



Localism Bill: creating executive mayors in the 12 largest English cities

Impact assessment



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January 2011
Department for Communities and Local Government

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Localism Bill: creating executive mayors in the 12 largest English cities		IA No: DCLG 0042
Lead department or agency: Department for Communities and Local Government		Date: January 2011
		Stage: Final
		Source of intervention: Domestic
		Type of measure: Primary legislation
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Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

Many major cities in the world outside of the UK have a strong and powerful executive mayor. The Government believes that having a powerful and directly accountable mayor could lead to significant benefits for local communities, including enhancing the local economy and bringing greater prosperity to the city. As set out in "The Coalition: our programme for government" paper, the Government is committed to giving local people in the 12 largest cities in England the opportunity to enjoy such benefits by having a directly elected mayor for their city. The Government intends to implement this commitment by enabling local people in the following cities to have a directly elected executive mayor from 2012 - Birmingham, Bradford, Bristol, Coventry, Leeds, Leicester, Liverpool, Manchester, Newcastle upon Tyne, Nottingham, Sheffield and Wakefield¹.

The case for mayors is founded on their having the potential to make a greater contribution to achieving successful economic, social and environmental outcomes in their cities. This is particularly important for our larger cities that should be key drivers of economic growth in this country. The Government believes that strong leadership of these cities by executive mayors can also benefit local citizens by improving the clarity of municipal decision-making, boosting democratic engagement and enhancing the prestige of their city.

The strength of mayoral governance is a result of the sharper accountability, greater legitimacy, and stronger leadership that direct elections can bring. Hence, mayors can both appropriately be entrusted with greater powers and freedoms, and be expected to exercise them more effectively, than councils and their leaders generally.

What are the policy objectives and the intended effects?

1. To enable the 12 specified English cities to have powerful executive mayors from 2012, subject to confirmatory referendums and full scrutiny by elected councillors.
2. Mayors can provide democratically accountable strong local leadership which is able to instigate real change for the benefit of our largest cities. If mayors are created in these cities they will also help facilitate decentralisation of power from Whitehall to localities which is a key Government objective.

Relevant provisions will be included in the Localism Bill. The Bill will shift power from the central state back into the hands of individuals, communities and councils.

¹ The listed cities are the largest local authorities in England, with city status, by population size, save for one exception. Sunderland although having a larger population than Newcastle-upon-Tyne is not included in the list as it held a referendum in October 2001 at which local people voted against the mayoral model.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

Option 1: Do nothing - it would be entirely open to the 12 cities, or another principal local authority², to decide to adopt the mayoral model or to hold a mayoral referendum. Local people would also be able to instigate a referendum by petition. It is arguable however, that the 5 per cent petition threshold for holding a mayoral referendum has proved to be too prohibitive in our larger cities. This approach therefore would not achieve fully the policy objective of enabling local people in the 12 specified cities in England to decide on whether to have a mayor at a referendum.

Option 2: Legislate in the Localism Bill to provide that the existing leaders of the 12 specified English cities will automatically converted into 'shadow' mayors from a date specified by Order made by the Secretary of State. A referendum will then be held in May 2012 in each of the 12 cities in which local people will be able to vote on whether they want a mayor for their city. Should local people vote for a mayor in the referendum, the election of the city's first mayor will be held in May 2013. However, if local people vote against having a mayor in the referendum then the council will return to the leader and cabinet executive model. Option 2 is the preferred option as it ensures local people ultimately decide via a referendum whether their city should have an elected mayor.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?	See the Post Implementation Review Plan – Annex 1.
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	No

Ministerial Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister: Greg Clark Date: January 2011

² A principal authority means all local authorities in England, except for parish councils.

Summary: Analysis and Evidence

Description: Creating executive mayors in the 12 largest English cities

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)			
			Low:	-7.0	High: -15.9	
COSTS (£m)		Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)	
Low		2.6		0.51	7.0	
High		2.6		1.54	15.9	
Best Estimate		2.6		1.03	11.5	

Description and scale of key monetised costs by 'main affected groups'

The main groups affected by the policy are local authorities and local citizens. The main costs of the policy will be incurred by local authorities. These comprise:

- Organising and conducting referendums on the adoption of mayor-led authorities; and
- Organising and conducting any consequential mayoral elections.

Referendums are essentially transitional costs and are based on the assumptions and methodology set out in this Impact Assessment, the best estimate of one-off costs to the specified 12 local authorities of organising and conducting mayoral referendums would be £2.6m.

It is not possible to predict the number of mayoral elections that would result from the referendums. Instead a range of outcomes are considered with the 'low' range value assuming 4 elections are held; the 'high' value assuming 12 elections; and with the mid range estimate for costing purposes for this assessment set at 8 elections.

The best estimate of the average local authority mayoral election costs is £641,344 which, applied to 8 authorities (while taking into account the local authority electoral cycle), suggests a total election cost of £9.0m at net present value (NPV) across 8 authorities over a 10 year period (that is, 2 election cycles).

Total costs - assuming the estimate that two-thirds of referendums produce yes results - would be £11.5m (NPV); should all referendums produce a yes result, total costs would be £15.9 m (NPV).

There may be some internal administration costs for councils following the changeover to a mayoral model of governance, but it has not been possible to accurately estimate the overall effect of these. Such costs have not therefore been reflected in the overall estimate of the total monetised costs of the policy. Annex 4 does, however, set out some of the possible differences in administrative costs between the mayoral governance model and the existing leader and cabinet model.

Other key non-monetised costs by 'main affected groups'

During the transition period to the mayoral model there may be a temporary reduction in public understanding about how local authorities reach decisions and who is accountable for them. However, as is the case currently, it will be for each local authority to ensure that local residents are aware of how the local authority operates, including making available information about its decision making structures and constitution. This may involve some communication costs to local authorities, however, the Government considers that such costs would be negligible.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition)	Total Benefit (Present Value)
Low	0	0	0

High	0		0	0
Best Estimate	0		0	0

Description and scale of key monetised benefits by 'main affected groups'

The key benefits of the policy (indicated below) are considered to be potentially substantial but cannot easily be monetised. It is envisaged that the powers and freedoms given to mayors will lead to monetised benefits for local authorities and the people they serve. However, until the package of powers and freedoms has been finalised it is not possible to estimate what these benefits will be.

There may also be internal administration and governance changes that councils may pursue which will lead to benefits and savings following the changeover to a mayoral system, but it has not been possible to accurately estimate the overall effect of these. Such changes might involve, for example, a council moving to whole council elections where it currently has elections by thirds to ensure that the council's governance processes can best be integrated with mayoral arrangements.

Other key non-monetised benefits by 'main affected groups'

The key non-monetised benefits are to some extent dependent upon the powers which are to be conferred upon the office of mayor. However, evidence indicates that the mayoral model can lead to the following non-monetised benefits:

- increased democratic accountability by virtue of the mayor being directly elected
- increased visibility and recognition amongst citizens – under the mayoral model people are more likely to know who is responsible for a decision and therefore hold them to account
- increased democratic participation – evidence suggests that there may be increased turnout at mayoral elections
- improved partnership working, with the mayor working as an effective co-ordinator; and
- more effective decision making.

The wider benefits of operating the mayoral model will be very much dependent upon the powers and freedoms given to mayors. It is intended that these powers and freedoms will enable mayors to drive improvements in their local economy and improve social outcomes, ensuring they have the capacity to achieve the step change in outcomes that we need if our big cities are to be genuine drivers of growth in the economy. A further Impact Assessment will be completed once the detailed package of powers and freedoms is complete.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
<i>Key assumptions</i>		
Local people in at least two-thirds (i.e. 8) of the 12 specified local authorities will vote in favour of adopting the mayoral model at the referendum.		
Estimates are also provided for local people voting in favour of a mayor in all 12 authorities.		

