



# Competitive Cities, Prosperous People: A Core Cities Prospectus for Growth

**BIRMINGHAM, BRISTOL,  
LEEDS, LIVERPOOL,  
MANCHESTER, NEWCASTLE,  
NOTTINGHAM, SHEFFIELD**





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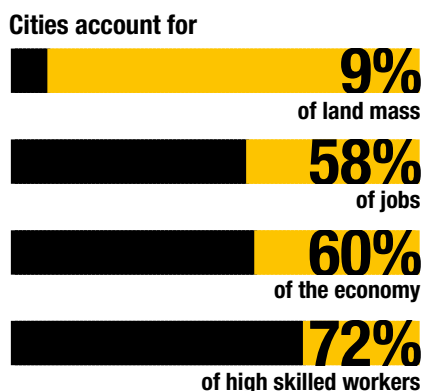
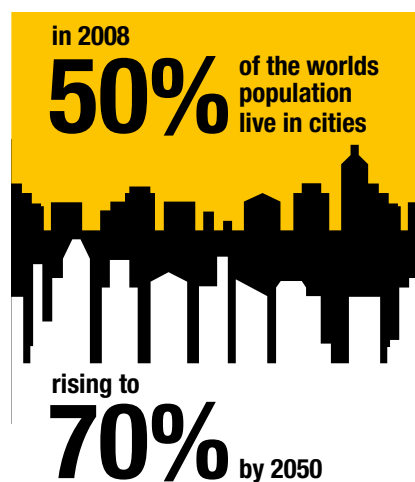
## Why cities matter

In 2008, for the first time in human history, 50% of the world's population lived in a city. By 2050 it will be 70%<sup>1</sup>. Cities drive growth and the way we run them shapes the economy. Across the UK, cities take up just 9% of the land mass, but account for 58% of jobs, 60% of the economy and 72% of high skilled workers<sup>2</sup>.

This represents the greatest human migration in history, and it began in England.

English cities produced the world's first industrialists; they were places where engineers, scientists, financiers and entrepreneurs all came together to share ideas, new technologies and new applications for their use. It was the English city that gave the world the Industrial Revolution, and accelerated the great march of people from the countryside to the bright lights of the city.

Today, with literally hundreds of new cities rising out of the ground in China alone, the UK is in a unique position to help the emerging economic giants of the world benefit from what we have learnt on our long journey of post-industrial growth. We have an opportunity to emerge from recession with the world looking to the leadership of English cities once again generating the ideas that will change the world. The next industrial revolution is likely to be green, high tech and digital – but the core principle of creating a place where ideas and imaginations can become more than the sum of their parts is as true today as it was in the 18th and 19th centuries.



Past political leaders of English cities had much more direct responsibility, and were much more able to work with industrialists to support growth, while bringing in reforms designed to improve people's lives. Great urban reformers such as Joseph Chamberlain and Robert Peel – both linked to Core Cities – ensured that their cities created the environment to incubate economic prosperity, while they guaranteed that the people arriving on their doorstep had better sanitation and lights that would stay on.

England can once again be home to a new economic revolution, maintaining UK PLC's position at the front of the global race, by giving our city leaders the tools to create the environment in which businesses and entrepreneurs can thrive. This prospectus sets out the English Core Cities offer to the national economy.

“ Cities drive growth and the way we run them shapes the economy ”

**THE CORE CITIES' OFFER:  
A DIFFERENT NATIONAL FUTURE**

The eight Core Cities urban areas deliver 27% of England's wealth. Although London is important, Core Cities in fact deliver more. A total of 16million people live in Core City urban areas – one third of England's entire population, set to grow by at least 1million by 2030. The UK needs more prosperity and jobs. The Government wants to rebalance the economy. The Core Cities can deliver.

CORE CITIES WILL DELIVER MORE AND BETTER JOBS, IMPROVED LIVES, LOWER COSTS.

GOVERNMENT NEEDS TO GIVE CORE CITIES THE FREEDOM AND LOCAL CONTROL TO DELIVER MORE, BETTER, FASTER.

RESULT FOR THE UK BY 2030: £222BILLION GVA, COMPETITIVE CITIES, PROSPEROUS PEOPLE.

The scale of the financial crisis since 2008 means we need a new path for the national economy based on doing more to get jobs and growth across all our major cities, as well as the south east. To do this, cities need to be freed from Government restraints.

Across the world, big cities usually outperform their national economies, but in England only London consistently does so. If all the Core Cities urban areas could perform at the national economic average, £1.3billion<sup>3</sup> would be put into the economy every year. Core City local authorities are major delivery agencies and with the right support, working with local business, they could do even more.

**16million**



people live in Core City urban areas



1/3 England's population



performing at national economic average, the 8 Core Cities would put

**£1.3billion**

into the economy every year



High Speed Two is an essential building block for a stronger future economy. Although it is a long-term project, we don't need to wait to start building a better future based on that investment. By 2030 – before HS2 is completed – the Core Cities urban areas could put 1.16million more jobs and £222billion into the economy<sup>4</sup>. That's like adding the entire economy of Denmark to the UK. It's equal to almost £14,000 for every person living in a Core City urban area – £52,500 for an average family – and enough jobs to reach full employment. That could mean an additional £41.6billion to the Government in taxes from increased jobs by 2030 – enough to pay off almost half the national deficit<sup>5</sup>.

**£222billion**  
could be generated by 2030



the same as Denmark's entire economy

**£52,500**  
for an average family  
and enough jobs to reach full employment

Additional £41.6billion in Government taxes



that's almost  
**50%**  
of the entire national deficit

## WHY DOES ALL THIS MATTER?

It is really a question of how successful we want the UK to be. If things don't change, instead of 1.16million jobs and £222billion, we could still get 391,000 jobs and £162billion but that means a shortfall of 769,000 jobs and £60billion<sup>6</sup>. We will also end up with a set of public services that cannot meet the growing demands put upon them by 2019 because the money will simply not be there.

If plans for jobs can be brought together with joined-up public services, these problems could be solved, getting more people into work and creating stronger cities for a stronger country. Core Cities aim to achieve the following before 2030.

- 1** OUTPERFORM THE NATIONAL ECONOMY – BY 2028<sup>7</sup> CREATING A LOT MORE JOBS ON THE WAY.
- 2** BECOME FINANCIALLY INDEPENDENT OF GOVERNMENT, PRODUCING MORE MONEY FROM TAXES THAN IS SPENT IN THEM ON PUBLIC SERVICES.

But achieving this requires more skilled people and more investment, and the current way of doing things won't deliver this.

## WHY CAN'T CORE CITIES JUST GET ON AND DO THIS?

There is a strong relationship between the ability of cities to drive growth, the levels of local financial control and the freedom to make policies match the needs of places. Internationally, those with more local control over money and policy tend to do a lot better economically, and they can join up public spending and plans more easily to get better results.

The amount of money cities control directly in England is very small compared to other countries and national policies don't cater for the strengths or needs of different places. Often, they take a blanket approach, treating everywhere the same. There is a lot of evidence that national agencies struggle to join up with local agencies in England, resulting in duplication and inefficiency. It also means that cities and the people who live there don't decide what's best for them, which ignores distinct local needs, wastes public money and gets poor results<sup>8</sup>.

