

Sheffield City Council:

written evidence for the RSA City Growth Commission

Summary

- Cities are critical to the UK's growth and financial stability prospects but they are being disproportionately affected by funding reductions. Councils are the most efficient part of the state and have a track record for managing resources prudently but Government have undervalued the role councils play in leading places. Government should rapidly seek to drive the democratic renewal of public resources and services by enabling councils to control a greater proportion of locally-generated resources and exploit their position of locally accountable civic leaders to drive local service integration and economic growth.
- The decentralisation debate should not fall into the trap of focusing just on economic growth – it needs to be complemented with a focus on public service reforms if cities are to be able to support growth with sustainable, integrated services. In addition, the city region geography is right for decentralisation but in some cases (e.g., single city budgets), the city geography is most appropriate.
- Decentralisation and constitutional reform cannot be kicked into the long grass. The UK needs London and the Core Cities to be economically successful and productive to deliver sustainable growth. Governments must seriously look at the plethora of international evidence which demonstrates that countries with greater local control are economically more successful and work with Core Cities to implement a roadmap to decentralisation.
- Councils have existing borrowing powers within the Prudential Code to invest in growth but now lack the resources to do so. This situation is compounded by Combined Authorities, with robust governance arrangements, being unable to borrow for non-transport investments. Government must remedy this situation or risk growth being curtailed.

Introduction

1. Sheffield is the fourth largest city in England with a population of 552,698. It is a creative, inventive and energetic city that contributes over £10bn a year to the UK's economy. Sheffield is the economic heart of Sheffield City Region with the concentration of the knowledge intensive industries that have been, and will continue to be, a primary source of employment and productivity in the area.
2. Sheffield is also one of the eight Core Cities who together are responsible for 27% of the national economy, home to 16 million people and have half of England's leading research universities. Globally, cities are viewed as the places which will drive the future economic fortunes of nations, capitalising on their unique dynamic populations, businesses and creativity. Cities and their surrounding urban areas are seen as "the engines of economic prosperity and social transformation" which are "empowered by their economic strength and driven by demographic dynamism" and "positioning themselves at the cutting edge of reform, investment, and innovation"¹.

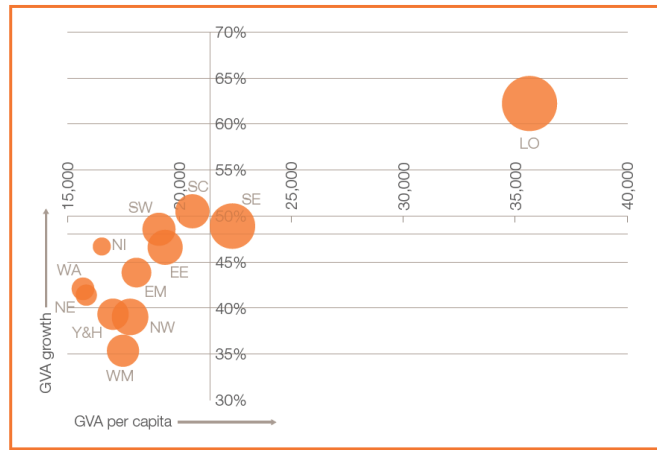
Sheffield City Council: a perspective on devolution

3. Alongside our fellow Core Cities, we believe that if the UK is to pursue a path of sustainable growth for the long term with residents and businesses supported by affordable, high quality public services, cities need to be given greater control over powers and resources which support economic growth and deliver public service reform.
4. The UK remains one of the most centralised countries in the world and evidence suggests that countries which are most centralised and dependent on their capital city for economic growth are less successful². The chart in **Figure 1** from a recent report by IPPR demonstrates the extent to which, for all the rhetoric on 'rebalancing', the UK is still unsustainably reliant on London for economic growth.

¹ Katz, B and Bradley, J. (2013) *The Metropolitan Revolution: How Cities and Metros Are Fixing Our Broken Politics and Fragile Economy*, Brookings Institution Press; Washington, pp1-2.

² Parkinson, M. et al (2012) *European Second Tier Cities in Austerity: Why Invest Beyond the Capital?*, https://ijmu.ac.uk/EIUA/EIUA_Docs/Second_Tier_Cities.pdf

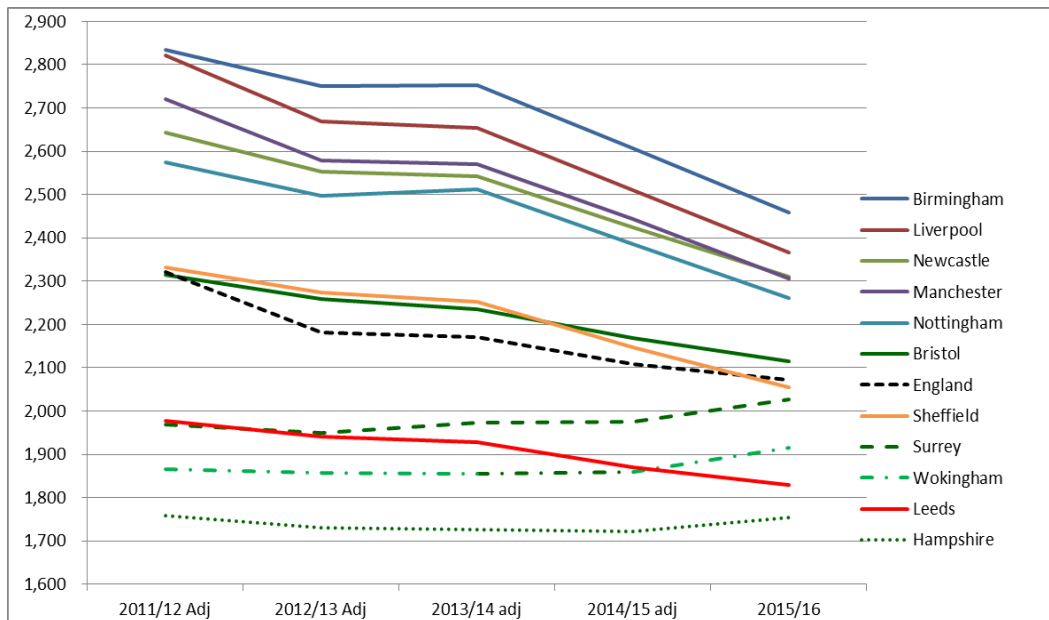
Figure 1: Regional GVA (bubble size), GVA growth and GVA per capita (axes intersect at UK average)³



