



City Deals: Insights from the Core Cities February 2013

As Wave 2 City Deal submissions are assessed by the Government Centre for Cities, in association with the Core Cities Group, has interviewed representatives from all eight Core Cities about their experiences of Wave 1 City Deals. We asked them for their views on the City Deals process so far including:

1. The achievements of City Deals
2. Difficulties experienced with City Deals
3. Their messages for the Government
4. Their advice for Wave 2 cities.

Our interviews with the Core Cities have generated lessons for the cities themselves, for the Government and for those cities now involved in negotiating Wave 2 deals. We summarise **views from the Core Cities** below.

These views provide valuable insights into the progress of the Government's devolution agenda, and into the impact it could have on economic development across England. We are very grateful to the Core Cities for generously sharing both their time and their detailed thoughts with us.

In the final section we draw on Centre for Cities' own experiences of the City Deals process. Having worked extensively on City Deals with both government and cities over the past year, we raise issues and questions that are outstanding about City Deals, and what steps could to be taken to resolve them.

What are the most significant achievements of City Deals?

Raising ambitions

City Deals have helped to increase ambitions within cities: by allowing partners to experiment with policy ideas; and by signalling the Government's commitment to a longer-term process of devolution, beyond the initial City Deal timescales. City Deals are driven by their potential to influence growth and employment.

Increased local control

Greater control over the levers of local growth and job creation is as important to cities as increased access to funding, although the two depend upon each other. City Deals have given cities more flexibility to respond to local priorities and to tackle problems they had felt unable to address: for example, cities will potentially gain more influence over linking skills provision to local need.

Local growth incentives

City Deals go some way towards giving local politicians greater incentives to promote growth, and the tools to plan investment based on retaining returns locally. Cities currently take on the costs of growth, but see little of the financial dividend that it creates. Core Cities feel that the City Deals have begun the process of shifting the balance towards effective growth incentives.

Galvanising cities and government into action

Although the pace at which City Deals were agreed caused some practical difficulties, it is still seen as a positive aspect of the process. The speed of the negotiations injected urgency into discussions at local as well as national level, helping to resolve conflicts, forge partnerships and generate agreement on joint priorities.

Taking on risk

Core Cities feel they have been able to show government that they are willing to take on risk through their Deals, and to show that they have the processes and the confidence to assess and manage risk. Cities also feel that taking greater control over their resources and spending allows them to manage risk to their economies more effectively.

Private sector involvement

City Deals are seen as particularly powerful when they bring public and private sectors together, generating credibility for local government both with their local business base and with ministers, who have welcomed joint public-private proposals from cities.

New routes to funding investment

The Core Cities see City Deals as an important step towards creating new models for generating growth and funding services. These are increasingly needed in the absence of Regional Development Agency funding, and particularly by those cities experiencing the greatest impact from government cuts.

Changing perceptions of local government

Both the Government and the private sector, according to the Core Cities, believe that local government is slow to get things done and is too driven by process. City Deals are seen as delivering a strong message that cities can develop strong spending strategies, can act faster when expectations are raised, and can accept necessary risk.

A new relationship with central government

Core Cities pointed out that City Deals have allowed their political leaders to talk to government, and a new relationship to develop. Direct access to a group of ministers via the ministerial group was seen as an unprecedented opportunity for cities to show government what they have to offer. Several cities also

feel that City Deals have allowed them to significantly improve their relations with national agencies and government departments.

New approaches to governance

City Deals have started to incentivise local authorities to work together and to share elements of their governance at the scale of their functional economic area. These working arrangements are, in most cases, in their early stages and there are issues to be resolved, in particular around the legislation required to establish a combined authority. However, large-scale devolution requires governance scale and structures to match economic ambition, and City Deals have brought this scenario closer.

What has proved difficult about City Deals?

Cities did not always know what they wanted

A system of centralised policy-making, developed over decades, has left many cities unprepared to engage in designing policy with government. Not all cities had viable policy proposals ready when the City Deal invitation was issued. Although the negotiation process led to the rapid development of new ideas, a significant amount of ground had to be made up in a short space of time to ensure credible offers were on the table.