Impact on admin burden (AB) (£m):	Impact on policy cost savings (£m):	In scope
New AB:	AB savings:	Net: Policy cost savings: Yes/No

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	England				
From what date will the policy be implemented?	On coming into force				
Which organisation(s) will enforce the policy?	n/a				
What is the annual change in enforcement cost (£m)?	n/a				
Does enforcement comply with Hampton principles?	n/a				
Does implementation go beyond minimum EU requirements?	No				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: n/a		Non-traded: n/a		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs:		Benefits:		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...? 	Impact	Page ref within IA
Statutory equality duties ³ <u>Statutory Equality Duties Impact Test guidance</u>	No	16
Economic impacts <u>Competition Assessment Impact Test guidance</u> <u>Small firms Impact Test guidance</u>	No	16
Environmental impacts <u>Greenhouse gas assessment</u> <u>Wider environmental issues</u>	No	16
Social impacts <u>Health and well-being Impact Test guidance</u> <u>Human rights Impact Test guidance</u> <u>Justice system Impact Test guidance</u> <u>Rural proofing Impact Test guidance</u>	No	16
Sustainable development	No	16

³ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

N o.	Legislation or publication
1	Local Government Act 2000
2	Local Government and Public Involvement in Health Act 2007
3	Tower Hamlets (2009), Extraordinary council meeting 2 December 2009, agenda item 4

+ Add another row

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	2011 Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	2020 Y ₉
Transition costs	0	2.6	0	0	0	0	0	0	0	0
Annual recurring cost	0	0	5.1	0	0	0	5.1	0	0	0
Total annual costs	0	2.6	5.1	0	0	0	5.1	0	0	0
Transition benefits										
Annual recurring										
Total annual benefits	0	0	0	0	0	0	0	0	0	0

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

Background

The Local Government Act 2000 ("the 2000 Act") introduced new executive government arrangements to councils in England and Wales, including two mayoral governance models the directly elected mayor and cabinet and directly elected mayor and council manager models. The mayor and council manager model was subsequently abolished in England by the Local Government and Public Involvement in Health Act 2007 ("the 2007 Act").

The following 12 local authorities currently operate the directly elected mayor and cabinet governance model (in addition to the Mayor of London, which was established by separate legislation – the Greater London Authority Act 1999).

Bedford Borough Council	London Borough of Newham
Doncaster Metropolitan Borough Council	Middlesbrough Council
London Borough of Hackney	North Tyneside Council
Hartlepool Borough Council	Torbay Borough Council
London Borough of Lewisham	Watford Borough Council
Mansfield District Council	London Borough of Tower Hamlets

The Coalition Programme for Government commits the Government to "create directly elected mayors in the 12 largest English cities, subject to confirmatory referendums and full scrutiny by elected councillors". This requires primary legislation, which the Government intends to provide in the Localism Bill.

Policy objective

Directly elected executive mayors have huge potential to boost democratic engagement, facilitate decentralisation, provide strong, accountable and democratic local leadership and enhance the prestige of our largest cities. There is a strong case that a powerful and dynamic executive mayor, a local politician who knows the local area, will be able to lead their local area and bring about real and positive changes for the benefit of their local communities.

The case for mayors is founded on their having the potential to make a greater contribution to achieving successful economic, social and environmental outcomes for their cities than other forms of local government. This is particularly important for our largest cities that have the potential to be key drivers of economic growth in this country. The value of big cities, effectively led by powerful mayors, is demonstrated by a range of international experience. For example Barcelona was transformed through the strong leadership of its powerful executive mayor⁴, Pascal Maragall, into a leisure and cultural centre – it is now one of the most prosperous cities in Europe with a GDP per capita 44 per cent above the European average, and is one of the most popular tourist destinations⁵.

The strength of the mayoral model is the result of the sharper accountability, greater legitimacy, and stronger leadership that direct elections bring. Hence, mayors can both appropriately be entrusted with greater freedoms and powers, and be expected to exercise them more effectively, than councils and their leaders generally.

⁴ In Barcelona the mayor is elected as the head of the list of the winning party.

⁵ Linking Governance and City Performance: A Review of the Evidence Base, Centre for Cities, (2005)

Whilst there are currently only 12 directly elected local authority mayors in England, where the mayoral model has been adopted mayors have generally, although not universally, impacted positively upon local people, officers and with partner organisations⁶.

The experience of the current situation suggests that one of the reasons why there has not been a greater take up of the mayoral model is that, at least initially, there was local political and strategic opposition to the notion of elected mayors and associated political management reforms⁷. To overcome this, the Government intends to legislate to enable the following 12 cities in England to have elected executive mayors from 2012, subject to confirmatory referendums and full scrutiny by elected councillors - Birmingham, Bradford, Bristol, Coventry, Leeds, Leicester, Liverpool, Manchester, Newcastle upon Tyne, Nottingham, Sheffield and Wakefield. Under the Government's intended approach local people will be given the direct opportunity to decide whether their city should have an executive mayor through a referendum.

The above cities are the largest local authorities in England, with city status, by population size, save for one exception. Sunderland although having a larger population than Newcastle-upon-Tyne is not included in the list as it held a referendum in October 2001 at which local people voted against the mayoral model.

Description of options considered

Option 1: Do nothing - it would be entirely open to the 12 cities, or another principal local authority⁸, to decide to adopt the mayoral model or to hold a mayoral referendum. Local people would also be able to instigate a referendum by petition. It is arguable however that the petition threshold for holding a mayoral referendum has proved to be too prohibitive in our larger cities. This approach therefore would not achieve fully the policy objective of enabling local people in the 12 specified cities in England to decide on whether to have a mayor at a referendum.

Option 2: Legislate in the Localism Bill to provide that the existing leaders of the 12 specified English cities will automatically converted into 'shadow' mayors from a date specified by Order made by the Secretary of State. A referendum will then be held in May 2012 in each of the 12 cities in which local people will be able to vote on whether they want a mayor for their city. Should local people vote for a mayor in the referendum, the election of the city's first mayor will be held in May 2013. However, if local people vote against having a mayor in the referendum then the council will return to the leader and cabinet executive model. This is the preferred option as it ensures local people ultimately decide via a referendum whether their city should have an elected executive mayor.

Legislation

The Government will introduce legislation in the Localism Bill to enable the 12 specified English cities to have executive mayors from 2012. In summary, the following approach is intended:

- a) Shortly after Royal Assent of the Localism Bill, the existing leaders of the councils of Birmingham, Bradford, Bristol, Coventry, Leeds, Leicester, Liverpool, Manchester, Newcastle upon Tyne, Nottingham, Sheffield and Wakefield will automatically become 'shadow' mayors and have powers currently given to local authority mayors.

⁶ G. Stoker (2004). How are Mayors Measuring Up? Preliminary Findings – Evaluating Local Governance Research Project. London: ODPM.

⁷ See for example S. Greasley & G. Stoker (2004) The introduction of mayors in English urban government: institutionalising leadership (Institute for Political & Economic Governance, University of Manchester); A. Randle (2004) Mayors mid-term. (London: New Local Government Network); G. Stoker (2002) Introduction in Beyond SW1 – Elected Mayors and the Renewal of Civic Leadership (London: New Local Government Network).

⁸ A principal authority means all local authorities in England, except for parish councils.