In England, cities only directly control about 5% of all the taxes raised from local people and businesses, with 95% going straight to the Government (although recent change means some business rates are now retained locally, instead of grants to fund services). Some of this is spent in the cities, for example on health, police or council funding, but it comes with strings attached. In other countries, cities often control a large share of the money raised through taxes in their area to spend on their distinct local economic and public service needs

“ countries that support all their big cities equally... do better economically ”

According to the OECD, compared to English figures the level of taxes controlled at the local or regional level is about 10 times greater in Canada, 7.5 in the US, 7 in Sweden, almost 6 in Germany, and over 5 times greater across the OECD on average<sup>9</sup>. This means English cities have nothing like the level of local financial control enjoyed by cities abroad and are not competing on a level playing field.

As well as a strong relationship between local financial control and economic success, countries that support all their big cities equally and don't just rely on their capital do better economically. All this seems common sense, but it doesn't happen here. Although there has been progress in City Deals – packages of decentralised money and power – England is still one of the most centralised government systems in the developed world and needs more fundamental reforms that break national-local dependency. Cities are in a better position to decide what's best for them. Local political leaders are responsible for delivering to the local electorate, and more local control makes for a more democratic country.

“Achieving change needs clear thinking and strong leadership”

### WHAT NEEDS TO CHANGE?

#### Set cities free to drive growth and jobs

Cities could get better results if they had the power to make sure that national plans and spending reflected the wants and needs of their cities and their people. If they also had the freedom to join up plans for growing business and jobs with those for reducing reliance on public services, they could bring more people into work and reduce costs to the taxpayer.

That’s why the Core Cities have joined with the Mayor of London and London’s councils in the ‘City Centred’ campaign, to call for greater local financial control, starting with the devolution of property taxes.

The Government has devolved control of funds to Scotland and announced that there will be a referendum on handing control of some taxes back to Wales. English cities are in a position where they have less freedom than cities in Scotland and Wales.

#### Make spending and plans a lot simpler

We think that public money spent across a city for a specific purpose should be put into one Single Fund and spent according to one Single Local Plan, agreed between cities and the Government but based on local needs. At the moment there are 36 separate funds just for housing, and in other areas it is even more complex. This will get better value for the public and improved, more co-ordinated results. For example, between 2011 and 2014 about £90billion will have been spent on housing benefits, but only £6.5billion on social housing, which is cheaper to rent. By joining up funds and plans locally more housing can be built and the benefits bill reduced.

### THE CHALLENGES TO A BETTER FUTURE

#### Skills, jobs, investment

To reach growth targets in the next 20 years, Core Cities have to find more investment and more people with the right skills. They need better support for local businesses, improved transport, more and better housing, faster broadband, and to meet rising energy demands.

Core Cities will need about 259,000 graduates and 443,000 people with NVQ Levels 1–3 beyond what is currently predicted.

To get the best return on High Speed Two, they will also need transport systems capable of supporting at least an additional 244,000 commuters and 51,000 extra business journeys a day.

Core Cities use about 22% of all England’s energy (and London uses about 9%). Because of their scale, if Core Cities could produce and distribute more energy locally they could drive down costs, reduce fuel poverty and support local business. This also requires investment.

In total, we estimate our cities will need to find an additional £104billion of capital investment to achieve their growth targets. Core Cities are not just asking the Government for extra money; they are asking for the freedom to use the funds that do exist more flexibly to raise investment. The centralised system we have will not deliver the change we need and tends to favour the south east. Greater local control will help use money more efficiently, raise investment and get the right skills for local business.



### Backing local leadership

The past 20 years saw the beginnings of a new renaissance for UK cities and this must continue, as business won't locate to cities that are run down or have reputations for social problems. Local public services, including councils, health, police and others, are crucial to growth. They create quality of life and environment that supports business and builds successful cities for the long term. The money won't be there to do this in the same way in the future; there isn't a 'keep calm and carry on' option.

So, as well as driving economic growth, cities need to reform the way public services work, giving local leaders more control to join things up. If we don't make public finances in cities more sustainable, cities will be restrained from achieving long-term economic growth and the cost of the state will not be reduced. While cuts have been made, there is evidence that public spending overall in our cities hasn't gone down. It has reduced in agencies with a preventative and co-ordinating role, such as local authorities, but increased in areas such as welfare, care and health, which means the way it is being managed centrally isn't working.

Core Cities have come up with new ideas that are designed to fix these problems.

#### IDEAS FOR GROWTH:

Boosting the economy, investing in business and jobs.

#### IDEAS FOR REFORM:

Making national and local public spending more joined up, efficient and effective.

We have based these on looking at the international evidence of what makes cities more competitive in a global marketplace, what works and what doesn't. Core Cities are already making changes, but the Government needs to let go and reverse decades of centralisation to create the really big shifts that are needed.

### A CONSENSUS FOR CHANGE?

The Core Cities acknowledge that there has been significant positive change in national policy. In particular the City Deals process has been welcomed by all the cities and is already delivering growth, jobs and training into each of our urban areas. There is a greater focus on cities and on devolution within the thinking of Government and the Opposition, who all supported the Core Cities Amendment to the Localism Act which has paved the way for further devolution. The Heseltine Review, Lord Adonis' Growth Review and others all point in the same direction. If there is broad agreement that this should happen, then let's find a way to get on and do it.

City Deals are ongoing and Growth Deals are on the way, but whatever route the Government chooses, the offer from Core Cities is that we will take responsibility, match the commitment with our own resources, get on and deliver.

Achieving change needs clear thinking and strong leadership. Here is what we need to do.



**£104billion** of capital investment needed to reach targets

## Nine steps for competitive places and prosperous people

### 1 GROWTH BOOST SKILLS AND JOBS

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#### PROPOSAL:

Each Core City should have the option for a minimum five-year Skills and Labour Market Agreement (SLMA), with the aim of moving more people from welfare to work, to include:

- A framework of coordination for all education providers
- A single plan and investment framework for skills with: devolved budgets and locally commissioned provision; more focus on under-25s; and Advice and Guidance Services all linked to current and future needs of the local labour market
- Core Cities commissioning the Work Programme post-2016, with the option for a single performance framework across all the cities
- Core Cities and the Government to explore aligning procurement to maximise training and employment dividends.

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#### ISSUE:

Each city has its own economic strengths, and therefore different skill needs for its workforce. A centralised system cannot adequately assess or understand the skill needs in every part of the country – the rate of innovation and change in our economy is too great for any central bureaucracy to keep pace. Skills and employment systems are not driven closely enough by the needs of local economies, qualification systems are too slow to adapt to change, and the Work Programme is not delivering as well as it could for people or places. These programmes are not properly linked to other local services and initiatives – including public procurement – so miss opportunities to add value and improve results. The changes we want to make will incentivise businesses to get involved in raising skills too.

**EXAMPLE:**

17% of job vacancies are due to skill shortages. Where national providers are delivering the Youth Contract, 27% of young people got into training or employment, but where councils delivered, up to twice as many have (57% Leeds and Bradford, 47% Newcastle and Gateshead). Local flexibility also meant that Birmingham could target neighbourhoods with the highest rates of unemployment. As a result, 73% of individuals, who were helped to access employment by Birmingham City Council, came from these priority neighbourhoods.

