

RSA Call for evidence – City Growth

Nottingham City Council response

1. What are the key benefits – for the economy, investment, innovation, productivity and public finances – of shifting to a multi-polar growth model, in which our major cities are key players in the nation’s economy?

Nottingham City Council endorses the Core Cities’ joint response to the Commission and consider this a vital policy area for driving economic growth and achieving better outcomes for citizens in local areas. The Core Cities’ Growth Prospectus¹ shows how cities could deliver more jobs, improved skills and improved lives at lower cost. It makes the case for cities to be given more freedom and local control over public spending and policies.

Cities could get better results if they had the power to make sure national plans and spending reflected the needs and aspirations of the cities and the people who live in them. With more local power and control we could do more to drive growth and jobs and reduce reliance on public services.

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 16 million people live in Core City urban areas – one third of England’s entire population, set to grow by at least 1 million by 2030. It is clear that 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.

The Core Cities Growth Prospectus sets out a number of proposals with the aims of all Core Cities outperforming the national economy and becoming financially self-sustaining (i.e. raising more in taxes than is spent on public services) by 2030. Independent forecasts for the Core Cities by Oxford Economics suggest this would deliver an additional 1.16 million jobs and £222 billion into the economy by 2030. This is clearly a key benefit of a multi-polar growth model as opposed to relying heavily on London’s economy for growth in the UK economy.

The Centre for Cities produced a report in March 2011 called ‘The Growth Conundrum: the importance of cities to the economic growth of the UK’.² This underlines that cities are important drivers of economic growth because of the benefits that accrue from concentrating economic activity (so-called ‘agglomeration effects’). The physical proximity to other firms, workers, and

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http://www.corecities.com/sites/default/files/images/publications/Competitive%20Cities,%20Prosperous%20People_%20Final%20Draft.pdf

² <http://www.centreforcities.org/research/2011/03/20/growthconundrum>

consumers improves productivity and innovation within cities via three mechanisms:

- Sharing common resources allows businesses to specialise, innovate, and improve productivity.
- Cities increase the chances of matching workers with firms, with benefits for both.
- Even with modern communication technologies, cities provide more opportunities for people and firms to learn from each other.

In November 2012 the Local Government Association published a report³ titled 'Local Authorities Role in Promoting Economic Development'. This report shows that local government is a key agent in promoting the renewed economic growth required to help strengthen the British economy. Councils are pursuing pro-growth policies to attract businesses and investment. The LGA set out several examples of how local authorities might be given greater freedom to deliver projects that would stimulate growth, including:

- Improved management of assets - it would free up land and property for more productive, locally appropriate, uses and thus help to create conditions that support growth.
- Single Pot regeneration allocations - Lord Heseltine proposed stronger LEPs with greater control of the resources that are currently held within central government. He also stated that there should be a single funding pot for capital expenditure. There can be little doubt that so long as most decisions about investment and other funding are made in Whitehall, impacts are unlikely to be sensitive to local needs.
- Improved predictability of public funds leading to better leverage - one of local government's main concerns has been the lack of responsiveness of national programmes to local need. This lack of responsiveness acts as a blockage to local private sector support.
- Training, skills and employment - a reform of the skills funding system is required which would give employers and councils the ability to influence and coordinate funds to maximise local employment.
- Removing restrictions on councils investing in housing - the new self financing system brought in from April 2012 gives councils increased flexibility to borrow to invest in new stock for some authorities.

2. What does the international evidence show about the role of cities in driving growth and catalysing innovation? What are the key success factors that we can learn from?

There is significant international evidence that cities with more local control over money and policy do better economically, and can join up public spending and plans more easily to get better results for local people.

³ http://www.local.gov.uk/media-releases/-/journal_content/56/10180/3804834/NEWS

The McKinsey Global Institute report of March 2012: 'Urban World: Mapping the Economic Power of Cities'⁴ argues that a city's performance has to be measured in a way that reflects a variety of concerns, especially the strength of the economy, social conditions and the environment. McKinsey developed a database of key performance indicators; interviewed 30 mayors and other city leaders from four countries; and undertook over 80 case studies that sought to understand the steps that city leaders had taken to enhance growth and quality of life.