- b) Referendums will be held in May 2012 (in conjunction with the scheduled local government elections, the elections for the Mayor of London and the proposed elections for Police and Crime Commissioners) in each of the 12 cities.
- c) At the referendums local people will be able to vote on whether they wish to retain the mayor and cabinet model. If local people vote against having a mayor the council will revert back to the leader and cabinet model (or the Committee system, as permitted under other provisions of the Localism Bill).
- d) If local people vote in favour of having a mayor at the referendum, a range of additional powers and freedoms will then be conferred on the office of mayor – to be operated by the ‘shadow’ mayor whilst in post. The ‘shadow’ mayor will remain in post until the first election for the mayor of the council. A further Impact Assessment will be undertaken once the detailed package of additional powers and freedoms is complete.
- e) At this point the ‘shadow’ mayor may also choose to adopt the “mayoral management arrangements” (i.e. the mayor becomes the most senior officer of the authority - both the political and managerial leader of their authority, as well as political leadership for the city and its communities).
- f) The first mayoral elections will be held in those local authorities in which people vote in favour of a mayor in May 2013. Mayoral elections in any of the 12 cities will be held via the electoral system for existing mayors – Supplementary Vote.
- g) Given the scope of the additional powers and freedoms which may be given to mayors the Government believes that the accountability regime for mayors should be stronger for those mayors who receive such additional powers and should include a recall mechanism. However, the Government intends to introduce such a recall mechanism at a later date having considered the issue alongside proposals for recall for other public officials.
- h) Mayoral referendums may also be held in other local authorities should they receive a valid petition for such a referendum signed by 5 per cent of the local government electorate or where the local authority resolves to hold a mayoral referendum, as long as they had not held such a referendum in the last 10 years. The previous DCLG Community Empowerment White Paper suggested a petition threshold for instigating a referendum of between 2 per cent – 4 per cent. In other cities and large conurbations the Government now proposes to reduce, by regulations, the petition threshold for instigating mayoral referendums from 5 per cent to 1 per cent of the electorate.
- i) Existing or future elected mayors outside of the 12 specified cities will also be able to apply to the Secretary of State to have any of the additional powers and freedoms granted to the city mayors. Such mayors may also choose to adopt the “mayoral management arrangements”. However such a decision, and the timing of such a decision, will be entirely one for the mayor and the local authority.

Costs and benefits

Headline assumptions

a) *Local people in at least 4 of the 12 cities will vote in favour of the mayoral model of governance in the referendums with 8 cities in favour being the estimate for the purpose of this assessment*

Under the Government's approach, it will be for local people to decide at a referendum whether their local authority retains the mayor and cabinet local governance model following a 'shadow' mayor period. For the purpose of estimating costs and benefits, our assumption is that two-thirds (i.e. 8) of mayoral referendums will result in 'yes' results (see below for details). Estimates are also provided for the scenario in which all referendums result in yes outcomes.

b) *Administrative costs of adopting a 'shadow' mayor will be negligible*

The Government would expect local authorities to spend a negligible amount on moving from a leader to a 'shadow' mayor. This is because the 'shadow' mayor will only be in post for a relatively short transitional period - approximately 18 months before the election of the first mayor in those areas which vote in favour of the mayoral model at the referendums or around five months if local people vote against the mayoral model at the referendums.

Monetised costs

Monetisation of the benefits of the policy are extremely difficult, if not impossible, to undertake as there is relatively limited evidence on how people value benefits such as improved 'accountability'. In any case, it would appear that the main costs of the policy will be incurred by local authorities. The main quantifiable costs will be for organising and conducting referendums and any resulting mayoral elections, and these are addressed in turn.

Organising and conducting referendums

The referendums for elected mayors are expected to take place in May 2012. In all but three authorities (Bristol, Leicester and Nottingham) this will coincide with existing local government elections. The London Borough of Tower Hamlets recently estimated that the cost of holding a stand-alone mayoral referendum is up to £250,000 and a combined referendum with the council's elections was estimated at an additional cost of approximately £70,000⁹.

Given that the date for mayoral referendums coincides with local authority elections in all but three authorities, we have applied the Tower Hamlets estimates of an additional £70,000 cost to local authorities where held with an election (and £250,000 where not). Since costs are likely to vary according to the number of local government electors within an authority, estimated costs have been weighted for each authority to reflect the total number of local government electors in those areas (see Table 1). On this basis, the estimated total cost for holding mayoral referendums in the 12 authorities is £2.58m.

Table 1: Referendum costs per local authority, weighted by population size

Local authority	Estimated cost of referendum (£000s)¹
Birmingham	322
Bradford	140

⁹ Tower Hamlets (2009), Extraordinary council meeting 2 December 2009, agenda item 4, paragraph 14. [http://moderngov.towerhamlets.gov.uk/Published/C00000309/M00002969/\\$\\$ADocPackPublic.pdf](http://moderngov.towerhamlets.gov.uk/Published/C00000309/M00002969/$$ADocPackPublic.pdf)

Bristol	475
Coventry	98
Leeds	238
Leicester	350
Liverpool	140
Manchester	154
Newcastle upon Tyne	84
Nottingham	300
Sheffield	168
Wakefield	112
TOTAL	2,581

¹ Based on the London Borough of Tower Hamlet's estimate of the cost of holding a local referendum (£70,000 when combined with a local election, £250,000 standalone), weighted for each local authority to reflect total number of local electors (weightings in Annex 2).

Source: Local government electors 2009, ONS

Estimated incidence of 'yes' referendums

It is difficult to predict the extent to which mayoral referendums in the 12 authorities will result in 'yes' outcomes. Since 2000, there have been 37 referendums on proposals for elected mayors, of which less than a third (12) have resulted in the introduction of a mayor (see Annex 3).

However, the expectation is that the enhanced powers and influence that will be available to elected mayors under these proposals will lead to greater public enthusiasm for them and therefore higher incidence of 'yes' outcomes of mayoral referendums. Survey evidence¹⁰ shows that public support for elected mayors increases when likened to the London mayoral system, under which the Mayor of London has significantly greater powers than elected mayors in other authorities. Although some other survey evidence¹¹ identifies public concerns about elected mayors having too much power.

Until the package of powers is complete and has been communicated to the public, it is difficult to predict the likely level of public support for elected mayors in the 12 authorities. Given this, we set out a range of scenarios. A low scenario would be that a similar proportion (one-third) of mayoral referendums to that which have occurred up until now will result in 'yes' outcomes (four); a high scenario assumes maximum public support for elected mayors, by which all 12 mayoral referendums result in 'yes' outcomes. **The scenario used for the purpose of this assessment is the midpoint between our low and high scenarios, i.e. at least 8 mayoral referendums result in 'yes' outcomes.**

Estimated Costs of Elections

The Electoral Commission estimates the cost of holding a local election at approximately £1.53 per elector within metropolitan districts and £0.99 in unitary authorities.¹²

However, rules on the election of Mayors differ from regular local government elections in the following respects as provided for in the Local Authorities (Mayoral Elections) (England and Wales) Regulations 2007:

¹⁰ NGLN, Directly Elected, Direct Results: Reflections on the mayoral model in the UK, 2008.

¹¹ DCLG, Public Attitudes to Directly Elected Mayors, 2002.

¹² Electoral Commission (2010). The cost of electoral administration in Great Britain. Financial Information Survey 2007-8 and 2008-9. http://www.electoralcommission.org.uk/_data/assets/pdf_file/0010/99694/The-cost-of-Electoral-Administration-FINAL-FINAL.pdf

- Voting system (where there are more than two candidates) is Supplementary Vote (SV) in which voters cast first and second preference votes, rather than First Past the Post (FPTP). Where there are only two candidates, FPTP system is used
- Nomination requirements for candidates
- Free delivery of a booklet of candidates' election addresses
- Expenses limits.

It is likely, therefore, that there are limitations to using generic local election cost estimates for mayoral elections. Most notably, mayoral elections require only one ballot paper across the entire local authority rather than different versions for each ward. Furthermore, there are different electoral arrangements for mayoral elections, including the use of the Supplementary Vote system rather than First Past the Post – the former entails more rounds of counts to reallocate second preference votes - and the need for each household to receive details of candidates.

A more relevant estimate comes from the London Borough of Tower Hamlets, which held a standalone mayoral election in October 2010. Their estimate for the cost of the election is £320,000.¹³ In practice, the cost to each local authority of holding a mayoral election is likely to vary depending on, amongst other things, the size of their local electorate. Accordingly, the Tower Hamlets estimate has been weighted for each local authority to reflect the size of their local electorate¹⁴.

