CORE CITIES UK

Invest 2035: Industrial Strategy Green Paper

Response from Core Cities UK

November 2024

Core Cities are the central driver of growth within our respective city regions. The success of local growth plans, devolved nation growth strategies and the industrial strategy is contingent on the success of driving growth in our cities.

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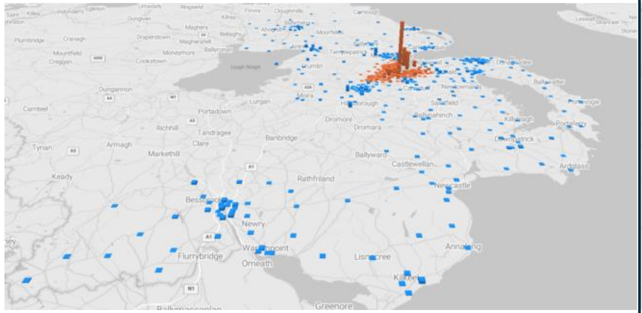
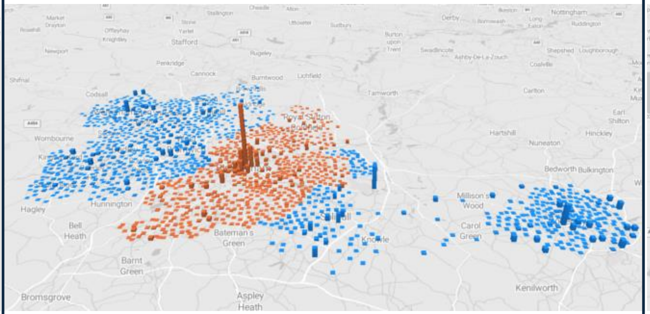
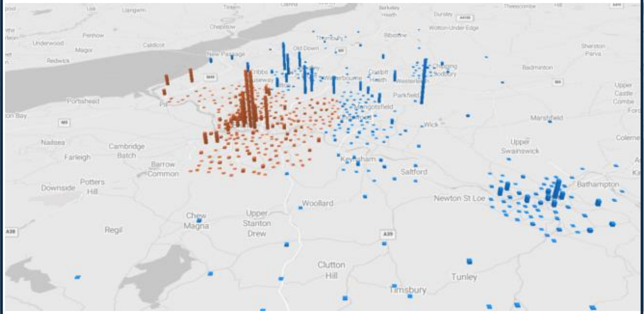
Belfast – Belfast City Region



