Invest Reform Trust
A Core Cities UK Green Paper for a Stronger, Fairer Britain.
Core Cities – Green Report 2017

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Foreword: Why a Core Cities UK Green Paper?

A Green Paper is usually something Government writes, but this is a crucial moment for our nation.

As Westminster politicians are kept busy with Brexit, Britain needs its cities to deliver like never before.

We have a clear, confident and bold vision for change, and we want to set that out publicly – we have decided to write our own Green Paper and ask our stakeholders what they think, going to Government with a plan of action.

This document contains proposals that will help us unlock the potential of our cities and their greatest assets, their people, creating a stronger, fairer Britain. Cities are the future and are at the heart of modern, innovative, global economies, yet the UK remains centralised, prone to ‘one size fits all’ solutions that cannot address the complexities of 21st century life.

If we are to really make a difference we must invest in our cities, reform and devolve our public services and our systems of governance and we must trust our places and our people to deliver.

We look forward to hearing your views on these proposals and to sharing our final report with you and Government later this year.

Cllr Judith Blake
Chair of Core Cities UK and Leader of Leeds City Council
Core Cities UK: On The Rise, In The Lead

Critical national assets
Cities are the future. More than half of the world's population live in cities, by 2050 it will be 70 percent. Cities are the drivers of national economies, magnets for culture, talent and investment.

Cities are on the rise, but they are also in the lead. Globally, we are witnessing a shift in power away from the nation state and towards cities, as the limitations of national governments are exposed by the complexities of 21st century trade, technology and society.

Governments around the world realise that allowing their cities to grow is key to their national futures. In the UK, the Core Cities are proud, iconic hubs of diversity, dynamism and democracy. Their spirit of innovation and invention powered the first industrial revolution and is playing a key role in the next.

Core Cities urban areas are home to 19 million people, contain 24% of UK businesses, valuable concentrations of assets, and deliver a quarter of our economy1. They are the engines of modern Britain, drivers of its global trade, and have experienced a renaissance over the last two decades.

Our city leadership has proven its strength and skill in weathering some steep challenges. They have led their cities out of recession, delivered high quality public services despite austerity and displayed outstanding resilience in the face of extreme events and crises. Despite these successes, our biggest challenges have yet to be tackled.

Challenges and opportunities ahead
Core Cities productivity is low by international standards, our cities have massive untapped economic potential. If we brought them all up to the national average, it would put £70 to £90 billion into the economy every year, which is achievable and necessary as we move to leave the EU.

Living standards have been too low for too many for too long. That’s bad for communities and bad for the economy, wasting potential and leaving strained public services to pick up the costs of failure. We have to enable as many people as possible to contribute to and benefit from economic growth, building a fairer, more inclusive economy: we define this as ‘Inclusive Growth’2.

As the UK starts its journey out of the EU, our cities must remain open to trade, skills, ideas, but also diversity. Embracing different cultures is one of our greatest strengths, and cities are the UK’s most powerful tool for cultural integration. They challenge us to deal positively with difference while at the same time reminding us that we hold much more in common. They are a spatial level that people can relate to, where many identities can come together with common cause and purpose.

Climate change and poor air quality also affect all our cities, and although we have made great improvements, there is still much more to do.

Yet our cities have suffered years of underinvestment, in infrastructure but also in our greatest asset, our people. Our resilience and ability to support our communities and economies has been worn increasingly thin, and despite good progress with devolution, the UK’s still over-centralised state can undermine efforts to address this. It is time for a change.

A different vision
Core Cities UK has a different, bolder vision for the future. For all our cities to outperform the national economy, better support business, citizens and communities.

What needs to happen
Invest: New investment is needed to stimulate Inclusive Growth and support the public services that deliver it. To drive productivity and economic rebalancing, creating more quality jobs and urgently strengthen our labour markets and industrial sectors to get ready for Brexit. To build more and better housing, improve infrastructure and commerce. To help cities generate more of their own energy, employ new technology and maintain a vibrant cultural sector.

Reform: Devolution is an important part of the solution, and needs to go further, faster, empowering local people. In particular, cities need more ability to reform and align public services and investment within their place, improving outcomes, reducing duplication; a ‘place-based’ approach.

Trust: But perhaps the most important shift we need to make is to trust local people who know their places best to get on with the job, seeing not just city leadership but also communities as equal partners with an equal stake, building trust in democracy. We have a strong track record of positive partnerships with successive Governments, which have always delivered better outcomes. As Government focuses on a raft of complex Brexit legislation, our cities will get on with the detailed task of building a stronger, fairer post-Brexit economy and a truly place-based Industrial Strategy. In this paper, we set out the tools cities need to helps us, our private and third sector partners meet these challenges on behalf of the whole UK.

Our vision is ambitious but achievable, our proposals a step-change but common sense. And they are pragmatic, we don't need to wait and rewire the whole system. We can get on with the task now, make change today. In fact, we cannot wait.

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1 Figures are based on ONS, or as otherwise stated
2 Making our economy work for everyone; RSA; 2017
The Importance of Place

Place really matters. Where and how we live shapes our identities, life chances, physical and mental health. What will raise productivity or tackle deprivation in one place will fail in another.

Yet a recent year-long study demonstrated that national policy is largely ‘place-blind’, treating everywhere as if it were the same and imposing blanket solutions, top down. The study concluded that devolution was an improvement but too formulaic. Places needed “much greater discretion to deliver meaningful solutions at the local level.” It found that “people believe almost every decision should start by understanding what matters to people in a locality, and what constitutes its sense of place.”

A place-based approach to the Industrial Strategy was highlighted as particularly important.

Place is crucial to our cities for three main reasons.

+ Place provides a coherent way to organise the different public services and investment within an area, improving outcomes through joined up solutions and local knowledge;

+ People feel a growing dissatisfaction with the way distant decision makers treat them and where they live; place offers a way to reconnect and empower people.

+ A focus on place supports community identity and is key to addressing exclusion, inequality, integration and the sense of injustice that many people feel.

