



## Cities Policy Briefing

### Setting out Coalition Government policies across a common framework

September 2014

This briefing provides details on four flagship Coalition Government policies that have had an impact on the powers, resources and flexibilities available to UK cities to stimulate economic growth between 2010 and 2014. The details of the Localism Act, waves one and two of City Deals and Growth Deals are set out using a common framework. Alongside an overview of the policies and some examples on how they were implemented, the table below sets out the geographical and administrative scale at which policies took effect, as well as the policy focus, fiscal freedoms and funding flexibilities and policy design flexibilities made available.

These policies were introduced during the same time period as Regional Development Agencies were abolished by the Coalition Government. Local Enterprise Partnerships (LEPs) were instead introduced with a mandate to provide private sector stewardship and expertise in economic growth at the scale of the real economy, as defined by local actors rather than by central government. The remit of LEPs has expanded over this time to include responsibility for developing multi-year Strategic Economic Plans for their area. LEPs also receive allocations from the Growing Places Fund to tackle infrastructure investment constraints and now have responsibility for delivering part of the EU Structural and Investment Funds for 2014-20.<sup>1</sup>

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<sup>1</sup> This includes allocation from the European Social Fund, European Regional Development Fund and part of the European Agricultural Fund for Rural Development.

	<b>Localism Act</b>	<b>City Deals wave one</b>	<b>City Deals wave two</b>	<b>Growth Deals<sup>2</sup></b>
<b>Overview</b>	<p>Passed in 2011, the Localism Act removed rules about how councils organise themselves and run their affairs and enshrined new powers and responsibilities for local government in legislation.</p> <p>It introduced the general power of competence for local authorities in England.<sup>3</sup> This means that local authorities have the capacity to do anything that an individual can legally do.</p> <p>The Act also included the Core Cities amendment which allowed local councils to make the case for being given new powers and set their own distinct policies, and paved the way for City Deals.</p>	<p>The first wave of City Deals were signed in July 2012. Bespoke deals negotiated between cities and Government, they negotiated funding and flexibilities for cities in key growth drivers.</p> <p>This included greater influence in finance and investment, greater powers and levers to deliver skills and jobs and infrastructure and business support.</p>	<p>The second wave of City Deals were offered to additional cities and signed between September 2013 and August 2014.</p> <p>As with the first wave, the second wave of City Deals were bespoke deals agreed between cities and Government and designed to increase the ability of cities and wider areas to boost economic growth. A majority of the deals included a focus on skills and business investment.</p>	<p>Announced on 7 July 2014, Growth Deals assigned funding from the Local Growth Fund for projects that benefit the local area or economy, according to priorities set out in Strategic Economic Plans, and then agreed between Government and each LEP.</p> <p>In their Strategic Economic Plans, LEPs were asked to prioritise projects already in the pipeline that could be implemented as soon as possible.</p>
<b>Geographical focus</b>	<p>The Localism Act applies to local government in England, as well as Scotland, Wales and Northern Ireland regarding non-devolved functions.</p> <p>The general power of competence applies only to local authorities in England.</p>	<p>The first wave of City Deals were signed with the Core Cities, the 8 largest cities outside London: Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield.</p>	<p>20 cities were offered City Deals in the second wave (the next 14 largest cities outside London after Core Cities and the six cities with the highest population growth between 2001 and 2010). 17 deals were signed with:</p> <p>Black Country, Glasgow and Clyde Valley, Greater Brighton, Greater Cambridge, Greater Ipswich, Greater Norwich, Hull and Humber, Leicester and Leicestershire, Plymouth and the South West, Preston, Southampton and Portsmouth, Southend-on-Sea, Stoke-on-Trent and Staffordshire, Sunderland and South Tyneside, Swindon and Wiltshire, Tees Valley and Thames Valley Berkshire.</p>	<p>Growth Deals were agreed with all 39 LEPs in England.</p>

<sup>2</sup> More detailed analysis of the Growth Deals can be found here: <http://www.centreforcities.org/research/2014/07/22/local-growth-deals-briefing/>

<sup>3</sup> Also to Integrated Transport Authorities, Passenger Transport Executives, Combined Authorities and Economic Prosperity Boards.