In those authorities where referendums result in a yes outcome, the first election of the mayor will take place in May 2013, with a subsequent round of elections in May 2017. Table 2 sets out that the average cost of elections in both May 2013 and May 2017 would be an estimated £641,344.

Given that the initial mayoral elections will take place in May 2013 (with a subsequent election in May 2017), our low estimate¹⁵ of the total cost of elections (over the 10 year period following the policy's implementation) is £4.5m. Correspondingly, our high estimate¹⁶ is £13.4 million. Our estimate for the purposes of this assessment¹⁷ is £9.0m (all figures are net present value).

¹³ Tower Hamlets own assessment. Informal correspondence with DCLG.

¹⁴ ONS electoral population data, 2009.

¹⁵ Assuming 4 authorities are required to hold mayoral elections.

¹⁶ Assuming all 12 authorities are required to hold mayoral elections.

¹⁷ Assuming 8 authorities are required to hold mayoral elections.

Table 2: Mayoral election costs per authority

Local authority	Estimated cost of 1st and 2nd mayoral elections (£)¹ 2013 and 2017
Birmingham	1,481,600
Bradford	649,600
Bristol	172,928
Coventry	451,200
Leeds	1,100,800
Leicester	451,200
Liverpool	640,000
Manchester	700,800
Newcastle upon Tyne	390,400
Nottingham	384,000
Sheffield	768,000
Wakefield	505,600
AVERAGE	641,344

¹Based on Tower Hamlets Borough Council's estimate of the cost of holding their standalone mayoral election in October 2010 (£320,000), weighted for each local authority to reflect total number of local electors (weightings in Annex 2). Where local elections are already scheduled to take place, the additional cost of holding a mayoral election is assumed equal to the additional cost of holding a referendum at the same time as a local election (based on Tower Hamlets' estimate of £70,000) increased by 28% to reflect the difference in cost of holding a standalone mayoral election compared to a standalone local referendum (based on Tower Hamlets' estimates), weighted to reflect total number of local electors. Costs are the same for each of the two election cycles, though it is acknowledged that costs in 2017 are likely to be greater owing to inflation. This element has not been costed.

Non-monetised Costs and Benefits

Evidence on the effectiveness of mayors

Since mayoral authorities that are in place in England have emerged from particular circumstances and in particular places, it is difficult to generalise their experiences to other authorities. This is further complicated by the small number of authorities that have elected mayors at present (12) and that these have smaller populations and fewer powers than the 12 cities in scope. Comparison with the London Mayor is difficult given the differences in scale, powers and the Greater London Assembly. The following needs to be read with these points in mind as well as recognising the limited amount of robust, contemporary UK evidence.

There is a wide range of international experience of, and approach to, elected mayors. In some countries – the US, Germany, Italy, Japan for example – the practice is generally for a directly elected executive mayor, whereas other countries – Spain, Portugal, Netherlands – have traditionally had appointed executive mayors. Directly elected mayors, it has been argued, are “becoming more and more common” across Europe as local authorities seek enhanced political and administrative leadership” (Schaap & Ringeling, 2003¹⁸).

The existing policy allowing petitions to be raised for directly elected mayors flowed from a 1998 DETR green paper and subsequent white paper¹⁹ which identified three key perceived weaknesses of local government which could be addressed through the introduction of directly elected mayors: lack of clear leadership, lack of legitimacy and lack of accountability.

Leadership

One advantage of the existing model is that mayors are clearly identifiable as the local leader and directly elected by local residents. In this respect, English mayors are distinct from some European examples where the mayor is elected by members of the council – an indirect election. For example, in Spain the mayor is, in some larger municipalities the head of the winning party list and in smaller authorities, is appointed by councillors without restriction. Similarly, in Belgium the mayor, though appointed by the Monarch, is the head of the winning list within the municipality.

Mouritzen & Svara (2002²⁰) argue that there are three dimensions to mayoral leadership: civic leadership – of communities of places and interests, political leadership - external to the community and internally to councillors; and corporate leadership - providing direction, policy and priorities for the council in its service responsibilities.

In existing mayoral authorities, there seems to be general agreement among councillors and officers that the new political management arrangements support visible and effective political leadership (DCLG, 2007²¹) as opposed to the tradition of ‘invisible leadership’ within local government (John, 2003²²). The stronger power base of mayors – for example security of tenure, formal power base, democratic legitimacy and freedom from group discipline – has “provided a basis for a stronger, more proactive and individualised style of leadership than other models [of local government leadership]” (JRF, 2005²³). This view is reinforced by analysis of overseas examples, such as the Baltimore mayoral arrangements²⁴. However, to date elected mayors have varied greatly in their capacity to exploit this; for example in 2005, the JRF reported that there is no evidence that having stronger power bases has meant that mayors behave like strong leaders (JRF, 2005).

Public visibility and accountability

The available evidence suggests that mayors experience greater recognition among local people when compared to other local political leaders and that it is clear “where the buck

¹⁸ L. Schaap & A. Ringeling (2003). Mayors as actors improving municipal governance. Paper to the EGPA Annual Conference, Portugal, cited in J. Fenwick & H. Elcock (2005). New Development: The Elected Mayor and Local Leadership, Public Money & Management, January, pp.61-66.

¹⁹ DETR (1998) Modernising Local Government: Local Democracy; DETR (1998) Modern Local Government: In Touch with the People.

²⁰ P. Mouritzen & J. Svara (2002). Leadership at the Apex: Politicians and Administrators in Western Local Governments. University of Pittsburgh Press.

²¹ CLG (2007). The New Council Constitutions. The Outcomes and Impact of the Local Government Act 2000.

²² P. John (2003). Strengthening political leadership? More than Mayors, in D. Wilson & G. Stoker (eds). Local Government in a New Century. Basingstoke: Macmillan.

²³ JRF (2005). Local political leadership in England and Wales

²⁴ Scottish Office (1998). Local government political management arrangements – an international perspective.

stops”²⁵. Indeed, there is some evidence that mayors paid more attention (than leaders) to sustaining or enhancing public support²⁶. A survey in 2004 showed that 57 per cent of the public could name their elected mayor from a prompt list, compared to 25 per cent who could name their council leader²⁷, whilst other evidence supports the role of mayors in improving local democratic engagement with the local media and the public²⁸. All mayoral local authorities experienced an increased turnout at the 2006 local elections and, personally, mayors experience markedly increased recognition among local people when compared to other local political leaders²⁹.

The Evaluating Local Governance study (DCLG, 2007³⁰) indicated benefits from mayors in terms of better visibility and that respondents in mayoral authorities were more positive than other respondents in the study about outcomes relating to community leadership, public involvement and diversity and more optimistic about the impact on public confidence.

Partnership working/external relations

Elected mayors seem to have a positive effect on co-ordinating and facilitating partnership working, and there is some evidence that they can play a role in speeding up decision making. The councils that mayors lead are perceived to be better at dealing with cross-cutting issues that require input from a range of external partners, and are seen as having helped to develop less partisan forms of politics within the authorities they lead³¹.

Effectiveness

Evidence on the extent to which mayoral models of leadership deliver more effective or efficient local government is inconclusive. There is some limited evidence that mayors (as opposed to leaders), given their dependence upon direct election, place more emphasis upon ensuring their political priorities are implemented³². There is also some limited evidence that mayoral systems such as London are perceived by citizens to have improved several key aspects of life in London, particularly transport³³. In substantive terms, however, studies have not shown that significant differences exist and on occasion have demonstrated the effectiveness of leader/manager models³⁴.

In large part, research on mayoral models tends to assert that the economic benefit associated with mayors relates to their capacity to act as “ambassador and champion for their area in the wider world”³⁵. Thus, the argument goes, if localities are to compete with other towns and cities, then a strong leader (or broker) is necessary. Further, mayors are perceived as individuals who can focus upon the necessary prerequisites – transport infrastructure, environmental factors –

²⁵ Anthony Browne (date unknown) Mayors are a good idea, and here's the proof, in Localis (date unknown) Directly elected mayors. Are they appropriate for all major UK cities? (London: Localis).