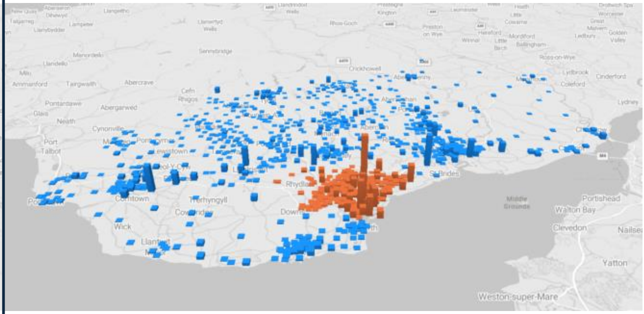
Birmingham – West Mids CA



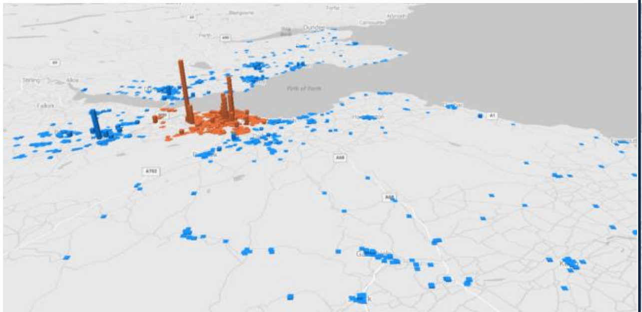
Bristol – West of England CA



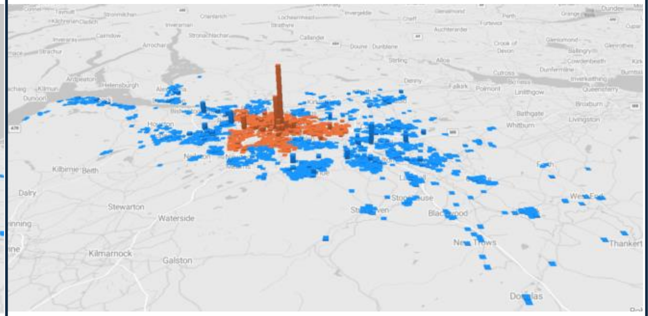
Cardiff – Cardiff City Region



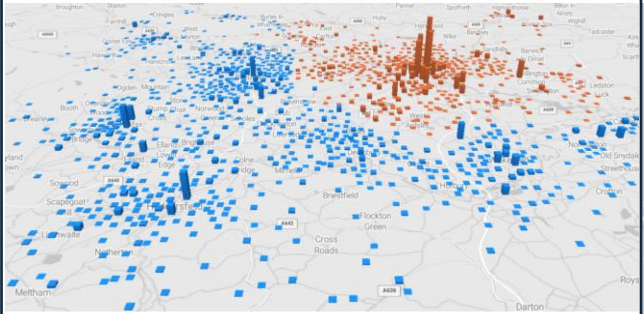
Edinburgh – Edinburgh City Region



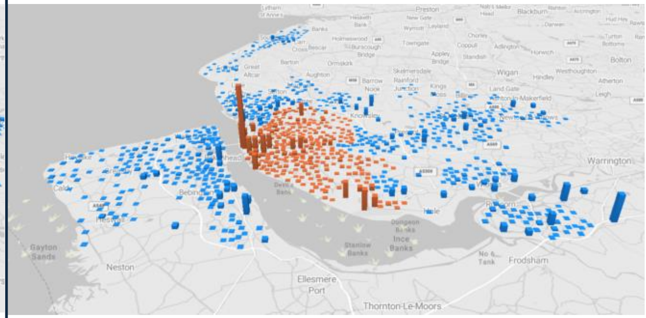
Glasgow – Glasgow City Region



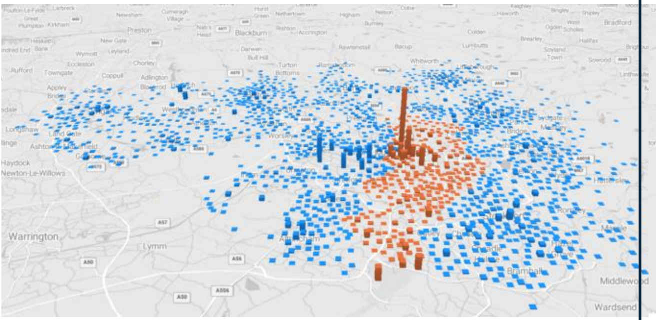
Leeds – West Yorks CA



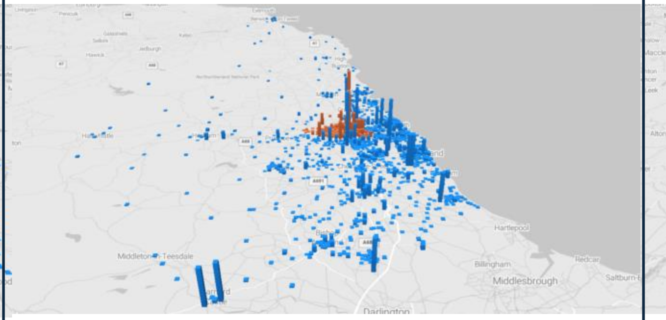
Liverpool – Liverpool City Region CA



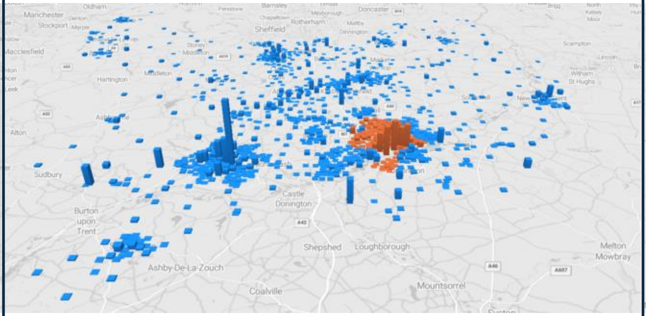
Manchester – Greater Manchester CA



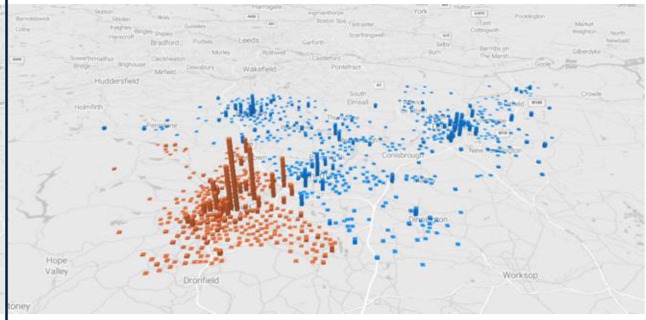
Newcastle – North East CA



Nottingham – East Mids CA



Sheffield – South Yorks CA



Notes – Distribution of 2022 GVA by Lower Super Output Area. Orange = Core City; Blue = Wider Combined Authority or City Region Partnership. Edinburgh included as they are considering joining Core Cities UK.

But there is more to do to unleash the £100bn per annum economic potential of our cities, which underperform compared to international comparators and our economic power remains dwarfed by London.