	Localism Act	City Deals wave one	City Deals wave two	Growth Deals
<b>Administrative and governance focus</b>	<p>The Government used powers in the act to trigger referendums about elected mayors in 10 cities in May 2012 - only Bristolians voted in favour. Leicester City Council has previously resolved to adopt the mayoral system in December 2010, followed by Liverpool City Council in February 2012.<sup>4</sup></p>	<p>The first wave of City Deals were agreed, in most cases, between Government and the city council with support of the LEP.</p> <ul style="list-style-type: none"> <li>• <b>Birmingham:</b> Greater Birmingham and Solihull LEP</li> <li>• <b>Bristol:</b> Bristol City Council, Bath &amp; North East Somerset Council, North Somerset Council, South Gloucestershire Council, West of England LEP</li> <li>• <b>Leeds:</b> Leeds City Council and Leeds City Region LEP</li> <li>• <b>Liverpool:</b> deal first made with the City Council and then extended to the city-region</li> <li>• <b>Manchester:</b> Greater Manchester Combined Authority with full support of the Greater Manchester LEP</li> <li>• <b>Newcastle:</b> Newcastle City Council and North East LEP</li> <li>• <b>Nottingham:</b> Nottingham City Council</li> <li>• <b>Sheffield:</b> Sheffield City Council and Sheffield City Region LEP</li> </ul> <p>City Deals were agreed with strong encouragement for the cities involved to work towards city-region scale governance at which new powers and flexibilities would be held, via a directly elected mayor, a combined authority or other means.</p>	<p>The deals were signed primarily between a combination of local actors, including the city council and LEP, but there was some variation across deals, including deals with Borough and County Councils in two-tier areas, and also universities in certain areas – see Appendix 4 for full list of organisations involved in each separate deal.</p>	<p>Given the strategic nature of LEPs, funding allocated via the Growth Deals is directed to local authorities and managed strategically by LEPs.</p>

4 People in the following cities were given the option to have a directly elected executive mayor - Birmingham, Bradford, Bristol, Coventry, Leeds, Manchester, Newcastle upon Tyne, Nottingham, Sheffield and Wakefield.

	<b>Localism Act</b>	<b>City Deals wave one</b>	<b>City Deals wave two</b>	<b>Growth Deals</b>
<b>Taxes and borrowing (ability to raise money)</b>	<p>Local authorities were given greater freedom over setting of business rate discounts.</p> <p>Local authorities were given the freedom to raise council tax beyond certain threshold subject to a local referendum (currently capped at a 2 per cent increase).</p>	<p>Greater Manchester agreed an ‘Earn Back’ scheme: a new payment by result model that incentivises the city to invest in growth in return for a £30 million per year share of the additional national tax take.</p> <p>Newcastle, Sheffield and Nottingham were given the freedom to borrow against future business rate income in key development zones.</p>	<p>In the Greater Cambridge deal a ‘Gain Share’ scheme similar to Manchester’s was introduced: Government promises to invest £100 million in infrastructure over the next 5 years, incentivising the city to drive growth and increase the local tax take in the next 15-20 years in return for up to half a billion pounds investment in the area.</p> <p>As part of the Glasgow and Clyde Valley deal, the Scottish government will consider bringing forward proposals to change legislative provisions relating to borrowing and repayment.</p>	<p>Eight out of the 39 Deals included increases in the Housing Revenue Account (HRA) borrowing cap for local authorities, meaning that they can increase borrowing to build new homes:</p> <p>South East, Greater Birmingham and Solihull, London, Cheshire and Warrington, Black Country, Swindon and Wiltshire, Enterprise M3 and South East Midlands.</p>
<b>Funding (control over spending)</b>	<p>Local authorities were given more control over the rent collected from council housing. Whereas previously rents were sent to Whitehall and re-distributed, councils will retain rents from social housing in their area to reinvest in social housing.</p>	<p>Many of the City Deals included greater influence over future Regional Growth Funds and EU Structural Funds, and some devolution of transport funding. They also included economic investment funds: pooling multiple funding streams and business rate income into a single investment fund; with central government funds matched with local public sector and private sector investments. Examples:</p> <ul style="list-style-type: none"> <li>• In Leeds, an investment fund will comprise £200 million of local resources and a capital pot from central government and business rates will be pooled across the Leeds City Region.</li> <li>• In Birmingham, a £1.5 billion investment fund will aggregate multiple public and private sector funding streams.</li> </ul>	<p>Wave 2 City Deals also offered economic investment funds, greater influence over Regional Growth Fund and EU Structural Fund, and devolution of transport funding. Examples:</p> <ul style="list-style-type: none"> <li>• Glasgow and Clyde Valley’s infrastructure fund is the largest agreed as part of the City Deals, with the UK and Scottish governments each committing £500 million in capital funding.</li> <li>• The City Deal Investment Fund in Preston will aim to unlock housing development, with a £100m local allocation from the Lancashire Pension Fund.</li> <li>• Transport for Lancashire received a 10 year transport funding allocation and will oversee the allocation of resources to deliver critical highway infrastructure improvements as part of the Preston deal.</li> </ul>	<p>Greater Manchester, Leeds City Region and Sheffield City Region were given freedoms to re-direct funding to other projects as they see fit as their Growth Deal progresses.</p>