McKinsey conclude that leaders who make important strides in improving their cities do three things really well: they achieve smart growth, do more with less, and win support for change. 'Smart growth' depends on a strategic approach that identifies the very best growth opportunities and nurtures them, planning so the city and its surroundings can cope with the demands growth will place on them, integrating environmental thinking and ensuring that all citizens can enjoy their city's prosperity. Achieving smart growth lies at the heart of Nottingham's Growth Plan and its emerging Growth Sector Strategy (see response to Q4 below).

The 2011 UNOHABITAT report "The Economic Role of Cities"⁵ investigates what advantages cities have and it places particular attention on human capital:

"Cities are the centres of knowledge, innovation and specialization of production and services. Cities facilitate creative thinking and innovation. High concentration of people in cities generates more opportunities for interaction and communication, promotes creative thinking, creates knowledge spill-overs and develops new ideas and technologies. Cities provide more opportunities for learning and sharing." p3

Professor Michael Parkinson and colleagues argue countries that invest in second tier cities (not just capital cities) tend to do better economically⁶. Parkinson argues that "the UK would be a more interesting, fairer and economically more successful if we have a more powerful, richer, diverse set of cities outside London." The research shows that UK cities lag behind many of their continental European counterparts. Amongst the top performing 100 cities, London is second but there are only two other UK cities in the top 40. The research suggests that compared to UK cities, successful European cities tend to have decentralised decision making, responsibility for a wider range of functions that impact on competitiveness, and access to more diverse forms of local revenue and taxation.

⁴ http://www.mckinsey.com/insights/urbanization/urban_world

⁵ <http://www.unhabitat.org/pmss/listItemDetails.aspx?publicationID=3260>

⁶ Second Tier Cities in Europe: Why Invest beyond the Capitals in an Age of Austerity? Prof Michael Parkinson et al http://www.ljmu.ac.uk/EIUA/EIUA_Docs/Second_Tier_Cities.pdf

3. What is the relationship between public service reform and economic growth at city level? How can more effective demand management – through public service reconfiguration and integration for instance – help to drive social and economic productivity? Can this enable our cities to become more financially sustainable?

Nottingham City Council endorses the Core Cities' joint response to the Commission to this question.

4. How can decision making and responsibility for public policy and public services be better aligned with the reality of local labour markets? How can policies around employment support, childcare, skills policy, welfare strategy and economic development better reflect the needs of local people and businesses?

Local councils are well placed to ensure alignment between public policy and services with local labour markets. We bring together strategic partnerships to meet the needs of local people and businesses. The following examples show how Nottingham City Council has used its leadership position to help businesses grow, creating wealth and jobs; and how it has supported local citizens into jobs.

Strategic leadership

Nottingham Plan 2020

Nottingham City Council takes its city leadership role very seriously. The Sustainable Communities Strategy, The Nottingham Plan to 2020⁷, is the city's long-term plan for maintaining its economic competitiveness, and ensuring that all local residents share the benefits from this. A strategic aim of the Nottingham Plan is to 'tackle poverty and deprivation by getting more local people into good jobs'. This includes targets to increase employment and reduce the number of workless households; to increase skills levels and the number of people qualified to the level required to progress in work and earn more; and to reduce poverty and deprivation. These factors are particularly relevant for Nottingham, which has higher unemployment and lower skills than the national average.

Strategic partners have remained committed to the Nottingham Plan even though it is no longer a statutory requirement. This is because there is a long history of partnership working in the city and partners recognise the benefit of a single, clear, long term plan around which they can focus their efforts for the city and its communities.

Nottingham Growth Plan

Under the Nottingham Plan sits the Nottingham Growth Plan⁸. Launched in 2012, the Growth Plan is not a City Council plan: it was developed by

⁷ <http://www.nottinghamcity.gov.uk/onenottingham/index.aspx?articleid=5486>

⁸ <http://www.nottinghamcity.gov.uk/static/nottinghamgrowthplan/>

business, education, the voluntary sector, other public sector agencies and leading individuals as well as the council. The Growth Plan was based on an economic assessment to identify the city's competitive advantage and the challenges it faces. One key decision was to have a clear sectoral focus - each city needs to decide which sectors can best support growth and focus on those. Economic growth is likely to be stronger if clusters of companies from a sector or sectors develop.