Place-based policy doesn’t mean just devolving everything to the city authority. That might be the right answer, in other cases policy should be national, or a combination of the two. It does however mean deciding objectively what the right level and scale is to deliver what’s in the best interests of that place. These can then be brought together by the convening power of city leadership, using its democratic mandate, but working with the private and third sectors toward common aims for their place: Whole Place Leadership.

Another recent study found that decades of centralised policy have made little impact on educational attainment and child poverty. At current rates, it will take 120 years before disadvantaged teenagers can hope to get the same qualifications as their better off peers. Place-based policy is critical to creating Inclusive Growth because it relies on joining up social and economic policy to match local need. Social policy has been seen as something we spend money on when we have growth. But when people are healthy, have skills and can access the labour market, they contribute more to the economy and make fewer demands on public services. Social policy is a driver of growth and productivity, and a way of investing in our economic future, not a cost.

Without place-based policy, local and national efforts can unwittingly undermine each other. For example, providing care for people in their own home costs an average of £300 per week, compared to £2,500 to keep someone in a hospital bed when this care fails. Yet Adult Social Care faces a financial crisis which is increasing the burden on the NHS. Instead, they could be locally integrated. In Scotland it is already integrated, and in Greater Manchester city region-level integration is now happening.

Housing policy has dramatic effects on homelessness, education, health, jobs and the economy. Yet national policy and investment hasn’t met the needs of cities outside the South East well enough. Making it locally flexible will speed up housing delivery and allow housing to be seen in the context of place, so it can become a driver of local economies and better support communities.

Place-based policy isn’t just the best way of joining up public services and investment, it’s the only way. The powerful added value of this approach is that cities can bring their own resources to bear on challenges in a coordinated way. The future of policy must be place-based.

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1 Where We Live; British Academy; 2016: report animation http://www.brit.ac.uk/where-we-live-now
2 Time for change; Social Mobility Foundation; 2017
The State of the Core Cities

People

The ten UK Core Cities¹ are home to 19 million people. Their diverse populations have grown steadily since 2004 and are set to rise by almost 2 million by 2034. Their youth profile has shifted, particularly in city centres with young people moving in to enjoy vibrant lifestyle choices, although overall populations are ageing, with implications for care, skills, and the economy in general.

Between 2010-15 employment in the Core Cities grew by 5.0%, yet they contain 34.5% of the UK’s entire workless population. Although long term unemployment is a major challenge, it has fallen by 10% over the last year. However, much employment growth has been low paid, and of the 13.5 million people in poverty in the UK 7.4 million (55%) are in working families, with the ‘gig economy’ costing an estimated £4bn a year in lost taxes and increased benefits²; job insecurity also impacts people’s wellbeing.

Life expectancy in Core Cities is improving, although still lower than the UK average, largely because it varies enormously across different parts of the cities, as much as 25+ years between more and less affluent areas, suggesting a place-based approach to health policy is needed. Air Quality continues to pose a significant public health risk to Core Cities. Total mortality attributable to small particle pollution across the cities was 5.4%; higher than the UK average.

Core Cities universities student numbers increased by 9% over the last year, accounting for 37.5% of all UK students, with 20% from overseas. 10.5% of people in Core Cities have a level 4 qualification (degree or equivalent) compared to 8.3% in the UK, but 39% of working age adults have no formal qualifications at all. A recent study³ suggested plans to cut net migration to under 100,000 a year could almost double unemployment in the UK to more than 3 million. Fewer people with the right skills to drive business expansion could lower economic growth, consumer demand and spending. This raises serious concerns for post-Brexit labour market shortages, and potentially leaves unskilled workers further adrift as the demand for skilled labour and the automation of routine tasks increases.

Economy

Core Cities deliver a total 25% of UK economic output and are drivers of their wider regional economies. Their productivity is improving, but the UK now has the widest regional economic disparity in Western Europe. Compared to the Core Cities’ average, productivity per person is 88% higher in Munich, 80.7% in Frankfurt, 42.8% in Rotterdam and 26.7% in Barcelona. These other cities retain more of the taxes raised in them at the local or regional level: 35% in Germany; 25% across the OECD on average; as much as 50% in North America. Greater local financial control has been linked to cities being more competitive⁴.

The gap between the Core Cities average economic output and the national average is estimated between £70–£90 billion per year, indicating the underutilised economic potential of the cities, which could be addressed by economic rebalancing.

Around 60% of low productivity in the Core Cities is due to ‘in-work’ factors, which can be addressed by investment in transport infrastructure, broadband, research and innovation and business support. But around 40% of this gap is due to deprivation, low skills’ levels, and people being disengaged from the labour market. Therefore, although addressing productivity does require investment into industry and its supporting structures – in a place-based manner – it must also deal with deprivation, investing in people as assets.

Business

Business density across the Core Cities has risen by 12% since 2010, 1% more than London, accounting for 25% of all UK businesses. Sectors which gained most new jobs in the Core Cities were Professional, Scientific, Technical, Administrative and Support Services, in line with national trends.

Other sectors in the Core Cities which also saw strong growth were Accommodation, Food, Transportation and Storage. Employment growth in Manufacturing was more modest, but growth in the Core Cities (3.4%) was higher than in Great Britain as a whole (1.1%). Information, Communication, Financial and Insurance sectors have grown, but less quickly in some cities.

Core Cities are responsible for about 29% of total UK trade exports. Because of their clustering of key national industrial assets, sectors, skills and businesses, they are the UK’s most significant international centres for trade and distribution outside London.

Core Cities will have a critical role in strengthening the UK position post Brexit, building a complementary offer with London. Their city to city links transcend national boundaries, a strength that their world class universities have been able to build upon.

Infrastructure

Total freight traffic through Core Cities’ seaports was 70.4 billion tonnes in 2015, 14% of the UK total, and Core Cities airports handled a 24.1 per cent increase in freight volume between 1996 and 2016. In 2016 75m passengers used a Core City airport, a rise of 10% over the previous year. 612m rail passenger journeys were made across Core Cities urban areas in 2015/16, 21% of the UK total, a rise of almost 19% over the last five years, with some cities seeing an increase of 40% over the same period. 41% of the UK’s tram and light rail journeys are made across Core Cities, with an increase in usage of 10% in just the last two years.