	<b>Localism Act</b>	<b>City Deals wave one</b>	<b>City Deals wave two</b>	<b>Growth Deals</b>
<b>Policy focus</b>	<p>The Localism Act impacted on city growth drivers primarily through reforms to housing and planning policy. Examples:</p> <ul style="list-style-type: none"> <li>• Freedoms for LAs to decide who is eligible for social housing, within reason.</li> <li>• Introduction of fixed term, rather than lifetime, social housing allocation.</li> <li>• Greater flexibility over homelessness allocations.</li> <li>• The Act introduced the Duty to Cooperate, requiring local authorities to work together on planning issues.</li> <li>• Neighbourhood planning was also introduced, alongside greater freedoms for local authorities to set the rate of the Community Infrastructure Levy – including the requirement from Government that some of the proceeds go directly to the community.</li> </ul>	<p>All the Deals included measures to improve skills and employment and the ability of cities to fund these, and other, local growth initiatives. Transport schemes also featured in a majority of the deals signed.<sup>5</sup> Some examples:</p> <ul style="list-style-type: none"> <li>• Leeds, Newcastle and Liverpool negotiated localised Youth Contracts.</li> <li>• Bristol, Leeds, Liverpool and Manchester all acquired greater powers to support international trade and investment.</li> <li>• Sheffield and Bristol gained greater freedoms around skills budgets and intend to tailor provision to the needs of businesses.</li> <li>• In Leeds, an Apprenticeship Training Agency was agreed to support small businesses.</li> <li>• Birmingham agreed to create a joint investment plan which combines city and Homes and Communities Agency assets to stimulate housing development.</li> <li>• Nottingham agreed to put in place a Green Deal strategy and intends to roll out a District heating system.</li> </ul>	<p>The majority of Deals in wave two also included measures to support skills and employment, as well as business support. Transport schemes featured less heavily than in wave one, with housing interventions more prevalent.<sup>6</sup> Some examples:</p> <ul style="list-style-type: none"> <li>• The Black Country deal agreed a demonstration project to reduce welfare dependency which brings together employment support services, community support, housing and financial incentives to ease the transition to work – learning from successful programmes in the USA.</li> <li>• The Leicester and Leicestershire deal agreed on funding for targeted employment support for young offenders.</li> <li>• Hull and Humber will pilot a personalised budget for unemployed 18-24 year-olds. Young people will be able purchase specialised support to overcome their barriers to work.</li> <li>• The Greater Cambridge deal includes commitments from the Government and Cambridge to work together on East West Rail to accelerate delivery of a re-instated line.</li> <li>• Greater Brighton’s deal focuses on refurbishing a key city-centre location to be the heart of the tech cluster, supported by a new digital exchange.</li> </ul>	<p>Alongside skills, transport and housing dominated most of the deals:<sup>7</sup></p> <p>As a result of the LGF pot being so capital-heavy, revenue allocations were limited. This is most obvious in skills, where construction of new buildings is the focus, rather than policies or projects that change what will be taught.</p> <p>Only the Greater Manchester deal included a focus on the way that public services are delivered.</p>

