HOUSE OF LORDS

Library Note

Enabling Economic Leadership for Cities

On 11 December 2014, the House of Lords is scheduled to debate the following motion:

> "that this House takes note of the case for enabling economic leadership for cities"

Centre for Cities has stated that the performance of cities is crucial to the growth of the UK economy, but that many cities in the UK would perform better following further devolution of appropriate powers from central government. It has been estimated that, by 2030, urban areas could house 60 percent of the world's population and harbour 80 percent of global economic growth. Currently, UK cities account for around 59 percent of the nation's jobs and 61 percent of output.

The importance of cities was recognised by the Government in its 2011 report, *Unlocking Growth in Cities*. The report summarised a number of ways in which the Government was already helping cities realise their potential, and introduced the concept of City Deals. These are tailored deals negotiated between cities (and the relevant local authorities) and Government. They can include a range of devolved powers and responsibilities. The first wave of these deals was agreed in 2012 with the eight largest cities in England outside of London. Further deals were announced over the next couple of years with a number of other cities and large towns.

This Note considers these subjects in turn, along with further proposals for devolution put forward by the House of Commons Communities and Local Government Committee, Centre for Cities and the City Growth Commission. Statistics relating to cities can be found in section two of the Note, and further reading is contained in section five.

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1. Introduction

This Library Note considers the economic importance of cities in the United Kingdom, and how they can be helped to further drive the country's economic growth. As noted in a recent *Economist* article, much of the current discussion regarding improving the performance of cities focuses on the devolution of powers and fiscal responsibilities.[1] The article, suggested that "such enthusiasm for devolution is slightly surprising. Only one city, Bristol, elected a mayor in a series of plebiscites in 2012. Nine others—including Birmingham and Manchester—rejected the idea. When the previous Government offered the people of the North East a regional assembly in 2004, they rejected it in a referendum". The *Economist* reasoned that the increased interest in devolution may be linked to the discussions following the Scottish referendum and the success of London's mayoral position.

The City Growth Commission (headed by the Royal Society for the Encouragement of Arts, Manufactures and Commerce) claimed that, by 2030, urban areas could house 60 percent of the world's population and harbour 80 percent of global economic growth.[2] In addition, Centre for Cities (who publish research and policy analysis on UK city economies) estimated that UK cities accounted for 59 percent of the country's jobs, and 61 percent of output.[3] Section two of this Library Note considers the economic statistics relating to cities in more detail, including employment rates and gross value added across London and the ten "core cities" (as identified by the Core Cities Group[4]). It also briefly considers the performance of UK cities in a global context.

Section three of this Note sets out some of the Government's current policies to aid UK cities, such as the devolution of certain powers and responsibilities negotiated through City Deals.[5] As the topic of local devolution could potentially be quite broad, this Note aims to focus on those powers specifically relating to cities (eg the Note does not cover subjects such as the Business Rates Retention Scheme[6]). The same principle applies in section four of the Note, which contains recommendations for further devolution of powers across UK cities from a selection of recent reports. Some further reading is listed in section five, including Lord Heseltine's 2012 report on the devolution of powers to local areas, *No Stone Unturned in Pursuit of Growth*,[7] and reports focused solely on London or the core cities.

The definition of 'city' varies across this Library Note, due to the differing views and language of the authors of the reports referenced, and in some places also includes 'large towns' under the term 'city'. There are references to 'cities', 'urban areas', 'metros' and 'city-regions'. Where possible, the Note uses the term 'city' to apply to all these concepts.

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[1] *Economist*, '[City Devolution: Devo Met](#)', 25 October 2014.
[2] City Growth Commission, *Unleashing Metro Growth: Final Recommendations of the City Growth Commission*, October 2014, p 16.
[3] Centre for Cities, *Cities Outlook 2014*, January 2014, p 6.
[4] Core Cities website, accessed 3 December 2014.
[5] GOV.UK, 'Giving More Power Back to Cities Through City Deals', 12 September 2013.
[6] For further information on this, see: House of Commons Library, *Business Rates*, 20 June 2014, SN06247.
[7] GOV.UK, *No Stone Unturned in Pursuit of Growth*, October 2012.

2. The Economics of UK Cities

2.1 Information and Statistics on UK Cities

In its January 2014 report on the performance of UK cities, Centre for Cities stated that:

> The performance of cities is crucial to the performance of the UK economy. They account for 9 percent of land use, but 54 percent of population, 59 percent of jobs and 61 percent of output. But as well as being important in terms of scale, they are also important in terms of efficiency. Cities in the UK produce 15 percent more output for every worker than non-city areas, while they produce 32 percent fewer carbon dioxide emissions than non-city areas.[8]

The organisation went on to analyse the impact of the UK's current economic performance on UK cities, suggesting that 96 percent of net new private sector job creation had taken place in cities.[9] However, Centre for Cities also highlighted the disparities between cities, with 79 percent of the net private sector job growth (since 2010) occurring in London, and Britain's next nine largest cities accounting for just 10 percent of this job creation. Indeed, the organisation stated that many cities, such as Blackpool, Glasgow and Northampton, have continued to see a reduction in job creation.

The organisation reported that cities are responsible for:[10]

- 60 percent of the UK's business births.
- 73 percent of the highly skilled jobs in the UK.
- 54 percent of the UK population.
- 53 percent of UK business stock.
- 59 percent of UK jobs.
- 51 percent of the patents granted in the UK.

