

# Unlocking growth in cities

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## Foreword



**Nick Clegg**  
Deputy Prime Minister

The Coalition Government is committed to building a more diverse, even and sustainable economy. As major engines of growth, our cities have a crucial role to play. But to unlock their full potential we need a major shift in the powers available to local leaders and businesses to drive economic growth. We want powerful, innovative cities that are able to shape their economic destinies, boost entire regions and get the national economy growing. The aim of these deals is to empower cities to forge their own path, to play to their own strengths and to find creative solutions to local problems.

But every city is different. So we are moving away from a one-size-fits-all model towards individual city deals. We want cities to come to us with ambitious proposals on what they will do to support private sector growth and what powers and freedoms they need to make this happen. But these deals are two way – cities will need to show strong leadership and deliver real growth and jobs for their communities. My message to them is to seize this opportunity – to work with us to break open our politics and lay the foundations for lasting growth.

**Nick Clegg**  
Deputy Prime Minister



**Greg Clark**  
Minister for Cities

England's cities have the potential to be the motors of our economic recovery. With their concentrations of talented and enterprising people, their infrastructure and their institutions of higher education, they are well placed to create growth and jobs. But for too long decisions about the future of these proud cities have been taken in Westminster, constraining local leadership and stopping cities reaching their full potential.

We want to help cities exercise their independence and take their economic destiny into their own hands. In this document we set out our offer. In exchange for local leadership, central government is prepared to pass down unprecedented control over budgets and powers in areas such as transport, housing, skills and business support. It is a wide-ranging list of topics for negotiation and it reflects the fact that there is no one-size-fits-all solution – in the coming months we will strike deals as varied as our cities themselves, tailored to the local challenges and opportunities.

I have no doubt about the ambition of local leaders to get this right, and I am determined that we in central government will give cities the tools they need to grow their economies; to improve their infrastructure; and to become the best places to live and work in the whole of Europe. It is an exciting prospect. I look forward to helping our cities forge a bright future even greater than their proud histories, matching their proud heritage with a busy and prosperous future.

**Greg Clark**  
Minister for Cities

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## Executive summary

Cities are engines of growth and they will be critical to our economic recovery. The Coalition Government is taking tough and decisive action to equip Britain for long-term success by restoring health to the public finances and confidence in the economy through a balanced approach led by private sector growth. But this growth will not occur in the abstract. It will be created in individual places where people and businesses work, trade and innovate. The most economically important of these places are cities and their wider economic areas, which account for 74% of our population and 78% of our jobs.

But the new enterprise and employment that the country desperately needs requires a dynamic local leadership to drive economic growth on the ground. This will mean city leaders taking decisive action to attract the private sector investment that is so critical to the future of the urban economy. It will require capacity and authority to articulate and drive forward an ambitious economic vision, to build effective public–private partnerships, and to respond innovatively to barriers to growth. And it will mean a fundamental shift in the relationship between national government and cities – starting with a genuine transfer of power.

Our ambition is to create powerful, innovative cities that are able to shape their economic destinies, with civic and private sector leaders freed to look outwards to businesses and communities rather than upwards to central government for solutions.

We have already taken some important steps to help cities drive forward growth:

- creating **Local Enterprise Partnerships** to bring together civic and private sector leaders to drive growth;
- putting greater **financial powers** in the hands of local authorities through business rate retention and new borrowing powers;
- creating 24 **Enterprise Zones** with the power to use Tax Increment Financing;
- providing a new **£100 million urban broadband fund**, which will create up to **10 ‘super-connected cities’**; and
- investing **£744 million** in urban areas through the **Regional Growth Fund**, with a further **£1 billion** for the Regional Growth Fund announced in the Autumn Statement.

But we will need to go much further in empowering our cities to drive forward growth. The Government will work with different cities over the coming months and years to agree a series of tailored ‘city deals’. This is not about rolling out blanket policy prescriptions, but hammering out agreements that will enable cities to do things their way.

City deals must be genuine transactions, with both parties willing to offer and demand things in return.

To signal to cities that this Government is open to bold ideas and a genuine transfer of power, we have set out an initial menu of things that we would be willing to discuss and negotiate as part of the deal-making process (on pages 8 and 9 of this document). This menu is not exhaustive but includes options to give cities greater freedoms to invest in growth; the power to drive critical infrastructure development; and new tools to help people to get the skills and jobs they need.

But a deal is a two-way transaction – so cities will need to do things in return. Where cities want to take on significant new powers and funding, they will need to demonstrate strong, visible and accountable leadership and effective decision-making structures. And while it is right that cities reap the rewards of new powers and projects in city deals – for example, retaining some additional business rates – they must also be willing to take on proportionate risks.

We are starting with the largest cities outside London and their surrounding areas<sup>1</sup> because they have huge economic potential which has yet to be fully realised. Despite impressive jobs growth in the decade before the recession, the core cities are lagging behind their European counterparts. In most European countries major cities perform at or above their national average. In the UK, with one exception (Bristol), they perform below the national average.

To unlock their growth potential, local leaders in the core cities will need to work effectively across their economic footprint (typically the area covered by their Local Enterprise Partnership); exploit their edge in knowledge-intensive sectors; attract and retain skilled workers; create the conditions for innovation; and build infrastructure and urban environments that businesses and workers will flock to. The Government is committed to working closely with them to achieve this in the months and years ahead.

If we get this right, we can make a real difference on the ground. Success will look different in different places, but it should mean:

- empowered local leaders that are able to drive real change in their city by looking outwards to the private sector, rather than up towards central government;
- businesses that benefit from dynamic new partnerships with civic leaders that yield new opportunities for investment and growth; and
- local people gaining access to new job opportunities, better local transport and a housing market that is more responsive to local needs.

<sup>1</sup> The eight core cities are the largest English cities outside London.

# 1. Our challenge to cities

**Cities are the engines of economic growth and they will be critical to our economic recovery. However, to create the new businesses, jobs and development that the country needs, local leaders need a step change in the way in which they support economic growth on the ground. The Government will be working with different cities over the coming months to make a series of deals that will transform the way in which local leaders drive economic development.**

**Cities will be critical for our economic recovery but in many places this will mean a step change in what they do**

1.1 The Coalition Government is taking tough and decisive action to equip Britain for long-term success by restoring health to the public finances and confidence in the economy through a balanced approach led by private sector growth. But this growth will not occur in the abstract. It will be created in individual places where people and businesses work, trade and innovate. Our cities have a crucial role to play: they account for 58% of England's population and 61% of its jobs. When their wider commuting areas are taken into account, this rises to 74% of population and 78% of jobs.<sup>2</sup>

1.2 People are drawn to cities for their social and cultural diversity and the economic opportunities they offer. Cities drive innovation and have a brand and status that attract investment to their local and wider areas. For businesses to compete

nationally and globally, they need the assets provided by cities: intellectual capital; private sector agglomeration; connectivity; and investment in public and regional services.

1.3 Cities, therefore, are the engines of growth and will be critical to our economic recovery.

1.4 In the current economic context, the stakes are high: city leaders will need to take bold and decisive action to attract the private sector investment that is so critical to our urban economy. Cities need strong, visible leaders who are able to articulate a convincing economic vision for their area and take the decisions necessary to make this vision a reality. They will need to think innovatively about tackling barriers to growth and act relentlessly in the pursuit of this aim. Above all, they need to lead a fundamental culture shift, looking outwards to the private sector and civil society for solutions, not up to central government. Some cities are well on the way, but this needs to be replicated across the country. If city leaders

<sup>2</sup> Data for 2008, from Department for Communities and Local Government (2010) *Updating the Evidence Base on English Cities*. Data for cities relates to primary urban areas; for hinterlands it includes travel to work areas (TTWA).

are willing to rise to this challenge, the Coalition Government will do all it can to support and empower them in their pursuit of growth.

### We have already taken some important steps to help our cities to take on this challenge

1.5 The Coalition Government has already taken a number of important steps to support and empower our cities, putting new levers and resources in the hands of local leaders, including:

- encouraging places across the country to create **Local Enterprise Partnerships** (LEPs) between business leaders and local authorities, to provide vision, knowledge and strategic leadership to drive growth and job creation in their area;
- putting **greater financial powers** in the hands of local authorities, including proposals to allow them to retain a portion of any growth in business rates in their area. Our proposals for business rate retention will enable local authorities to bring forward Tax Increment Financing schemes, borrowed against predicted growth in locally raised business rates to fund key infrastructure and other capital projects;
- introducing the **general power of competence** through the Localism Act, giving local authorities the same power to act as individuals have, allowing them, for example, to set up businesses;
- introducing the **Core Cities Amendment** in the Localism Act, allowing local authorities to make the case for being given new powers to promote economic growth and to set their own distinct policies;
- injecting at least £744 million of investment in urban areas,<sup>3</sup> through the **Regional Growth Fund**, to support growth and structural change needed to rebalance the economy;
- supporting critical infrastructure investment in cities and their surrounding areas with the £500 million **Growing Places Fund**;
- creating **Enterprise Zones** in cities and their wider LEP areas, where there will be a 100% business rate discount worth up to £275,000 over a five-year period for businesses that move into a zone during the course of this Parliament; retention of all business rate growth within the zone for a period of at least 25 years; support to ensure that superfast broadband is rolled out in the zone; and government and local authority help to develop simplified planning approaches in the zone; and
- using these Enterprise Zones to launch the first wave of **Tax Increment Financing** to boost investment in growth, with the potential for millions of pounds to be 'ringfenced' to the Local Enterprise Partnership for 25 years.

