

Written evidence submitted by Core Cities UK

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 group includes cities which operate within their own national administrations and where many of the issues we raise are devolved matters. However, these cities are also facing many issues faced by their English counterparts as a direct result of the pandemic.

1 Introduction: supporting cities economic networks 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 the recent collapses of Arcadia and Debenhams testify. As furlough ends, this is likely to result in mass unemployment challenges, which will be exacerbated by Brexit, particularly in a No Deal scenario.
- 1.2 Levelling Up must deliver real gains for smaller urban areas described as ‘left behind’, but this cannot happen by treating them as economic islands, or through an unhelpful ‘either or’ debate which has arisen around towns and cities.
- 1.3 As set out in recent work by the OECDⁱ, and previously Centre for Citiesⁱⁱ, a well-functioning urban core is fundamental to the success of surrounding areas, and is itself reliant on them. The fact that a city may be performing better than a nearby urban area does not mean that it is somehow poaching the economy of that area, or that if the city did less well, surrounding areas would somehow profit. The evidence strongly suggests that the opposite is in fact the case, that an urban area close to a poorly performing major city will always struggle economically, and that across Europe, there are no successful regions without a successful Core City.
- 1.4 Social distancing has been the enemy of agglomeration, and urban economies and sectors have been hit hard. This does not however mean cities will lessen in importance, particularly post-vaccine, and our economic recovery is heavily reliant on them. Indeed, the evidence from previous pandemics, including SARs in Asia, is that cities adapt, and national economies bounce back based on their cities’ ability to do so. But the effects of C19 and then Brexit create challenges cities cannot rise to without significant Government support.
- 1.5 The central question for economic policy makers has to be, ‘how can the resources that are available be deployed to create the most positive outcomes overall across local economic networks, and the UK as a whole?’ This is not therefore an argument for a lack of intervention to boost the economies of surrounding areas – Core Cities has never believed in trickle-down economics – and we would argue strongly for support for these places, in a way that understands context. It is an argument for addressing local economic deficits through an evidence-based approach that understands how urban networks and economic flows operate and can be enhanced, across administrative boundaries.
- 1.6 UK economic policy would, quite rightly, not countenance an approach that risked London’s economic contribution to the UK, and in the same way, policy should not risk the contribution of second tier cities to their regions. Towns, cities and smaller settlements are parts of interdependent economic networks wholly reliant on each-others performance. As the OECD have set out, the most successful urban areas create a ‘borrowed

agglomeration' effect, which enables the surrounding region to benefit from the success of cities, whilst building and exploiting the distinctive economic assets of each place within that network.

- 1.7 It is clear however that we must aim higher than simply a return to pre-COVID levels of economic output. The Core Cities were, by international standards, underperforming before COVID in terms of productivity, and unless this issue is addressed as part of a recovery programme, the Government's Levelling Up programme will not succeed. Some recent research has suggested Core Cities are performing at a higher rate than previously thought, but this analysis is on levels of employment, not productivity, and also on place of work data, rather than place of residence, so the wider impacts of city region economic effects are unclear within it (i.e. people working and earning in a city centre but living and spending elsewhere).
- 1.8 The benefits of bringing all Core Cities city regions economic performance up to the pre-COVID national average will amount to around an additional £80billion a year for the economy, £100billion if they performed at the same levels as similar groups of cities in Europe, the US and Asia.
- 1.9 City authorities have a particular role to play in leading recovery, as they did in the last recession, yet their resources and capacity are severely depleted. COVID has had a drastic effect on local government income, including Business Rates and Council tax, and created a need for increased spending on local public services, 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 all government support received up to this point. This will undermine attempts to deliver a successful recovery unless addressed and therefore cannot be separated from this debate.
- 1.10 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.
- 1.11 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.
- 1.12 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 has the means at its disposal to return quickly to growth.
- 1.13 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.
- 1.14 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

¹ [OECD Policy Responses to Coronavirus \(COVID-19\)](#); Cities policy responses; July 2020

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.

