



**The Key Cities  
and Core Cities**

# **The Future of Urban Centres**

**An agenda for post-pandemic  
Inclusive City Renewal**

**Metro Dynamics May 2021**

## About this report

Metro Dynamics has prepared this report for and alongside the Key Cities and Core Cities networks.

This report presents findings and recommendations from work carried out from January – May 2021. To inform the views presented here we have combined our own economic analysis and additional research with extensive consultation across the Key Cities and Core Cities networks, including with:

- Key Cities and Core Cities Policy Officers Roundtables
- Core Cities Cabinet
- Core Cities Chief Executives
- Core Cities Policy Advisors Group
- Key Cities Executive
- Key Cities Full Group
- Key Cities All Party Parliamentary Group
- Spotlight sessions with one Core City (Leeds) and one Key City (Bournemouth, Christchurch and Poole) on applying insights locally
- The joint Key Cities and Core Cities steering group for the future of urban centres
- Senior leaders in both Key Cities and Core Cities in targeted discussions
- Business and others beyond the Key Cities and Core Cities networks.

We are grateful for partners' engagement and contributions to this report.

The Key Cities and Core Cities are 36 different places and it is not possible to give each place the attention it is due in a single report. However, **this report is supported by an online evidence base that provides detailed insight into the impacts of Covid-19 on each city.**

## KEY CITIES

Bath & NES

Blackpool

Bournemouth, Christchurch and Poole

Bradford

Carlisle

Coventry

Doncaster

Exeter

Gloucester

Hull

Kirklees

Lancaster

Lincoln

Medway

Newport

Norwich

Plymouth

Portsmouth

Preston

Salford

Southampton

Southend on Sea

Sunderland

Wolverhampton

Wrexham

## CORE CITIES

Belfast

Birmingham

Bristol

Cardiff

Glasgow

Leeds

Liverpool

Manchester

Newcastle

Nottingham

Sheffield

# Foreword

**If Covid-19 has taught us anything, it is that going back to the way things were is not an option. Only new, locally-led, solutions will work in a world changed forever by the pandemic.**

That is why we believe it is time for radical new thinking about the role of our Core Cities and Key Cities and to argue for Government to implement policies that can unlock their massive power and potential. This report is an important step on that journey.

It is published at a time when our cities are beginning to re-build after the pandemic. Tragically, thousands of our citizens have died and many will live with continued ill health due to Covid-19 for some time.

Many of our city centre retailers face an uncertain future, there are signs unemployment is starting to increase and our transport networks may struggle to sustain themselves if office workers do not return to city centres. Added to this we face a daily struggle against a centralised UK state that has a built-in culture of ignoring the role of place.

But we also believe there are grounds for optimism. Firstly, in the spirit of our communities and our public servants who came together during a great crisis to save lives and make a difference whether it was delivering food parcels to vulnerable families or checking in on older neighbours.

Secondly, we have already begun the process of thinking radically about the big issues that are likely to face a post pandemic local state. Covid-19 accelerated many of the trends we were already seeing across our city networks and as local leaders we are best placed to respond.

If we want cities to drive recovery, we must listen directly to those who run and represent those places, who are closest to the lived experiences of residents and aware of the obstacles and opportunities for progress.

If you want to hear truly innovative thinking around the future of urban places talk to a UK city leader.

Key Cities and Core Cities are diverse places, home to 21 million people and generating 27% of UK economic output. Our places come in all different shapes, sizes and political colours.

Between us we count cities from all four UK nations as members. What brings us together is a belief in the future of cities and that by working together we can find solutions to systemic problems like unemployment, poor health and inequality.

We have been written off before. The 1918 Flu Pandemic saw commentators predict the end of the city, but we recovered and the 20th and 21st centuries saw urban areas gain importance and become drivers of national economies. We firmly believe cities are still the future and we welcome this important report.

Cllr. Nick Forbes,

Chair of Core Cities UK, Leader of Newcastle City Council



Cllr. John Merry,

Chair of Key Cities, Deputy Leader of Salford City Council



# The City Deal for Recovery and Levelling Up

Cities have been at the epicentre of the Covid-19 pandemic – experiencing the highest cases, the most deaths and the biggest economic impact. But their role driving national productivity and growth, and their interdependent relationship with towns means they now hold the key to recovery and levelling up across the UK.

**Recovery: £89bn** - how much larger the national economy would be if productivity in the Key Cities and Core Cities matched the national average.

**Levelling up: 3.3 million** - how many fewer people would be living in deprived neighbourhoods if deprivation levels in the Key Cities and Core Cities matched the UK average.

This report was commissioned by the [Key Cities and Core Cities Networks](#) and is published at a critical moment as the country starts to emerge from lockdown and plan for recovery. It analyses the deep impact that Covid-19 has had on cities; assesses the vital economic role of cities, including their connection with towns; and outlines the trends that could help cities transition towards an inclusive renewal and ensure local places prosper post-pandemic.

It sets out an ambitious agenda for cities to work with local partners, with towns and with Government to generate sustainable inclusive economic renewal. This place-based framework, enabled by an Inclusive Renewal Deal with Government, is a bold offer from cities that can drive national recovery and levelling up in places by helping re-orientate, re-purpose and re-balance urban centres.

## Where to now for cities?

As city centres re-open and the furlough scheme draws to a close, we will begin to see the full extent of the social and economic harm left in the pandemic's wake. As with previous shocks, the pandemic has accelerated some trends already in flux whilst also generating its own specific effects. The long-run effects of social distancing on cities, whose raison d'etre is social proximity, are still unknown. Yet what feels more certain is that we have reached Peak Retail and Peak Office much faster than expected. This alongside the wider impacts of the pandemic have added to pressures on city-authority finances, which now face the twin challenges of increased spending demand and reduced tax revenue.

As cities begin to rebuild and renew, we need a national dialogue about the future of local government finance.

## British cities now face two futures:

- 1) **Long-term Scarring** that could drag the UK back to the 1980s, with a big increase in unemployment, worsening health and economic inequalities and a revenue crisis, heightened by a loss of business rates and commercial revenue. This would present a vicious cycle of decline, where cities were unable to fill the gaps left by empty retail and office space, further undermining their revenue base and making it harder to attract new investment. In this scenario, failure to intervene to support renewal in cities would hamper national productivity and growth, creating a widespread levelling down effect.
- 2) **Inclusive Renewal** with cities doing what they have always done best - renewal and re-invention. This would see cities tackle the urgent crises of job losses, economic inequality and the climate emergency; facilitate a new model for hybrid office working; consolidate a retail offer that is more about experience; double down on their cultural and creative strengths; and pivot towards future sources of inclusive growth driven by innovation. In turn, the benefits of this renewal would extend to neighbouring towns and see cities generate growth at scale to lead the national effort on recovery and achieve levelling up.

The purpose of this report is to help cities avert the risk of long-term scarring and to support them in building inclusive renewal.

## Cities are central to recovery and levelling up

Recovery and levelling up are national priorities. To be achieved they must be delivered at place level with our cities. That's where jobs, businesses and innovation, along with poverty and health inequality, are most concentrated. City recovery is critical to town recovery. The report proposes that a core component of recovery strategy should be supporting the development of clusters of supply chains in growth sectors that link cities and towns across wider economic corridors.

### The recovery and levelling up offer

Cities can make a big offer on recovery and levelling up. This is a reflection of the size of their economies, the concentration of deprivation in urban centres, and their potential to grow more inclusively. Simply closing the gap between where cities are now and the national average will make a huge contribution to recovery. This is the minimum that cities would want to achieve, working with Government to drive urban renewal:

**Recovery: £89bn** - how much larger the national economy would be if productivity in the Key Cities and Core Cities matched the national average.

**Levelling up: 3.3 million** - how many fewer people would live deprived neighbourhoods if deprivation levels in the Key Cities and Core Cities matched the UK average.

### An inclusive Urban Renewal Deal

We propose an Inclusive Renewal Deal between cities and Government that will drive recovery and levelling up. The deal is about Government giving cities the freedoms, flexibilities, powers and investment, and revenue base, to enable them to make good on their offer to generate additional economic activity and to deliver on levelling up. It includes:

- **Creating a series of new growth, and levelling up deals**
- **Joint commitments on good jobs, employment support and skills**
- **Investment in innovation, net-zero, green jobs, housing and regeneration**
- **Health improvement and public service reform**
- **New powers to drive future growth opportunities, including on data**

**The Inclusive Renewal Deal** process will create local ownership of the Government's levelling up plan, and establish locally agreed milestones and metrics for sequencing levelling up over the short, medium and long term. It will embed this within a joined-up and strategic place-led approach to recovery. This is important as levelling up requires both early action, to demonstrate immediate progress, as well as long term interventions to develop human capital and change the economic trajectory of places.

### A new framework for renewing urban centres

The report sets out how cities themselves will need to change to build inclusive renewal and fulfil their side of the recovery and levelling up deal. Collaborative economic governance should be at the heart of this, involving citizens, anchor institutions, businesses and investors in shaping a new vision for their places. This will need to respond to the three great challenges of net-zero, peak retail and peak office, through re-purposing vacant sites, re-imagining city centres, rebalancing urban geographies and creating good jobs.

Most cities are already developing plans for greener, smarter cities, with centres that support more flexible hybrid working, a more consolidated and stronger core retail offer, and re-skilling and job matching. Building on this, the report proposes a framework for renewing cities that pulls together a series of renewal goals with cross-cutting interventions. The framework is intended to help cities visualise the opportunities for renewal that lie at the heart of these intersections.

### Making this real through joint investment and delivery

A new vision and policy framework for cities can help to develop a range of projects and interventions that can build renewal. But these then need to be funded and delivered.

The report proposes that cities will need to develop a mixture of approaches to funding and investment based on investable propositions for major capital projects and outcome agreements for public service and prevention compacts. The sources of investment should include patient capital equity funds, revolving investment funds, impact investment and multi-year revenue agreements.

The principle of local partnership working should be embedded into both funding and delivery. This should include new Special Purpose Vehicles (SPVS) to bring together public and private sector partners with skin in the game on land, investment, borrowing and other assets to drive investment and delivery of major transformative renewal projects. And all of this should be enabled through an Inclusive Renewal Deal with Government that gives cities freedoms, flexibilities and borrowing powers, together with further Green Book reform piloting.

# The Inclusive Renewal Deal

RENEWAL THEME	CITY OFFER	GOVERNMENT ASK
<b>City recovery, levelling up &amp; renewal</b>	Cities to work with residents, businesses, investor and anchors to develop recovery Levelling Up and renewal plans, with a clear set of costed commitments.	Government to work with Cities on a new series of Recovery, <b>Levelling Up and Renewal Deals</b> , that set out strategic place plans, with funding, and joint delivery arrangements.
<b>Good jobs, employment support, and skills</b>	Cities to develop detailed plans on job creation, employment support, and skills matching for at-risk retail and other workers.	<ul style="list-style-type: none"> <li>• <b>DWP and City Framework agreements</b> for employment support and skills and job matching</li> <li>• <b>Devolution and expansion of Kickstart, expansion of Enterprise Allowance, integration of skills and FE reform</b> through devolution to MCAs/cities working with local business</li> </ul>
<b>Investment in innovation, Net Zero, green jobs, housing and regeneration</b>	Cities to develop <b>innovation districts, retrofit and affordable housing</b> plans and other investable projects and to develop with their partners <b>Special Purpose Vehicles</b> (SPVs) to bring together Land, Investment, Borrowing and other assets and explore investment models including <b>dynamic impact investment</b> and <b>rolling investment funds</b> .	<p>To link these opportunities to <b>further funding for its Plan for Growth priorities</b>, including:</p> <ul style="list-style-type: none"> <li>• Supporting investment in <b>social housing retrofit</b></li> <li>• Linking <b>housing &amp; regeneration</b> funding and broadening Homes England's remit to include regeneration</li> <li>• Extending Council borrowing powers, further use of <b>Tax Increment Financing (TIF)</b>, exploring the use of <b>municipal bonds</b></li> <li>• Building on UDCs and Freeports with support for <b>municipally-designed SPVs</b></li> </ul>
<b>Health improvement and wider public service reform</b>	Cities to partner with new NHS Integrated Care Systems to <b>create local health improvement compacts</b> aimed at improving post-Covid long term health outcomes, focusing on prevention and workforce health.	<b>Multi-year funding agreements</b> linked to outcome agreements that enable a shift to prevention in spending and investment, as part of wider measures to create a sustainable financing system for local government.
<b>New powers</b>	Cities to develop propositions for new powers and regulatory freedoms that can enable them to speed up renewal and economic transition, including the power to acts as "data authorities".	The Devolution and Levelling Up White paper should support <b>new powers for Cities</b> and outline a <b>process for further devolution and city Deals</b> that can enable cities to lead renewal.

# THE FUTURE OF URBAN CENTRES

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# Where to now for cities?

