



Core Cities UK Response to the Levelling Up White Paper

1 Summary

- 1.1 **The role of Core Cities is critical to Levelling Up:** Core Cities city regions deliver 26% of UK economic output with the assets of the urban core critical to success, yet they have untapped potential which can be unlocked to benefit their regions and the UK as a whole. £100billion more every year if they performed at the same levels as comparable groups of cities internationally.
- 1.2 **Levelling Up relies on understanding the role of Core Cities within well-functioning city regions:** understanding the roles of different actors within a city region, their interdependency, economic flows and what will boost these is fundamental to successful local economic policy. For example, Core Cities have a distinctive role within city regions, as economic drivers but also as authorities with specific sets of deliver powers, and as convenors, able to mobilise private investment at scale. We have done significant work on this including with the OECD which offers a blueprint.
- 1.3 **Harnessing the technological and social innovation of cities will help the whole of the UK Level Up:** cities are natural innovators, hubs of assets, institutions and civic entrepreneurship that has driven positive shifts over centuries. The National Grid, NHS, rail and utility companies all evolved from UK city innovation, capable of finding new solutions to today's challenges.
- 1.4 **Raising productivity requires addressing structural inequality through high-quality public services:** 60% of low productivity across Core Cities relates to 'in work' factors (e.g. innovation, infrastructure, digital and skills investment), but 40% of low productivity is linked directly to deprivation. This can only be addressed through high quality public services connecting people to the labour market.
- 1.5 **Strengthening local convening powers and place-based delivery will support Levelling Up:** bringing all relevant public, private and third sector parties together with local communities in cities relies on the convening powers of city authorities. These can be boosted through place-based delivery that aligns systems and investment around common aims, increasing impact, reducing cost.
- 1.6 **Innovative finance and investment models could be created to back Levelling Up:** increasing recyclable investment funds based on existing tools, boosting Enterprise Zone and Tax Increment Financing models, localising UK Shared Prosperity Fund to support these and learning from our work on climate investment will unlock private finance to support Levelling Up.

- 1.7 **Net Zero and a Just Transition should have a stronger focus within Levelling Up:** Net Zero offers a major investment and jobs dividend for the UK, for example retrofitting the 1.98 million homes which require it across the Core Cities could unlock £27.7billion, creating 117,000 jobs. Ensuring the poorest and most vulnerable are not adversely affected by transition must also be a priority.
- 1.8 **Cities can leverage local pride and identity to support Levelling Up:** cities are naturally capable of cohering multiple cultures and identities toward shared aims, a sense of local pride, ambition and collective action. This mediating role can be leveraged to support Levelling Up across large population hubs.

ANNEXE 1: Detailed points

2 The role of Core Cities is critical to Levelling Up

- 2.1 As the LUWP acknowledges, Core Cities are critical to the UK economy and to Levelling Up. Their city regions deliver 26% of UK economic output, are home to 20 million people and 40% of UK university students pre-Covid.
- 2.2 The challenges of Covid are accelerating transition to a different future economy, confronting the UK with a choice: deal with persistent challenges and grow, or risk entrenching inequality and low productivity. This is the central challenge for Levelling Up.
- 2.3 Levelling Up is a massive task. The UK 2070 Commission calculated that tackling regional economic disparity across the UK is similar in magnitude to the re-unification of Germany, something which has, to date, required €2 trillion of investment.
- 2.4 It is completely clear that this task cannot be accomplished without fully mobilising the resources, assets, scale, delivery and investment capacity of the UK's Core Cities.
- 2.5 Core Cities offer to Government, supported by our institutions and businesses, is to address Levelling Up by managing a rapid, positive transition to the future economy, creating and protecting jobs, growing business and trade links. Our cities are already economic hubs of innovation and can do more to diversify the UK's urban offer, providing different and affordable lifestyle choices, capturing more global economic activity for surrounding areas.
- 2.6 Our cities and nearby towns have a complex, mutually dependent relationship. Successful economic policy should understand how to leverage these relationships to get the most from all our urban communities, through a mixture of investment, freedoms and policy reform, encouraging innovation and making the most of our global links and international opportunities.