- 1.15 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.
- 1.16 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, strategies must 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.
- 1.17 The pandemic has sharply exposed the links between public services and a well-functioning economy, and this will continue to be the case during recovery. As an example, around 40% of low productivity across the Core Cities on average is linked to deprivation, therefore addressing productivity relies on public services that can bring people out of poverty and poor health into learning and the wider labour market.
- 1.18 Bold plans are also 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.
- 1.19 It is vital therefore that any devolution framework within the forthcoming White Paper 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.
- 1.20 In addition, innovative financing mechanisms must now be deployed to support cities in delivering investment to drive recovery and future growth (see appendix).
- 1.21 Core Cities would welcome the opportunity to give oral evidence in our submission.

Submission

2 To what extent do Government measures protect viable jobs in the future and reduce the risk of long-term unemployment?

- 2.1 Government support has been welcomed and saved many businesses and jobs, but overall, needs to go further, particularly in relation to the support now available to Tier Two and Three areas, and the length of time for which support is available. In addition, many self-employed people across our cities report being unable to access support. Structural changes are taking place, for example in retail, and people losing employment need clear and easy to access support which is delivered locally and understands the needs and opportunities of local labour markets. The Plan for Jobs should therefore have a stronger localised component, including within Kickstart.
- 2.2 However, the majority of businesses in our cities would otherwise be viable, and must be protected through the next few months so that, once the vaccine takes effect, we have an economic infrastructure and business base that can quickly bounce back. Ending furlough too early, or providing limited or the wrong kinds of support risks long term mass unemployment. The levels of support are currently considered to be too low for the Core Cities, and otherwise viable businesses are closing or being weakened as a result. Hospitality is a major example.
- 2.3 Urban areas are playing a key role in delivering nationwide measures to address the pandemic but also in shaping and implementing innovative, place based and people-centred urban recovery strategies. These are playing out in the context of other uncertainties: the UK's future trading relationships with the EU; and emerging tensions in other global trading relationships, for example, with China. The pandemic and its impacts have however clearly shocked our economic and social systems. For example:
- The crisis, and our responses to it, will continue to affect a significant part of our business base, both large and small employers, struggling and, in some instances, closing;
 - Some sectors have been disproportionately affected such as arts and culture where freelancers and many on short-term contracts were unable to access income support schemes and will take the longest to recover, and leisure and hospitality and its supply chain sectors who are more likely to have restrictions imposed or closed;
 - The pandemic has strikingly exposed structural inequalities across people and places, especially in urban areas, where a range of vulnerable groups have been impacted hardest;
 - The long-term impact on pupils' and students' educational outcomes along with the wider impacts across our health systems in dealing with the pandemic have the potential to have significant impacts on our productivity in the longer term;
 - We are already seeing the stigmatisation of ethnic, racial, or demographic groups who are thought to have done things to put others at risk, threatening community cohesion;
 - Looking forwards, digitisation, a major game changer during the pandemic, will remain a key component of a "new normal", and have helped accelerate other changes, for example, in retail, which are impacting urban centres and require new thinking;
 - the "Zoom effect" and "Greta effect" have accelerated environmental awareness, making the transition towards clean mobility and a circular economy an urgent priority for the public and for business; and

- addressing the multifarious direct and indirect impacts of C19 has reinforced the need for national and local government to work together to address the crisis through place-based solutions that build long term community and economic recovery.

3 To what extent are Government measures value for money for the taxpayer?

- 3.1 Spending on supporting business, public services and individuals during this incredibly challenging period will create significant debt. The reality is however that there is no other choice to get the UK through this period as safely as possible, with a relatively intact economic system ready to re-start as soon as it can. Borrowing is also at an all-time low, and this approach is in that sense VFM for the tax payer.
- 3.2 However, the way in which money is spent is also a critical issue, and it is clear that there have been significant inefficiencies in the procurement and delivery of measures to address the pandemic. In particular, there has, in the experience of our cities, been an over-centralisation of decision taking, delivery and spending which has slowed responses, made them less effective and potentially more expensive and therefore worse VFM. Track and Trace, as an example, has been far more effective when locally led. It is vital that lessons are learned from this experience as we move into the vaccination programme, harnessing the local community leadership of city authorities to ensure a successful programme that reaches all parts of the population.
- 3.3 This centralised health response mirrors that of the UK's economic policy system, and we are concerned that this does not run over into economic recovery plans, when places need the freedom to shape plans in an agile manner with local partners.