Although around 30% of all UK bus journeys are made across Core Cities, the total number has been in decline since deregulation, with London – where buses are regulated - the only city with increases. Yet on the current trajectory, transport congestion will cost the UK economy more in 2030 than the entire transport budget for 2014.

Despite a clear emerging picture of increasing transport demands across all the Core Cities, public investment into transport is far lower than the south east, for example, £280 per person across the whole of the North, £1,870 in London.

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¹ Figures are consistently measured by LEP, Combined Authority or City Region economic geography
² TUC, 2017
³ Migration Matters Trust, 2017
⁴ UK City Regions in Growth and Recession; Parkinson, M; OECD; 2016
⁵ The State of the English Cities; Parkinson, M; ODPM; 2006
Internet traffic is set to increase threefold over the next five years, and is critical to business growth and productivity. Yet the UK is ranked 30th internationally, way behind South Korea, Singapore and even Romania. Poor broadband connections cost the UK £11 billion annually in lost productivity\(^{10}\), and our download speeds are half those of the top five EU cities, around a quarter of the top Asian cities. Marginal improvements to the UK's urban broadband speeds will not be enough.

England's Core City areas delivered 23% of England's new housing in 2015/16, and Cardiff and Glasgow (where housing is a devolved matter) a combined total of more than 3,000 units. This equates to an average number of 37,700 a year across English Core City urban areas. Some independent research suggests\(^{11}\) the country needs 300,000 more homes a year, and although the 139,000 built in 2016 is an improvement, it falls well short of government's own target of 200,000. There is a minimum of 133,000 current residential planning permissions across the ten Core Cities, which if built on would be the equivalent to eight years delivery at 2015/16 levels. In addition, there is substantial brownfield land which, with remediation and infrastructure, can be brought into use for housing. With a more flexible approach to housing policy, the English Core Cities can increase their housing output collectively by 25%, and are currently in discussions with Government.

Public services are also a critical part of Core Cities' infrastructure and an employment sector in themselves, which saw the biggest falls in employment of any sector in the Core Cities, shrinking by 15% to 20% overall through the period of austerity. 2007-16 saw a 25.4% fall in Full Time Equivalent jobs in local government, in contrast to employment in central government and its agencies, which increased by 8.2% (including schools). Yet public spending as a whole across Core Cities has gone down by relatively little, and our analysis suggests this is largely because it has been cut from prevention and picked up by crisis services, particularly parts of Health and Welfare.

**Conclusions**

*What emerges from this analysis is a picture of vibrant, powerful cities that have made startling gains over recent years. It demonstrates they drive national and regional growth, that the UK doesn’t have a viable economy without them, and their critical role for a positive post-Brexit future.*

It also shows the impacts of success, of increased demands on their infrastructure, the need for more and better housing, and the relatively low levels of investment that they have had for this.

A stark reality also emerges, of cities that are not performing at their potential, that have much more to give to the economy and to their citizens, and that not enough is being done to realise it.

There other are challenges here too, particularly for Inclusive Growth, job creation, locally targeted health and care interventions, and raising skills' levels which is urgently needed in the face of Brexit. These are all matters that require place-based policy to resolve.

The next section of this paper sets out the specific solutions that are required to build on the strengths and address the weaknesses that underlie these statistics. It represents a comprehensive programme of investment and reforms which will provide specific and measurable outcomes for the national and local economy, and for the quality of lives of individuals and communities.

**A Word on Other Cities**

Some of our figures reference London for purposes of comparison. Core Cities work closely with London Government, and are not advocating an 'either-or' approach. We also work closely with Key Cities and other urban groups, recognising that other places are also important to the future of the UK, and in some cases part of the same city regions. The UK needs all its big cities to do better, and many of the solutions suggested are ones that London and other cities might also seek and support.

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\(^{10}\) Daisy Group, 2016  
\(^{11}\) The Select Committee on Economic Affairs, 2017
Driving Inclusive Growth
Implementing place-based policies responsive to the distinctive needs of each city and neighbourhood, alongside investment that drives Inclusive Growth, bringing more people into the labour market, increasing productivity. Making this a priority for the Industrial Strategy, accelerated reform of the public sector through local structures and accountability, with each national department committing to place-based working, and Government engaging directly with Core Cities Cabinet to deliver change.

Supporting Enterprise, Jobs and Labour Markets
A place-based Industrial Strategy, innovative financing for business growth, and using R&D investment to support economic rebalancing as well as academic excellence. Locally commissioned, integrated skills and employment systems, linked to the needs of business, supported by local and national services, joining up intelligence, networks and institutions to support business. An Urban Trade and Investment programme, co-commissioned with the Department for Trade and Investment.

Building Quality Places for Strong Communities
Bespoke City Housing Deals to increase supply and quality. Investment into key projects in cities, based on a collective vision and delivery plan for infrastructure. More local say over regulation and regulators to improve infrastructure, housing and safety. Better incentives for local Energy Companies and to improve Air Quality. Piloting new technology to improve city infrastructure, simplifying regulation for city centre management. Exploring innovative ways to finance culture, and how services for students can be sustainably delivered.

### Summary of Proposals

1. Driving Inclusive Growth
   1.1 Place, Devolution and Local Influence
      1.1.1 Inclusive Growth should be at the heart of a place-based Industrial Strategy, connected to local industrial strategies, and we would like to see each relevant Government department make a public commitment to place-based working in support of these. Cities and city-regions are the most suitable level for implementing many aspects of this approach (although the role of Core Cities as drivers of regional economies is distinctive) as they offer the appropriate scale and represent functioning labour markets.
      1.1.2 Devolution is an important part of the picture, and the call for power to return to people and their places has rarely been stronger. There has been significant and welcomed progress in devolution, but the UK remains one of the most centralised states in the developed world which impacts on our competitiveness, and as we approach Brexit, this imbalance must be corrected.
      1.1.3 But it is not all about devolution. To create the change we need, local people must also have more influence over the national policies that affect them. To address that we would like to see regular contact between the Government Cabinet and the Core Cities Cabinet to drive a shared programme of change, with Government coming out to Core Cities to hold their meetings.