1.6 At the same time, the Government's wider economic growth and public service reform agendas will boost growth in our cities by **supporting individuals** to gain skills and get into work or start up their own business, including setting up a Women's Business Council to advise us on what more can be done to ensure that women's talents are used to their fullest extent; by **supporting businesses** to secure investment to innovate in specific priority sectors; and by **investing in infrastructure and places** to ensure that businesses have the physical infrastructure they need, and that families are able to find decent housing and quality of life in our cities.

1.7 These measures have been bolstered by a significant growth package in the Government's most recent Autumn Statement,<sup>4</sup> many of which will impact on cities:

- **£5 billion of capital projects in the next Spending Review as part of the National Infrastructure Plan**, many of which will be crucial for unlocking growth in our cities (examples of specific announcements on the core cities are on page 18 of this document);
- providing **100% capital allowances on investment in plant and machinery in six**

<sup>3</sup> This is based on the Department for Environment, Food and Rural Affairs' classification of local authorities in England.

<sup>4</sup> HM Treasury (2011) *Autumn Statement 2011*.

**Enterprise Zones** (Black Country, Humber, Liverpool, North Eastern, Sheffield and Tees Valley);

- targeting up to **£20 billion of additional private sector investment in infrastructure through a memorandum of understanding with UK pension funds**;
- a new **£100 million urban broadband fund that will create up to 10 'super-connected cities'** across the UK with 80–100 megabits per second superfast broadband;
- the roll-out of the **Youth Contract at a cost of £940 million** over the Spending Review period to support young people into work;
- a **mortgage indemnity scheme** aimed at increasing demand for housing by supporting families to buy their own home with a 5% deposit;
- the **Regional Growth Fund will be increasing from £1.4 billion to £2.4 billion and we will be extending it to 2014/15** to help to rebalance the economy and increase private sector jobs;
- the **National Loan Guarantee Scheme, worth up to £20 billion** over two years to guarantee bank loans to small businesses that have a turnover of up to £50 million;
- the **Business Finance Partnership, which will use £1 billion to increase access to finance for mid-sized businesses**;
- the **Seed Enterprise Investment Scheme**, which will give a 50% income tax rebate on investment in new companies;
- **extending the Enterprise Finance Guarantee**, which aims to improve access to finance for small and medium-sized enterprises (SMEs) and the **small business rate relief holiday for a further six months** from 1 October 2012;
- the **Right to Buy Scheme**, which will allow social housing tenants to buy their own home at a discount; and
- a **£400 million Get Britain Building** investment fund to kick-start stalled housing developments.

### But we will need to go much further in empowering our cities to achieve growth

1.8 The Coalition Government is committed to unlocking the full growth potential of all our cities. The Government recognises that more should be done to support and empower cities to drive growth.

1.9 In recognition of the crucial importance of this agenda, the Prime Minister and Deputy Prime Minister asked the Rt. Hon. Greg Clark MP to take on the role of Minister for Cities (a joint Department for Business, Innovation and Skills and Department for Communities and Local Government portfolio), in addition to his responsibilities as Minister for Decentralisation. The Minister for Cities, supported by a new Cities

### Regional Growth Fund and cities

The Government has injected an additional £1 billion into the Regional Growth Fund (RGF) to help to create private sector jobs and growth, particularly in those areas of the country that are too dependent on the public sector. This will build on the £1.4 billion already allocated which will support 325,000 jobs.

Given the critical role that cities must play in rebalancing the economy, the next round of the RGF will have a strong emphasis on these urban areas. Cities will be able to back their city deals with flexible programme bids to support a package of innovative projects and initiatives that harness growth opportunities across their economic area. As part of the deal-making process set out in this document, the Cities Policy Unit will work with cities to develop these bids.

Policy Unit in the Cabinet Office and officials in the Department for Business, Innovation and Skills and the Department for Communities and Local Government, is working closely with individual cities and across all government departments to agree a series of tailored 'city deals' to unlock growth. Lord Shipley, the former Leader of Newcastle City Council, has also been appointed as Government Adviser on Cities to support this work; and a Ministerial Group on Cities, chaired by the Deputy Prime Minister, has been set up to drive this agenda and ensure that all departments are working together to deliver genuine change.

1.10 The Government's ambition is to create powerful and innovative cities that have the powers, resources and autonomy to create their own vision for promoting growth.

### Powerful cities

1.11 If our cities are to reach their full potential, they need the powers and resources to shape their economic destinies. It is recognised that English cities have less influence over the key decisions which affect their economic competitiveness than other European cities.<sup>5</sup> Because the balance of influence and power has been so heavily skewed towards central government, it has forced cities too often to look up to central government to resolve problems, rather than being able to take the lead and engage directly with local private, public and voluntary sector interests to act in the best way for that city.

1.12 The Coalition Government is committed to revitalising and empowering cities through a radical shift in this balance of power. In this respect, we are not looking to dismantle national policy frameworks, but to negotiate licences exceptions, allowing cities to take on specific responsibilities and resources from central government where they make the case that this would improve outcomes, increase efficiency and ultimately generate new growth.

### Innovative cities

1.13 While we are committed to decentralisation, it is important to remember that cities already have significant powers. Through the Localism Act, we have introduced a 'general power of competence', under which local authorities will have the same power to act that an individual has, meaning that they can do anything not forbidden by law.

1.14 The Government wants cities to make the most of these powers, by developing innovative solutions to their own problems through direct engagement with the private sector; other public agencies; voluntary sector bodies; and local communities. There is a whole range of things that cities could do differently, from engaging with local businesses to boost employers' demand for skills and apprenticeships, and using creative incentives to attract private sector investment or retain skilled graduates, to exploiting their wide-ranging freedoms under national planning policy to deliver more, and better, homes where they are needed. We will support cities in making the full use of their knowledge and powers.

### To galvanise cities to step up to this challenge, the Government is setting out a bold initial offer

1.15 The Coalition Government will be working with different cities over the coming months to agree a series of tailored 'city deals'. These will consist of new **powers** for cities, enabling civic and private sector leaders to influence the key decisions that affect their economic competitiveness; and/or innovative **projects** to unlock growth in each area. This is not about the roll-out of blanket policies. It is about the Government granting licensed exceptions to cities to do things their way. And we are clear that the 'deal' must be a genuine transaction – with both parties willing to offer up and demand things in return.

<sup>5</sup> Parkinson, M, Hutchins, M, Simmie, J et al. (2004) *Competitive European Cities: Where do the core cities stand?* A report to the Office of the Deputy Prime Minister.

1.16 The first wave of deals will focus on the largest cities in England. Our intention is to negotiate city deals which involve the wider city area – in many cases this will be defined by the LEP. The private sector voice in LEPs will also be critical in ensuring that city deals deliver what the private sector needs to grow and flourish.

1.17 In order to initiate this process and signal to cities that we are open to bold and new ideas, the Coalition Government is setting out an illustrative menu of options which we think could have a transformative impact, and which we would be willing to explore further as part of a deal. This menu is intended to encourage both cities and government departments to be ambitious and radical in thinking about what can be done differently. These are not entitlements for all cities, but reforms which the Government will consider in return for ambitious, focused and innovative propositions from cities. The list is illustrative, not exhaustive, and cities should not feel constrained or limited by the ideas set out below.

## Raising the stakes – an illustrative menu of bold options<sup>6</sup>

### Greater freedoms to invest in growth

1. Give cities **one consolidated capital pot** (rather than multiple funding streams), allowing them the freedom to direct and prioritise economic investment
2. **Access to an additional £1 billion Regional Growth Fund (RGF)** to support innovative and ambitious economic programmes
3. **Powers for cities to offer business rate discounts** to local businesses, with the opportunity to match fund this through RGF bids
4. From 2014, a new round of Structural Fund programmes (European Regional Development Fund and European Social Fund) allows member states to adopt a special focus on cities. **Cities will be able to play more of a leading role in shaping bespoke and integrated programmes** which play to their assets and address their barriers to growth
5. Where there is local business support, enable the creation of industry-specific **Business Improvement Partnerships** with the power to generate revenues to support growth across the economic area
6. Access to new infrastructure funding through **Tax Increment Financing** where this is spent on economic development projects, in line with the Local Government Resource Review
7. **Recognise the benefits for local authorities that opt to pool business rates across their LEP** to enable more effective economic decision-making and to manage fluctuations in their budgets

### The power to drive critical infrastructure development

8. Allow cities to take strategic transport decisions by **devolving local transport major funding**
9. Increase cities' control over rail services, through **devolving responsibility for commissioning local and/or regional rail services**, including the management of franchise arrangements
10. Develop with cities specific proposals for **developing greater accountability to local communities for local bus services**, in the context of wider Bus Service Operators Grant reform
11. Enable cities to integrate use of public sector buildings and generate savings by **vesting local public sector assets in a single local property company**, with receipts invested in local economic development
12. Put greater regeneration funding and responsibilities in the hands of cities, by **devolving Homes and Communities Agency spending and functions**
13. More planning freedoms for cities, including **devolving non-planning consents** where cities can reduce impact on business
14. Ensure better strategic planning across cities and their LEP areas by **granting LEPs statutory consultee status for planning proposals**

<sup>6</sup> The Government is committed to devolving powers and resources to the most appropriate level. In some cases this will be individual local authorities, but in others it will make sense for decisions to be made at a level which matches the economic geography of a city (broadly the area covered by the LEP). We will take a bespoke approach, agreeing on a case-by-case basis the spatial level at which decisions should be made, and the governance structures that need to be in place.