4 How effective is the Government support to businesses and individuals across different regions and sectors? Does the effectiveness of the Government support vary across different regions?

- 4.1 Every economic shock is unique, but their impacts have been geographically similar across the UK over many decades. Each recession has worsened UK regional economic disparity, particularly for the most vulnerable. As far back as 1928, the Industrial Relocations Act was trying to spread prosperity across the UK. Almost a century later, despite repeated attempts to tackle economic inequalities, things are worse not better. Addressing this issue is the subject of several Core Cities reports, including those cited above particularly the OECD report our Spending Review Submission which also includes a plan for recoveryⁱⁱⁱ, and 'City Evolutions' a comprehensive analysis of all available economic data for the Core Cities over 40 years^{iv}
- 4.2 Two issues are important to future working arrangements. Firstly, that collaborative working between national and local partners is established from the outset, not as an add-on. No one has a monopoly on good ideas, and given the nature and scale of the economic challenge cities and other places face, no single group of actors can deliver a solution. Secondly, there is a need to wire-in agility and flexibility to local responses, making them place-based. The collapse of Arcadia, for example, comes on the back of structural shifts already happening in retail, but means big areas of city centres will have to reconfigure themselves almost overnight, not over several years.
- 4.3 Localised lockdowns will become part of the new normal to at least mid-2021. As such delivering an urban recovery during this six to nine-month period should be focussed on addressing two recovery scenarios:

- Continuing to reactivate urban economies as much as possible ensuring all steps are taken to contain the spread of the C19 virus, protect employees, visitors and residents; and
- Where localised lockdowns are implemented, taking steps to support those businesses and workers affected and to mitigate the negative effects of such lockdowns, through localised support packages throughout the lockdown periods.

4.4 While the government have made discretionary support available to councils there will be no more support for Tier 3 areas than those going into tiers 1 and 2. This is funding that can be used to support affected supply chains such as the cleaning industry, catering, security, taxis and all of the industries that are reliant on the pub and restaurant trade.

4.5 There should be a distinction in economic and business support packages for tier 1, 2 and 3 and reflect the time they have spent in each tier. Support packages should reflect the business numbers in each area and not the simplistic per capita formula as urban areas have larger concentration of businesses.

5 What lessons can be learnt from the different approaches undertaken by the nations in the UK to combatting the coronavirus?

5.1 Core Cities includes members within the Devolved Administrations, where many of the issues discussed in this response are devolved matters. They are however also issues that affect large cities in very similar ways, and the tools cities need to respond to them, as set out above and in the suggested reading in the endnotes below, are therefore also similar. The open dialogue between all our cities has been very important in assessing the effectiveness of local measures, sharing practice and understanding what works.

6 What impact will a second lockdown have on the economy? How should the Government best support the economy if intermittent lockdowns become a feature over the next year?

6.1 The disproportionately negative economic effects on Core Cities are due to the concentrations of businesses 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 has the means at its disposal to return quickly to growth.

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6.4 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.

7 What changes to the economy are now permanent?

- **What difference will the discovery of a vaccine and/or treatment make?**

- **Will behavioural changes such as working from home necessitate structural changes, whether or not a vaccine is discovered?**

