

REPORT OF THE CHIEF EXECUTIVE

KEY CITIES GROUP – PROGRESS REPORT

1. Purpose of the Report

- 1.1 The purpose of the report is to update the Committee on the work and progress of the Key Cities Group, of which Sunderland is Secretariat.

2. Background

- 2.1 Last year the former Skills Economy and Regeneration Scrutiny Panel received a number of reports on the background and work of the Key Cities Group of local authorities. The Panel recommended that a further progress report should be included in the work programme of this Committee for the year ahead and this was confirmed at the meeting of the Committee on 27 June 2016.
- 2.2 Jill Laverick (Corporate Affairs Manager) will be in attendance to present the report and answer any questions from members.

3. Current Position

- 3.1 Key Cities came together as a group in summer 2013, initially founded by the councils of Coventry, Derby, Preston, Sunderland and Wakefield. The Group's member cities have a combined population of 8.6m and GVA of £197bn. In addition to the founder cities, the other member cities are:

- | | | |
|------------------------|---------------|-------------------|
| • Bath and NE Somerset | • Hull | • Southend on Sea |
| • Blackpool | • Kirklees | • Stoke on Trent |
| • Bournemouth | • Newport | • Tees Valley |
| • Bradford | • Norwich | • Wolverhampton |
| • Brighton and Hove | • Oxford | • York |
| • Cambridge | • Plymouth | |
| • Doncaster | • Portsmouth | |
| | • Salford | |
| | • Southampton | |

- 3.2 Individually, the group are termed mid-sized due to their population size. We are also mid-sized due to our economies; as put by Centre for Cities, we are 'productive but constrained by our economic stature'. We share similar strengths and similar challenges, addressed through the four priorities of our Manifesto for Growth: devolution, skills, city centres and innovative finance.
- 3.3 Together as Key Cities Group, we share our knowledge and develop solutions to our problems. We are a unified voice and an alliance of shared interests. We seek also to offer Government innovative policy solutions to support the

growth of UK Plc, and have made much progress to this end since our inception.

3.4 The Key Cities Group constitutes a considerable economic force:-

- With a combined GVA of £163 billion and a population of 7.9 million, the Key Cities make up 11% of the UK economy
- Employment stands at 3,533,594 with 40,948 new jobs created in 2014/15. Annual business starts are 35,835
- In terms of GVA Key Cities are growing at a faster rate than larger cities with almost half of all Key Cities performing above the national average.
- Key Cities are also performing better than larger cities across a range of other indicators with generally higher skills levels and lower unemployment.
- Key Cities public expenditure is £7,310 per person which is below the average (£8,535) in England and Wales. However tax revenues per person are at £6,428 compared to the national average of £7,739 in England and Wales.
- In 2012/13 total public expenditure in Key Cities exceeded revenues by £7 billion or 12.2%. This is greater than the gap between tax and spend in England and Wales as a whole, where in the same year expenditure exceeded revenue by over £43 billion or 9.3%.
- Overall, nine out of the 26 Key Cities generate tax revenues greater than the total amount of public sector expenditure within their area.
- Savings from public service integration could reduce Key Cities' borrowing requirements, cutting their annual 'budget deficit' from £7 billion to between £3.5 billion and £5.2 billion.
- Assuming that half of these savings are reinvested in local initiatives, economic growth in Key Cities could be boosted by nearly one percentage point (worth approximately £1.7 billion) per year.

Key Cities Group - Work to Date

3.5 Since its formation the Key Cities Group has supported and produced a number of important initiatives including:-

Mid-Sized Cities, June 2013 - written by Centre for Cities, but supported by four of the founding member cities, this report was the catalyst for bringing together Key Cities, investigating the shared and differing economic characteristics across this group of cities, what they can offer the UK as a whole and the advantages of closer collaboration.

<http://www.centreforcities.org/publication/mid-sized-cities/>

Manifesto for Growth, January 2014 - this document formed the basis for the formal Westminster launch of the Group, with support from Lord Shipley. It outlined the Group's four priorities and objectives under each – effectively setting the work programme for the next year. The Manifesto (and launch event) was well received and successful in establishing the profile of the Group. A European launch of the Manifesto took place in March 2014 at MIPIM, aimed at a business/investor audience.

