

Written evidence submitted by Core Cities UK

This submission is based on and summarises a major research report, The Future of Urban Centres, commissioned jointly by Core Cities UK and Key Cities, and carried out by Metrodynamics, launched 2021. The report is available to read in full [here](#).

1. About Core Cities

- 1.1 Core Cities UK is an alliance of 11 cities - Belfast, Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. Its mission is to unlock the full potential of our great city regions to create a stronger, fairer economy and society.
- 1.2 Core Cities city regions deliver 26% of the UK economy, 20% of trade and are home to more than 20 million people and 37.5% of university students.

2. Our response

The effects of Covid on cities

- 2.1 We welcome the committee's focus on economic inequality and what Government can do to mitigate the effects of the pandemic. Covid-19 has caused unprecedented economic disruption and cities - which tend to be hubs of culture, office space and retail - have been particularly badly affected.
- 2.2 The UK's Core and Key Cities are home to 32% of the population but 37% of COVID cases (as of 1 April 2021). Even before the pandemic the Key Cities and Core Cities had higher rates of Universal Credit claims than the national average. But from March to May of 2020 the rate of new Universal Credit claimants spiked more acutely in the Key Cities and Core Cities than in the rest of the UK, and by the beginning of 2021 one in ten people 2.2 million people across the Key Cities and Core Cities were in receipt of Universal Credit, with the gap widening between claim rates in the Cities and the rest of the UK.
- 2.3 High Street retail has been declining for a decade, besieged by changing consumer preferences for online channels and out of town shopping centres. The pandemic has accelerated the decline. The Centre for Retail Research estimates that nationally some 16,000 businesses were closed and 180,000 retail jobs were lost in 2020. Slow progress in containing the virus means workers and shoppers have been cautious in returning to urban centres and high streets, particularly in the larger Core Cities.
- 2.4 The pandemic may also be causing the geographic distribution of economic activity to shift from city centres to suburbs. Urban centres are 'hollowing out' as those workers who are able to work remotely (around three in ten UK workers) have swapped their office desk for their kitchen table.
- 2.5 As cities emerge from the pandemic a major uncertainty is the extent to which homeworking becomes a permanent feature of city living, or whether urban centres will revert to something resembling life before the pandemic. At the time of writing, the most likely scenario is one of 'hybrid working' with office workers, perhaps working 2 days a week in a central office. Although there will be some resorting, the early experience of cities suggests that many estimates of home working are probably overstated

- 2.6 This shift in economic activity across geographic space is referred to as the 'Zoomshock'. The Zoomshock, calculated as the difference between the inflow of workers in a neighbourhood due to homeworking and the outflow of workers due to homeworking, describes a pattern which is consistent throughout the UK, the relocation of work and workers from offices in high density urban areas to comparatively low density residential neighbourhoods; a shift made possible by digital infrastructure and the rapid reorganisation of office based businesses to operate virtually.
- 2.7 Across Core Cities in England and Wales there were outflows of 968,000 and inflows of 739,000, equating to a net outflow of 229,000 workers. All of the Core Cities experienced large outflows of workers: an estimated 56,000 in Manchester alone. This is because the Core Cities contain high densities of office based workers capable of homeworking.
- 2.9 Across Key Cities there were outflows of 885,000 and inflows of 841,000, equating to a net outflow of 44,000 workers. Most Key Cities saw fairly small net outflows of workers, with some, notably Kirklees and Medway, actually seeing an increase of workers remaining local, as workers stopped commuting to London (for Medway) and Leeds (for Kirklees).
- 2.10 As city centres re open and the furlough scheme draws to a close, we will begin to see the full extent of the social and economic harm left in the pandemic's wake. As with previous shocks, the pandemic has accelerated some trends already in flux whilst also generating its own specific effects.
- 2.11 The long run effects of social distancing on cities, whose *raison d'être* is social proximity, are still unknown. Yet what feels more certain is that we have reached Peak Retail much faster than expected. This is alongside the wider impacts of the pandemic have added to pressures on city authority finances, which now face the twin challenges of increased spending demand and reduced tax revenue.
- 2.12 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.

The solutions cities can offer

- 2.13 Core Cities can help deliver the Government's agenda on economic recovery, levelling up, achieving net zero carbon and making the country more resilient. But we need long-term financial security and the space to trial and experiment with new approaches to do so. This relies on a combination of: investment into preventative services to reduce dependency on public services in the long term; supporting jobs and business growth; and doing so through place-based policy and commissioning approaches. It is therefore critical that Government continue to devolve powers to cities and city regions, and find a sustainable solution to the crisis faced in local government finance. With greater powers and sustainable finance, Core Cities can unleash the potential of the UK's city regions.
- 2.14 Export businesses tend to be more productive than those which supply locally consumed services (such as cafes and gardeners), owing to their superior ability to absorb new innovations, access economies of scale and reach larger markets. Most of the Cities contain fewer exporting jobs, and are less productive than the national average. Interventions to support place-based clusters of exporting businesses such as innovation districts and even joined up innovation corridors (such as the corridor linking Newcastle and

Blyth, connecting submarine engineering expertise in Newcastle, wind turbine production in Dogger Bank, and the BritishVolt lithium battery Gigafactory in Blyth) will help address this. Cities are able to leverage their comparative advantages to develop innovation clusters in diverse fields from advanced manufacturing to life sciences.

- 2.15 Cities should build on existing levers, such as Freeports, to test innovative financing and incentive approaches for business and investment with new trading arrangements. They should also develop a culture of co-investment to build Special Purpose Vehicles (SPVs) and utilise current investment.
- 2.16 Government should enable special purpose vehicles for co-investment and flexibilities for 'free' innovation zones that can be implemented in city centres for innovative business clusters: helping to spur innovation for the future economy. Cities also need greater flexibility to invest with private investors and business to meet a number of challenges including economic growth and climate adaptation.
- 2.18 Government should build on Green Bonds, the UK Infrastructure Bank and Future Funds to expand co-investment models for municipally designed investable projects, combining local core grant and additional funds with TIF style and impact investment, and municipal bonds. And it should explore use of Tax Increment Financing (TIF), often used in US cities, to stimulate investment and development in designated regeneration areas.
- 2.19 Government should also consider reform of retailer taxes (from business rates to sales tax) to recognise shift of economic value from the physical high street to online with revenues linking back into city revenues through.

3. For further information

- 3.1 Core Cities UK would welcome the opportunity to answer follow-up questions from the Committee or appear at an upcoming oral evidence session.
- 3.2 Much of the information in this report comes from our report with Key Cities, written by consultancy Metro Dynamics The Future of Urban Centres. The report is available to read in full [here](#).

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