Regarding the population figures, the organisation stated that "in 2012, just four cities—London, Birmingham, Manchester and Glasgow—accounted for 23.6 percent of the UK's total population and 42.4 percent of all people living in cities. London alone accounted for 15 percent of the UK's total population and for almost one third of the population living in cities".[11] Centre for Cities reported that London came top for business start-ups and for business stock per 10,000 people, and accounted for 21 percent of all businesses (Sunderland had the lowest proportion of business stock).[12] The organisation also noted that London accounted for 30 percent of the UK's patents granted in cities in 2012.[13] However, when accounting for population, Cambridge had the highest proportion of patents granted (68.7 per 100,000 in 2012). Cambridge also had the highest proportion of residents with "high-level qualifications" (defined by the organisation as NVQ level 4 and above), followed by Oxford, Edinburgh and London.[14] The highest proportion of residents with no formal qualifications was in Blackburn

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[8] Centre for Cities, *Cities Outlook 2014*, January 2014, p 6.
[9] ibid, p 7.
[10] ibid, p 28.
[11] ibid, p 29.
[12] ibid, p 31.
[13] ibid, p 34.
[14] ibid, pp 43–4.

and Stoke. Belfast, Bradford, Birmingham and Liverpool were also among the cities with the highest proportion of workers with no formal qualifications.

The organisation noted that "average weekly earnings paid to residents in cities, (£512), was higher than the UK's average wage per week (£505) in 2013".[15] However, "residents in cities, on average, saw their 'real' wages fall on par with the national average between 2012 and 2013". The highest weekly earnings were in London (£634), and the lowest were in Hull (£373).[16] Stoke, Grimsby, Sunderland and Blackpool were also among the lowest cities for average weekly earnings (each being between £422 and £408).

Further information on each of the individual cities and large towns can be found on the Centre for Cities website.

The following tables show economic data on cities as published by the Office for National Statistics (ONS). However, due to the way that the organisation groups regional statistics, the information is only intended as a rough guide. The ONS does not specifically return statistics on cities. Therefore, some of the statistics may cover larger geographical areas (eg Newcastle is represented by the entire Tyneside region) and others may be more focused (eg Birmingham does not include the Solihull area). This information is returned for London and the other ten "core cities".[17]

The first table details employment (in thousands) and the unemployment rate (as a percentage of those aged 16 and over) across these cities for the 12 month period up to June 2014. Population figures (of those aged 16 to 64) are also included for guidance:

Table 1: Population and Employment Statistics in London and the Ten Core Cities for July 2013–June 2014

	Population aged 16 to 64 (000s)	**Employed (000s)**	**Unemployment Rate (percent)**
London (inc Inner and Outer)	5,756	4,019	7.4
Birmingham	700	427	12.5
Bristol	298	232	8.8
Cardiff (and Vale of Glamorgan)	318	230	7.1
Glasgow	417	271	9.9
Leeds	505	395	9.5
Liverpool	324	184	12.5
Greater Manchester	1,755	1,219	8.7
Newcastle (Tyneside)	548	389	8.8
Nottingham	217	143	12.4
Sheffield	368	278	10.3
United Kingdom	40,915	30,084	6.8

(Source: ONS, Regional Labour Market Statistics: Regional Labour Market: L104, 12 November 2014)

[15] ibid, p 45.
[16] ibid, p 46.
[17] As defined on the Core Cities website, accessed 1 December 2014.

The information shows that London accounted for over 10 percent of the total employment in the United Kingdom, and had an unemployment rate of 7.4 percent. However, the lowest unemployment rate among these cities was found in Cardiff (including the Vale of Glamorgan), with a rate of 7.1 percent (the closest to the national rate of 6.8 percent). The highest unemployment rates (over 12 percent) among these cities were found in Birmingham, Leeds and Liverpool. The lowest unemployment across the whole of the United Kingdom (eg throughout every region) was in the Orkney Islands (2.4 percent, and 11,000 employed), and the highest rate was in Leicester (13.6 percent unemployment rate, and 133,000 in employment).

Table 2 shows annual gross valued added (GVA) from 2008 to 2012 (in £millions) for the same cities. GVA is defined as a measurement of "the contribution to the economy of each individual producer, industry or sector in the United Kingdom".[18]

Table 2: Annual Gross Value Added in London and the Ten Core Cities for 2008–2012 (£ millions)

	2008	**2009**	**2010**	**2011**	**2012**
London (inc Inner and Outer)	285,638	278,453	289,376	303,369	309,339
Birmingham	20,198	19,824	20,680	21,148	21,191
Bristol	10,949	11,110	11,924	11,550	11,740
Cardiff (and Vale of Glamorgan)	9,556	9,259	9,224	9,752	10,095
Glasgow	17,262	17,311	16,857	17,525	17,750
Leeds	19,263	18,110	18,126	18,838	18,767
Liverpool	8,976	9,903	9,687	9,743	9,991
Greater Manchester	47,894	48,634	49,722	49,461	50,991
Newcastle (Tyneside)	14,775	14,062	14,697	15,659	16,055
Nottingham	7,368	7,429	7,768	7,852	8,258
Sheffield	9,594	9,760	10,067	10,037	10,264
United Kingdom	1,312,112	1,280,261	1,327,923	1,360,925	1,383,082

(Source: ONS, Regional Gross Value Added (Income Approach): Regional GVA NUTS3, 1997–2012, December 2013)

The 2012 figures indicated that GVA had increased for each featured city since 2008, with the exception of Leeds, whose GVA had fallen by £496 million from its 2008 total, and had fallen £71 million since 2011. London's GVA had increased by £24 billion since 2008, and by £6 billion since 2011. London also generated 22 percent of the United Kingdom's GVA in 2012, while the other ten cities contributed a further 13 percent (totalling 35 percent in total).