²⁶ JRF (2005). Local political leadership in England and Wales.

²⁷ Cited in DCLG (2008). Communities in Control: real people, real power. Cm 7427, July 2008, para 5.14.

²⁸ New Local Government Network (2005). Making community leadership real.

²⁹ For example, in one opinion survey 68% of respondents could correctly name their Mayoral as opposed to 37% correctly recognising their Council leader. (Source: A. Randle (2004). Mayors mid-term. (London: NLGN).

³⁰ Stoker et al (2007), The new Council Constitutions: the outcomes and impact of the Local Government Act 2000, DCLG

³¹ CLG (2007). Does leadership matter? A summary of evidence on the role and impact of political leadership in English local government.

³² JRF (2005). Local political leadership in England and Wales.

³³ Margetts (2005). The 2004 Greater London Assembly Elections Study. ESRC Briefing No.33. A poll conducted for this study found that in general Londoners believed that life in London had improved since the introduction of the Mayor of London and Greater London Assembly, with perceived improvements in travelling on buses and traffic congestion, but worsening perceptions of litter on the street.

³⁴ S. Kretz (2007) An efficiency comparison of city managers and elected mayors. Kelley School of Business: Indiana University.

³⁵ N.Hope & N. Wanduragala (2010). New Model Mayors. (London: NLGN), page 13.

for economic success, and to think strategically about their relationship to each other³⁶ and to help unlock the financial powers that cities need to invest in transport, housing and skills³⁷. The counter argument is that, whilst many mayors have been able to show strong regeneration activity (for example the mayors in South East London and the Olympics), many city leaders have shown equally strong track records in attracting inward investment and regeneration projects³⁸.

There is evidence about the political differences that mayors have brought. Campbell (2009) argues that with the introduction of mayors there is a new balance between politicians and officials, involving division of responsibility between policy matters (politicians) and administrative and managerial matters (officials), with mayors acting as strong leaders over the policies of their local authority³⁹. Further, other research indicates a more inclusive political approach adopted by mayors (Randle, 2004) and a capacity to operate an arms-length relationship with their party group (JRF, 2005)⁴⁰.

Internal administrative savings and costs

Adoption of the mayoral system is likely to have an impact on internal administrative structures and there could be various savings and costs. It is difficult to predict the net effect of these, given that the specified local authorities that adopt the mayoral model may reallocate resources internally in a variety of ways. Moreover, administrative changes are local decisions about which the Government does not wish to be prescriptive. Some of the administrative elements which might change and potential scenarios are set out briefly for illustrative purposes. **These are considered in more detail in Annex 4.**

Firstly, the mayoral model should enable authorities to make on-going savings through combining the role of their newly elected mayor with roles currently undertaken by the head of paid service (chief executive). Salary and associated costs for 'elected mayors as senior officers' (combining both roles) are likely to be lower than the combined costs of existing leaders and chief executives, particularly given likely downward pressure on executive salaries arising from current financial constraints within local authorities and public acceptability. In addition, the Localism Bill makes provisions for greater scrutiny and transparency of senior pay arrangements.

New mayoral authorities may also seek savings by combining other statutory posts such as the remaining functions of the head of paid service with those of the chief financial officer or monitoring officer. Authorities will remain obligated to perform the same set of statutory functions as previously, some of which may need to be assigned elsewhere within the council.

Local authorities may incur severance or redundancy costs⁴¹ in merging these posts but these would depend on circumstances in each authority such as terms and conditions of employment and staff turnover. 'Shadow' mayors are not local authority employees so, in the event that they do not win an election to become mayor, it is unlikely that they would be entitled to redundancy or severance pay.

³⁶ For example, J. Fenwick & H. Elcock (2005). New Development: The Elected Mayor and Local Leadership. *Public Money & Management*, January, 61-66.

³⁷ L. Baston et al (2009). *Real Reform Now*. (London: Progress).

³⁸ R. Kemp (undated). Show me the evidence that mayors are a good idea, in T. Shakespeare (ed). *Directly elected mayors*. (London: Localis).

³⁹ D. Campbell (2009). What was the political difference made by the introduction of executive mayors in England. Thesis submitted for PhD. Inlogov: University of Birmingham.

⁴⁰ Joseph Rowntree Foundation (2005). *Local political leadership in England and Wales*.

⁴¹ The head of paid service is eligible for redundancy compensation under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 and early receipt of pension under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

Secondly, councils may decide that new mayors require support staff such as policy advisers to support them in utilising new strategic powers or mayoral assistants⁴². It has not been possible to assess the extent to which such staff might be additional to existing council staff or reallocated internally.

Thirdly, with the adoption of the mayoral model of governance, a council might wish to make changes to its overall governance processes so they can best be integrated with mayoral arrangements. Such changes might involve, for example, a move to whole council elections (where the council currently has elections by thirds), which could generate savings for councils.

In addition to the above, there are likely to be other corporate administrative costs and savings for which it is unclear how they might differ between the two governance models. A rough indicator of the broader administrative costs for local authorities is what is referred to as their ‘corporate and democratic core’ expenditure. Corporate and democratic core expenditure refers to the costs associated with democratic representation and management, including councillors’ allowances and expenses; as well as the costs of internal reorganisation and corporate management. Based on 11 authorities⁴³ that have adopted an elected mayor since 2000, there does not appear to be any substantial difference in the corporate and democratic core costs of having a mayor compared to a leader.⁴⁴ However, corporate and democratic core costs include a large range of expenditure associated with running an authority, irrespective of which leadership model is implemented, and executive costs are a small component within corporate and democratic core costs.

Given the above considerations, and the impetus on local decisions in determining administrative and governance arrangements, it is considered not possible to estimate accurately the overall net benefit of changes in administrative costs of authorities which adopt an elected mayor. Accordingly, the monetised costs and benefits in this impact assessment do not take account of potential internal administrative impacts.

Risks

The risks relate both to potentially limited take-up of the policy and the variability (in approach and performance) of those areas which do adopt the mayoral model. A key risk is that those individuals elected as mayors may lack the capacity to fully exploit the benefits offered by this model of governance and in turn, local people will fail to see any noticeable positive difference in the management of their area or indeed feel that there has been an adverse impact. As noted above at paragraph 32, there is no evidence that the stronger power base of mayors has led to mayors behaving like stronger leaders.

Alongside this variability in approach or ability, is the potential that the economic role of mayors is affected – by personal capacity to act in a facilitating role, by incongruence between local authority boundaries and emerging functional economic areas, or by the possibility that cities may enter into competitive relationships with other localities with unintended consequences. The extent to which these risks, or any others, and indeed any benefits, may materialise is dependent on the final package of powers and the ability to attract strong and capable candidates standing for election. Mayoral elections will provide a check against mayors who do not have the personal capacity to undertake their functions effectively.

⁴² The Local Authorities (Elected Mayor and Mayor’s Assistant) (England) Regulations 2002 allow for elected mayors to appoint one person to provide assistance to them in performing their duties).

⁴³ 12 local authorities in total have adopted an elected mayor since 2000. However, Tower Hamlets Borough Council’s adoption of an elected mayor (October 2010) occurred too recently to be included in our analysis.

⁴⁴ Comparing these local authorities’ average corporate and democratic core expenditure as a proportion of net expenditure *prior* and *subsequent* to having adopted an elected mayor, expenditure differed by on average less than 2 percentage points. This change falls within that which typically occurs year-on-year under same governance models. Moreover, in absolute terms, 7 of the 11 authorities spent *more* on corporate and democratic core costs subsequent to having adopted an elected mayor, while 4 spent *less*.