Source: ONS 2012a; ONS 2012b
Note: Current basic prices

5. In 2012, the eight cities agreed and are now delivering the first wave of City Deals which saw the devolution of a limited amount of power and funding to the Core Cities. The deals represented both a *practical* step towards achieving some small-scale decentralisation from Whitehall but also a significant *philosophical* shift in the dynamic between ‘national’ and ‘local’ and the extent to which we recognise the critical, unique role played by cities in the UK’s socioeconomic wellbeing.
6. Paradoxically, in the context of cities being increasingly recognised by leading thinkers and politicians as crucial to the UK’s economic progress in the twenty-first century, it is those very places which are bearing the brunt of budget reductions, undermining the capacity of the major cities to match their ambitions with the resource capacity necessary to support those ambitions. **Figure 2** demonstrates that, compared to other areas, the Core Cities have been handed disproportionately heavy budget reductions, systematically undermining the ability of cities to achieve their socioeconomic ambitions. By 2015, the money Sheffield City Council receives from Government will have reduced by 50% since 2010. Over the same period, Surrey County Council sees their spending power increase to around the same level as that of Sheffield City Council.

Figure 2: Change in Spending Power £/ Dwelling 2011/12 to 2015/16 (adjusted to be comparable with 2015/16)

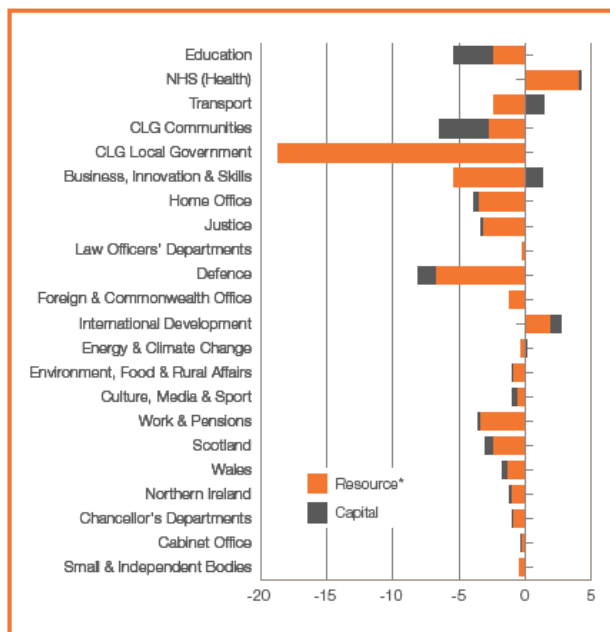


7. The Sheffield City Region (SCR) City Deal⁴ has enabled SCR to demonstrate how, given greater control of power and resource, local public and private leadership can deliver a skills system which better meets local business needs and use capital resources more effectively to maximise the GVA impact of infrastructure investments.

³ IPPR (2013) *Rebalancing the Books: how to make the 2015 Spending Review work for all of Britain*, http://www.ippr.org/images/media/files/publication/2014/01/rebalancing-the-books_spending-review-north_Jan2014_11674.pdf p25

8. The deals marked a step-change – *they let the decentralisation 'genie out of the bottle'* – but enabled only limited, piecemeal decentralisation. For a stronger economic future with stable finances and affordable, high quality public services, the UK needs its cities to be punching their weight internationally and harnessing the unique social, economic and cultural dynamism which is only found in cities. To achieve this requires cities to be set free with a comprehensive shift in the location of power and resources in England.
9. The decentralisation debate often focuses heavily on the economic benefits that can be achieved. While important, this focus is too narrow and risks missing a major opportunity to pursue a more ambitious decentralisation programme across the spectrum of Whitehall responsibilities. Economic growth is vital but needs to be underpinned by high quality, sustainable public services which are shaped by the local needs of residents and support the local population to be successful and productive. The fragmentation and the lack of local distinction that characterise some services driven by Whitehall cause inefficiency and ultimately cost the state more. Local areas are best placed to use their knowledge to bring services like health, social care, welfare and housing together through single budgetary frameworks (e.g., a city budget) to improve outcomes for people, reduce inefficiency and support economic success.
10. Decentralisation should be seen as an opportunity for significant democratic renewal in England. It is an opportunity to bring accountability for services closer to the people that use them, capitalising and expanding local government's democratic mandate to advance the socioeconomic wellbeing of places.
11. Unfortunately, the scale of the funding reductions handed to councils compared to the wider state since 2010 (**Figure 3**) suggests both a lack of regard for the role of local authorities and a systematic underestimation of the value and leadership which local authorities bring to places. In contrast to the prevailing view that local authorities are mere deliverers of waste collection and parking services, the reality is that councils are already the most efficient part of the public sector. They are the elected leaders of some of country's key economic heartlands; stand up for the needs and aspirations of local people and businesses; and have broad responsibilities in advancing social inclusion and protecting the most vulnerable people in society. Councils are best placed to lead the comprehensive reform of public services in a locally accountable way and in partnership with the local private sector, create the necessary conditions to drive economic growth. The value that local democratic leadership brings to the state appears to have been lost or unvalued in recent years.