2. Supporting Enterprise, Jobs and Labour Markets
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### The Green Paper Proposals

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### Summary
   + Inclusive Growth at the heart of a place-based Industrial Strategy; each relevant department committing to place-based policy
   + Government commitment to continued devolution
   + UK Government to engage more directly with Core Cities Cabinet

1.2 Investing for Inclusive Growth
   1.2.1 The RSA Inclusive Growth Commission demonstrated conclusively that low levels of living standards, are not only bad for individuals and communities, but are creating an anchor drag on productivity and economic growth. Our proposals include specific ways to address this: building skills, supporting business, strengthening infrastructure. But they will be partial without additional investment. There is growing support within each main party to steer a path away from austerity.
   1.2.2 Part of the answer is for the Government’s proposed Shared Prosperity Fund to be brought forward and enhanced, piloting new approaches now. This should be applied according to distinctive local need, for example investing in skills, health and mental health or job creation.
   1.2.3 In the long term, there should be a 20-year commitment which as a minimum combines ESIF, Local Growth and Life Chances Investment Funds, amounting to £3.8 billion per year and £76 billion nationally over 20 years12. The fund should operate with maximum local flexibility across social and economic policy, seeing the one as the driver of the other rather than placing them in artificial silos.

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12 Based on estimates from the RSA Inclusive Growth Commission
Summary

- Focused investment for Inclusive Growth, enhancing the Shared Prosperity Fund piloting new approaches now

1.3 Public Sector Reform Prevention and Early Intervention

1.3.1 Public Sector Reform is at the heart of place-based working. It is a means of aligning different services and agencies, sometimes by restructing, but more often by simply agreeing to join up efforts, which can mean Government needs to give its backing.

1.3.2 The relationship between prevention, Early Intervention and reducing the demand for often high-cost services has been fractured. We have to rebuild this to sustain the public sector, bring more people back into the labour market and increase productivity. For example, the Better Care Fund is intended to ease the unsustainable financial burden of Adult Social Care on local authorities. But if it focuses on acute care and not prevention, the system will always be playing catch up, trying to pay for things after they have gone wrong.

1.3.3 Change relies on shifting our view of public finances from one that is deficit-based, always seeing it as spending and a cost, to one that is asset-based, where we invest in services to generate long term change, seeing our communities and cities as the greatest asset we have. To support this, we need to continue the progress we have made on working out how to localise this, we need to continue the progress we have made on working out how to localise

1.3.4 Sustainable financing solutions, e.g. for Adult Social Care, alongside place-based budgeting and continuing localisation of Business rates

CASE STUDY: Leeds

Family Valued was a Leeds City Council system change programme. An ambitious programme, starting in March 2015 and ending in December 2016, it spread restorative practice across children’s services and the social work service. A key element was the expansion of the Family Group Conferencing (FGC) service to a scale not previously seen in the UK, including for families experiencing domestic violence. There were statistically significant reductions in numbers of looked after children and numbers of Child Protection Plans.

2. Supporting Enterprise, Jobs and Labour Markets

2.1 Demand-led, Whole System, Skills and Education

2.1.1 Skills levels across the Core Cities are already too low, with 33.9% of adults without any formal qualification, and with Brexit fast approaching, this must be tackled urgently. However, the adult skills system is experiencing a market failure because it is not sufficiently led by employer demand.

2.1.2 To correct this, learning opportunities must be connected to the needs of business and urban labour markets. Employment support needs to be joined up properly with skills provision and other services like health, and signposting to skills from schools and careers guidance needs to improve. There are other value-added connections that city authorities can help make to the skills-system, for example through Early Years and personal support programmes.

2.1.3 We propose a ‘whole system’ approach, with a clearer role for local democratic and business leadership in addressing skills both in terms of current and anticipated skills gaps that may arise as a result of restrictions on immigration and Brexit. We propose a demand led, integrated Skills and Employment System, increasing and localizing investment into Adult Skills, operating on a place-based commissioning model (see Annex 1).

Summary

- Locally commissioned, demand led and aligned services for Skills, Employment, and related areas e.g. careers guidance

CASE STUDY: Sheffield

Skills Made Easy demonstrated that it is possible to create a truly employer-led training scheme for a city region which meets demand and improves choice for companies and employees based on a partnership between the LEP and the Sheffield City Region Combined Authority as well as the city council, the Government and training providers.

With responsibility for £27m of devolved adult skills budget, the project created skills brokers to help employers plan their training needs in the context of their business plans and navigate the complex qualifications system reducing bureaucracy. Skills Made Easy also created a Talent Pool team to actively recruit young people to apprenticeships brokered with employers.

2.2 Enhanced Business Support through Business Growth Hubs

2.2.1 Core Cities have worked jointly with Whitehall previously on the simplification and localisation of business support services, delivering a ‘single front door’ approach, through their Business Growth Hubs. These Hubs initially received some additional funding, which has subsequently been reduced. We propose that this is reinstated, as these Hubs are an opportunity for Government to deliver a coordinated approach to business support, with local, national and blended programmes operating in a seamless way for the customer.

2.2.2 Business Growth Hubs also have access to a wealth of data and intelligence that can inform the ongoing development of the Industrial Strategy and an established track record of policy development and expertise that can be drawn upon. They have intelligence which, with support, could be networked across the Core Cities – and indeed with other urban areas – creating a valuable data resource to underpin the Industrial Strategy.

Summary

- Strengthening Business Growth Hubs to better support business and the Industrial Strategy

CASE STUDY: Cardiff

Through the Cardiff Commitment, Cardiff Council is working in partnership with the city’s major employers, in the private and public sector, to create a coalition for change to help young people be prepared for the world of work.