- 7.1 Overall, it is too soon to make predictions about massive shifts to the ways that people work and economies function. The lesson from previous pandemics is that there are changes, but within quite well-defined parameters. The economic shifts that we have seen during the pandemic are largely a continuation of changes that were already happening, and which in many cases have been accelerated, for example to retail, impacting on high streets and city centres. Other shifts, like homeworking, are likely to result in some levels of permanent increase, but nothing like the levels experienced during lockdowns. People still want to mix and visit city centres for reasons other than work.
- 7.2 This could be seen clearly during the period when the first lockdown was lifted. Across the Core Cities, travel patterns had largely returned to normal by October, with slightly less long distance (over 10km) travel, although the means of transport had shifted away from public transport and some increased homeworking continued.
- 7.3 A major issue for all Core Cities has been a significant decline in footfall within city centres, related to the challenges for hospitality and the accelerated shift to online retail. This poses a major challenge for both town and city centres, particularly following recent large retail collapses. New thinking and approaches are needed to reimagine city centres and their role, and Core Cities are working with the Key Cities Group to undertake research into exactly this challenge. Town and city centres have played a critical social and economic role in supporting the economy, employment and cultural experiences of surrounding areas, and must now themselves be supported to transition through a challenging period.
- 7.4 The vaccine will be a game changer in behavioural and therefore economic terms, allowing sectors like hospitality to become full functioning again and reducing pressure on public services. There will however still be a significant period of transition during which businesses will need to be supported and new and emerging sectors invested in to grow jobs, providing opportunities for those losing employment in declining sectors.
- 7.5 There will continue to be short-term changes to lifestyle, work and commuting patterns, with some shifts like homeworking having a residual impact. This is an issue for city centre office space, although predictions of a collapse in this area are very much overstated. The office space that is affected can be repurposed, for example to city centre living. Investors and developers still see cities as a key future marketplace where they can access a hyper-local, skilled labour force, and around which they can build shortened supply chains – one likely outcome of the pandemic effect combined with Brexit.
- 7.6 The digital revolution offers benefits and opportunities – from economic growth and technological innovation to the delivery of more efficient and personalised public services. Digitisation will remain a key component of a “new normal”.
- 7.7 The Core Cities have a workforce with generally lower skills-levels to elsewhere in the country. The UK adult skills-system is supply and not demand driven, and is not incentivised strongly enough to deliver on the needs of local labour markets. The system is also not properly connected to systems for employment, welfare to work and health, although some devolution of adult skills has started, it is still partial.
- 7.8 In common with many other cities, Core Cities are still in the process of recovery from de-industrialisation, and already on the edge of the next industrial revolution and the challenges that will bring like Artificial Intelligence. Cities want to ensure that businesses

can be supported to skill up and adapt their business to enable them to become more resilient to future lockdowns and crises.

- 7.9 From a sustainability perspective the Core Cities could plan and manage how the UK's net zero carbon ambitions will be reached in the longer-term, and how our cities can become more sustainable in environmental, social and economic terms.
- 7.10 In that sense this crisis also presents opportunities. Air quality has improved in cities around the world as traffic has reduced and more people work from home. This could lead to a potentially direct and measurable impact on people's health. The Core Cities have therefore been developing ideas for a 'green economic recovery' from the crisis, and our cities have already implemented measures to encourage cycling and walking and seen increased use of local parks for exercise.
- 7.11 The Core Cities had already declared climate emergencies before C19 impacted on people's lives, and, closer to home, and have set out their visions for net zero 2050 or earlier but also have climate change strategies in place or under review.
- 7.12 Core Cities are ideally placed to deliver green and inclusive growth, using local knowledge and convening powers to connect skills and employment programmes to local job creation. The National Grid - founded initially as a pilot in a Core City, Newcastle - is approaching its 100-year anniversary. The same scale of ambition and vision that led to its creation is again needed to build the future UK economy, revolutionising infrastructure, energy, mobility, digitisation and innovation, and connecting people to new jobs. All the Core Cities are making strides in these areas, and toward Net Zero. With relatively modest government support, the Core Cities and their city regions can deliver these changes, helping to Level Up across the whole of the UK.
- 7.13 The Sixth Carbon Budget (2033-2037) charts the decisive move to zero carbon for the UK. The Climate Change Committee (CCC) shows that polluting emissions must fall by almost 80% by 2035, compared to 1990 levels – a big step-up in ambition.
- 7.14 To deliver this ambition, the CCC called for a major investment programme across the country; that investment will also be the key to the UK's economic recovery in the next decade. In many areas, this gives people real savings and reduce fuel poverty, as the UK uses fewer resources and adopts cleaner, more-efficient technologies, like electric cars, to replace their fossil-fuelled predecessors. The CCC finds that these savings substantially reduce the cost of Net Zero compared with previous assessments: now down to less than 1% of GDP throughout the next 30 years. The falling cost of offshore wind and a range of new low cost, low-carbon solutions in every sector makes this investment economically viable and support our ambition to be sustainable and net zero cities.