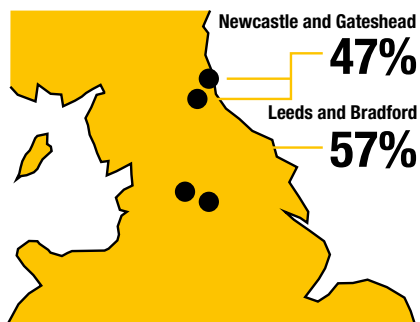
**RESULT:**

Through SLMAs, Core Cities will undertake to work with their LEPs, other local businesses and the full range of local providers to build a common commissioning framework, removing duplication, increasing skills and employment, and reducing dependency on public services.

Core Cities will set targets for the first five years of SLMAs, which will reduce skills shortages and gaps, increase the number of people with a minimum NVQ Level 2 qualification, increase the number of apprenticeships, and increase the number of people receiving training from their employer, thereby improving workforce skills. We estimate this could contribute up to £4.7billion GVA per annum to the UK economy<sup>10</sup>.

We will aim to reduce both long-term and youth unemployment through devolved commissioning of the Work Programme post-2016, which has the potential to contribute an average of up to £134.4million to the UK exchequer through tax benefits. This could, on average, create up to a further £195.6million in benefit savings per annum<sup>11</sup>.

Core Cities will align skills and employment provision to other services, including education, schools and career guidance, care and health, wrapping services around individuals and families, dealing with household poverty, improving outcomes and reducing spending over the long-term. Core Cities will also align skills and employment provision to local growth and inward investment strategies, increasing the resilience of the local economy and labour market. We are not simply proposing to shift responsibility for the existing system, but to wholly improve and integrate skills and employment delivery and design, including the relevant parts of the benefits system.



## 2 **GROWTH** GROW BUSINESS AND INNOVATION

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### **PROPOSAL:**

Bespoke local business support through:

- A single Business Growth Hub in each Core City area, with links between all eight, to provide single point of expert contact for the advice business needs, a signpost to funding, support in accessing foreign markets, and to make national funds and policies respond to local business needs
- Locally sensitive trade support packages from UKTI
- Local venture capital funds administered by local financial institutions, eg. Business Banks – alongside mentoring
- Tailored innovation support with BIS and TSB, strengthening local economic engagement in the framework underpinning university and college funding
- Making local and national public procurement work better for skills and jobs.

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### **ISSUE:**

National policy for business support isn't close enough to local needs and business finds it too complicated to navigate support systems. OECD has produced evidence that innovation performance in the UK is 'below average' outside the south east. Entrepreneurship and innovation is stymied by limited access to finance and the way in which universities are rewarded for research in their funding.

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### **EXAMPLE:**

The Heseltine Review commissioned by the Government found that business support is too complex and doesn't address local needs, yet Core Cities have a massive collective business base that could deliver more for UK PLC.

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### **RESULT:**

Stronger local business and jobs growth, more into the national economy. Increased innovation getting to market, more entrepreneurs financially supported, more new businesses succeeding and existing businesses growing, and a bigger contribution to the balance of trade. Business support better linked to other local services, eg. skills. Local resources committed.

## 3 **GROWTH** BUILD MORE AND BETTER HOUSING

### PROPOSALS:

Core Cities has identified three principal steps that government can take to empower cities to deliver more and better housing:

- A Core Cities Joint Housing Investment Board and local Single Housing Investment Plans. Develop a menu of devolved measures and programmes co-designed between Core Cities and HCA. Each city will then develop their own local Single Housing Investment Plan which will be locally accountable and flexible
- Make changes to tax and incentive regimes to make urban sites more attractive to investors:
  - Incentivise private sector house building in the Core Cities
  - Tax breaks for Brownfield Development Zones to get more urban housing
  - Work with cities to shift public spending from Housing Benefits to affordable house building
  - Guarantees to support more private rented sector house building.
- Alter national policies to create a level playing field for urban housing sites
  - New Homes Bonus reformed
  - Lift Housing Revenue Account borrowing cap and allow spending on affordable and private rented property.

### ISSUE:

England and its cities are almost wholly reliant on the private sector for delivering new housing, with public investment standing at around £1.68billion a year, but house builders need more incentives to deliver. Between 2001 and 2011 house prices rose by 94%, but wages only rose by 29%<sup>1</sup>. There is an acute housing shortage throughout England, and the lack of new homes has inflated the annual Housing Benefit Bill. Changes to the planning system have not resulted in enough house building, mainly because people already living in the south east don't want a massive increase in new homes, particularly on the greenbelt. While the supply of housing in the south east must be addressed, there are other options. As drivers of jobs and wealth, the Core Cities represent the only viable and sustainable alternative to relieve some of the development pressures on the south east and its greenbelt. It's not all about social housing, as cities need more private rented sector building too. A greater focus on getting the right housing in the right place across Core Cities will have the added benefit of helping to rebalance the national economy.

**EXAMPLE:**

National housing policy and programmes can act as a straightjacket to cities. Funding is complex – some 36 streams – and inflexible, so cities can't always innovate and use their own resources and know-how to create new housing. Between 2011 and 2014 about £90billion will have been spent on housing benefits, and only £6.5billion on building affordable housing. To achieve a step change, cities need more direct influence over national housing policy and resources, and genuine freedom in the way they are used.

**RESULT:**

Core Cities' urban areas offer the best opportunity to deliver the new housing the country needs. They can offer real job and housing prospects to a younger generation, which will otherwise struggle to get a foothold in more expensive parts of the country. A stronger focus on housing in the Core Cities will create better life choices for more of the UK population, construction jobs, apprenticeships and ultimately stronger local economies and national rebalancing.

## 4 **GROWTH** STRENGTHEN TRANSPORT NETWORKS

### PROPOSALS:

- An integrated local transport fund and system connected to HS2, and a continued commitment to the delivery of a full High Speed network
- To include a single settlement for each Core City for ten years across the whole of public transport, with increased flexibility in the use of funds and powers to regulate networks – the same as Transport for London – reviewing Transport Levy Referendum arrangements
- Fast and reliable access to growth centres across the UK, including devolved rail franchises
- Targeted access to key international markets, with a formal role in agreeing aviation and seaport strategies for Core Cities.

### ISSUE:

Transport investment in and between Core Cities is much lower than London and is under increasing pressure. It is also a patchwork of different elements under different control. Cities have limited powers to raise money and recent restrictions on raising the Transport Levy make this worse. If we don't act now, cities will soon be gridlocked, economies will slow, and getting to a city by HS2 could take less time than getting across that city. We think HS2 should be delivered to our cities quickly as the next step towards a UK-wide HSR network, connecting all the UK's big cities.

The current concessionary fares system hampers efficiency. Regional airports near Core Cities have underused capacity and could do more for local economies. We must also stop seeing the internet access and mobile telephone coverage on our rail lines as an expensive optional extra. Business services such as these are absolutely vital to a 21st-century transport network.

