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Dear Deputy Prime Minister

## **A second wave of City Deals**

Congratulations on the City Deals that the Government has agreed with the Core Cities, which include some of the most significant devolution of powers to local authorities for many years.

When we met with you and Greg Clark in May 2011, it was clear that you were both determined to devolve powers to the cities. Just over a year later, it's very encouraging to see that the Government has already reached bespoke deals with the eight Core Cities. It is also positive that the City Deals have focused on the main drivers of economic growth and jobs, giving cities more direct control over funding and finance, skills, business support, and infrastructure.

Centre for Cities, the only think tank dedicated to understanding and improving urban economies, has identified four issues that will support Government to deliver on the cities agenda and its commitment to localism, as well as make a difference to the UK's economic growth. These are summarised in the letter and set out in more detail in the appendix.

### **1. Ensure that the first round of City Deals has the best chance to succeed**

The success or failure of the first round of Core City Deals will be used by devolution enthusiasts and sceptics alike as evidence about the merits or failings of any kind of devolution. To ensure that the first round of Deals have the best chance of achieving their goals requires the cities to invest time and resources, but it will also require national Government – both Ministers and Whitehall – to support this. In particular, there is a need to:

- Set out measures of success for national Government and the cities
- Regularly assess progress and review where more work or support may be needed
- Encourage civil servants and the Core Cities to share expertise through secondments, meetings and co-commissioning.

### **2. Ensure that the Core Cities have the opportunity to develop their Deals further**

The first round of Deals should signal a new, productive and long-term approach to the dialogue between cities and national Government. In particular, there is a need to:

- Promote a continuous process for the Core Cities to propose new innovations to Ministers.
- Ensure that, if ideas are agreed, there is high level, cross-Whitehall Ministerial support for delivery of these innovations.

### **3. Invite the right mix of cities – a combination of fast-growing and medium-sized cities - to the next round of City Deals**

As the Government makes its decision about which cities will be in the next round of City Deals, Centre for Cities' research suggests that:

- Lessons should be learned from the first wave of City Deals.
- The next round should be a competition open to all cities that reach a minimum population of 125,000 measured across the city's built-up area, but Government should not be prescriptive about the geography of the bid, provided it is economically justifiable and has local public and private sector backing.
- The competition should be clear about criteria and desired outcomes to avoid cities wasting time bidding without a hope of winning.
- City Deals should be targeted at the cities where they can make most difference. From an economic growth perspective, this means that at least half of the available City Deals should go to the cities that can make most difference to GVA and jobs.
- The rest of the Deals should be targeted at cities where public policy intervention could make a significant difference to future economic prospects.

### **4. Not all urban policy should be about City Deals**

The Government is trying to reduce centralism. But we have had four decades of centralised policymaking, and old habits die hard. There is a real risk for the Government that both Whitehall and cities focus exclusively on City Deals, rather than thinking about other, less high profile ways they can make a difference to local economies. In particular, there is a need to:

- Offer all local authorities and Local Enterprise Partnerships the opportunity to access policies from a 'localism menu', provided localities satisfy certain criteria.
- Encourage cities to group together, whether on their own or via other organisations, to identify where there are barriers to growth that could make a difference to multiple areas.
- Ask civil servants across Whitehall who are presenting Ministers with policy proposals to answer the question, 'what does this mean for places?'

This Government has made progress in devolving power to cities, but more needs to be done. Continued Ministerial engagement with City Deals and urban policy, and constant pushing to join up Whitehall so that more effective, efficient solutions can be delivered on the ground will be vital – and could make a big difference to the UK's economic growth.

Yours sincerely



Alexandra Jones, Chief Executive

Cc Rt Hon Greg Clark MP, Minister of State for Communities and Local Government

## Appendix - Actions to deliver the next phase of City Deals

### 1. Ensure that the first round of City Deals has the best chance to succeed

- **Set out measures of success for national Government and the cities**, in the form of specific deliverables as well as desired outcomes over the short, medium and longer term, agreed by Government departments and the individual cities;
- **Regularly assess progress and review where more work or support may be needed**, by holding meetings with Ministers, initially every quarter ensuring that cities and civil servants are holding one another to account;
- **Encourage civil servants and the Core Cities to share expertise through secondments, meetings and co-commissioning**, at a time when institutional capacity at local and national level is necessarily reduced because of budget reductions. This could involve, for example, co-commissioning between the Core Cities of specialist advice on delivering local infrastructure projects.