[18] ONS, 'Guide to Gross Value Added', accessed 1 December 2014.

Table 3 shows GVA figures per head (in £s) for each of these cities between 2008 and 2012:

Table 3: Annual Gross Value Added (£ Per Head) in London and the Ten Core Cities for 2008–2012

	2008	2009	2010	2011	2012
London (inc Inner and Outer)	36,563	35,058	35,896	36,976	37,232
Birmingham	19,440	18,878	19,490	19,685	19,523
Bristol	26,394	26,515	28,187	26,982	27,148
Cardiff (and Vale of Glamorgan)	20,841	19,963	19,716	20,678	21,239
Glasgow	29,958	29,763	28,742	29,551	29,829
Leeds	25,973	24,345	24,246	25,094	24,770
Liverpool	19,750	21,645	20,995	20,924	21,272
Greater Manchester	18,280	18,423	18,680	18,419	18,870
Newcastle (Tyneside)	18,144	17,181	17,835	18,893	19,286
Nottingham	25,337	25,199	25,916	25,836	26,748
Sheffield	17,966	18,129	18,484	18,191	18,415
United Kingdom	21,223	20,563	21,159	21,505	21,674

(Source: ONS, Regional Gross Value Added (Income Approach): Regional GVA NUTS3, 1997–2012, December 2013)

This table shows that GVA per head has consistently been higher than the UK average in London, Bristol, Glasgow, Leeds and Nottingham. However, cities such as Birmingham, Manchester, Newcastle (Tyneside) and Sheffield consistently had GVA per head figures that were lower than the national average, with Sheffield consistently recording the lowest figures. Both Leeds and, marginally, Glasgow had lower GVA per head figures in 2012 than they did in 2008.

Further regional statistics are available on the ONS website.

The potential for further economic growth being driven by cities has been considered by the City Growth Commission. The Commission estimated that, "if between 2013 and 2030 the 14 non-London metros [eg the 14 largest cities outside of London] were to grow in line with the Office for Budget Responsibility's (OBR) forecast for average nominal growth in GVA for the UK, and London were to maintain its historic growth performance, their GVA would be £943 billion higher in 2030 than in 2013".[19] However, the Commission calculated that if these 14 'metros' were to continue growing at their current rate, they would instead accrue higher GVA of only £864 billion by 2030 (eg £79 billion less than if they grew at the OBR's average UK rate). The Commission asserted that, in real terms, this difference could be worth £60 billion to the UK economy.

[19] City Growth Commission, *Unleashing Metro Growth: Final Recommendations of the City Growth Commission*, October 2014, p 19.

2.2 UK Cities Globally

Commentary on the performance of UK cities, both nationally and internationally, is available in a report published by Liverpool John Moores University.[20] The authors highlighted the dominance of London among UK cities, with it being the only city from the UK among Europe's top 20 for productivity between 2000 and 2008.[21] They stated:

> All 14 UK city-regions fell below the average annual growth in GDP per capita for the 149 [in Europe], of 3.1 percent, during the boom. Edinburgh, Glasgow and London came closest with annual average growth rates of 2.9 percent, 2.7 percent and 2.6 percent respectively. London, with its 2.6 percent annual average growth rate, ranked 13th out of the 27 European capitals.[22]

The authors then stated that, during the economic crisis between 2008 and 2010, real GDP fell across all 14 UK city-regions, but with some experiencing a greater decline than others (eg Nottingham's decline (-2.8 percent) was five and a half times worse than that experienced by Bristol (-0.5 percent)).[23] They noted that "the average annual decline for the 149 European city-regions was -1.4 percent. Four of the 14 UK city-regions had declines less than this—Bristol, Belfast, Sheffield and Cardiff". Since 2010, the authors reported that Edinburgh and London had again performed well in comparison to the rest of Europe, but that cities such as Bradford, Leeds and Birmingham had continued to fall behind.

A similar perspective was expressed by, Greg Clark, then Minister of State for Decentralisation, in a speech in 2012.[24] The Minister claimed that, compared to equivalent cities in Germany, France and Italy, most of the UK's core cities were underperforming:

> For instance, in Germany all eight of the biggest cities outside Berlin outperform the country in terms of GDP per capita. The same goes for all but two of the Italian core cities. In France, three of the eight outperform the national average and none fall significantly below it. But for England, seven of the eight core cities underperform—with Bristol as the only exception. Much the same pattern applies when it comes to the percentage of the workforce educated to tertiary level and to per capita rates of innovation. Despite the regeneration we've undoubtedly seen in our cities over the last 25 years, there is room for improvement.[25]

The global importance of cities has been highlighted by the City Growth Commission, who asserted that 62 percent of global GDP growth over the next ten years would come from cities.[26] The Commission discussed the importance of UK cities tapping into global growth opportunities, and stated:

> Globally, growth is increasingly driven by cities. But very few in the UK are at the forefront of the nation's economy and many are overly dependent on public sector funding. It is clear that our centralised political economy is not fit for purpose.[27]

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[20] Liverpool John Moores University, *UK City-Regions in Growth and Recession: How Are They Performing at Home and Abroad?*, March 2014.
[21] ibid, p 7.
[22] ibid.
[23] ibid, p 8.
[24] GOV.UK, 'The Power to Propose: Strengthening Our Cities', 23 January 2012.
[25] ibid.
[26] City Growth Commission, *Metro Growth: The UK's Economic Opportunity*, February 2014, p 4.

