

Written evidence from The Core Cities UK¹ (EDE 30)

Public Administration and Constitutional Affairs Committee The Evolution of Devolution: English Devolution

1 Introduction: supporting cities to deliver recovery, growth and Levelling Up

- 1.1 COVID-19 (C19) has created a public health crisis but also a growing economic, and related local government finance crisis which we must deal with now. Structural changes in city centre economies, accelerated by C19 and further restrictions has hit sectors like retail, hospitality, culture and tourism very hard. As furlough ends at the end of November lockdown, this is likely to result in mass unemployment challenges, which could be exacerbated by Brexit in a no deal scenario.
- 1.2 These sectoral impacts have also had a drastic effect on local government income, including from Business rates. It is important to also recognise that Local Government is facing a severe funding crisis, due to increased expenditure and reduced income as a result of the pandemic, and following years of reductions under austerity. For the eight English Core Cities alone the funding gap currently stands at £1.147billion (at 28 Oct), with a shortfall of almost £600million after taking into account all government support received up to this point. This will undermine any attempts to deliver a successful future planning the system unless addressed and therefore cannot be separated from this debate.
- 1.3 At a moment of great economic instability, a sustainable local government finance system which delivers certainty for cities and investors is fundamental to success. This is not a single, ‘in year’ funding issue, but will continue to affect cities and other local authorities into and beyond next financial year, pushing more places toward issuing Section 114 notices unless addressed.
- 1.4 C19 has had asymmetric impacts on places and people, and has hit the economies of big cities and city centres particularly hard. Yet many policy responses have been, and still are, place blind. The worse health impacts in urban areas are not due to density, but rather to structural inequalities, particularly on large and persistently deprived communities, Black, Asian and Minority Ethnic groups, women, migrants, people in poverty and elderly¹.
- 1.5 Likewise, the disproportionately negative economic effects on Core Cities are due to the concentrations of business in big cities, yet it is exactly these economic assets that make cities so critical to future recovery and growth of the national economy. The shockwaves from economic stalling in our urban centres have affected every other place across the UK, including surrounding towns with which we are closely linked. It is therefore critical that the economic infrastructure of big cities is protected as far as possible in order to ensure that the UK as a whole has the means at its disposal to return quickly to growth.

¹ Core Cities UK is an alliance of 11 large UK cities: Belfast, Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. Core Cities UK welcome the opportunity to respond to Government’s inquiry for Devolution. Our group includes cities within the Devolved Administrations, where these are devolved matters, but where some similarities exist, for example in enabling viability of development, affordable housing and infrastructure and tools available to localities to invest in public services and growth.

- 1.6 To support the recovery of the UK's economy; the resilience of cities and towns is central to policies to revive and level up the cities and places that have fallen behind in recent decades.
- 1.7 Core Cities city regions face many of the same challenges as other places, but are densely populated, home to 30% of the UK population, with higher deprivation, large numbers of rough sleepers, concentrations of poverty and people with complex needs. This places greater pressure upon them, underlined by ONS figures which show a far higher C19 death rate in major urban and deprived areas than for other places. Managing this complex set of public health issues in cities in return from lockdown can only be done locally.
- 1.8 Shifts in town and city centre retail have accelerated, office use will change and a major restructuring of our service economies is imminent. This crisis has also revealed the interdependence between a well-functioning economy and public services, exposing weaknesses across health, social care, welfare, and skills and employment programmes, which will also struggle to cope with greatly increased demand. These challenges cannot be met by a business as usual approach.
- 1.9 Given the depth of the economic challenges ahead this must now be a priority and we must build on the proven track records of all our cities for localised interventions to support cities as a whole, but also city centres and high streets to adapt and recover.
- 1.10 The challenges of C19 make the economic role our cities play even more important to the national future. The 11 Core Cities city regions deliver 26% of UK output, are home to a set of assets, infrastructure, skilled labour and business density built up over centuries that cannot simply be replicated elsewhere. Our cities have weathered pandemics before and will do so again.
- 1.11 C19 has impacted profoundly on urban life, changing how we live, work and socialise, leaving major health, educational and economic challenges. The UK is a highly urbanised society and economy, built on the benefits of physical, business and population density that boosts productivity. There will be changes in urban areas, but they are here to stay and critical to our economic future.
- 1.12 The UK's Core Cities are critical economic hubs with underused economic potential that must be further exploited by: building on the successes of devolution; investing in their assets including their people; and aligning national and local policy and spending at the level of place. This means fundamentally going further than policy has to date, building a new 'one public sector' approach to investment and strategy to support private sector and jobs growth.
- 1.13 The big opportunity for the UK is to address not just the direct challenges of the pandemic, but to build on the Government's Levelling Up agenda and the changes accelerated by C19, using this moment to chart an ambitious new course for our shared urban future. To succeed, devolution must support cities to deal with the underlying issues that were holding back urban economies before C19 hit: low productivity; deprivation; low skills-levels; carbon emissions; poor infrastructure; and climate adaptation.