### EXAMPLE:

Transport spending in London is £644 per head compared with £243 per head for the West Midlands and the North of England combined. To reach growth targets cities will need to support an additional 244,000 commuters and 51,000 extra business journeys each day. Since bus deregulation, passenger numbers have decreased on average by 41%, while in London they have risen by 92%. Upgrading routes instead of building HS2 will not deliver the needed rail capacity or help rebalance the economy but will result in 14 years of weekend delays<sup>14</sup>.

### RESULT:

Strategic prioritisation of transport investment to support jobs and business, with the transport systems people need to access work, learning and leisure. Enabling smart cards (like the Oyster system in London) for Core Cities. Increased passenger numbers, increased investment and reduced emissions. Maximising the returns on investment of HS2 for the country in jobs, training, growth and infrastructure improvements. Bringing in more Foreign Direct Investment and overseas business. HS2 isn't just about journey times to London; it's about more capacity and reduced journey times between Core Cities. Overall, HS2 is expected to deliver 15 billion of economic benefit and £10 billion of private investment around new stations.

## 5 GROWTH INCREASE INVESTMENT

### PROPOSALS:

- Reform through certainty
  - Increased local control over public spending to drive reform through 'place-based settlements' for revenue funds (including for Health and Social Care Integration and Skills and Labour Market Agreements)
  - Multi-year budget settlements tied to length of parliaments.
- Investing in growth at scale:
  - Implement the London Finance Commission findings, devolving property taxes to Core Cities, within a framework that has a neutral effect on the rest of local government finance (allowing for 'equalisation')
  - Cities able to set other smaller local taxes, eg. hotel room tax, and explore other taxes having a local element, eg. VAT and income tax
  - Review financial institutional arrangements and whether a 'Local Investment/Business Bank', perhaps across all Core Cities, building on proposals from the Business Secretary, would help increase the business investment focus across Core Cities, particularly for SMEs.
- Local financial flexibility:
  - Extend the Single Pot approach for capital funds
  - Lift the HRA debt cap.

### ISSUE:

Cities control a small share of taxes raised and public funding spent in them, which means they can't decide what's best for them and just do it. Public finance comes in bits and pieces that aren't joined up, has short time-horizons and isn't stable. This means it can't be used in the most effective way to lever private investment into cities.

### EXAMPLE:

Core Cities directly control only about 5% of the total taxes raised in them which is tiny by international comparisons. The money returned to cities by the Government mainly comes with strings attached. Levels of local financial control are closely linked to economic success and we are not on a level playing field with our competitors. The current situation means cities cannot use public money in the most efficient way to provide what local people want, and they are very limited in how they can raise investment and attract commercial finance.

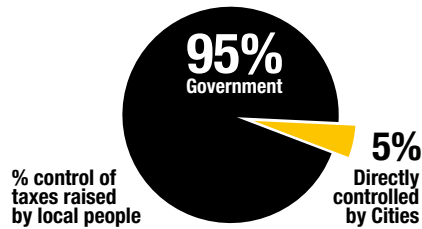


**RESULT:**

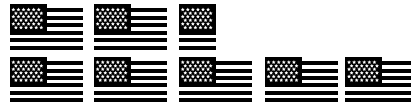
Together, these proposals would achieve three things:

- create more certainty and stability over public finances which will allow lasting, positive reform to be delivered
- achieve the critical scale needed to drive really significant investment in growth by allowing cities to share in the proceeds of success
- provide the necessary freedoms to innovate with whatever funds will be available within an area, to create the most attractive environment possible for investors.

This will result in increased commercial investment, more efficient and better public services, driving attractive and competitive business environments and jobs growth, and a high quality of environment and life. Core Cities will also be able to achieve financial self-sufficiency (producing more in taxes than is spent on public services) around 2028.



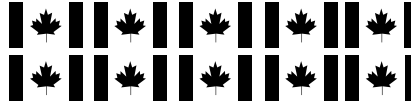
USA holds 7.5 times more tax locally than UK



GERMANY holds 6 times more



CANADA holds 10 times more



SWEDEN holds 7 times more



## **6** GROWTH POWER-UP THE CITIES: MORE EFFICIENT, CHEAPER ENERGY

### **PROPOSALS:**

- Core Cities will work to establish a co-ordinated framework of Energy Service Companies (ESCOs) across their eight urban areas that will seek to obtain one or more supply and independent distribution licences
- We will use the Core Cities combined purchasing power to create ‘next generation’ energy solutions and competitive consumer costs through arrangements such as Power Purchase Agreements linked to locally generated energy. Through a City Energy Unit we will liaise with the Government and regulators and link this to local development and growth plans
- Core Cities want to set tariff prices on energy they produce and reinvest more taxes from energy production. They need greater powers to organise infrastructure plans with utility companies and hold to account utility generators, transmission services and distributors across their areas. Cities should be the prime delivery partner for Energy Company Obligations funds into their cities.

### **ISSUE:**

The eight Core Cities LEP areas account for 22%<sup>15</sup> – almost a quarter – of the UK’s total final energy demand. As a comparison Greater London accounts for less than 9%<sup>19</sup>. Core Cities are therefore the places that can unlock energy solutions for the country. Cities can also lower carbon emissions by reducing energy consumption, eg. through retrofitting buildings and better public transport. To be successful for the long term, cities need to tackle fuel poverty, become more self-sufficient in terms of energy production, and reduce energy demand. The current system doesn’t provide the right incentives, harness the huge purchasing power of cities to drive new solutions, or recognise the contributions Core Cities can make to energy security.

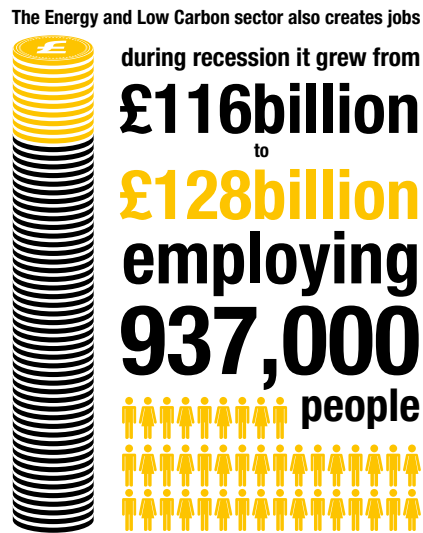
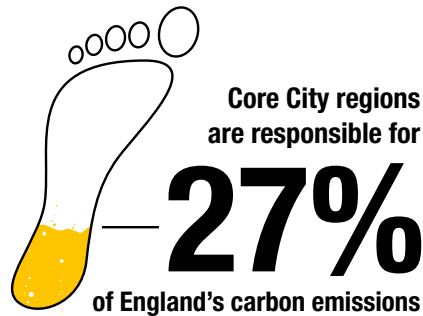
Current national debates about the future of energy in the UK are failing to find a consensus. City leaders are much better placed to find pragmatic solutions to energy security. This can be delivered cost-effectively, balancing the need to protect consumers, particularly the most vulnerable in society, and the need to work with the market, incentivise investment and diversify energy generation.