### Raising the stakes – an illustrative menu of bold options (*continued*)

15. Support the development of connected urban spaces through a **£100 million capital pot<sup>7</sup> for competitive bids for ambitious broadband infrastructure plans**, including:

- superfast broadband to strategic business areas;
- city-wide high-speed mobile connectivity (e.g. Wi-Fi); and
- information and demand-building activities.

### Enabling cities to boost skills and jobs in their area

16. Give cities the opportunity to grow apprenticeship numbers in their area by **establishing City Apprenticeship Hubs, accessing national funding to catalyse new apprenticeships in small businesses**

17. **Create a City Skills Fund to enable cities and colleges to work together to tailor the provision of adult skills** to the needs of employers in the city

18. Give cities **the opportunity to drive local employment and skills** through:

- better service integration with Jobcentre Plus, including the alignment of local resources to aid job growth;
- working with training providers to tailor skills provision to match city needs;
- shared service delivery through co-location; and
- effective partnerships to share and exchange information.

19. Improve integration between welfare to work programmes and other social services by **allowing cities to expand existing Department for Work and Pensions contracts (e.g. the Work Programme Contract) to include other wraparound services**

20. Support cities' inward investment ambitions by UK Trade and Investment **working intensively with city LEPs to understand, develop and promote their offer to international business** as part of their wider UK promotion

21. Cities will be able to benefit from an **enhanced programme of support for 16–17 year olds at high risk of disadvantage to support them in getting into education, work or an Apprenticeship**

<sup>7</sup> The UK-wide fund will support suitable projects in the four national capitals plus up to six other cities.

## Cities will need to offer something in return

1.18 While the Government is committed to devolving significant new powers and funding to cities, we are clear that cities will need to offer

something in return. At the heart of the city deal is the notion of a mutually beneficial transaction, negotiated on the basis of 'asks' and 'offers' from both parties.

### The Government's asks

As such, in return for the offers set out above, the Government will be setting out asks where we think that cities need to do something differently. These asks will be specific to each city and the propositions they come forward with, but are likely to fall into a number of areas:

- **leadership and accountability:** where cities want to take on significant new powers and funding streams, they will need to demonstrate strong, accountable leadership, an ambitious agenda for the economic future of their area, effective decision-making structures, and private sector involvement and leadership (cities with a directly elected mayor will meet this requirement);
- **outcomes and efficiency:** in agreeing to devolve powers or support licensed exceptions, cities will need to demonstrate that they have clear goals in terms of improved outcomes or reduced costs and a plan for achieving these goals;
- **risk and reward:** just as cities will want to reap the rewards of new powers and projects in city deals (for example, retaining a portion of additional business rates), they must also be willing to take on proportionate risks and put their own resources forward as part of the deal;
- **innovation and creativity:** through the deals we will work with and encourage cities to be creative and innovative in how they use both new and existing powers to maximum effect to boost private sector investment;
- **private sector growth:** cities will need to demonstrate that they are taking decisive action to boost private sector growth, supported by strong, dynamic partnerships between public and private sector leaders; and
- **open and more localised public services and governance:** the Government is striving to create more responsive, efficient and open public services. As cities take on new powers and responsibilities, they will need to demonstrate what actions they will take to deliver open public services through greater choice, decentralisation, diversity, fairness or accountability. And cities will need to show that they have clear plans to promote the use of the range of powers available to communities, including those provided by the Localism Act.

## 2. Unlocking the economic potential of the core cities

Our biggest cities make a vital contribution to the economy and have genuine potential for growth. But many have further to go to fully punch their weight internationally. To become world-class 21st century cities, they need to take bold action to strengthen local economic growth. Every city will need to take its own approach to doing this, but all will be driven by an imperative to attract and nurture private sector activity. Our cities need real powers, effective leadership and an ability to take strategic decisions across their economic footprint.

### The last decade has resulted in some real gains for the core cities

2.1 The eight core cities and their surrounding areas are important hubs of economic activity. They hold huge economic assets: world-class universities, deep pools of labour, large markets and extensive transport infrastructures. More than 6.5 million people are employed in the area comprising the core cities' Local Enterprise Partnerships (LEPs), in over 430,000 VAT-registered businesses. There are 37 universities and over 680,000 students<sup>8</sup> and, between 1999 and 2010, the number of residents in core city LEPs with degrees or equivalent rose by 980,000.<sup>9</sup> These cities also have good domestic and international connections, with 50 million passengers passing through their airports each year.<sup>10</sup>

2.2 Over a decade of growth, the core cities were able to exploit these assets and make big gains – more jobs, more businesses and higher standards of living. Together with the area now covered by their LEP, they created 532,000 new jobs between 1998 and 2008.<sup>11</sup>

### But the core cities were not punching their weight compared with their European rivals

2.3 However, despite this positive performance, our largest cities were still lagging behind their European rivals in both the levels of GDP per capita achieved and their performance nationally. While many of their counterparts in Germany, France and Italy achieved GDP per capita at or above their national average, our core cities were performing below it (Figure 1).

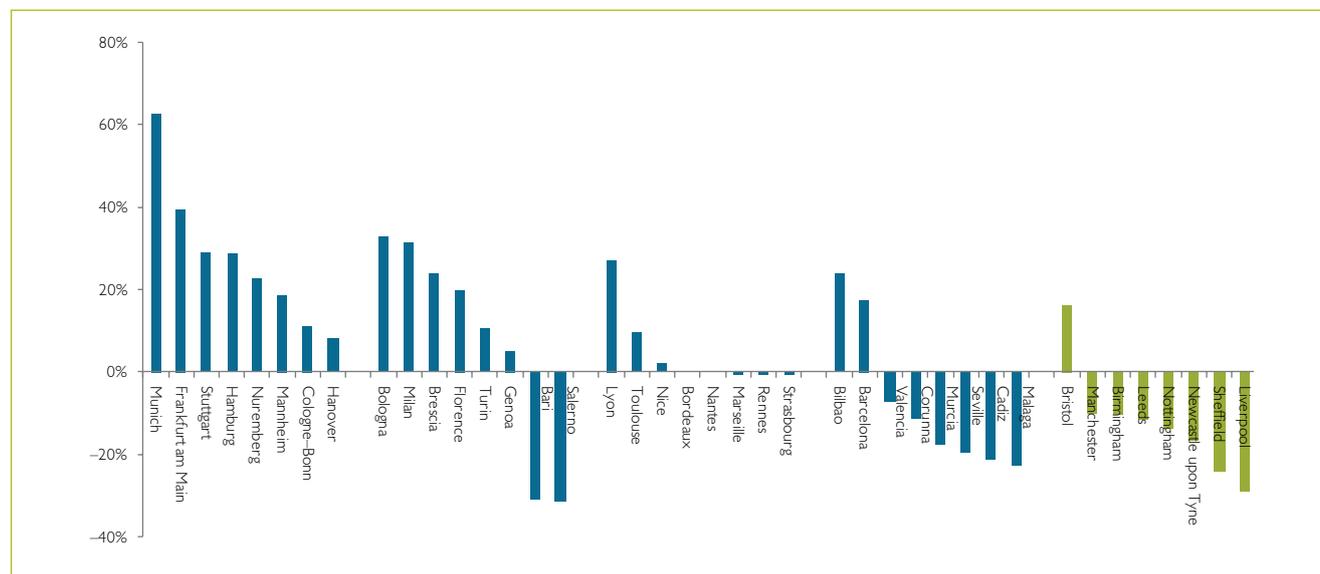
<sup>8</sup> Source: Higher Education Statistics Agency data 2008/09.

<sup>9</sup> Source: Local Labour Force Survey and Annual Population Survey.

<sup>10</sup> Source: UK Airport Statistics 2011.

<sup>11</sup> Source: Oxford Economics (2011) *Updated Economic Outlook for the Core Cities and Local Enterprise Partnerships*.

**Figure 1: GDP per capita of the eight largest non-capital cities in England, compared to the eight highest performing non-capital cities in Germany, France, Spain and Italy (2007) (0% = countries' national average)<sup>12</sup>**



2.4 But the growth potential is there. The core city Local Enterprise Partnerships are forecast to create £71 billion of GVA over the next decade and an additional 346,000 jobs.<sup>13</sup> And if an upswing in the global economy is matched by a step change in local action to attract private sector investment, the prize could be even bigger. This will require huge amounts of private investment at a time when we need to rebalance away from the public sector. It will mean finding and retaining graduates and skilled workers; creating the conditions for firms to innovate and grow; and empowering strong, decisive leaders who are able to take the tough decisions necessary to make things happen.