- 1.14 The OECD report ²(published March 2020) support the call for increased devolution of powers to the Core Cities city regions (see Annexe 1 for list of recommendations). Despite the challenges that Core Cities currently face, they have the potential for strong and more inclusive future growth. Evidence from across the OECD shows that second-tier cities can be engines for growth. Given their size, location and assets, including high-quality universities and excellent digital infrastructure, Core Cities have the potential to play this role in the UK.
- 1.15 Productivity in Core Cities is low by national and international standards. While second-tier cities in most other large OECD countries have productivity levels that are as high as, or higher than, the national average, gross value added (GVA) per worker was just 86% of the UK average in 2016. This is the lowest level relative to the national average among second-tier cities in large OECD countries.
- 1.16 The productivity gap between Core Cities and comparable second-tier cities in other countries is even larger than their domestic productivity gap. For example, in 2016 average GVA per worker in second-tier cities was 30.4% higher in Australia, 30.3% higher in Germany, 26.1% higher in the Netherlands, 22.8% higher in France and 17.9% higher in Italy.
- 1.17 The productivity gap with the UK average, and with comparable cities across the OECD, is a sign of significant untapped potential. Core Cities are producing less with the available resources than they could. Given their importance within the overall UK economy, the poor performance of Core Cities has a substantial negative impact on the aggregate economic performance of the country. As productivity growth is the only way to raise living standards in the long term, low productivity also has a strong negative effect on the well-being of its residents.
- 1.18 Moreover, Core Cities have made important progress in several policy areas in recent years, even though they had to operate within a difficult macroeconomic environment and under very severe budget constraints. With the right policies at local and national levels, and sufficient investment into public transport, housing, skills and other policy areas, Core Cities can become centres of economic activity that pull their regions and the entire UK to higher productivity levels. This report provides strategies at the local and national levels to achieve this objective.
- 1.19 Core Cities have the potential for much stronger and more inclusive growth. Evidence from across the OECD shows that second-tier cities can be engines for growth. Given their size, location and assets, including high-quality universities and excellent digital infrastructure, Core Cities have the potential to play this role in the UK. Moreover, Core Cities have made important progress in several policy areas in recent years, even though they have had to operate within a difficult macroeconomic environment and under very severe budget constraints.
- 1.20 Bold plans are needed to revolutionise the UK's urban connectivity and infrastructure including: digital; mobility; energy; strengthened global links and increased innovation. The result will be a fully modernised, competitive UK economy better able to trade on the global stage; with growing business, quality jobs, improved social mobility, health and educational attainment back at home.

² <https://www.oecd.org/unitedkingdom/enhancing-productivity-in-uk-core-cities-9ef55ff7-en.htm>

1.21 It is vital therefore that any devolution framework including fiscal devolution recognises and supports this role of cities if the UK is to recover from the economic shock of C19, help other places to Level Up and return quickly to future growth. There are no other places in the UK outside London that can deliver this role. Innovative financing mechanisms must now be deployed to support cities in delivering investment to drive recovery and future growth (Annex 2).