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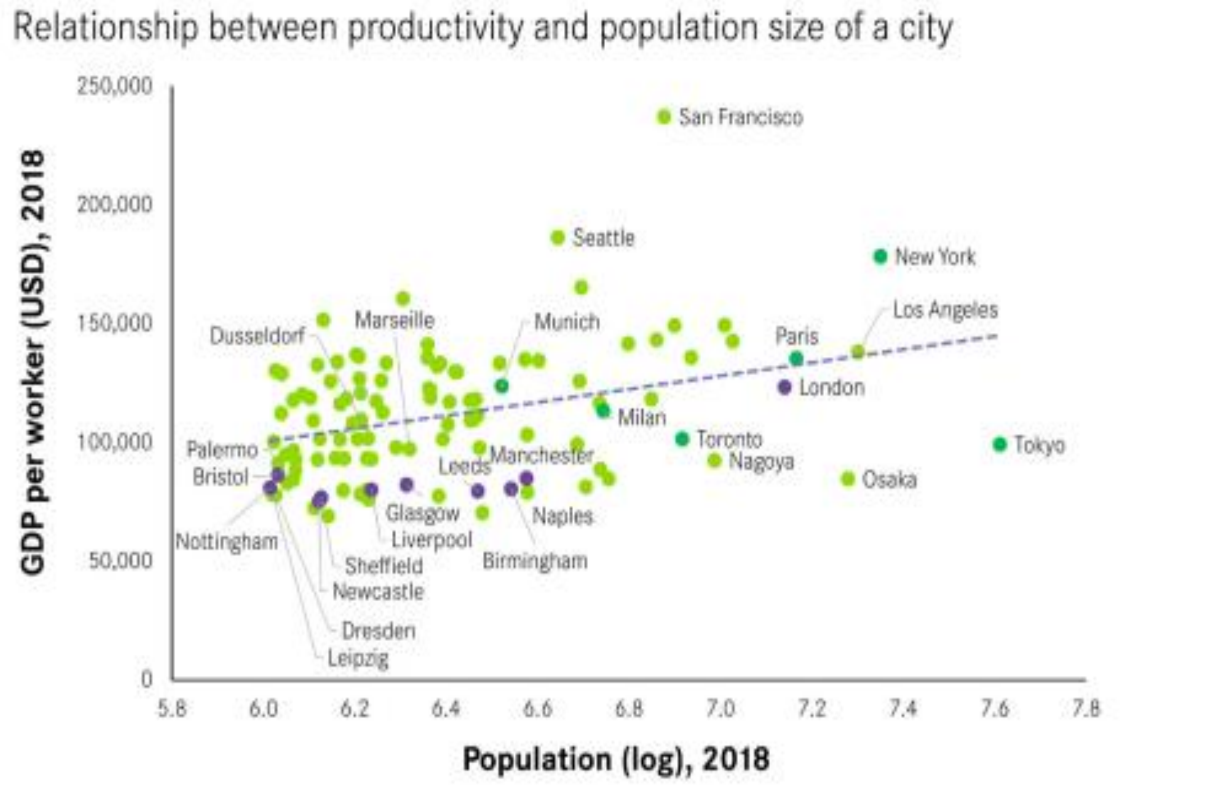
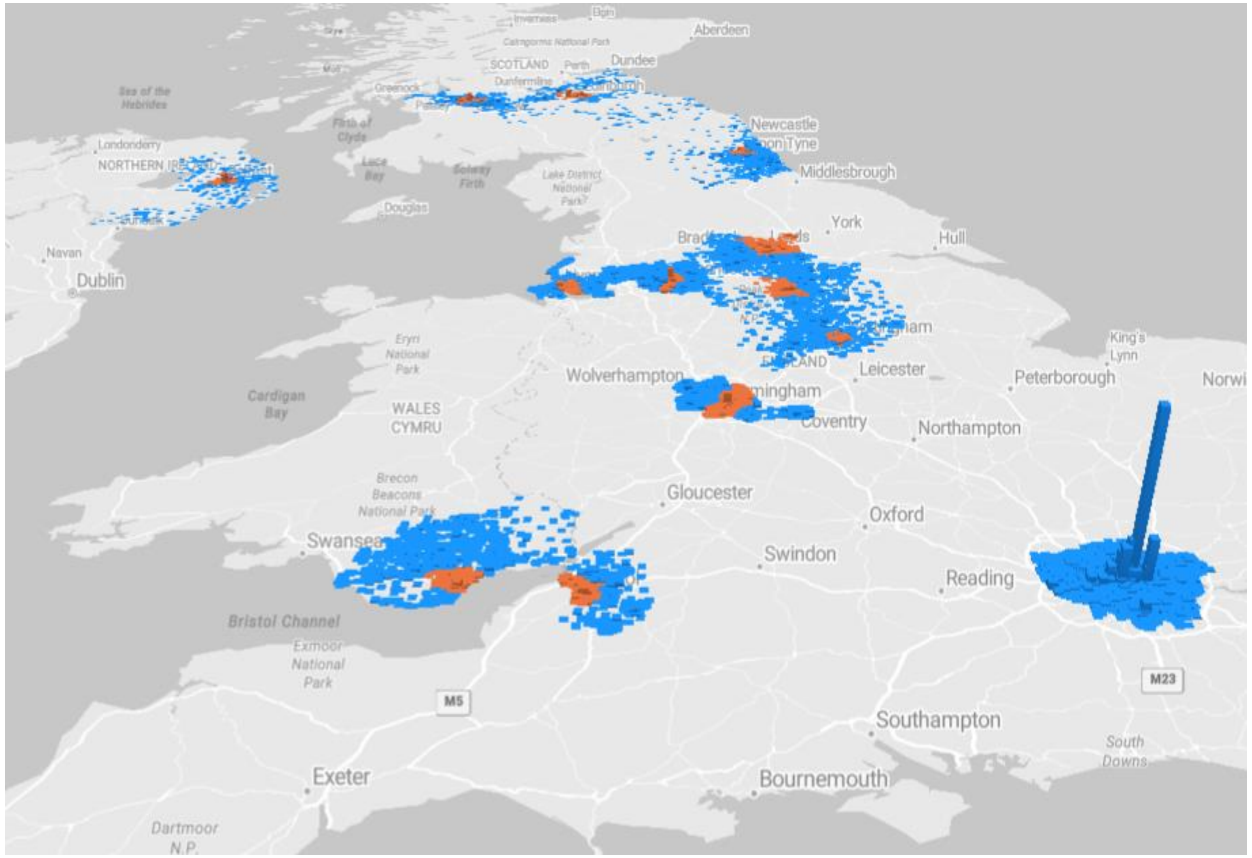
The Industrial Strategy Green Paper rightly recognises the relative underperformance of our Core Cities, illustrated in the chart below from the Centre for Cities. In our work on the Urban Futures Commission with the RSA, we identified the £100bn per annum growth potential if we could reverse this, capitalising on the global economic strengths of cities – our density, diversity and dynamism. This growth can also be more inclusive and environmentally sustainable



Source: OECD City Statistics 2018; ONS BRES 2018; NISRA Labour Market Report 2018; Eurostat City Statistics 2018; US Census Bureau, American Community Survey 2018; Statistics Canada, Census 2021; Japan Economic Census Table 9-1B, 2021.