The fortunes of urban centres ebb and flow over time. From the rapid urbanisation of cities during the industrial era, to the flight to the suburbs in the second half of the 20<sup>th</sup> century, and the eventual renaissance of cities as modern day centres for social, civic and commercial life, the UK's cities have a long history of absorbing shocks and coming out stronger.

Yet the Covid-19 pandemic has claimed more than 125,000 lives across the UK, with cases and deaths closely correlated with areas of urban deprivation. The economy contracted by the most it has in 300 years, again with the effects concentrated in urban centres. To maintain social distancing and bring the virus under control we have transformed and curtailed our social and work lives, with city centres and meeting places avoided in favour of homes and local parks. Interventions on scales presumed unworkable just a few years ago were necessary to prevent mass unemployment, and while the extent of long term economic scarring is uncertain, what is clear is that the extraordinary disruption to urban life wreaked by the pandemic has once again brought our cities to an inflection point.

As the Key Cities and Core Cities reach this inflection point two futures feel possible: one of long-term scarring and a vicious cycle of decline; and another of inclusive renewal and reinvention catalysed by innovation and investment in inclusive growth. We have written this report to help cities and Government chart a course for the brighter of these futures.

This report presents new evidence-based research on the impact of Covid-19 on the Key Cities and Core Cities; a framework for developing practical ideas relevant to each city that will help with the recovery and renewal of urban centres; and recommendations for actions in cities and by Government as part of an Inclusive Renewal Deal.

Time and again cities have proved to be resilient to challenge. As political focus turns from managing the crisis towards renewal, cities are the UK's best bet for building back better and levelling up at scale. The purpose of this report is to offer cities a way of approaching the challenges and opportunities ahead.



Image: Albert Dock Liverpool festive lights



# Diverse places with shared priorities

The 36 Key Cities and Core Cities share common characteristics but ultimately they are diverse places with distinct identities. In this report we generally present the Key Cities and Core Cities as a collective, although we also provide a range of case studies to illustrate what is happening on the ground across the Cities. The report is supported by an online evidence base which gives detailed insight into the impact of Covid-19 on each individual city. The online evidence base is intended as a tool to aid local decision making.

The different natures of the Cities is part of the reason why we propose a policy framework which can be applied to different places, rather than a single prescriptive 'plan' for all places to follow. When reading this report, and especially when considering how to apply the policy framework, it is helpful to have a conception of the different roles the Key Cities and Core Cities play.

The Cities can be categorised in a number of ways, but we think it makes most sense to consider them in relation to their core characteristics, as we set out below. Inevitably there are some overlaps between these.

- **Regional cities** – The Core Cities are all regional cities but so are some Key Cities. Regional cities tend to be financial, cultural and professional service hubs.
- **Manufacturing Cities** – A number of Key Cities are manufacturing cities, with a higher than average number of manufacturing jobs, such as Sunderland and Coventry.
- **Adjacent Metro Cities** – some cities are part of major metro areas that consist of several cities, Salford and Wolverhampton are good examples of this.

- **Port Cities** – A mixture of Key Cities and Core Cities are major ports, examples of which include Plymouth, Southampton, Sunderland, Liverpool, Newcastle and Hull..
- **New Cities** – several of the key cities are new cities, where a combination of economic forces and local government re-organisation have created newly emergent 21<sup>st</sup> Century cities, examples include Bournemouth, Christchurch and Poole (BCP), Medway and Southend on Sea.

But whilst these distinctions are important there is even more that cities have in common with each other. Some of their common characteristics include:

- **Scale** – they are mostly larger than other urban areas, with a more significant economy and larger population.
- **Economic impact** – they tend to generate jobs and economic activity for a wider area, including hosting large numbers of knowledge-intensive jobs, with people commuting into cities to work.
- **Cultural and civic centres** – Cities tend to have centres with major cultural assets and anchor institutions that attract people into the area.
- **Knowledge Centres** – Cities are knowledge intensive places, most of which have universities, and which are likely to be characterised by greater economic complexity than smaller urban areas.
- **Creative Centres** – Cities are centres of creativity and innovation.

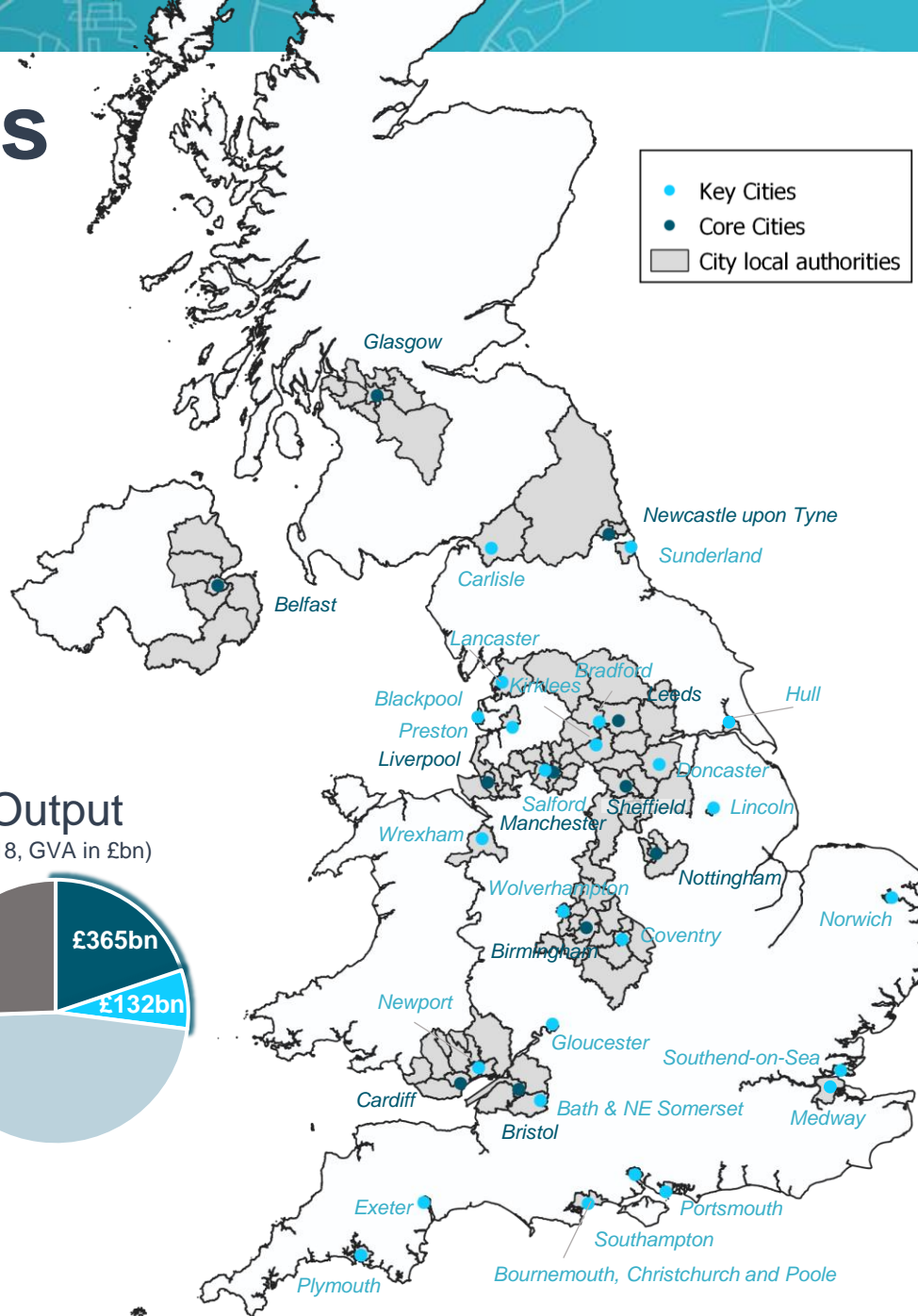
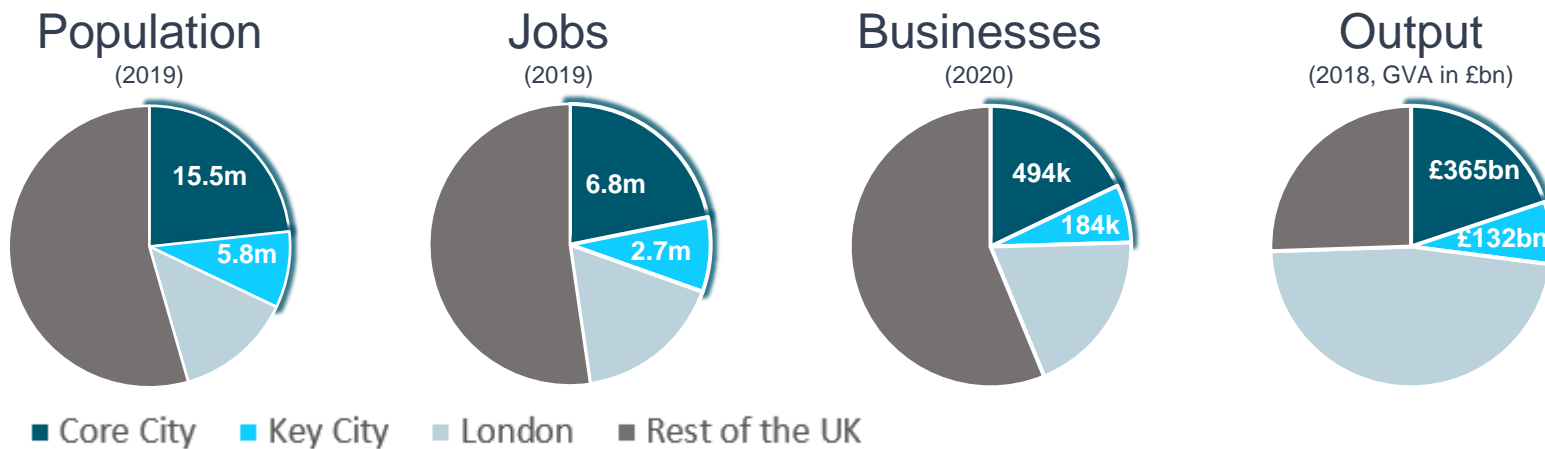
# The Key Cities and Core Cities together

The 25 Key Cities and 11 Core Cities together represent **32% of the UK's population (21.3m)**, **30% of jobs (9.5m)**, **25% of businesses (678k)** and **27% of output (£497bn)**.

Compared to London, the Key Cities and Core Cities together contain nearly three times as many people and twice as many jobs, but output is one third smaller.

There are a number of possible definitions of the geographies of the Key Cities and Core Cities. For simplicity, this report defines the Key Cities according to their named local authority, and the Core Cities according to their Combined Authority definitions when they exist, and by city region definition elsewhere, as shown on the map to the right.