SUBMISSION

2 Question 1: Should there be comprehensive reform of the English devolution and local government system?

- 2.1 Recent OECD evidence, prepared for Core Cities UKⁱⁱ suggests areas with more integrated leadership (to which powers have been devolved), across a functional economic geography can support higher rates of economic growth and higher rates of productivity when compared with those areas that have more fragmented governance, reliant upon a centralised state.
- 2.2 All Core Cities have had City Deals, which included an element of devolution, but which in reality were ‘functional’ devolution – that is, the decentralisation of a limited set of services and some of the budgets and powers to go with that; not fiscal devolution, creating an ability to raise – or at least retain – more of the tax base from an area to spend in that area, as is normally the case in other developed nations. This process of functional devolution / decentralisation is however in itself very incomplete, even taking into account the follow-up Devolution Deals given to Mayoral Combined Authorities (which does not include all the Core Cities, and is an England-only initiative). In the devolved nations, Cardiff Capital Region deal was agreed in March 2016, Glasgow and Clyde Valley City deal in July 2014 and Belfast City Region deal in March 2019.
- 2.3 It is still early in terms of the process of devolution to say what the exact impacts of these programmes has been, but evidence is emerging that there have been positive economic and health impacts, with increases in growth and productivity, and improvements in the prevention of ill health in particular, with the devolution of Public Health funding being a prime example, alongside the Greater Manchester Health Social care Partnership.
- 2.4 Globally, there has been a shift toward greater decentralisation, particularly to large urban areas (for example the explicit devolution that has taken place in France, Finland and Japan) in recent years, leaving the UK, and particularly England as an outlier in terms of devolved powers and functions.
- 2.5 One of the reasons for this shift, and why greater devolution in England is necessary, is that the complexity of the biggest issues facing nations and localities means that they cannot be solved by a siloed, top down approach, but only by integrated, localised responses, often with networks of cities working together. These issues include but are not limited to climate change, social cohesion and inequality.

2.6 COVID-19 has provided strong evidence that a centralised response to national – even global – issues alone cannot succeed, and must be aligned with local responses, leadership and resources. Yet the resource-base of local government in England, and indeed throughout the UK is extremely small and limited, but in comparison to the task required of councils, and to councils in other nations. This is also the view of the OECD, mentioned in their above report, stating that the income base for city authorities must more closely match their responsibilities.

3 Question 2: What aims and principles should underpin devolution in England?

3.1 With the last few years there appears to have been a process established, albeit an as-yet uncodified, by which city regions and non-metropolitan regions can negotiate devolution deals with Government provided they accept a particular governance structure, including an elected mayor for the bigger deals. The current approach suggests that deals agreed so far are likely to provide a template for future agreements, with limited scope for local variation. What is also clear is that the Government sees devolution as an iterative process.

3.2 A framework for devolution has been mooted by government, but there has been no discussion with cities about what that might consist of. It would be counterproductive to announce a framework without dialogue, which in the case of Core Cities is highly likely to enable a better outcome, and to avoid a kind of ‘centralised decentralisation’. We would very much want to engage with and help government to produce this.

3.3 Whilst bespoke deals have significant benefits, taking an approach which is in principle place-based, it can also result in a lack of clarity about what might be more broadly available in terms of devolution, and can feel competitive, treating devolution like a budget to be shared out, when in reality a similar set of powers and responsibilities could be devolved to many places at the same time. Previously we have discussed the potential for Government to set out in broad terms the components of devolution, and then to set ‘governance tests’ against these, so that any place meeting specific tests could receive that level of devolution. This may be a solution for places that do not wish for deeper devolution - or do not have the capacity - at this moment in time, but a much more radical approach is now needed for big cities and city regions. It consists of two broad components:

1: Place based control over spending public finance: Completing the first wave of devolution, in reality ‘functional devolution’ – the decentralisation of public services and the budgets and powers to go with them – across as much of the public sector as is relevant, wanted by a place and where basic tests of capacity can be met.