8 How large a problem is corporate indebtedness? How effectively did the financial sector give assistance to businesses?

• Is there a need for a new state sponsored investment bank? If so, what should it do?

- 8.1 Many businesses that do survive will be left with significant debt and consideration should be given to an equity-based scheme – as has been proposed by Core Cities and others – that lifts debt of company balance sheets in return for time limited equity stakes.
- 8.2 There is some evidence that the financial sector did not always act quickly enough, or provide assistance to the businesses most in need at the right times. This is in contrast to the support that was passed to city authorities to deliver to local businesses, which was made in a timely and efficient manner, using local knowledge and networks to get financial support to those most in need extremely quickly.

- 8.3 A state sponsored investment bank could take on some of these roles, but the centralisation of the UK banking system is a disadvantage when trying to provide this kind of support. A regionalised system should be considered as part of any state sponsored banking intervention, including for the proposed National Infrastructure Bank.

9 What improvements can be made to institutions to ensure that responses to crises like these are more robust in the future and policy makers have the data they need? What further analysis should the Government do and make transparent?

- 9.1 The key institutional issue for the UK is the overcentralised nature of the state and almost all its systems. These systems need to shift toward localised and more dispersed models, capable of place-based assessments and delivery in consort with local agencies as a minimum, where the devolution of functions may not be appropriate. Core Cities view is however that it would be appropriate for quite a wide range of functions to be devolved, as set out in our Spending Review Submission (see endnotes). Decentralisation and devolution should include a far greater dispersal of national functions and agencies across the UK.
- 9.2 On data, the government has a central role in co-ordinating and encouraging better use of data (publication, sharing, standards etc.) The publication and re-use of open data often fell short of the UK's ambition. The following areas need to be addressed to enable businesses and cities to leverage opportunities:
- A national approach to the standardisation of data and necessary support to achieve and implement these
 - A national data repository to encourage the publication of open data from all sectors
 - Incentives from government to help local authorities align their local data strategies that benefits whole regions
 - Support for those delivering services to see the value in sharing and opening up data
 - The publication of data should focus on promoting the benefits to wider civil society rather than on compliance (e.g. Code of Transparency)

10 What are the consequences of high national debt? What should the new fiscal rules be?

- 10.1 High national debt can affect the credit ratings of nations and therefore requires serious consideration. Core Cities have not however agreed with previous approaches to dealing with this, for example some of the approaches to austerity of recent Governments. This is partly due to the impact on public services, particularly for deprived communities, which is linked to productivity. Investment in preventative services and early intervention is in the experience of cities a far more cost-effective approach, but requires investment upstream to save money later on. Early Years services is an example, which can impact positively on whole life outcomes for young people experiencing deprivation, bringing them into learning and productive employment, saving public money and increasing tax returns to the Exchequer.
- 10.2 The rule book has to some extent had to be rewritten during the pandemic, but now is not the moment to put on the brakes, which will undermine our economy at a critical and sensitive moment for the UK. Interest rates are at an historic low, and maintaining as much of our economic base as possible is the only sure way to enable recovery.
- 10.3 In this sense, the most important consequence of high national debt is in fact the ability to pay it off. If we cease to invest, we will harm our economic base even further, be unable to recover quickly and tax yields will remain low. Instead, the UK has an opportunity to invest in fully modernising its economy and labour market, boosting global competitiveness for the long term.

11 The Spending Review was originally due in the Autumn 2019 but has now been postponed for more than a year. How robust is it in times of crisis?