Figure 3: Real-terms absolute changes in departmental spending, 2010/11 – 2015/16 (£bn) (from IPPR)⁵



Source: HM Treasury 2013a
*Excluding depreciation

⁴ Sheffield City Region (2012) *MADE in Sheffield: a deal for growth*, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221017/Sheffield-City-Deal-Final.pdf

⁵ IPPR (2013) *Rebalancing the Books: how to make the 2015 Spending Review work for all of Britain*, http://www.ippr.org/images/media/files/publication/2014/01/rebalancing-the-books_spending-review-north_Jan2014_11674.pdf p18

Responses to the Commission's specific questions

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?

12. Recent research by the Core Cities has demonstrated that by 2030, the Core City urban areas could deliver 1.16 million more jobs and £222 billion into the economy. That is equivalent to the entire economy of Denmark and equal to almost £14,000 for every person living in a Core City urban area⁶. Building on the research, Core Cities have set out clear proposals for policy change which would deliver a different future for the UK and would better harness the scale and capacity of cities to drive growth, create jobs and deliver affordable services. These proposals for change have been set out in the recent publication *Competitive Cities, Prosperous People: A Core Cities Prospectus for Growth*.
13. There are a number of key benefits for the UK if the country can better channel the economic potential of cities:
- **Economic success, cohesion and productivity** - studies of competitor countries demonstrate that not only is the UK one of the most centralised states in the world⁷ but also that over reliance on one dominant city is detrimental to national economic wellbeing and socioeconomic cohesion⁸. With a multi-polar growth model, the responsibility for delivering economic growth and fiscal sustainability is shared by a number of key economic centres, reducing the costs of over-reliance on one place for growth (eg. housing unaffordability, socioeconomic exclusion, human and natural resource premiums).
 - **Growth is not zero-sum** – the UK needs a strong, successful London but the underperformance of other UK cities is a drag on national success and the UK would be stronger and more sustainable if other cities were able to punch their weight.
 - **Maximising capacity and uniqueness** – economies are successful when they harness their unique resources and strengths to maximise economic value. At present, the UK has a network of major cities which have unique economic strengths but they consistently underperform international competitor cities. UK cities lack the local control over infrastructure, skills, public resources and public services to play to their strengths and maximise their economic impact, to the detriment of the UK economy overall.
 - **Public service reform** – the underperformance of our cities is costly for the UK as the cities are currently net receivers of funding to the tune of around £40bn a year. With economic growth supported by locally-driven public service reform, the Core Cities have the scale to overcome public service fragmentation and duplication, reduce the cost of the state and increase their contribution to UKPLC.
 - **Public finance sustainability** – cities, the very places the UK needs to succeed, have been savaged by spending cuts, reducing their capacity to invest in infrastructure and deliver the public services which support growth. By 2030, Core Cities could be financially self-sufficient – contributing more to the UK than they receive in funding – but to achieve this, the Government must enable a new approach to public finances with devolved control of locally generated taxation and single integrated public service budgets for cities.

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?

14. The joint submission by Core Cities to this Commission provides an overview of the key sources of research and evidence which demonstrate that not only is the UK one of the most centralised states in the world and the most “geographically imbalanced economy of all EU member states”,⁹ the country is too dependent on the success of the capital city for economic progress. This was something emphasised by the Coalition Government when it set out an aspiration to ‘rebalance’ the economy in 2010.
15. We would refer the Commission to some key sources of evidence which demonstrate that countries with more devolved control over resources are economically more successful. These include:

⁶ Core Cities (2013) *Competitive Cities, Prosperous People: A Core Cities Prospectus for Growth*, http://www.corecities.com/sites/default/files/images/publications/Competitive%20Cities,%20Prosperous%20People_%20Final%20Draft.pdf

⁷ OECD (2013) OECD, *Revenue Statistics taxes by level of government*, <http://www.oecd.org/ctp/tax-policy/revenue-statistics-levels-of-government.htm>

⁸ Parkinson, M. et al (2012) *European Second Tier Cities in Austerity: Why Invest Beyond the Capital?*, https://ijmu.ac.uk/EIUA/EIUA_Docs/Second_Tier_Cities.pdf

⁹ IPPR (2013) *Rebalancing the Books: how to make the 2015 Spending Review work for all of Britain*, http://www.ippr.org/images/media/files/publication/2014/01/rebalancing-the-books_spending-review-north_Jan2014_11674.pdf p26

- *State of the English Cities* (2006) http://www.ljmu.ac.uk/EIUA/EIUA_Docs/State_of_the_English_Cities_Urban_Research_Summary.pdf
- *Second Tier Cities in Europe: in an age of austerity why invest beyond the capitals?* (2013) http://www.ljmu.ac.uk/EIUA/EIUA_Docs/Second_Tier_Cities.pdf
- *OECD Competitive Cities in the Global Economy* <http://www.oecd.org/regional/regional-policy/oecdterritorialreviewscompetitivecitiesintheglobaleconomy.htm>
- *Rebalancing the Books: how to make the 2015 Spending Review work for all of Britain* (IPPR, 2013) http://www.ippr.org/images/media/files/publication/2014/01/rebalancing-the-books_spending-review-north_Jan2014_11674.pdf
- *Northern prosperity is national prosperity: A strategy for revitalising the UK economy* (IPPR, 2012) http://www.ippr.org/images/media/files/publication/2012/12/northern-prosperity_NEFC-final_Nov2012_9949.pdf
- *Competitive Cities, Prosperous People: A Core Cities Prospectus for Growth* (Core Cities, 2013) http://www.corecities.com/sites/default/files/images/publications/Competitive%20Cities,%20Prosperous%20People_%20Final%20Draft.pdf
- *No Cities, No Civilisation* (2013) (an essay for Core Cities by Prof. Michael Parkinson) http://www.corecities.com/sites/default/files/images/publications/77651%20Core%20Cities%20M%20Parkinson%20Essay_WEB.pdf
- *Raising the Capital: the report of the London Finance Commission* (2013) http://www.london.gov.uk/sites/default/files/Raising%20the%20capital_0.pdf
- *The Metropolitan Revolution: How Cities and Metros Are Fixing Our Broken Politics and Fragile Economy* (Bruce Katz and Jennifer Bradley, 2013), Brookings Institution Press.
- *Cities Outlook 2014* (Centre for Cities, 2014) http://www.centreforcities.org/assets/files/2014/Cities_Outlook_2014.pdf