Similar points were raised in the report of the House of Commons Communities and Local Government Committee, who highlighted the UK's "highly centralised system of taxation and expenditure".[28] The Committee claimed that, as of 2011, the "proportion of [UK] tax set at a sub-national—local or regional—level was at most 2.5 percent of GDP. This compared with 15.9 percent in Sweden; 15.3 percent in Canada; 10.9 percent in Germany; and 5.8 percent in France". The report also noted that the London Chamber of Commerce and Industry (LCCI) had described London as an "extreme outlier" in relation to its funding when compared to other capitals.[29] The LCCI said that Madrid received 37 percent of funding from the state, New York received 30.9 percent, Berlin 25.5 percent and Tokyo received 7.7 percent. In contrast, the LCCI estimated that London required 73.9 percent of its funding from central government. As such, the Committee asserted that "given the level of UK central government control over local spending and over local taxation in England compared to other developed countries, it is entirely reasonable for local areas in England to aspire to greater local control over the money raised from their areas and spent locally".[30]

3. Current Government Policy

In its 2011 report, *Unlocking Growth in Cities*, the Government stated that:

> Cities are the engines of economic growth and they will be critical to our economic recovery. However, to create the new businesses, jobs and development that the country needs, local leaders need a step change in the way in which they support economic growth on the ground.[31]

The Government then set out a number of ways in which it was already "supporting" and "empowering" UK cities.[32] These included local enterprise partnerships, enterprise zones and the Regional Growth Fund and the Growing Places Fund.

Local Enterprise Partnerships

These are partnerships between local authorities and businesses tasked with prioritising investment in local infrastructure, such as transport, buildings and facilities.[33] They replaced the Regional Development Agencies in England. As at 1 December 2014, there were 39 local enterprise partnerships in the UK.[34]

Enterprise Zones

Enterprise zones are specific geographical areas within local enterprise partnerships. As at 1 December 2014 there were 24 of these zones in England, including those encompassing the Sheffield City Region, Nottingham, Mersey Waters, Manchester and Tees Valley.[35] The

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[27] ibid, p 3.
[28] House of Commons Communities and Local Government Committee, *Devolution in England: The Case for Local Government*, 9 July 2014, p 6
[29] ibid, p 11.
[30] ibid, p 12.
[31] HM Government, *Unlocking Growth in Cities*, December 2011, p 3.
[32] ibid, p 4.
[33] GOV.UK. 'Local Enterprise Partnerships', 24 October 2014.
[34] Department for Communities and Local Government, 'Local Enterprise Partnership Map', 2012.
[35] HM Government, 'Enterprise Zones in Your Area', accessed 1 December 2014.

Government has listed the following incentives available to businesses to expand or start up in one of these zones:

- A business rate discount worth up to £275,000 per business over a 5 year period.
- Simplified local authority planning, for example, through local development orders that grant automatic planning permission for certain development (such as new industrial buildings or changing how existing buildings are used) within specified areas.
- Government grants to install superfast broadband.
- Enhanced capital allowances in some zones—tax relief for investments in equipment.[36]

The Government has also stated that all business rates growth generated within an enterprise zone will be available (for at least 25 years) to local enterprise partnerships and local authorities to reinvest in economic growth in their area.[37]

Further information on enterprise zones can be found on the Government's dedicated website.

Regional Growth Fund and Growing Places Fund

The regional growth fund consists of £3.2 billion available over the years 2011 to 2017. The House of Commons Library has stated that the fund "is intended to promote the private sector in areas in England most at risk to public sector cuts by providing financial support for private enterprises to leverage additional funding and to create sustainable jobs".[38] Bidders are encouraged in rounds. The Government has stated that:

> Rounds 1 to 5 of the Regional Growth Fund have supported 430 projects and programmes across England—allocating £2.9 billion of government support. We project this to deliver 573,000 jobs and £16 billion of private investment between now and the mid-2020s.
>
> To date companies have drawn down £906 million of RGF support, delivering nearly over 88,700 jobs and £2.4 billion of private investment. Round 6 made over £200 million available to bidders.[39]

The Government will announce the successful bidders for round six in early 2015.

The Growing Places Fund provides funding for local enterprise partnerships (and local authorities) to invest in key infrastructure projects to improve economic growth, create jobs and build homes.[40] In its latest update, the Government announced that local enterprise partnerships had received £730 million in funding under the scheme.[41] The report also provided information on the progress of the projects supported under the scheme.

