

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

13 March 2015

Dear Chancellor,

BUDGET 2015: CENTRE FOR CITIES' LETTER TO THE CHANCELLOR

On the occasion of the final Budget ahead of the General Election, it is clear that the major challenge for the next Government is to **consolidate the national economic recovery, while completing the task of eliminating the structural deficit**. This simply cannot be achieved sustainably and for the long-term without ensuring that all UK cities are fulfilling their economic potential – a necessary step that will take time and investment. And yet there are three key ways in which the 2015 Budget can make some important headway towards realising this ambition, by supporting those cities with the greatest capacity to drive economic growth in the short-term:

1. Fiscal Devolution for London

London has been integral to driving the UK's turnaround from recession, but the capital needs extensive investment in its infrastructure to keep up with its current and future growth, and to remain globally competitive in the age of 'megacities'. Yet, London currently holds far fewer fiscal freedoms than its international competitors, spending just 7 per cent of all taxes raised locally, compared to 50 per cent in New York, and 77 per cent in Tokyo. London relies on central Government for 73.9 per cent of its funding, compared to 30 per cent in New York and around eight per cent in Tokyo.¹

To best support the long-term, large-scale projects that London will need to thrive, Centre for Cities joins many other leading business figures and consortia in its support for the devolution of council tax, business rates and other property taxes to the capital during the next Parliament – and we urge you to use your Budget Statement to set out a clear timescale and process for this to take place.

2. Commit to Tackling the Housing Crisis in the 10 Least Affordable Cities

There is an urgent need to tackle the housing crisis afflicting our most economically successful cities, which is increasingly constraining their capacity to grow. The average house price in Oxford, London, Cambridge, Brighton,

¹ <http://www.publications.parliament.uk/pa/cm201415/cmselect/cmcomloc/503/50305.htm>

Bournemouth, Crawley, Aldershot, Reading, Bristol and Worthing ranges from between nine and 15 times average wages. This isn't just harmful for people living in these cities, but for businesses too, who depend upon access to skilled labour that could be priced out of living in these areas.

Combined, these cities need a minimum of 685,000 total extra homes to meet demand over the next 10 years.² But while there is political consensus that the UK needs more homes, policies to date have not sufficiently resolved the acute under-supply in these cities. While many demand-side policies have been introduced in the past Parliament to address housing affordability, they have not proved sufficient to overcome many of the political and market disincentives for building more homes in high-demand cities.

Capitalising on preferential borrowing rates and access to public land, the Government (either through allowing local authorities to borrow more, or directly through the Homes and Communities Agency) could easily service the borrowing required to build hundreds of thousands of new homes through rental income or sales revenue, while providing the housing our most productive cities need to grow.

3. Cement the Manchester Devolution Agreement

Some important progress has been made under this Government towards empowering UK city economies. In particular, your plan to deliver a 'Northern Powerhouse' capable of competing globally has decisively shaped the policy agenda over the past nine months.

The announcement of the devolution of additional powers to the Greater Manchester Combined Authority, to hold direct effect on business support, skills, employment services and welfare, has been most welcome. But it is the proposal for an elected Mayor, with responsibility for a devolved transport budget with multi-year settlements, franchised bus services, strategic planning, a £300 million housing investment fund and an enhanced Earn Back Deal, which sets the Manchester Deal apart from previous Government policy.

Centre for Cities believes this year's Budget represents an important opportunity to set this important vision in stone, enabling Greater Manchester to make the most of this unprecedented opportunity and begin to deliver the results we all hope to see. To this effect, you should commit to enshrining the city-region's devolution agreement in legislation in the first 100 days of the next Parliament.

For the economic recovery to be truly sustainable, we need to ensure that it is being more widely driven – and felt – across the UK. Achieving this will require many more UK city economies meeting their growth potential, while also ensuring our urban areas are equipped with the powers they need deliver key services to their residents and address their most pressing challenges. As such, we encourage you to include these commitments within your 2015 Budget Statement, and put the future of UK cities at the heart of your long-term economic plan for the country.

Yours sincerely,



Andrew Carter
Acting Chief Executive

2. As shown in our report *Delivering Change: Building Homes Where We Need Them*