## Together, the Key Cities and Core Cities represent...



# City and nearby town economies are strongly interconnected

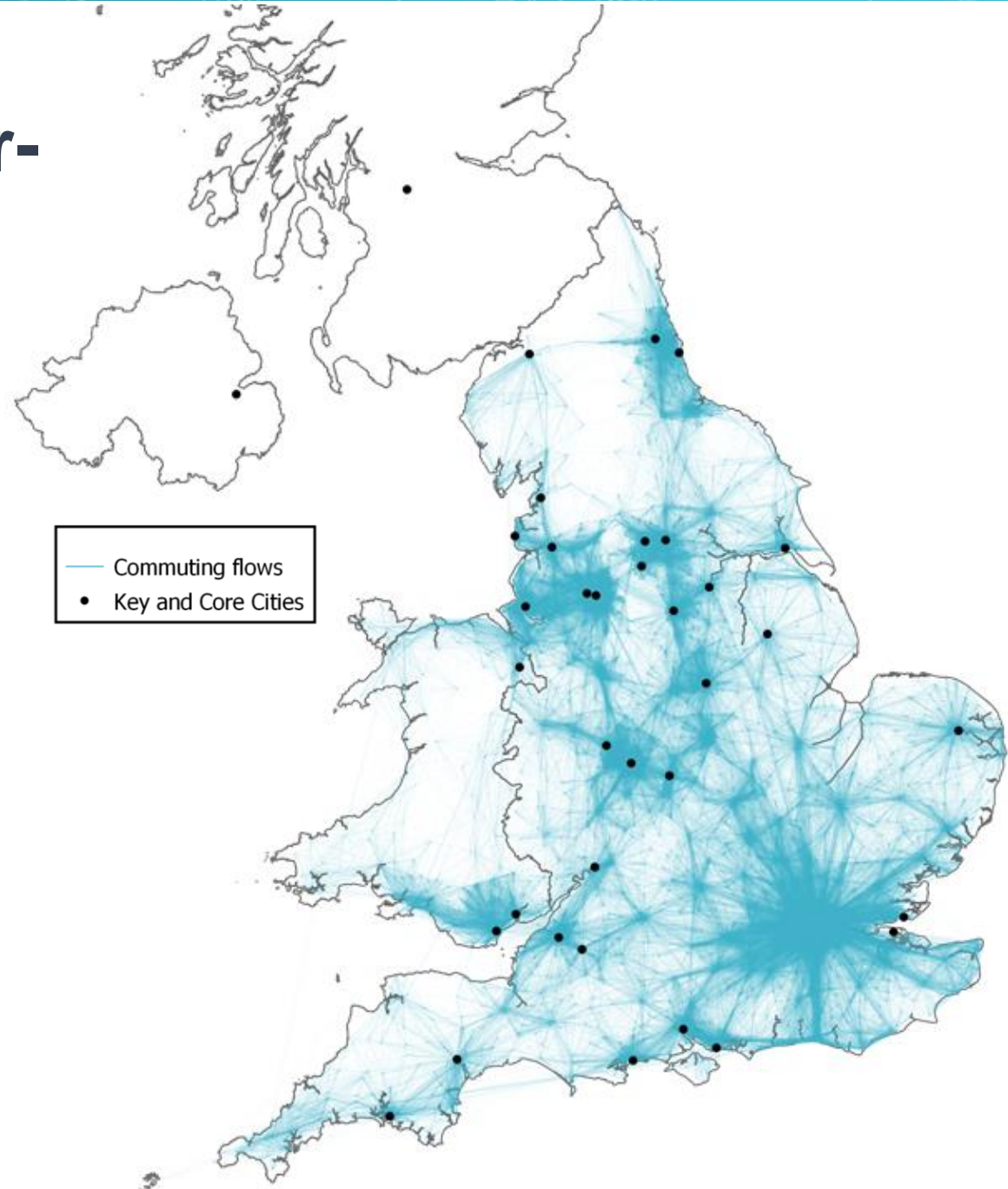
Cities are crucial to the towns and hinterland areas which surround them, acting as focal points for employment, business and civic life.

Cities provide jobs, particularly high-skilled ones, to residents in the towns and villages around them. Nationally, **18% of workers living in towns commute to cities** (nearly 800,000 people), and towns in hinterland areas around cities tend to have lower unemployment than those in more isolated locations.

This map shows commuting flows in England and Wales. Seven million people commute within and to Key Cities and Core cities, making up 32% of total inflows in Great Britain. These commuting flows are a good indicator of the effect cities have on the regions around them, with their influence frequently extending beyond city region limits and into surrounding areas.

We know that it is a good thing for towns to be near cities due to the high-skilled employment opportunities they provide. This is a benefit that works both ways, with City economies equally benefitting from the proximity of nearby towns. Barriers to achieving the full potential of this economic complementarity include under developed supply chain linkages, underinvested local transport connections, and under provision of skills linked to local demand. However, we also know that **towns in the hinterlands of cities are more likely to prosper if that city is itself productive and successful**: Centre for Cities analysis suggests that the more productive a city is, the lower the share of residents within nearby towns who are unemployed or in receipt of long-term benefits.

The implication of this is that **addressing the levelling up challenge in cities is a core part of helping towns and surrounding areas to level up too**.



# The shock: assessing the impact of Covid-19

Life in urban centres before the pandemic seems a distant memory, and indeed some aspects may remain that way, as Governments and cities respond to the imperative to not just bounce back to old ways but to build back better.

A crisis on this scale presents opportunities, not least for reflection on what wasn't working so well before 2020. The pandemic has exposed how much our cities, despite their recent resurgence, contained damaging levels of deprivation and inequality. Statisticians have amassed even more evidence that levelling up the UK must begin by targeting support at local areas of greatest need. But in the immediate term the Key Cities and Core Cities have a major challenge on their hands. The scale of transformation can be hard to comprehend; Covid-19 has been the biggest disruption to life in urban centres since the second world war.

The pandemic has both generated new effects and hugely accelerated existing trends. Some effects of the shock seem confirmed, such as that we have reached Peak Retail and perhaps Peak Office. But other effects will take longer to play out and may be hard to discern at first, such as the permanency of any reconfiguration of urban centre space.

We still do not know how the crisis will unfold, and the pandemic has tended to make a fool of any confident predictions for the future, but we do know that the opportunities for renewal in the Key Cities and Core Cities are at least as big as the challenges they face. As our city centres start to re-open, and the furlough scheme draws to a close, we will begin to see the full extent of the economic and social harm that has been left in its wake, but we will also see new opportunities. Renewal must have two complementary objectives: increased productivity and more inclusive growth. To give a sense of the size of the prize on offer: **if productivity in the Key Cities and Core Cities matched the UK average, the national economy would be £89.4bn larger. If deprivation levels in the Key Cities and Core Cities matched the UK average, 3.3 million fewer people would be living in deprived neighbourhoods.**<sup>1</sup>

This section of our report assesses how the Key Cities and Core Cities have been impacted by the Covid-19 shock. It covers:

- **The health, labour market and economic impacts of the crisis**
- **How the spatial patterns of activity in cities are changing**
- **The effect of the crisis in exacerbating pre-existing inequalities and deprivation.**

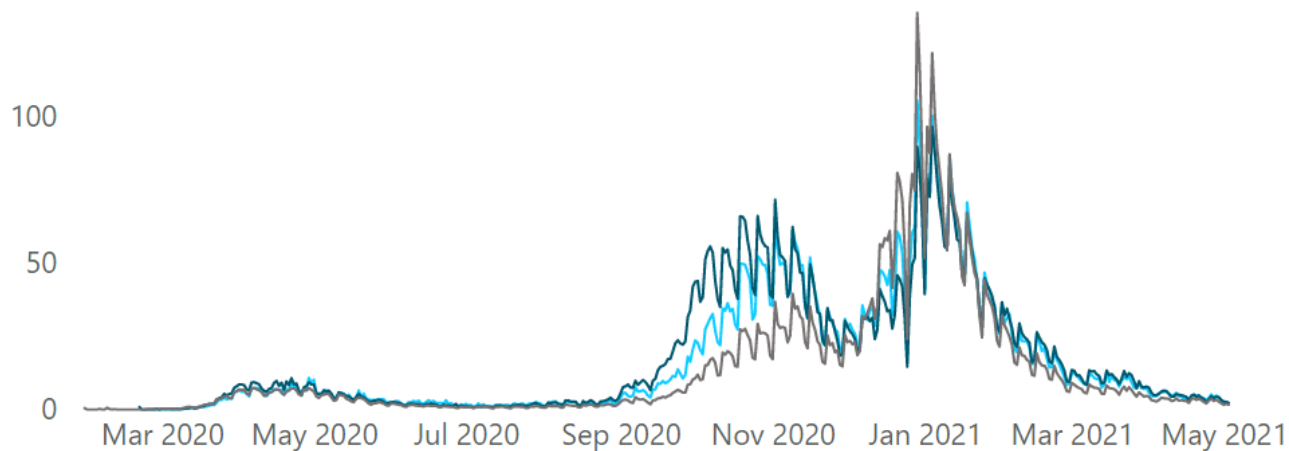
The Covid-19 crisis has evolved so quickly that information about its impacts is often out of date before it is even published. We have relied on the most up to date figures and sources available to assess the impact of the crisis. The information in this report is based on data collected from February – April 2020 and is current at the time of this report's publication.

<sup>1</sup> See Appendix: Notes on data for calculation method  
Image: Key Cities. City of Wolverhampton skyline.

# Urban places have been at the centre of the pandemic

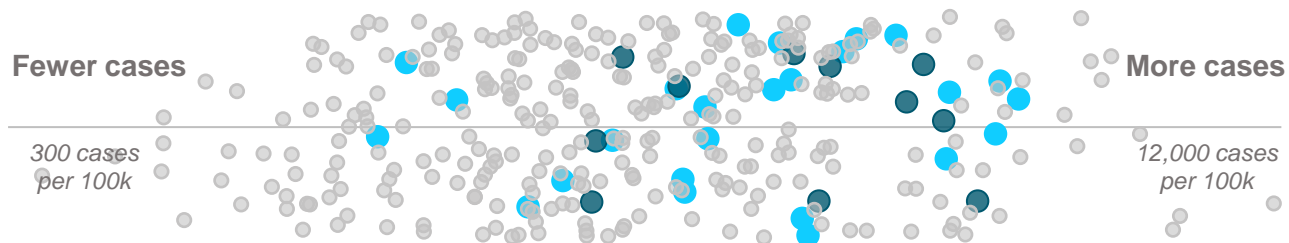
## Covid-19 cases per 100,000 residents

● Key City cases per 100k ● Core City cases per 100k ● UK cases per 100k



## Covid-19 cases per 100,000 residents (cumulative, March 2020 – March 2021)

● Key City ● Core City ● Other UK authorities



**The Cities are home to 32% of the UK's population, yet 37% of total Covid-19 cases:** 1.6 million cases as of April 2021.

The top chart shows the progression of the virus across the Cities and UK since the first cases were recorded on UK soil in early 2020. The first wave of the pandemic was felt most keenly in Greater London. But, as the crisis evolved case numbers increased rapidly in the Key Cities and Core Cities, particularly as the second wave of the virus took off in September 2020. After peaking in January 2021, the virus began to abate throughout the UK as extended national lockdowns and the early success of the vaccination programme came into effect.

Cities have been especially affected by the pandemic. The bottom chart plots the cumulative cases per 100,000 residents in a district. We see that most of the Cities cluster towards the most severely affected end of the range; a space they share with other dense urban areas which have been severely impacted by the virus, including London boroughs.

The virus spreads most easily in crowded places where distance between people cannot be easily maintained and where ventilation is poor, hence why people in cities the world over have borne the brunt of the crisis. However, the health crisis is not an inevitable consequence of city density but rather of overcrowded housing, higher levels of deprivation and inequality. City residents on low incomes often have precarious and hazardous occupations which are more likely to lead to exposure to the virus, and are less able to afford to take leave from work to avoid sickness. As evidence later in this report makes clear, rates of cases and deaths are closely correlated with levels of deprivation in places.

# A fragile labour market recovery suggests structurally higher unemployment could endure

The progression of the virus and efforts to contain it have resulted in extraordinary disruptions to employment – particularly for those in low-wage, precarious jobs. Nationally, unemployment rose from 4% to 5% in the 12 months to March 2021, with 700,000 fewer people in employment across the UK than before the pandemic. These numbers would have been far higher were it not for the furlough scheme and other interventions.

Even before the pandemic the Key Cities and Core Cities had higher rates of Universal Credit claims than the national average.<sup>1</sup> But from March to May of 2020 the rate of new Universal Credit claimants spiked more acutely in the Key Cities and Core Cities than in the rest of the UK, and **by the beginning of 2021 one in ten people - 2.2 million people - across the Key Cities and Core Cities were in receipt of Universal Credit**, with the gap widening between claim rates in the Cities and the rest of the UK.

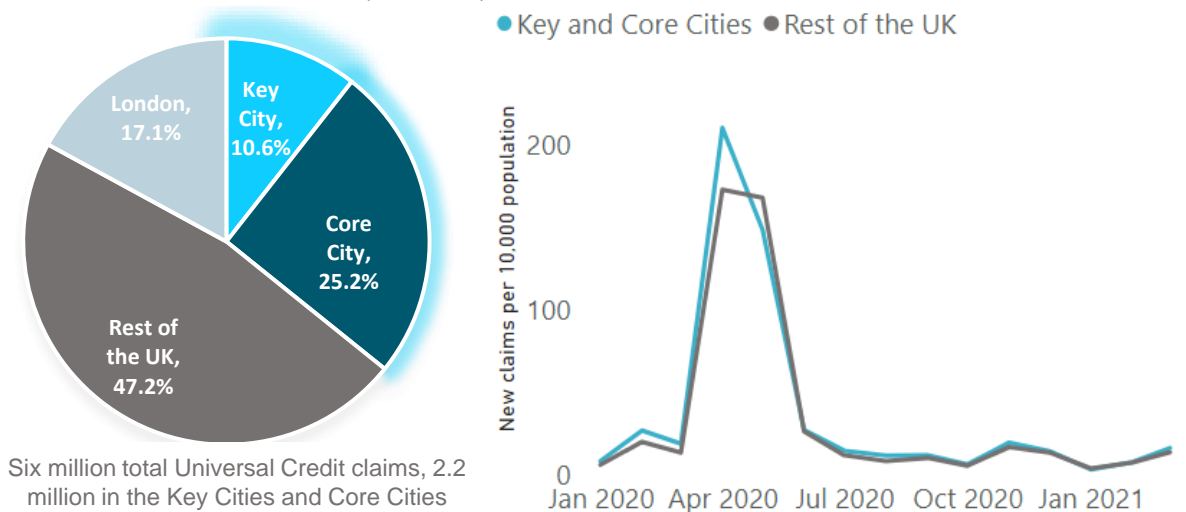
At the same time, online job postings declined throughout the UK in the first half of 2020 and have been recovering gradually since, but again the rate of recovery in the Cities has been slower than in the rest of the UK.