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[36] GOV.UK, 'Enterprise Zones', 24 October 2014.
[37] ibid.
[38] House of Commons Library, *Regional Growth Fund*, 29 August 2014, SN/EP/5874.
[39] GOV.UK, 'Regional Growth Fund', 20 October 2014.
[40] GOV.UK, 'Growing Places Fund', 10 October 2014.
[41] Department for Communities and Local Government, *The Growing Places Fund*, October 2014, p 5.

3.1 City Deals

The *Unlocking Growth in Cities* report also mentioned a couple of changes brought into effect by the Localism Act 2011.[42] The first of these related to the introduction of a general power of competence for local authorities, which would allow them to act in the same way as individuals. This includes the ability for local authorities to set up businesses. The second change mentioned was that of the 'Core Cities Amendment', which allows "local authorities to make the case for being given new powers to promote economic growth and to set their own distinct policies".[43]

Following on from this concept, the report introduced the idea of City Deals; tailored agreements made with individual cities (starting with the eight core cities outside London).[44] The Government emphasised that these deals needed to be two-way transactions: "where cities want to take on significant new powers and funding, they will need to demonstrate strong, visible and accountable leadership and effective decision-making structures".[45] Examples of the potential negotiating options open to cities included: the devolution of major local transport funding; consolidated pots of capital; powers to offer business rates discounts; and the creation of City Skills Funds to enable cities and colleges to tailor adult education provision to meet the needs of the area.[46]

The Government published the agreements reached on the first wave of city deals in July 2012.[47] Summaries of the deals are available in the Government's report, *Unlocking Growth in Cities: City Deals—Wave 1*.[48] These deals covered: Greater Birmingham and Solihull, Bristol and the West of England, Greater Manchester, Leeds City Region, Liverpool City Region, Nottingham, Newcastle and Sheffield City Region.

Summarising some of the terms agreed in the first wave of deals, Centre for Cities stated that many included greater influence over the use of Regional Growth Funds, EU Structural Funds and transport funding.[49] The organisation also noted that all the deals included measures to improve education and skills, and many included changes to economic investment funding (including the pooling of funding streams). Specific examples of some of the agreements highlighted by Centre for Cities, included:[50]

- Greater Manchester agreed an 'earn back' scheme, described as "a new payment by result model that incentivises the city to invest in growth in return for a £30 million per year share of the additional national tax take".[51]
- Freedom to borrow against future business rate income in key development zones (Newcastle, Sheffield and Nottingham).
- Birmingham agreed the aggregation of a £1.5 billion investment fund from public and private sector funding streams.
- Localised youth contracts (Leeds, Newcastle and Liverpool).

[42] HM Government, *Unlocking Growth in Cities*, December 2011, p 4.
[43] ibid.
[44] ibid, p 1.
[45] ibid.
[46] ibid, p 9.
[47] GOV.UK, 'City Deals: Wave 1', 5 July 2012.
[48] HM Government, *Unlocking Growth in Cities: City Deals—Wave 1*, July 2012.
[49] Centre for Cities, *Cities Policy Briefing*, September 2014, pp 4–5.
[50] ibid.
[51] ibid, p 4.

- Leeds agreed the introduction of an Apprenticeship Training Agency to support small business.
- Nottingham agreed to develop a green deal strategy.

The Government stated that the core cities "estimated that the first wave of deals will create 175,000 jobs over the next 20 years and 37,000 new apprenticeships".[52]

In January 2013, 20 more city-regions (and large towns) submitted their proposals to the Government for the next wave of City Deals.[53] The cities (including some large towns) invited to submit a deal were the "next 14 largest cities outside of London, and their wider areas, and the 6 cities with the highest population growth during 2001 to 2010".[54] This included regions such as: Hull and Humber; Leicester and Leicestershire; Bournemouth; Southampton and Portsmouth; Sunderland and the North East; and Milton Keynes. In February 2013, it was announced that all 20 regions were successful in their bid to negotiate towards a City Deal.[55] This announcement also included a summary of how each region intended to utilise the deal. Many of these deals have now been agreed and are available on the GOV.UK website. In August 2014, a City Deal was also signed by the UK Government, the Scottish Government and the 8 local authorities across Glasgow and Clyde Valley.[56] A summary of some of the agreed terms for the new wave of City Deals has been published by Centre for Cities.[57] This includes:

- A 'gain share' scheme similar to Greater Manchester's 'earn back' scheme, whereby the "Government promises to invest £100 million in infrastructure over the next 5 years, incentivising the city to drive growth and increase the local tax take in the next 15 to 20 years in return for up to half a billion pounds investment in the area" (Greater Cambridge).[58]
- Glasgow and Clyde Valley's City Deal included the largest infrastructure fund agreement, with the UK and Scottish Governments each committing £500 million of capital funding.
- A personalised budget for unemployed 18 to 24 year-olds to purchase specialised support to overcome barriers to work (Hull and Humber).
- Greater Brighton refurbishing a city-centre location to focus employment and skills on the digital economy.

Speaking at Mansion House in February 2013, the Deputy Prime Minister, Nick Clegg, highlighted the importance of the City Deals to empower local areas to deliver economic growth:

> Even more places will be free from Whitehall control and have the tools to power their own growth. These deals help cities and their wider areas make once in a generation changes that will be felt by everyone across their region [...]