### To unlock their growth potential, local leaders will need to work effectively across boundaries

2.5 Economic markets and opportunities for growth do not stop at the boundaries of local authorities, and so cities need to collaborate with

their neighbours to achieve scale and to develop effective decision-making across their economic footprint. This means working successfully within the Local Enterprise Partnership area and making the right decisions to boost the local economy. Indeed, if our cities want to be global players, they must harness the economic power of the wider area. Birmingham, the largest city outside London, is only the 71st largest city economy in the world. Manchester and Leeds were 73rd and 85th respectively.<sup>14</sup> To compete in an increasingly competitive global market, the core cities must look beyond their boundaries and work with their neighbours.

### They will need to harness private sector growth in knowledge-intensive sectors

2.6 Cities will need to redouble their efforts to attract private sector investment if they are to succeed. This will mean facing up to new economic realities and making the most of their unique

<sup>12</sup> This work was carried out by the European Institute for Urban Affairs for the ESPON Secondary Growth Poles in Territorial Development project. Source: Eurostat and the Directorate General for Regional Policy, European Commission. City definitions are European metro-regions agreed by the Organisation for Economic Co-operation and Development (OECD) and the Directorate General for Regional Policy.

<sup>13</sup> Source: Ibid. Forecast based on the current economic and financial circumstances of the core city LEP and assumes that there is little additional investment but also that there are no markedly downward trends.

<sup>14</sup> Source: PricewaterhouseCoopers (2007) *UK Economic Outlook*, March.

strengths. In many places, this will be difficult – but it presents a real opportunity for our biggest cities to repackage themselves as truly global players. To do this, the core cities will need to exploit their edge in the knowledge economy; attract and retain the skilled workers that businesses need; create the right conditions for innovation; and build infrastructure and urban environments that will act as a draw to new enterprise.

### Exploiting an edge in the knowledge economy

2.7 Knowledge-intensive businesses are attracted to places where they have access to large markets, deep labour pools and clusters of innovative businesses. Cities – with the advantages of scale

and agglomeration effects – have an edge in attracting these businesses. Indeed, private sector knowledge-intensive business services generated 79% of the increase in employment in the cities between 2003 and 2008.<sup>15</sup> Knowledge-intensive services have been resilient in the slowdown. And cities with large knowledge-intensive sectors have seen a lower increase in people claiming Jobseeker's Allowance over the last four years (Figure 2). There is a real opportunity for the core cities to tap into this market and exploit their size and assets to harness further private sector growth in this area.

Figure 2: Knowledge-intensive cities have tended to see lower increases in unemployment<sup>16</sup>



<sup>15</sup> Source: Annual Business Inquiry using SIC (2003) definition of knowledge-intensive business services (KIBS). KIBS are private sector firms that offer specialist professional, consultancy and outsourcing services to other organisations. Cities are defined as ward-based travel-to-work areas.

<sup>16</sup> Source: Annual Business Inquiry and claimant count data for ward-based travel-to-work areas. Claimant count increases are calculated as the difference between the number of claims made between September 2006 and September 2007 and the number made between September 2010 and September 2011.

**Increasing skills and innovation**

2.8 The core cities have a strong pool of highly skilled workers and compare well with their European rivals on the number of graduates they can draw from (Figure 3). With world-class universities they also have an opportunity to deepen the links between the academic world and the city economy, to promote research that benefits the local economy and quality to attract and retain skilled researchers. However, having this

skills base is unlikely to produce the step change in growth needed if cities lag behind in supporting innovation, where their performance is weaker. When compared with their counterparts in Germany and France our cities are not nearly as innovative as they could be (Figure 4). More must be done to encourage businesses to innovate, so that our cities can be global players in the knowledge industries of the future.

**Figure 3: Education to tertiary level, percentage of 25–64 year olds, in the eight largest non-capital cities in England, compared to the eight highest performing non-capital cities in Germany, France, Spain and Italy (2008)**

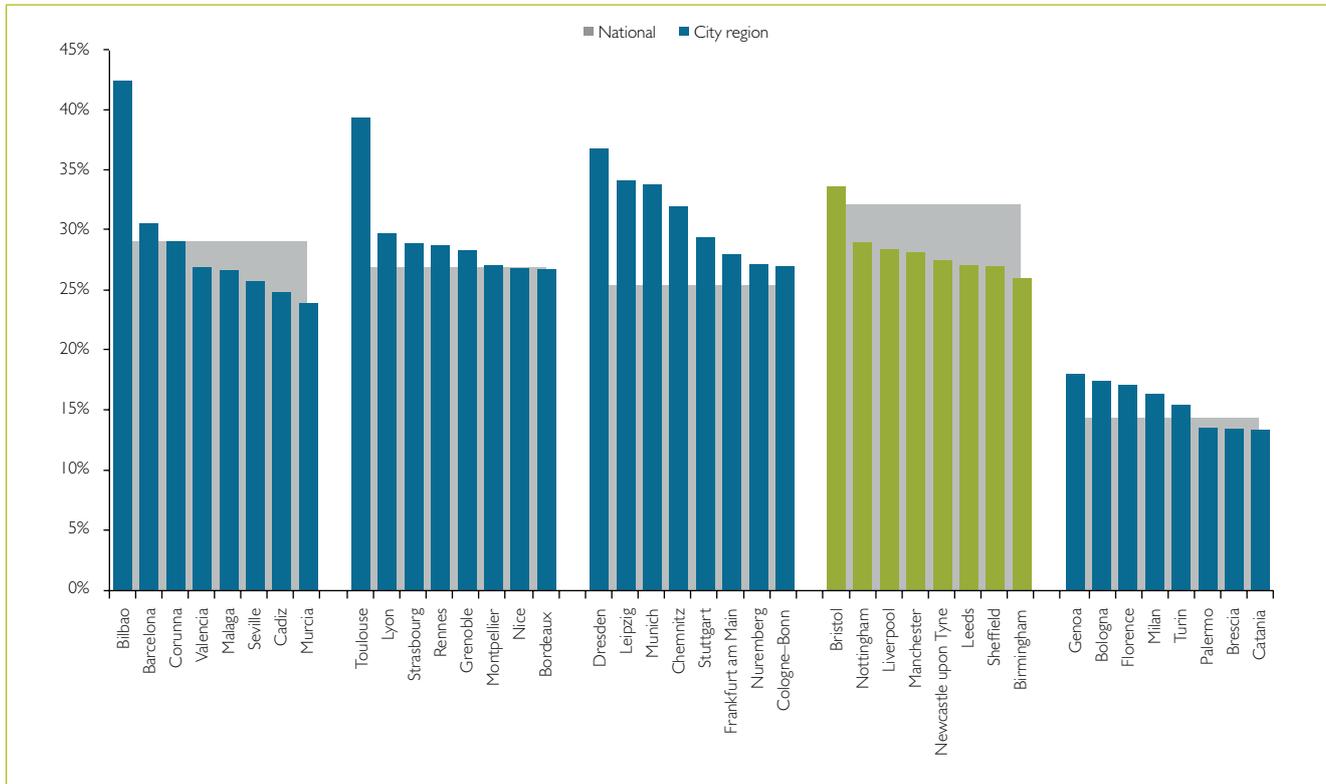
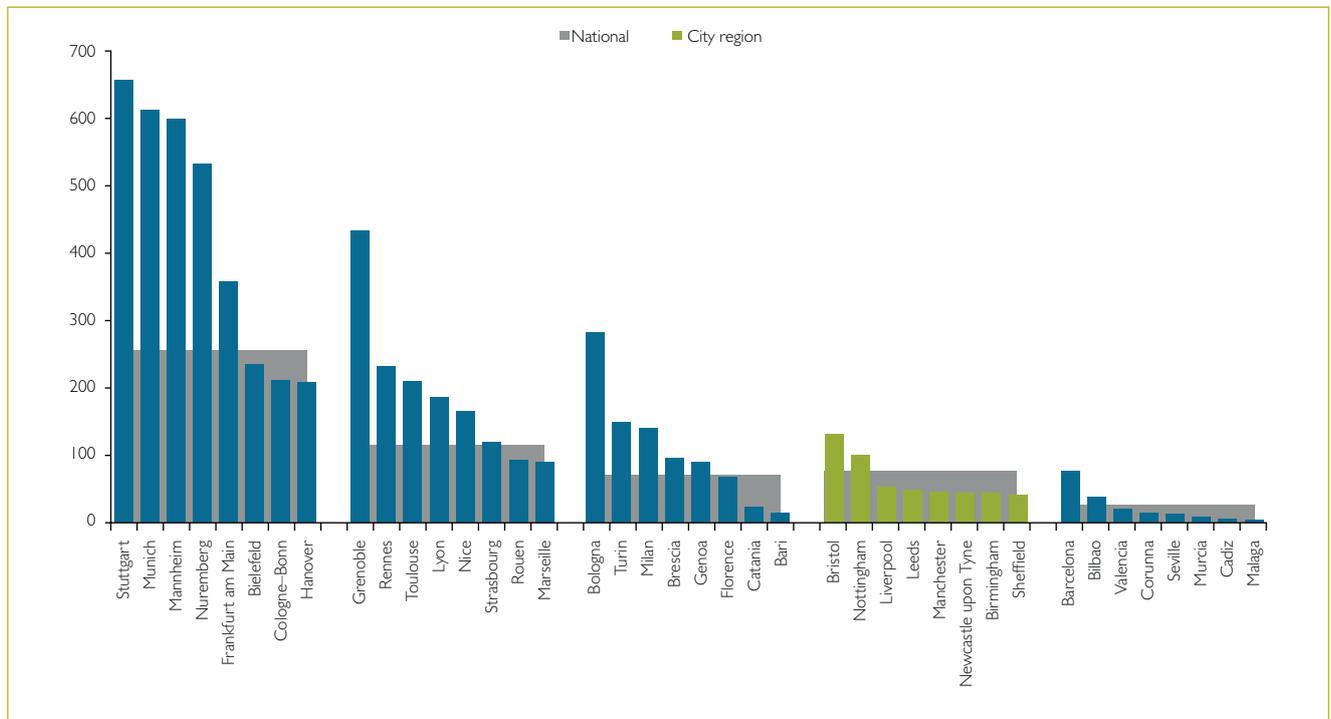