2: Place based control over raising public finance: Control over spending public finances cannot be seen as a stand-alone solution without greater control over raising public finances within a locality. A roadmap is needed to greater local fiscal retention / assignment (where more of the tax base is in local control but with limits on changes to levels), and fiscal devolution (with limited or no restrictions to levels).

3.4 Government should view public sector finance much more holistically, particularly in cities – taking a place-based approach to funding. This means looking at the totality of public investment into a place and asking, what are the big outcomes that place needs, and how can resources best be deployed to achieve them.

- 3.5 Too often the opposite happens, asking what different parts of the system need to maintain their current position, leading to siloed initiatives. This has been the case with health investment, for example between NHS and Social Care, resulting in a bigger cost burden and spending need for NHS, when preventative measures in a different part of the system (i.e. additional investment in some local government services) could significantly reduce public spending overall. Instead the system needs to fundamentally shift to comprehensive financial settlements for a place, with some national objectives set, but local accountability for how they are delivered.
- 3.6 This must include a recognition of the cumulative impact of funding decisions across a range of departments and agencies which operate within a place and a better appreciation of the interconnected nature of public services. For example, recognising that decisions about public health budgets are likely to have ramifications for the NHS, that infrastructure investment and economic rebalancing are linked, or acknowledging that incentivising academisation through business rates relief has an adverse effect on the general funds of local authorities.
- 3.7 Strong shared leadership models are in place across all of our cities and we believe local democratic, business, third sector and community leaders working together are best placed to understand the assets, priorities, service needs and ambitions of places they represent.
- 3.8 Devolution must be based on a series of clear and explicit principles concerning the geography and scale of devolution areas; a ‘menu’ or framework of the powers that could be devolved; and a range of options for reforms to governance that are commensurate with the level of devolution an area is seeking, where these are appropriate. A principle-based framework would provide local areas with the certainty to develop a proposal that works for their context. Where deals have been most difficult to achieve, there should be key principles underlying a devolution framework:
- An outline set of geographical areas that might be the best scale from which build devolution areas and where in a handful of cases some areas might wish to join forces to enhance their scale.
 - A framework of powers based upon discrete packages or ‘stages’ as a template upon which individual proposals can be based and as a means of building confidence in local politicians that devolution is a journey not a one-off bid for back-door reform.
- 3.9 Core Cities would, as an example, support the implementation of the 20 recommendations of Lord Heseltine’s Empowering English Cities report, published in July 2019. These include the transfer of day-to-day responsibility for affordable housing, school performance, skills and employment programmes to combined authorities and powers to raise taxes such as an airport duty or road tax.
- 3.10 Cities and city regions all have varying degrees of different powers, control large budgets and have the ability to improve the lives of millions of people but to achieve this they should all be granted greater fiscal freedoms, control over the services they deliver and decisions on future investments, if cities are to unlock local economic resources and drive innovation.
- 4 Question 3: Should devolution in England use the reserved powers to bring it in line with devolution in the rest of the UK?**

4.1 This question could be understood in a number of different ways and it would be helpful to discuss this with the committee to provide a fuller view from our cities. Reserved powers generally refer to those regraded by UK Government as being of mainly or only national significance, e.g. defence. Some of these powers should however be part of the devolution debate within England, and across other devolved nations, for example energy and taxation, also looking at which transferred powers (i.e. those given to devolved nations) might be appropriate for devolution within England. Policy areas to be considered should include but not be limited to powers in the following areas:

- Infrastructure and transport
- Industrial Strategy
- Skills, Employment and elements of education
- Post-EU financing e.g. UK Shared Prosperity fund
- Elements of Trade and Investment Policy
- Housing (including the avoidance of centralised controls over planning, e.g. the recent Planning White Paper)
- Energy, resilience and low carbon
- Elements of the taxation system
- Elements of health, integrated with social care

5 Question 4: To what extent should there be consistency in devolved and local governance within England, and to what extent is asymmetry necessary?