The pandemic's impact on labour markets was blunted by take up of the CJRS (Furlough) scheme. At the scheme's peak 30% of workers in the Key Cities and Core Cities were furloughed – 2.8 million workers. Furlough gradually tapered off over 2020, although in February 2021 14% of workers in the Cities were still furloughed, slightly below the national rate at 15%.

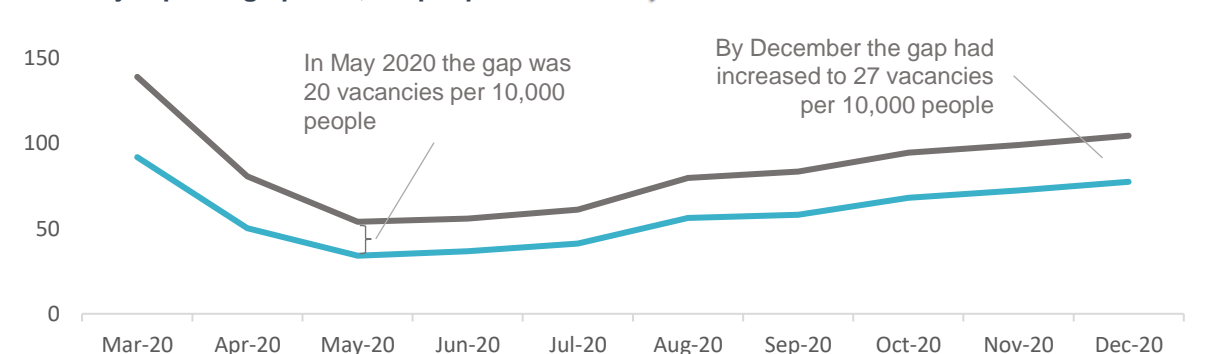
While the most acute phase of the crisis seems to have passed, a further rise in unemployment is likely and it is possible that structurally higher unemployment will endure in areas which are slower to recover.

Source: Metro Dynamics analysis of DWP and Adzuna data.

**Total Universal Credit claims (Jan 2021)** **New Universal Credit claims per 10,000 population**



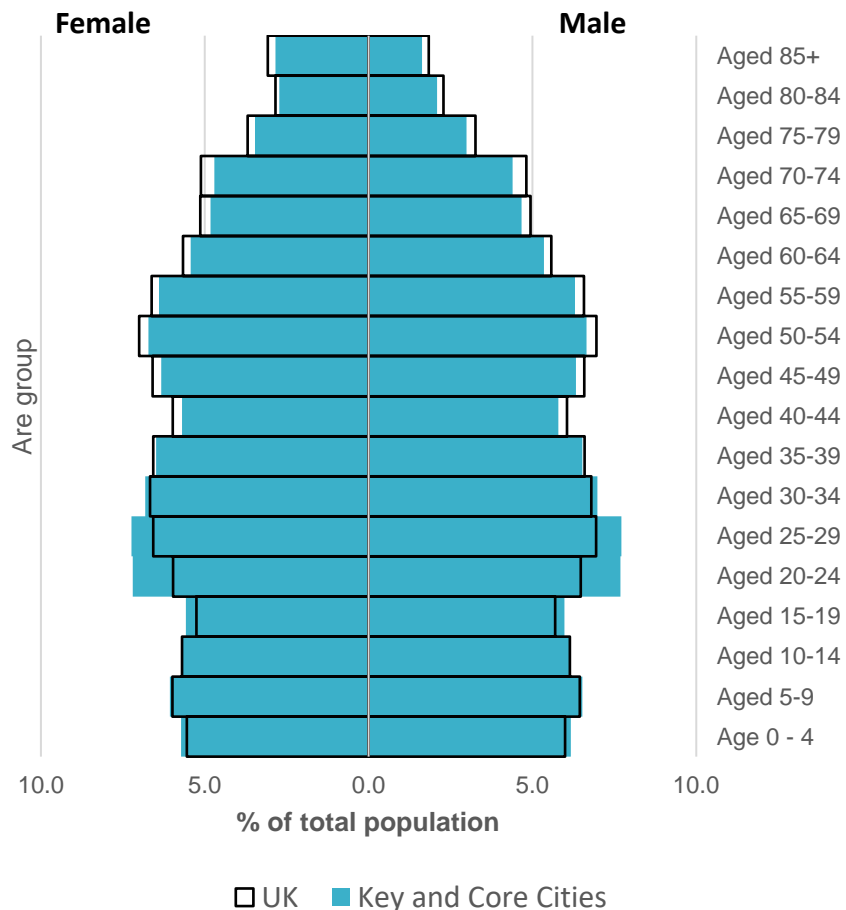
**Online job postings per 10,000 people** ● Key and Core Cities ● Rest of the UK



<sup>1</sup> Universal Credit claims are more a measure of financial hardship than unemployment

# Despite lower health risks the virus has been a major set back for cities' young populations

Key Cities and Core Cities age demographics compared to UK



The Key Cities and Core Cities have younger populations than the UK as a whole. Young people are attracted by and contribute to the diverse labour markets and vibrant cultures that make cities such powerful agents for growth. As a result, the sharp age inequalities exposed by Covid-19 are of special importance for policymaking across the Cities. While younger people have had fewer health risks, they have seen some of the more subjective impacts of lockdown – young people are more likely to have been forced to stay at home in shared rental accommodation, a sometimes-deeply uncomfortable situation for homeworking – and have also been at the sharp end of the labour market impacts.

Analysis from the IFS suggests that employees aged under 25 are about 2.5 times more likely to work in a sector subject to lockdowns. Meanwhile, the ONS reports that those under 25 account for up to two thirds of all job losses since the start of the pandemic. Graduates entering the job market during a deep recession can expect to see a permanent loss of lifetime earnings due to labour market scarring, and may also carry mental burdens of lost confidence and lowered aspirations.

The crisis appears likely to crystallise a fault line of intergenerational wealth differences between young people and older generations. Partly due to precarious labour market conditions and partly due to having less wealth to begin with, young people have had less opportunity to capitalise on the savings accumulations and property wealth increases that have taken place throughout the crisis. The Bank of England has found that while retirees have substantially increased savings through the crisis, low-income people have seen a net decrease due to economic hardship. Defying early predictions, house prices have surged by around 8% year on year during the crisis, thanks in part to government suspension of the Stamp Duty. Homeownership is increasingly concentrated among older generations; a trend sharper within cities and exemplified by London. The beneficiaries of the £950bn increase in household wealth over the last year overwhelmingly exclude the young.

Combined with blows to income and job creation, the risks in the Key Cities and Core Cities of an unequal recovery sharply divided along generational lines are clear.

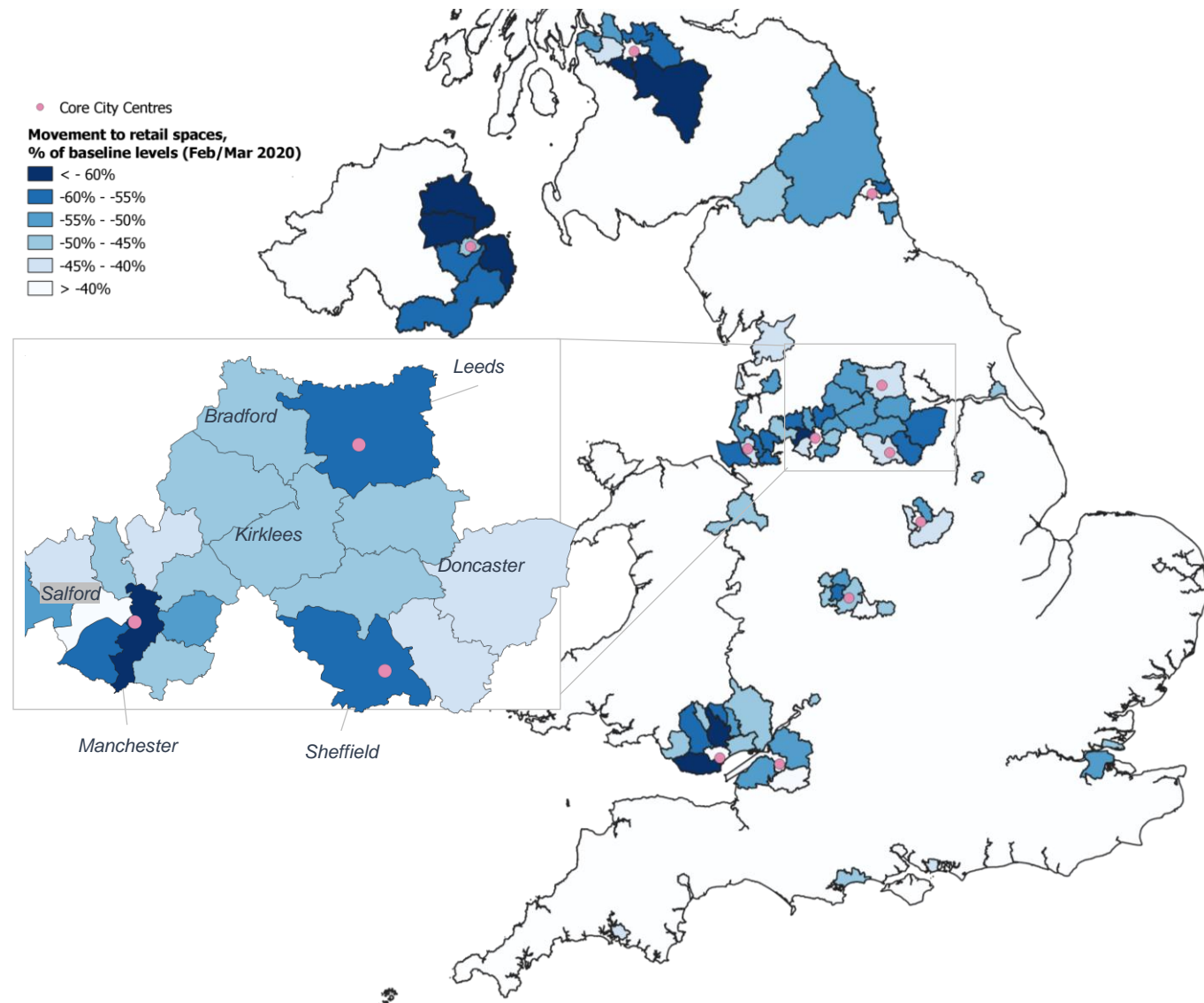
# Large urban centres have been most affected and are slowest to recover

Empty city centres are a defining symbol of the pandemic's extraordinary disruption. For months workers and shoppers have stayed away from city centres, depriving retail businesses of vital footfall and forcing a rethink in the future of urban centres as retail destinations.

High street retail has been declining for a decade, besieged by changing consumer preferences for online channels and out-of-town shopping centres. The pandemic has accelerated the decline: the Centre for Retail Research estimates that nationally some 16,000 businesses were closed and 180,000 retail jobs were lost in 2020. Slow progress in containing the virus means workers and shoppers have been cautious in returning to urban centres and high streets, particularly in the larger Core Cities.

The map to the right shows movement to retail spaces in the week ending March 1<sup>st</sup> 2021 compared to levels recorded in February / March 2020 across Key Cities and Core Cities.

It shows that **movement for retail purposes remains significantly below pre-crisis levels in all areas, but especially in large city centres**, which are still experiencing lower levels of retail activity than the city region areas around them. This is particularly true for Newcastle, Nottingham, Glasgow, Bristol, Cardiff and Manchester, which have experienced a drop in movement to retail spaces of more than 60% compared to pre-Covid-19 levels, whilst their surrounding city regions have observed smaller declines.





