

## **Strengthening the Core: Delivering UK Economic Resilience and Recovery**

### **1. Summary**

Because of COVID-19, our economy is experiencing an unprecedented shift. We must do all we can to protect business and jobs, but understand that business as usual will not return. To thrive we must reimagine the future now and act together to deliver it.

**Core Cities UK offer to Government** is to work with them to:

- protect the 26% of the UK's economy our city regions already deliver;
- safeguard the economies of surrounding towns and cities; and
- build the strongest possible recovery.

**As a group including cities within England and the Devolved Administrations, we will bring to the table:**

- a UK-wide network that can act now to create immediate and accountable impact on the ground;
- delivery at scale and speed in business hubs that can quickly reboot their own and regional economies;
- a track record of innovation, alongside experience in dealing with economic shocks over decades;
- joined-up delivery across social and economic policies at ground level - a place-based approach;
- ensuring economic inclusion and making communities part of the recovery; and
- a route to global networks of cities, to rapidly develop trade and investment opportunities.

Changes in town and city centre retail, office use and a major restructuring of service economies is imminent. Regional economic disparity in the UK, amongst the worst in Europe, will worsen without a fundamental rethink in economic policy. The plans we had entering this crisis are not the ones that will see us through. We need a bold and radical vision for a different, fairer economic future.

Our cities sit at the heart of interconnected networks of towns and cities, critical to each other's economic, cultural and social wellbeing, the core of the UK's regional economies which can be built on for the future. But this crisis has revealed the interdependence between a well-functioning economy and public services, exposing weaknesses as they struggle to cope with increased demand, which must be properly resourced.

Working with local recovery groups and using existing delivery mechanisms, some interventions should be at the Combined Authority level (noting that not every Core City has this structure), others the Core City, ensuring the economic engines of conurbations are properly resourced to play their full role to benefit all.

**In the short term:** an additional Business Support Fund is needed for each area, targeting SMEs, other businesses, third and cultural sector organisations not eligible for the support currently on offer.

**In the medium term:** build investor and public confidence, stabilise and grow key sectors. This should include a phased return to economic activity after lockdown, by sector, not by geographical area. We set out finance and investment packages for the Core Cities' city regions, based on work already undertaken with the OECD, which will have relevance for other places, aiming to; get business going; support people and employment; secure local housing markets; and exploit the global links that all our cities have.

**In the longer term:** there is an opportunity to completely reimagine the future of our cities and their surrounding towns, our aspirations and values for them, and how they can become beacons of hope and positive change. That future should include a complete shift in gear toward a devolved model of delivery, engaging and empowering the citizen, building in far greater resilience to the UK's urban economies.

**We collectively commit to:** come forward with catalytic projects to create economic stimulus; build a detailed '100+ days' post-lockdown recovery plan; and set out a bold, long-term vision for the future of our cities. We will use all our skills and assets to get our cities, businesses and communities through this crisis, and ask Government to join with us in a renewed sense national-local partnership to make this happen.

## 2. Leveraging the role of Core Cities

Core Cities are the economic engines of wider areas, able to join up across social and economic policy, Combined Authorities are critical to the delivery of wider economic responses. Together, we must ensure the right interventions to drive recovery at the core of the conurbation, recognising the role of our economic hubs, which offer the best chance of a quick return to growth for the wider area. Core Cities are:

- delivery agents with a track record of seeing communities and businesses through economic shocks;
- able to directly support the most vulnerable, ensuring we and government can reduce inequalities;
- seen by local business as the most effective and appropriate convenor and leader for recovery;
- intimately connected to local businesses with detailed knowledge of sectoral strengths, weaknesses and future opportunities, able to link this to skills and employment programmes;
- able to act in a nimble and agile manner, where national government may find this difficult;
- commercial and economic actors in their own right – continued public services and procurement at scale are critical to business continuity;
- unique place-leaders and intermediary agencies operating between national, local and neighbourhood levels, capable of aligning programmes and funding at the right geography; and
- trusted anchor institutions of continuity and stability at a time of great uncertainty, providing economic and community leadership, a role that can be built on with government support.

It is important to recognise that some of the measures below will be delivered through different routes in those of our cities that sit within Devolved Administrations, although the issues we all face are similar.