5.1 Core Cities collective position has been that governance and accountability structures should be a matter for local decision, based on local character of need, history and relationships, not a one size fits all approach. If a locality is able to take on elements of devolution which will drive growth, jobs and service improvements, then it should not be held back from doing so because of a difference in governance arrangements.

5.2 However, the asymmetric Deals-based approach has not always been transparent, and has imposed governance solutions on localities. More transparent approaches are needed going forward, contained within a framework of principles that enables places to select the most appropriate suite of powers for their needs and capacity, from what is effectively a menu of options.

5.3 Such a framework should make a presumption in favour of devolution, rather than assess why it should not happen, taking an enabling approach that will help places strengthen local capacity to manage devolved arrangements over time, including through peer group support. It is therefore vital that Levelling Up is understood as an approach that continues to devolve to cities and city regions that have already had Deals, whilst then supporting other places to achieve the levels of devolution appropriate to them, rather than halting devolution to those in the vanguard until others have achieved the same levels, which in the case of some places would be highly unlikely to ever happen.

5.4 Accountability has often been raised as a barrier to further devolution, yet local and combined authorities have very substantial and transparent scrutiny processes which are publicly accessible and democratically accountable. In the eventuality of increased devolution, then these processes may have to adapt, but there are pragmatic ways of doing this and they should not be seen as a barrier to progress.

6 Question 5: What is the purpose of current the “devolution” deals and mechanisms? Are these purposes being achieved?

6.1 The purpose of Devolution Deals has been to improve outcomes in the areas of policy delivery focused on within each Deal, primarily for economic, social and health policy. Early indications are that Deals have been successful, and have achieved a level of public awareness and support. As set out above, what has in reality taken place is a limited form of decentralisation, thereby limiting the results that could ever be achieved with a relatively small toolkit, and to deliver the changes now needed and heightened by COVID-19, a much more radical approach to Devolution is required.

6.2 For example, despite some progress through Devolution Deals, the adult skills system in particular is still too supply driven to meet these challenges. The Core Cities therefore agree with OECD that further devolution of the adult skills system, alongside improved careers advice and signposting within the schools’ system, is critical to creating a labour market that meets the current and future needs of business, and gives learners the best chance of getting the employment they want.

6.3 The primary purpose of devolution in a post-COVID world should be to build a competitive and resilient UK economy and society, with a focus on green, digital and inclusive growth, health, education and social mobility, helping to ensure that urban areas can recover, grow and be better prepared to cope with similar challenges. Recent OECD evidence suggests areas with more integrated leadership (to which powers have been devolved), across a functional economic geography can support higher rates of economic growth and higher rates of productivity when compared with those areas that have more fragmented governance, reliant upon a centralised state.

6.4 Changes should also enable the skills and employment systems across Core Cities city regions to align more closely to those for health and welfare, ensuring that more people can be brought into the labour market, raising productivity but also saving public money and improving lives.

7 Question 6: How should decisions on English devolution be agreed?

7.1 A Constitutional Convention has been discussed as one option, and an independent committee as another. In reality it is likely that some cross-party consensus will be required to agree a legislative process, although there are actions that can be taken now to improve service integration and delivery at the level of place as below.

7.2 However, much of the debate about decision making has focused on Westminster, and it is imperative that local leadership, across the public, private and third sector is engaged at the outset as part of the decision-making process.