### 2. Ensure that the Core Cities have the opportunity to develop their Deals further

- **Promote a continuous process for the Core Cities to propose new innovations to Ministers**. If a Core City and the Cities Team can agree an idea meets certain criteria, Core Cities should have the chance to pitch it to Ministers to continue extending their City Deal.
- **Ensure that, if ideas are agreed, there is high level, cross-Whitehall Ministerial support for delivery of these innovations**. In cities such as Manchester, they are already considering how lessons from the Community Budget pilot might be applied to the 'Earn Back' model and whether they can have greater control over health, education and/or welfare at a local level. If this welcome innovation is to succeed, Ministerial intervention will be required to break through government silos, as otherwise Deals will only be theoretical.

### 3. Invite the right mix of cities – a combination of fast-growing and medium-sized cities - to the next round of City Deals

- **Lessons should be learned from the first wave of City Deals**. Both Government and cities learned lessons about what works well and less well and a review process, whether formal or informal, should take place to ensure these insights inform the next round. Where appropriate, Core Cities may wish to provide advice / peer group support for the next round of cities.
- **The next round should be a competition open to all cities that reach a minimum population of 125,000 measured across the city's built-up area, to ensure City Deals have an impact at scale**. Government should be flexible about whether the bid is from a Local Enterprise Partnership or another structure, provided there is strong governance, backing from the public and private sector, and coverage of a meaningful economic area.
- **The competition should be clear about criteria and desired outcomes, to avoid cities wasting time bidding without a hope of winning**. For example, the Government should be clear whether bids that focus on innovation are more likely to win than bids which are less groundbreaking but focused on jobs growth. Conversations with cities suggest they will welcome this clarity as it will enable them to take an informed view about whether to compete. It will also

avoid the difficulty that can come with Government selection of cities, as some cities may not have as compelling a proposition but will feel obliged to bid.

- **City Deals should be targeted at the cities where they can make most difference. From an economic growth perspective, this means that at least half of the available City Deals should go to the cities that can make most difference to GVA and jobs.** This should include some of the smaller, fast-growing cities – for example, Cambridge and Milton Keynes, which have seen significant jobs, population and GVA growth over the past decade.
- **The rest of the Deals should be targeted at cities where public policy intervention could make a significant difference to future economic prospects.** For example, recent research by the Centre for Cities shows that medium-sized cities such as Coventry, Derby, Preston and Sunderland could benefit significantly from access to a fund drawn from existing public sector pots that could help them improve their city centre.

#### 4. Not all urban policy should be about City Deals

- **Offer all local authorities and Local Enterprise Partnerships the opportunity to access policies from a ‘localism menu’, provided localities can satisfy certain criteria.** For example, a Single Economic Development Fund that allows local areas to pool funds from different sources is not ground-breaking, but it could make a big difference. Rather than restrict this to City Deals or even just cities (although we would argue these should be a priority), Government could allow any local authority or LEP that satisfies certain criteria (e.g. governance structures) to access this or other options from a basic ‘localism policy menu’.
- **Encourage cities to group together, whether on their own or via other organisations, to identify where there are barriers to growth that could make a difference to multiple areas.** With the demise of the RDAs it can be more difficult for Whitehall and Westminster to engage with local areas. The Core Cities Group has demonstrated the value of working together to achieve policy changes. Other groups, whether existing (such as Growth Cities) or emerging (such as the Mid Sized Cities group) should work together to identify barriers to, or enablers of, growth and take their proposals to government as a group.
- **Ask civil servants across Whitehall who are presenting Ministers with policy proposals to answer the question, ‘what does this mean for places?’** Local government is at the receiving end of multiple policies that make sense individually but collectively can end up being more expensive and not achieve desired results such as economic growth or more children in education. Ministers actively encouraging policymakers to consider whether local flexibility over policy, or greater local control over public service delivery, could deliver better economic and social outcomes could start to change government culture for the better.