Major businesses and local firms, alongside local public service leaders, have signed the Commitment’s ‘Employer Pledge,’ which commits to working with schools and on employability skills and pathways into employment. This includes providing tuition, mentoring, speaking opportunities in schools for senior managers, work experience and apprenticeship opportunities for young people in the city, particularly those young people from the city’s most deprived communities, and a new digital platform is also being developed by the city’s start-up community, working with schools and young people, to better match young people to job/apprenticeship opportunities.
2.3 Growing the UK’s Urban Balance of Trade, Post Brexit.

2.3.1 Core Cities propose building a collective trade and investment model based on city-to-city links, designed to support growth and the rebalancing of the economy, on a co-design, co-commissioning basis with the Department for International Trade (DIT) particularly our most important target markets. Based on DIT figures these are currently USA, EU (with a particular focus on Germany, France, Spain and Ireland), China, India, United Arab Emirates and Japan.

2.3.2 Programmes and funding would then be tailored to the individual needs of each Core City – a place-based approach. A collective ‘Urban Trade’ programme across all our cities (and potentially other urban areas) might emerge from this, with a stronger voice for Core Cities and a stronger presence in trade missions. This is particularly important because of the challenges of spending local government finance on foreign travel, even when it is beneficial to the local economy.

2.3.3 Given that collectively they represent a large proportion of the UK population and business base, the voice and interests of the Core Cities should be heard as the terms of withdrawal are negotiated with the European Union. A successor programme to current EU funding streams is needed and the Core Cities UK have set out proposals in this paper on how elements of this might operate.

Summary

- An Urban Trade and investment programme maximising the potential of city-to-city links
- Co-designed and co-commissioned DIT programmes including Core Cities in more trade missions.

2.4 Place Based Industrial Strategy

2.4.1 The announcement of Government’s intention for a place-based Industrial Strategy is welcomed, particularly the recognition that there is a role for local leadership in ‘sector deals’. This needs to be connected to local industrial strategies that act as a gateway to investment, for example for the Shared Prosperity Fund. There is a danger however that deals for some sectors may be dominated by south east based businesses which could undermine rebalancing the economy. There is a need to ensure that sector representatives located outside of the south east and companies of all sizes are engaged.

2.4.2 To achieve this, Core Cities propose ‘Place and Sector Deals’, with the strongest focus given to deals where sectors are working together with one or more cities to align strategies. Core Cities plan to work with a number of sector representative bodies to set out common components of such an approach. While businesses should take the lead whenever possible, some sectors may require initial support to enable them to self-organise. This is Whole Place Leadership in action.

Summary

- Prioritising investment to link sectors to places, their assets and labour markets

CASE STUDY: Liverpool

Paddington Village is a £1bn flagship development in Liverpool’s Knowledge Quarter. It will deliver 1.8m sq ft of science, technology, education and health space. Phase 1, Paddington Central, is underway and has already attracted significant market interest including deals with the Royal College of Physicians, Kaplan International College and Proton Partners’ high beam cancer treatment centre. Liverpool City Council is the single land owner and retains strategic and financial control to deliver the vision for the development. Paired with the Mayoral Investment Fund, this represents a very strong offer directly from the city to the market; one that provides investor confidence and fast, local decision making. The Mayoral Investment Fund is a tool to boost growth and improve the council’s longer term financial viability. Its effectiveness was recognised when it won the 2016 Municipal Journal Award for Financial Innovation.

2.5 Harnessing Research and Innovation

2.5.1 To get the best out of public investment and to rebalance the UK economy, Government must also reset the dial on the way in which innovation and R&D resources are deployed, building on excellence, but also considering how funds can impact on rebalancing the economy. Core Cities are beginning to work collectively with their universities to harmonise more of their capacity, which could significantly benefit the above approach.

2.5.2 The announcement of a further wave of Science and Innovation Audits (SIAs) by Government has been welcomed, but we need to acknowledge the outcomes of already completed SIAs across Core Cities and use these to inform future resource allocation decisions. A more explicit linkage between SIAs and their role in influencing the prioritisation of funding such as the increased commitment to R&D funding and the Industrial Strategy Challenge Fund is required.

2.5.3 There is also a need to recognise that not all businesses are naturally innovative. Targeted support to build innovation in such businesses would help to drive growth. A linked proposal is to broaden the programme of Enterprise Zones to cover specific industrial sectors, like the creative industries (as proposed by the Creative Industries Federation) and innovation-led sectors like bio-tech. This approach would seek to create tax and other incentives to build clusters and strengthen agglomeration effects in cities, exploring the local retention of uplifts in value and tax revenues resulting from this, to reinvest in business support.

Summary

- Deploying R&D investment to preserve excellence but also support economic rebalancing
- Implement Urban Innovation Zones on the Enterprise Zone model

CASE STUDY: Newcastle

Science Central is an innovation hub, spanning 24 acres of mixed use prime city centre development land. It is the largest development of its kind in the UK. It was created using Tax Increment Financing, a method that Core Cities UK has consistently championed. Phase One is now complete and fully occupied with Phase Two underway which will include three national centres of excellence undertaking pioneering research into integrated energy systems, smart data and ageing. Science Central is a place where investors, businesses, entrepreneurs, students scientists and citizens can work together, innovate and develop solutions for tomorrow’s cities.

3. Building Quality Places for Strong Communities

3.1 City Housing Deals

3.1.1 This is an important moment for our cities and the UK Government to work together to create a new shared vision for social housing, addressing legacy housing estates but also rethinking the role of housing overall in a modern society and economy, and exploring more diverse forms of a social housing model.

3.1.2 Whatever lessons need to be learned from the terrible events at Grenfell Tower must also inform future housing policy, and we will work together to make this happen. Each city has already shown strong leadership in respect of this, and will spare no future efforts.

3.1.3 The UK needs to build a lot more houses, but it is not just a case of numbers. Housing is at the centre of positive place-making, and we should be taking a high-
quality approach, creating a sense of excellence in the everyday experience of our communities, demonstrating how we value the people that live there by giving them the sound, safe homes they have a right to expect.

3.1.4 Housing is a devolved matter in Scotland, and so policy there will be different, but sharing our learning on different approaches through our group will increase our scope to innovate.