There are some who have argued that our cities are doing fine and we need to spread growth to other parts of the country. However, if we look at the previous maps relative to London, you can see quite how far off we are in fully realising the agglomeration benefits of our cities. As analysis from the Centre for Cities and elsewhere has shown, improving the performance of cities can lift the economies of their surrounding city regions and beyond.



Source: ONS – 2022 GVA by Lower Super Output Area

The focus on sectors in the Industrial Strategy mirrors the existing economic plans for our cities where analysis has identified strengths in many of the eight priority sectors, and critically it is the interaction between these sectors that is the real strength of cities.

City	Economic plan	Evidence base (external scrutiny)	Advanced Manufacturing	Clean Energy Industries	Creative Industries	Defence	Digital and Technologies	Financial Services	Life Sciences	Professional and Business Services	Other
Belfast	Belfast Economic Strategy 2022-2030	*via City Region Board*	✓		✓		✓	✓	✓		
Birmingham	*In draft – Place Based Strategy*	*via City-REDI (Uni of Birmingham)*	✓	✓	✓		✓	✓	✓	✓	Logistics, Housing
Bristol	*In draft – scheduled for publication 2025*	*via Metrodynamics*	✓	✓	✓		✓	✓		✓	
Cardiff	Building more and better jobs - 2022	*via public consultation and business engagement*	✓		✓		✓	✓	✓		Compound semiconductors
Glasgow	Glasgow Economic Strategy 2022 to 2030	*via Chamber and Glasgow Econ Leadership Board*	✓		✓		✓	✓	✓	✓	Space, Tourism, Higher Education
Leeds	Leeds Inclusive Growth Strategy - 2023	*via Leeds Inclusive Growth Delivery P'ship*	✓	✓	✓		✓	✓	✓	✓	
Liverpool	*In draft – scheduled for publication 2025*	*via Inner Circle Consulting*	✓		✓		✓		✓	✓	Maritime, Visitor, Education, Built Env
Manchester	Investing in Success – 2023	*via Resolution Foundation + RSA, and Uni of Man.*	✓		✓		✓	✓	✓	✓	
Newcastle	Newcastle Inclusive Economic Strategy - 2023	*via CLES & STEER Group*	✓	✓	✓	✓	✓	✓	✓		Tourism, Health/care, Construction, Retail
Nottingham	Nottingham Economic Growth Plan - 2024	*via Nottingham Growth Board*	✓		✓		✓		✓		Plans also for mass employment sectors
Sheffield	*Draft – Sheffield Growth Plan – in consultation*	*via Metrodynamics*	✓	✓	✓	✓	✓			✓	Health and wellbeing

Notes – All of these strategies are currently aligned or planned to be nested within economic plans at the Combined Authority or city region level.

The multi-sectoral focus of our cities is illustrative of the two types of economic cluster that are important for growth: i) Technology-anchored clusters; ii) Market-anchored clusters

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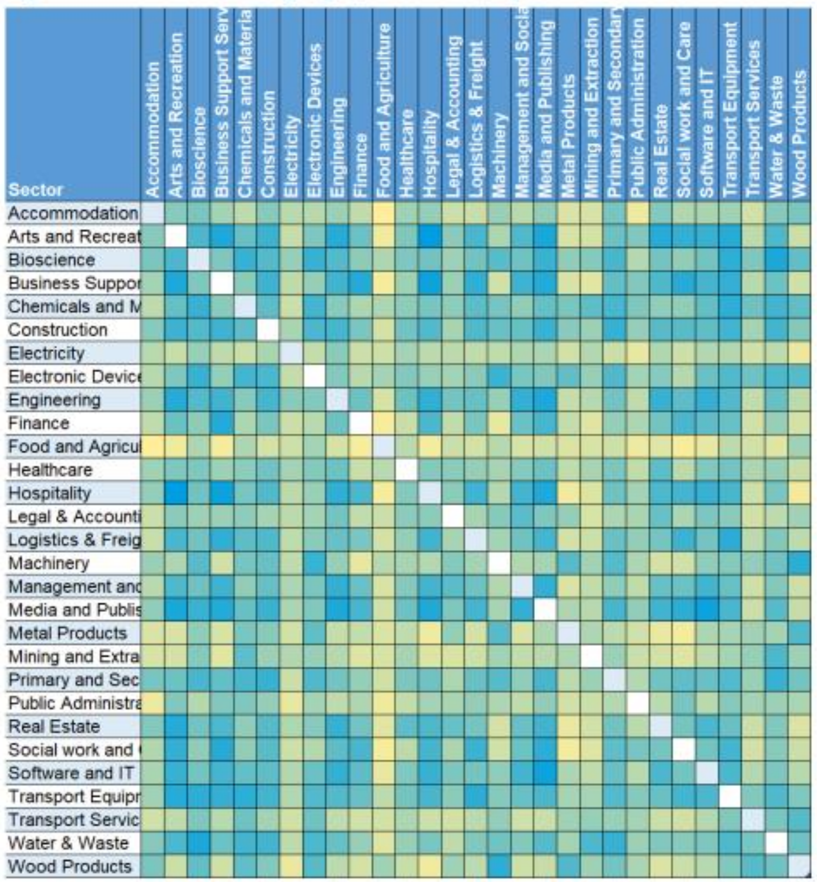
For certain industries clusters can span large geographies with either broad supply chains or research-intensive innovation collaborations. The map below illustrates the spread of the automotive industry across the Midlands. For these clusters, the presence of an anchor institution is critical – whether that is a university, research centre or an internationally R&D business. These clusters are often mono-sectoral and appear to be the main focus of the Green Paper.