Summary of Costs and Benefits

The policy will entail initial referendums and then subsequent election costs. Over a ten year period, it is estimated that this could amount to £11.5m at net present value, based on our estimate of 8 authorities proceeding to elect mayors. However, the expected non-monetised benefits of the policy are considerable, allowing some of England's largest cities to develop a more vigorous, effective and accountable form of civic leadership. It is also expected that there will be non-monetised and monetised benefits to the adoption of the mayoral model of governance in the 12 specified cities, as a result of the additional powers and freedom the Government intends to give such mayors. However, until the package of powers and freedoms is announced, it is not possible to estimate what these benefits will be. A further Impact Assessment will therefore be undertaken in due course.

Specific Impact Tests

The potential impact of this policy on the following areas has been considered, in line with relevant guidance with the following conclusions.

- Statutory equality duties – An initial EqIA screening has been undertaken with the assessment that there would be no impact.
- Competition – The potential impact has been considered with the assessment that there would be no impact.
- Small firms – The potential impact has been considered with the assessment that there would be no impact.
- Greenhouse gas assessment – The potential impact has been considered with the assessment that there would be no impact.
- Wider environmental issues – The potential impact has been considered with the assessment that there would be no impact.
- Health and well-being – The potential impact has been considered with the assessment that there would be no impact.
- Human rights – The potential impact has been considered with the assessment that there would be no impact.
- Justice system – The potential impact has been considered with the assessment that there would be no impact.
- Rural proofing – The potential impact has been considered with the assessment that there would be no impact.
- Sustainable development – The potential impact has been considered with the assessment that there would be no impact

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A post implementation review should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A post implementation review should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the post implementation review plan as detailed below. If there is no plan to do a post implementation plan please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review];

The policy objective is to give residents in twelve specified cities in England the power to opt for a mayor-led system of local governance similar to that in other major cities in the developed world. This objective will be met once the Localism Bill receives Royal Assent and the provisions have been implemented since the public will then have an opportunity to use the power.

Outputs would reflect the extent to which citizens choose to opt for the mayor system. Outcomes would reflect wider objectives such as whether citizens in the new mayor-led cities feel more empowered and better able to influence local decisions and realise the outcome they wanted to achieve through that form of governance. The proposed post implementation plan reflects this distinction. It is intended that longer-term outcomes emanating from the introduction of policies within the Localism Bill will be measured through feedback from citizens and local authority officials on policies intended to strengthen local democracy across the Bill.

Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]

The review is intended to be a proportionate check that legislation is operating as intended. A focused monitoring exercise will allow an assessment of the actual number of authorities adopting the mayor model of governance, how the transition was managed and whether the intended benefits of increased visibility and streamlining of decision-making and accountability in particular was achieved.

The collective outcomes (the impacts and value for money) of this and other policies that provide people with a greater say and influence in local decision making will be considered in an overarching study that will be scoped in the months ahead. That study would take a proportionate and efficient approach to measuring the outcomes of these policies to demonstrate their combined impacts, and to draw out the key lessons for future policy.

Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]

The approach is two-fold, reflecting both the need for a post implementation plan to be proportionate and also taking advantage of the opportunity to brigade the measurement of the outputs and impacts of linked policies under the Localism Bill in order to reduce burdens and the efficient use of research resources, while increasing the opportunity for local authorities and local residents to understand the collective impact of policies:

1. A focused, proportionate, response to the specific policies around the formation of mayor-led form of local authority governance structures which will involve an assessment as to why particular cities opted in favour of the model and why others did not and how the transition was managed and whether subsequent organisational decision-making and accountability mechanisms appears to have become more effective in cities opting for the mayoral governance model.
2. A wider, but streamlined, approach to understanding the impact of the policies across the Localism Bill, and in particular in terms of the extent to which the local authority officials, members and local citizens consider mayor-led form of governance and related policies (e.g. citizens ability to call referendums) improves the ability of local authorities to act effectively, improves accountability (and visibility) to the local electorate and impacts positively upon costs. The details of this approach will be worked up in the months ahead, but a cost-effective method may entail omnibus surveys of the public and a panel of local authorities, convened possibly by DCLG or other third parties, whose purpose is to identify and share experiences and implications of implementing policies across the Localism Bill and drawing upon locally generated research and evidence on the roll out and impacts of those policies. Such a panel would seek to foster shared understanding and learning about the implications of policies, and opportunities to increase local authority effectiveness. DCLG may seek to supplement this proposition with some proportionate and specific additional research on outcomes for residents and local communities.

Over the coming months, further details of any proposed research and analysis will be considered by a Localism Bill review steering group, to ensure that the methods are appropriate, proportionate, and cross-cutting where possible, so that we collect only essential information/data at both the baseline and follow-up review stages.

Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]

Baseline data and information of direct interest could include a review of current decision-making and accountability structures across cities qualifying for the policy option. Such a review could include measures of effectiveness (in terms of processes at least) and cost where possible.

A broader set of baseline data and information could potentially be collected as part of the Localism Bill's overarching post implementation plan. This could entail citizens, members and officials perceptions of current administrative structures and the expected benefits of the proposed mayoral arrangements.

Consequently, it is likely that some focused primary research will be required to generate a baseline to measure outputs and outcomes arising from the new mayoral arrangements and the other policy proposals contained in the Localism Bill. We can work up the details of new baseline research required in the months ahead.

Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]

Change in governance arrangements or administrative structure is not, of itself, a sufficient success criteria, (though it is important) since local authorities and local people may ultimately choose to remain with their existing arrangements. Rather success will reflect the extent to which citizens, businesses, members and local officials consider that the new mayoral arrangements has led to more effective and efficient decision-making and accountability processes and, in turn, led to better economic, social and environmental outcomes for the city.

Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review]

Monitoring arrangements need to be proportionate, but also allow local authorities to understand the impact of policies upon themselves and others in the sector. The proposal for monitoring and measurement is two-fold:

- (a) ongoing monitoring, by DCLG, of the formal adoption of the mayoral model through referendums and transition to its full implementation drawing upon publicly available information and, potentially, supplementary focused research commissioned by DCLG.
- (b) longer-term review, through a panel of local authority officials and members, of the perceptions to, and impacts of, policies across the Localism Bill, supplemented where necessary by public opinion research.

Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]

N/A

Annex 2: Population weights

Local authority	Population ¹	Population weight
Tower Hamlets	160,000	1
Birmingham	741,000	4.6
Bradford	326,000	2.0
Bristol	310,000	1.9
Coventry	226,000	1.4
Leeds	551,000	3.4
Leicester	226,000	1.4
Liverpool	321,000	2.0
Manchester	351,000	2.2
Newcastle upon Tyne	196,000	1.2
Nottingham	193,000	1.2
Sheffield	384,000	2.4
Wakefield	254,000	1.6

¹ As at 1 December 2009. Source: ONS local electoral population. Figures rounded to nearest 1000.