5 See Appendix 1 for a more detailed description of the policy focus of wave one City Deals.

6 See Appendix 2 for a more detailed description of the policy focus of wave two City Deals.

7 See Appendix 3 for a more detailed description of the policy focus of Growth Deals.

## Appendices:

### Appendix 1: Policy focus of “Wave One” City Deals

	Finance & investment	Skills & employment	Transport	Housing	Broadband	Business support	Trade	Low carbon	Sectors	Governance
<b>Birmingham</b>	●	●		●				●	Life sciences	LEP
<b>Bristol</b>	●	●	●	●		●	●			Mayor
<b>Leeds</b>	●	●	●				●			Combined Authority
<b>Liverpool</b>	●	●	●	●			●	●	Science	Mayor
<b>Manchester</b>	●	●	●	●		●	●	●		Combined Authority
<b>Newcastle</b>	●	●	●	●	●			●	Energy & marine	Working toward a Combined Authority
<b>Nottingham</b>	●	●	●		●	●		●	High technology & creative	LEP
<b>Sheffield</b>	●	●	●						Advanced manufacturing & nuclear	Combined Authority

## Appendix 2: Policy focus of “Wave Two” City Deals

	Investment Fund	Skills & employment	Transport	Housing	Broadband	Business support	Trade	Key sector focus	Governance
<b>Black Country</b>	●	●		●		●		Advanced manufacturing	Statutory joint committee
<b>Glasgow and Clyde Valley</b>		●	●			●			Joint-authority cabinet
<b>Greater Brighton</b>	●			●	●	●		Creative-tech industries; renewable energy	
<b>Greater Cambridge</b>	●	●	●	●					Joint committee with view to forming combined authority
<b>Greater Ipswich</b>		●				●			
<b>Greater Norwich</b>	●	●	●	●		●		Life sciences	
<b>Hull and Humber</b>		●				●		Renewable energy	
<b>Leicester and Leicestershire</b>		●		●		●			
<b>Plymouth and the South West</b>		●				●	●	Marine; advanced manufacturing	
<b>Preston, South Ribble and Lancashire</b>		●	●	●	●				
<b>Southampton and Portsmouth</b>	●	●		●		●		Marine; advanced manufacturing	
<b>Southend-on-Sea</b>				●		●	●		
<b>Stoke-on-Trent and Staffordshire</b>	●	●				●		Renewable energy	
<b>Sunderland and South Tyneside</b>	●	●	●			●		Advanced manufacturing	Combined authority
<b>Swindon and Wiltshire</b>	●	●	●	●	●	●			
<b>Tees Valley</b>	●	●				●		Renewable energy	Combined authority
<b>Thames Valley Berkshire</b>		●				●			

### Appendix 3: Policy focus of Growth Deals

LEP	Skills	Transport	Non-transport infrastructure	Public services	Housing	PWLB (£m)	HRA borrowing cap increase	Business support & finance	Freedom to re-direct funding
Leeds City Region	•	•	•		•			•	•
Greater Manchester	•	•		•					•
South East	•	•			•		•	•	
Greater Birmingham and Solihull	•	•	•		•		•	•	
Sheffield City Region	•	•			•			•	•
North East	•	•	•		•			•	
London	•				•		•	•	
Lancashire	•	•	•		•	•			
Liverpool City Region	•	•	•		•			•	
West of England	•	•	•					•	
Coast to Capital	•	•	•			•		•	
Hertfordshire	•	•	•		•			•	
Derby, Derbyshire, Nottingham & Nottinghamshire	•	•	•		•	•		•	
New Anglia	•	•	•		•			•	
Cheshire and Warrington	•	•	•				•		
Black Country	•	•			•	•	•	•	
Heart of the South West	•	•	•		•				
Swindon and Wiltshire	•	•			•		•	•	
Solent	•	•			•				
Enterprise M3	•	•			•		•	•	
Greater Lincolnshire	•	•	•		•			•	
York and North Yorkshire	•	•			•				
Oxfordshire	•	•	•					•	
Humber	•	•	•		•			•	
Thames Valley Berkshire	•	•			•			•	
Tees Valley	•	•						•	
Stoke-on-Trent and Staffordshire	•	•							
Leicester and Leicestershire	•	•	•		•			•	
South East Midlands	•	•	•		•		•	•	
The Marches	•	•			•			•	
Coventry and Warwickshire	•	•						•	
Greater Cambridge & Greater Peterborough	•	•	•		•			•	
Northamptonshire	•	•	•		•	•		•	
Dorset	•	•			•			•	
Gloucestershire	•	•	•					•	
Cornwall and the Isles of Scilly	•	•			•			•	
Worcestershire	•	•	•		•				
Buckinghamshire Thames Valley	•	•	•			•		•	
Cumbria	•	•				•		•	