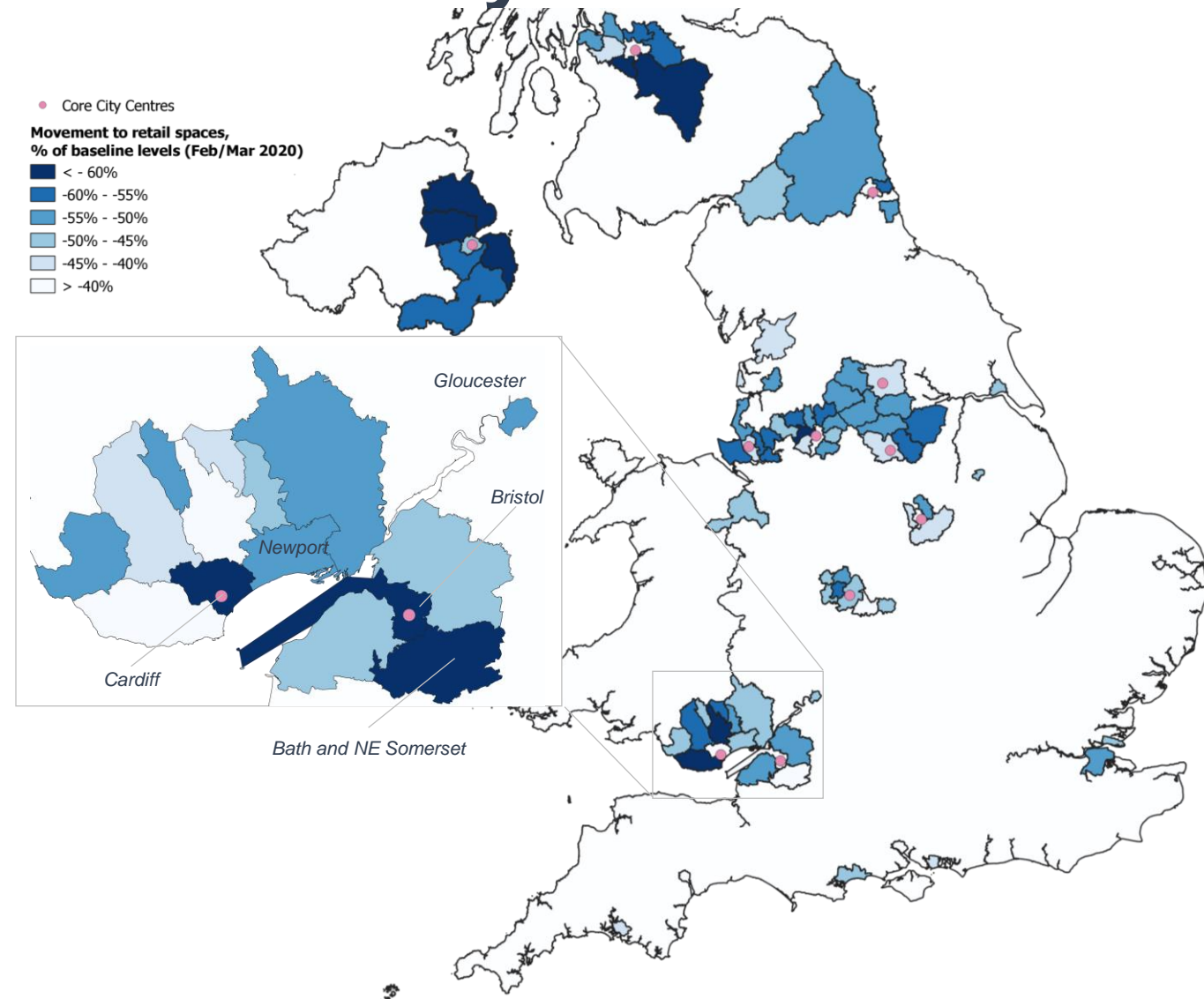
# Smaller urban centres have typically seen smaller reductions in retail activity

Most smaller urban centres, including many of the Key Cities, experienced a smaller reduction in retail activity compared to pre-pandemic levels than the larger urban centres. However, experiences have not been uniform.

Some Key Cities which historically have leveraged their distinct cultural offerings to draw people into retail areas, such as Norwich and Bath and North East Somerset, have seen steep falls in retail activity in excess of 60% below pre-pandemic levels (as of March 2021). Key Cities which would typically attract shoppers from the non-urban areas around them, such as Exeter and Plymouth, have seen similar declines.

However, other Key Cities such as Gloucester and Newport (left inset) have seen retail activity decline less and recover more quickly, albeit to levels well-short of what existed prior to the pandemic. This is the case also for other Key Cities that exist within larger urban conurbations, including Salford, Bradford and Kirklees.

One factor contributing to this is that as commuting flows between cities have reduced, workers from these cities who would typically commute into large nearby centres for work (say from Newport to Cardiff) are instead staying local and increasing their consumption of local services.



# Different paths to city centre recovery: comparing experiences in Norwich and Salford

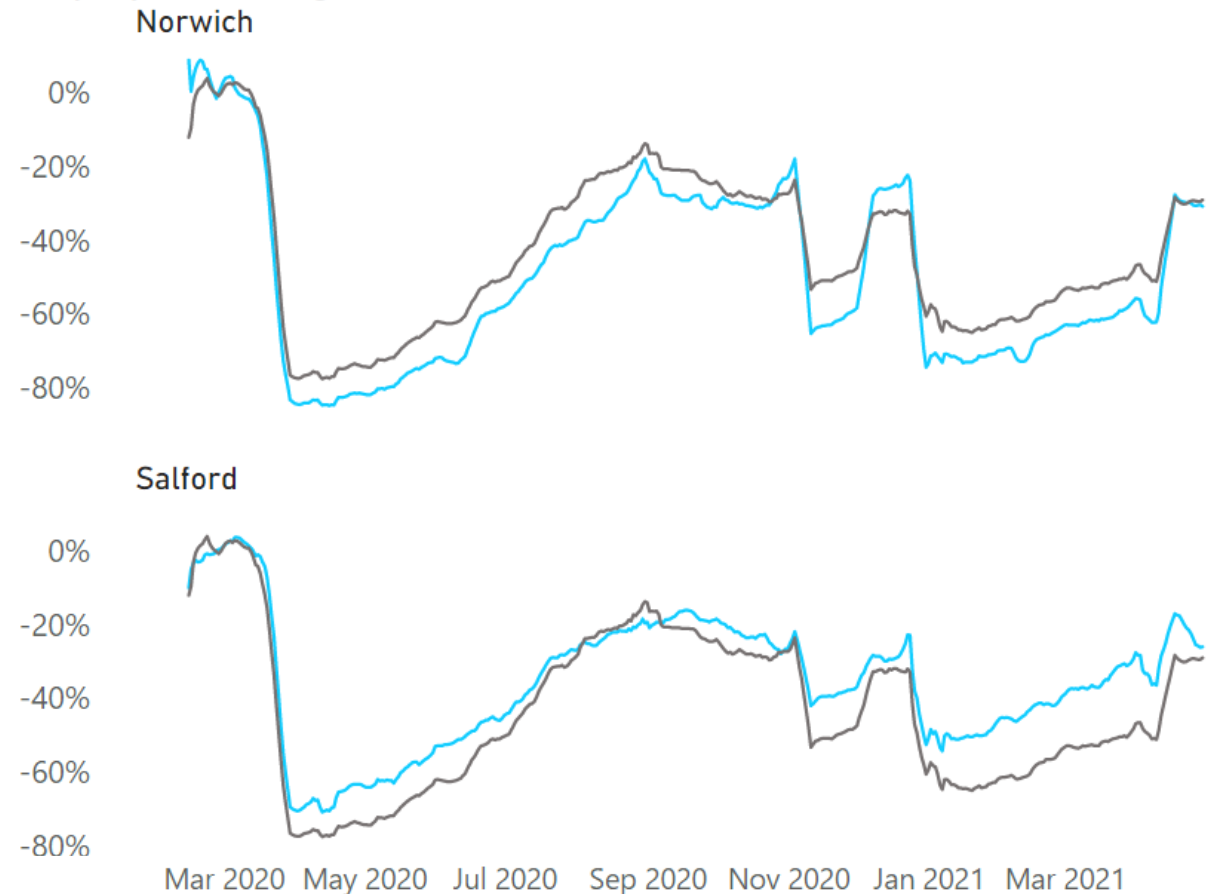
Comparing Norwich, which is a regional city, with Salford, a metropolitan city, illustrates how cities' characteristics have influenced their experience of the crisis. These charts show movement into retail spaces compared to baseline (Feb/Mar 2020) in the two Key Cities compared to the UK average.

Norwich is a regional economic centre that serves a wider hinterland population of one million. Over the first lockdown, movement into retail spaces declined precipitously, with a low of -85% compared to pre-crisis levels, and has largely remained below the UK average ever since. The rise of homeworking helps explain this shortfall. Norwich is a regional city with a large catchment of commuting workers who work in knowledge professions that could adapt to homeworking, and having now made the adaptation, may not return to their city centre offices five days a week. In regional cities like Norwich where high street retail partly depends on office commuters, a key question is how to attract more local residents into the centre.

It is a different story in Salford. Footfall fell, but by less than the UK average and it has typically been quicker to recover after each period of restrictions. In part this is due to fewer jobs in Salford suiting homeworking, and lower inflows of office commuters than in Norwich. Nevertheless, high street retail in Salford will still bear deep scars from the pandemic. The challenge in metropolitan cities like Salford is similar to cities like Norwich: namely how to reimagine city centres to serve communities in new ways.

Key Cities and Core Cities age demographics compared to UK

● Key City ● United Kingdom



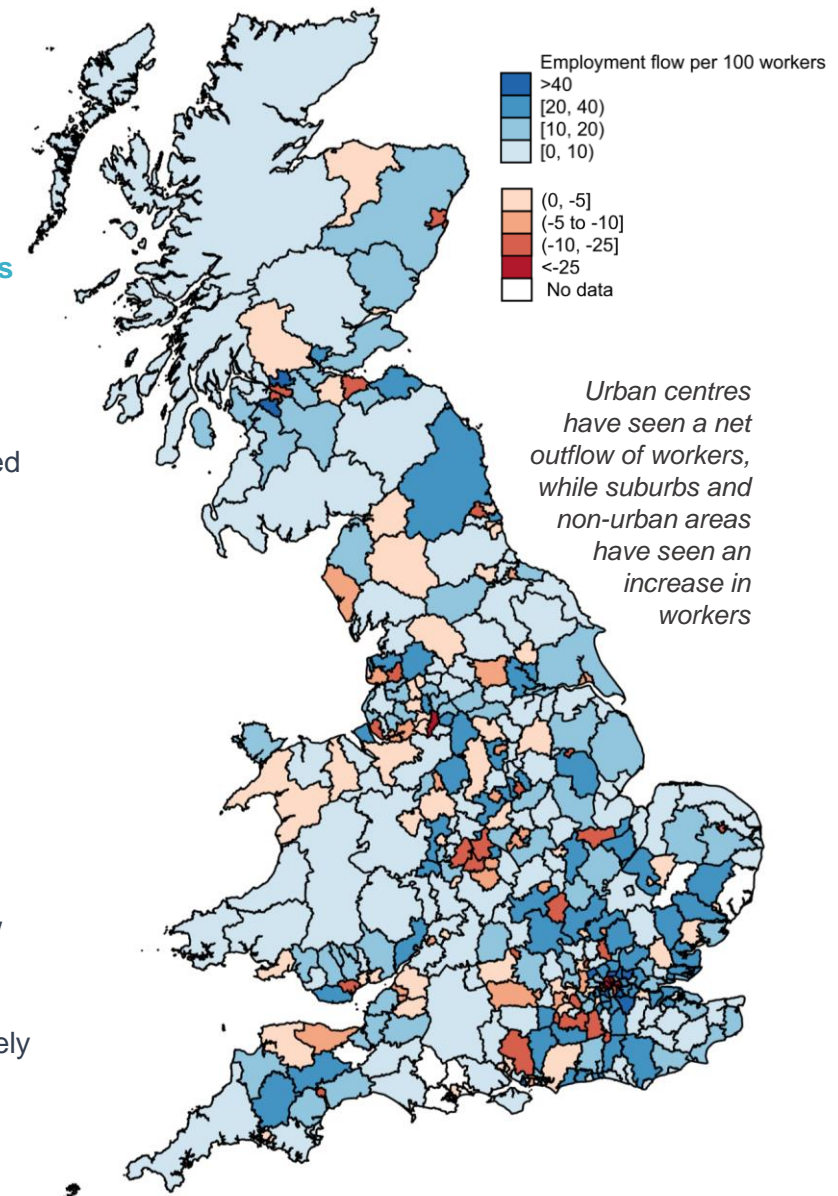
# A permanent shift towards homeworking would have profound implications

The pandemic may be causing the geographic distribution of economic activity to shift from city centres to suburbs. Urban centres are 'hollowing out' as those workers who are able to work remotely (around three in ten UK workers) have swapped their office desk for their kitchen table. **As cities emerge from the pandemic a major uncertainty is the extent to which homeworking becomes a permanent feature of city living**, or whether urban centres will revert to something resembling life before the pandemic. At the time of writing, the most likely scenario is one of 'hybrid working' with office workers, perhaps working 2 days a week in a central office location.

This shift in economic activity across geographic space is referred to as the 'Zoomshock'. The Zoomshock, calculated as the difference between the inflow of workers in a neighbourhood due to homeworking and the outflow of workers due to homeworking, describes a pattern which is consistent throughout the UK: the relocation of work and workers from offices in high density urban areas to comparatively low density residential neighbourhoods; a shift made possible by digital infrastructure and the rapid reorganisation of office-based businesses to operate virtually.