**EXAMPLE:**

The combined purchasing power and generation potential of cities could drive down energy costs but isn't harnessed by the current regulatory system. Given more control, cities could purchase and generate energy more cheaply, while co-ordinating benefits of smart energy systems or positive energy behaviours to households via their bills. When cities do generate energy, they can't reinvest all the profits (in taxes) from it. Getting all the utilities to agree on infrastructure plans is difficult. Also, the routing of green taxes and smart system deployment via existing utilities acts as a barrier to the cost-effective delivery of generation, retrofit and demand shift programmes at a local level.

**RESULT:**

Increased and competitive local energy supply, lower energy usage and carbon emissions, reduced fuel poverty, stronger business infrastructure and huge savings to the public purse. The Energy and Low Carbon sector also creates jobs. During the recession, annual turnover of the Energy and Low Carbon sector grew from £116billion to £128billion and the sector currently employs over 937,000 people.



## 7 GROWTH SPEED UP BROADBAND

### PROPOSALS:

The Government to work more closely with Core Cities and the European Union to influence and overcome barriers that prevent or slow down investment in broadband, to find ways of accelerating delivery of ultrafast broadband to create more competitive, wider and faster channels. Without this we risk undermining the long-term competitiveness of the nation and its business base.

Core Cities to create Research and Development test beds for ultrafast open broadband in each of their cities, working with universities and other city partners. This could be supported by:

- The alignment of TSB and Research Council spend to maximise the value from such networks
- A form of extended 'cloud voucher' scheme for SMEs to help them gain access to this test environment
- A commitment to help scale up this type of city test infrastructure to city regional level
- Commissioned work to understand the economic benefits of the wider 'smart-city' agenda, which links broadband to other infrastructure and services within a city.

knowledge-intensive industries such as



account for



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### ISSUE:

Broadband helps reduce carbon and is the lifeblood of future business growth, particularly in knowledge-intensive industries such as media and biotechnology, which account for 33% of the national economy and 25% of employment. Overall, we are not investing enough in this critical future infrastructure, and are improving speeds in rural areas while urban authorities get left behind. The 'urban-rural' divide in Government broadband funding means that rural areas on the edge of cities can receive investment to improve speeds and infrastructure, while those classified as 'urban' with huge concentrations of business are unable to invest in infrastructure programmes in the same way.

### EXAMPLE:

Open, ultrafast broadband will be as important to future commerce as shipping and rail have been in the past, but UK speeds are slower than many 'knowledge economies', and 500 times slower than those planned for the high-tech economy of South Korea. We are getting left behind.

### RESULT:

A more competitive business environment in cities that can grow and retain companies, which will otherwise move overseas where this investment has already been made.

## 8 REFORM JOIN UP SERVICES TO IMPROVE PEOPLE'S LIVES

### PROPOSALS

- Place-based settlements for joined-up services. All the public spending in a city should be viewed in the round locally, integrating services and tailoring them to local need. 'Place-Based Settlements' should be made with each Core City (effectively a single way of budgeting across all public services), allowing issues such as 'troubled families' to be dealt with in a holistic way
- Integrate delivery of Health and Social Care services
- Link place-based budgets to Skills and Labour Market Agreements (see step 1 above), including local commissioning of the Work Programme.

### ISSUE:

As local authorities and other public services are cut, the bill for adult social care, health and welfare is increasing, as are the numbers of elderly requiring care. The Work Programme is not performing as well as cities need it to. On the current trajectory, services cannot be sustained at the same level beyond 2019. Reducing demand on services requires more local joining up, seeing issues and solutions as linked across health, education, care, justice, employment and skills services, and not in silos.

### EXAMPLE:

Evidence suggests that public spending overall in cities is not going down<sup>17</sup>, but instead increasing in areas such as welfare, care and health as it is cut from local authorities. The approach to spending has to change, understanding the links between different services and how they can work together more effectively. If city authorities had more ability to join things up with their partners, they could also save money in a sustainable way. Since taking control of public health budgets they have reduced costs and improved outcomes. The same has happened with parts of the Welfare to Work system, such as Youth Contracts, where local authorities have improved results. Local agencies need to deliver this change, as it can't be controlled in the right way at the national level.

### RESULT:

Improved outcomes by integrating services around issues such as elderly care, supporting families across education, welfare, justice, employment, skills and preventative services. Reduced health, welfare and care costs, improved lives, increased employment. A number of studies<sup>18</sup> indicate that taking an integrated approach to health and social care for the frail and elderly could save up to 15% on delivery costs. This is equivalent to Newcastle saving £44million and £29.5million per year on its health and social care expenditure respectively<sup>19</sup>. Based on the Troubled Families Community Budget pilots, Core Cities could potentially avoid costs of between £62million and £75million per annum for every 1,000 troubled families successfully worked with<sup>20</sup>.

## 9 REFORM SET CITIES FREE

### PROPOSALS:

- A new Constitution, a legally binding agreement between local and national government, setting out roles and responsibilities
- Change Parliamentary Standing Orders so ministers can't constantly question the decisions of local politicians without good reason
- 'Dual accountability' arrangements between cities and the Government, devolving 'accounting officer' functions to get decentralisation moving
- A new 'default option' for co-design of any policy that affects a city, using the skills and experience of Core Cities to help the Government.

### ISSUE:

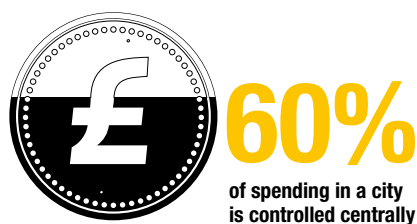
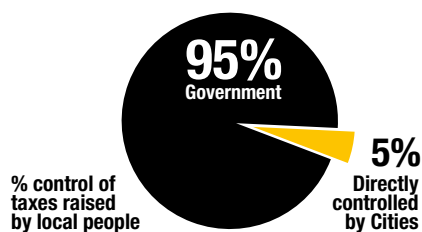
Cities are in a better position to make judgements on what's best for them than the Government. But local people can't decide what's best for their city and just do it, and their city leaders too often have to go cap in hand on their behalf to ministers, whose initiatives and ideas keep changing. This wasn't always the case and we need to unleash the pride and independence of our great cities.

### EXAMPLE:

About 95% of all tax raised in English cities goes to the Government (excluding the element of business rates retained by Local Authorities to help fund them) and about 60% of public spending in a city is controlled centrally, not locally. Core Cities are much more dependent on the Government decisions than those in other developed countries, including Scotland; and Wales will now have a referendum on devolving taxes. If it's good enough for Scotland and Wales, it's good enough for England's great cities. The Government has too much say in how cities control their own affairs, which is bureaucratic, wastes time and money, and gets poor results.

### RESULT:

More growth and jobs. Better, more effective policy making that saves time, money and gets better results that local people want and need. Improved local accountability.