- 7.3 Decisions must be taken with localities, not apart from them. Although devolution has been championed by localities – and it is arguable whether it would exist at all without the efforts of groups like Core Cities and their amendment of the Localism Act - it has in a sense been appropriated by national government as something for them to hand down little by little. A radically different approach is required, and although this will require a national framework, Core Cities have always been clear the exact governance arrangements and decisions on policy areas and powers should be for localities and their partners to decide upon.
- 7.4 Deal-based arrangements have both strengths and weaknesses, as set out above, and although could continue as a means of creating bespoke arrangements suited to the needs of each place, would need to adapt, and become more transparent within a national framework of options.
- 7.5 There are however options to deliver better results for public investment by aligning efforts at the level of place now without waiting to rewire the entire system or put legislation in place, providing at least a stop-gap prior to fuller devolution.
- 7.6 For example, delivering positive Levelling Up outcomes for young people in towns and cities relies on joining up services to create a pathway that incorporates: Early Years, education and careers guidance; employment, entrepreneurship and job creation; access to affordable housing, workspace and childcare. If Government wants to deliver Levelling Up and tackle inequalities, it should be promoting such joined up programmes, harnessing local knowledge and capacity to deliver in a place-based manner. The current system is not equipped to deliver this and needs to be incentivised to do so – in fact unaligned services can and do fatally undermine each other at the local level.
- 7.7 Opportunities will otherwise be missed, particularly in dealing with large-scale unemployment in areas where cities are now vulnerable due to COVID-19, like retail, hospitality and tourism, which will worsen if further restrictions are enforced. Cities have the ability to manage retraining, job creation and re-employment through local networks and knowledge in a way that national systems cannot deliver. Employment and Skills programmes must therefore have strongly localised components and flexibility built-in if they are to achieve stated national objectives.
- 7.8 City authorities must have the ability to address these issues in a way which meets needs and opportunities of each area, alongside the resources to reactivate and then grow city centres, as drivers of wider regional economies. It is also critical that local economies can align local, sub-regional and national investment to capture maximum benefits and unleash potential. Without this, impact and value for money cannot be measured. Place-based deals could therefore be a vehicle to enable the following policy:
1. **Whole System Public Service approaches:** addressing deprivation, health, skills and employability in the round, with a focus on prevention, early intervention and Early Years.
 2. **Infrastructure Single Pots:** enabling government's 'infrastructure revolution' in an efficient and timely manner, transitioning to the digital and Net Zero economy.
 3. **Area-based Initiatives, specifically City Recovery and Neighbourhood Renewal Funds,** getting the urban core up and running and revitalising urban neighbourhoods.

7.9 The key to a well-functioning place-based model is that it wholly incentivises and frees up the full range of national and local players relevant to a particular issue to work collectively at the right spatial level, pooling effort and resource over a long enough time horizon. Our view is that these geographies should be decided locally, and include measures specific to the urban cores. It must also have democratic leadership and accountability built-in. Three sets of options are proposed to achieve this, which would be judged against the capacity and governance structures of each place to deliver.

1. Incentivised co-commissioning
2. Legally binding co-commissioned frameworks
3. Full devolution, with resource, powers and accountability (preferred for many Core Cities priorities and the subject of this consultation)

7.10 Although what we are suggesting would have radical results, it is in some ways not a radical step, but instead a formalisation and tidying of pre-existing models into a National Framework around which Deals can be built that suit each place including, but beyond, Core Cities. These would cut across three broad areas of policy above, i.e. any of them could potentially be ‘incentivised’ ‘binding’ or ‘fully devolved’, operating at the relevant and agreed geography for each place.

7.11 Although a fully devolved model is likely to work best, the advantage of this approach is we do not need to wait and can take immediately action through this framework, constructing place-based settlements across Departments and agencies.

8 Question 7: How should the interests of different parts or regions of England be better represented to central government and in intergovernmental arrangements as well as in Parliament?

8.1 Core Cities Cabinet has previously called for a regular joint meeting with Government Cabinet to ensure that exactly this kind of dialogue takes place, successive Governments have discussed the potential for a ‘regionalised’ second House, reforming the House of Lords, and the movement of Whitehall Departments away from London has been a matter of prolonged debate.