16. In addition, the Japan Local Government Centre produced a paper for Core Cities which provides an overview of the Japanese experience of a deliberate programme of decentralisation which has taken place in Japan over the last 20 years¹⁰. The paper features some case studies examples from Japanese cities.

17. As a result of the first city deal, Sheffield and Sheffield City Region have been able to demonstrate the progress that cities can make with greater devolved power:

- **Skills Made Easy** – with a small amount of national skills funding we are delivering a local skills model which is demand-led with businesses able to access the training provision and apprentices they need.
- **Sheffield City Region Investment Fund (SCRIF)** – we have established a City Region infrastructure fund, governed by the Combined Authority which is underpinned by a single assessment framework which enables SCR to prioritise infrastructure investment based on impact on GVA and jobs. With the 10 years of transport major schemes funding secured through the city deal, this approach ensures that decisions on major infrastructure development in SCR are taken locally, aren't delayed by Whitehall bureaucracy and are focused on the schemes which support economic growth. The initial prioritised scheme list is available here: <http://www.sheffieldcityregion.org.uk/wp-content/uploads/2013/08/SCRIF-Scheme-List-Page-to-Link.pdf>
- **Local transport** – in addition to the major scheme funding certainty, SCR and Sheffield secured a number of additional transport powers and responsibilities including local contract management of the £58m tram-train project and the establishment of the Sheffield Bus Partnership with devolved control over the Bus Service Operator Grant (BSOG). The Bus Partnership has already led to an increase in bus patronage, an improvement in punctuality and reliability of services and a reduction in complaints from passengers.

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?

18. In the recent Growth Prospectus, the Core Cities articulate an ambition to be financially self-sufficient by 2028. Essentially, this involves the Core Cities contributing more to the national economy than they receive through public spending. At present, Core Cities are responsible for around 27% of the national economy but benefit from net funding (being the gap between exchequer benefits generated and the cost of public service delivery across the cities) of around £40bn.

19. To achieve greater financial self-sufficiency, it is clear that cities need to be more economically productive but the growing populations of cities need to share in that growth and be supported by efficient, effective public services

¹⁰ Stevens, A. (2013) *Growth in second tier cities: urban policy lessons from Japan*, Briefing for Core Cities Group, November 2013, Japan Local Government Centre. http://www.corecities.com/sites/default/files/images/publications/Growth%20in%20second%20tier%20cities%20-%20Urban%20policy%20lessons%20from%20Japan_0.pdf

– such as education and training, healthcare, transport, housing – which offer them the best opportunity to be successful people.

20. Establishing public services that are effective and affordable for the long term is as crucial to the country's success as establishing sustainable economic growth. For national economic strength, cities need to be able to harness the skills, innovation and capacity of their local populations to become more successful places but at present, too many local people are excluded from growth and top-down services have failed to deliver solutions which meet unique local socioeconomic circumstances. Increasing demand alongside fiscal retrenchment means that services are increasingly struggling to meet the needs of local people, placing excessive pressure on higher cost, acute services.
21. Since the deficit reduction programme commenced in 2010, it has become clear that the lack of an integrated, whole-system approach to public services has ensured that budget cuts to one part of the public sector have been offset by increasing demand and financial pressure in another part of the system. Evidence from Greater Manchester's Community Budget pilot has shown that while Government have disproportionately targeted cuts at local authorities (which deliver many *prevention* services), the overall quantum of public spending in the city has actually increased. This is because the cost of more *palliative*, often higher cost services (eg. welfare, health, social care) has increased, thus failing to reduce the overall cost of public services and actually increasing dependency.
22. Cities have the necessary scale and capacity to deliver sustainable solutions whereby public services are locally defined and integrated through single budget pots and are focused on the needs of local people. In the Growth Prospectus, Core Cities set out clear ways in which Government could support cities to deliver better public service outcomes and reduce the cost of the state. These proposals include:
- **Place Based settlements** and devolved responsibility for the commissioning of services
 - **Devolved commissioning** of the Work Programme post-2016 and the development of 5 year, Labour Market Agreements with cities
 - **Funding certainty** over Spending Review periods enabling cities to invest for the longer term
 - **'Earnback' powers** – the ability to retain locally the savings generated through improved service outcomes
 - **Integration of services** eg. Health and social care
23. With locally accountable leadership through city councils or Combined Authorities at the city region level, cities represent a significant opportunity to deliver major public service reform at a scale which delivers significant savings for the Treasury; improves delivery and service integration to efficiently meet the needs of people; and supports business growth with health and welfare systems locally tailored to support people into work and skills systems shaped to meet economic need.

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?