However, as DSIT's recent analysis shows, there are also poly-sectoral clusters, anchored on the presence of rich labour markets and inter-sectoral business interactions. These market-anchored clusters are seen in all large cities and are particularly important in the priority service sectors identified in the Green Paper - illustrated below and in the fact that all 8 priority sectors are represented in some form in the current business occupiers of the Shard in London Bridge.

Figure 3.12 Share of cluster geographical overlap by IDBR sectors

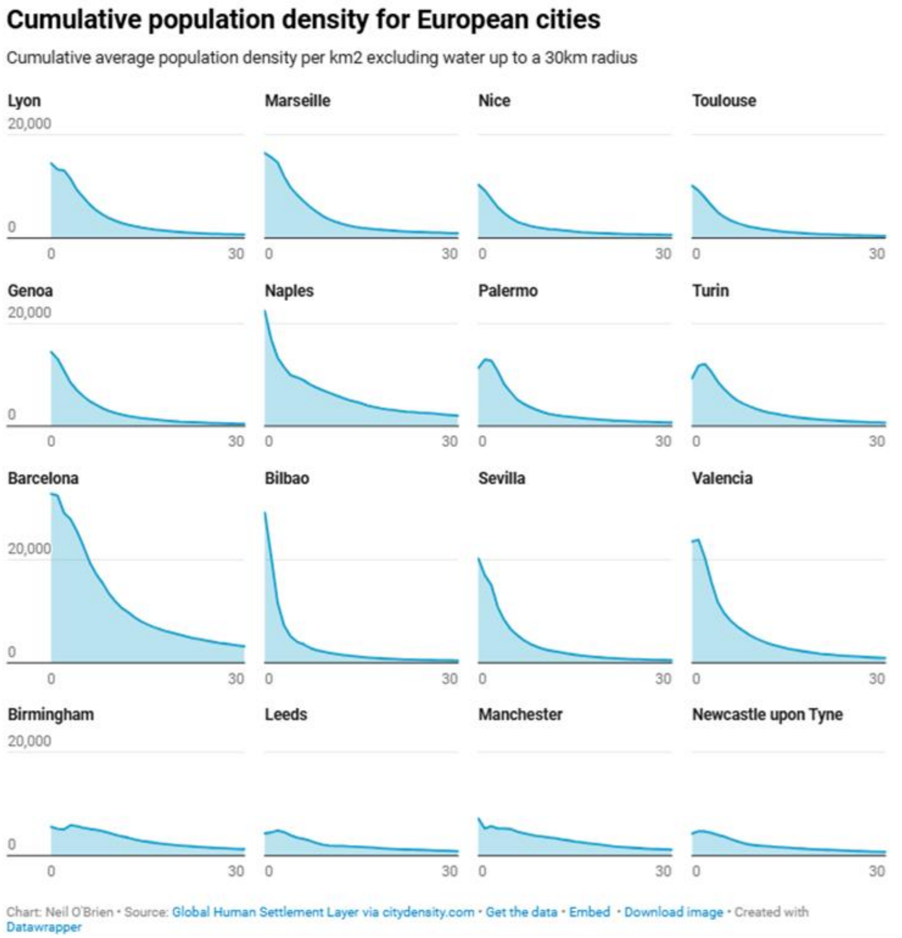


Notes: Cluster overlap is calculated as the share of every pair of clusters between two sectors that strongly overlap each other – Max 60% (Blue) and Mn 5% (Yellow)

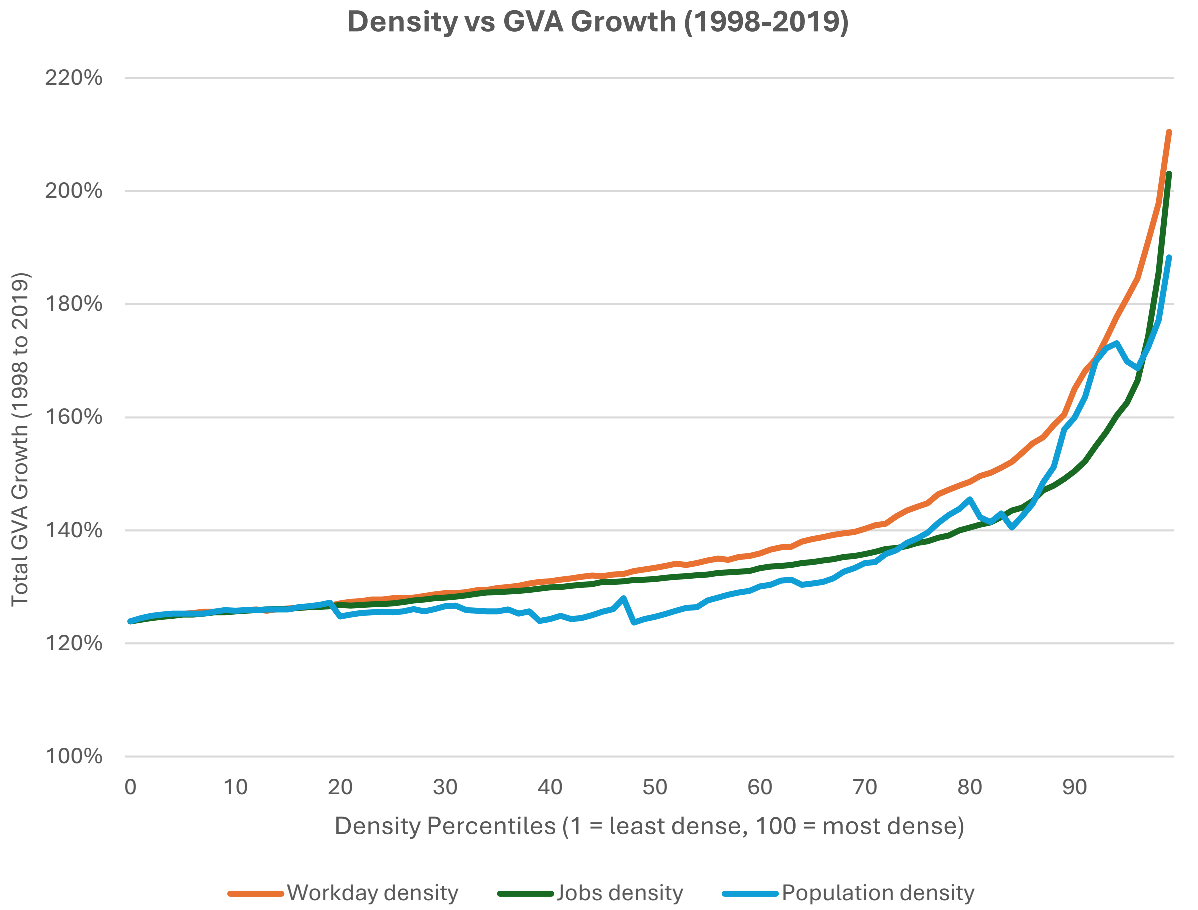
Source: DSIT Cluster database, developed by Cambridge Econometrics and The Data City

