
GLOBAL SUCCESS, LOCAL PROSPERITY: A BUDGET FOR REGIONAL GROWTH

Summary

An OECD report commissioned with Core Cities UK (appended) shows how towns and cities are part of interdependent, networked economies across and beyond city regions. It demonstrates how devolution and specific investments into these areas can benefit all, transforming the prospects of the UK. Our submission is based on this evidence.

The ambition

1. Boosting regional growth and productivity

Addressing productivity and regional rebalancing must be top priorities for the new Government. The 11 Core Cities city regions - composed of towns and cities – deliver 25% of the UK economy. Yet their productivity is low by international standards. Raising them to the UK average would put £80billion a year into the economy; £100billion if at the same level as similar city regions globally.

2. Reframing the UK's international and trading relationships

Harnessing the potential of these city regions will reposition the UK internationally at a critical moment, exploiting their global trade links to national benefit. These city regions already deliver 20% of UK exports, are centres of travel, trade and commerce with other city regions globally, through their ports and airports. They all have strong international 'soft power' links through their cultural institutions and diaspora communities.

3. Creating sustainable, inclusive places

Dealing with deprivation, creating more and affordable housing, and achieving zero carbon are all issues that have to be addressed at the local not just national levels. They are also issues that impact directly on productivity. We are already delivering great results, which will be improved if we can do more to join up national and local efforts in city regions and shift from a bidding culture that wastes public resources to collaborative co-commissioning.

The tools

Government must will the means as well as the ends to help places level up, increasing productivity and prosperity, including the following.

1. Reset the dial on devolution

Devolution got off to a good start but has stalled, leaving the UK as one of the most centralised states in the developed world. The OECD have demonstrated this is holding back the ability of UK cities and city regions to deliver their economic potential. But devolution is also something local people want, and feel they have been promised.

2. Build sustainable, innovative public services

Almost 40% of low productivity across the Core Cities city regions, on average, is linked to deprivation. Addressing issues of health and low or no skills relies on high quality public services, sustainably funded and joined up across city regions.

3. Establish a local-national partnership for growth

Core Cities UK and their local partners have an unparalleled track record of joint delivery, on devolution, housing and economic policy. They offer a route for government to a single conversation and negotiation with over one quarter of the UK's economy and population.

The detailed proposals

Addressing productivity

Core Cities UK has worked with the OECD to investigate the productivity of their cities. The OECD's independent report, appended to this submission, makes recommendations that will enhance the productivity of Core Cities city regions in a way that builds networked economies between towns, cities and other areas, fostering regional growth.

The Centre for Cities also produced research (Talk of the Town 2018) which demonstrated that a low productivity town near a high productivity city will do best of it can connect to that city's economy. But if a low productivity town is near a low productivity city, then the town will struggle unless the city's productivity is also addressed. There are many towns that are not near cities, and one size fits all solutions will not work, but it is also clear that cities and towns are part of an interconnected whole. Raising productivity anywhere in the UK therefore relies on policy that recognises the unique roles and characteristics of different places, not an 'either or' choice that could damage both.

Levelling up and more Inclusive Growth

60% of low productivity across the Core Cities city regions is related to 'in work' factors: poor infrastructure; levels of innovation and R&D spend; the ability of business to scale up or export more. But almost 40% of low productivity, on average, exists because of deprivation.

Addressing productivity therefore also means investing in high-quality, agile public services, prevention and early intervention, yet local authority finances are not on a sustainable trajectory. What will raise productivity or tackle deprivation in one place will fail in another, yet national policy is often 'place-blind'. This is not just a 'more money' issue, it is about service innovation, investing into prevention upstream to get more people into the labour market downstream. We should look at the totality of public investment into a place and ask, what are the outcomes that place needs, how can resources be deployed to achieve them?

1. Boosting regional growth and productivity

1.1 Enterprise and Innovation

Core Cities perform an important function for their city regions and wider regional economy as hubs of enterprise and innovation, with clusters of industry, research institutions and assets that business needs. Science and innovation will drive much of Britain's growth post-Brexit, especially future exports. Core Cities all have leading Civic Universities with strong R&D departments with the potential to become more entrepreneurial, launching start-ups which can power local growth. Business often struggles to get the labour it needs to thrive and the adult skills system in particular is supply-driven, not linked to market needs.

Proposals

- R&D and Innovation funds to focus on Core Cities city region universities, alongside additional support for business start-up and incubation.
- A devolved Skills and Employment system which is more demand led, creating modern, agile and skilled labour markets, coupled with better employment rights following Brexit.
- Localised and tailored business support offer with a single local 'front door'.

1.2 Incentivising Industry

Core Cities and their city regions have engaged fully in the development of the national and local industrial strategies, with several now agreed and published. The principles outlined in Local Industrial Strategies are evidence based, and commitments made alongside them should be honoured.

Proposals

- Implement Local Industrial Strategies, backed with resources.
- Explore the potential for Special Enterprise Zones across each of the Core Cities city regions to boost sectoral growth, business investment and address the four Grand Challenges.

1.3 World Class Infrastructure

The UK has the worst urban congestion in Europe. Transport investment provides a clear example of regional disparity in public funding – IPPR North figures show transport spending of £4,155 per capita planned for London, compared to £1,600 in the north as a whole. This is not an argument to spend less in the capital, but to level up the spending elsewhere.