- 11.1 Core Cities submission to the recent Spending Round was originally intended for the Spending Review, and is accessed via a link in the endnotes. In our view it articulates a compelling and comprehensive plan for recovery. Whatever it is called and however long its time horizon, a major fiscal event which looks forward clearly and concisely to economic recovery is a necessity to sustain public services, investor confidence, and deliver future growth.
- 11.2 We have worked as local authorities, and closely with national government, to address the health, economic and other challenges presented by this pandemic, which has emphasised the need for well-functioning local government. Our staff are on the front line of direct delivery, and we are using our place leadership and convening powers to support communities and businesses to get through.
- 11.3 Funding for the next financial year is a major concern with some cities not setting budgets until after the Spending Review (due late November 2020). Some savings cannot be delivered in year, so will impact on next year's budget, and 'fallow years' where savings might otherwise be made, cannot now happen. The funding issues we raise are not unique to cities, but if Core Cities start to fail, other places will too.
- 11.4 The absolute priority is for this gap to be closed through additional national resources. There are other measures which we would welcome alongside this, as follows.
1. **Additional resources to close funding gaps as part of a 3-year financial settlement.** The Spending Review is set at one-year, but without a longer-term settlement our authorities will be unable to plan and constantly approach financial crisis. It is in the interests of national and local government, communities and businesses to create a longer term, sustainable settlement.
 2. **Allow greater use of capitalisation for 2021/22 and 2022/23.** This should apply to additional costs, for example for redundancies, transformation programmes, or some of the C19 related costs not covered – or likely to be covered - by grants.
 3. **Reform Public Works Loan Board rates.** Interest rates should differentiate between investment in prudent schemes in local authorities' own areas (halve the new interest rate) and building a commercial property portfolio elsewhere (retain the current interest rate).
 4. **Create flexibility in fiscal mechanisms to get recovery going.** For example, by extending the time horizon and other flexibilities for Enterprise Zones / Tax Increment Financing schemes, significant investment could be brought forward without cost to national or local government. Revolving-door investment schemes, which already exist in some cities, could be further enhanced – for example by direct Government investment, and devolution of the UK Shared Prosperity Fund – creating recyclable investment pools which could repay initial investment over time (see attached paper on fiscal instruments).

12 How effectively did the Government work with the Bank of England? Was fiscal and monetary policy well-co-ordinated? Do there need to be changes to the monetary and fiscal framework?

See above responses on questions around public debt.

13 What are the productivity challenges in the wake of the coronavirus crisis?

- 13.1 COVID brings its own challenges, but we should not forget the UK's weak productivity performance prior to the pandemic. The OECD looked at exactly this issue for the Core Cities (see endnotes) and concluded that it is due partly to the over-centralisation of the UK state, resulting in one size fits all policies that do not recognise the needs and opportunities of each place, alongside persistent under-investment in infrastructure, specific kinds of public services and skills. The OECD recommended a decentralised, place-based approach to delivering economic planning and policy, which is even more critical now given the experience and impacts of the pandemic.
- 13.2 40% of low productivity in Core Cities pre-COVID was attributed to deprivation, a figure which is likely to have worsened significantly. Local authorities therefore have a key role to play in driving productivity by bringing people out of deprivation and into labour markets, yet in cities face an unparalleled financial crisis, which unless addressed will undermine population health, recovery and future resilience.
- 13.3 Cities are key to recovery, particularly the urban core which can do the heavy lifting. C19 has impacted profoundly on cities, but they have weathered pandemics before, are here to stay and critical to our economic future. Core Cities city regions are mutually dependent networks of towns and cities which have equal importance. Success relies on understanding how the assets, capacity and institutions of big urban centres can best be put to work to benefit the whole. Without Core Cities firing on all cylinders, other places will continually struggle and Levelling Up cannot be achieved.
- 13.4 This crisis creates an opportunity to address long term issues that have held the UK back. To address not just the direct challenges of the pandemic, but to build on the Levelling Up agenda and changes accelerated by C19 to chart an ambitious new course for a resilient, international future. To succeed, strategies must deal with underlying issues that were already holding back cities: low productivity; deprivation and poor health; low skills-levels; carbon emissions. To revolutionise urban connectivity and infrastructure: digital; mobility; energy; strengthened global links and increased innovation.
- 13.5 The alternative is 'Levelling Out', a limited recovery resulting in disengaged urban communities, with health, educational and productivity challenges worsening, acting as a drag on national economic performance.