## Appendix 4: Full breakdown of “Wave Two” City Deals signed

- **Black Country:** Black Country LEP, Dudley Metropolitan Council, Sandwell Borough Council, Walsall Council, Wolverhampton City Council.
- **Glasgow and Clyde Valley:** Inverclyde Council, East Renfrewshire Council, East Dunbartonshire Council, North Lanarkshire Council, South Lanarkshire Council, Renfrewshire Council, West Dunbartonshire Council, Glasgow City Council
- **Greater Brighton:** Adur and Worthing Councils (District and Borough), Brighton and Hove City Council, Lewes District Council, Mid Sussex District Council, Coast to Capital LEP, Wired Sussex, University of Brighton, University of Sussex, Adur and Worthing business partnership, Brighton and Hove economic partnership, Coastal and West Sussex clinical commissioning group
- **Greater Cambridge:** Cambridge City Council, Cambridgeshire County Council, South Cambridgeshire District Council, Greater Cambridge & Greater Peterborough LEP, University of Cambridge
- **Greater Ipswich:** Ipswich Borough Council, Suffolk County Council, New Anglia LEP, Babergh District Council, Suffolk Coastal District Council, Mid Suffolk District Council
- **Greater Norwich:** New Anglia LEP, Norfolk County Council, Broadland District Council, Norwich City Council, South Norfolk Council
- **Hull and Humber:** Humber LEP, East Riding Council, Hull City Council, North Lincolnshire Council, North East Lincolnshire Council
- **Leicester and Leicestershire:** Leicester and Leicestershire LEP, Leicester City Council, Leicestershire County Council, Blaby District Council, Charnwood Borough Council, Harborough District Council, Hinckley and Bosworth Borough Council, Melton Borough Council, North West Leicestershire District Council, Oadby and Wigston Borough Council
- **Plymouth and the South West:** Plymouth City Council, Heart of the South West LEP, Cornwall and Isles of Scilly LEP, Cornwall County Council, Devon County Council, Torbay Council, South Hampshire District Council, West Devon Borough Council, Enterprise with Plymouth University
- **Preston, South Ribble and Lancashire:** Preston City Council, Lancashire County Council, South Ribble Borough Council, Lancashire LEP
- **Southampton and Portsmouth:** Portsmouth City Council, Southampton City Council, Solent LEP, Hampshire County Council
- **Southend-on-Sea:** Southend-on-Sea Borough Council, South East LEP
- **Stoke-on-Trent and Staffordshire:** Stoke-on-Trent City Council, Stoke-on-Trent and Staffordshire LEP, Staffordshire County Council
- **Sunderland and South Tyneside:** Sunderland City Council, South Tyneside Council, North East LEP
- **Swindon and Wiltshire:** Swindon and Wiltshire LEP, Swindon Borough Council and Wiltshire County Council)
- **Tees Valley:** Tees Valley Unlimited (LEP), Darlington Borough Council, Hartlepool Borough Council, Middlesbrough Council, Redcar and Cleveland Borough Council, Stockton-on-Tees Borough Council
- **Thames Valley Berkshire:** Bracknell Forest Council, Reading Council, West Berkshire Council, Royal Borough of Windsor and Maidenhead, Wokingham Borough Council, Slough Borough Council, Thames Valley Berkshire LEP

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