Continuation of HS2 is critical and a commitment to the full roll out of Phase 2 must remain. HS2 is central to economically rebalancing and decarbonising the UK, and a symbol of our future ambition to the world. It will also offer a viable alternative to domestic air travel.

Increased use of the bus system - which is shifting to electric vehicles, and even vehicles that extract damaging particles from the air – relies on the ability of places to regulate and integrate transport systems.

Proposals

- Deliver the National Infrastructure Assessment findings including devolved funding.
- Commit to delivering HS2 in full, as a step to a UK-wide HSR network.
- Invest now in city region and regional transport improvements to achieve the full economic and climate benefits of HS2, before it is completed.
- Further support for active and green travel programmes.
- Speed up the delivery of integrated, regulated transport across city regions.

2. Reframing the UK's international and trading relationships

2.1 Growing Exports

Core Cities city regions already deliver 20% of UK exports. There is significant opportunity to expand this, including underexploited markets such as India, China and South East Asia.

Proposals

- Co-authoring of tailored trade policy between localities and government.
- Dedicated Urban Trade Fund, £1million per locality, drawn down against business plans.
- Better support for Core Cities city regions in trade missions and through the Ambassadorial Network.
- Major cultural festivals 'One United', with £1million match each from government, hosted across each city region, to celebrate local cultures and showcase places to the world.
- Assess the pros and cons of Freeports / Free Trade Zones to boost city region economies, drawing on the Core Cities expertise.

2.2 Growing internal trade across the UK

Growing trade is not all about exports. Internal trade can be boosted between the UK's regions and nations by linking city regions and their industrial sectors more closely, without the need for trade deals. Initially, government should provide match funding support for evidenced proposals to achieve this, prior to an investment programme.

3. Creating sustainable, inclusive places

3.1 Delivering Net Zero

Core Cities and their city region partners want a new dialogue to deliver Net Zero and tackle address urban air quality. This should involve consideration of new and more diverse investment streams for infrastructure, through a version of a regional banking model and innovative financing instruments, like Tax Increment Financing.

COP26 will take place in Glasgow, a Core City, in November 2020. Government should work with the Core Cities city regions to increase and then showcase our collective efforts to deliver Net Zero to the world. Core Cities have already established a strong working partnership with DfT and the Governments Joint Air Quality Unit on which we can build.

Proposals

- Co-commissioned programme with Government in the run up to COP26.
- Urban Air Quality Innovation Programme, with £50,000 to support initial co-design and co-commissioning between Core Cities city regions, DfT and JAQU, prior to a submission to the Spending Review, to scale-up solutions.

3.2 More & Better Housing

Our city regions already deliver around a quarter of GB's annual total new build but face significant challenges around market viability, land availability and assembly, and the additional costs of brownfield development. Core Cities have developed a collective Housing Prospectus, intended to inform individual City Housing Deals. This was met with enthusiasm by the previous Housing Minister, and represents a big opportunity to produce more and better housing, both for the Budget and the forthcoming Spending Review.

Proposals

- Bespoke investment packages related to local housing need and opportunity, built through a joint Housing Prospectus, with funding devolved flexibly to localities.

3.2 Sustainable, Innovative Local Government

The Core Cities city regions are leaders in public service innovation and are operating many pilots to deliver better outcomes. There is the potential to draw on this experience to innovate further, with successes scaled up to benefit other places across the UK. This is however taking place in the context of a local government finance system which is not on a sustainable trajectory, which has a direct bearing on productivity and should be urgently addressed.

Proposals

- Joined Up Places Fund, piloting new approaches to prevention and reducing dependency, with best practice scaled up.
- UK Shared Prosperity Fund devolved, with 7-year commitments and match funds from other government departments included in the devolved pots (report appended).
- Future settlements to recognise the challenges and potential of cities and city regions including the scale of deprivation.
- Adult and Children's Social Care: Developing a long-term locally integrated solution.
- End ring fencing and unnecessary bidding which stymies partnership.
- Long-term financial planning: greater certainty of funding in order to plan services.
- Borrowing allowed for revenue purposes, and appropriate Invest to Earn models, reinvesting the dividends into frontline public services.
- Devolution White Paper should be developed in partnership with those that have delivered, based on outcomes first, structures second, building bottom-up.
- Plans for 100% Business Rates retention should be put back on the table.
- Council Tax bands are still based on 1991 property prices and need resetting.
- A roadmap to wider fiscal reform giving local people a say on how taxes are spent there.
- A Tourism Levy is being legislated for in Scotland and consultation should be extended to the rest of the UK to determine the viability and popularity of different models.

3.3 One Public Service

Core Cities UK have worked with Civil Servants including the Cabinet Secretary, to develop the 'One Public Service' approach. This proposal builds on that work, aiming to remove the false divisions between local and national interventions putting the citizen at the heart of delivery.

We should view public sector finance more holistically, particularly in city regions, a place-based approach. This means looking at the totality of public investment into a place and asking, what are the outcomes that place needs, and how can resources best be deployed?

Proposals

- One Public Service Commission set up across local and national government, health, police and other services, to report in to the Spending Review and determine:
 - the most effective and efficient way to co-commission and deliver across all relevant public services;
 - pilot new joined up approaches based on cross cutting issues like climate change, long-term unemployment, homelessness and rough sleeping; and
 - devise a means to practically devolve relevant budgets to localities through the Spending Review.