Geography, governance and decision making

24. For the significant devolution of power and resource to proceed, local governance models must be founded on strong local democratic accountability and therefore must be connected to the relevant democratic institutions such as local authorities or combined authorities. Government would rightly wish to be assured that any devolution of control over public funding is to a body that can be held to account democratically by local people. The decentralisation of power to locally elected institutions should be viewed as a progressive shift which enhances the democratic accountability of public services and supports a democratic renewal in the UK.
25. The geographic area for 'devolved' areas needs to be locally defined, with locally accountable leaders able to agree the geography at which devolved powers and resources make sense. There needs to be an element of flexibility built into the approach to devolution which recognises that: this cannot be a one-size-fits-all approach as cities and city regions are different and should be able to define their own geographies; and that the devolution of some responsibilities (eg. skills and transport) may suit a broader geography than the devolution of other responsibilities (eg. a single health and social care budget) which are more suitable for devolution to a city-level geography.
26. To support devolution, *place* needs to have a greater role in national policy making than the distinct (and sometimes) conflicting specific policy responsibilities of government departments. The existing model of nationally-set policy attached to budgets managed and directed by departments has, in some key socioeconomic

policy areas, resulted in policy which has no linkage to the actual needs of people and businesses locally; the fragmentation of delivery between agencies; inefficiency and duplication; and critically, cities which under-perform economically and cost the state too much. To quote Lord Heseltine:

Besides neutering local leadership, the monopoly of Whitehall is dysfunctional on two counts. First, too many decisions are taken in London without a real understanding of the particular, and differing, circumstances of the communities affected. And second, with responsibilities divided up between policy departments, no one in government is tasked to look holistically at the full range of issues facing a particular area¹¹.

27. The primary geography for the decentralisation of power should be to the '*functioning economic area*' or travel to work area. This is the geography which makes most sense for many socioeconomic activities of places because business, transport, labour markets and housing markets do not stop at local authority boundaries. Katz and Bradley refer to such geographies as metropolitan areas:

A metropolitan area or metropolitan region is typically a collection of municipalities that together form a unified labor market and is often defined statistically by the commuting patterns of its residents between home and work ... The geographic extent of these broader regions takes in economic activities that are often found outside cities themselves, such as manufacturing, logistics, and agriculture¹².

28. Sheffield City Region (SCR) was the first city region since Greater Manchester to undertake a Governance Review and develop a 'Scheme'¹³ in order to establish a Combined Authority (to be called the Sheffield City Region Authority). From April 2014, the SCR Authority will be a statutory body made up of the nine councils in SCR, establishing local accountable leadership for the economic area in partnership with the private sector leadership of the Local Enterprise Partnership (LEP). This model was recently described by Bruce Katz as "*a model for the rest of the world*" and provides a robust, accountable foundation to which further centralised powers can be devolved.

29. Sheffield City Region have urged Government to move forward quickly with our Combined Authority proposal to ensure that SCR Authority is a legal entity by April 2014 as it is critical to our ambitions for decentralisation and the plans for growth which are set out in the SCR draft Growth Plan¹⁴. As fellow Core Cities and other areas move forward with Combined Authority proposals, we have also urged Government to review the Local Democracy, Economic Development and Construction Act 2009 which enables Combined Authorities to be established. The legislation needs to be more flexible, enabling places to establish Combined Authorities which reflect the real economic geographies of their areas. Fundamentally, we agree with Lord Heseltine's perspective that arbitrary administrative boundaries should not prevent local areas forming governance arrangements which appropriately reflect their real economic geographies.

30. Further, we have also recommended to Government that action is taken to address the inability of Combined Authorities to borrow to fund non-transport related investments. The significant decrease in local authority funding means that while establishing Combined Authorities to drive economic growth across economic geographies is a positive step, there is little resource to actually invest in that growth. Government want the Combined Authorities that are 'fit for purpose' but we cannot achieve our ambitions if we cannot invest in growth.

31. Governance for economic geographies is vital but there may be some responsibilities which are best devolved to *cities* themselves because of the uniqueness of the city geography, the scale in both population terms and public service provision and the related capacity of the public and private agencies. This reflects the point that decentralisation should not be only viewed through the lens of economic development and should be understood as an opportunity to deliver integrated public service reform that is attune to the needs of a place, removing the service fragmentation and top-down delivery from Whitehall, and enhancing public service democratic accountability.

32. Cities are well-placed to lead major public service reform at a scale that would deliver better outcomes for residents but also efficiencies which would have significant impacts on public expenditure. For example, modelling by Core Cities demonstrates that by integrating health and social care for older people could reduce delivery costs by 15%. That would be equivalent to a city like Newcastle saving £44m and £29.5m on its health

¹¹ Heseltine, The Rt Hon. Lord (2012) *No Stone Unturned in Pursuit of Growth*,

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34648/12-1213-no-stone-untuned-in-pursuit-of-growth.pdf p28

¹² Katz, B and Bradley, J. (2013) *The Metropolitan Revolution: How Cities and Metros Are Fixing Our Broken Politics and Fragile Economy*, Brookings Institution Press; Washington, p2

¹³ Sheffield City Region (2013) *SCR Authority*, <http://www.sheffieldcityregion.org.uk/about/the-sheffield-city-region-authority/>

¹⁴ Sheffield City Region (2013) *Draft Strategic Economic Plan: Growth Plan December 2013*, <http://www.sheffieldcityregion.org.uk/wp-content/uploads/2013/12/SCR-Growth-Plan-191213.pdf>

and social care expenditure respectively. Where appropriate, devolved service solutions led by cities could be scaled up to their wider urban areas.

33. Finally, as part of the proposals put forward in the Core Cities Growth Prospectus, we have also urged Government to enhance local accountability through decentralisation by agreeing to 'dual accountability' arrangements between Government and cities. This would involve devolving accounting officer functions, establishing stronger accountability over issues like skills, employment or housing which are important national *and* local policy areas.

