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28th July 2006

Dear Sir Michael,

Core Cities Submission to the Lyons Inquiry

Please find attached a paper commissioned by the Core Cities from Tony Travers, LSE:
England's Core Cities; why financial freedom would drive improvement.

The paper is submitted as a contribution to your Inquiry and is written for the Core Cities, not by them.

The paper advocates for devolved freedoms and resources for the Core Cities, but we want to be completely clear that this is not an end in itself, nor is it just an argument for increased local accountability and a reduction of the democratic deficit; as important as these things are. Our argument has two further central points.

Firstly, that such devolution, by providing increased local control and coordination, will drive up our economies, improve quality of life, social inclusion, health and well being for all residents and communities of the Core Cities and city-regions. Secondly, that devolution to the Core Cities will, as articulated in the business cases of the city regions, help to deliver on core Government objectives, in particular improving economic competitiveness within the city region, nationally and internationally, and reducing regional economic disparity. Recent reports, in particular *The State of the English Cities (Parkinson, 2006)* have added a weight of evidence to the validity of these arguments.

Whilst having much in common, as the economic drivers of their regions, the Core Cities and their surrounding city-regions have a diversity of character and need and surrounding city-region partnerships are at differing stages of development. Therefore not every element of the attached paper is applicable equally to every Core City.

For example, cities and their city regions might each want to advocate for different governance models or for financial freedoms that best suit the nature of their administrative boundaries, city-regions and the stage of development of the partnerships within it. What is certain is that there is a common desire for increased freedoms and the governance that goes with it, in order to deliver the benefits described above.

In addition, the Core Cities recognise that the framework within which any devolved financial freedoms are to be delivered will need absolute clarity and will need to be both strong and sophisticated to secure the buy-in of partners. For example, a relocalisation of business rates would require a robust framework to engage the business sector in determining investment priorities. This underlines the point that the Core Cities intention in arguing for freedoms is to utilise them for local benefit in a way that commands local support and engages local communities and agencies, including the private sector.

The devolution of financial freedoms may often make more sense at the city-region level, rather than directly to cities. Local income tax is an example where deciding the spatial level of taxation would be essential. There are different political views on this potential income stream, but it is clear that in some Core Cities, local income tax based on place of residence would create a disparity between the centre, which may contain much social housing and low income residents, and outlying boroughs with a high professional residence. Therefore a decision on whether such taxation is based on the place of work or place of residence would be complex. Given that the city-regional footprints are based in part on travel to work times, there are advantages in considering this spatial level for taxation in some areas.

However, the Core Cities need to be recognised in future Government policy as the economic drivers of the city-regions that they are, sitting at the centre of partnerships and collaborative frameworks that underpin the delivery of city-region-wide activity in relation to key areas that include: transport; economic development and business support; placemaking, planning and housing; worklessness, skills and social inclusion; and climate change.

We look forward to the outcome of your Inquiry and would welcome further questions and discussion regarding the issues above and in the attached paper.

Yours sincerely,

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