3.1.5 To achieve economic growth the UK must ensure that the delivery of new housing and the supply of suitable sites for such housing is not constrained. Local-level decision making is required to align the spatial plans for housing, employment and infrastructure. Core Cities have developed a pragmatic, deal-based proposal to accelerate housing growth across their cities, and are currently in discussion with DCLG and the Homes and Communities Agency regarding its implementation. This has a collective but also a bespoke element, meaning the needs of each place can be met through a flexible funding and policy arrangements (see Appendix 2).

Summary

- Implement bespoke City Housing Deals with common core components

3.2 Key Projects Inception Fund

3.2.1 Collectively Core Cities UK can identify a range of complimentary key projects across the Core Cities informed by the development of ‘place and sector deals’ that maximise the scope of overall economic growth and best use of public investment. Regeneration; transport infrastructure; Urban Innovation Zones; office, commercial and retail centres. These projects should be judged on relative benefits to the local area in terms of jobs and inclusive growth.

3.2.2 Our proposal is for Government to create a Fund and / or flexibly allocate existing funds to Core Cities, to support the inception of such projects where there are specific barriers to implementation, like remediation or infrastructure needs, to help mitigate risk and bring the private sector to the table. Elements of such a Fund might even operate on a revolving door basis, with part of the initial investment paid later.

Summary

- Investment to unlock ‘shovel-ready’ key infrastructure projects.

CASE STUDY: Glasgow

Sighthill Transformational Regeneration Area (TRA) is one of eight areas prioritised by Glasgow City council for housing led regeneration. The Council is committed to the delivery of the TRA programme as part of its membership of the Special Purpose Vehicle known as ‘Transforming Communities: Glasgow’.

The delivery of Sighthill TRA has been accelerated by some 20 years as a legacy of the council’s unsuccessful bid in 2013 to host the 2018 Youth Olympic Games. The masterplan aims to create a vibrant, pedestrian friendly, urban residential neighbourhood providing sustainable living with a diverse range of accommodation and an enhanced new green network – all in close proximity to the city centre.

CASE STUDY: Birmingham

Paradise Circus is being delivered through an ambitious £500m joint venture between the public and private sector, providing quality office accommodation in Birmingham City Centre. Paradise is also an example of the positive impact of the City Centre Enterprise Zone (EZ), which with its application of a tax increment financing model has generated an investment programme of £275m.

Some £87m of EZ funding has helped kick-start the development, which will provide 170,000sqm of office led mixed use space as well as 10,000 jobs. The EZ supports the argument for the introduction of new fiscal freedoms to raise funds and invest locally and demonstrates what can be achieved when cities are allowed to innovate and to apply public funding in ways that meet local economic priorities.

3.3 Delivering Urban Infrastructure

3.3.1 A collective vision of the UK’s urban infrastructure needs is required, including transport investment and a continued commitment to High Speed Rail. As well as the important National Infrastructure Assessment, there is a need for a further stage of work to develop plans at a city-regional level. This work should include innovative financing models, for example for Land Value Capture, which provide investment without necessarily calling on the public purse, or pay back that investment.

3.3.2 Cities need Government support to remove barriers to investment and increase take up of digital infrastructure, addressing issues such as State Aid, which currently make it easier to put broadband into rural rather than urban areas.

3.3.3 Infrastructure regulation is fragmented and siloed, between agencies like Ofgem, Ofcom, ORR, Ofwat, Environment Agency, and their Welsh and Scottish equivalents. This makes coordination difficult and is inefficient. A mechanism is needed to allow cities to take a local lead in pulling agencies into alignment to best serve the needs of a place.

Summary

- Build a collective vision and delivery plan for infrastructure to boost city economies
- A local lead in coordinating regulation and regulators, providing infrastructure more efficiently

CASE STUDY: Nottingham

Nottingham took decisive action to introduce a Workplace Parking Levy (WPL) raising £25m, spent on improving the city’s public transport network.

Since the introduction of the WPL, Nottingham has increased the numbers of journeys undertaken on public transport, seen hundreds of businesses benefit from specialist travel support and there has been no increase in traffic.

3.4 Sustainable, Resilient Cities

3.4.1 The Core Cities UK support Government’s ambition to minimise business energy costs and reduce the cost of decarbonisation, but we also want to see fuel poverty eradicated. Several Core Cities are delivering highly successful local energy generation and supply companies, demonstrating competence and value for money. Further flexibilities and freedoms around tariff arrangements and the retention of fiscal proceeds to reinvest into cleaner energy and reducing fuel poverty would strengthen this approach. Devolution of carbon levies, more ability to coordinate infrastructure planning and stability in national energy policy would also help to resolve these issues.

3.4.2 The UK needs more skilled people in low carbon industries and to retrofit housing stock, if it is to meet its carbon reduction targets, which could be partly addressed by our Skills proposals. Delivering low carbon initiatives will stand or fall largely on the basis of what cities are able to do.

3.4.3 Core Cities UK have developed detailed proposals to address Air Quality, which have been submitted to DEFRA, and are keen to begin collective implementation as quickly as possible (https://www.corecities.com/publications/core-cities-building-our-industrial-strategy). These hinge on allowing cities to address local Air Quality issues in a bespoke fashion, and incentivising cities to collaborate, rather than compete for relatively small sums.
Summary

- Greater flexibility of Tariff arrangements and fiscal retention to support local Energy Companies
- Build the skills-base to deliver a low carbon urban economy
- Improve urban Air Quality, through a flexible and collaborative approach to policy and financing

CASE STUDY: Bristol
Heat Networks – sometimes called district heating – have been and continue to be set up to provide efficient, low-carbon and less expensive energy to buildings around Bristol. Underground pipes will provide heat to homes eliminating the need for every building to operate individual fossil-fuel burning boilers.

Meanwhile, the Bristol Community Energy Fund has also been kick starting and supporting community energy projects. It delivers loan and grant funding to community led energy projects such as energy efficiency and behaviour change schemes as well as matching businesses with established community groups to provide new homes for community owned renewable energy installations. Bristol City Council is also investing in the installation of solar PV across its own assets.