Policy areas

34. At a principle level, key elements of public and economic policy need to have greater regard to the distinct needs of local areas – they need to be more locally-led and be better integrated, overcoming the fragmentation that can come with separate budgets and agency responsibility. The evidence suggests that where local areas have been in charge of delivering these services, better outcomes result. For example, where national providers are delivering the Youth Contract, around 27% of young people have successfully found work or training. However, in places where councils have been in charge - linking provision to distinct local circumstances - the performance is double that of national providers with 57% of young people finding work or training in Leeds and Bradford and 47% in Newcastle and Gateshead¹⁵.

35. A good example of this is in SCR's City Deal,¹⁶ as the City Region have been delivering a localised skills model with £28m of devolved national skills funding which is led by a public-private governance board at the City Region level. This puts the purchasing power in the hands of local employers to direct skills investment into the areas of local economic need. The '[Skills Made Easy](#)' programme operates with a brokerage model in which intermediaries work with local Small and Medium Enterprises (SMEs) (who have not previously engaged in the skills system) and training providers to get the courses employers need to grow their businesses. Through this model, SCR is bringing additional apprenticeships into the workforce and increasing business capacity through upskilled staff. We are also starting to see changes in the training provider network in the SCR as training providers are increasingly shaping their provision to meet local employer demand – hence better linking training provision to economic need. This has included delivering additional apprenticeships courses which were not previously available in SCR.

36. SCR's draft Growth Plan builds upon this model with a proposal for a 'Skills Bank' which will establish a single funding route to support the training needs of businesses, using an increasing proportion (based on performance) of SCR mainstream 16-18 skills budget and relevant EU funds¹⁷. This proposal is intended to be co-designed with BIS/SFA and represents an opportunity to move towards a localised model for skills based on successful performance.

37. The City Deals are an important inflection point for decentralisation but have resulted in comparatively small-scale change when considering the level of centralisation in the UK. They have also predominantly focused on economic growth and not the wider devolution affecting major issues for cities such as welfare, housing and skills. Reform in these areas is often 'done to' places based on national policy drivers and delineated departmental budget streams. Cities present an opportunity to deliver public service reform at scale, using local democratic city leadership to overcome division between agencies, reduce costs and improve services. This reinforces the point made earlier that some decentralisation would make more sense at a city-level with the potential for scaling up to wider areas.

38. To deliver more holistic and sustainable change for public services, the Core Cities have developed a proposition for more comprehensive reform to the skills and welfare system in cities which proposes the alignment of local and national funding to create a single framework.

39. Core Cities' proposed 'Single Labour Market Agreements' (SLMAs) would operate for five years and would be based upon:

- Devolved budgets and locally commissioned provision with strong engagement of businesses
- Locally commissioned Work Programme post-2016, providing stronger local linkages and support

¹⁵ Core Cities (2013) *Competitive Cities, Prosperous People: A Core Cities Prospectus for Growth*, http://www.corecities.com/sites/default/files/images/publications/Competitive%20Cities,%20Prosperous%20People_%20Final%20Draft.pdf p11

¹⁶ Sheffield City Region (2012) *MADE in Sheffield: a deal for growth*, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221017/Sheffield-City-Deal-Final.pdf

¹⁷ Sheffield City Region (2013) *Draft Strategic Economic Plan: Growth Plan December 2013*, <http://www.sheffieldcityregion.org.uk/wp-content/uploads/2013/12/SCR-Growth-Plan-191213.pdf> p43

- Comprehensive public service reform – aligning skills and employment with wider public services in a whole-system approach and a single, ‘Place Based Settlement’ for cities (building on the learning from Community Budgets).

40. In short, the Core Cities proposals demonstrate the need for economic growth *and* public service reform, with services commissioned locally from single budgets to better meet local need, reduce the cost of the state and support economic activity. A recent IPPR report suggests:

The benefits of breaking down silos and mobilising the full range of actors can be better realised at smaller geographic levels. Transport, housing, employment, skills and welfare policies have to work together to optimise local growth, and also these different policy areas can be joined up at a local level in a way that is not possible at a UK level. There is also a growing awareness that networks of business, community and public sector leaders are well positioned to tackle the big issues in a way which government alone cannot, and that these networks operate at a more local level.¹⁸

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?

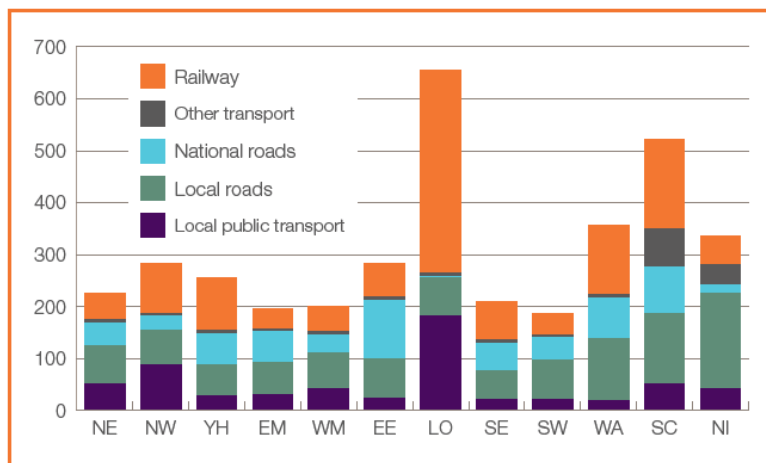
41. The UK needs a successful capital city and our proposals, and those of Core Cities, are explicitly not ‘anti-London’. The economic imbalance in the UK is not because of London’s dominance but rather because other cities have not been successfully enough on a national scale. As suggested by Centre for Cities in their recent ‘*Outlook 2014*’ report, the UK has failed to fully utilise the capacity of the country’s large cities and Government needs to increase their contribution to the national economy through a significant devolution of power. Centre for Cities find that:

London and other cities benefit from the relationships that they have – be that through in-commuting or through businesses selling in to markets. Discussions about London as a city state fail to take this into account. A stronger London means a stronger UK economy. But a stronger UK economy also needs strong performing cities outside of London. Growth is not a ‘zero-sum’ game.¹⁹

42. The report by Centre for Cities demonstrates that London and other UK cities already have a strong interrelationship, with London businesses employing people in businesses around the country and the flow of skilled labour into and out of the capital.²⁰

43. But the UK could have a bigger economy, be more productive and create more jobs and wealth if other cities were able to complement London’s success. Cities and city regions outside of London need to be afforded the same powers and freedoms currently available to the capital (eg. housing, transport) but Government need to go much further to unleash the potential in all UK cities.