The review of the city's economic structure and economic forecasts identified three emerging sectors which had growth potential both in terms of employment and GVA: life-sciences; digital and media; and clean/green technologies. The Growth Plan sets out a series of measures to help reshape and grow the local economy and outlines a long term strategy for rebalancing the local economy focusing on those key sectors). It focuses on addressing both market failure and investment opportunities to create jobs.

The key strategic aims of the Growth Plan are to close 3 gaps in the city's economic performance relative to other core cities on average and the national picture; these being: a Productivity Gap (GVA per job); a Jobs Gap (Employment Rate); and a Disposable Income Gap (GHDl per head). Nottingham's approach to growth is based on the premise that the benefits of growth are shared widely and that opportunities can be accessed by all of our citizens (i.e. good growth).

The Growth Plan's first annual review identifies the key achievements so far, which include:

- 8,950 jobs created and potential jobs
- 1,500 people helped into employment
- 200 Apprenticeships created
- 860 new houses built
- £51m business finance/ investment secured
- 8% fall in city centre shop vacancies

Growth Sector Strategy

Further research undertaken by Nottingham City Council's Economic Development Team has identified additional key growth sectors which can have a significant impact on closing the jobs gap, and these include: retail, leisure and hospitality; health and social care; construction; high value manufacturing; and logistics. The City's emerging Growth Sector Strategy includes a series of local initiatives specifically designed to help unlock the potential of these priority growth sectors, ranging across 4 main areas: infrastructure – land and property; inward investment; skills and employability; and business support.

Examples of local economic policy successes

City Deal

Nottingham was amongst the first round of City Deals. The City Deals show how a focus on place can strengthen local delivery, support innovation and secure positive outcomes; however we regard them as a useful start that shows what could be achieved if cities were granted even more powers and freedoms. The Creative Quarter is the flagship project of the Nottingham Growth Plan and the centrepiece of the City Deal with the aim of encouraging even more new creative businesses through a tailored package of business development support and finance:

- **Business finance** – including the £40m Nottingham Investment Fund (equity), the £10m Nottingham Technology (N'Tech) Grant Fund, £1m Creative Quarter Loan Fund, the Creative Quarter New Business Rates Relief Scheme.
- Business support including **Growth 100** (aimed at 100 growth companies), Next Business Generation (Accelerator programme to support startups with high growth potential), and Inspired in Nottingham (collaboration between universities and colleges to support entrepreneurial students and graduates start their own business). Local provision is designed to compliment national programmes (e.g. Get Ready for Business) so that the city offers a continuum of business support from startup to sustainability and growth; and for businesses ranging from micro- to high growth
- **Infrastructure** - £8m (Tax Incremental Finance - TIF) public realm & transport improvements in the Creative Quarter acts as catalyst for the development of the Creative Quarter, and links into wider public transport infrastructure investment. Further TIF-type freedoms (inc. TIF, freedom to borrow against HRA, prudential borrowing) would free up cities to develop the infrastructure (housing, transport, etc) that would drive economic growth. City authorities have an important role in driving infrastructure investment to attract further private sector investment.

Skills/labour market interventions

The current skills system is not delivering as well as it could for people, employers or places. Within Further Education, funding, shaping and priority-setting needs to be localised to ensure that local provision better meets local business and citizen needs. There are also challenges for local authorities in their responsibility for school-age education. Although local authorities have duties with regard to school-age education, they have fewer strategic levers over academies and free schools, which make up an increasing proportion of city schools. This means local authorities have limited influence over the provision of careers advice, work experience and enterprise education in schools. There is a potential disconnect between the curriculum offered in many schools and the future needs of businesses.

National employment support programmes such as the Youth Contract and the Work Programme are too centralised and are not delivering as well as they could. These programmes are not responsive enough to local needs or close enough to link to local services and initiatives. Where national providers are delivering the Youth Contract, 27% of young people found training or employment; where local councils are delivering support to young people, up to twice as many young people have found training or employment (57% in Leeds and Bradford, 47% in Newcastle and Gateshead). There are further examples of successful schemes in Nottingham below.