## 3. Short term measures

1. **Business Survival Funds:** Circa £100million per city region focused on SME's and other business not able to access government funds, as grant or equity (see appendix). Support to be extended to voluntary and cultural organisations. The voluntary sector underpins wellbeing, and we must also protect the cultural sector, which has a role in local cohesion as well as stimulating the visitor economy in due course. This should be linked to a medium-term national equity fund, locally delivered (see below).
2. **Flexibility to redirect existing uncommitted ERDF funding:** To support impacted SME's, which have a crucial role in securing local employment, often at the neighbourhood level, and must be supported. Funds would also need to be flexed for other places as well, for example nearby towns.
3. **Additional emergency investment:** As locally identified, particularly for public transport which is reaching the edge of its financial sustainability, yet will be critical to recovery. As a whole, it represents an irreplaceable asset worth many £billions and requires short term support to protect it.
4. **Resourcing urban authorities:** To play their part, working with them to find ways to replace lost income, deal with increased council tax support and urgent needs payments, resolve the social care funding crisis and increase economic delivery capacity in order to stimulate the local economy and tax base.
5. **Government discretionary grant programmes reframed:** Payment by results on existing programmes are based on outputs/outcomes that can no longer be delivered. Maximum flexibility should be provided for each place to deliver the right responses for the different challenges they are facing.
6. **Rent holidays:** Targeted at the most vulnerable SME's voluntary and cultural organisations, particularly where government is the landlord, and backed by government funds where it is not.
7. **Maintaining basic income:** and consider rent relief and debt alleviation for the most vulnerable. The surge in Universal Credit and payment time-lag is an unsustainable position for many households.

#### 4. Medium term Measures

1. **Building confidence in a recovery trajectory:** Investor and public confidence is critical to UK recovery and without it we will flounder. This has to be built alongside stabilisation of critical sectors like construction and manufacturing, where a loss of otherwise viable businesses will greatly slow recovery. There are four interrelated actions that will provide a big boost to confidence and stability as follows.
  - a) **Phased Sectoral Return Plan:** Reactivating the economy should happen on a sectoral, not a geographic basis as part of a Lockdown Exit Strategy. Business does not operate on a strictly geographic basis, particularly when supply chains are factored in. Government should work with Core Cities to identify which sectors should be reactivated when, and put in place a joint communications strategy to present them as helping the economy, and contributing to emergency service delivery because of this.
  - b) **Focus on key sectors:** Construction and manufacturing may be easier to get going earlier, including much of their supply chain, a strategy that is being followed in other countries, for example China and Spain. Support that is then freed-up from supporting early-returning sectors should be redirected to those sectors that remain effectively mothballed, for example parts of the service industries.
  - c) **Post lockdown '100days+' Recovery Plan:** Core Cities will bring forward plans, based on a fine-grained understanding of what will get local economies up and running, where opportunities are strongest and support is most needed to ensure the quickest possible recovery. Core Cities have concentrations of assets and sectors with significant growth potential – for example knowledge intensive industries - that should be leveraged through these plans to accelerate recovery and growth for surrounding regions.
  - d) **Bring forward catalytic projects at scale:** Core Cities will bring forward investment ready schemes at significant scale to deliver stimulus, assist recovery and the economic restructuring that has been accelerated by this crisis. These will be place specific, delivering positive differential local impacts, de-risked by building on Local Industrial Strategies (and equivalents in devolved administrations), reimagining the Grand Challenges for a post-crisis economic landscape. Core Cities welcomed the recent announcement of continued support for HS2, as infrastructure is critical to future recovery.

This crisis has opened a door to positive long-term shifts that can be built on, rather than sliding back to business as usual. As well as further infrastructure schemes, Government should also be open to:

- schemes that aim reduce regional economic disparity and economic inequality, which is likely to worsen without specific interventions;
- projects that support city – and town - centres to drive recovery and adapt to restructuring, exploiting innovation districts where they exist;
- programmes to accelerate the shift to Net Zero and improve urban air quality, building on the behaviour changes we have witnessed; and
- wholesale digitisation of the economy, to support increased productivity and the new ways of working that are now emerging.

Innovation is particularly key to recovery, an area of strength for the Core Cities, and locally flexible funds should be made available through Innovate UK, working in partnership with universities.

2. **Comprehensive City Regional Investment Packages:** aiming to work-with restructuring and strengthen emerging sectors, for example life sciences, energy, digital and other knowledge intensive industries, through innovation, R&D and linking to trade and export policy. This will support a positive restructuring of elements of the UK economy which was already happening, but has now been accelerated. Cities and

government should also work together - and with towns - to address the fundamental shifts that have been accelerated for their centres, including retail, leisure and culture.