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[52] HM Government, *Unlocking Growth in Cities: City Deals—Wave 1*, July 2012, p 1.
[53] GOV.UK, 'City Deals—Wave 2', September 2013
[54] GOV.UK, 'Giving More Power Back to Cities Through City Deals', 12 September 2013.
[55] GOV.UK, 'Deputy Prime Minister Launches More 'City Deals'', 19 February 2013.
[56] GOV.UK, 'City Deal: Glasgow and Clyde Valley', 20 August 2014.
[57] Centre for Cities, *Cities Policy Briefing*, September 2014, pp 4–5.
[58] ibid, p 4.

> Rather than let our industries and communities wither, we need to free up cities outside of London that have their own unique selling points.[59]

Also speaking at the event, the then Financial Secretary to the Treasury and Minister for Cities, Greg Clark, stated that:

> Britain's economic success depends on our cities being successful—they are where most people live, work and study, and where most businesses are located. Each city is unique, yet for decades Whitehall has treated them as being the same—there has been too little sense of place in government policy.
>
> City Deals are a quiet revolution in the way Britain is governed. Rather than London laying down the law, cities have the right to do things their way. The stories of their own futures will be as individual as their unique histories.[60]

Reaction

City Deals were welcomed by the Shadow Communities and Local Government Secretary, Hilary Benn, who, in July 2012, said that "Labour strongly supports local communities being given more powers—indeed I have been calling for this for some time. These City Deals represent an important victory for local people and local government".[61] However, Hilary Benn has also stated that he would like to see the deals go further, advocating the introduction of "county deals".[62]

Centre for Cities welcomed the roll-out of City Deals, believing they presented "cities across the UK with a real opportunity to take greater control of policies that influence the growth of their economies".[63] The organisation also published a report analysing the experiences of the first wave of City Deals following interviews with representatives of the eight cities involved. They listed a number of achievements brought about by the deals.[64] These included:

- Raised ambitions among the cities, particularly due to the ability to experiment with policy ideas and the long-term focus of the Government.
- Increased local control; cities have more flexibility to respond to local priorities or problems (eg skills shortages).
- Greater incentives to promote local economic growth.
- Increased funding and investment options.
- Public and private sector collaboration.

The report also found some areas for improvement, particularly in relation to cities lacking viable proposals to take proper advantage of the options under city deals, and the collaboration and communication between cities and local areas or central government.[65] Centre for Cities concluded that "the consensus is that City Deals have helped Core Cities to develop their economic strategies, to progress their plans faster than would otherwise have been possible

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[59] GOV.UK, 'Deputy Prime Minister Launches More 'City Deals'', 19 February 2013.
[60] ibid.
[61] *Independent*, 'Nick Clegg to Announce Extra Powers for Cities', 5 July 2012.
[62] Local Government Chronicle, 'We Will Extend City Deal Into the Counties, Labour Pledges', 24 September 2013.
[63] Centre for Cities, *City Deals: Insights from the Core Cities*, February 2013, p 1.
[64] ibid, pp 2–3.
[65] ibid, pp 3–5.

and to increase their likely impact. However, the decentralisation process remains fragile, vulnerable to changing government priorities, conflicting policy approaches within Whitehall, and the electoral cycle”.[66]

3.3 Other Policies Related to Cities

In addition to those policies mentioned above, the following is a short summary of some of the other recent government policies relating to cities, such as Local Growth Deals, the Smart Cities Forum and the Greater Manchester agreement.

Local Growth Deals

On 7 July 2014, the Government announced “plans to invest at least £12 billion in local economies in a series of ‘Growth Deals’. The money will go towards providing support for local businesses to train young people, create thousands of new jobs, build thousands of new homes and start hundreds of infrastructure projects; including transport improvements and superfast broadband networks”.[67] This funding is provided to local enterprise partnerships. Information on some of the agreed Growth Deals can be found on the GOV.UK website.

Smart Cities Forum

Meeting for the first time on 18 December 2013, the Smart Cities Forum aims to bring together universities, business and local authorities to ensure modern technology is utilised to innovate and respond to developing urban needs. The Government has stated that “smart cities have the potential for businesses to plan efficient routes to transport goods, allow local authorities to create effective public health services and provide the public with access to real time data so they can plan their daily activities”.[68] The Government estimated that the market may be worth $400 billion by 2020.

Greater Manchester Agreement

This agreement devolves further powers to Greater Manchester Combined Authority and begins the transition towards a directly elected mayor in the region. Published on 3 November 2014,[69] the agreement proposes the devolution of the following powers to the combined authority and to the mayor:

- a consolidated, multi-year transport budget;
- a new Housing Investment Fund of £300m over 10 years;
- a reformed ‘earn back’ deal;
- control of the area’s Apprenticeship Grant; and
- devolved business support budgets.

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[66] ibid, p 6.
[67] GOV.UK, ‘Growth Deals: Firing up Local Economies’, 7 July 2014.
[68] GOV.UK, ‘UK Set to Lead the Way for Smart Cities’, 18 December 2013.
[69] HM Treasury, *Greater Manchester Agreement: Devolution to the Greater Manchester Combined Authority and Transition to a Directly Elected Mayor*, 3 November 2014, p 1.

