City Growth Commission Call for Evidence Review Summary

15 July 2014

This document provides a very short summary of over 40 submissions of written evidence received and reviewed by the City Growth Commission. Further evidence was provided at hearings held in Manchester, Bristol and Newcastle.

Following an outline of the case for change, this summary is organised under the three themes identified by City Growth Commissioners as priorities for inquiry. Not all organisations submitting evidence are featured. Full written submissions and minutes of hearings are available to view online via www.citygrowthcommission.com.

Case for change

There is a body of international evidence that suggests the UK's large cities outside London ("middleweight" cities, by global standards) are underperforming relative to their global counterparts. **McKinsey Global Institute** has pointed out that the UK's middleweight cities have contributed less to the nation's growth than their European peers do in their respective countries.

The **Spatial Economic Research Centre (SERC)** at the LSE highlighted that the most effective urban economic strategies are based on the actual workings of local economy, rather than how some policymakers at a national level would prefer them to behave. This suggests that wider economic growth could be best achieved through fiscal and governance arrangements at a local level.

According to **Nottingham City Council**, national policies have not allowed cities to utilise resource efficiently or effectively; while **Sheffield City Council** argued that councils are the "most efficient part of the state and have a track record for managing resources prudently but Government have undervalued the role councils play in leading places." For **Greater Manchester** growth and public service reform as the flip side of the same fiscal coin. Other submissions argued for the local authority to be at the centre of of the equation for devolved powers as they have the direct link to local people and well-being and local growth, and so should naturally lead any local "growth coalition". **Groupe Intellex** sees cities as more than just administrative and manageable clusters of economic activity, but as 'communities' driven by people, community identity and economic power. Sustainable economic health is locally grown and locally nurtured.

Skills development and investment

Core Cities takes the view that national policies resort to a blanket approach rather than catering for the strengths or needs of different places. They reference national agencies which struggle to join up with local agencies in England, resulting in duplication and inefficiency. In response, Core Cities proposes a 5-year ‘Skills and Labour Market Agreement’ where they will work in partnership with Local Enterprise Partnerships, local business and a full range of local providers to build a common commissioning framework.

Sheffield City Council further highlighted the practicalities of taking a local approach to skills development, referencing the impact of their Skills Made Easy programme as part of their City Deal. As **Alan Chape**, former Deputy CEO of Liverpool City Council commented, the conditions needed for growth won’t stem from fiscal powers and freedoms alone, but rather a concerted effort on the part of cities to create these conditions; cities could improve their potential for economic growth through establishing a strong base of technical skills and working with universities and schools to grow local talent. **British Venture Capital Association** and the **Chartered Institute of Public Finance and Accountancy** both noted that increasing funding to STEM subjects in particular would make cities more inviting to business and graduates, while **IDEA Birmingham** emphasised the draw of skills needed for innovation, such as design.

As the creative industries grow in importance to the economy, the **Arts Council** recommends that there is a case for increased government funding and support where they are already clusters of similar activity, close supply-chain linkages, and crossovers between local educational establishments and media businesses that help them to maintain the talent pipeline.

Infrastructure

BVCA also touched on the importance of infrastructure for both businesses and universities. They expressed that governments should provide long-term certainty and consistency for investors in infrastructure through programmes designed to underwrite and guarantee projects across parliaments and over long horizons. Developing an efficient infrastructure network was deemed to be crucial for UK universities who have the potential to spin out innovative start-ups that remain local, creating jobs and growth.

Another critical aspect of infrastructure for growth is housing. The **National Housing Federation (NHF),** Centre for Comparative Research at **De Montford University, Home Builders Federation (HBF)** and the **Royal Town Planning Institute (RTPI)** all submitted evidence underscoring the centrality of housing in a healthy economy. HBF noted that new housing development is the only way to alter fixed stock in response to changes in economic geography. They urged LEPs to address the mismatch between planning for economic growth and future housing supply.

Transport was also raised as integral to sound infrastructure. Better connectivity between **Key Cities** and city-regions could drive the national economy much more effectively, as is evident in London’s relationships with large towns in South East. According to the campaigning group, **20 Miles More,** extending the HS2 link for Liverpool by adding 20 more miles of track would prevent Liverpool from losing more than £50m per annum. While it may cost as much as £1.9b upfront, this cost would be recouped in the long run through the boost given to Liverpool's Gross Value Added.

Fiscal devolution

According to the **Mayor of London**, the UK's highly centralised system has created an infantilised relationship between nation and local/regional governments , in three key ways: (1) funding frameworks are set by national political priorities; (2) national spending decisions are opaque, e.g. the Budget; and (3) lack of devolved funding/powers leads to central Government taking decisions on local matters, e.g. small infrastructure projects, that should be taken by local authorities. The Mayor was in agreement with **London Councils, which** also advocated for the London Finance Commission's recommendations to be implemented on the grounds that devolution to London would lead to greater growth and improved public services. These recommendations included fully devolving business rates; retaining council tax locally; devolving other property taxes (for example, stamp duty); removing borrowing ceilings and distinguishing between borrowing that promotes growth or reduces public expenditure and other forms of debt; relaxing restrictions on tax increment financing; and enabling boroughs to fully recover fees and charges.

The **London Chamber of Commerce** outlined similar propositions: all property taxes collected within the Greater London Authority should be retained by the GLA and London local authority; the GLA should have the power to set the rates, hold re-evaluations and determine the banding of all retained taxes; and borrowing limits for the GLA group, including Transport for London, should be removed along with limits on local authority housing revenue accounts. The diversity of the **Key Cities** calls for a variated approach to governance and devolution.

Greater Manchester reminded the Commission that fiscal devolution is not a pancea. City-led growth and financial sustainability will require: leadership and accountability; a robust, local evidence base upon which to design, evaluate and redesign policies; and a track record of competence in delivering results.