At the heart of creating these market-anchored clusters and the central tenet of agglomeration economies is the need for density. Increasing city density – particularly city centre density – should be a core objective of the Industrial Strategy.

When compared to cities around the world, the UK's Core Cities have low population density. For example, there are 300,000 people living within a 3km ring of the centre of Birmingham compared to 1.14m in the same area in Barcelona. While not as stark, a similar picture is seen when comparing jobs or daytime density metrics.



This lack of density really matters for growth. If we look at economic growth by density percentile, we can see that growth rates are exponentially higher the denser our towns and cities are. Over the last two decades, GVA growth was on average 2.3%pts per annum higher in the highest density decile compared to the remaining 90% of the country. **Increasing density will increase growth rates**.



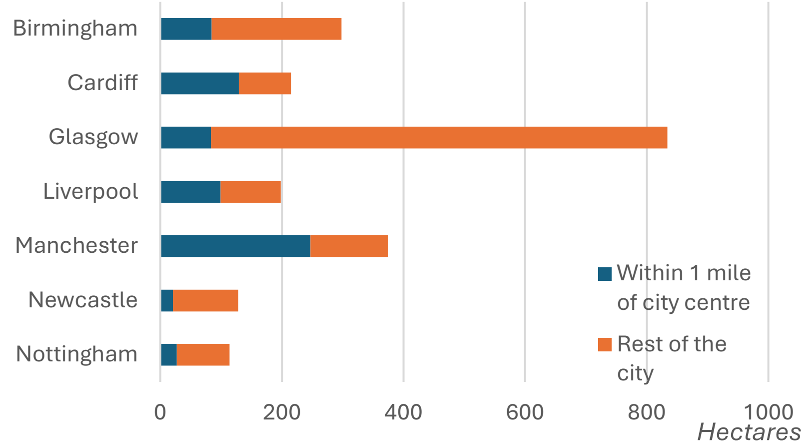
Source: ONS

1. Physical density

Investing in densifying the built environment of our cities – both for commercial and residential property – is a foundational step to unlocking their growth potential

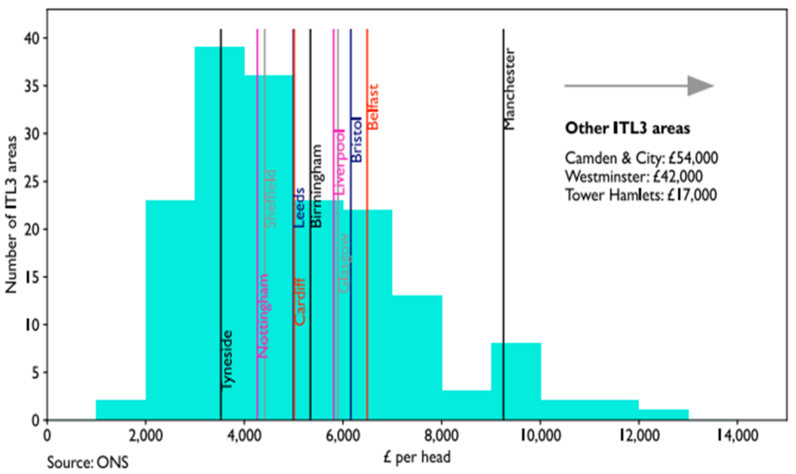
The development potential exists within our cities. Most of our Core Cities have vacant brownfield sites, some of which in public ownership, that are ripe for development as part of a densification strategy. The challenge to do this is largely one of short-term viability.

Vacant brownfield land within 7 Core Cities



A key finding of the Urban Futures Commission was that investment levels in the Core Cities are significantly below London and global major cities across all asset classes, including real estate. The smarter use of public funding to catalyse private investment is key.

