



Wave 2 Breaks: Deals on the Table for English Cities

Tom Bolton, October 2012

Today's announcement that a further 20 cities and their wider areas will compete for City Deals is a welcome expansion of the Government's policy of devolving power and funding to engines of economic growth – cities. Now the focus for both government and cities needs to be ensuring that there are sufficient resources to implement the first round of eight Core City Deals at the same time as delivering transformational Deals for a new wave of cities. Success will require both government and cities to be innovative about how they work together.

It is also welcome to hear that neither government nor cities see City Deals as the only way to improve urban economic growth. Cities need to make full use of the range of powers already at their disposal. Government should consider offering a menu of simple economic development policy options, such as a Single Capital Pot, to all cities and counties that can demonstrate they satisfy criteria such as strong governance.

Context – the impact of Wave 1 City Deals

As signs of economic recovery increase, making the most of cities as engines of economic growth will reap benefits for the UK economy as a whole. This makes the decision to expand City Deals to a mix of fast-growing cities and those which have the potential to benefit significantly from a Deal very welcome.

The first wave of City Deals has already made a positive difference to the relationship between national government and cities. The negotiations to conclude City Deals with all eight Core Cities have been completed in a remarkably short space of time, requiring successful co-ordination across Whitehall with departments pursuing a common local growth agenda. Local authorities and many Local Enterprise Partnerships (LEPs) have also been tested, working hard to develop innovative proposals; to demonstrate their ability to deliver in major policy areas; and to commit resources and funding to the success of their proposals. Importantly, lessons are being learned from what worked well and less well about the first round of Deals.

City Deals represent an important shift in power from the centre to the local level, with the most forward-thinking deals having the potential to return significant proportions of taxation to cities over the long-term. They are an important move towards acknowledging the role cities play in generating economic growth and jobs, and towards giving cities more direct control over the drivers of growth: funding and finance, skills, business development and infrastructure.

Delivering Wave 2 City Deals

The Government has invited the following cities and their wider areas to compete for Wave 2 City Deals:

1. The Black Country
2. Brighton
3. Bournemouth
11. Oxford
12. Reading
13. Plymouth

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|--------------------|--------------------------------|
| 4. Cambridge | 14. Preston |
| 5. Coventry | 15. Southampton and Portsmouth |
| 6. Hull and Humber | 16. Southend |
| 7. Ipswich | 17. Stoke |
| 8. Leicester | 18. Sunderland |
| 9. Milton Keynes | 19. Swindon |
| 10. Norwich | 20. Tees Valley |

As Centre for Cities recommended, the list has been drawn up using two important criteria:

- It includes the **largest English cities** outside the Core group, with populations of more than 125,000: the cities that can make the most economic difference
- It combines the **fastest-growing cities in England**, which have further potential to grow, with **mid-sized cities that will require policy intervention** to improve their economic prospects

This initial list is the start of a process during which these cities will develop proposals to be judged competitively in Spring 2013. To maximise their chances and to ensure final proposals are of the highest quality possible, both cities and government should learn lessons from Wave 1:

- **Clarity on competition criteria**, and on the Government's ambitions for the quality of proposals, should be clear to generate quality bids and avoid unproductive work
- Government should **not be prescriptive about the geography** over which cities choose to engage with City Deals, provided that it makes economic sense
- Cities should **not underestimate the resources** they will need to commit to developing proposals that go beyond "asks" to offer meaningful "Deals"

More to do on Wave 1

Launching Wave 1 City Deals marked a significant transformation in the relationship between Whitehall and cities and it is vital that the momentum is sustained at a time when there will be significant calls on the resources of the Minister for Cities and his team. Wave 1 Deals not only need to deliver what has been agreed already, but also to have the opportunity to continue to develop the relationship between government and the Core Cities. This will require further time and resources from both sides, as well as:

- **Success measures** agreed between government and cities, to monitor progress and agree further work or support if needed to keep deals on track
- A clear process enabling government to **listen to further proposals** from Core Cities, who will want to continue the devolution conversation beyond their initial agreements
- **Expertise to be shared between Whitehall and cities**, supporting cities as they play a greater role in delivering the Government's core economic objectives

The work of the Ministerial group, chaired by the Deputy Prime Minister, which oversees City Deals is important in providing high-level support for the continuing process across government and Whitehall; cross-departmental commitment to City Deals is essential to their success.

Cities policy beyond City Deals

City Deal negotiations with the Core Cities were in many ways an experiment, with both cities and government obliged to learn rapidly during discussions. Intensive negotiations with the largest cities have helped government to clarify its parameters for agreement and its expectations from City Deals. A series of common issues and policy solutions have emerged, and the Government now has an opportunity to increase the impact of Wave 2 deals by agreeing a menu of relatively simple policies that would support economic development in a wide range of cities and counties. Local authorities and LEPs which meet certain qualifying criteria, such as strong governance arrangements, should be able to implement some of these policies without needing to enter into the City Deal process, which focuses much more on transformational policies.

Examples of Wave 1 policies that should be on offer to all cities and counties that can satisfy certain criteria around strong and effective governance include:

1. Providing a **single capital pot** for economic development
2. Allowing cities to create joint structures alongside Jobcentre Plus to tackle **youth unemployment**, and to coordinate approaches to **problem families**
3. Allowing cities and business to influence **Skills Funding Agency** priorities, tackling agreed local priorities
4. **Combining public land and property assets** under single, city-based boards

Over the coming months the Centre will be undertaking research to review which options would have most impact on economic growth and would be relatively simple to implement.

Changing the way cities and Whitehall work

A successful urban policy is about more than just City Deals. If cities grow, the economy grows, and the whole of government has a role to play to make this happen. Changing the UK's centralised culture, developed over four decades, will take longer than the timetable for City Deals, but it is important that the process sends a strong signal to government and cities. Civil servants need to factor places into their policy conversations as a matter of course, asking "**what does this mean for different places?**" Cities need to be bolder about setting their own agenda, rather than looking to Whitehall for guidance.

Beyond individual policy measures, the most significant change the City Deals policy can generate is a **long-term willingness in Whitehall** to work with cities and listen to their policy proposals, and **self-confidence in cities that they can influence local economic growth**. A more even relationship between government, city local authorities and the private sector will be of long-term benefit to the UK economy.

Contact

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