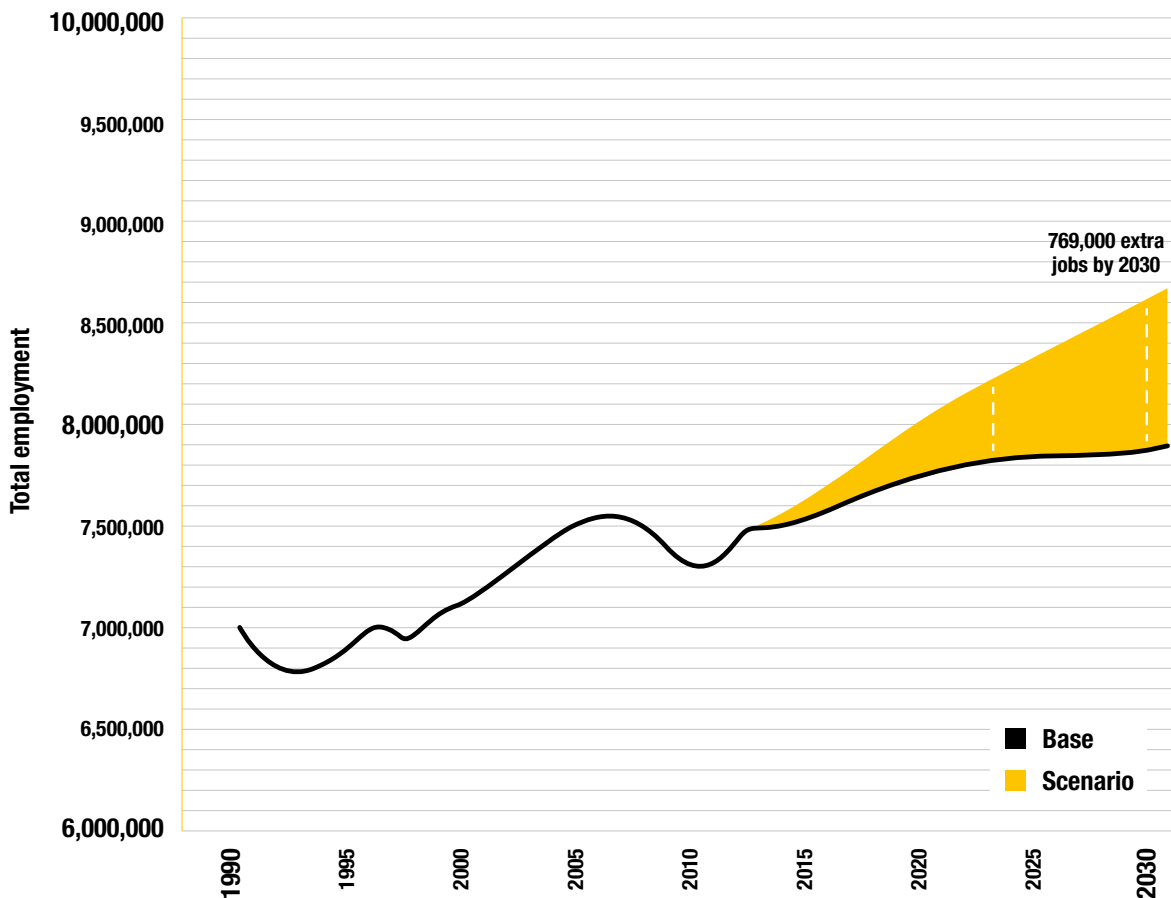


### ACROSS WHAT AREAS SHOULD THESE CHANGES TAKE PLACE?

Core Cities are committed to making and delivering the changes that get the best results for the UK's economy and for the national public finances.

Each proposal in this document needs to operate at the right spatial level for that issue. For local transport, for example, this is likely to be the 'Travel to Work Area', for rail franchising it will be a bigger geography. In some cases Core Cities think there could be merit in joining up plans between all the Core Cities to get even better value, for example with a locally commissioned Work

Programme. These choices should be based on local evidence of the best geographic scale for each policy, and therefore the Core City and its local partners (local authorities, other public agencies, Local Enterprise Partnerships and business leaders) should decide what the arrangements should be for each proposal.



## FOOTNOTES

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- 1 World Health Organisation

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  - 2 Centre for Cities 2013

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  - 3 PWC for Core Cities

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  - 4 Oxford Economics forecasts for Core Cities

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  - 5 ONS figures for 2012-13

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  - 6 Economics, jobs and skills forecasts by Oxford Economics for Core Cities

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  - 7 PWC for Core Cities

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  - 8 Communities and Local Government Committee Report October 2013

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  - 9 Analysis based on OECD figures, Centre for Cities

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  - 10 PWC for Core Cities, dependant on actual targets

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  - 11 PWC for Core Cities. Estimated on reducing long term and youth unemployment by one quarter, actual tax benefits and benefit savings achieved dependent on the wage profile of the jobs created

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  - 12 National Housing Federation, 2012

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  - 13 By 2030, based on CLG figures and assuming no existing debt repayment, rent at RPI + 0.5%, costs at RPI only and all social housing

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  - 14 The Strategic Case for HS2, DfT, 2013

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  - 15 Total of power, gas, renewables, petroleum products etc. during 2011, the most recent year for which data is available

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  - 16 Based on DECC figures, released 26/09/2013

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  - 17 Whole Area Community Budget Pilot

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  - 18 PwC, (2012), Delivering the benefits of greater health and social care integration: Working together, delivering outcomes, reducing cost, November 2012; McKinsey & Company, (2012), Study into Health and Social Care in Manchester, 14 November 2012

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  - 19 Core Cities Growth Plan – why finance matters, October 2013

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  - 20 PWC for Core Cities 2013



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## City Deals

The Core Cities proposals for further devolution are based not just on the international evidence for change, which is strong, but also on the experience of delivering changes. More recently, these changes have included City Deals, bespoke packages for decentralisation of powers and resources from central to local government to drive growth. This has been welcomed by all the Core Cities and our proposals build on the success of this process, seeking to go further, provide more jobs and growth, and improve lives by reforming the public sector.

Although many of the City Deal packages have a long timeframe, for example some infrastructure financing projects will last over two decades, the City Deals are already delivering more jobs and growth across all the Core Cities, just one year into implementation. This section sets out examples of the City Deals from all Core Cities, what they have already achieved and what they will deliver in the future.



## GREATER BIRMINGHAM AND SOLIHULL LEP CITY DEAL

### INSTITUTE OF TRANSLATIONAL MEDICINE

Building on Birmingham's leading position in life sciences and the city's unique assets as a location for clinical trials, the City Deal confirmed the development of an Institute of Translational Medicine (ITM). The ITM will create a world-class facility on the University Hospitals Birmingham NHS Foundation Trust and University of Birmingham campus to further strengthen Birmingham's international excellence in life sciences. These include renal and liver disease, cardiovascular medicine, solid organ transplantation, oncology, diabetes, rheumatology, trauma and rare diseases. £12million was received from the Department for Business, Innovation and Skills to part-fund the project and a further £12million from partners.

Once the ITM is operational it will provide a single portal for the commercial, pharmaceutical, medical and technology sectors. It will also provide access to clinical and academic staff, facilitate innovation through concept development, and support Intellectual Property development and commercialisation. Construction began in April 2013 and the ITM will open in June 2015.

Over 2,000 high-value jobs will be created in clinical trials, diagnostics and life science industries, including spin-outs, expansion of existing SMEs and inward investment. The wider local economic impact will create jobs at all levels, and 15 jobs have already been secured against the 2013 target of 25 jobs.