• How has the crisis impacted on innovation and technological development? What problems could technology solve and what problems will it cause?

- 13.6 Trade in commerce, R&D and innovation tend to take place between places and their institutions, not directly nation to nation, although national governments are the facilitators and sometimes convenors. Core Cities offer a unique and distinctive route for the UK to strengthen its international relationships and networks, particularly post-Brexit. All our cities have strong global links already, between institutions, businesses, and through their Soft Power links, for example through cultural organisations and facilities and their diaspora communities, supported by global links through ports and airports.
- 13.7 Innovation built around collaboration between universities, businesses, the public sector and communities – a 'Quadruple Helix' – has long been understood as a driver of local economic development. There are many examples of innovation in our largest cities that have led to job creation in surrounding towns and communities.
- 13.8 Existing (and new) R&D infrastructure and institutions must be at the heart of locally driven outward facing innovation ecosystems. To be successful they, and the overall approach, should be knitted into the wider economic strategies and plans for the locally defined

economic geography. There is a need to ensure that each area develops a distinctive, place-based Innovation Plan and Programme as part of their Strategic Economic Planning work that embraces and capitalises upon the core innovation assets and creates the essential enabling infrastructure to support the growth and expansion of existing and start up / spin out businesses. A Place based Innovation Plan and Programme co-created with local sectoral leaders and with Government and its agencies would, for example, specify business support mechanisms, bespoke workspace requirements, and specific demand side skill requirements.

- 13.9 One of the features of low productivity in the Core Cities is that it is partly due to the different nature of sectoral business activity in the Core Cities, not because those businesses are necessarily performing poorly². Highly productive, innovative activities are more likely to locate in the Greater South East than elsewhere. A major challenge for Core Cities therefore is to make themselves more attractive to this type of activity (such as software design), rather than the lower skilled exporting activities (such as back-office functions for a bank or data handling company).
- 13.10 This situation is changing and there are notable examples of successful innovation across all the Core Cities in high-tech, biotech, advanced materials, aviation, digital and computer sciences and artificial intelligence gaining ground, particularly through using the ‘triple helix’ model of linking universities, business and local authorities to generate innovation and business spin-outs.
- 13.11 The main challenge to attracting, developing and retaining high growth business and sectors, is whether a city can provide a business with the skilled workers it requires and the other assets it needs within the local economy to thrive and grow. Underpinning a place-based Innovation Plan and Programme to drive the locally driven innovation ecosystem should be strong governance arrangements drawn from those local sectoral leaders at the heart of driving forward local research and development agendas.
- 13.12 We should promote a partnership model which encourages and actively supports city-to-city partnerships to exploit these links on behalf of the UK, building and deepening strategic partnerships in key markets and sectors through programmes focussed on entrepreneurship, technology, IP exchange and collaborative R&D.
- 13.13 Where talent wants to work within the UK on our innovation agenda, we must ensure that the necessary protocols within the new UK immigration system are kept constantly under review, so that UK businesses large and small can attract the best global talent – skilled workers, international students and graduates, along with researchers and scientists from outside of the EU, EEA and Swiss jurisdictions.
- 13.14 Core Cities are global hubs of travel and trade, with their city-regions delivering over 20% of UK exports, and are home to diaspora communities and Soft Power assets (including the international students and alumni of their universities) that promote them internationally. As the UK leaves the EU, cities and their universities with their global networks represent a vital opportunity to recalibrate and grow the UK’s global relationships.

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ⁱ Enhancing Productivity in UK Core Cities, Connecting Local and Regional Growth; OECD 2020

² <https://www.centreforcities.org/blog/what-the-west-midlands-local-industrial-strategy-means-for-other-places/>

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

ⁱⁱ Talk of the Town; The economic links between cities and towns; 2018 <https://www.centreforcities.org/publication/talk-of-the-town/>

ⁱⁱⁱ <https://www.corecities.com/publications/2020-spending-review-core-cities-uk-submission>

^{iv} <https://www.corecities.com/publications/new-report-underlines-power-and-potential-core-cities-drive-post-brexit-growth>