Annex 3: Current mayoral authorities and outcomes of mayoral referendums in England

Table 1: ‘Yes’ mayoral referendums

Authority	Turnout %	For %	Against %	Current Mayor
Bedford BC	16	67	33	Dave Hodgson (Liberal Democrat)
Doncaster	25	65	35	Peter Davies (English Democrats)
Hackney	32	59	41	Jules Pipe (Labour)
Hartlepool	34	51	49	Stuart Drummond (Independent)
Lewisham	18	51	49	Steve Bullock (Labour)
Mansfield	21	55	45	Tony Egginton (Independent)
Middlesbrough	34	84	16	Ray Mallon (Independent)
Newham	26	68	32	Sir Robin Wales (Labour)
North Tyneside	36	58	42	Linda Arkley (Conservative)
Stoke-on-Trent	27	58	42	Now operating a leader and cabinet model⁴⁵
Torbay	32	55	45	Nicholas Bye (Conservative)
Tower Hamlets	62	60	40	Lutfur Rahman (Independent)
Watford	25	52	48	Dorothy Thornhill (Liberal Democrat)

Table 2: ‘No’ mayoral referendums

Authority	Turnout %	For %	Against %
Berwick upon Tweed	64	26	74
Brighton and Hove	32	38	62
Bury	18	40	60
Cheltenham	32	33	67
Corby	31	46	54
Crewe & Nantwich	35	38	62
Darlington	25	42	58
Durham	29	41	59
Ealing	10	45	55
Fenland	34	24	76
Gloucester	31	32	68
Harlow	36	25	75
Harrow	26	43	57
Isle of Wight	60	44	56
Kirklees	13	27	73
Newcastle under Lyme	31.5	44	56
Oxford	34	44	56
Plymouth	40	41	59
Redditch	28	44	56
Sedgefield	33	47	53
Shepway	36	44	56
Southwark	11	31	69
Sunderland	10	43	57
West Devon	42	23	77

⁴⁵ Following abolition of the mayor and council manager model of governance in the Local Government and Public Involvement in Health Act 2007, Stoke-on-Trent Council (the only council to adopt this model of executive governance) was required to hold a referendum to determine which executive model it would adopt. This referendum was held in 2008 and resulted in a majority vote against the mayoral model (59%; 19% turnout).

Annex 4: Potential savings and costs relating to internal administrative and governance arrangements

1. The estimated net benefit of the policy should attempt to reflect any potential differences in administrative costs between the new mayoral model and the existing leader and cabinet model currently operated in the 12 authorities and any changes councils may make to their governance processes.
2. Administrative costs include a range of items, some of which we understand are likely to differ between the new mayoral model and the existing leader and cabinet model; for other costs it is more difficult to estimate how, if at all, they are likely to differ between the two governance models.
3. This annex summarises the estimated likely differences in administrative costs between the new mayoral model and existing leader and cabinet structures, before considering those which are unknown, in order to assess the likely overall impact on administrative costs for those authorities that adopt the new mayoral model. It also sets out steps councils which operate the mayoral model of governance may take to ensure its overall governance processes can best be integrated with mayoral arrangements.
4. Our overall assessment is that there is no unambiguous difference in the administrative costs of authorities which adopt a mayoral model, as compared with those which do not. There is likely to be scope for savings associated with the introduction of mayors: through combining the role of mayor with that of certain roles currently undertaken by the head of paid service, and other possible changes to administrative structures. Alongside these savings, there may be costs of introducing mayors in terms of salaries (both mayors and their mayoral assistants), and one-off severance costs of removing the post of head of paid service.

Mayor's salary

5. The direct salary costs of elected mayors are likely to be greater than the cost of allowances paid to existing leaders of councils in part due to the enhanced responsibilities associated with the post. Across existing mayoral authorities (excluding London), the average mayoral direct allowance cost is £63,479.⁴⁶ The average leader allowance in 12 comparable authorities is £23,132.⁴⁷ These figures suggest that mayoral salaries could be on average approximately 2.7 times current leaders' allowances.
6. However, this estimate is informed purely by evidence on existing mayors, for which there are limits to comparability with the proposed role of mayors in the specified 12 authorities. In practice, we expect a number of factors to exert downward pressure on the salaries of newly elected mayors, not least current financial constraints within local authorities and issues of public acceptability. For example, we expect authorities that adopt the mayoral model are unlikely to pay their mayor a salary in excess of that paid to the current Mayor of London (£143,911 per annum).
7. Taking into account these factors, our estimate of the additional salary costs of elected mayors assumes that mayors in the specified 12 authorities would be paid roughly twice the value of the current leader's allowance. In all but one case, this puts the estimated salary of

⁴⁶ Derived from member allowances details published on individual authority websites.

⁴⁷ Based on local authorities of roughly equivalent size to existing mayoral authorities using statistical near-neighbours (in terms of ONS electoral population data). Leader allowances include both basic councillor allowance and special responsibility allowance.

elected mayors in the specified 12 authorities at less than the current Mayor of London's. The below table sets out the estimated additional mayoral salary costs (taking into account National Insurance and pensions costs for which councils would become liable since mayors would be local authority employees⁴⁸).

	£
Average current leader allowance ¹	44,133
Average estimated salary paid to elected mayor ²	88,267
Average estimated salary costs of elected mayor (inc. NI, pensions) ³	114,747
Average estimated <u>additional</u> mayoral salary costs per annum	70,613

¹Leeds has joint leaders, so allowance is calculated as average of each. Figure for Wakefield does not include basic allowances.

²Equal to current leader's allowance multiplied by 2 to reflect typical difference in salary between leaders and mayors in equivalent sized authorities while taking into account expected downward pressures on salary.

³Follows ONS' standard up rate of 30 per cent for National Insurance and pensions. Overhead costs (premises, security etc) are not included since it is assumed that these would not substantially alter in the move from a Leader to a Mayor.

8. Based on these figures, our low estimate⁴⁹ of the total *additional* salary costs of the mayoral model is approximately £282,453. Our high estimate⁵⁰ is approximately £847,359. Our estimate⁵¹ for the purposes of this annex is approximately £564,906.

Mayoral management arrangements

9. The mayoral model may enable authorities to make savings through combining the role of their newly elected mayor with certain of the roles currently undertaken by the head of paid service (chief executive) and combining other statutory council posts such as the remaining functions of the head of paid service with those of the chief financial officer or monitoring officer (paragraphs 40 onwards in the Impact Assessment refer).
10. Analysis of the indicative salary costs (including pensions and National Insurance costs) of various local authority posts, including that of a notional head of paid service⁵² suggests that savings could be realisable through adopting an elected mayor as senior officer at the same time as combining the authority's head of paid service with either its chief finance officer or monitoring officer. The table below sets down the estimated cost implications of three scenarios:

Scenario	Date from which applies
1: Authority elects mayor without making any changes to administrative arrangements	May 2013 onwards
2: Authority elects mayor and combines mayor's role with that of current chief executive to create role of mayor as senior officer (leaving a diminished head of paid service in place of chief executive)	May 2013 onwards, no later than May 2017

⁴⁸ Mayoral salary costs are uplifted by 1.3, to take account of National Insurance and pension costs (source: ONS estimates, Annual Survey of Hours and Earnings). The uplift does not include overhead costs (premises, security etc), since it is assumed that these would not substantially alter in the move from a Leader to a Mayor.

⁴⁹ Assuming 4 authorities adopt the elected mayor model.

⁵⁰ Assuming all 12 authorities adopt the elected mayor model.

⁵¹ Assuming 8 authorities adopt the elected mayor model.

⁵² A post that could report to a combined mayor-chief executive.

3: Authority elects mayor, combines mayor's role with chief executive's to create mayor as senior officer *and* combines head of paid service with either chief finance officer or monitoring officer May 2013, no later than May 2017

	Elected mayor	Chief executive	Chief Finance Officer (CFO)	Monitoring Officer (MO)	Mayor as Senior Officer	Diminished Head of Paid Service	Combined Head of Paid Service & either MO/CFO	Total
Average salary	88,267 ⁵³	166,433 ⁵⁴	50,089 ⁵⁵	50,089 ⁵⁶	127,350 ⁵⁷	34,586 ⁵⁸	50,089 ⁵⁹	
NI and pensions costs ⁶⁰	26,480	49,930	15,027	15,027	38,205	10,376	15,027	
Scenario 1	x	x	x	x				£461,342
Scenario 2			x	x	x	x		£340,749
Scenario 3				x	x		x	£295,787

Note: The above posts are likely to incur overhead costs, which are not accounted for in the table. The Office for National Statistics (ONS) suggests overhead costs may be in the region of 80 per cent of salary costs.