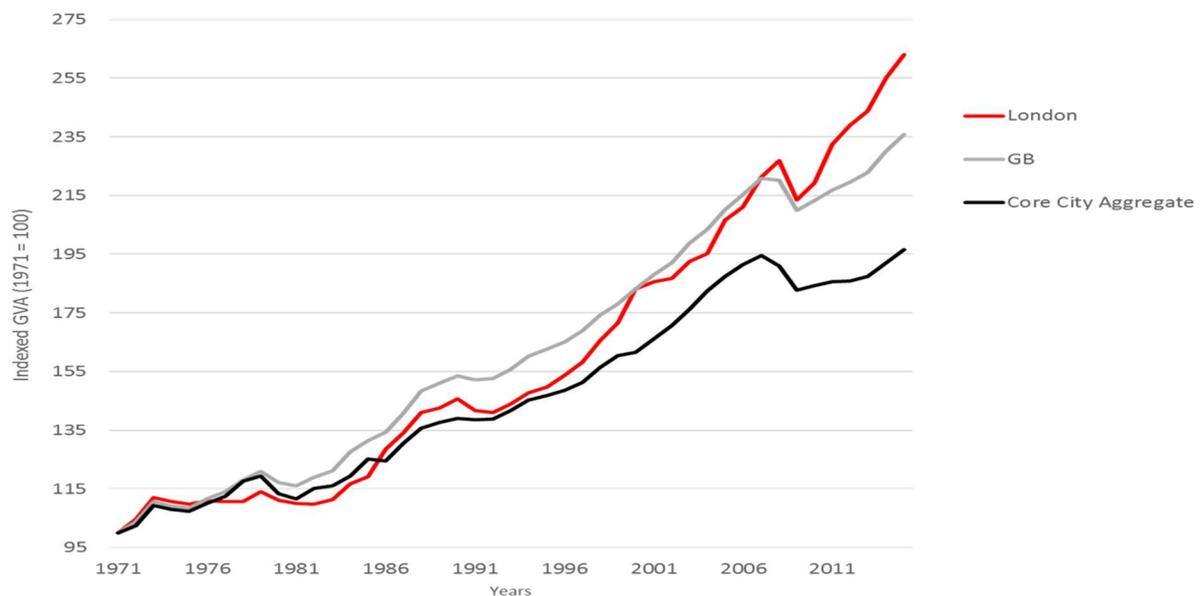
Levelling Up relies on enabling well-functioning city regions

- 2.7 Core City authorities work closely with city region partners, and although there are functions that should be delivered at that level, urban local government has a unique yet complimentary set of powers to do much of the heavy lifting. Urban cores have a distinct role

in helping others succeed and in delivering key national objectives like Levelling Up and Net Zero.

- 2.8 Well-functioning city regions are able to positively leverage this role of the Core City, its concentrations of assets, institutions, business and employment potential to drive growth in surrounding towns, cities and rural areas. In a report for Core Cities which we were pleased to see mentioned in the LUWP, the OECD¹ referred to this as ‘borrowed agglomeration’ (entirely different to ‘trickledown’, which has never been part of Core Cities thinking) and made an evidenced case for interventions that can boost the productivity of the whole city region, and beyond.
- 2.9 Despite the enormous scale of the Core Cities economic contribution, their productivity is low by international standards, even taking London out of the equation. Our analysis suggests that, if they performed at the same level as comparable groups of cities in Europe, Asia and North America, the UK economy would grow by up to £100 billion a year.
- 2.10 Some low productivity can be attributed to post-industrial economic restructuring. Looking back over a forty-year period we can see that in the early 1980s the Core Cities actually outperformed the capital, but have been knocked back by successive recessions and found it harder to recover than London. This is partly due to their relative levels of resilience to economic shock, particularly in respect of infrastructure investment and skills-levels in local labour markets. This is in no way intended as a negative comment toward London, quite the opposite. The existing and future economies of Core Cities and the capital are intimately linked: the UK needs all its major cities to succeed.

Core Cities, UK and London Output Growth Paths (1971-2015)



Note: Belfast added from 1990

Source: Core Cities UK, CE Calculations, from Gardiner, B & Martin, R, 2019

- 2.11 These issues will affect an entire city region if unaddressed. A low-productivity urban area near a high-productivity city will benefit by strengthening economic links and flows with that city, as a two-way relationship, not just out-commuting. However, if a low-productivity urban

area is near a low productivity city, any and all interventions will have a limited impact unless the productivity of that city is also addressedⁱⁱ.

- 2.12 This has implications for governance. The LUWP focuses on Mayoral Combined Authorities (MCAs) as a geography of focus and intervention. Core Cities work closely with MCAs individually and collectively, and recognise that for many interventions, this is the correct geography. However, a large part of the delivery architecture for the interventions required sits with local authorities, particularly Core Cities, and it would be useful to recognise these different but complimentary roles in future policy. The Core City will also have an embedded understanding of what is required to improve productivity, even if they lack some of the levers to do so currently (as do MCAs). If Levelling Up is to be UK-wide, we should also recognise MCAs are an England-only model.
- 2.13 The success of Levelling Up therefore relies on boosting the productivity of Core Cities through strategies that also connect and ‘shrink’ the city region, bringing other towns and cities closer together, effectively increasing the scale of a city and city region. As set out elsewhere, e.g. the City Growth Commission, enhanced connections between two or more city regions can have significant positive effects on productivity.

