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Rt Hon George Osborne MP
Chancellor of the Exchequer
HM Treasury
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Dear Chancellor,

2014 BUDGET: SUBMISSION FROM CENTRE FOR CITIES

This Budget provides an opportunity for high-impact decisions that deliver benefits to the economy in the short-term. But to secure a sustainable economic recovery, and given your ambitions to eliminate the deficit by 2018-19, it is also an opportunity to signal a long-term commitment to giving our cities the powers they need to drive growth locally, and adapt national policy to local circumstances.

The national economic recovery that is now underway is being driven by our cities. 96 per cent of net new private sector job creation in the economy between 2010 and 2012 took place in cities, and just under three quarters of all high skilled jobs are in our urban areas. But this recovery is not being felt evenly, and is primarily led by London, where four of every five new private sector jobs have been created during this period.

Although good progress has been made with City Deals and in implementing recommendations from the Heseltine Review, our other big cities still lack the kind of powers possessed by London which could help them fulfil their economic potential, and contribute further to national growth.

Over the long-term, 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 drive the continued recovery of the UK economy in 2014 and beyond.

As such, we would call on the Government to set a clear timescale and process to enact the recommendations of the London Finance Commission, with Manchester and Leeds receiving similar settlements.

But despite there only being 18 months until the General Election, Centre for Cities also believes that there is scope for the Government to build on progress made to date, and empower our cities to grow in the months ahead.

In particular, we would recommend that the Government:

1. Increase the size of the Single Local Growth Fund to £5 billion per year from 2015

The positive reception to Lord Heseltine's report highlights a willingness to re-think the relationship between central and local government. The creation of the Local Growth Fund sets a welcome precedent for an approach to funding that goes beyond discrete initiatives to boost city economies.

In theory it has the potential to be a significant milestone on the route to a less centralised funding system in which local areas, particularly cities, are freed to direct investment to grow their local economies.

But in practice, set at £2 billion, the current pot of funding available falls far short of the sums likely to be required to make a significant difference in many parts of the country. In addition, because it is mainly made up of funds that local government already had and restricts the majority of funding available to capital projects, it is also limited in its reach.

For the Heseltine Single Local Growth Fund to have the desired impact, it should be increased to at least £5 billion – funded through any anticipated departmental underspend. This would ensure the Fund is of sufficient size to enable monies to be allocated to each of the 39 LEP areas, while also leaving a substantial amount available for allocation on the basis of a competition. All restrictions on how the money can be spent, such as allocations for capital or revenue, should also be removed.

2. Boost high-skilled jobs by creating a new City Centre Growth Fund

The performance of the national economy increasingly relies on the performance of our city centres. And patterns of employment vary greatly across and within our cities. Our most successful cities have seen private sector jobs become more concentrated in city centres, particularly those in high value added, or knowledge intensive, sectors.

Improving the ability of our city centres to attract new investment and jobs growth should be a Budget priority. Learning from the limited success of the Portas Pilot Town Teams, which focused too heavily on retail, **the Government should create a new City Centre Growth Fund**.

Although ideally via multi-year plans, the Government should in the short-term ensure that city centres are at the heart of the National Infrastructure Plan, and dedicate up to £100 million from any additional borrowing headroom available to a new fund that would enable cities to invest in the physical and digital infrastructure needed to support business growth in city centres. It would also create a framework to match this money to European funding and private sector investment.

3. Create single property boards at city level

In order to help unlock the potential of public sector assets, **the Government should work with cities to instruct national government departments and agencies** – such as the Ministry of Defence, the Department of Health, the 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.

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.

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. With affordability of housing a problem in many of our urban areas, releasing public land to the market is an important contribution to improving the supply of housing.

4. Pilot a system of city-visas

Highly charged politically, the thorny topic of immigration is also one that matters disproportionately to cities – cities attract the most economically attractive immigrants, and are set to lose the most from policies to reduce the net number of immigrants in the UK.

In the absence of changes to UK-wide policy to attract more skilled immigrants, we support the proposal that London should be given a special quota for skilled immigration in London. The Government should work with the London Mayor and key business interests to devise and run such a scheme, with a view to extending the scheme to other cities, subject to review.

As you finalise your Budget proposals, we urge you to Think Cities – our urban areas hold the key to reducing the deficit, growing the economy, improving standards of living and increasing the supply of housing.

With 18 months to the next General Election, your Budget statement can build on the progress made by the Government since 2010, laying the ground for a sustained economic recovery driven by our cities.

Yours sincerely

Alexandra Jones,
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