Figure 4: Historical public spending on transport (capital and revenue) per capita, 2011/12 (£)



Source: HM Treasury 2013b

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¹⁸ IPPR (2013) *Rebalancing the Books: how to make the 2015 Spending Review work for all of Britain*, http://www.ippr.org/images/media/files/publication/2014/01/rebalancing-the-books_spending-review-north_Jan2014_11674.pdf p36

¹⁹ Centre for Cities (2014) *Cities Outlook 2014*, http://www.centreforcities.org/assets/files/2014/Cities_Outlook_2014.pdf p25

²⁰ Ibid.

²¹ IPPR (2013) *Rebalancing the Books: how to make the 2015 Spending Review work for all of Britain*, http://www.ippr.org/images/media/files/publication/2014/01/rebalancing-the-books_spending-review-north_Jan2014_11674.pdf

44. Further, there needs to be recognition that to meet growth potential, cities need to invest in the necessary infrastructure and this investment needs to be prioritised in order to maximise impact on national business and job growth. For example, transport is a key driver of growth but transport investment in Core Cities is significantly lower than London - £644 per head in London compared to £243 for the West Midlands and the North of England combined – ensuring that Core Cities are constrained in their ability to meet the connectivity needs of passengers and businesses.
45. Core Cities support the recommendations of the London Finance Commission and urge Government to give London and Core Cities the necessary control over locally-generated resources to invest in growth and reform services.

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

46. What is needed is a mix of realism and radicalism. Some things could feasibly be devolved quickly without encompassing major institutional disruption – for example, the devolution of property taxes. However, the inherent complexity institutions and networks of agencies, Departments and associated budgets ensures that it is only realistic to set out a plan for a steady and habitual evolution towards single place budgets and integrated services focused on local outcomes. This route needs a clear roadmap and Core Cities have offered to work with Government on this. As an international example of this, Japan instigated a clear programme of fiscal devolution and a report on this has been produced for Core Cities by the Japan Local Government Centre²².
47. However, the UK is significantly behind other nations in the extent of decentralised control and after numerous ‘false dawns’, delay now risks the issue being kicked into the long grass – something which will jeopardise the long term success of the UK economy and the sustainability of public services. We need to begin now by introducing greater co-design, dual accountability and place-focused policy making as a matter of routine and ambitious local areas need to move forward to establish the necessary local governance arrangements to hasten decentralisation.
48. Further, constitutional reform could be a positive, strengthening step for the UK. The Political and Constitutional Affairs Committee’s recent work on codifying the role of local government within state is an example of how the role of local government and the relationship with central government could be better defined in the UK²³.

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?

49. The centralisation of power that has occurred in the UK over the last 40-50 years ensures that a major shift in momentum is required to reverse the ingrained cultural, systemic and organisational norm of ‘Whitehall knows best’. In recent years, we have seen the city deals hailed as a major step towards decentralisation but in reality, the deals were relatively piecemeal and small compared to the scale of the change needed. The deals were philosophically a significant step but were hard-fought and focused mainly on economic growth rather than public service reform needed to deliver a more efficient state.
50. Further, there is a danger that short term success and a return to growth clouds the vision of a sustainable, rebalanced UK economy because growth in the UK is often viewed as zero-sum. The UK’s economic position is starting to improve but this has been heavily driven by London and the South East, reinforcing and enhancing the gap between London and other cities. Rather than a return to growth being seen as a reason to keep the status quo, it should be seen as an opportunity to strengthen the recovery and place the UK on a new economic path. Empowering cities and London will complement the existing strength of the capital support a move towards long-lasting, sustainable economic growth and public service reform where more distributed economic centres carry the weight for the UK.
51. What is vital to this is leadership to carry the reforms through – both nationally and locally. At a national level, Ministers need to seize the opportunity to instigate a shift towards an economy in which our key economic centres are responsible for more, deliver more, and cost less. Evidence suggests that national economies are more successful when the responsibility for growth is shared by a number of economic centres – our cities have

²² Stevens, A. (2013) *Growth in second tier cities: urban policy lessons from Japan*, Briefing for Core Cities Group, November 2013, Japan Local Government Centre. http://www.corecities.com/sites/default/files/images/publications/Growth%20in%20second%20tier%20cities%20-%20Urban%20policy%20lessons%20from%20Japan_0.pdf

²³ Political and Constitutional Reform Committee (2013) *Prospects for codifying the relationship between central and local government*, <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpolcon/656/656.pdf>

the capacity and scale to deliver real change but Ministers must overcome systemic vested interests and empower cities.

52. Locally, it is the responsibility of elected political leaders and private sector leaders to establish robust governance arrangements to provide the necessary accountability for devolution to economic areas. Where devolution is to cities specifically, local leaders can take opportunities to drive the integration of public services.
53. We would be keen to work with Government through Core Cities to establish a joint roadmap to decentralisation through which we could both be held to account for the delivery of a power shift towards cities with clear milestones for delivery.