Figure 4: Patent applications per million inhabitants in the eight largest non-capital cities in England, compared to the eight highest performing non-capital cities in Germany, France, Spain and Italy (2006/07)<sup>17</sup>



### Developing a 21st century urban environment

2.9 Firms and workers are increasingly free to locate where they want, so 21st century cities will succeed by being places where people want to live.<sup>18</sup> Ultimately cities will not grow unless people choose to live or work there because they can access more opportunities or a better quality of life. American research suggests that cities providing an attractive lifestyle ('consumer cities') have been better able to attract skilled labour.<sup>19</sup> Our biggest cities are well placed to do this with their cultural and historical assets and their mix of public spaces, shops, restaurants and leisure facilities. They can go further by:

- creating a safe and secure environment in which people want to work and live, enabled by a directly elected Police and Crime Commissioner responsible for cutting crime and holding the police to account;
- delivering the housing that people require; and
- providing the buildings, services and infrastructure (i.e. energy, transport, communications, water and waste systems) that sustainable cities of the future will need.

<sup>17</sup> Work on Figure 3 and Figure 4 was carried out by the European Institute for Urban Affairs for the ESPON Secondary Growth Poles in Territorial Development project. Sources: OECD REGPAT database, Eurostat and the Directorate General for Regional Policy, European Commission. City definitions are European metro-regions agreed by the OECD and the Directorate General for Regional Policy.

<sup>18</sup> Glaeser, E, Kolko, J, Saiz, E (2001) Consumer City. *Journal of Economic Geography* 1(1): 27–50.

<sup>19</sup> Glaeser, E, Ponzetto, GAM, Tobio, K (2011) *Cities, Skills, and Regional Change*. National Bureau of Economic Research Working Paper 16934.

## And they will need to show strong and decisive leadership

2.10 If cities are to take control of their economic future, they need strong, visible and accountable leaders who can provide vision and direction, who can build partnerships across the public and private sectors and deal with government from a position of influence and strength.

2.11 Evidence suggests that the democratic mandate provided by directly elected mayors has 'provided a basis for a stronger, more proactive and individualised style of leadership than other models [of local government leadership]'.<sup>20</sup> The Mayor of London is an internationally recognised success story, and examples from around the world underline the potential of mayors to drastically improve city leadership and governance. This is why the Coalition Government is committed to creating directly elected mayors in the 12 largest English cities,<sup>21</sup> subject to confirmatory referendums planned for May 2012.

2.12 Ultimately it will be for people in these cities to decide which governance and accountability mechanisms suit them best. But whatever form or shape this leadership takes, it needs to be used to maximise economic gains across the wider economic area. Evidence from European (including British) cities shows that where the level of decision-making is a good fit with a city's economic footprint this is associated with better economic performance.<sup>22</sup> The past decade has seen increasing recognition of the need for coordination and strategic decision-making across the economic footprint of cities.

## We have already taken important steps to support our largest cities but we will need to go further

2.13 The Government has already taken some important steps over the last year to support the core cities to meet their priorities. And we are committed to doing more and working closely with these areas to tackle the key challenges they face so that they can realise their economic ambitions.

<sup>20</sup> Leach, S, Hartley, J, Lowndes, V et al. (2005) *Local Political Leadership in England*. Joseph Rowntree Foundation, p. 67.

<sup>21</sup> The listed cities are the largest local authorities in England, with city status, by population size, save for one exception. Sunderland, although having a larger population than Newcastle upon Tyne, is not included in the list as it held a referendum in October 2001 at which local people voted against the mayoral model.

<sup>22</sup> Cheshire, P, Magrini, S (2005) *European Urban Growth: Throwing some economic light into the black box*. Paper presented at the Spatial Econometrics Workshop, Kiel Institute for the World Economy, Kiel, Germany, 8–9 April.

### Regional Growth Fund

In addition to the £1 billion additional Regional Growth Fund money announced in the Autumn Statement, £450 million of government support was awarded to 50 bids in April 2011 and £950 million to 126 bids in October 2011. Of the bids in October 2011, 55 were awarded to the core cities and their wider LEP areas, totalling an estimated £451 million, thus creating or saving over 100,000 jobs in supply chains. Successful projects in the core city regions have resulted in indicative totals as follows:

- Greater Birmingham and Solihull: £53.1 million
- West of England: £42.5 million
- Leeds City Region: £34 million
- Liverpool City Region: £101.8 million
- Greater Manchester: £60.8 million
- North Eastern: £61.3 million
- Derby, Derbyshire, Nottingham and Nottinghamshire: £47.3 million
- Sheffield City Region: £49.8 million

### Growing Places Fund

The £500 million Growing Places Fund, announced in November 2011, will be allocated by the end of January 2012. Indicative allocations for the core city LEPs are:

- Greater Birmingham and Solihull: £14.9 million
- West of England: £11.3 million
- Leeds City Region: £24 million
- Liverpool City Region: £13 million
- Greater Manchester: £24.7 million
- North Eastern: £16.7 million
- Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2): £17.5 million
- Sheffield City Region: £12.3 million

**Figure 5: Specific government action in the Autumn Statement to support core cities' Local Enterprise Partnerships**

**MANCHESTER AND LIVERPOOL**

- Manchester Cross City Bus – Highway changes and bus enhancements to facilitate new cross Manchester city centre bus services
- Rochdale Interchange – Replacement bus station for Rochdale adjacent to the existing one, allowing for the redevelopment of the town centre and complementing the arrival of Metrolink in 2014
- Electrification of the TransPennine Express
- Link road from M56 at Manchester Airport to A6 south of Stockport
- Manchester Metrolink Phase 3A extensions
- Mersey Gateway Bridge
- Expansion of Mersey Multimodal Gateway (as part of the Regional Growth Fund)
- Completion of the Western Gateway Enabling Scheme at Port Salford (as part of the Regional Growth Fund)
- Northern Rail connectivity (Liverpool to Newcastle, including the Northern Hub)
- Enhanced Capital Allowances available in the Liverpool City Region (Mersey Waters) Enterprise Zone to promote the creation and growth of capital intensive industries

**BIRMINGHAM**

- A45 Westbound Bridge (Solihull) – Replacement bridge over the West Coast Main Line close to Birmingham Airport on the A45 strategic corridor into Birmingham
- M6 Managed Motorway scheme between Birmingham and Manchester
- Birmingham New Street Station enlargement
- High Speed Rail 2
- A45 corridor (Darnley Parkway to M42 junction 6) diversion (as part of the Regional Growth Fund)

**BRISTOL**

- Bus Rapid Transit scheme from Ashton Vale to Temple Meads (Bristol) – Bus Rapid Transit scheme (including guided bus) from the Ashton Gate area to the city centre, including feeder services from further afield
- South Bristol Link Phases 1 and 2 – New link road through the South Bristol area, linking a number of existing radial routes into the city
- Great Western electrification (electric services to Bristol, Oxford and Newbury)

**NEWCASTLE UPON TYNE**

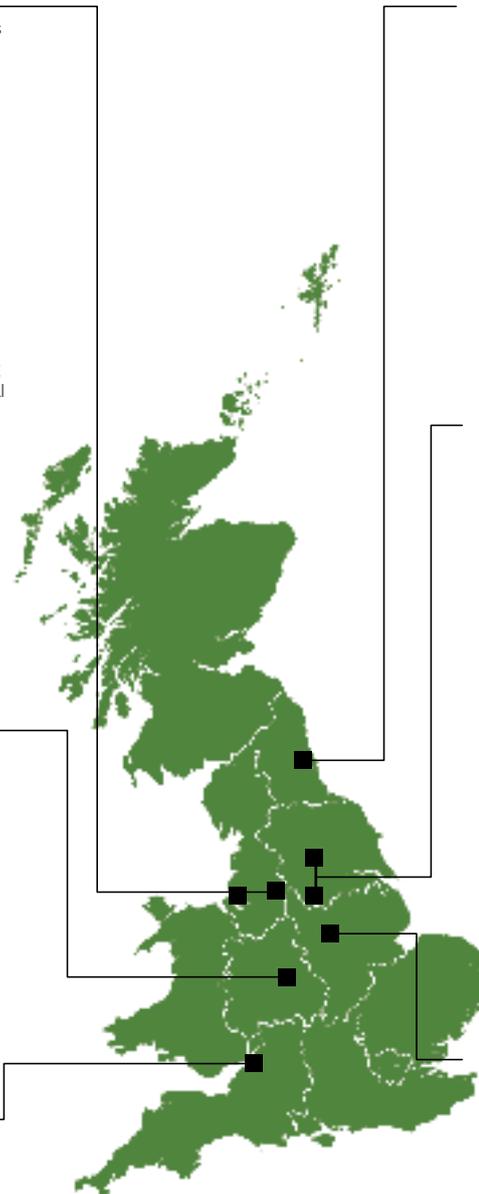
- Tyne and Wear Metro upgrade
- East Coast Main Line improvements programme
- Northern Rail connectivity (Liverpool to Newcastle, including the Northern Hub)
- Enhanced Capital Allowances available in the North Eastern Enterprise Zone to promote the creation and growth of capital intensive industries
- Electrification of the TransPennine Express
- Subject to due diligence, extension of the existing North Eastern Enterprise Zone to include the Port of Blyth, encouraging private sector investment in the renewables industry and creating new jobs for the surrounding area