Core Cities worked with the OECD, launching a year-long study into how the UK can improve regional economic performance through Core Cities city regions. This work includes the above issues and is still highly relevant. We are in dialogue with the OECD to refresh their report to take into account the emerging new economic landscape. Key recommendations included a package of investment and flexibilities for: better connections between towns and cities; strengthening labour markets; increased transport and infrastructure investment; and further devolution.

3. **Get Business Going – finance and equity funds:** Local and national government are now the only actors that can ensure business resilience, particularly for SMEs. Recovery has to be based on an intimate understanding of local economic eco-systems, and links between business, financial and professional services, retail, food and the visitor economy.

An equity and business investment fund, locally delivered, should be created with national funds to support otherwise viable companies, enabling them to recapitalise where they have taken on significant debt, with options to buy-back equity stakes in the future. In addition, the following measures will help.

- Reduce interest rates, increase repayment periods, debt roll-overs and refinancing for vulnerable SMEs.
  - Extend support to cultural organisations, third sector and high-quality local media
  - Encourage banks and commercial insurance companies to offer credit, insurance and lower fees for exporting / trading firms to re-establish global links
  - Provide new credit and grant packages for eventual 'return to production' and start-up financing, focused on getting manufacturing going and restructuring service industries
4. **People and Employment:** This crisis has exposed underlying weaknesses in our ability to deal with economic shocks for the most vulnerable, in and out of employment. The response mechanisms we currently have to deal with this are not adequate to the task we face and must be quickly revised.
    - A fundamental recalibration of support to deal with high levels of medium-term unemployment, working with locally-convened area task forces to identify how best to achieve this.
    - Expanded and devolved skills and retraining packages, mobilised quickly to support hardest-hit sectors and employees e.g. in retail, tourism and transport, and geographic areas within local labour markets.
    - Focused support for groups hit hardest, e.g. older returners, people with disabilities, women, and youth unemployment resulting from a break in education.
    - Skills and employment programmes linked to health, care and other public services to support the most vulnerable to connect with the labour market.
  5. **Supporting Housing Markets:** These are already coming under serious threat at a moment when build-out volume is reducing, ownership levels stalling and rental needs are likely to rise, particularly for the most vulnerable. Core Cities deliver significant volume, but also play a major role in strategic development and place making. Resourcing this role will be even more important in the future, recognising this is a devolved function outside England.

Mass retrofit programmes could play a particularly important role in some cities, creating accommodation but also quickly providing jobs alongside improved outcomes for health, wellbeing, Net Zero, and fuel poverty.

Local strategic partnerships between cities, national housing agencies, social landlords and homebuilders are needed, providing maximum local flexibility to deliver against broad national targets, including local planning flexibilities. This could include pooled funds to support commercial and residential investment, providing market confidence where access to debt may be challenging. In addition:

- Core Cities city regions to play a much more significant role in stabilising and then stimulating local housing markets, ensuring supply and affordability.
  - Innovative financing to support development explored with Homes England and others, e.g. Tax Increment Financing.
  - Core Cities have developed a Housing Prospectus which could be quickly built on in partnership with government and its agencies to provide these functions.
6. **Securing Global Links:** COVID-19 is a global economic crisis, eroding many of the transport, business and institutional links that support trade between places, particularly cities and city regions. Although the Government has to date been clear Brexit will not be delayed, cities are deeply concerned that there is insufficient time and capacity to focus properly on transition, and critical links for cities, their businesses and institutions could be lost. Ensuring the sustainability of these links is essential, for example for international student populations.
- Support for regional airports to maintain their systems now and re-open quickly in the future.
  - Supporting universities to maintain international links and programmes, vital to recovery.
  - Reconsider the Brexit timetable.
  - Create a cities and city-regions trade package, building on previous agreements between the Core Cities and government ministers.
7. **Reimagining the future of cities:** This moment is an opportunity to completely reimagine the way in which our cities work and the quality of life they could offer to future generations. Core Cities will set out a renewed vision on which we can act now. Building on the behaviour-shifts of this crisis, to decarbonise, fully digitise our economy, build stronger innovation and R&D functions for life sciences and health, creating places people will want to live and work for the long term. Learning the lessons from 2007/8, recovery from this crisis should also look to create securer, better paid employment.

### **Engaging with Core Cities UK**

Core Cities UK are a united voice in promoting the role of our great cities in creating a stronger, fairer economy and society. Our partnership includes: Belfast; Birmingham; Bristol; Cardiff; Glasgow; Liverpool; Leeds; Manchester; Newcastle; Nottingham and Sheffield.

You can contact us via our website [www.corecities.com](http://www.corecities.com), or email our Director, Chris Murray, at [c.murray@corecities.com](mailto:c.murray@corecities.com).