The new mayor's actions would be subject to scrutiny by the combined authority.[70] The combined authority would also have powers to reject the mayor's spending plans. It was anticipated that the first mayoral elections for the region could happen in 2017.[71]

4. Proposals for Further Powers

4.1 House of Commons Communities and Local Government Committee

On 9 July 2014, the House of Commons Communities and Local Government Committee published its report on the devolution of powers to local government.[72] Although the report did not focus solely on devolving powers to cities, the report did include city-regions amongst its proposals, and featured evidence from cities and organisations focused on cities (eg the Core Cities group and the Centre for Cities). The Committee suggested that cities such as London and the core cities were ready to take greater control over their financing and borrowing powers.[73]

The Committee recommended a move towards fiscal devolution to local authorities (including cities), and discussed the possibility of devolving full business rates retention, council tax and stamp duty.[74] The report then listed a number of features such fiscal devolution could adopt.[75] These were:

- A framework of taxes, powers and responsibilities which could be devolved and decentralised to local authorities.
- The initiative to seek powers would lie with local authorities.
- Areas to which any fiscal powers were devolved should "demonstrably function as an economic unit" (eg London or combined authorities).[76]
- The areas should be able to demonstrate a record of competent, strategic financial management and should have transparent and accountable governance arrangements (ie democratic elections).
- Powers and responsibilities to be devolved would be a matter for negotiation between the authority and central government.
- An independent office should "bring objectivity to the process", including evaluations of devolution proposals, assessments of local authorities needs and resources, and commissioning independent revaluations of business rates and council tax values on a five-yearly basis.[77]
- The arrangements should balance incentivising local growth with some equalisation and redistribution of resources from authorities with the greatest resources (eg London) to those with the greatest needs.

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[70] ibid, p 4.
[71] ibid, p 3.
[72] House of Commons Communities and Local Government Committee, *Devolution in England: The Case for Local Government*, 9 July 2014, HC 503 of session 2013–14.
[73] ibid, p 64.
[74] ibid, p 49–56.
[75] ibid, pp 64–5.
[76] ibid, p 65.
[77] ibid.

The Committee reasoned that fiscal devolution offered benefits in terms of local accountability, and, potentially, economic growth:

> We conclude that there is evidence of at least an indirect connection between fiscal devolution and growth. There is also evidence that fiscal devolution—as part of a package of wider decentralisation—would encourage greater economic growth across England. The Government has, through its own business rates retention scheme, accepted the logic behind this. Putting a wider range of tax and borrowing powers into the hands of local politicians simply extends this logic. London, already in the vanguard of UK growth, would not be pressing for devolution if it was not to its advantage. Placing power in the hands of other areas, too, would provide an opportunity to contribute to a more balanced economy. Cities and their wider regions have the most potential to drive growth. [...]
>
> Fiscal devolution presents an opportunity to improve accountability, to hold local politicians to account for their successes and failures and, therefore, to improve democracy. By giving politicians outside Westminster the responsibility for raising, as well as spending, money locally, fiscal devolution would bring decisions on how that money is generated and spent much closer to local people—and make those who make such decisions much more visible. This would enhance the standing of local democracy and, by extension, democracy throughout the country.[78]

4.2 City Growth Commission

The City Growth Commission was a "12 month independent inquiry into how best to enable the UK's major cities to drive growth and respond to the fiscal and economic challenges of the future".[79] It was launched by the Royal Society for the Encouragement of Arts, Manufactures and Commerce in October 2013, and was supported by organisations such as the Core Cities Group, the Greater London Authority and the Joseph Rowntree Foundation. The Commission published its final recommendations in October 2014.

The commission focused on the 15 largest 'metros' in the United Kingdom, and made a number of recommendations aimed at improving their potential for growth. As with the House of Commons Communities and Local Government Committee, the Commission called for an "appropriate" level of devolution of powers to certain 'metro' regions, empowering them to plan, commission and deliver policies in their best interests.[80] The Commission stated:

> The City Growth Commission does not argue for a top-down blanket policy of devolution, but a process through which the UK's major metros can benefit from new powers and flexibilities that match their capability and ambition. City-regional devolution hinges upon effective governance and accountability structures, visionary leadership and the economic growth potential to ride the difficult storms of decentralisation and devolution. City-region devolution is therefore not for everyone—or at least, not immediately.[81]

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[78] ibid, pp 16–7.
[79] City Growth Commission, *Unleashing Metro Growth: Final Recommendations of the City Growth Commission*, October 2014.
[80] ibid, p 32.
[81] ibid.

Among its recommendations, the Commission called for:[82]

- More control over the design, delivery and decision-making of policy and finance—This would allow cities to better coordinate resources across their region, co-operate with other cities on the integration of public services, and make tailored decisions based on local data and evidence.

- Greater fiscal powers—Cities that have shown the ability to manage risks and responsibilities in this area, should be given greater access to borrowing options. These cities could also have options to agree multi-year finance settlements and to pool budgets. Some cities may receive full devolution of business rates and council tax (both in terms of setting and retaining).

- Supply side measures to "enhance skills and connectivity by redirecting welfare spend to more preventative and productive outcomes"[83]—Under this proposal, the Commission mentioned the importance of improving digital connectivity, transport (including the potential for a Northern Oyster card), and long term infrastructure planning. The Commission also called for cities to have skills funding maintained at a regional level, and greater influence over housing policy (including decisions over green belt land).

