A RED CARD FOR FAILING PUBLIC SERVICES WILL HELP KEY CITIES SUCCEED

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Failing centralised public services should be shown the 'red card' and their work should be brought under the control of local communities and councils, independent think tank ResPublica has demanded.

In a far reaching new report, *The Missing Multipliers: Devolution to Britain's Key Cities*, ResPublica outlines a system by which devolved power would see local government giving 'yellow' and 'red cards' to ineffective central public agencies.

This “Right to Challenge” failing central services would allow members of the public and councils to directly intervene in the direction and commissioning of services, and where appropriate, the way services are accessed.

ResPublica believes devolution down to the Key Cities - such as Sunderland, Preston and Cambridge - would allow centralised, “one size fits all” policies to be amended for the good of local communities.

This could mean changes to the way education - school, college and university - is delivered on a local level in order to plug specific gaps in skills and talent. More powers could also see health and education resources directed to address social problems such as poor nutrition or lack of exercise, all of which would in turn increase the potential productivity, and chance to succeed, of residents.

If communities and local authorities are not happy, should have the power to “red card” central government and appeal to an independent agency to achieve change.

ResPublica says a “Right to Challenge”, which currently exists in the Localism Act 2011 for communities to call services provided by local authorities to account should also exist for the local authorities and residents themselves to challenge central services where they fail.

Greg Clark MP, Secretary of State for Communities and Local Government said: “*This is an exciting time, and I very much welcome this valuable contribution to the devolution debate. The role of Key Cities are critical to the UK’s economic growth, and I am pleased that so many of they are playing a central role in shaping the devolution proposals currently being negotiated with the Government. I would encourage them all, individually and* *collectively, to ensure that they continue to influence these negotiations to ensure they deliver the powers and flexibilities they need to maximise their future economic growth."*

The report is also backed by Lord Heseltine, who has championed more help for the regions and advises the new Communities and Local Government Secretary Greg Clark. He said: *"The devolution agenda is gathering pace. Over the past five years we have witnessed the beginning of a process to reverse the centralisation of decades.*

"I welcome reports such as ResPublica's "The Missing Multipliers: Devolution to Britain's Key Cities" because they add to the momentum and widen the horizons of all those involved in the process."

In the report, ResPublica argues that Key Cities can create hubs of expertise and industry, and in turn raise more tax revenue, if more decision making, and fiscal control, is passed down from central Government.

But rather than simply replicate the devolution already seen in larger city-regions, the cities need to be helped to pool their resources in areas of expertise and success, to bring prosperity to local communities.

This would see a move away from geographic centres towards a more modern, knowledge-based economic model; meaning cities hundreds of miles apart could work together if they share knowledge of a particular sector such as engineering, science or services.

ResPublica says the new Cities and Local Government Devolution Bill needs to give the fullest possible devolution of funding and powers to all cities, towns and counties.

This will allow Key Cities to build on co-operation already being developed across the country, for example, how Sunderland, Oxford, Coventry, and Derby can establish more connections in the automotive industry.

If Key Cities can prioritise investment in research and development in tandem with other regions they can build a bigger platform on which to succeed. To do it, however, greater freedoms are needed for local authorities to allow them to develop bespoke policies away from the constraints of centrally driven funding programmes.

More powers would also allow access to finance to build infrastructure to aid growth, including housing of all types for a growing workforce.

Report author and director of ResPublica, Phillip Blond, said:

"With a combined GVA of £163 billion and a population of 7.9 million, the Key Cities make a vital contribution to their regions and to the national economy. Together they represent 11% of the UK Economy (13% of England's total GVA) and contain some of the fastest growing cities by GVA; Milton Keynes, Bournemouth and Cambridge, for instance, are all growing faster than the national average."

Efficiency savings can be achieved by pooling central and local budgets and allowing local authorities to administer the funds across certain public services. Assuming that the potential savings can be fully realised across all public services, ResPublica estimates that Key Cities could reduce their borrowing requirement by between £1.8bn and £3.5bn per year based on 2012/13 levels of spending. This could reduce the annual “budget deficit” of Key Cities from £7bn to between £3.5 and £5.2bn.

In the first Comprehensive Spending Review Government of the new Government – due in November – ResPublica says a five year funding settlement should be made available to cities. This should be based on an initial core package of economic powers with the facility for cities to negotiate bespoke enhancements to their City Deals on an incremental basis. To allow this to happen and to provide a link between cities and central government departments ResPublica says there is the need for an independent body, a proposed Devolution Agency.