**SHEFFIELD AND LEEDS**

- A6182 White Rose Way Improvement Scheme (Doncaster) – Dualling of 1.9km of carriageway and replacement of two existing roundabouts with high-capacity signalised junctions
- Leeds Rail Growth – Two new railway stations: Kirkstall Forge and Apperley Bridge
- Supertram additional vehicles (Sheffield) – four additional tram vehicles for the Supertram network
- Accelerating M1 junction 39 to 42 scheme
- Electrification of the TransPennine Express
- Leeds Station enlargement
- Improved access to the Sheffield Gateway (as part of the Regional Growth Fund)
- Enhanced Capital Allowances available in the Sheffield City Region Enterprise Zone to promote the creation and growth of capital intensive industries
- Sheffield City Region to use £7 million from the Growing Places Fund to establish a JESSICA<sup>23</sup> for South Yorkshire, leveraging £13 million of European funding

**NOTTINGHAM**

- Hucknall Town Centre Improvement Scheme – New inner relief road allowing pedestrianisation of the High Street, plus a 'bus only' link and enhanced pedestrian and cycle facilities
- Widening the A453 between Nottingham, the M1 and Nottingham East Midlands Airport
- Development consent granted for a scheme to improve the A1 at Elkesley
- Nottingham Express Transit
- A46 Newark to Widmerpool completion in 2012
- In Derby, London Road bridge – Replacement of the London Road railway bridge on this strategic corridor into Derby from the South East



<sup>23</sup> Joint European Support for Sustainable Investment in City Areas.

### 3. Next steps on delivering city deals

The Coalition Government has already taken important steps to empower and support our cities, decentralising significant powers and resources to local authorities; encouraging Local Enterprise Partnerships (LEPs) to coordinate economic development across cities' economic footprint; and stimulating private sector growth through the Regional Growth Fund. But we need to go further. Over the coming months we will develop tailored deals with our core cities, devolving powers and supporting projects which will boost growth and jobs for the long term.

3.1 The Minister for Cities will work closely with individual cities and across all government departments to agree a series of tailored 'city deals' to unlock growth, supported by the Cities Policy Unit, based in the Cabinet Office.

3.2 The Cities Policy Unit has been created to work with city leaders and across central government to deliver a new approach to urban policy. The Cities Policy Unit is not about imposing solutions developed in Whitehall, but providing a tailored service to help cities to develop creative new ideas and, crucially, to turn these into practical solutions on the ground.

3.3 The aims of the Cities Policy Unit are to provide advice and support to cities as they develop and negotiate deals; to work effectively across departmental silos to develop cross-Whitehall policies on cities; to be a source of creative ideas; to challenge both Whitehall and the cities to do things differently; and to build strong networks of experts and practitioners in order to bring new insights to old policy debates.

3.4 The Unit will be made up of a small team, drawn from across the public and private sectors, who will work jointly with the Department for Business, Innovation and Skills (BIS) and the Department for Communities and Local Government.

## Our approach to deals will be informed by lessons from successful attempts at urban policy

3.5 In developing our approach to city deals, we will build on important lessons from successful examples of urban policy across the world by:

- **putting cities in the driving seat:** cities, not government departments, are best placed to understand the economic opportunities and challenges they face. Many have already taken the initiative and begun to develop credible economic strategies, and these will be the starting point for our work with cities;
- **working across boundaries, sectors and professions:** partnership and collaboration between government, core cities and their neighbouring authorities and local business leaders will be critical to delivering transformative change;
- **devolving real power to city authorities:** cities need the right levers to support economic growth. Where there are clear economic gains to be had we will look for opportunities to devolve powers and responsibilities; and
- **providing incentives for sustainable success:** local leaders will need to redouble their efforts in creating incentives and conditions for private sector success.

3.6 Lessons from past attempts at negotiating with cities and local authorities have also taught us that to get the most out of this process, departments and cities will need to agree some basic principles upfront. These principles should guide the way in which cities and government departments engage in the deal-making process.

### For cities and their Local Enterprise Partnerships:

- cities will need to **show leadership and identify priorities** across the LEP area at the outset of this process;
- cities will need to make a credible **case for why something needs to be done differently** backed by evidence;
- cities should put forward **clear, specific and tangible propositions** supported by the necessary due diligence;
- proposals from cities should **work with the grain of the Government's wider public service reform agenda**;
- cities should be **bold and prioritise the things that will really make a difference** to private sector development;
- cities should be willing to **pool individual local authority powers** to achieve greater gains for the wider LEP area; and
- cities should **maximise the use of the powers and tools that are already available** to them.

### For government departments:

- departments should be willing to **devolve powers and funding** to cities;
- departments should be willing to **work with cities to explore options** that can deliver mutual benefits;
- departments should be **open to tailored solutions** where there is scope for improving outcomes in a specific place;
- departments will need to be **flexible and open to new ways of doing things**;
- departments should be willing to **take calculated risks** to achieve better outcomes;
- departments should **work effectively across budgeting silos** to unlock barriers;
- departments should be **proportionate when requiring cities to demonstrate proof of concept**; and
- departments should **share the burden of proof** (i.e. if cities put forward a proposal, departments should only reject it if they have evidence to support their position).

## The content of city deals will be driven by the specific priorities in different places

3.7 The content of the city deals will reflect the different needs of cities. We are looking to civic and private sector leaders to identify their economic priorities and to develop specific propositions, setting out what they would like to do differently, and what needs to change for this to happen.

3.8 We envisage each deal containing a combination of new **powers** over the key decisions that affect the competitiveness of the city in question; innovative **projects** to unlock growth in the local economy; and specific actions to drive private sector growth. We will take a tailored approach, encouraging cities to experiment with new powers or projects as they see fit (through licensed exceptions to national policy where necessary), to drive change through innovation and to deepen our collective understanding of what works.

3.9 In considering proposals to devolve powers or resources to cities, we will look for:

- **a clear economic rationale:** there must be a clear rationale underpinning any devolution of power. Our guiding principle is that power should be held at the lowest appropriate level, and the onus will be as much on central departments as on cities to make the case for why powers should be held at any given level;
- **a strong evidence base:** propositions need to be backed up by evidence that allows for a reasonable assessment of costs and benefits;
- **appropriate geography:** in some areas the lowest appropriate level may be a local authority, but in others it will be the local economic area.<sup>24</sup> When it comes to powers related to economic development, such as strategic planning and transport, there is likely to be a strong case for aligning powers with the functional economy; and
- **appropriate governance and accountability:** before devolving powers, the Government will need assurances that there is visible and

accountable political leadership. Important ingredients that we are looking for are:

- a clear mandate to drive an ambitious economic programme over the medium term;
- the ability to work effectively across boundaries, build informal coordination arrangements and take strategic decisions across the wider economic area;
- visible leaders that businesses can deal with, that communities can come to and that central government can negotiate with; and
- clarity over who is responsible and accountable for taking actions to support economic growth.

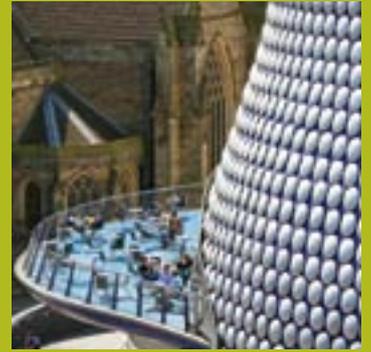
Cities that have a directly elected mayor will be well placed to meet these tests. Other governance arrangements will need to demonstrate how they will do this.

3.10 Finally, deals will need to be seen as a genuine transaction that can deliver mutual benefit. For example, as part of the Growth Review, the Department for Transport announced that Greater Manchester could receive funding for two major transport schemes upfront rather than in arrears, because of their improved transport governance arrangements. This will enable Transport for Greater Manchester to accelerate the delivery of their wider local transport programme. Where appropriate governance and financial accountability structures are in place, this flexibility makes sense for both central government and city regions.

<sup>24</sup> The local economic area refers to the functional economic area as defined by the LEP.

# Annex: What cities and their Local Enterprise Partnerships are telling us

## Birmingham: Greater Birmingham and Solihull LEP



'Our LEP is creating a bold and ambitious strategy to achieve transformational change. By working with government on this agenda, we can realise our full potential to become a truly world-class city region. This will drive growth across the Greater Birmingham and Solihull area, with benefits to the whole of the UK.'