Harnessing the technological and social innovation of cities will help the whole of the UK Level Up

- 2.14 Cities are natural innovators and we can harness their creativity to deliver Levelling Up. Many past innovations we think of as ‘national’ have in fact emerged from place-based pilots and then scaled up: our great railways, the National Grid, utility companies and the NHS. Government has an opportunity to back civic leadership in our cities (not just councils, but all the institutions across the public and private sector they can convene, plus citizens) to create a new wave of innovation between public, third and private sectors that can be scaled up, unleashing our talent to overcome the Covid legacy, and go further.
- 2.15 Social innovation is equally important and communities must have a say in Levelling Up, and feel it is happening for them. An imposed, top-down model will fail. Supported by local government, our communities have showed great resilience during the pandemic. They don’t want a hand out, they want a hand up to build their own resilience and future success.

Raising productivity requires addressing structural inequality through high-quality public services

- 2.16 There is a major opportunity for Government to work with cities to address long term issues that have held the UK back. Not just the direct challenges resulting from the pandemic, but to see Levelling Up as a means to chart an ambitious new course toward a different future. To succeed, strategies must deal with underlying issues that were already holding back cities.
- 2.17 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.
- 2.18 A large part of low productivity in Core Cities relates to ‘in work’ factors, and can be addressed through investment in innovation, R&D, digital, and other infrastructure, reducing congestion

and travel times, up-skilling businesses and employees, boosting trade and managing the shift to Artificial Intelligence and Net Zero, both as Just Transitions.

- 2.19 But almost 40% of low productivity across the Core City regions is, on average, directly linked to deprivation. Any attempt to increase productivity will therefore fail if it does not directly address structural inequalities. These cities have experienced significant, persistent and increasing deprivation, with low levels of skills, physical and mental health across their most vulnerable communities.
- 2.20 Pre-existing poor health linked to deprivation increased the impacts of Covid for Core Cities, and the pandemic starkly revealed the links between a well-functioning economy, public services and population health, demanding a rethink of what is meant by 'economic resilience'. We can no longer think of this only in terms of infrastructure, skills and business assets, but need to do so through the lens of the population as well.
- 2.21 Population health is therefore a first-order economic issue, yet the services that support this, and those that enable local economic leadership have been greatly eroded over recent years. The pandemic also delivered a 'double whammy' to Core City finances, reducing income from Business Rates and Council Tax whilst increasing expenditure on pandemic impacts, well beyond levels of Government compensation.
- 2.22 The solutions to this can be complex but highly achievable, relying on an increased focus on prevention / early intervention, and an alignment of the different systems, services and investment that can improve people's health, connect them to the labour market and ensure there are quality jobs available to them. This does not however require a rewiring of the system, and can be achieved through pragmatic approaches to co-commissioning. Several pilots including Working Well demonstrate this.
- 2.23 The Marmot Review makes clear and deliverable recommendations to address many of these issues. There is a big opportunity for the Levelling Up agenda to pick these up and connect them to local and national economic strategies, placing population health, wellbeing and inclusion at their heart. It is an unpleasant probability that there will be further pandemics, so this approach is a win-win: increase productivity now and strengthen resilience to future shocks.

Strengthening local convening powers and place-based delivery will support Levelling Up

- 2.24 Whilst the LUWP's commitment to further devolution to more areas is welcomed, the debate on devolution has in our view become somewhat sterile, limited to what in reality amounts to the decentralisation of a partial set of services, budgets and powers to go with these – it is functional rather than fiscal.
- 2.25 We fully support the Devolution Trailblazers, see these as an opportunity to refresh this dialogue, and would want to see the opportunities carved out through that process available to all Core Cities and city regions that want them. We want to see all our cities get the maximum powers and resources needed to Level Up their communities.