In addition, the Commission discussed the need for cities to have more representation in national decision-making (such as national infrastructure decisions), and made a number of proposals connected to improving connections with students and universities (eg campaigns focused on extending graduates links with areas, networks between universities and industry, etc).[84] The Commission also claimed that the "national approach to immigration is failing cities across the UK in need of highly-skilled talent. Small and medium-sized enterprises (SMEs) struggle to meet their recruitment needs through immigration because the system is costly and complex".[85] It called for:

- Lifting the cap on tier 2 skilled migration to signal that the UK is keen to attract the brightest and best by limiting the barriers to doing so.
- Licensing metros to become trusted sponsors on behalf of SMEs, reducing the administrative costs associated with recruiting international talent.[86]

4.3 Centre for Cities

In its November 2014 report, *Economic Growth Through Devolution*, Centre for Cities argued that many of the UK's largest cities were not living up to their full potential, and claimed that the "centralised governance and funding system in the UK hinders cities from making the most of their local economies. [...] In order to grow the UK economy, city economies need to be equipped with the tools, powers and flexibilities to drive growth".[87] However, Centre for Cities also reasoned that certain powers should be retained within Whitehall or the remit of local authorities (eg income tax levels, social care, etc).

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[82] ibid, pp 32–6.
[83] ibid, p 33.
[84] ibid.
[85] ibid, p 37.
[86] ibid.
[87] Centre for Cities, *Economic Growth Through Devolution*, November 2014, p 1.

The organisation recommended four institutional changes to help drive growth, each of which it asserted should be enshrined within primary legislation. These were as follows:

- Combined authorities for major city-regions.
- City-county authorities for the UK's small and medium sized cities.
- Greater powers for Greater London.
- Simplified remit and geography for local enterprise partnerships (LEPs).[88]

The first three of these are considered in more detail below:

Combined Authorities for Major City-Regions

Centre for Cities claimed that the seven largest city-regions outside of London account for "about 25 percent of the population, 23 per cent of jobs and just under 21 per cent of GVA, but they are currently under-performing compared to the national average. They lack the powers to adapt investments and policies that could maximise their contribution to the national economy".[89] The organisation stated that combined authorities offer city-regions a formally integrated and long-term means to collaborate in pursuit of economic growth. It noted that Greater Manchester, Liverpool City-region, the North East, Sheffield City-region and West Yorkshire already operated as combined authorities, and recommended Birmingham and Bristol be the next. Centre for Cities then called for each combined authority to be given additional powers in relation to strategic planning, transport, jobs and skills, and financing.[90] Examples included:

- Powers to set a statutory city-region economic plan (incorporating housing, transport and land use).
- Transport for London-equivalent local transport bodies.
- Strategic oversight of training and workforce development (including greater control over welfare to work contracts).
- Five-year budgets comprising integrated funding from central government departments.

The organisation also set out a number of ways individual authorities within combined authorities could benefit from greater powers, and discussed potential scrutiny and governance arrangements (including directly-elected mayors).[91] Centre for Cities estimated that 42 local authorities would be covered by these recommendations.[92]

City-County Authorities

Centre for Cities believed that city-county authorities would:

> Offer cities outside the seven major city-regions the means to collaborate on the issues that will support long-term economic growth. Many small and medium sized cities' economies reach beyond their boundaries into counties, and cities need to be able to plan policy and strategy with the counties with whom they share a symbiotic relationship. Small and medium sized cities should form combined authority-style

[88] ibid, p 3.
[89] ibid, p 4.
[90] ibid, pp 4–5.
[91] ibid, pp 6–7.
[92] ibid, p 8.

> strategic bodies with their neighbouring county through which they would share strategic responsibility for transport, economic development, planning and regeneration.[93]

Accepting that this could be complex in a number of cases, the organisation set out various approaches and steps that could be taken to achieve this goal (including shire districts attaining full unitary authority status).[94] It suggested that the city government could then work with their related counties on strategies for economic growth. Again, Centre for Cities recommended a number of powers (such as the ones for combined authorities) that could be granted to the city-county authority.[95] The organisation also set out possible governance and scrutiny arrangements; specifically, that the city-county authorities could have directly-elected cabinets made up of representatives from across the region.[96]

Centre for Cities recommended that both combined authorities and city-county authorities should be held accountable to Parliament (through the Public Accounts Committee) and central government (through those bodies taking on responsibility for the duties of the Audit Commission).[97]

Further Devolution for Greater London

Although acknowledging the greater powers already held by London (through the Greater London Authority), and the economic success of the region in comparison to other UK cities, Centre for Cities still believed that the region needed greater fiscal autonomy to compete with other global cities.[98] In particular, the organisation called for further powers related to planning, transport and jobs and skills. It also recommended a suite of improved financing options for the Greater London Authority.[99]

5. Further Reading

- GOV.UK, *No Stone Unturned in Pursuit of Growth*, October 2012, and Government response, March 2013
- Government Office for Science, 'Future of Cities', 26 November 2014 (a collection of reading material)
- Core Cities Group, *Competitive Cities, Prosperous People: A Core Cities Prospectus for Growth*, November 2013
- Key Cities, *Charter for Devolution*, September 2014
- London Finance Commission, *Growing the Capital*, May 2013
- City Growth Commission, *Powers to Grow: City Finance and Governance*, September 2014

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93 ibid, p 9.
94 ibid, p 10.
95 ibid, p 11.
96 ibid, p 12.
97 ibid, p 16.
98 ibid, p 13.
99 ibid, pp 13–4.