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DEVOLUTION TO KEY CITIES WILL SAVE £12.5 BILLION FOR THE PUBLIC PURSE

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Devolving power to Britain's group of 26 Key Cities would see their vital contribution to the national economy soar, improve lives and raise billions of pounds for the Treasury.

A report by the **independent think tank ResPublica** convincingly proves that **Key Cities** - such as Sunderland, Cambridge and Plymouth - could be transformed into **economic powerhouses** creating jobs in specialist centres of industry and technology if they managed their own budgets.

'Power, people and places: A Manifesto for devolution to Britain's Key Cities' says their economic potential merits additional powers, equivalent to those currently devolved to larger city-regions.

These include the potential for greater fiscal devolution - the freedom to set and retain local taxes such as council tax, business rates and other concessions such as tax discounts for tourism.

DEVOLUTION GENERATES MONEY

If Key Cities were given this freedom they could save a staggering £12.5 bn* over the course of the next parliament, that's an annual saving of £2.5 bn*, simply by gaining control of public spending.

In the report independent economic forecasters Oxford Economics say Key Cities could realistically aspire to reducing their combined contribution to the Government's borrowing requirement by somewhere between one third (down from £8.2bn to £5.6bn) and one half (down from £8.2bn to just £3.4bn) over the long-term. If achieved, this would move cities like **Preston and Southampton from being in net receipt to the exchequer to becoming net contributors**.

ResPublica argues that the cities must commit to strengthening local governance and accountability with the facility to create directly elected

Mayors, or alternative models, and establish Local Public Accounts Committees, where desired.

Report author and director of ResPublica, Phillip Blond, said: "To carry on growing and for that growth to benefit the entire population, Key Cities need greater freedom and flexibility from national policies and centrally driven funding. Our report shows that if Key Cities get devolved powers the whole country will gain as the revenue generated for the Treasury will be staggering."

ResPublica's report confirms that giving Key Cities greater control of health, education, housing and transport budgets **can generate cash for the Treasury** and free the areas from their dependency on centralised money.

DEVOLUTION LEADS TO INVESTMENT

ResPublica is calling on the **next Government to agree five-year funding settlements with the Key Cities** in its first Comprehensive Spending Review. This would allow the cities to invest in training, infrastructure such as roads and enterprise parks, as well as linking social care and the NHS.

In return for this freedom, which could be devolved further to the different levels of city authorities, Key Cities would report to government departments and agencies on how their devolved settlements are delivering.

DEVOLUTION BUILDS ON GROWTH

The 26 Key Cities are already doing well with a combined GVA of **£163 billion**, making up 11% of the UK Economy with a population of 7.9 million people. Some Key Cities are growing at such a rate that they're out performing the national average (on GVA) and are heading towards levels of economic output seen in London – which creates 22% of the UK's total.

Key Cities are diverse, offering many specialist areas of business:

- Regional service economies – Peterborough, Preston, Milton Keynes
- Advanced manufacturing economies – Sunderland, Derby, Coventry, Tees Valley
- Visitor economies – Blackpool, Bournemouth, Southend-on-Sea, Bath
- Marine economies – Portsmouth, Southampton, Plymouth, Hull

- Knowledge economies – Cambridge, Oxford
- Creative-digital economies – Brighton, Norwich.

These important sectors need specialist workers and this requirement gives Key Cities an advantage over larger cities.

‘Smart specialisation’, and the diversification of existing expertise, can help Key Cities prioritise investment in local economic development, creating growth. But this can only be done **if they can be freed from the mechanisms of a Westminster Government**. In turn the **fiscal growth would see greater tax receipts for the Treasury**.

Dr Dave Smith, Chair of the Key Cities Chief Executive Group, said: “With a more stable financial settlement from central government and new fiscal powers, Key Cities can be an important part of building a new economy based on high skilled jobs and high-value added production. Now is a critical moment to seize this generational opportunity for our cities and our country. The next Government must provide our members with the devolutionary powers needed to support local businesses and communities. Only then will we be able to fully maximise our global competiveness.”