*Andy Street, Chair, Greater Birmingham and Solihull LEP*

1. Birmingham and its wider LEP have a population approaching 2 million. The area contributes approximately £35.5 billion to the UK's GVA and provides close to 900,000 jobs. There are some 69,000 SME workplaces in the area. With this scale of economic activity, this LEP has the potential to be a major economic powerhouse.
2. Greater Birmingham and Solihull LEP aspires to increase economic output by more than £8 billion by 2020, create over 100,000 jobs, boost investment, build a world-class workforce and develop world-class infrastructure.
3. The LEP's current economic strengths lie in automotive, general manufacturing and engineering, high-value products such as jewellery, and the creative and digital industries. It also has a robust financial and business service sector. The sub-region benefits from a central location within England, well served by rail and road. Birmingham will be the terminus for High Speed Rail 2, providing much needed rapid rail links to London and Europe. Furthermore, Birmingham Airport is a thriving regional airport, with scope for growth. The LEP area is also home to the National Exhibition Centre and to a cluster of high-performing universities and colleges, which are at the forefront of research and development in engineering, healthcare, biomedical, low carbon technologies and transport technologies.
4. However, the area faces some critical challenges:
  - **Skills:** 16% of working-age people (192,000) within the LEP area have no formal qualifications, with the intensity greatest in the Birmingham city area.
  - **Growth in unemployment:** in September 2011 the unemployment rate was 8.6%, significantly higher than the UK average (5.5%).
  - **Unlocking development sites:** strategic locations that could help to deliver growth are constrained by significant regeneration challenges and costs (e.g. Longbridge).
  - **Congestion:** although the area is at the heart of the motorway network, this becomes heavily congested, and rail and light transport solutions need investment to improve their coverage and reliability.
5. The Greater Birmingham and Solihull LEP intends to prioritise:
  - unlocking key infrastructure and regeneration sites;
  - the creation of a world-class digital environment;
  - better integration of programmes to support low-skilled and unemployed people and alignment of skills provision to meet the needs of employers and growth sectors; and
  - improving transport infrastructure and utilising it to bring development sites forward.

## Bristol: West of England LEP



Source: Airbus

'Bristol and its creative and digital media industries will be at the heart of Britain's economic recovery. The new city deals, aimed at clearing the barriers to growth, will, of course, be very welcome. The new Local Enterprise Partnership and the Local Enterprise Zone are helping to drive economic growth in Bristol and the city deals will help unlock potential more quickly, creating jobs and prosperity.'

*Barbara Janke, Leader, Bristol City Council*

1. Bristol, with the wider West of England, has a population of just over 1 million and has around 450,000 jobs. The West of England has a strong skills base and is well positioned to capitalise on the continued growth of its knowledge-intensive industries such as aerospace, environmental technologies and advanced engineering. The area is home to one of the biggest silicon design clusters outside of Silicon Valley. Through the National Composites Centre, the Bristol and Bath Science Park and four universities, it will play a leading role in research and innovation and will support local companies – particularly the aerospace and defence sectors – to collaborate and develop new technologies. The expansion of Bristol Airport, the ongoing development of Bristol Port and the electrification of the Paddington–Bristol–Cardiff rail line will help to maintain the West of England's economic competitiveness with other city regions.

2. Bristol is one of the global centres for creative and digital media industries. It had the highest net private sector jobs growth rate between 1998 and 2008 of any major English city outside of London<sup>25</sup> and retains an employment rate of 74.8% (compared with the national average of 70.3%). Since 2001, Bristol's population has grown by 13.2%, putting additional pressure on public services and its physical infrastructure. During the first seven months of 2011, youth unemployment rose to 15%, double the national average, and while 35% of the overall workforce have a qualification at NVQ Level 4 or above, 8.2% have no qualifications.

3. Businesses frequently report insufficient public transport provision and major congestion on both the road and rail network as major issues affecting productivity within the West of England. A shortage of sufficient housing close to the major employment sites has led to considerably longer commuting times and increased congestion at peak times. Significant improvements to the local transport infrastructure are seen as key to unlocking the economic potential of major employment sites in the area.

4. Over the next 20 years, the West of England will aim to:

- emerge as a leading centre for research and production, building on recent successes in advanced manufacturing and aerospace, silicon design, and creative and media industries;
- develop and deliver the necessary infrastructure to drive economic growth;
- accelerate growth through the area's Enterprise Zone and five Enterprise Areas;
- ensure a match between skills and the needs of businesses now and in the future;
- create the best environment for businesses to start and grow; and
- deliver sustainable economic growth by supporting environmental technologies, and increasing carbon efficiency and energy security across the whole economy.

<sup>25</sup> Bristol City Council (2011) *Local Economic Assessment March 2011*, referencing findings from Webber, C, Swinney, P (2010) *Private Sector Cities*. London: Centre for Cities.

## Leeds: Leeds City Region LEP



Source: [www.visitleeds.co.uk](http://www.visitleeds.co.uk)

‘The Leeds City Region Partnership is a leader in collaborative, low carbon economic regeneration nationally. Business and partners share the Partnership’s aims of stimulating growth, creating opportunities and competing with the best city regions globally. We are committed and determined to work together to achieve these goals.’

*Gary Williamson, Chief Executive, Leeds, York and North Yorkshire Chamber of Commerce*

1. The Leeds City Region produces 5% of England’s GVA.<sup>26</sup> Leeds City Region Partnership has been working together for seven years. It was one of the very first LEPs to be recognised by the Government and is considered as a leader in devolution and delivery of the LEP agenda.

2. Leeds City Region offers scale, a multi-centred economy and a unique combination of rural and urban places. Strengths include the largest manufacturing base in the UK and the biggest financial centre outside of London;<sup>27</sup> a £53 billion economy (larger than eight European countries),<sup>28</sup> a population of 3 million<sup>29</sup> and 106,000 businesses<sup>30</sup> (including 14,000 social enterprises); eight universities and 15 colleges with high-quality and world-class research; world-leading capabilities in low carbon industries, health and medical technologies and advanced manufacturing; and strong local clusters in the creative and digital industries.

3. The Leeds City Region faces several challenges, including:

- low levels of skills and low employment rates in parts of the city region, including a disproportionately high level of young people not in education, employment or training;
- comparatively low inward and indigenous investment and international recognition, as well

as low export performance (with only 8% of firms exporting as opposed to a national average of 20%);

- many areas with a dependence on public sector jobs and grants; and
- significant hotspots of congestion and overcrowding on its rail and road networks.

4. The Leeds City Region LEP has developed a five-year strategic plan to support economic growth and is seeking the Government’s support to:

- increase the number of businesses exporting goods from 2,000 to 2,800 over the next four years;
- increase Leeds City Region’s contribution to the value of service exports by £150 million from its current level of £975 million;
- increase apprenticeship starts by 100%, focusing on small and micro businesses;
- match adult skills provision to the growth needs of key sectors; and
- further establish Leeds City Region as a global leader in testing and rolling out low carbon technologies, and support further development of Leeds City Region’s business base at the forefront of the low carbon economy.

<sup>26</sup> Source: Office for National Statistics (2008) Regional Statistician.

<sup>27</sup> Source: Office for National Statistics (2010) Business Register and Employment Survey. Figures refer to number of employees.

<sup>28</sup> Source: Office for National Statistics (2008) Regional Statistician; Eurostat.

<sup>29</sup> Source: Office for National Statistics (2010) 2010 mid-year population estimates.

<sup>30</sup> Source: Office for National Statistics (2009) Inter-Departmental Business Register, 2009a.

## Liverpool: Liverpool City Region LEP



Source:  
Liverpool Vision/McCoy Wynne

‘During the past 20 years, Liverpool has come from the depths of economic, political and fiscal crisis to be the European Capital of Culture. But it is also on a bigger journey to economic recovery. That journey has just begun. And it is not just a local story. The renaissance of Liverpool is part of a wider story about the big English cities.’

*Professor Michael Parkinson CBE, Make No Little Plans: The regeneration of Liverpool city centre 1999–2008*

1. Liverpool is at the centre of a regional population of 1.5 million people and drives the £20 billion economy in the wider LEP area. Liverpool has been one of the fastest growing cities in the UK over the past decade, with GVA per head rising from 87% to 96% of the UK average between 1995 and 2008.
2. Liverpool's prosperity was built on trade and the River Mersey is central to its future prospects. There are £10 billion plans to redevelop Liverpool and Wirral docklands, one of the largest such schemes in the UK. The city has one of the strongest cultural and tourism offers outside of London, and continues to benefit from its status as the 2008 European Capital of Culture.
3. It also has an internationally significant knowledge base, underpinned by three universities which together draw more than 50,000 students each year. The Royal Liverpool University Hospital, Liverpool Science Park and the Liverpool School of Tropical Medicine are at the heart of a growing and dynamic biomedical cluster.
4. Lord Heseltine and Sir Terry Leahy recently published a report<sup>31</sup> on the future prospects for growth in Liverpool City Region. This contained more than 30 recommendations for ways in which the city region could maximise its potential as a port, as a visitor destination and as a centre for science.