- **Nottingham’s Apprenticeship Hub** offers a bespoke consultation and recruitment service to allow businesses to take on a young person. Employers can access up to £9,000, through the Nottingham Jobs Fund and the local and National Apprenticeship grants, to support the creation of an Apprenticeship role for a young city resident. The service has already benefited many local businesses, especially SMEs (small and medium enterprises), who may not otherwise have the resources to take on additional staff. The number of Apprenticeships created in Nottingham is above the national average in every age group. This includes figures of 14.6% above the national average for those aged 16-18 and 23.7% above average for 19-24 year olds.

Comparison of Growth in Apprenticeship starts in Nottingham with National Average.

Age group	Nottingham Growth v National Growth in 2011/12 Academic Year (%)	Nottingham Growth v National Growth in 2012/13 Academic Year (%)	Increase in Nottingham Growth against National Average 2012/13 v 2011/12 (%)
16 year olds	-1.0	20.7	21.7
17 year olds	-12.3	21.4	33.7
18 year olds	11.1	6.2	-4.9
16-18 year olds	-1.2	14.6	15.8
19-24 year olds	-8.1	23.7	31.8
25+	1.7	0.7	-1.0
All ages	-1.7	11.0	11.7

- Nottingham City Council invested an initial £1.5million into the **Nottingham Jobs Fund (NJF)**. This local scheme has worked in a way that national schemes have not. 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 City Council 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, and 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 719 in the nine months to December 2013. Nottingham has been awarded a further £3m from the national Youth Contract under spend, to develop the Employer Hub model with a focus on helping the hardest to reach 18-24 year olds into training and employment. The model will now be delivered in communities and neighbourhoods by voluntary sector and grassroots organisations, focusing in particular, on addressing the multiple barriers to work faced by residents in the most deprived area of the city.

Business support

National policy for business support is not close enough to local needs and is too complicated for business to navigate. This hinders entrepreneurship and innovation. The Core Cities are calling for a single business growth hub in each Core City area to provide a single point of contact, and more locally-sensitive trade support packages from UK Trade and Investment.

Public sector procurement

As part of the local Growth Plan, we are revising our Procurement Strategy to focus on using our spending power to invest more money with local organisations and also to create more jobs locally. We are also looking at the potential for local procurement policies to create a sustainable income stream for the jobs fund.

Some examples of how Nottingham has ensured that jobs and training opportunities are generated through public procurement are:

- The Secure, Warm, Modern programme (decent homes programme) has had a positive effect on the local economy, employment and skills. By January 2012, 105 apprenticeships had been taken on through the One in a Million scheme which required contractors to take on an apprenticeship for every £1million of their contract. The programme has also helped to reduce CO2 emissions and reduce fuel poverty for tenants. An impact study carried out by Nottingham Trent University is available⁹.
- The construction of lines 2 and 3 of Nottingham Express Transit (NET)
 - Nearly 1,000 people are now being directly employed on the design and construction of the 17.5km tram extensions to Clifton and Chilwell.
 - This figure is set to rise further in the coming months as activity peaks in the construction of the tram network.

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http://www.nottinghamcityhomes.org.uk/documents/modern_warm_secure/impact_studies/Economy_%20report_Jan%202012_WEB.pdf

- Around 50% of the tram jobs created are filled by people who live in the Greater Nottingham and the surrounding area. 16% were previously unemployed or had recently left education.
- As well as creating jobs, the project is also working with local training providers to provide training and qualifications to people who are unemployed or are in education.

5. How can growth in other English cities complement London's economic success? What should be the interrelationship between devolution, growth and reform strategies in London and in our other major cities?

Lord Heseltine, Professor Parkinson, the Centre for Cities and others recognise that it is crucial that London continues to succeed – it contributes 25% of national GDP. However it is also critical that Core Cities succeed – they contribute 18% of GDP collectively. Growth is not a zero-sum game i.e. growth in one place does not mean losses in another. The whole of the UK economy could benefit if Core Cities performed better economically and were more financially self sufficient.

Core Cities can complement London, contribute to a more diverse and balanced UK economy and 'take some of strain' of its growth.

