Alexandra Jones
Chief Executive

Enterprise House
59-65 Upper Ground
London SE1 9PQ

a.jones@centreforcities.org
t 020 7803 4302

Rt Hon George Osborne MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

18 March 2011

Dear Chancellor,

BUDGET 2011: SUBMISSION FROM THE CENTRE FOR CITIES

Next week's Budget statement, along with the Growth Review announcement, represents an important step along the road to recovery for the UK as it emerges from the impact of an unprecedented global recession. Public spending cuts dominated the political debate during 2010, but the 2011 Budget is an opportunity for the Government to continue building conditions for growth and the supportive environment which city and business leaders are keen to see.

The UK's cities are the key drivers of the national economy and will be crucial component of future growth:

- Great Britain's cities account for 60 percent of jobs (4 percent more than their population) and 52 percent of businesses.
- In England, cities cover 14 percent of the land but contain 62 percent of jobs and 55 percent of firms. 64 percent of England's job-generating high growth firms are headquartered in cities.
- When city boundaries are widened to include their surrounding areas, they represent more than 75 percent of England's private sector jobs and 90 percent of knowledge-based jobs.
- England's nine largest cities generate 47 percent of the country's GVA, and 37 percent of the country's private sector jobs.

Our *Cities Outlook 2011* report shows the uneven nature of both the recession an the recovery. Many cities are recovering well from recession. Cities such as Aberdeen, Bristol, Leeds, Milton Keynes and Reading which were less affected by the recession and are less exposed to public sector job losses are well-positioned to grow. However, other cities such as Birkenhead, Liverpool, Newport, Sunderland, and Swansea which have low levels of skills and business activity, and greater dependence on public sector jobs will continue to struggle.

Devolving powers and resources to cities in order for them to better respond to their specific circumstances will be vital to UK growth. We look forward to a range of financial freedoms and additional powers emerging from the Localism Bill and the Local Government Resource Review, subjects of separate Centre for Cities projects.

In addition, we highlight three policy areas that the Growth Review should prioritise:

1. Drive transport forward

The Government rightly chose to protect funding for transport schemes in the Spending Review, recognising that improved transport infrastructure can release economic benefits by helping cities to co-operate and link up. Integrated transport services improve the ability of people to access jobs, supporting growth. Infrastructure investment helps cities to develop complementary roles and to benefit from closer physical connections.

To supplement already announced larger transport schemes the Growth Review should focus on smaller-scale investment – tackling pinch points to relieve congestion and maintaining existing infrastructure as proposed in the 2006 Eddington Review – which are likely to deliver the best value for money. As part of this approach the Government should take a lead in encouraging cities to look at congestion charging as an effective measure of reducing congestion.

2. Back skills

Investment in skills is probably the most significant factor for the long-term success of city economies and the UK economy as a whole, but the UK's skills base is failing to keep pace with other nations. Despite a long-term improvement in GCSE grades for English and Maths, the gap between successful cities and struggling cities has failed to narrow and is now 7 percent. The Growth Review should tackle levels of achievement in schools in struggling cities to give the children living in these places a better chance of competing in the future. In addition the Growth Review should provide incentives to reward universities for linking more closely with business and ensuring graduates have the skills employers need. As we outlined in our report on Enterprise Zones, the Government should also introduce incentives to encourage firms to provide skills training in the designated areas, for example through a 75 percent tax rebate for training new staff and 50 percent for existing staff.

3. Support declining areas

The growth agenda will not apply everywhere. Not all UK cities have the same strengths and growth potential; a number have serious, inherited weaknesses. Some cities continue to experience difficulties dealing with the effects of de-industrialisation and consequent population decline, which are having serious long-term implications for the residents of these cities.

These cities are likely to benefit from the recommended measures to support skills and transport above, but the particular challenges they face mean that we also encourage the Government to introduce a Transformation Fund, as recommended in our 2010 *Grand Designs* report. This is to support those cities which need help to adapt their built environment to lower levels of economic activity and fewer people. Introducing a fund of this kind would represent a departure from previous approaches to regeneration characterised by a focus on growth.

Yours sincerely

Alexandra Jones

Alexandra Jones
Chief Executive, Centre for Cities