11. The above table implies that the cost of scenario 3 – combining the roles of the elected mayor and chief executive and combining either the chief finance officer or monitoring officer with the new diminished head of paid service – is approximately 60 per cent of a model with an elected mayor alongside existing administrative arrangements.
12. However, these savings do not take into account the likely knock on effects of this reorganisation. Specifically, authorities will remain obligated to perform the same set of statutory functions as previously, and it is likely therefore that some of the savings associated with combining these officer roles could be offset by the need to assign their statutory functions elsewhere within the council.

Mayoral assistance

13. Adoption of the mayoral governance model and associated management arrangements could lead to changes in support staff, including for instance administrative support and policy advice roles.
14. It is difficult to estimate the likely level and type of dedicated assistance that mayors will require and in any case it will be a local decision for councils to agree internally. The Local Authorities (Elected Mayor and Mayor's Assistant) (England) Regulations 2002 allow for elected mayors to appoint one person to provide assistance to them in performing their duties⁶¹. Though in principle mayor's assistants are appointed on such terms and conditions (including remuneration) as are seen fit within the financial resources of the authority, in practice there is evidence to suggest that mayoral assistants tend not to be paid more than the limit which applies to assistants for political

⁵³ Estimate: based on average leader allowance in the 12 specified authorities, multiplied by 2 to reflect typical difference in allowances/salaries of leaders and mayors in equivalent sized authorities while taking into account expected downward pressures on salaries of newly elected mayors.

⁵⁴ Based on the specified 12 authorities' annual Statement of Accounts (with the exception of Nottingham, which is based on data from local media).

⁵⁵ ONS Survey Control Unit data.

⁵⁶ ONS Survey Control Unit data.

⁵⁷ Estimate: midpoint between the average for existing Chief Executive's salary and estimated Elected Mayor's salary.

⁵⁸ ONS Survey Control Unit data.

⁵⁹ Estimate: assumed to be roughly equal to a director's salary as indicated by ONS Survey Control Unit data.

⁶⁰ Follows ONS' standard up rate of 30 per cent for National Insurance and pensions.

⁶¹ The Local Authorities (Elected Mayor and Mayor's Assistant) (England) Regulations 2002.

groups across all local authorities (£34,986 salary, £45,481 including National Insurance and pension)⁶².

15. The council may also decide to appoint other staff to support the mayor in delivering his or her strategic powers, such as policy advice roles. It is difficult to predict the extent to which these roles will be required as it may depend on the nature of powers given to elected mayors. In any case, this would be a local decision for councils to agree internally.
16. While it is difficult to estimate the assistance that mayors will require and associated costs, any additional assistance costs need to be offset against savings which are likely to be realisable through mayoral authorities no longer needing support staff for Leaders, Chief Executives (once councils have combined their roles with the mayor) and potentially other senior posts should they be combined. Evidence on the numbers and types of staff who support Leaders and Chief Executives (such as personal assistants and executive officers) in the proposed mayoral authorities and their associated costs has not been identified. It is also likely that authorities may redistribute staff internally as part of these governance changes. Therefore, it has not been possible to conclude whether overall support staff costs will decrease or increase in moving to the mayoral model and associated management arrangements.

Severance costs

17. In the process of adopting an elected mayor as senior officer, local authorities may incur the cost of severance/redundancy payments. The head of paid service is eligible for redundancy compensation under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 and early receipt of pension under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.
18. Evidence from the Audit Commission's report into local authority chief executive severance pay⁶³ (which is based on 37 cases of severance over the period January 2007 to September 2009) gives an average direct cost to single-tier councils of £309,167⁶⁴. This equates to approximately 1.8 times the average chief executive's annual basic salary. Taking the average chief executive salary in the specified 12 authorities of £216,363 (see below table), the average severance cost to a local authority of moving to the mayoral management arrangements is estimated at £389,453 per authority. This estimated cost is dependent upon the prevailing circumstances in each local authority, including the terms and conditions of employment of chief executives as well as levels of natural turnover. It remains the costs associated with severance pay may be mitigated by other administrative savings which a local authority may achieve from adopting the mayoral management arrangements.

	Chief executive salary, 2009/10⁶⁵
Birmingham	£233,097
Bradford	£223,760
Bristol	£214,204
Coventry	£221,949
Leeds	£222,122

⁶² Based on job specifications for mayoral assistants in Lewisham Council and North Tyneside Council (Source: Authorities' own websites). Limits on salaries paid to assistants for political groups are set out in The Local Government (Assistants for Political Groups) (Remuneration) (England) Order 2006.

⁶³ Audit Commission (2010). By mutual agreement. Severance payments to council chief executives.

⁶⁴ This figure relates to the total cost to councils of severance, including payments direct to a pension fund.

⁶⁵ Including pension contributions. Based on Council's own annual Statement of Accounts (with the exception of Nottingham, which is based on data from local media).

Leicester	£208,127
Liverpool	£229,555
Manchester	£231,669
Newcastle upon Tyne	£182,136
Nottingham	£189,750
Sheffield	£217,814
Wakefield	£222,172
Average	£216,363

Source: Council's own websites, Statement of Accounts.

19. 'Shadow' mayors are not local authority employees so, in the event that they do not win an election to become mayor, they would not be entitled to redundancy pay. Further, it is not envisaged that they would receive severance pay or a 'golden goodbye' payment.

Other administrative costs

20. The administrative costs set out so far are those which, to an extent, we understand how they might differ between the new mayoral model and the existing leader and cabinet model. In addition to these however, there are a wide range of administrative costs for which it is unclear how they are likely to differ between the two governance models. This is partly due to the fact that the proposed mayoral model is unprecedented, thus making it difficult to estimate the full range of administrative costs and benefits we would expect it to entail.
21. Wider administrative costs may include for example the costs of supporting the activities of the leader/mayor, such as travel expenses and the costs of officer support time. It has not, for example, been possible to estimate the net additional costs of support staff for mayors, due to lack of data availability regarding existing support staff and/or likely new support structures that mayors might choose to adopt.
22. A rough indicator of the broader administrative costs for local authorities is what is referred to as their 'corporate and democratic core' expenditure. Corporate and democratic core (CDC) expenditure refers to the costs associated with democratic representation and management, including councillors' allowances and expenses; as well as the costs of internal reorganisation and corporate management. Based on 11 authorities⁶⁶ that have adopted an elected mayor since 2000, there does not appear to be any considerable difference in the corporate and democratic core costs of having a mayor compared to a leader.⁶⁷ However, CDC costs include a large range of expenditure associated with running an authority, irrespective of which leadership model is implemented, and as a result, mayor/leader salaries within CDC costs is a very small component.

Changes to the council's governance processes

23. With the adoption of the mayoral model of governance, a council might wish to make other changes so that its overall governance processes can best be integrated with mayoral arrangements. Such changes might involve, for example, a move to whole council elections where the council currently has elections by thirds. Such a move could generate significant savings for councils.

⁶⁶ 12 local authorities in total have adopted an elected mayor since 2000. However, Tower Hamlets Borough Council's adoption of an elected mayor (October 2010) occurred too recently to be included in our analysis.

⁶⁷ Comparing each local authority's average corporate and democratic core expenditure as a proportion of net expenditure *prior* and *subsequent* to having adopted an elected mayor, expenditure fell by on average less than 2 percentage points. This change falls within that which typically occurs year-on-year under the same governance model. Moreover, in absolute terms, 7 of the 11 authorities spent *more* on corporate and democratic core costs subsequent to having adopted an elected mayor, while 4 spent *less*.

Summary of administrative costs of mayoral model

24. Our analysis of administrative costs has allowed some understanding of the ways in which costs and benefits might differ between the new mayoral model and the existing leader and cabinet model. It is apparent that there are certain items which represent additional costs of the mayoral model, as well as opportunities to make savings under the mayoral model, including adopting mayoral management arrangements.
25. However, our assessment is that there is no unambiguous difference in administrative costs for authorities that operate a mayoral model. On the basis of this, the overall estimated net benefit of the policy assumes no change in administrative costs of authorities which adopt an elected mayor.