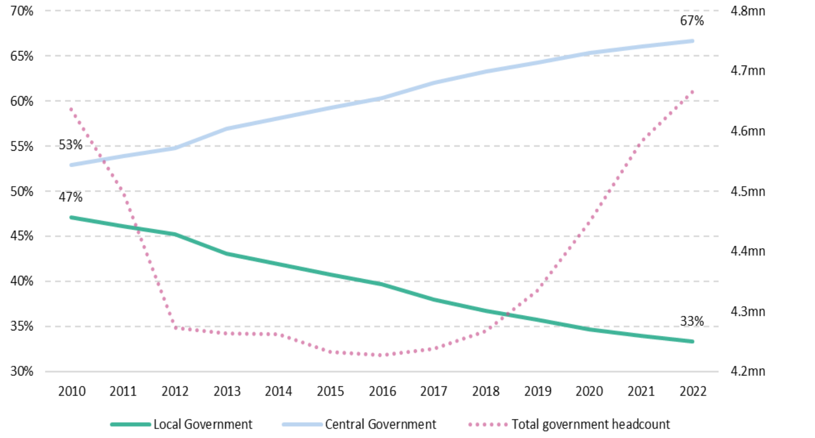
Investment per capita between Core Cities and rest of UK



A key barriers to driving investment in our cities is capacity and capability in our councils. While total public sector employment has recovered to pre-2010 levels the substantial centralisation of staff resource needs to be reversed.

Share of total UK government employment rates, FTE equivalent, 2010-2022

Source: Centre for Progressive Policy, Funding air Growth, November 2023



Asks of Government

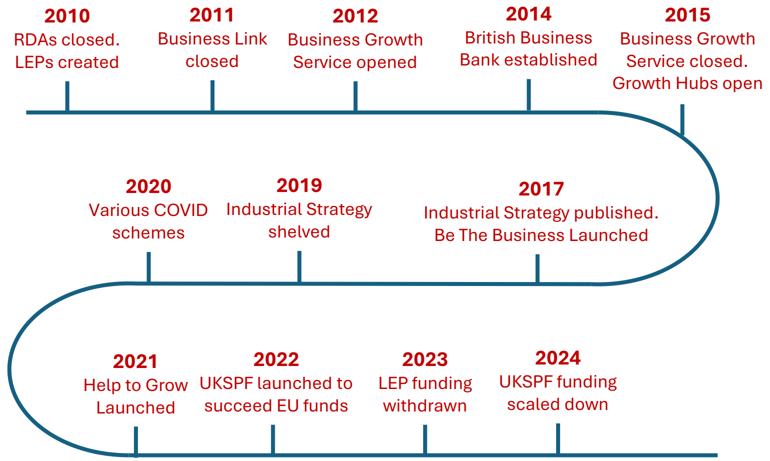
1. **Formal identification of our city centres and innovation districts as strategic investment priorities, with an explicit objective to increase urban density and consolidating existing zonal policies in our cities (e.g. investment zones), making them more flexible and targeted within the same fiscal envelope.**
2. **Working with cities, our city regions, private investors and national agencies (National Wealth Fund + Homes England/DAs) to develop flexible investment partnerships for mixed-use, urban regeneration to drive employment and housing density.**
3. **Devolution of staff resource and assets (i.e. public land) to rebuild economic development capability within local government.**

2. Business density

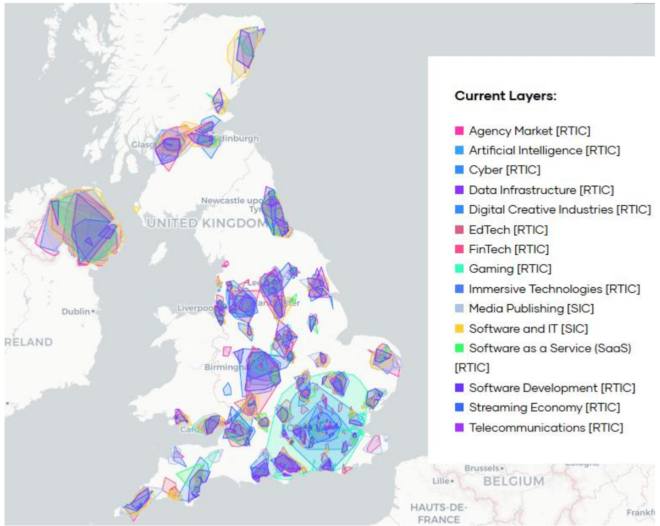
Consolidating and strengthening the Government's business support and business investment programme will help us as cities engage with and expand our high-growth business base.

Despite funding cuts, rapid policy churn and the withdrawal of EU programmes, all Core Cities have retained a business support function, working with our universities, Chambers and Mayoralties in recognition of the importance of a vibrant business community.

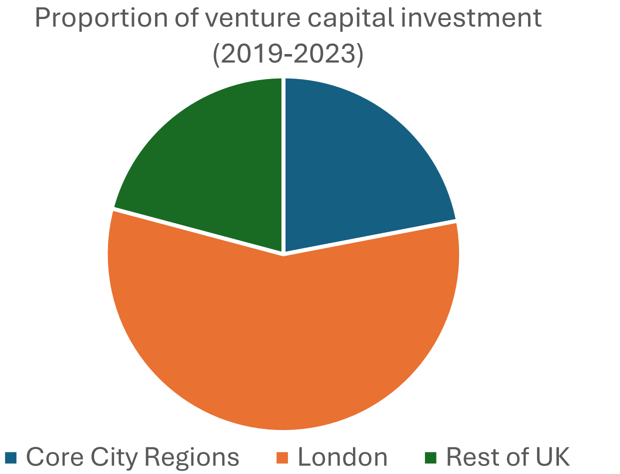
Key changes to Business Support since 2010



Advances in data in recent years opens up new opportunities for real time business support. However, our ability to match national and local business data – such as that used by DSIT in the Innovation Clusters Map – is still poor and improving it should be a priority.



For many emergent knowledge-intensive businesses in our cities, access to scale-up finance is still a major barrier, with many relocating to London or internationally. We need to reform policy on access to finance so that it is embedded in our city regions.