### GREEN DEAL

The City Deal expands the city's pioneering Birmingham Energy Savers programme, which provides energy-efficient improvements for 15,000 houses and 40 buildings within the first three years of the contract. The Department of Energy and Climate Change has contributed £3million to pilot innovative solutions in both domestic and non-domestic properties, including selected 'eco-neighbourhoods' and tower blocks.

Progress to date includes completed works on over 800 properties; 70 companies registered in receipt of business assistance on the Green Deal; over 400 people from priority groups benefiting from placements and training; and over 1,500 training weeks to business. The programme has also created 57 new jobs against an annual target of 55 for the Green Deal, and is on track to meet the overall work programme target of 360 jobs over three years, with a wider target of 8,000 jobs by 2020.



## BRISTOL AND WEST OF ENGLAND LEP CITY DEAL

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### GROWTH INCENTIVE

The Growth Incentive Deal has allowed the four West of England authorities and the Local Enterprise Partnership to make a historic commitment to pool new money from business rates across their areas and invest it to create jobs and growth. The agreement will last for at least 25 years.

More immediately, as a result in part of the Growth Hub investment, we have seen a 350% year-on-year increase in the number of inward investment projects for Bristol and the West of England (as reported by UKTI). On transport, the City Deal has enabled us to prioritise our ambitious MetroWest rail proposals thanks to the ten-year devolved major schemes funding allocation from 2015/16.

### PROPERTY BOARD

Bristol's Property Board is another of our City Deal programmes. Established in March 2013 and chaired by the elected mayor, the BPB aims to add value to public sector property in the city. The Board includes the Home and Communities Agency, the Government Property Unit and business representatives. Through improved communication between the members they have made an active commitment to help unlock opportunities for each other. Engagement has brought an additional positive challenge to difficult and stalled property projects, and increased the flow of ideas and solutions. This initiative has been included in the One Public Estate pilot, which has created better local-national links and accelerated progress by learning from experience in other places.

Ambitions for the future include building a wider network across the whole of public sector property across the city. There will be an increased flow of information about future plans and property portfolio changes, and we will be looking at developing increasingly productive joint initiatives as experience and relationships grow.



## LEEDS CITY REGION LEP CITY DEAL

### YOUTH CONTRACT

Through the City Deal, Leeds and neighbouring local authorities Bradford and Wakefield have developed a local 'devolved' model for delivering the Youth Contract, as an alternative to applying a generic national approach. The aim of the Youth Contract programme is to support and enable more than 2,500 young people aged 16 or 17 in Leeds, Bradford and Wakefield to make a successful transition into education, employment or training. Typically, these will be young people who are otherwise at risk of falling through the gap, perhaps because they are missing education, have caring responsibilities or other challenges in their lives.

The City Deal has provided an opportunity to develop solutions to problems that recognise unique local circumstances. It has also allowed us to build on successful partnership arrangements already in place for meeting the statutory duty to provide information, advice and guidance (IAG) for the group of young people in the city that are most in need of support.

To date there has been a 61% success rate on the Devolved Youth Contract in terms of young people moving from not being in education, employment or training into one of these positive options. This compares favourably to the figures at a national level. A total of 1,506 young people were taken onto the programme, 926 of whom progressed into employment, education or training.

### APPRENTICESHIP ACADEMY

City Deals aren't all about money, they're about doing things differently too. The 14+ Leeds Apprenticeship Academy opened its doors to young people in September 2013. Hosted by Leeds City College, the Academy offers an alternative to the traditional school years 10 and 11, delivering a pre-apprenticeship programme linked to real employment opportunities and providing high-quality programmes for 14 to 16-year-olds to prepare them for the world of work. This was made possible because the Deal challenged local and national players to work in a different way, including the Leeds City Region, Leeds City College, the Department for Business, Innovation and Skills, and the Department for Education.

The College is working with a range of employers to ensure courses meet the skills valued and needed by the different sectors, as well as liaising with them on business challenges for students, mentoring roles, work experience opportunities and visits. Global technology giant Toshiba is taking a leading advisory role, with Education Adviser Bob Harrison acting as the business chair of the Academy's advisory committee.

On completion of their time at the Academy, students have a number of opportunities, including fast-track on to a post-16 apprenticeship (intermediate or advanced) or remaining in full-time education at college or sixth form.



## LIVERPOOL CITY DEAL

### LIVERPOOL SCHOOLS INVESTMENT PROGRAMME

Over six years, the £170million Schools Investment Programme will rebuild and replace at least 12 new schools to deliver a high-quality learning environment for thousands of pupils. Alongside the national curriculum, it focuses on specialist vocational attainment to make sure that young people have the skills needed to take advantage of local employment and training opportunities. It is also contributing millions of pounds to the local economy, with small and medium firms able to bid to design and construct the schools.

There has been significant progress to date. The Notre Dame Catholic College opened in September 2013 following a £16.3million investment. Three further schools are set to open in September 2014, namely Archbishop Beck, St John Bosco, and Millstead. A £1.7million funding package has been secured through the Council's ICT joint venture with BT (Liverpool Direct Limited) to provide a high-quality world-class ICT learning environment. The Mayor of Liverpool is committed to ensuring that the construction contracts deliver local benefit and social value. So far, as a direct result of the programme, 25 apprenticeships have been created and 60% of subcontractor procurement has been in Liverpool (68% in Merseyside). This means that local businesses have benefited directly from £11million of spending to date.

### INTERNATIONAL FESTIVAL OF BUSINESS (IFB) 2014

The Government-backed IFB will see a global 250,000-strong business audience descend on Liverpool over six weeks in June and July 2014. It will connect UK businesses to new markets, new products and partners, and be a global showcase of British industry, generating substantial new inward investment to Britain. It is backed by the Federation of Small Businesses, British Chambers of Commerce and UKTI. It forms a key part of the Government's ambition to promote economic growth, rebalance the economy and double UK exports. There will be a focus on key UK business sectors, including maritime, logistics and energy, higher education, manufacturing, science and technology, professional and financial services, low carbon and renewables, and creative and digital.

The International Festival of Business will deliver more than 100 events over 50 days and will engage with an audience of 250,000 business professionals and pioneers from the UK and across the world. It is estimated that the festival will bring £100million of direct investment into the UK.



## GREATER MANCHESTER CITY DEAL

### EARNBACK

Earnback is a financing mechanism that allows Greater Manchester to keep a share of any growth in tax revenues that result from investing local public funds into infrastructure, which can then be spent on local priorities.

The formula for calculating Earnback – the amount that should be kept locally – has now been agreed as part of the 2013 spending round, and will run for 30 years. Recognising the innovative nature of the approach, it includes a review process to allow the Government and Greater Manchester to periodically ensure that the formula is meeting its objectives.

Agreement of the formula has allowed Greater Manchester to commit to the accelerated delivery of a new relief road between Manchester Airport and the A6 – the South East Manchester Multi-Modal Study.

### SKILLS

The City Deal includes three elements relating to skills: a programme to deliver 6,000 apprenticeships; a tax incentive for businesses operating around the Airport City Enterprise Zone to invest in training; and a pilot to link mainstream skills budgets to the Greater Manchester LEP priorities.