Economic growth in other English cities can relieve some of the pressure on London and the South East which are arising from unsustainable, excessively high growth e.g. rising earnings/wage levels, house prices, congestion, pollution, land values and property prices etc.

The Core Cities have put forward proposals in the Prospectus for Growth to enable cities to raise the investment they need to outperform the national economy by 2030; and become self-sustaining and deliver more back to the UK than they receive by 2028. 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; and
- Provide the necessary freedoms to innovate with whatever funds will be available within an area, to create the most attractive environment possible for investors.

The Centre for Cities recent Cities Outlook report 2014 highlights the imbalances in economic recovery and job creation between London and the UK's other major cities. Since 2010, 79% of private sector jobs growth has occurred in London. Meanwhile Britain's next nine largest cities accounted for just 10 per cent of all new private sector jobs created. London also seems to 'suck in' workers from elsewhere in the country, particularly 22-30 year olds. The report suggests this is either because they are attracted by the big city amenities or career progression opportunities. If cities are to attract/retain this

talent they need the same policy tools and powers that London already enjoys.¹⁰

6. What needs to change between Whitehall and our cities to make multi-polar growth a reality? What does the Centre need to do to enable this and what economic and revenue levers do cities require?

Nottingham support the Core Cities response to this question. The levers that Core Cities require are detailed in Core Cities Growth Prospectus.

Key changes needed are:

- Make spending and plans a lot simpler – a single pot
- Power at local level to join up plans to grow business and jobs and reduce reliance on public services – cities can do this whereas Whitehall struggles to join up programmes and funding across Departments.
- Financial and investment freedoms – cities can get better outcomes by using existing funds more flexibly

We also support the recommendations of the London Finance Commission on fiscal devolution .

7. What other practical, organisational, cultural and systemic barriers stand in the way of a fundamental shift in economic power to our cities and how can these be overcome?

One size does not fit all

The way national policies are implemented by Central Government often takes a blanket approach treating everywhere the same. Whitehall has a tendency to dilute impacts by spreading initiatives too thinly – e.g. Local Growth Deals (and Local Growth Fund) are being implemented across all LEP areas, whereas Core Cities have critical mass and significant growth potential. It remains to be seen whether these initiatives will have the impact originally intended.

Fragmented/overlapping policies and funding

Central Government Departments often operate in silos, and policy approaches and funding can be fragmented. Local Government and other local organisations tend to spend a lot of time responding to bidding rounds for small pots of funding aimed at similar or related issues, but with differing criteria and requirements and timescales. Even where Government stated a policy intention to have a ‘single local growth pot’ what is actually being implemented is on a much smaller scale that what was originally proposed in the Heseltine report, and several of the funds that are included are effectively ring-fenced for particular activity which removes local flexibility.

¹⁰ http://www.centreforcities.org/assets/files/2014/Cities_Outlook_2014.pdf

Another result of Departmental silos is duplication of programmes. For instance, there are two separate programmes working with ‘troubled families’, run by the Department for Communities and Local Government and Department for Work & Pensions respectively. These programmes were developed and designed with little reference to each other, despite largely targeting the same families (although the criteria and success measures for the programme are slightly different). Cities can get better results by focusing on joining up delivery locally in a way that meets local need, rather than spending time and effort navigating central bureaucracy.

Risk aversion vs trust in local solutions

Whitehall culture tends to be risk averse and resists freeing local government from central control, particularly over financial and investment matters. We need to move to a point where local government and central government can share the risks and rewards of economic policies. This is seen to some extent in City Deals, which allow some ‘licensed exemptions’ from central government controls and encouraged new local approaches to growing cities’ economies, for instance the “earn-back” schemes. In the Core Cities, City Deals are already delivering results (see the Core Cities Growth Prospectus for details). However, sustainable growth (i.e. rebalancing the economy between the south east and the north and midlands, and between sectors) will take time and is not a quick fix, so Government and cities need to invest for the long term. This is not encouraged under the current local government finance system. City authorities have democratic accountability for funding and programmes. They need local flexibility to join up services, policies and programmes, to use public funds more efficiently and get better results.

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