Source: DSIT

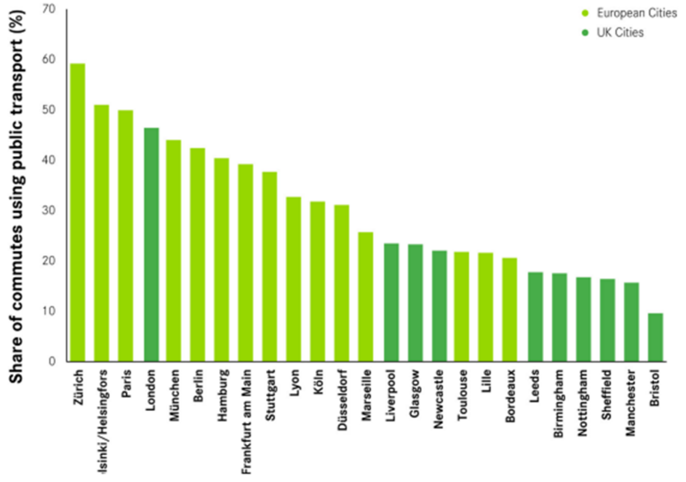
Asks of Government

1. **Develop a long-term approach to business support, including ongoing commitment to funding and recognising the importance of both local and regional government capacity in coordinating activity across clusters with universities and business groups (e.g. Chambers).**
2. **Engage with local government to open up and match business data to provide real-time information for local teams to identify and engage with start-up and high growth potential firms within our cities.**
3. **Work with our cities to ensure that reforms to the role of the British Business Bank and pension reforms can provide the venture capital and growth investment to companies within our cities in a coordinated way with our wider growth and investment plans.**

3. <u>Labour market density</u>

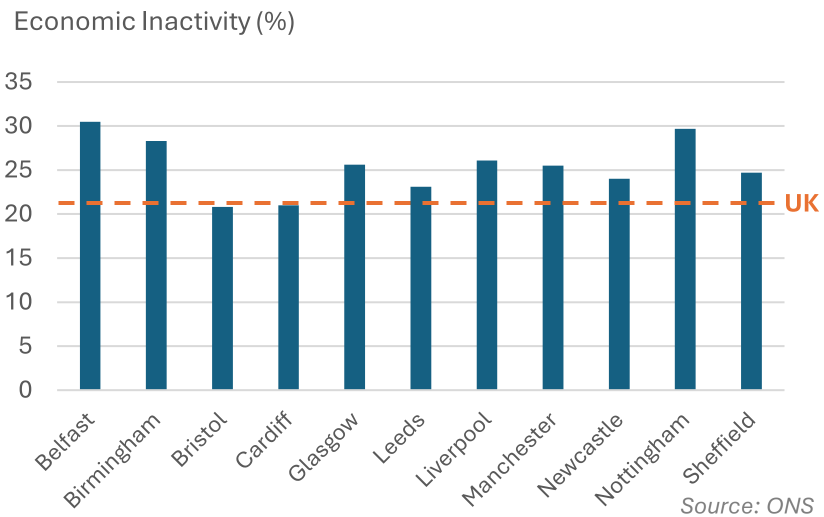
Increasing the number of potential employees with our cities increases the opportunities to drive growth and reinforcing the multiplier effects.

Improving transport connectivity across our city regions is critical to increasing temporal labour market density. Positive progress is being made in this space, primarily through Mayors, but there is more investment needed to improve intra- and inter-urban transport.

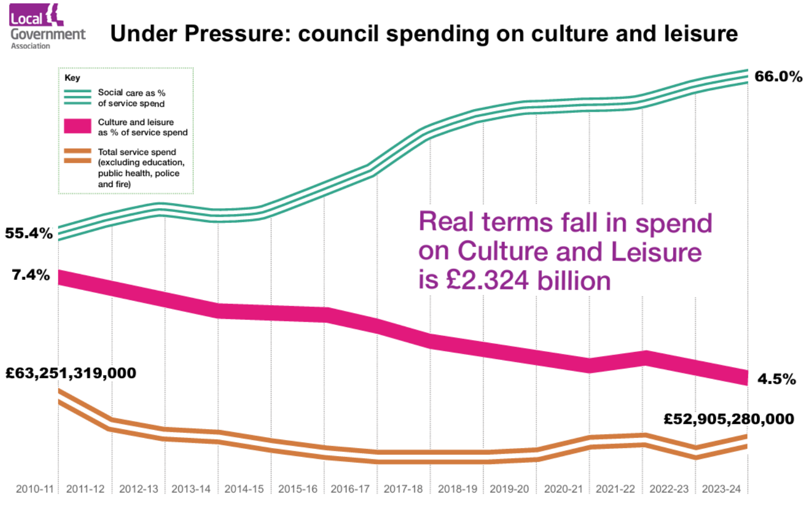


Source: Census 2011, Eurostat Transport Cities and Greater Cities (2016 data)

The majority of the Core Cities have higher inactivity rates than the UK average. Through place-based interventions on health, skills and employment support we have a real opportunity in using public service reform as a growth lever to improve the labour market.



Making our cities attractive places to live, work, study and visit will enrich our labour market. Reversing the decline in investment in culture and leisure activity within our cities will have economic benefits to our cities and wider city regions.



<u>Asks of Government</u>

1. **Commit to deliver at least £22bn of investment in public transport in our cities, identified in the second National Infrastructure Assessment, as part of the rollout of integrated settlements to combined and devolved authorities.**
2. **Integrate the public service reform and devolution agenda – particularly the devolution of employment support and neighbourhood health – alongside local growth plans, with the aim of increasing labour market participation and progression.**
3. **Ensure that the Spending Review settlement for local growth reflects the importance and disproportionate role of cultural investment within our cities to draw in people and investment, both domestically and internationally.**