The most significant implication of the Zoomshock may be what it means for the 'locally consumed service' businesses that exist in city centres and which, until now, have predominantly served local office workers: cafes and bars, gyms, barbers, theatres and the like. By their nature these businesses *only* serve local consumers, and the exodus of workers from city centres has deprived them of key clientele.

The Zoomshock has affected different neighbourhoods in different ways: while office-dense city centres have experienced declines in output and employment as office workers stay home, the residential areas that workers now spend more time in are seeing an increase in productive activities. This is good for locally consumed businesses located in these suburbs – the most obvious evidence of this being long queues outside businesses in residential areas while those in city centres remain closed. However, while the Zoomshock may be good news for those relatively affluent suburbs that hold a higher share of professional workers working at home, it is likely to exacerbate inequalities with other neighbourhoods that don't have such a high share of professional office workers.



# Most of the Key City and Core City urban centres have seen net outflows of workers

The table to the right presents the inflows, outflows and net flows of workers from the urban centres of the Key Cities and Core Cities, based on estimates of the effect of the Zoomshock on each place. For the Core Cities this analysis defines the 'urban centre' as the named local authority for that city.

Across Core Cities in England and Wales there were outflows of 968,000 and inflows of 739,000, equating to a net outflow of 229,000 workers. All of the Core Cities experienced large outflows of workers: an estimated 56,000 in Manchester alone. This is because the Core Cities contain high densities of office-based workers capable of homeworking.

Across Key Cities there were outflows of 885,000 and inflows of 841,000, equating to a net outflow of 44,000 workers. Most Key Cities saw fairly small net outflows of workers, with some, notably Kirklees and Medway, actually seeing an increase of workers remaining local, as workers stopped commuting to London (for Medway) and Leeds (for Kirklees).



Flows of workers in the Cities			Key City	Core City
Cities	Outflow	Inflow	Net Inflow	
Manchester	-134,458	77,501	-56,957	
Birmingham	-184,051	146,348	-37,703	
Leeds	-164,792	134,350	-30,442	
Nottingham	-65,161	39,387	-25,774	
Newcastle	-66,407	42,002	-24,405	
Cardiff	-80,864	62,937	-17,927	
Liverpool	-82,777	66,763	-16,014	
Bristol	-97,527	83,361	-14,166	
Norwich	-35,818	21,927	-13,891	
Exeter	-32,215	20,522	-11,693	
Preston	-33,187	21,756	-11,431	
Coventry	-56,048	46,560	-9,488	
Kingston upon Hull	-37,650	29,871	-7,779	
Sheffield	-92,288	86,038	-6,249	
Salford	-43,252	37,762	-5,490	
Lincoln	-18,504	13,301	-5,203	
Portsmouth	-36,471	33,220	-3,252	
Wolverhampton	-35,051	32,443	-2,608	
Southampton	-40,905	38,358	-2,547	
Newport	-24,518	22,126	-2,392	
Gloucester	-23,194	21,014	-2,179	
Plymouth	-38,768	36,935	-1,833	
Bath and North East Somerset	-34,998	33,552	-1,446	
Sunderland	-39,371	38,215	-1,156	
Carlisle	-15,914	15,906	-8	
Blackpool	-19,012	19,175	163	
Bournemouth, Christchurch and Poole	-65,939	66,457	519	
Bradford	-72,633	73,365	733	
Wrexham	-17,285	19,342	2,057	
Lancaster	-18,801	20,974	2,174	
Doncaster	-36,054	39,192	3,138	
Southend-on-Sea	-25,155	31,015	5,859	
Medway	-31,040	42,206	11,166	
Kirklees	-53,461	66,395	12,934	

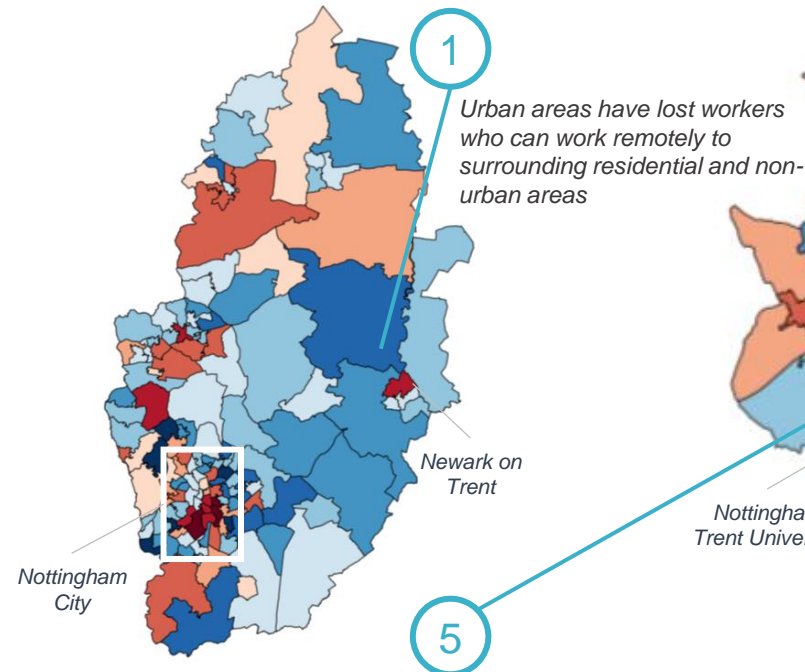
# Changing city centres: a case study of the Zoomshock in Nottingham

Research on Zoomshock, looking at the effect of working from home on local economic activity and mobility, illustrates the changes that have taken place in city centres across the country. Here we show the example of Nottingham and Nottinghamshire.

Nottingham has seen pronounced inflows and outflows of workers resulting in a large net outflow of 26,000 workers from the city into other parts of Nottinghamshire - particularly into more residential areas as city workers have worked from home.

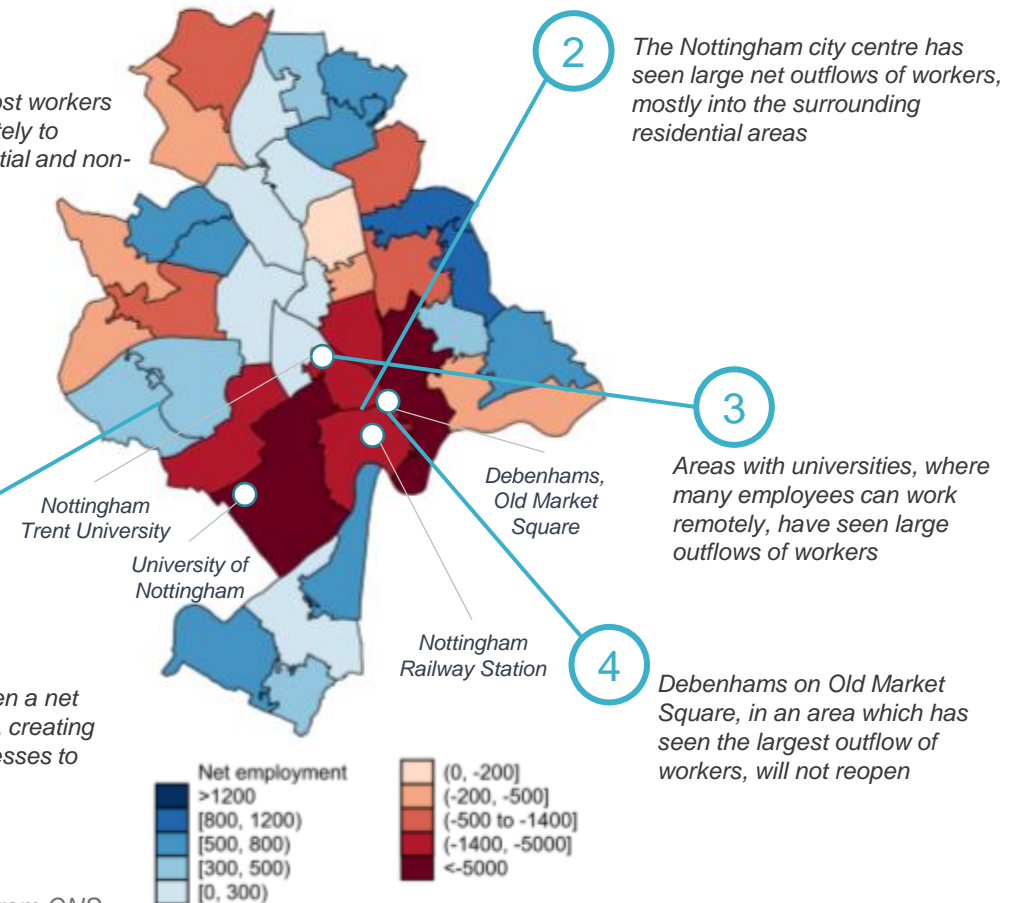
In Nottingham as in the rest of the UK, **residents and workers in more deprived areas are less able to work from home**. In Nottingham 37% of people have jobs they are able to do from home, but in the most deprived quartile of neighbourhoods just 28% of residents can work from home, while 44% of residents in the least deprived quartile of neighbourhoods are able to work from home.

## Zoomshock in Nottinghamshire



Less deprived areas (such as Wollaton) have seen a net inflow of workers as homeworking has increased, creating opportunities for locally consumed service businesses to establish in the area and serve local demand

## Zoomshock in Nottingham City

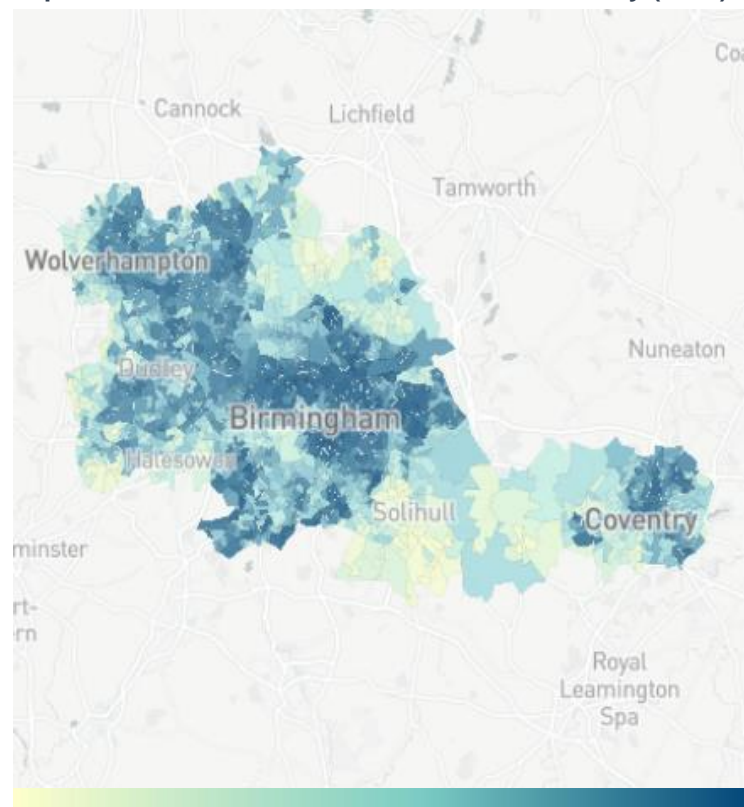




# Helping the places hardest hit by the crisis requires understanding impacts at a local level

Across cities and nationally, the severity of Covid-19's impact on places and communities is closely correlated with pre-existing levels of deprivation in neighbourhoods, as these three maps of the West Midlands Combined Authority region show. In this sense Covid-19 has exacerbated pre-existing inequalities and added to the levelling up challenge within cities.