Lack of co-design with government

The process of developing and evidencing City Deal proposals was not seen as collaborative, and cities felt that departments focused their efforts on proving cities wrong rather than working to help them develop ideas. However, there was universal appreciation from the Core Cities for the work carried out by the Cities Policy Unit in helping to guide proposals through Whitehall.

Lack of co-design between cities

Cities have not been able to work with each other to develop common approaches to shared issues through City Deal negotiations. The City Deal process was not designed to allow joint working, and cities were not prepared and ready to present jointly-developed policy proposals at the start of the process.

Cities have geographical issues to overcome

While every Core City has different challenges to address, many are still working out the optimum scale for collaborating across local authority boundaries, and forming partnerships to deliver across this area. Collaboration with neighbours at an effective scale is essential to greater influence over local growth, but partnerships will take time to become established and fully functioning.

Changing process and goals

Core Cities felt that the Government had not decided how City Deal discussions would work, or what they wanted them to achieve, before they began. While this was partly a result of the speed of the process and the novelty of the policy approach, it did mean that cities spent time during the negotiations trying to work out the rules of the game, while both timetable and expectations changed during the process.

Government trust in cities

While local authorities come in all shapes and sizes, the Core Cities have significant organisational capacity and experience that does not exist in smaller local authorities. However, many felt that the Government did not trust them to deliver, with some citing the attempt to introduce elected mayors as an example of this. They would like government to recognise their strengths, recognising that they must also demonstrate that they can deliver on the commitments made in their City Deals.

Not all departments are equally committed to devolution

Core Cities feel that there is significant variation between departments when it comes to support for the principle of decentralisation. Some departments support national programmes as their preferred approach, and have proved less open to negotiation than those that recognise the City Policy Unit's mandate to deliver a place-based policy agenda.

Post-Deal negotiations are slow

Although Wave 1 City Deals were signed in July 2012, the Core Cities have found that discussions with Whitehall departments on implementation have sometimes been slow and resource-intensive. The following specific barriers have been identified:

- Being asked to go back to first principles and make the case again for measures already agreed in Deals.
- Although senior officials have agreed policy measures, juniors being risk averse and not feeling they have the freedom to progress discussions.
- Previously agreed timescales being changed because funds cannot be committed before the next Comprehensive Spending Review is complete.
- Agreed funding being distributed in different ways, depending on the department involved. For example, some funding streams can only be claimed back retrospectively.

Devolution at a time of cuts

Cities noted that increased freedom to influence local growth comes at a time of major cuts to local government budgets which, although providing a strong incentive for local authorities to innovate and to pool resources with neighbours, also restrict capacity to deliver Deals. Budget cuts are substantially larger than any of the sums negotiated through City Deals.

What are the Core Cities messages for government?

City Deals are not yet embedded within government

A clear message from the Core Cities is that the jury is still out on the long-term significance of City Deals. They have the potential to herald the start of a major shift from central to local control – but they are unlikely to be remembered beyond the current political cycle unless they prove to be the start of a longer, wider process.

Government is not working across silos on City Deals

City Deals, for the most part, did not involve discussions across departments. Cities dealt with individual departments, but the Government needs to be involved more widely across departments for City Deals to be effective as possible. This could involve a cross-departmental group of senior civil servants to match delivery to the policy direction provided by the existing ministerial group.

Government has more to do on place-based policy

The Core Cities do not yet believe that the Government is committed to place-based policy making. Taking greater account of the unique knowledge that each city has about its place will require:

- A cross-departmental requirement to design policy with its differing spatial impacts in mind
- A wider recognition within government of the principles underpinning City Deals: that cities compete globally as well as locally or nationally, and that local economies can grow independently, with more growth in Bristol, for example, not automatically meaning less for Bradford
- The Government to set a devolution agenda for its departments by implementing decentralisation recommendations in *No Stone Unturned*.¹

1. The Rt. Hon Lord Heseltine of Thenford CH, (2012), *No Stone Unturned in Pursuit of Growth*, London: HM Government

Wave 2 cities need scope to innovate

The Core Cities had flexibility in their negotiations with government, which helped them to be more innovative and creative. However, they perceive a risk that Wave 2 cities will have less scope for innovation because the process has become more restrictive, and their proposal may be more constrained.

