

Submission to City Growth Commission

15 January 2014

We set out below the research which we have undertaken which relates to a number of the questions which are the focus for your Commission.

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

Our publication series [Cities of Opportunity](#), produced in the US with Partnership for New York City, examines the social and economic performance and trajectory of 25-30 of the world's leading cities - all capitals of finance, commerce, and culture - and through their performance sets out our views internationally on what makes cities function best. The central thesis is that a city's healthy growth and long-term resilience depends on "positive reinforcement in the network of economic and social development" (to borrow from scientist E.O. Wilson) where great quality-of-life factors like schools, healthcare, housing, and safety are balanced with strong businesses and solid infrastructure.

As we comment in the 2012 edition of the report: "Our analysis shows that each city represents an economic ecosystem in its own right, built around mutually supportive economic and social strengths as well as an intertwined fabric of jobs—not just the professionals in bright skyscrapers but all those who turn the lights on every morning from retailers and teachers to nurses and cooks, from crime fighters to street cleaners. Maintaining healthy balance is a cornerstone of urban resilience."

The next edition of this report will be published in the Spring of 2014 and we would be pleased to forward to you a copy on its release.

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 help to drive social and economic productivity and enable our cities to become financially sustainable?*
4. *How can growth in other English cities complement London's economic success, and what should be the interrelationship between devolution, growth and reform strategies in London and in our other major cities?*

Private sector leaders want to see the right conditions locally for their businesses to prosper – whether that's a skilled workforce, fast and efficient transport links or affordable and suitable housing. Councils and other public bodies want to see their local areas thrive, attracting more residents and businesses to contribute to the local economy, with fewer of their local population on welfare and/or in poor health. And the public have their own criteria for economic success – or good growth - focusing on jobs, income, health and skills. But despite this shared agenda, often public sector organisations work in organisational silos or even against each other rather than collectively.

In **Chapter 2** of our book ['Stepping stones to growth'](#) we argue that public leaders need to work collaboratively with employers and the public to create a platform for growth, with innovation, infrastructure and skills at the core and with decision making, delivery and funding aligned to deliver growth on the ground. This requires real leadership across local economies with local government playing a key role as an enabler of growth, strengthened where there are Combined Authorities and/or conurbation mayors covering similar areas as Local Enterprise Partnerships (LEPs).

The ability to reinvest revenues and savings locally, to achieve better long term outcomes, requires a new approach where all stakeholders collaborate and share in both the risks but also the dividends of

public service reform and growth. There is a direct interaction between growth, more jobs and reduced demand for council services while increasing council revenue. Councils do not create growth, businesses do. So in order to maximise a city's growth potential, councils must prioritise and enable investment to develop the infrastructure and other enablers such as skills that business needs. By its nature, this process must be collaborative and a common understanding is required of the barriers and opportunities to grow as discussed further in our report [Good Growth for Cities, 2013](#) (attached, pp 26-27).

5. *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?*

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

With public funding in short supply, it is essential that funds available to support growth are put to the best use. We argue in Chapter 3 of **Stepping stones to growth** that collaboration needs to go hand-in-hand with competition for scarce resources, as envisaged by the Single Local Growth Fund. And the resulting success stories need to be shared and replicated (or tailored) to drive improvement – and growth – across the country.

But there also remains a great deal of confusion among both governments and project sponsors about how best to access the capital markets for infrastructure projects which are often essential to support growth in or between places. Our Talking Points publication **Capital Markets: The Rise of Non-Bank Infrastructure Project Finance** identifies the opportunity for the private sector to provide infrastructure financing via project bonds and non-bank lending and identifies four critical preconditions for a stronger environment for infrastructure project bonds:

- Available capital outside of the banking system;
- Sufficient governance and transparency in financial reporting;
- Balanced tax and commercial policies; and
- Project specific mechanisms to support credit quality.

Finally, we are also currently engaged in ongoing research programmes with Institute of Government (on 'The Future of Whitehall') and with ippr (on 'The Decentralisation Decade') which will develop our views more fully on the shape of public institutions to support stronger local economic growth. The outputs of this work will be published by the time of the party conferences.