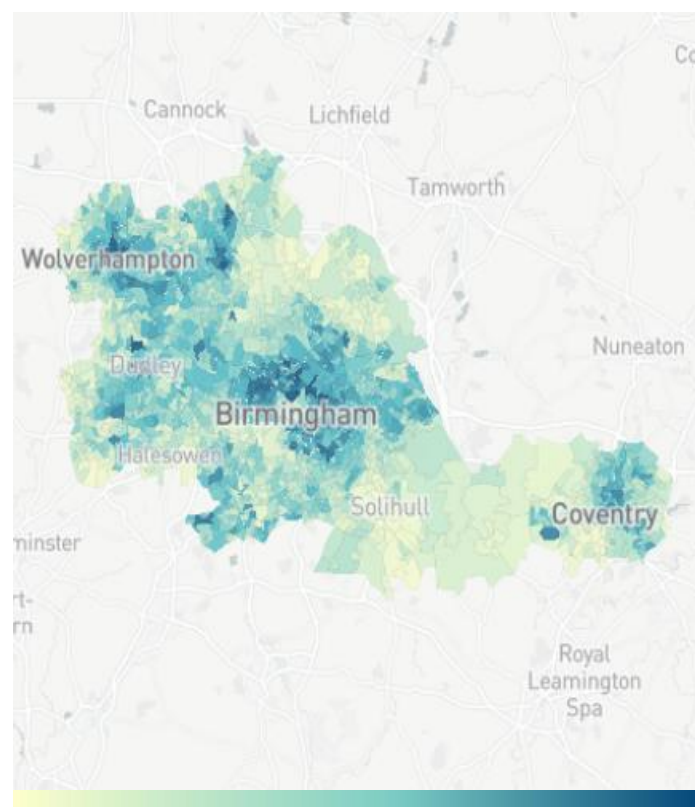
Deprivation in West Midlands Combined Authority (2019)



Low deprivation

High deprivation

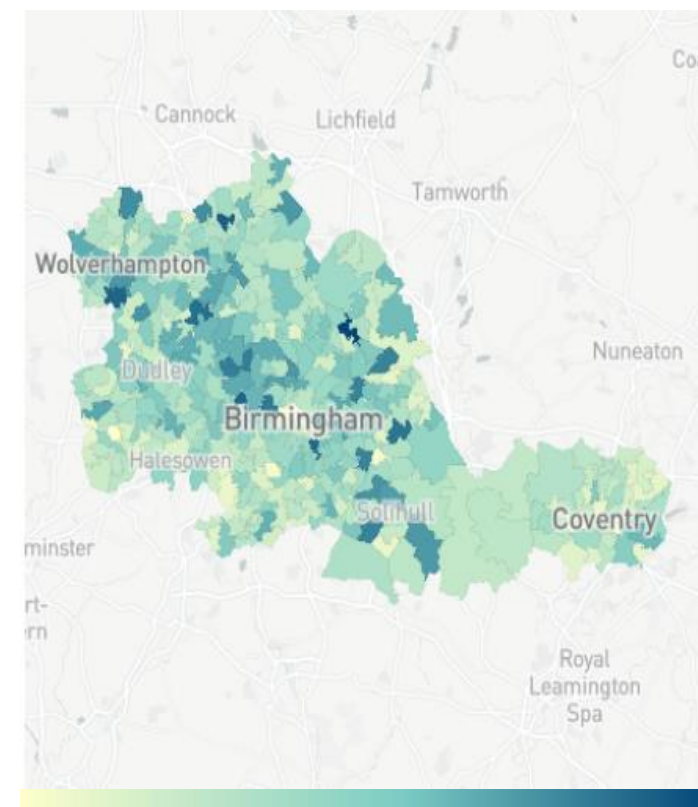
Universal Credit claims in WMCA (Mar 2021)



Low concentration

High concentration

Covid-19 deaths in WMCA (March 2020 – March 2021)



Low concentration

High concentration

# Rebuilding resilience in dense urban communities; East Asia after SARS



Photo Credit: Creative Commons, Deconvertini. Seoul, 2020

Future health resilience depends in part on addressing overcrowding, a factor highlighted by the experience of the heavily urbanised East Asian nations. Following the 2002-2003 SARS crisis, East Asian countries like Taiwan and South Korea overhauled their pandemic preparedness, establishing new crisis governance structures that worked across government silos rather than vertically, and health data sharing. After SARS, the Taiwanese government assigned responsibilities for pandemic control to 134 local medical institutes and equipped them to carry out quarantines and local health support. This local designation meant that responsibility for medical action was clear, and local medical institutes shared constant dialogue with regional government. So far, Covid-19 has caused only nine deaths in Taiwan.

Meanwhile they maintained support for dense urban living, and in the Covid-19 crisis, generally fared well despite their dense and internationally integrated major cities. This is because density is not a risk factor for pathogenic spread; overcrowding, the number of residents to each bedroom, is the dominant factor. Sprawling but overcrowded metros like Los Angeles, hard hit by sustained waves of Covid-19, attest to the importance of addressing overcrowding for future urban resilience.

In Singapore, an initially successful Covid-19 containment operation in the dense city-state saw authorities nearly lose control of the pandemic as disease ripped through overcrowded migrant worker accommodation. The outbreak wasn't contained until new rules addressing overcrowding were brought in; correctly recognising overcrowding as a serious danger to public health.



# Towards post-pandemic renewal

Urban centres have experienced the worst of the crisis, but they can also be at the forefront of recovery and renewal. Across the UK, the Centre for Cities estimates that cities are responsible for 62% of output and 58% of output, and contain 80% of the levelling up challenge.<sup>1</sup> Looking beyond the immediate impacts of Covid-19 we see that cities have a pivotal role to play in addressing the major challenges facing the UK: levelling up deprived places, achieving net zero, increasing national economic productivity and developing enhanced models of governance and devolution. Although temporarily overshadowed by the pandemic, the role of cities in responding to these challenges is as important as ever; now they must do so in a world the pandemic has transformed.

Cities now face two questions:

*Where will future prosperity come from?*

*How should cities grow in a way which tackles the inequalities highlighted and exacerbated by Covid-19?*

Leaders in each Key City and Core City will have different answers to these questions, though innovation and inclusive growth are priorities for all. Recognising the differences between places, this report offers a policy framework that each city can apply to their specific circumstances to answer these questions. That framework is laid out later in this report. Here, we offer some insight into how cities can make use of their advantages to increase innovation, reimagine city centres, lead the transition to net zero and address widening deprivation.

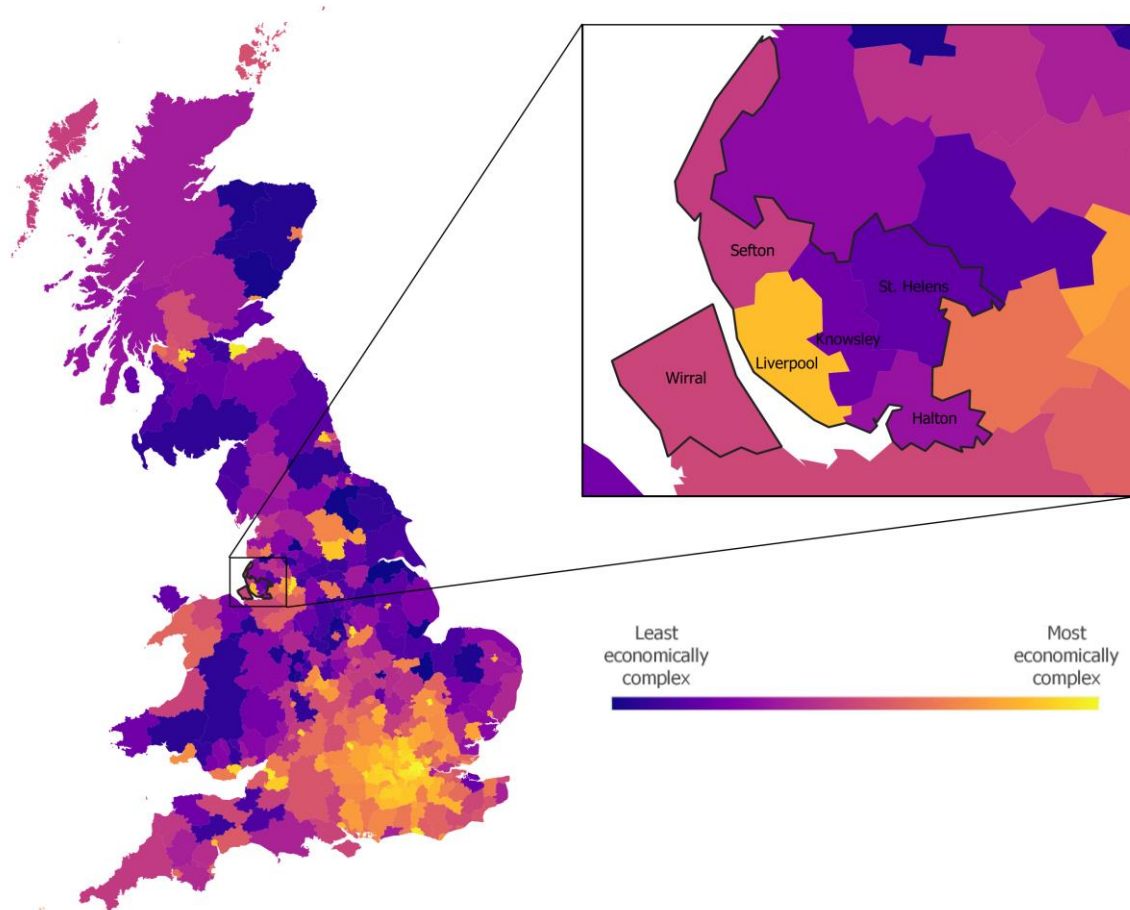
<sup>1</sup> The Centre for Cities definition used here includes London and other cities outside of the Key Cities and Core Cities groups



Image: Riverside Sunderland. St Mary's Stage, Sunderland

# City centres can be focal points for innovation and complex economic activity

Economic Complexity of districts in Great Britain



**Increasing innovation in the Key Cities and Core Cities must be a central component of any plan to increase economic prosperity.** Knowledge is central to economic development. With greater knowledge a place can be more productive and can create more things of higher value. In modern economies this knowledge is too complex for any one individual or business to possess. Instead, a complex web of relationships and networks between businesses grows to enable the population to store a greater level of knowledge, thereby becoming a more complex economy. Cities are ideal vehicles for this process of knowledge creation and networking; indeed, cities' ability to connect people and ideas in ever larger clusters is one of their most important functions.

The [economic complexity index](#) (ECI) is a measure used to rank the industrial complexity of a place, based on the sectoral strengths of that place and their levels of complexity (for instance, financial services are more complex than raw materials extraction). The higher the score on the ECI, the more complex a place's economy is and the greater its potential for high-value output and productivity gains, and therefore higher GVA per head. We have carried out this analysis at the local authority level to determine complexity across cities.

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**The centres of Core Cities rank high in economic complexity** - 8 out of 10 Core City regions (with available data) have city centres in the top 10% most economically complex places in the UK.

**There is greater variance in economic complexity across Key Cities** – Norwich scores the highest in economic complexity across key cities, ranking 42<sup>nd</sup> (out of 371 authorities) compared to the lowest in Kirklees ranking 338<sup>th</sup>.

**The wider Core City regions are less complex** – None of the surrounding areas around a Core City centre (that are part of the city region) are within the top 10% most complex of places. This is exemplified by Liverpool on the left hand map, where complex economic activities are concentrated in the centre. Core City centres have a role in diffusing knowledge accumulation across their wider regions.

# The Key Cities and Core Cities have significant potential to increase innovation

The Key Cities and Core cities have the potential to be at the forefront of innovation in the UK, and indeed they already contain some of the necessary ingredients:

- **Physical assets** – High Ultra fast fibre broadband levels of 65% across Key Cities and Core Cities compared to 52.2% Great Britain average.
- **Economic assets** – 75 higher education institutions and 158 business accelerators (42% of the total).
- **Network assets** – 3 of 5 Innovation Districts are in Key Cities and Core Cities.

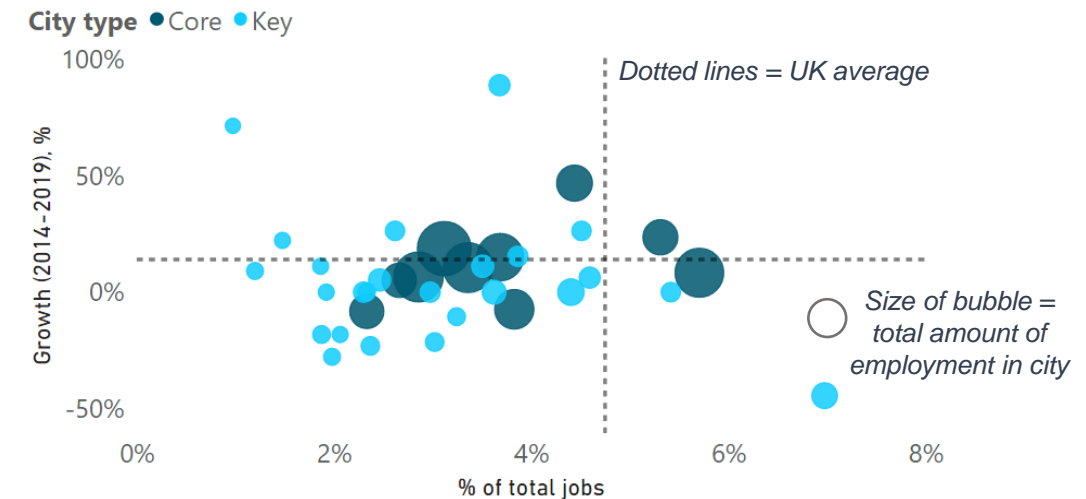
However, despite these assets, innovative activity in most of the Key Cities and Core Cities remains subdued at levels below the national average, exemplified by lower proportions of employment in jobs in innovative fields compared to the national proportion of 5% (top chart). Further, in the five years before the pandemic most Cities saw their proportion of employment in innovative fields grow more slowly than the national average – and in nearly half the cities the proportion of these jobs actually declined.