<http://www.keycities.co.uk/sites/default/files/keycities-manifesto-for-growth.pdf>

Submission to RSA Growth Commission, February 2014 - this paper made the case for the interests of mid-sized cities and was supported by an engagement session with some Key Cities representatives as well as an oral evidence submission (June 2014). It responded to a number of questions set by the Commission and touched on issues including the interrelationship between devolution, growth and reform strategies in London and other cities.

Centre for Cities research programme, commissioned August 2014 - focussing on the Group's four priority areas, a research programme was commissioned to support the cities leading on each of the priorities. As well as some desk-based insight, events were held in locations across the network, bringing together experts in the relevant field along with business and policy makers.

Charter for Devolution, September 2014 - the Charter made use of insight gained through innovative finance research and offered two clear financial options for Government seeking to support devolution, in the form of single city budgets or alterations to the existing arrangements in specific policy areas including skills, transport and tax. It also highlighted examples of innovation and good practice in each of the Key Cities. Launched at events at each of the three main party conferences, the document provided a good basis for debate with some key figures from each of the parties.

<http://www.keycities.co.uk/sites/default/files/keycities-charter-for-devolution.pdf>

Power, People and Places: a manifesto for devolution to Britain's Key Cities, May 2015 - launched just ahead of the General Election, this joint report with Respublica was intended as an interim ahead of the full report due in the Autumn. It emerged as something more substantial than just an interim report and caught the attention of the national media including Radio 4's Today programme. The report argued that local control of taxes ranging from VAT to stamp duty and council tax combined with five year funding settlements over a range of policy areas including transport, housing and skills, would save the Government £2.5 billion every year.

<http://www.keycities.co.uk/key-cities-launches-blueprint-city-devolution>

Key Cities Review, June 2015 - produced for the Group's inaugural AGM, the Review provides a timeline of key milestones from the Group's inception to April 2015.

<http://www.keycities.co.uk/sites/default/files/publications/oce20498%20Key%20Cities%20Review%202013%20to%20Present%20840x420mm.pdf>

The Missing Multipliers: Devolution to Britain's Mid-sized Cities, October 2015 - the full report in partnership with ResPublica was released at an event hosted by Greg Clark MP, Secretary of State for Communities and Local Government, at the 2015 Conservative Party Conference. It built upon the interim version with more specific asks of Government, including some which were offered as amendments to the Cities and Local Government Devolution Bill:

- Flexibility for devolution on varying scales and footprints but should not link quanta of devolution to the size of recipient.

- Freedom for Local Authorities to work on a wider economic footprint where applicable but for other services (schools, children's services, health and social care) powers could be devolved to a city or neighbourhood level. Double devolution.
- Allow cities the facility to fashion alternative governance models not currently on the statute books.
- Creation of an independent devolutionary body such as a Devolution Agency to agree a funding settlement with cities and provide a joint framework between cities and central government departments.

http://www.keycities.co.uk/sites/default/files/publications/Devolution%20to%20Britain%27s%20Key%20Cities_0.pdf

Political Engagement

- 3.6 Since inception the Group has met with several influential political figures, not least the Rt Hon Greg Clark, Lord Heseltine and Liam Byrne MP.

Key Cities - Priorities for 2017

- 3.7 Without a full-time secretariat function, the Group has needed to define its priorities for the year ahead and commission a work programme against those priorities. Part of this process included the decision to focus on externally-facing campaign work at this crucial time of policy setting at a national level. Priorities for 2017 include:-

(a) Inclusive Growth

- 3.8 The Royal Society of Arts (RSA) describes its Inclusive Growth Commission as, *"An independent, impactful inquiry designed to understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous."*
- 3.9 The RSA's website goes on to say that: *Cities and places in the UK and internationally are grappling with how to deal with a sustained period of low growth and high inequality. The distribution of economic growth – the flow of opportunities and benefits from economic activity – has become a first order question, no longer just a secondary concern. A global consensus is emerging around the view that inequality not only has a social cost, but that it also hampers long-term economic performance and the productive potential of people and places.*
- 3.10 Chaired by former BBC economics editor Stephanie Flanders and building on the success of the RSA's City Growth Commission, the Commission will seek to devise new models for place-based growth, which enable the widest range of people to participate fully in, and benefit from, the growth of their local area.
- 3.11 Key Cities agreed to sponsor the RSA's Inclusive Growth Commission in 2016 and the launch of the final report is expected early March this year. We have responded to its call for evidence and worked closely on communications activity at key stages of the commission's progress. In addition, the Commission's director, Charlotte Aldritt, ran a workshop at the Key Cities Full

Group meeting in October and will again meet with the Group to garner views on 10 February.