3.5 Smart, Creative, Vibrant Cities
3.5.1 Core Cities have worked closely with the Government sponsored Future Cities Catapult Centre, and support the proposal for piloting of innovative technology and investment across the Core Cities on their journey to becoming Smart Cities. We have created a Smart Cities Hub across our network and would urge continued Government support for our collaboration with the Future Cities Catapult.

3.5.2 Cultural institutions and activity are a recognised economic driver, critical to building the identity and reputation of cities the world over. Core Cities share an ambition to grow the cultural footprint of the UK through its cities, and are working with Arts Councils across UK to find ways of realising this vision.

3.5.3 The quality and experience of a city centre is incredibly important to its success and therefore to the wider economy and jobs market. Issues like tackling rough sleeping, begging, inappropriate street preaching and charity collecting, and maintaining a high quality public realm are all important. Regulation is complex and fragmented, leaving cities with relatively little control, or funds to meet the demands of maintaining a big regional centre. We want to reform and simplify regulation, and are exploring whether a single statutory power to ensure our streets can remain safe, healthy, vibrant places is possible.

3.5.4 Universities and their student populations are vital to Core City economies, but they make a call on local services which are not currently funded. Students do not pay Council Tax, and student property owners are exempt from Business Rates. Core Cities propose a mature debate on how the services required by their – very welcome – student populations are best supported.

Summary

- Support Future Cities Catapult to pilot Smart Cities programmes across Core Cities
- Explore innovative ways to grow the cultural footprint of the UK through its cities
- Reform and simplify Street Scene / City Centre Management regulation
- Explore how services for urban student populations can best be supported in our cities

CASE STUDY: Manchester
Our Manchester sets a radically different tone for relationships between the public sector and the people it serves with the aim of renewing a sense of empowered citizenship.

A completely different way of looking at community conversations, it is about:

- Better Lives – looking at each person’s family and neighbourhood life in the round and working together so people get the right services in the right place at the right time.
- Listening – Keeping an open mind about what is needed, adapting when something doesn’t work.
- Starting from strengths – seeing and building on the positives in people and communities.
- Working together – building open, honest and frank long-term relationships, not just one way consulting.

Note – further detail on these and many other case studies are available on our website, [www.corecities.com](http://www.corecities.com)
Short, Medium and Long-Term Shifts

We recognise that some of the changes we propose may take longer to achieve than others, and our longer-term vision cannot be delivered overnight. But there are measures that can be taken immediately, like agreeing City Housing Deals, which will have a long-term impact. Others, like setting up the investment funds we propose, or reshaping the Skills and Employment landscape, may take a small amount of time to organise, but do not have any legislative barriers.

Accountability is often raised as a potential barrier, but there are robust systems in place at the local level, and pragmatic solutions can always be found, like the Greater Manchester Health and Social Care programme, which integrates national and local services through a Partnership Board.

The real issues at stake are the recognition that change is needed, the desire to see it happen, and the trust for cities, government and their many stakeholders to work together and see it through. Our cities are ready to do exactly that.

How to Respond to This Paper

We would welcome responses to this paper, both generally - whether you do or do not support to its call for greater local control, specific kinds of investment and reforming public services - but also to the specific policy proposals that are set out. Your response might also consider the following:

+ Which of the issues set out in our analysis gives you most cause for concern?
+ Which of the proposals put forward are most important and what kind of investment would have the most impact in driving economic growth in a more inclusive way in cities?
+ What kinds of powers or freedoms are most important for city leadership (democratic, business, third sector and communities) to be able to access?
+ In what way could local and national services, agencies and funds be better aligned at within cities, toward specific aims. What would make the most difference?

Please send your comments to d.chan@corecities.com by 14th August 2017.

A redrafted paper will be released just after the Summer, with further opportunity to comment. Whilst we cannot promise to reflect each and every comment, they will all be read and given serious consideration.
ANNEXES

1. Demand-Led, Whole System Skills and Education

Core Cities and their city-regions are engaged in developing their regional employment and skills strategies and forging the partnerships that will deliver:

- Young people better prepared for work and opportunity in the twenty-first century
- A better skilled workforce that drives growth and improvements in productivity
- Inclusive growth where no one is left behind.

To be successful cities need greater local control to rewire the skills system to meet locally agreed priorities. To date, Devolution has delivered some of this, but the powers, responsibilities and resources transferred to the local level have been piecemeal, fragmented and have lacked coherence. Cities need the full set of tools if they are to adopt the end-to-end approach that can transform skills outcomes.

Core Cities UK require a coherent and unequivocal commitment to localism on the part of the new government if they are to be properly equipped to meet their skills challenges. There are five areas where they need better tools for the job:

1 Early Years – the perpetuation of inequality, poor educational outcomes and reduced life chances has its origins in the first three years of life.

Core Cities propose a single child development performance framework and the requirement for the NHS to work with them to create streamlined and integrated Family Support teams.

2 Careers Guidance – a regular complaint of parents and employers, and a message reinforced by Ofsted, is that the careers guidance system is fragmented, of inconsistent quality and does too little to support both teenagers and adults in making effective course and career choices. In addition, the artificial divide in careers leadership between the Careers and Enterprise Company and the National Careers Service is wasteful of resources and impedes the delivery of end to end information, advice and guidance services.

Core Cities propose the creation of local education-business partnerships, led by employers, that will be responsible for establishing the all-age careers services capable of empowering both teenagers and adults to make the right, independently-informed course and career choices and to secure the government support required to deliver these services at the local level through the devolution of the programmes and resources of the Careers and Enterprise Company and the National Careers Service.

3 16+ Technical Education – the re-vitalisation of technical and vocational education is recognised as being critical in closing the skills gap that successive national skills strategies have failed to address, but an artificial divide exists between 16-18 and 19+ education and training that has only been exacerbated by the piecemeal devolution of the Adult Education Budget to the exclusion of other funding streams. This serves only to impede the creation of coherent all-age, all stage skills technical and vocational pathways.

