this, within the context of wider discussions about the way our city region is lead.
- 2.17 We believe that the proposed city region governance arrangements we are putting forward for our city region and more importantly, the outcomes of these arrangements, are fundamental to our ability, both as a city and as a region, to carrying out our place shaping role in a meaningful sense.

3.0 What needs to change?

CITY REGIONS AND GOVERNANCE AGENDA: Our Proposals

- 3.1 We are seeking to encourage measures or legislation that allow new forms of governance to be established in places. The lines of accountability for outcomes between front line and Whitehall are unhelpfully convoluted and confusing. There should be a special class of governance arrangement that might have statutory backing but would be designed to be fit for purpose in each place. For Manchester, this would apply to district and city levels, as well as sub-regionally.
- 3.2 Whilst we welcome the calls for greater self-determination for local authorities, the potential benefits of **city region** governance must be considered as part of any new proposals on both local government function and funding. The key themes identified in the Inquiry reports to date are very closely linked to the city region discussions already well underway with ministers and AGMA colleagues (Association of Greater Manchester Authorities).
- 3.3 Whilst some consistency is desirable, Government needs to move away from a 'one size fits all' approach to everything concerning local government, such as targets, outcomes and structures. It is clear that councils are all at different stages of development as institutions and in working across sectors and with partners. This should be respected, as clearly what works in Birmingham or Manchester may not necessarily work in Liverpool or Nottingham. The important focus should be on the direction of travel in promoting social and economic change, to be progressed everywhere. This involves an approach based on outcomes rather than inputs or processes, which can be hard to broker with Government.
- 3.4 Our approach to city region governance in 'A New Deal for Manchester' shows how Greater Manchester can perform more effectively through a more coherent, overt and directive form of governance. Our intention is to introduce a system that enables strategic decisions in key policy areas to be taken collectively at the Manchester City Region level. These new proposals for governance and collaboration will help us respond more effectively to the challenges set out in the Lyons interim report.
- 3.5 A major part of the rationale for change in governance arrangements is to increase accountability in areas such as health, skills and employment and deliver shared objectives throughout the sub-region. This will help us in shaping the 'place' and in the alignment of priorities and programmes across the city region. As a result of aligning programmes more power will be devolved locally, where accountability really does matter.
- 3.6 We believe that this new approach has the potential to enhance economic competitiveness and also reduce spatial inequalities across the City Region. Many other European cities have experienced such benefits from formal working arrangements at the city region level. This new form of governance will be set within a framework where regional agencies and

strategies recognise appropriately the importance, value and contributions, which the city region makes to the regional economy. We envisage that existing local authorities would remain key agents of delivering and commissioning local public services for their own neighbourhoods, and be agents of change through the “Local: Vision” initiative instigated by the Department of Communities and Local Government (DCLG).

‘A New Deal for Manchester’

- 3.7 Our proposals for the Manchester City Region are based on the fact that Manchester already has the most developed system of cross-city region collaboration in the UK outside London.
- 3.8 We propose an Executive Board model, based on the progress made in recent years, where AGMA has led the creation of a dynamic and collaborative framework for the development of strategy and the delivery of action. We aim to refine decision-making procedures, consolidate service and programme delivery capacity and to ensure effective engagement and scrutiny from a wide range of stakeholders.
- 3.9 Our Executive Board would comprise the Leaders of the 10 Manchester authorities, and act as the primary commissioning agent for key services and activities for the conurbation as a whole. The Executive will provide leadership and strategic integration driving delivery plans of thematic Strategic Boards. The Executive will be held to account by the electorate of the constituent authorities and be subject to scrutiny by representatives of those authorities.
- 3.10 The Executive will set the priorities for the city region commissioning a set of thematic Strategic Boards to act on those priorities within economic development, transport, housing and strategic planning, health, safer communities and environmental protection. We are now progressing the first three of this list and the last three in the medium term. The Strategic Boards will draw together those key partners, public and private sector, who can help to shape and inform the strategic plan and whose activity will be fundamental to the delivery of our shared objectives. They will help provide clear and focused direction to ensure that public sector investment is geared to the real needs and opportunities of the Manchester City Region.
- 3.11 A Business Leadership Council will complement the Executive Board by providing a strong and coherent private sector input on key issues affecting the City Region and its development.