8.2 Yet despite years of debate, none of these options has been acted upon, with perhaps the exception of some limited movement of Whitehall functions to other parts of England, and it is worth this Enquiry considering not just what actions should be taken, but why others that have been considered have not been taken, which in some ways goes to the heart of the debate on devolution. The answer is perhaps both structural and cultural, in the sense that long-held structures can be very resistant to fundamental reform, but also that the cultures that pervade them then compound an inability to change of their own accord - in this case a culture of centralisation and an inherent under-estimation of the role and abilities of local government.

8.3 Although it is sensible to consider ways in which localities and / or regions interests could be better represented, the question in some ways inverts the outcome localities are seeking, which is a reduction in the need for representation of this kind in the first place, because they do not need to persuade Government to undertake actions they should be able to take for themselves.

- 8.4 Local government's contribution to the C19 response has been and continues to be critical, the crisis has demonstrated the importance of getting the balance right between local leadership and strong central-local relationships. Yet that balance has been repeatedly miscalculated, resulting in a potential reduction in the effectiveness of measures.
- 8.5 A further example is the fact that local government faces a serious threat through a combination of increased spending and reduced income resulting from C19, which has not been fully met by national government, despite initial messages to the contrary. Urban authorities, already under increased cost pressures, are significantly affected. They must be adequately funded and if we are to create greater resilience in our economy and our public services, then our recovery needs to strengthen, finance, and empower local institutions, particularly councils.
- 8.6 Devolution should align with the government's objectives for recovery and levelling up as the basis for a shared endeavour between central and local government and all the partners in our region who will deliver success. It must also recognise and explain the importance of devolution in achieving those outcomes.
- 8.7 Pan-regional partnerships such as the Midlands Engine and Northern Powerhouse will continue to be important bodies for addressing matters best dealt with at a pan-regional level, such as inter-regional transport connections, global trade and investment and pan-regional supply chains.

9 Question 8: Is there a public demand for such structures/measures? On what basis should the form, geography and extent of devolved regions or areas be determined, and what should be the role of culture and identity?

- 9.1 When Core Cities began arguing the case for devolved powers, over 25 years ago, there was almost no public debate about these issues, but that has changed fundamentally. Public awareness of and demand for devolution has risen significantly, particularly over recent years. If people are asked if they want devolved powers, that is perhaps not a clear enough question to understand local appetite. But if they are asked if they would like greater control over what happens in the places where they live, more say in how their taxes are spent in their locality, fewer decisions taken in Whitehall and more in City Hall, then the answer is more likely to be yes. Surveys have also consistently shown a greater level of trust and respect for local democracy and political representatives than those at the national level.
- 9.2 Disparity between regions has grown despite successive policies reaching back across decades attempting to resolve this. Yet deprivation within regions, and particularly within cities and city regions has also persisted, which can be seen in the fact that, as an example, life expectancy may differ between one part of a city region and another by more than 10 years.
- 9.3 Local bodies can best understand local economies. They can also align with people's identities and sense of local political community, to enhance the democratic engagement and accountability of the devolved bodies. Without that sense of local engagement, the buy-in and the support of voters, and a clear democratic mandate for their plans local leaders will find it more difficult to implement their plans.

- 9.4 City regions have generally been organised to operate on the basis of functioning economic areas, and for many devolved policy areas, this will be the right geographic level. But it should also be borne in mind that big urban cores have a distinctive role to play in driving wider economies, as part of interdependent economic networks, and need the right support and investment to deliver.
- 9.5 Centre for Cities' Talk of the Towns report³ shows that the impact of cities goes well beyond their boundaries – and that they shape the economies of the places around them, and benefit from labour and other resources being better connected to their cities. The economies of cities and towns are intrinsically linked - the report shows that when a city prospers, nearby towns are also more likely to be successful.