- 2.26 City authorities have a unique set of connections and leadership ability across economy, community and business. These are different but complimentary to Combined Authorities. City authorities are a form of highly stable, long-term governance that have already delivered multi-decade economic restructuring projects, balancing these with the need for quick results on urgent priorities.
- 2.27 We can work as a group to support the deployment of these powers, recognising that there are different arrangements within the Devolved Administrations, but also using our UK-wide links to good effect by sharing innovation and learning in all directions.
- 2.28 Covid, like previous economic shocks, has had asymmetric impacts on communities and economies but many responses have been, and still are, place blind and siloed. This issue goes to the heart of the Levelling Up agenda and addressing productivity. 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.
- 2.29 If Government wants to deliver Levelling Up and tackle inequalities, it should promote 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.
- 2.30 Opportunities will otherwise be missed, particularly in dealing with large-scale unemployment in areas where cities are vulnerable, like retail, hospitality and tourism. 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.
- 2.31 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 should therefore be a vehicle to enable the following policy:
1. **System and Place-Based Public Services:** addressing economy, deprivation, health, skills and employability in the round.
 2. **De-ringfencing Infrastructure investment:** enabling government's 'infrastructure revolution' in an efficient and timely manner, transitioning to the digital and Net Zero economy.
 3. **Area-based Initiatives:** supporting the urban core to adapt and revitalising urban neighbourhoods, including through the Shared Prosperity Fund
- 2.32 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.

- 2.33 It must also have democratic leadership and accountability built-in. Three steps to achieve this which allow for immediate action are as follows.
1. Incentivised co-commissioning
 2. Legally binding co-commissioned frameworks
 3. Fuller devolution, with resource, powers and accountability
- 2.34 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.

Innovative finance and investment models could be created to back Levelling Up

- 2.35 We have rehearsed the almost complete lack of ability of cities in the UK compared to international counterparts to raise revenues to support the ambitions of their citizens, elsewhere and at length, and see no real appetite at the national level to open up this debate currently. We should however recognise that this issue is an important one. Levelling Up, recovery and future growth requires investment, not just from the public purse.
- 2.36 Core Cities are a founding partner of the UK Cities Climate Investment Commission (UKCCIC), along with London Councils and the Connected Places Catapult. This partnership has delivered an innovative financing mechanism that will drive private investment into Net Zero projects across all our cities.
- 2.37 We propose doing the same for Levelling Up. Working with Government, we could quickly create more revolving door investment funds by flexing existing local financial instruments, combining these with any new funding including the UK Shared Prosperity Fund, in a way that might pay back the majority of monies over time.
- 2.38 We could also re-energise Enterprise Zones and Tax Increment Financing models, for example extending the period for retaining business rate growth within any Zone / TIF from 25-40 years, which would release very significant investment. Enabling a second wave of TIF-style projects and value capture (e.g. land values in growth corridors) would be a further way to generate investment and safer routes to borrowing. We suggest government invite proposals from localities on what this should look like and what the benefits might be.
- 2.39 The UKCCIC demonstrates the effectiveness of collaboration between cities, national and local bodies, providing evidence that a competitive bidding process for funds is not always the right way to achieve maximum impact, and can in fact undermine collaborative efforts within and between city regions.

Net Zero and a Just Transition should have a stronger focus within Levelling Up

- 2.40 Our work with the UKCCIC has evidenced a £300 billion investment opportunity across our cities and London for Net Zero projects, which will in turn deliver a massive skills and jobs dividend for the UK. As an example, Housing retrofit delivers twice as many jobs as new build on average, and retrofitting the 1.98 million homes which require it across the Core Cities

could unlock investment of £27.7 billion, creating 117,000 jobs (40% direct, 60% indirect) over 4 years and a 21% carbon reduction (1219 Kt Co2 emissions) across our cities.

- 2.41 Major economic and industrial shifts have in the past overtaken the governance mechanisms of the day and resulted in negative and significant consequences for the poorest and most vulnerable. We have a chance to avoid that in respect of Net Zero by ensuring a Just Transition, and using this shift to create high-quality jobs. This should be a major aim of Levelling Up plans.

Cities can leverage local pride and identity to support Levelling Up

- 2.42 Cities are able to cohere multiple identities around a set of shared values and pride of place in a way that larger geographies can sometimes struggle to do. A city is an ongoing shared project between all the residents, businesses and institutions within it, a living cultural entity and people naturally feel a sense of affinity and connection to.
- 2.43 The convening powers of local government are absolutely key to this process, as is their close, ground-level connections to local communities, which Government can support and leverage to support local pride. One way of achieving this is through the cultural networks and organisations within a city, many of whom have been hit hard by the pandemic and come under severe financial strain. The Core Cities worked with London Councils, Key Cities and the four UK Arts Councils to create the Cultural Cities Enquiryⁱⁱⁱ, chaired by Dame Jayne Anne Gadhia, which has made recommendations that can support cultural organisations to play this and other roles through innovative financing options.
- 2.44 There are examples from all of our cities of events and activity that have achieved exactly what the LUWP proposes, from local community initiatives to major events like Capital of Culture and the Commonwealth Games.

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

ⁱⁱ <https://beta.centreforcities.org/publication/talk-of-the-town/>

ⁱⁱⁱ <https://www.corecities.com/cultural-cities-enquiry>