4.0 POWERS

Economic Development

- 4.1 We envisage that the Executive will commission a Strategic Board to act in the areas of Economic Development, Skills and Employment. It will have a

fundamental role to play in helping to drive economic growth and to promote the inclusion and engagement for all of the city region's communities.

- 4.2 In partnership with and on behalf of the NWDA, the Board will promote a strategy for economic development to realise the full potential of our economic assets. The Board will also promote action to maximise the capacity for the population of the city region to participate in and contribute to that economic growth, through the joint commissioning of strategies for training and skills, and for the development of focused action to encourage employment and reduce worklessness.
- 4.3 The Board would take on the role of Sub-Regional Partnership (with the RDA) for the delivery of the city-regional development plan. The Board would also be the focal point within the city region for joint planning and commissioning of programmes to be delivered by key agencies such as the Learning and Skills Council, Job Centre Plus and Manchester Enterprises.

Transport

- 4.4 We believe that creating a Strategic Board of Transport, reporting to the Executive Board, and to discharge commissioning responsibilities, will be the vital first step in ensuring that the city region's transport strategy supports the wider economic competitiveness and growth strategies.
- 4.5 We also believe that much enhanced delivery capacity is required which over time will replace the PTE.
- 4.6 The delivery agency should have similar powers to those given to the Greater London Assembly and Transport for London (TfL) under the Greater London Assembly Act 1999. We want to see greater initiative and control over the bus and rail networks and major highway responsibilities.

Housing and Strategic Planning

- 4.7 The city region's projected economic and demographic growth trajectories mean we need a robust and ambitious strategic plan owned by all local authorities, to ensure that we can manage and direct this growth effectively and sustainably. For the city region to reach its economic potential, Regional Spatial and Housing strategies must align, be consistent with the Regional Economic Strategy and properly recognise the role and needs of the city region. This is not currently the case. The city region needs a powerful voice on these issues and the ability to call national and regional funding bodies to account for their investment decisions.
- 4.8 In particular, there needs to be a more direct linkage between the delivery of the Regional Economic Strategy spatially within the city region and the creation of a housing offer that meets the demands, aspiration and needs

of the growing city region population. The Housing and Strategic Planning Board would be commissioned by the Executive with the requirement to demonstrate, through a collectively owned spatial plan for Greater Manchester that these requirements and linkages had been adequately met.

- 4.9 In the medium term we anticipate the need for legislation in terms of the planning function within metropolitan areas. We would want to see such legislation providing local authorities within metropolitan areas of Greater Manchester with the statutory duty to collaborate over sub regional spatial strategies; with which local development frameworks (LDFs) would need to be confirmed. In advance of that legislation, we intend to develop this idea on a voluntary basis.
- 4.10 We would also advocate that, with legislation, we would over time be able to move to a position where more decisions on strategic planning could be taken at a sub regional level. The ability of local planning authorities to make, approve or reject planning applications would remain, but whereas currently the Secretary of State may call in decisions, we see the opportunity - for applications of a city region wide significance - for the powers of determination to be delegated to the Strategic Board.
- 4.11 More specifically on the housing side, there is a need to develop a city region housing strategy for Greater Manchester. This can (and will) be done voluntarily but, as with the spatial planning issues, in the medium term there is a logic to making this a statutory requirement for metropolitan areas with such plans being subject to approval by Government.
- 4.12 Housing markets do not simply replicate local authority boundaries, and our vision for a strategic board in the city region reflects the way our housing market operates. The Board will have responsibility within Greater Manchester for identifying additional housing requirements, making the case regionally, and then managing delivery, advice and distribution of resources based on the housing markets within the city region.

