



centreforcities

CITY LEADERSHIP: GIVING CITY-REGIONS THE POWER TO GROW **ADAM MARSHALL AND DERMOT FINCH**

EXECUTIVE BRIEFING

- England is one of the most centralised countries in the developed world – and its cities lack financial power. Big economic development decisions are taken by Whitehall and by unelected regional quangos. Policymakers agree that cities need more powers, but there's no consensus on how to devolve.
- *City Leadership* examines the economic case for financial devolution, using original research in Birmingham, Liverpool and Barnsley. It argues that Government must devolve substantial spending and revenue-raising powers to our biggest city-regions, starting with Greater Manchester and Birmingham. The report feeds into the Lyons Inquiry, Local Government White Paper and Comprehensive Spending Review.

Key policy messages:

- **Our major cities need more financial powers to promote economic development.** Greater financial autonomy would improve cities' economic performance and their leadership.
- **Economic development is best delivered at the city-regional level.** Regions are too big, and local authority districts are too small.
- **Financial devolution should focus first on our biggest city-regions.** Financial devolution should be selective, starting with the biggest first - Greater Birmingham and Greater Manchester. Other city-regions could follow later. Regional Development Agencies, Learning and Skills Councils and other regional quangos will need to let go of functions that city-regions are best placed to deliver.
- **Both tax and spend powers should be devolved.** City-Region Contracts should devolve economic development spending, with Greater Birmingham and Greater Manchester gaining control of their own budgets for regeneration, transport and skills. This is over £600 million per year. These two city-regions should also have modest revenue-raising powers, such as a 5% levy on business rates to be spent on transport improvements.
- **This will require a step-change in accountability.** Directly-elected city-regional mayors are best placed to take on this level of financial devolution. They would have a direct mandate, be highly visible, and able to take strategic and tough decisions across Greater Manchester and Greater Birmingham. They would be scrutinised by boards of local authority leaders, businesses and community representatives.
- **Smaller cities and towns should get more modest financial flexibilities.** Economic Development Contracts within Local Area Agreements would give local authorities greater discretion over regeneration spending.