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Rt Hon George Osborne MP
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Dear Chancellor,

2012 AUTUMN STATEMENT: SUBMISSION FROM THE CENTRE FOR CITIES

The Autumn Statement is an important opportunity to bolster the UK economy and to provide the conditions for growth as it continues on the path to recovery. Cities, home to over half of all businesses and responsible for 60 per cent of the UK's gross domestic product, must be at the heart of this strategy.

2012 has seen a growing and welcome emphasis on cities as drivers of economic growth through policies such as City Deals, but more needs to be done. As Lord Heseltine highlighted, too many decisions are taken in Whitehall and no one is tasked to look at issues holistically. Greater devolution to cities makes it more likely that investment will be directed to projects able to quickly deliver jobs and growth. The Autumn Statement is an opportunity to make the most of cities' economic potential.

To do this, the Autumn Statement needs to set out a new plan for growth, drawing on the Heseltine recommendations. Cities with growth potential should be incentivised to plan and invest for the future, to increase their own financial self-sufficiency and to create new opportunities for work. In our recent report, Plan C for Cities, a range of senior city figures and thought leaders set out how many of our cities are already carrying out innovative work to make the most of their local economies.

The Autumn Statement should also introduce national strategies for housing and infrastructure that are place-focused. Centre for Cities' research is amongst those that demonstrates the economic benefits of investment in infrastructure – roads, transport and schools, all of which have seen up to 47 per cent cuts in recent years. Yet a national perspective alone will not be enough to deliver on the ground: Brighton's housing challenges are quite different to those facing Bradford. Government needs to have a national overview while giving cities the flexibility to invest in schemes that will deliver jobs and growth most quickly in local economies.

There are three main areas where the Centre's work and our recent publication Plan C suggest that Government can devolve more to help our urban areas deliver economic growth across the country.

1. Provide more local flexibility over funding to boost infrastructure delivery

As has been widely recognised, the delivery of significant infrastructure improvements across the country will be central to generating increased levels of economic growth in the years ahead. The greatest economic gains can often be realised by addressing specific pinch points within the existing transport network. Yet of the 12 most important regional infrastructure improvements that British business articulated ahead of the 2010 election, three quarters have yet to see any progress made on the ground.

More needs to be done to overcome the funding barriers hindering the delivery of these projects. The most effective means of doing this is to provide cities with a range of additional powers and incentives to ensure they can make the most of current and forthcoming revenue streams and attract additional private sector investment. Specific reforms should include:

- **As part of the Core Package underpinning City Deals, cities should be allowed to combine various growth-related income streams and agency funds (such as business rate receipts, Community Infrastructure Levy, S106, Regional Growth Fund and Growing Place Fund) into a single capital investment pot.** This would allow cities to prioritise significant investments which support economic growth and job creation across their area. Over time, such investment pots should be administered by city-regions, to provide large scale, strategic funding for major sub-regional and regional infrastructure investments.

- **Increases in rateable values should count within the new local government finance system, in order to further incentivise infrastructure investment.** The Government is in the process of reforming local government finance. In addition to the measures currently being proposed, we recommend that local authorities be allowed to capture the rateable value increases attributable to investments they make, rather than simply benefiting from adding net new office space.

2. Release public land to boost residential and commercial development

Making more of public sector land assets within our cities remains a significant opportunity to drive additional development, and capture financial returns, across the country. Over 40 per cent of the allocated land area listed for commercial, residential or mixed use in the Homes and Communities Agency's Land Development and Disposal Plan is found in local authorities within cities, and in Cambridgeshire alone the book value of assets under the control of the local public sector is over £1 billion.

In order to help unlock the potential of these kinds of assets, the Government should:

- **Encourage cities to work with bodies such as Fire Service and Police Authorities, to consolidate public land holdings in their area.** This would provide cities with a clear overview of development potential in their area, and could unlock significant amounts of new growth, yielding major local and national economic benefits.

- **Push forward with the disposal of surplus civil estate land assets to boost local development, but ensure they are used to boost jobs and growth.** The economic benefits of

unlocking schemes involving the surplus land holdings of national departments, such as the Ministry of Defence or Department of Health, could be significant. Criteria should be introduced to ensure that the disposal of such assets would have a positive impact on jobs and growth wherever possible.

3. Improve skills to boost long-term growth

Improving skills is important for the economic strength of cities and the people who live there. Our research has shown that cities with a highly skilled workforce grow more quickly, and that there is a strong correlation between high levels of skills, and lower levels of unemployment, particularly amongst young people. In particular, those cities where Maths and English GCSE attainment levels are high, such as York, Bournemouth and Reading, have in recent years experienced significantly lower levels of youth unemployment.

Building on this research, there are a number of actions that the Government can take in order to improve skills across our cities, including:

- **The Government should incentivise schools to increase attainment levels in Maths and English.** Although attainment at GCSE including Maths and English has improved over time, differences in performance between schools in buoyant and struggling cities persist. Our research suggests that more should be done to incentivise higher performance in these subjects. Schools should also be held accountable for performance across all grades instead of simply being measured on the "floor target" of 5 A*-Cs;

- **Up to 25 per cent of the Skills Funding Agency funds should be conditional upon Further Education colleges demonstrating that they are responding to local employer needs.** One of the challenges facing cities is that too many individuals are learning skills for which there is limited labour market demand. Making a significant proportion of Further Education college funding contingent upon responding to local and national demand would incentivise a different approach.

All of these proposals are cost neutral to Government, but could make a big difference to growth in our cities. 2013 is a year in which delivery must be a priority, for cities and for Government. Recent months have seen good progress made in devolving power to our cities, yet more can be done to unlock economic growth across the country.

Just as cities must be bold about setting their own agenda, it is vital that policymakers ensure that our cities have the freedoms and powers they need to boost economic activity in their area, and drive the continued recovery of the UK economy in 2013 and beyond.

Yours Sincerely

Alexandra Jones,
Chief Executive

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