5. The LEP's ambition is to make Liverpool City Region the preferred choice for investment and job creation by exploiting the national and international profile of the city and its city region; enhancing the city region infrastructure and distinctive sense and quality of place; encouraging business creation, growth and productivity; supporting research, innovation and enterprise throughout the city region; raising skills and educational attainment; promoting new 'green' industries and encouraging new generation technologies; and ensuring that the city region has the best possible infrastructure.
6. To deliver this ambition, the city region will need to address some critical challenges. It continues to lag behind the UK as a whole for overall economic value, in part as a consequence of a low business base, a significant skills deficit and some of the most deprived communities in the country. Liverpool City Region also has a higher than average dependence on public sector jobs.
7. Liverpool City Region's priorities are therefore to maximise growth by unlocking investment capital; creating a larger and more highly skilled workforce; supporting entrepreneurs and businesses; improving housing, transport links and digital connectivity; and encouraging green technology.

<sup>31</sup> The Rt. Hon. Lord Heseltine CH and Sir Terry Leahy (2011) *Rebalancing Britain: Policy or Slogan? Liverpool City Region – Building on its Strengths: An independent report.*

## Manchester: Greater Manchester LEP



Source: Marketing Manchester

‘Manchester is probably the UK city outside London most likely to be able to increase its long-term growth rate, to access international networks and enjoy strong connections to the rest of the world. However, it is currently punching below its weight given its size. We believe this is an opportunity: the city has the potential to grow faster and to continue to reinvent itself and regain its historical dynamism.’

*Manchester Independent Economic Review (2009) Reviewer’s Report*

1. Greater Manchester has a population of 2.6 million, contributed £47.7 billion to the UK’s GVA, and has 66.6% of its working-age population in employment.
2. Greater Manchester’s governance arrangements are unique, as through the Association of Greater Manchester Authorities it has established a Combined Authority, operational from April 2011.
3. Historically, Greater Manchester has been a pioneer of the English manufacturing industry, acting as a ‘hub’ city for the North. In recent times, Greater Manchester has been a leader in several sectors, including financial and professional services, science and low carbon, and it is Europe’s second largest centre for creative and digital media industries. Its university sector is a particular strength, with Greater Manchester universities having a combined income of £1.4 billion, employing 18,000 staff and educating a student population exceeding 100,000. Professors at the University of Manchester discovered the two-dimensional material graphene, which brings with it significant commercial potential.
4. Housing remains an important issue for Greater Manchester as markets remain fragile, and further investment in the transport systems is needed.
5. Greater Manchester intends to prioritise:
  - building on the development of an investment framework for Greater Manchester;
  - turning around the lives of complex families;
  - retaining and developing skills locally;
  - providing the right mix of housing for growth;
  - stimulating research and innovation in low carbon technologies; and
  - establishing a Graphene Global Research and Technology Hub in Manchester.

## Newcastle: North Eastern LEP



‘Newcastle... is now a thriving centre for firms... supported by the outstanding research capabilities in local universities. Demand for professional business services has been growing as businesses and their networks expand. It is essential that the public sector continues to adopt pro-business policies that place Newcastle as a strong and competitive centre for business and financial services.’

*Jamie Martin, Managing Partner Ward Hadaway and Chair of NewcastleGateshead Initiative*

1. The North Eastern area has a population of around 2 million and generates £32 billion of output per annum.<sup>32</sup> The vision for the LEP is to rebalance the economy, and create Europe's premier location for low carbon, sustainable, knowledge-based private sector-led growth and jobs.

2. With Gateshead, Newcastle is an important administrative, commercial, retail and cultural hub for the wider North East. In the years prior to the recession, private sector employment in Newcastle and its surrounding area increased by more than in any other major city apart from London.<sup>33</sup> But, like the rest of the country, Newcastle has been hit by the global recession and weak recovery; and there remain long-running issues of inter-generational unemployment, with above-average levels of young people not in education, employment or training, relatively low weekly earnings, and almost a third of children living in poverty.

3. While there are strong rail connections to London and Edinburgh and a daily flight to Dubai, cross-country rail connections to other major cities, notably Leeds, Manchester and Birmingham, are difficult; and the A1 through Tyneside is the third most congested link on the national motorway and trunk network.

Other challenges include the need to create a large number of entry-level jobs; the need for infrastructure investment across key city centre and manufacturing sites; finding innovative ways to meet our housing ambitions, including approximately 36,000 new affordable homes in Newcastle and its surrounding areas by 2030; and developers facing difficulties in accessing credit.

4. Newcastle's priorities are therefore to:

- create a joint Accelerated Development Zone with Gateshead, utilising Tax Increment Financing (creating 18,957 full-time equivalent jobs and £715 million GVA per annum);
- maintain and support a vibrant financial and professional business services sector;
- work with central government to ensure that reforms to the welfare system are managed effectively at the local level;
- secure further investment in the North East's low carbon economy and maximising the impact of its Enterprise Zone; and
- improve transport links, including introducing a transatlantic route from Newcastle Airport and alleviating congestion on the A1 Western Bypass.

<sup>32</sup> Source: *North Eastern Local Enterprise Partnership: A proposal to the Secretaries of State for Business, Innovation and Skills and Communities and Local Government*, December 2010.

<sup>33</sup> Source: Newcastle City Council.

## Nottingham: Derby, Derbyshire, Nottingham and Nottinghamshire LEP



Source: The Nottingham Plan

‘Nottingham is a key business hub, supported by an expanding and diverse talent base and a vibrant retail and cultural sector. But most importantly, it offers a great location at a relatively low cost compared with other UK core cities.’

*Charlotte Hogg, former Managing Director, Experian UK and Ireland*

1. The Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) LEP's GVA for 2008 was nearly £36 billion, of which at least £22 billion was from the conurbation area.
2. Nottingham has more than 50 regional and national major employers and has strong financial services and science, technology and knowledge-intensive sectors, most notably in life sciences and low carbon technology. Derby excels in aerospace, nuclear research and development, rail technology and software development.
3. Nottingham is considered to be one of the greenest and most energy self-sufficient cities, ranking as the UK's No 1 Energy City. Public transport in Nottingham is used by more passengers than in any other city outside of London. Inward investment planned in Nottingham over the next five years includes two more tram lines, and a redeveloped railway station and transport hub.
4. D2N2 is the fifth largest LEP in the country with regard to the number of jobs (behind London, South East, Leeds City Region and Greater Manchester). Nottingham has two leading universities, with over 55,000 students, which are home to world-leading research and collaboration with industry, while Derby has the highest percentage of people employed in hi-tech functions at 12% (four times the national average). Derby is the only city outside of the South East with GVA productivity above the national average.
5. As an LEP area, D2N2 faces a significant challenge in rebalancing jobs from the public to the private sector. Nottingham needs to increase skill levels to meet employers' needs and rebalance its economy towards private sector job growth, while Derby has a large number of current or proposed private sector job losses.
6. Nottingham intends to prioritise:
  - investment in high-quality broadband and transport infrastructure;
  - interventions to address low skills, long-standing deprivation, worklessness and low wages;
  - innovation and business growth through a local growth fund; and
  - infrastructure for strategic sites.

## Sheffield: Sheffield City Region LEP



'Our vision is for the Sheffield City Region to make a greater contribution to the UK economy by having a local economy less dependent on the public sector, providing conditions for businesses to grow and by giving the nation its prime centre for advanced manufacturing and materials, and low carbon industries.'

*Proposal for a Sheffield City Region Local Enterprise Partnership, September 2010*

1. The Sheffield City Region is a nationally significant economy with a population of over 1.8 million (with 540,000 in Sheffield), covering an area more than three times the size of Greater London and with a GVA worth £25.3 billion annually.<sup>34</sup>

2. As a vanguard Enterprise Zone area, the Sheffield City Region will build on its proud history of being at the very forefront of the UK's industrial and entrepreneurial development through the designation of a Modern Manufacturing and Technology Growth Area. This approach will build on existing assets such as the Advanced Manufacturing Park, which hosts world-leading firms such as Boeing and Rolls-Royce and an international brand name, 'Made in Sheffield', recognised and associated with quality manufacturing and excellence.

3. The Sheffield City Region has excellent transport connections via road, rail and air, and Robin Hood Airport Doncaster Sheffield is a major economic asset, both as an international gateway and as an aero-related training and engineering area. In addition, the City Region has among the highest post-university retention rates in the country, a leading local next-generation broadband network, with South Yorkshire already delivering superfast broadband, and a co-ordinated and collaborative inward investment offer.

4. Like all areas, the Sheffield City Region has a number of challenges to address if it is to meet its full potential. These include a historical dependence on public sector jobs and grants; educational underperformance and continuing skills gaps in key sectors; and a need for infrastructure investment, particularly for transport.

5. The Sheffield City Region LEP will take an integrated approach to tackle the economic challenges facing the City Region through a range of activity under the following broad themes:

- supporting and developing the most important sectors with the greatest growth potential;
- creating more jobs and encouraging people back to work;
- accelerating rates of business start-ups and supporting enterprise;
- raising skills levels, and improving educational attainment and an appreciation of business in schools;
- unlocking the economic potential of key development areas;
- improving transport links;
- improving the housing offer and creating attractive city and town centres; and
- addressing the need to provide a sustainable economy.

<sup>34</sup> Source: Experian Regional Econometric Model, spring 2010.



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