Significant progress has been made on apprenticeships. This has been supported by an Apprenticeship Ambassador campaign, with young apprentices going into schools to talk about their own experiences and how apprenticeships can provide a pathway into a range of careers. As a result of the 2013 spring/summer campaign, 9,574 15 to 18-year-olds have registered to search for apprenticeship vacancies in the period between April to September 2013. This exceeds the target for the year of 6,000 registrations by some margin. A call for higher apprenticeships has been published, through which City Deal funding would support the creation of apprenticeship frameworks for high-level skills within the city's major growth sectors.

Research into labour market intelligence on Greater Manchester's priority sectors has been developed further and has been used to refresh the city's skills and employment priorities. This intelligence is also the basis for discussions with colleges and providers, and will inform future deals with providers about what they will do to ensure their skills offer supports the city's key growth sectors.



## NEWCASTLE CITY DEAL

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### TAX INCREMENTAL FINANCE (TIF)

The major component of Newcastle's City Deal is the groundbreaking Tax Incremental Finance scheme, which is enabling Newcastle and Gateshead councils to radically accelerate the rate of development and to create new economic opportunities. For the first time in England, local government will be able to use future business rate receipts to finance the cost of the upfront investment needed to maximise growth. The Accelerated Development Zone (ADZ) allows the councils to initiate £90million of investment over the next three years and over a 25 year period to lever in over £1billion.

The first phase of delivery for the ADZ has commenced in Science Central with the construction of a seven-storey multiuse building, which will house leading-edge businesses and the world-renowned scientific expertise of Newcastle University.

At Gateshead Quays, a District Energy Scheme to provide low-cost heating for businesses based in the ADZ is proceeding, with construction design now underway. The district energy scheme will also help to reduce fuel poverty in nearby residential areas. Construction of the scheme will start in 2014.

TIF is also enabling the construction of the first building at Stephenson Quarter, financing upfront infrastructure works and enabling the council to provide loan finance alongside major financial investors. Major highway works to improve the public realm around the central station are also being undertaken. This includes works to remove traffic from the main station entrance, enabling the development of new retail and commercial units. Demolitions have also taken place in East Pilgrim Street, which is set to revitalise the core of Newcastle.

Although early days, the ADZ remains firmly on track to deliver its long-term targets, including more than 13,000 jobs, around 300,00sq m of new office development, 36,600sq m of retail, together with hotels and significant restaurant development over the next 25 years.

### A1

The A1 is one of the most congested stretches of road in the UK, despite being the primary road gateway into the north east region. Through City Deal, the council secured agreement with the Highways Agency to accelerate £64million of improvements to the A1 Western Bypass to reduce congestion and improve journey times. Public consultation and design work have been undertaken alongside actions to reduce the number of car journeys made on this stretch of road. Construction is scheduled for August 2014.



## NOTTINGHAM CITY DEAL

### THE CREATIVE QUARTER

The Creative Quarter is the flagship project of the Nottingham Growth Plan and the centrepiece of the City Deal. A new company has been set up to help enterprise flourish, and create the right environment for innovative creative businesses to start up, grow and become sustainable in the heart of the city centre. The Creative Quarter Board of Directors is drawn from business, education and the public sector, including representatives from Nottingham's three priority growth sectors: life sciences, digital content, and CleanTech.

With many emerging businesses in Nottingham's growth sectors already located in the Creative Quarter, the aim is to encourage even more new creative businesses through a tailored package of business development support.

The Creative Quarter Loan Fund has supported seven businesses through loans worth £153,000; four businesses have been awarded a total of £158,000 through the N'Tech Grant Fund; and the £40million Foresight Nottingham Investment Fund will be launched in November. Sixty businesses have been signposted to grants, funds or business support, and new businesses will benefit from the Creative Quarter New Business Rates Relief Scheme. The Creative Quarter has also launched a large 'pop-up' centre for creative businesses and independent retailers and a programme of street markets.

### DEVELOPING A SKILLED WORKFORCE

Nottingham's Apprenticeship Hub has been set up through £1million of City Deal funding. The Hub matches individuals looking for apprenticeships with the employers who need them. The Hub went live in November 2012 and by September 2013 had supported 415 apprentices. Of these, 165 have received the Nottingham Apprenticeship Grant and 31 have received the Government's Apprenticeship Grant for Employers.

Nottingham City Council invested an initial £1.5million into the Nottingham Jobs Fund (NJF). The fund focuses on creating jobs with companies based in Nottingham, provided they can commit to a 50% salary contribution for one year. NJF had supported 400 people into jobs by September 2013, with 75% of placements leading to ongoing employment. Following this success, the council has committed a further £1million to the fund to support a further 250 people.

Nottingham's Employer Hub is a 'one-stop shop' to assist local businesses with recruitment and training, including recruitment campaigns, access to a database of skilled jobseekers, and training and employment events. It also provides jobseekers with pre-employment training and support to help them become 'job-ready'. The Employer Hub supported 486 people into jobs in 2012/13, and a further 496 in the first half of 2013/14.





## SHEFFIELD CITY REGION CITY DEAL

### SKILLS MADE EASY (SME)

The Sheffield City Region (SCR) deal devolved £27.8million of national skills funding to shape a skills system that meets latent employer demand.

Skills Made Easy aims to reform the skills system by putting purchasing power in the hands of employers, thereby ensuring businesses are offered the choice of the course, qualification and provider that best meet their business need. The City Deal agreed to the delivery of 4,000 additional apprenticeships and an additional 2,000 upskilled employees by 2016.

Between March and September 2013, Skills Made Easy has created over 400 additional apprenticeships (above existing provision), negotiated training for 280 existing employees in the Sheffield City Region, and has engaged with over 1,200 businesses. Within these businesses, a fifth have returned to take further apprentices or have arranged for further upskilling.

Experience to date on the implementation of Skills Made Easy shows that there is considerable unmet demand among small businesses in SCR – the programme is focused on small and medium-size enterprises that had never accessed apprenticeships or publicly funded training.

Skills Made Easy is reshaping the system – meeting the specific training needs of local employers by sourcing training provision from outside SCR, developing new training courses, or changing existing apprenticeship frameworks. There is evidence that demand is being matched with supply as the programme has worked with young people to get them into the best position to be job-ready, resulting in high satisfaction with the quality of young people businesses have employed.

### SHEFFIELD CITY REGION INVESTMENT FUND (SCRIF)

SCR have established a flexible investment mechanism that enables public and private sector leaders to prioritise infrastructure investment decisions according to economic impact. An initial prioritised list of the schemes that will have the biggest impact on jobs and growth in the city region over the next decade has been published.

The first phase of the programme has the potential value of £280million, which could add £5.3billion to the City Region's economy. This is a first step towards a larger programme of investment, unlocking growth and creating jobs through high-quality infrastructure across the city region.

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## About the Core Cities Group

Core Cities are a unique and united voice to promote the role of the cities at the heart of the eight largest urban areas outside London in driving economic growth: Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. Working in partnership, the Core Cities aim to help each city not only to grow their economies and jobs, but to improve people's lives and make their cities better places to live, work, visit and do business. The Core Cities Group has a track record of 17 years, and is led by a Cabinet of the political leaders of the eight cities.

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