City Deals should retain their urgency

Core Cities are nervous that City Deals could become process-driven and, like Multi-Area Agreements, dominated by targets. It is important to retain the urgency of the process, which has kept it light on its feet and capable of cutting through barriers within Whitehall. City Deals need to keep in sight their original intention of helping cities to be effective in driving growth.

The Core Package should include different options for cities

Core Cities emphasised the importance of a flexible approach to the proposed Core Package of policy measures available across cities, and are concerned that a one-size-fits-all approach will prevent policies from being tailored to suit local circumstances. They argue that the Core Package should be designed to respond to the place differences that City Deals are intended to address.

Cities will push for more decentralisation

The Core Cities see their Deals as the first step in a continuing process of discussion and decentralisation. They recognise that further devolution will depend on demonstrating that they can achieve more than central government, and they are ready to deliver. If they are able to show results, they anticipate government placing more powers and resources in their hands. They plan to return with a range of further proposals to extend City Deals to policy areas not yet covered.

What advice do the Core Cities have for Wave 2 cities?

1. Cities must be clear about their economic priorities, and be able to show that their growth plans are based on genuine local strengths. They should develop solutions that are right for them, rather than trying to replicate existing approaches.
2. Cities must be able to evidence the objectives of their City Deal. It is also important that the impact of proposals can be measured, to demonstrate their effectiveness.
3. City Deals require cities to put something significant on the table, in exchange for co-investment from the Government.
4. Cities will achieve more if they work with neighbours and plan beyond their boundaries for their wider economic area. Proposals should reflect these wider economic interests.
5. Cities should be tactical and pragmatic, looking at what the City Deal process is most likely to change within government. It is a chance for cities to be innovative and inventive, to explore new directions of travel, and to take calculated risks.
6. Cities should stand firm on their priorities, and demonstrate that they understand their local economic needs better than the Government.
7. It is important to keep the private sector closely involved. This improves the quality and strength of proposals, and makes it harder for government to reject them.
8. Cities should involve their political leaders in discussions with ministers, and ensure their negotiators have face-to-face discussions with civil servants in Whitehall.
9. City Deal negotiations should be seen not a 'task and finish' process, but as the start of a new, developing relationship with government.

Conclusions

Gathering thinking from the Core Cities, as well regular conversations with other cities and government about City Deals, Centre for Cities has given perspective on the process to date. We have therefore identified the outstanding questions on City Deals that need to be resolved over the coming year.

Questions remain for cities about how to:

- Ensure new, productive working relationships between neighbouring authorities
- Build their capacity to test government with new policy thinking
- Work with other cities to develop joint ideas
- Bring together national agencies and the private sector to create partnerships across their place
- Demonstrate success
- Ensure continuity for their economic vision beyond political cycles.

Questions remain for government about how to:

- Work with cities that miss out on Wave 2 City Deals
- Allocate Core Package policy measures among cities
- Balance specific place-based policy with Core Package measures on offer across cities
- Move from a negotiation process with pre-defined phases, to a continuing conversation between government and cities that shapes policy
- Resolve tensions between place-based policy-making, and Whitehall departments that deliver national programmes
- Embed devolution principles within government beyond the next election.

The consensus is that City Deals have helped Core Cities to develop their economic strategies, to progress their plans faster than would otherwise have been possible and to increase their likely impact. However, the decentralisation process remains fragile, vulnerable to changing government priorities, conflicting policy approaches within Whitehall, and the electoral cycle. Wave 2 City Deals will provide a major test of the Government's commitment to decentralisation, but wider growth policy over the coming year could determine the long-term future of the city devolution agenda.

Contact

Tom Bolton

Senior Analyst

t.bolton@centreforcities.org / 020 7803 4306

© Centre for Cities 2013

Centre for Cities

Enterprise House

59 - 65 Upper Ground

London SE1 9PQ

www.centreforcities.org