(b) Industrial Strategy

3.13 Before January's Green Paper release, the Group was already considering how it could inform the Government's emerging Industrial Strategy in line with the best interests of Key Cities. This work will be focussed on three main areas:

- Articulating Key Cities' ability, and the economic sectors that the member cities represent, to enable the Government's Industrial Strategy. (This will be supported by some underpinning research).
- Developing findings – including some quick wins – into the Government's policy position
- Capturing opportunities for cities, for example, around skills which is identified as a key pillar of the Strategy

3.14 Some work has been done to understand the key sectors prevalent across the network and the work here will support the argument for agglomeration and clustering by sectors and not just geographies.

(c) Joint work with Core Cities

3.15 Core Cities represents the ten largest cities outside of London and was established in 1995. In recent months the Key Cities Executive and Core Cities Cabinet held a joint meeting to discuss areas of mutual interest. Three main themes emerged, alongside ideas for how these could be taken forward.

- Brexit – the Leaders agreed that there were shared interests in terms of the UK's exit from the EU, including in terms of funding, migration and universities. The two Groups will distil their joint issues on which to campaign and argue for a voice in Brexit negotiations.
- Cities Day – UK Cities Day will be a day of action in cities, reminding the UK of the value of cities and arguing for more freedoms for cities to improve the lives of their residents. It will be underpinned by a media hook, possibly a 'City Census', to understand what people like about living in cities and how they see the future in their places.
- Inclusive Growth – this work would take the recommendations of the RSA's commission into practical delivery in partnership with Core Cities and possibly other organisations like the Joseph Rowntree Foundation – making asks of Government but also explaining the principles of Inclusive Growth to the wider public.

(d) Political Engagement

3.16 The Key Cities APPG was successfully launched in November, the inaugural meeting will take place on 8 February. Conor Burns MP and Emma Reynolds MP are co-chairs of the Group, Baroness Eaton and Lord Foster are the other officers.

- 3.17 Key Cities has had interest from a number of MPs and Lords in joining the APPG, including Lord Kerslake, Mary Creagh MP, Caroline Flint MP and Rosie Winterton MP. A briefing has been sent to those who attended its launch and others who were interested but were unable to make the event itself.
- 3.18 The APPG will likely meet on a quarterly basis and will provide a sounding board for the Group's work and advocacy in Westminster.
- 3.19 Cllr Donna Jones (Portsmouth Leader) is meeting with the Rt Hon Liam Fox, Secretary of State for International Trade, and will share figures around Key Cities inward investment, as well as global locations with which cities have significant links through business. We hope this will make the case for Key Cities as a voice to be heard in negotiations around trade tariffs and other arrangements post-Brexit.
- 3.20 Cllr Watson and Cllr Beesley (Bournemouth Leader, Cons) will meet with Greg Clark to discuss a wide range of issues relating to the Department for Business Energy and Industrial Strategy.
- 3.21 Yvette Cooper MP's office have contacted Key Cities and arranged a session with Labour leaders to discuss the work of the Labour party in understanding how mid-sized cities can be supported to boost economic growth.
- 3.22 The Group is also in the process of setting a date for Jim McMahon MP to join a future Executive Group meeting to discuss Labour's policy position in relation to devolution.

Upcoming Key Cities Meetings and Events

- 3.23 A number of the most significant meetings and events in the months ahead are set out below:-

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|----------|---|
| 8 Feb | Inaugural Key Cities APPG meeting |
| 10 Feb | Full Group meeting (Including RSA workshop) |
| 16 Feb | Joint Core Cities meeting |
| 6 March | RSA Inclusive Growth Commission 'how to' guide launch (in Key City, Bradford) |
| 7 March | RSA Inclusive Growth Commission – full report launch |
| 24 March | Key Cities Executive meeting |

4 Conclusion

- 4.1 The report set out the background to the development of the Key Cities Group and the progress that has been made since the last report to the Committee.

5. Recommendations

- 5.1 The Scrutiny Committee is asked to consider and comment on the contents of the report and the progress being made by the Key Cities Group.

6. Glossary

None

7. Background Papers

Skills Economy and Regeneration Scrutiny Panel – Papers 2015/16
The Missing Multipliers: Devolution to Britain's Mid-sized Cities, October 2015)