Appendix 1: OECD analysis of control of tax revenues at local level

Table D. Attribution of tax revenues to sub-sectors of general government as percentage of total tax revenue

	Supranational			Central government			State or Regional government			Local government			Social Security Funds		
	1975	1995	2011	1975	1995	2011	1975	1995	2011	1975	1995	2011	1975	1995	2011
Federal countries															
Australia	..	..	..	80.1	77.5	81.3	15.7	19.0	15.3	4.2	3.4	3.4	0.0	0.0	0.0
Austria	..	0.0	0.3	51.7	64.8	66.3	10.6	1.8	1.6	12.4	4.1	3.2	25.3	29.3	28.5
Belgium	1.4	1.0	0.8	65.3	60.0	56.4	..	1.8	5.3	4.4	4.8	5.1	28.8	32.3	32.3
Canada	..	..	..	47.6	39.1	41.5	32.5	37.1	39.7	9.9	9.8	9.7	10.0	14.0	9.1
Germany	1.2	0.6	0.5	33.5	31.4	31.7	22.3	21.6	21.3	9.0	7.4	8.0	34.0	39.0	38.5
Mexico	..	..	..	..	80.1	81.9	..	2.1	2.5	..	1.1	1.1	..	16.6	14.5
Switzerland	..	..	..	30.7	31.4	36.3	27.0	23.8	24.2	20.3	17.6	15.0	22.0	27.3	24.5
United States	..	..	..	45.4	42.0	40.6	19.5	19.9	20.7	14.7	13.2	15.9	20.5	24.9	22.8
<i>Unweighted average</i>	1.3	0.5	0.5	50.6	53.3	54.5	21.3	15.9	16.3	10.7	7.7	7.7	20.1	22.9	21.3
Regional country															
Spain ¹	..	0.5	0.5	48.2	50.4	29.9	..	4.8	23.1	4.3	8.5	9.6	47.5	35.8	36.9
Unitary countries															
Chile	..	..	..	..	89.9	88.5	..	..	..	..	6.5	6.6	..	3.6	4.9
Czech Republic	..	..	0.5	..	57.7	54.1	..	..	..	..	0.9	1.2	..	41.4	44.1
Denmark	1.0	0.5	0.4	68.1	65.4	70.8	..	..	..	30.4	31.9	26.7	0.5	2.2	2.1
Estonia	..	..	0.6	..	72.1	68.5	..	..	..	..	13.1	13.3	..	14.8	17.6
Finland	..	0.4	0.2	56.0	46.6	47.7	..	..	..	23.5	22.3	23.3	20.4	30.8	28.8
France	0.7	0.4	0.2	51.2	42.2	32.6	..	..	..	7.6	11.0	13.2	40.6	46.4	54.0
Greece	..	0.6	0.3	67.1	66.8	64.2	..	..	..	3.4	0.9	3.7	29.5	31.7	31.9
Hungary	..	..	0.3	..	63.8	58.9	..	..	..	..	2.5	6.5	..	33.6	34.3
Iceland	..	..	..	81.3	79.2	73.4	..	..	..	18.7	20.8	26.6	0.0	0.0	0.0
Ireland	2.3	1.6	0.5	77.4	83.2	79.5	..	..	..	7.3	2.4	3.4	13.1	12.8	16.6
Israel	..	..	..	..	80.0	75.2	..	..	..	..	5.9	7.7	..	14.1	17.2
Italy	..	0.4	0.3	53.2	62.7	52.5	..	..	..	0.9	5.4	15.9	45.9	31.5	31.2
Japan	..	..	..	45.4	41.2	33.3	..	..	..	25.6	25.3	25.2	29.0	33.5	41.4
Korea	..	..	..	89.0	69.2	60.1	..	..	..	10.1	18.7	16.3	0.9	12.1	23.5
Luxembourg	0.8	0.4	0.1	63.6	67.1	66.3	..	..	..	6.7	6.4	4.7	29.0	26.1	28.9
Netherlands	1.5	1.2	1.0	58.9	54.2	57.0	..	..	..	1.2	2.7	3.6	38.4	41.9	38.4
New Zealand	..	..	..	92.3	94.7	92.7	..	..	..	7.7	5.3	7.3	0.0	0.0	0.0
Norway	..	..	..	50.6	58.4	87.7	..	..	..	22.4	19.6	12.3	27.0	22.0	0.0
Poland	..	..	0.3	..	62.1	51.9	..	..	..	..	7.5	12.5	..	30.4	35.4
Portugal	..	0.8	0.3	65.4	73.5	67.6	..	..	..	0.0	4.2	6.5	34.6	21.5	25.5
Slovak Republic	..	..	0.8	..	62.5	54.4	..	..	..	..	1.3	2.9	..	36.2	42.0
Slovenia	..	..	0.5	..	51.8	48.7	..	..	..	..	6.3	10.9	..	41.9	40.0
Sweden	..	0.4	0.4	51.3	46.9	51.3	..	..	..	29.2	30.9	35.7	19.5	21.8	12.6
Turkey	..	..	..	..	75.1	63.3	..	..	..	..	12.8	8.8	..	12.1	27.9
United Kingdom	1.0	1.0	0.5	70.5	77.5	75.9	..	..	..	11.1	3.7	4.8	17.5	17.8	18.7
<i>Unweighted average</i>	1.2	0.7	0.4	65.1	65.8	63.0	..	..	..	12.9	10.7	12.0	21.6	23.2	24.7

1. Spain is constitutionally a non-federal country with a highly decentralised political structure.

(Source: OECD, Revenue Statistics taxes by level of government, <http://www.oecd.org/ctp/tax-policy/revenue-statistics-levels-of-government.htm>)

Attribution of tax revenues to sub-sectors of general government as percentage of total tax revenue - % of controlled by local government
(2011)