In doing so, ResPublica says the government would be backing up pledges it has already made. In May, the new Communities and Local Government Secretary Greg Clark said: “I fully intend to have a big push to decentralise powers, certainly to the cities but to places outside cities as well.” (1.)

CASE STUDIES: Examples of how more devolution can help Key Cities.

What if Sunderland had devolved powers

Sunderland has a proven track record of delivering investment, jobs and economic growth. However, the city continues to face a range of different challenges: to create more and better jobs; to increase the number and productivity of local businesses (by 0.5%); to increase overall population (by 5%); to reduce worklessness (by 10%); and wider dependency on public services. Having a higher skilled population is pivotal to this challenge of improving local economic performance - there are currently more people in Sunderland with no qualifications and fewer qualified to NVQ level 4 than the regional and national average.

Sunderland has a clear vision to create an economic legacy that will prosper long into the future. A central aim in achieving this ambition is to invest in higher skills and a system that can provide excellence in educational attainment and skills training. The removal of artificial boundaries between health, welfare, employment and business support would allow a refocusing and integration of resources on the pathway from welfare to work. Local control over the skills system will ensure there is a balance between desire and aspiration of the learner and requirements of local employers now and in the future. In seeking to supply employers with the workforce they need, Sunderland will develop an employer-led skills hub, promoting, in the first instance, advanced manufacturing and engineering as careers of choice (employees working in the manufacturing sector represent 16.2% of the total number of employee jobs in Sunderland, compared to just 8.7% nationally). A skills hub will incorporate a training agency function and bring together key assets of people, employers, resource and infrastructure – ensuring supply meets demand. This will enhance existing initiatives ensuring that local SMEs benefit more from the growth in the manufacturing sector and access to an appropriately skilled labour market.

Efforts to boost skills cannot start and end with post-compulsory education, and with greater devolved powers Sunderland will drive educational excellence through school reform and a local educational challenge to improve all attainment, to target excellence and to target harden stem skills. The development of the wider Wearside economy cannot succeed without job opportunities that span the whole range of skill levels that are available. Those jobs that offer the first few rungs on the ladder are important to job-seekers from more deprived neighbourhoods, while higher paid professional and technical roles will bring greater spending power to the city centre economy as a whole, and generate growth in retail and leisure employment opportunities. Sunderland aims to connect local growth to the broader socio-economic needs of the city.

For Sunderland, devolution represents the next step in the city's strategy for economic prosperity. It is about adding value, accelerating plans and creating the virtuous circle of ambition and attainment that places and people need. It will allow the city to develop more holistic models for delivery that can make the most of the city's already strong and productive networks – supported by local leadership and partnerships that are well established, and which are already working to deliver value across the city's economy.

What would Cambridge do with devolution?

For a relatively small city-region of around 280,000 people, Cambridge has gained an impressive position on the world's commercial stage thanks to its technology skills and entrepreneurialism. It's advanced cluster of phenomenally valuable, high-potential businesses and research organisations employ over 57,000 people and generate annual revenues of more than £13 billion.

Because of the unique cluster that exists in Cambridge, much of the growth that the city expects to deliver is net growth to the UK, rather than displacing economic activity from elsewhere in the country. However, the global nature of many Cambridge businesses means that they are "footloose" and could easily move their operations overseas. Retaining those success stories in the local area is as important as generating the next wave of home-grown, multi-billion pound businesses. But unless the city can address some of its critical infrastructure needs, particularly housing and transport, it is at risk of losing its position as a desirable place for companies to start up or relocate to.

The three local authorities in the 'Greater Cambridge' area have been working closely together to support economic growth for many years, the latest iteration being an ambitious City Deal. Cambridge Local Plan 2006 released green belt land for significant housing growth, and the new draft local plans for Cambridge and South Cambridgeshire identify the need for 33,000 new homes and an expected 44,000 new jobs in the years up to 2031.

Despite these efforts, an overall lack of supply and significant housing affordability pressures remain. Over 1,300 new homes were completed in Cambridge in 2014 but even with this, housing costs in the city are increasingly unaffordable with average house prices (£416,000) up 12% in a year, lower quartile house prices 15 times greater than lower quartile incomes, and market rents up 6% in the last 12 months. There are 2,500 applicants registered for social housing in the city, and similar numbers for adjacent South Cambridgeshire, providing a snap-shot of underlying housing need. No private rented housing is available in Cambridge that is at or below Local Housing Allowance level.