Mr Blond added: “The Government really needs to give Key Cities control over financial policies which affect local economies. If they allowed this to happen, the Treasury would see bigger returns and the economic output of the country would grow as a whole.

“In addition to the national benefit, communities would benefit from stronger local economies. This would allow individuals to prosper without having to rely on welfare payments because of increased job opportunities.”

KEY CITIES SUCCESS STORIES

The success of the Key Cities - and their ability to grow further - can already be seen:

Plymouth has a population of 259,000, an economic output of £5.2bn and 105,000 jobs. It has ambitious plans to grow and create more regeneration. To fully realise its potential as the economic hub for the south west peninsula, the *city needs greater powers over local finance, funding, and investment decisions, to scale up existing activity across the city and to help drive growth.*

In Wakefield, a family support integration pilot saved an estimated £2,514,755 across public agencies in 2013/14. Further integration of services through devolution and more targeted use of budgets are likely to deliver savings at an even greater scale.

With a population of only 280,000, Cambridge has gained an impressive position on the world's commercial stage thanks to its technology skills and entrepreneurialism. Businesses and research organisations employ over 57,000 people and generate annual revenues of more than £13bn.
But the city is at risk because many businesses could relocate to other parts of the world, if conditions there become more favourable. Unless Cambridge can address some of its critical infrastructure needs, particularly housing and transport, it is at risk of losing its position as a technology hub.

In Sunderland the council wants to build on economic growth by reversing a lack of educational attainment which sees more people with no qualifications and fewer qualified to NVQ level 4 compared to the regional and national average. Removing artificial boundaries between health, welfare, employment and business support would allow a refocusing and integration of resources on a pathway from welfare to work. This would mean that instead of education ending when someone leaves school a skills hub, incorporating a training agency and involving local employers, would see a better equipped workforce and take people out of a reliance on benefits.

Notes to the Editor:

1) The Key Cities are Bath & NE Somerset; Blackpool; Bournemouth; Brighton and Hove; Cambridge; Coventry; Derby; Doncaster; Hull; Kirklees; Milton Keynes; Newport; Norwich; Oxford; Peterborough; Plymouth; Portsmouth; Preston; Southampton; Southend-On-Sea; Stoke-On-Trent; Sunderland; Tees Valley; Wakefield; Wolverhampton; and York.

2) GVA is the value of goods and services within an area, in this case the 26 Key Cities.

3) There are many international examples where countries have devolved power. For example, in Switzerland a community with a population of just under 16,000 has powers beyond those available in England. In Canada the smallest province (with a population of 150,000) enjoys exactly the same powers, including the ability to raise taxes, as the largest (with a population of 13 million).

*Work undertaken by Ernst & Young looked at the savings that have been attributed to the four Whole Place Community Budget pilots and estimated what those savings would look like across all areas in England if they were aggregated up. Oxford Economics, as part of their work for ResPublica, have been able to provide a sense of the scale of savings that might possibly be achieved if the results from the Whole Place pilots were to be applied to other areas of public expenditure. Potential savings will vary depending on the extent to which public funding will rise/fall in the future, the savings are likely to be higher or lower, and the ramping effect once the benefits of combined budgets are in place - it will time for these gains to build up - and that even after five years the full gains may not be achieved. Integrated budgets should not be seen as a 'quick fix' but only as a strategic shift. The assumption that the savings identified in the schemes reviewed by EY can be mapped onto different areas of spending such as transport is a very first approximation. In some areas savings will probably be higher and in some areas lower. Detailed category-by-category examination is needed to determine whether the overall figure saved would be higher or lower. Partly for that reason, savings will also vary from city-to-city, and the numbers quoted above should therefore be seen as the centres of ranges.

For further details or to get an embargoed copy of the report please call Oruj on 07866 685130 or email her: oruj@sogold.co.uk .

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