A Duty of Collaboration

- 4.13 One of the central features of the proposed Manchester model is the need to introduce a duty of collaboration between local authorities and public agencies at the city region level. It is this mechanism that can enable a sensible debate around devolution to the local authority level but at the same time bring a guarantee that devolution will result in effective strategic responses within sub regions.
- 4.14 Current arrangements are voluntary and there are limits to which effective setting of priorities and taking hard decisions can be delivered without any duty on agencies to respond to a city region agenda or its priorities. Even where the voluntary route is effective, there is no system to be able to formally commission delivery and scrutinise performance within key policy

areas. We firmly believe that introducing a duty of collaboration amongst partners in the city region will help to formalise new ways of working.

- 4.15 Given that Manchester already has the most developed system of cross city region collaboration in the UK outside London, some of the proposals can be put in place now. We are pressing Government to respond to the city region agenda and to adopt a more overt recognition of city regions in terms of the development of strategy and the coordination of delivery.

5.0 RESOURCES

- 5.1 The purpose of any financial devolution to local authorities should be to improve the economic health and well-being of our cities and city regions, for the good of all residents and communities.
- 5.2 We firmly echo the Greater London Authority's viewpoint that Government should not only devolve powers to regional and local tiers of government, but also ensure that it devolves funding at the same time, to enable the lower tiers to exercise those powers effectively.
- 5.3 We believe there is case for the relocalisation of the National Non-Domestic Rate (NNDR), to support local and national priorities. Discussions have taken place within the Manchester business community on this issue, and as with the London business community, they are sympathetic towards an element of relocalisation.
- 5.4 We would however, be very cautious about a Local Income Tax based on residence due to the perverse consequences this may have for authorities such as Manchester, whose suburbs lie outside the city boundaries. We would also have concerns over the complexity and expense which could be involved in its collection. The 'gearing' effect also means that to collect any meaningful sums of money in Manchester, the rate would have to be very high.
- 5.5 It is important to recognise the scale of disadvantage that a Local Income Tax (LIT) may bring in Manchester. The CIPFA proposals submitted to the Balance of Funding Review on the introduction of LIT, modelled the effect on the tax base using both median and mean salary levels. It showed that Manchester would lose more than 0.1% of its tax base under a Local Income Tax option, putting the city in a small group (15-20) of authorities worst affected by the option. Such a disadvantage is clear from the high level of deprivation in the City, the high level of Council Tax and housing benefits paid to residents which are assessed on their incomes, and the well above average levels of unemployment, measured against national, regional and sub-regional comparators. As with the existing Council Tax, a Local Income Tax in Manchester would be a relatively low resource raising tax for an area with high spending need.

- 5.6 Part of our high spending need derives from our role as the regional centre. Many people are attracted to the city to find employment or access support services and parts of the city effectively act as 'reception centres' for people with multiple support needs. We also have an enormous increase in the population of the city during the day which puts pressure on services. This regional centre role therefore brings additional costs, but no associated funding.
- 5.7 As well as exploring the relocalisation of the business rate we are considering, at city-region level, joint powers of prudential borrowing and finding innovative ways to deploy the assets of various public sector partners to facilitate investment and help lever maximum value to the public purse.
- 5.8 We would expect the Business Leadership Council to also be involved in the strategy for the use of funds generated by new approaches to Business Rates income and other possible changes to local revenues.

6.0 CONCLUSION

- 6.1 We are encouraged by the progress the Inquiry has made so far and particularly the contents of the interim reports. We firmly believe that the Government now has the opportunity to seriously consider and put into place new governance arrangements.
- 6.2 With the forthcoming White Paper on the future of local government, we are at an important turning point. We would like to see the Government now take a positive approach to deliver a bold and radical programme of devolution.