Core Cities propose all-age Skills Plans, backed by Government, capable of reshaping technical education in support of local priorities for growth and improved productivity - and to back this with a Skills Fund that combines the Adult Education Budget, 16-19 funding for technical education and any apprenticeship levy underspend attributable to their areas.

4 Higher Education – international research has shown how universities have a powerful role to play in regional strategies for growth and transformation, but this potential hasn’t been fully realised in UK cities where the commercialisation of research is insufficient, the development of higher and degree apprenticeships often lacks pace, the participation gap between students from our least and our most affluent communities has changed little in a decade and graduate retention falls well below the levels needed to drive growth.

Core cities propose that, as a condition of the award of widening participation funding and grants for innovation and knowledge transfer, universities are required to enter into a compact with their cities that shows how they will commit to the local Skills Plan with credible interventions to close the participation gap, ramp up spin outs and higher and degree apprenticeships and contribute to local graduate retention strategies.

5 Employment – successive national programmes have failed to make inroads into claimant rates for individuals with complex needs, largely as a result of the historical disconnect between employment, health and other support services that mirrors the divide between health and social care and which results in the same inefficient use of finite resources, a failure to prioritise prevention and early intervention and the ‘parking’ of those in greatest need.

Core Cities propose the creation of localised employment services that co-locate and fully integrate Job Centre Plus, health and relevant local authority services in support of a ‘whole person’ approach that seeks to intervene early to prevent long-term worklessness for job seekers with complex needs - and to seek government support for this in the form of a transformation fund that combines and devolves to core cities the resources previously ear marked for the devolution pilots, the Work and Health Unit innovation pilots, social impact bonds and the Flexible Support Fund.

2. Housing Deals

Core Cities UK are in discussion with DCLG and the Homes and Communities Agency on creating bespoke housing Deals, which have common components and a partly collective process. The following four key components are crucial to their delivery.

Housing is a devolved matter for Scotland, but sharing practice and learning between cities across borders can help develop innovation and improved delivery.

1 Core City/HCA Partnership – to align Policy and Resources

A new platform should be created between cities and the HCA with the aim of developing a stronger “placed based” capacity to assemble sites, facilitate development, align resources and galvanise the markets in each area, according to character and need. Our proposal is to develop an over-arching liveability framework, which will put in place a single strategic partnership framework to deliver housing quality and choice.

There should be a local mandate to flex national policy to deliver the Liveability Framework. Targets should be derived
locally against national and local priorities and agreed with government, but delivered through local partnership and co-commissioning approaches with both the HCA, RSLs and private sector.

Other related policy, whether originating at the local or national level, must flex to support the wider aspirations of the place, including but not limited to: economic development; industrial strategy; health, social care and other public services; skills and employment; business support and innovation; and infrastructure investment and development including transport and broadband.

Core cities delivery capacity has seriously diminished in recent years and so the HCA have a key role to play in providing expertise and resource. Core cities would warmly welcome closer working with the Agency.

All relevant funding for housing should be simplified and made accessible within a single pot approach. A Housing Investment Fund would bring together national and local resources and allocations (disaggregated from specific programmes) to deliver more effectively against local market conditions and housing priorities.

2 Regeneration Funding and Policy Tools

Land development fund. A grant based land development fund needs to be established. This could deliver a significant number of additional new homes in a way that reduces the need for new infrastructure, bringing unproductive land into use, easing development pressure elsewhere.

Brownfield land incentives. Brownfield incentives should be reviewed, to prioritise using land where it most makes sense, assessing the wider economic benefits for the place.

Revitalising urban neighbourhoods. Many if not all of the Core Cities have neighbourhoods which are characterised by poor quality housing; low demand; and concentrations of deprivation. These places tend to absorb disproportionate amounts of public expenditure (e.g. welfare; health) and can act as a brake on cities achieving their economic aspirations. A range of policy and funding changes are required and core cities would welcome further discussions to outline these in detail.

Fiscal Policies

+ VAT exemption on empty property refurbishment, bringing it in-line with new developments.
+ Local power to levy higher taxes on empty properties
+ Business rates to be made payable on purpose built student housing developments of 15+ units.

An overarching framework around decent home standards and energy targets. This would improve housing quality and further recognise energy and resilience as infrastructure priorities.

3 Direct and Indirect Council Delivery

Core Cities welcome the Housing White Paper’s recognition that the major housebuilders by themselves will not deliver the required increase in overall supply. The SME sector can do more but may not have the capacity to fill the gap by themselves. Core City local authorities can help. This includes delivery of council/social housing, and private housing to buy and rent via traditional Council Housing. Almos, new local authority housing companies and through partnerships with developers and social landlords. Specific policy changes will help Councils to deliver new homes at a greater pace:

+ Lift the HRA cap
+ Local flexibility around Right to Buy
+ Simplify and relax the rules and relationship between councils and subsidiaries re: the movement and management of assets.
+ Allow council rents to rise in line with inflation
+ Devolved powers to local authorities to lease land / property at below best consideration to homeless and housing charities and community led organisations without need for authorisation from the Secretary of State - subject to some limit per agreement.

4 Land Value Capture and Incentivising Development

Land Value Capture (LVC) will need to operate differently across Core Cities, for the simple fact that land values are very different, particularly when compared to the South East. However, even small uplifts in value, if captured across a large enough area and long enough period of time may be significant enough to help accelerate development.

In addition, a shared approach to LVC where CPO powers are applied, but uplifts are shared with landowners, as set out in the Development Auction Rights powers which London received in an MoU at the last Budget, can be used as an incentive to accelerate sites that already have consents, rather than strictly as a way of capturing value.

A number of issues in relation to land value capture require further consideration:

+ A system that works for all parts of the country – land value capture works best in high value areas such as London but any new system needs to be designed in a way that will benefit the whole country.
+ CPO powers - Value capture mechanisms should link to increased and simplified local CPO powers and Compulsory Sale Orders to allow cities to purchase land at the market rate for current use.
+ Maximising local benefit from all public land - land value capture works most simply on schemes where the local authority is the sole land owner but we need to ensure that local areas maximise the potential benefits on all publicly owned land.