³ <https://www.centreforcities.org/publication/talk-of-the-town/> (published Sept 2018)

9.6 Linking this to the work of the OECD for Core Cities (see Annexe below), devolution is the missing part of the jigsaw in enabling cities to fulfil this role comprehensively for surrounding areas, and by Core Cities own calculations, the UK is missing out on around £100billion a year in lost productivity due to its over-centralised governance arrangements.

Annexe 1: OECD report - Key recommendations

The key recommendations from the OECD report for Core Cities are:

1. Policies in Core Cities need to target the distinctive challenges and opportunities of local contexts. This place-specific policy approach can provide a more effective response to the many challenges that Core Cities currently face. Developing such place-based policies requires greater co-ordination across levels of government, local jurisdictions and policy sectors to ensure that all actors work towards common goals and align strategies.
2. Expanded vocational and on-the-job training programmes could help improve the skills of workers with low levels of formal qualifications. Such programmes can provide pathways to high-quality jobs outside of university education. Moreover, they can help workers who failed to acquire necessary labour market skills, or whose skills have become obsolete due to technological change. Training offers should continue to be co-ordinated with local economic development strategies and closely involve employers to ensure that skills provision meets the needs of the local labour markets.
3. Core Cities should implement policies to improve labour force participation rates and reduce the number of individuals that are excluded from the labour market. Doing so will require a mix of policies, including smoothing school-to-work transitions, lowering childcare costs and improving public transport to increase the accessibility of jobs.
4. Management of public transportation systems in Core Cities can be improved and brought to a level comparable to other highly productive second-tier cities in Europe. Public transport within city-regions should be regulated by a transport authority that has the power to determine route networks, co-ordinate timetables, set minimum requirements for service provision and establish a unified pricing and ticketing scheme across modes of transport and operators. Public transport and soft transport infrastructure, including cycle paths and footpaths, should be strengthened where gaps exist.
5. Spatial planning at the city-region scale could foster closer links between Core Cities and their surrounding towns and villages. Effective regional level spatial planning aligns infrastructure across boundaries of local jurisdictions and prevents local jurisdictions from pursuing mutually detrimental policies. This would generate borrowed agglomeration economies and raise productivity levels across the city-region.
6. Core Cities and the UK Government must join forces to find new ways of encouraging housing development. Core Cities are supportive of housing development, but their ability to act could be strengthened through additional financial and regulatory incentives. This would increase the viability of new housing development and would help Core Cities to encourage further housing construction and renewal of existing older stock through their planning policies.
7. To enhance productivity and well-being, Core Cities need to create attractive high quality urban environments that help to retain high-skilled workers and generate investments. Well-designed urban spaces with dense, mixed-use neighbourhoods encourage interactions and facilitate innovation. These positive spill-overs and long term effects from attractive urban spaces should be consistently considered in urban regeneration projects. While ambitious urban regeneration projects can be costly in the short term, a regenerated area with attractive public space, high-quality building stock and a diverse mix of uses can yield large returns for a city in the long term.

8. The devolution process must continue and ensure a better match between responsibilities and financial resources. As already recommended in the 2015 and 2017 UK OECD Economic Surveys, the national government should pursue more comprehensive devolution. Fiscal decentralisation needs to go hand-in-hand with administrative decentralisation to ensure there is no unfunded (or underfunded) mandate. In this regard, the 2019 OECD report on Making Decentralisation Work provides a comprehensive framework on how to conduct decentralisation reforms and construct partnerships across levels of government.
9. Multi-year budgeting can help Core Cities plan integrated strategies over longer-term time frames. Longer financial planning horizons, reinforced with appropriate powers to determine funding priorities, and the means to raise revenue, would put Core Cities in a stronger position to address structural weakness in their economies, reduce disparities, and boost local growth. In light of economic uncertainty, increased spending in strategic areas such as transport, skills, and research and development should also continue.

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ⁱ [OECD Policy Responses to Coronavirus \(COVID-19\)](#); Cities policy responses; July 2020

ⁱⁱ Enhancing Productivity in UK Core Cities: connecting local and regional growth; OECD; 2020