Whilst the recently agreed City Deal was very welcome, and started to address the need for transport infrastructure investment, it did not deliver all that was requested. The city also needs a genuine tax increment financing approach to integrate local investment decisions, with the delivery of outcomes and shared financial benefit from them and the freedoms and flexibilities to tackle affordable housing on a variety of levels. Cambridge is seeking:

- **Tax increment financing** to lever investment into housing and other infrastructure from both the public and private sector by returning that investment a fair share of the tax benefit generated locally. Currently the vast majority of extra income generated by local initiatives goes into central government.
- **Lifting of the HRA debt cap** which would generate an additional £200 million investment in affordable housing by allowing Cambridge City and South Cambridgeshire to borrow against the £2 billion value of their housing stock and would give greater certainty of delivery. Currently delivery can stall the economic fortunes of house builders or Registered Providers.
- **Relaxation of the rules on reinvestment of Right to Buy (RTB) and the funding to replace RTB homes one for one** would make it much easier to plan strategically and to maximise resources by unlocking more complex development sites. Currently there are limits on the amount of RTB receipts that can be spent on any one new dwelling and a short timeframe of 3 years in which to spend them.
- **Greater influence over Home and Communities Agency (HCA) priorities to align them better with local priorities** would enable councils to intervene to reduce uncertainty for house builders, which in turn would help unlock stalled sites and facilitate faster delivery. Currently house builders have to manage risks around achieving planning approval; up-front funding of on-site infrastructure costs and negotiating a price for affordable housing with a Registered Provider.

Creative use of government land and capital assets and support for joint ventures would help facilitate more innovative approaches to unlocking housing supply such as the Housing Development Agency being set up between the three local councils and the University of Cambridge to ensure delivery of the City Deal target to supply an additional 1,000 homes. Currently decisions on government assets are not informed by local need and priorities.

<u>What would devolution mean for Plymouth?</u>

Plymouth, Britain's Ocean City, has a population of 259,000, an economic output of £5.2 billion and 105,000 jobs. It is the most significant urban area in the South West Peninsula and the largest urban area within the Heart of the South West LEP, making it a key location for growth, building upon the city's key strengths in the marine and advanced manufacturing sectors.

Plymouth is an ambitious city with aspirations to grow its population to 300,000, and the Plymouth and the South West Peninsula City Deal is a major component of this vision for economic regeneration which is spearheading the transformation of the marine economy. But to fully realise its potential as the economic hub for the South West Peninsula, Plymouth needs greater powers over local finance, funding, and investment decisions, to scale up existing activity across the city and to help drive growth:

- **Business Support** – to provide high quality, tailored support for businesses to expand; attract greater national and international investment and further develop strong trading partnerships; and accelerate research potential into commercial success. Plymouth has managed to deliver a number of innovative business support projects through the Growth Hub, but it can do more, particularly to support the city's exceptional growth in business start-ups since 2011. With devolved UKTI functions, the city can create bespoke packages of support which reflect local circumstances and maximise the wealth of intellectual capital, particularly around the marine sector, translating research into economic growth. The devolution of UKTI functions will enable Plymouth to be more agile in responding to opportunities to attract investment and build stronger trading relationships, boosting the city's trade and exports, helping businesses to break into emerging international markets, including through online trading.

- **A Single Public Estate –** to further maximise the use of public sector assets and support economic growth. Under its City Deal, Plymouth has set up a Public Sector Property Board and has recently negotiated a significant land transfer deal with the MOD for the South Yard, which is the site of the Marine Industries Technology Campus. However, stronger powers are needed to drive better use of the public sector estate across the city, particularly to draw in all partners, including the Health sector. With additional powers to underpin cooperation Plymouth can rationalise its estate through co-location with partners. Retention of all capital receipts on the sale of public assets should be enabled as part of this process to help address local investment priorities.

Business Rates – to further incentivise and attract new high value businesses into the city. After successful negotiations, the City Deal South Yard site was recently designated an Enterprise Zone. This will create a strong incentive for businesses to relocate within the Marine Industries Production Campus. By taking on full control of business rates Plymouth can create the right economic environment for businesses to set up and flourish, enabling flexible business rates to incentivise and support businesses as local economic circumstances dictate.

References:
1. Greg Clark, interview with LGC, 19th May 2015

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). Report authors and supporters are available for interview.

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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