The end result of subdued innovation is slow growth in Gross Value Added per head, a common measure of economic productivity (bottom chart). GVA per head in the Key Cities and Core Cities has consistently trailed the UK average, with the gap gradually widening over time. GVA per head in Key City and Core City regions is £22,600 and £23,600 respectively, compared to the UK average of £27,500. **If GVA per head in Key Cities and Core Cities was equivalent to the national average it would add an additional £89.4bn to the economy.**<sup>1</sup>

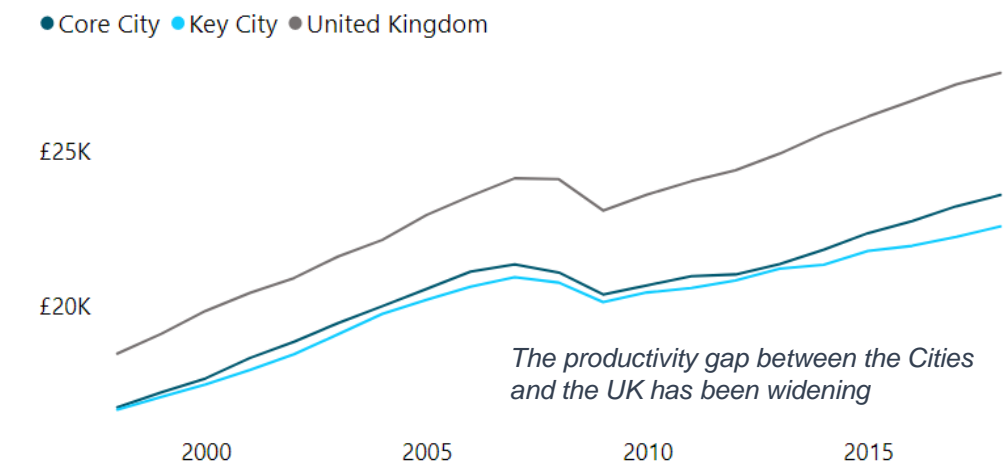
What can the Cities do to reverse this trend? Though there are no simple fixes, part of the solution is taking action to support developing clusters of businesses in promising sectors.

Source: Metro Dynamics analysis of ONS Regional (Balanced) GVA and BRES.

Jobs in innovative fields (2019) and 5 year growth rates

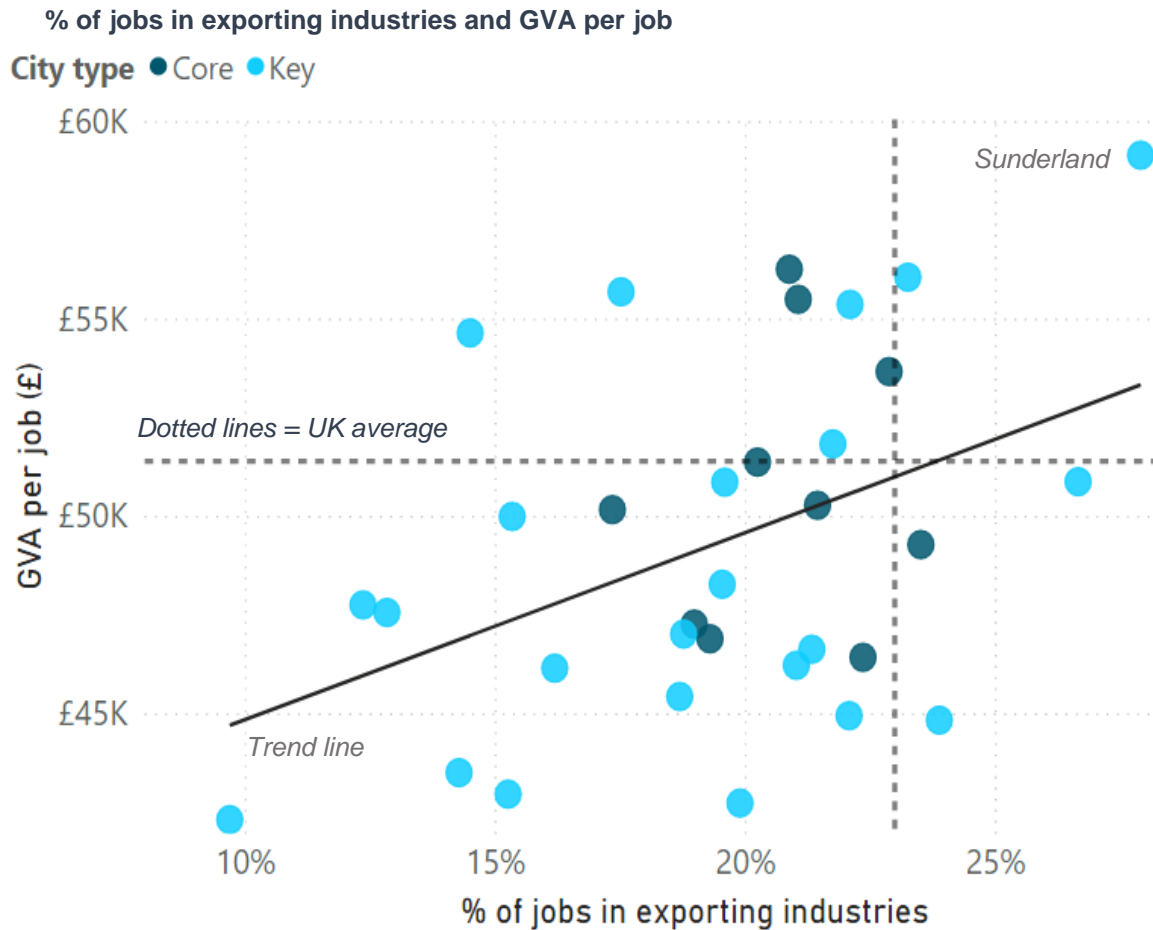


GVA per head (£), 1998 – 2018



<sup>1</sup> See Appendix: Notes on data for calculation method

# Increasing employment in exporting businesses will help close the productivity gap



The chart on the left shows the positive correlation between the proportion of jobs in a city in exporting businesses, and the GVA per job in that city. Exporting industries are those in which businesses are able to sell beyond their local markets, such as manufacturing, financial services and information technology. Businesses in these industries tend to be more productive than those which supply locally consumed services (such as cafes and gardeners), owing to their superior ability to absorb new innovations, access economies of scale and reach larger markets. Centre for Cities research establishes that in trying to increase productivity, cities should focus on attracting and supporting these exporting businesses, rather than directing efforts at the 'long-tail' of low productive businesses that are often assumed responsible for sluggish productivity growth.

Most of the Cities contain fewer exporting jobs, and are less productive, than the national average. So how should cities spur growth in exporting industries, and thereby in productivity? The city which most exceeds the national average on both these counts, Sunderland, suggests a way.

Sunderland has the highest productivity of all the Cities at £59,138 GVA per job and the highest proportion of jobs in exporting industries (27.9% of total jobs in Sunderland). This is no accident. Sunderland is home to a cluster of large, productive advanced manufacturing businesses, including the largest Nissan factory in Europe. Not everywhere can have a major car manufacturer, but through interventions to support place-based clusters of exporting businesses such as innovation districts and even joined up innovation corridors (such as the corridor linking Newcastle and Blyth, connecting submarine engineering expertise in Newcastle, wind turbine production in Dogger Bank, and the BritishVolt lithium battery Gigafactory in Blyth), Cities are able to leverage their comparative advantages to develop innovation clusters in diverse fields from advanced manufacturing to life sciences.

# Building an innovation ecosystem at Newcastle's Helix

With a determined focus on innovation, Newcastle aims to revive its economic performance by transforming one of its former industrial sites into a centre of collaborative, cross sector activity. The Newcastle Helix, built on the site of the former Tyne Brewery located by St James's Park football stadium at the edge of the city centre, is a new innovation district in the heart of Newcastle, designed to transform the district into a science and research hub.

Developed by a partnership of the city council, Newcastle University and Legal & General, Helix's purpose is to bring together multiple disciplines in one district of the city, allowing researchers and businesses to collaborate informally and subsequently commercialise ideas. Businesses are provided with lab space and research infrastructure, giving small businesses access to high-end facilities where they can develop new ideas and test their business models. The project is one of the largest urban regeneration schemes of its kind in the UK which will eventually create more than 4,000 jobs, 500,000 sq. ft of office and research space, and 450 new homes.

Helix is a deliberate attempt to use the strengths of Newcastle and the surrounding region's public sector to push innovation that benefits economic growth but also delivers civic benefit. The North East is home to the UK's largest research active public health system, providing a research base from which entrepreneurs and small businesses can build new commercial enterprises. The site also houses the Lumen, the largest city centre office building with private sector funding to be constructed in the last decade, three national innovation centres, offices, lecturing facilities for the university, and residential buildings, all based in large and green public squares.



Image: The National Innovation Centre, Newcastle Helix

# High streets and city centres must adapt to suit new purposes

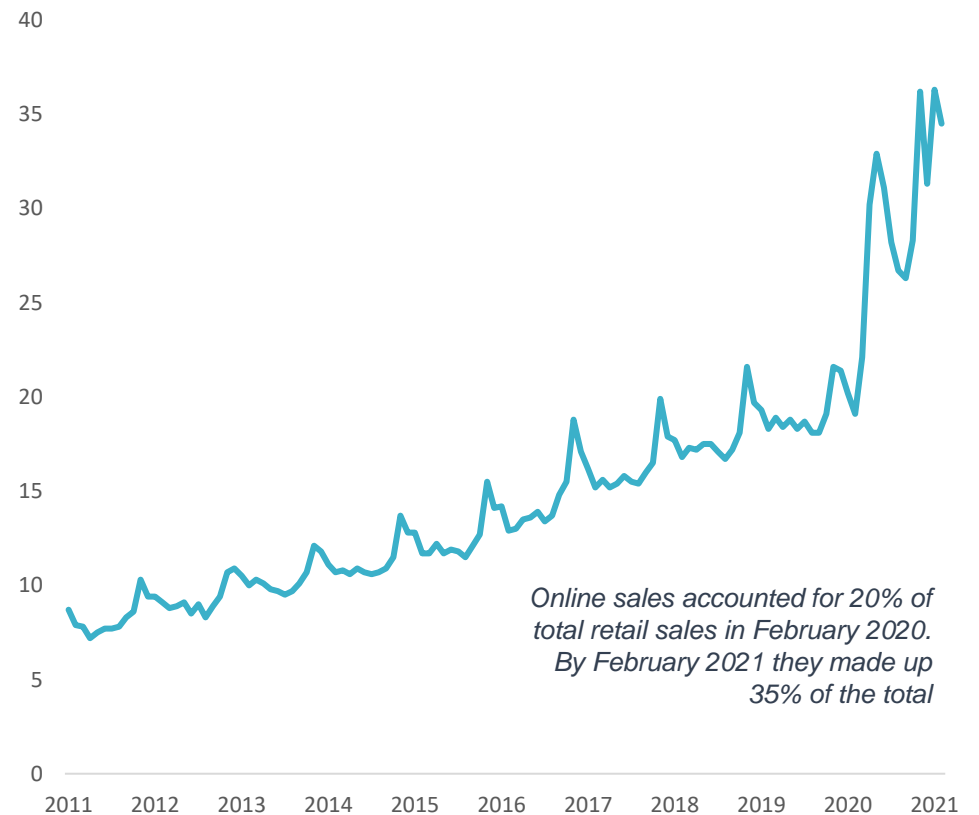
The penetration of online retail into consumer habits is set to be a permanent feature of the post-pandemic economy and urban centres and high streets must adapt. Although the shift presents opportunities to redesign urban centres to suit new purposes, in the near term there are significant challenges to face. KPMG estimates that high streets could lose between 20% - 40% of their retail offerings to online retail, placing 30% - 40% of retail jobs on high streets at risk. In some cities that could affect up to 5% of the local labour force.

Of particular concern for larger urban centres is the loss of flagship stores, particularly Debenhams, John Lewis and the Arcadia Group, which act as anchor tenants in urban centres, attracting local trade and footfall and accounting for thousands of retail jobs. Even as city centres bounce back in 2021 with the return of vaccinated workers and shoppers, these empty assets will serve as a reminder of the scars high streets carry from the pandemic.

But the impacts vary greatly across and within cities, based on the function of local high streets. Areas with more convenience shopping, experiential services, food outlets and essential services in amenable public spaces – particularly those located in suburban areas where workers have spent more time - have generally done much better than city centres. This offers a clue for how city centres may adapt in future, to be remodelled as centres of experience, community life, and specialised retail not just places of mass consumption.

**The pandemic presents opportunities to catalyse city liveability by exploring different uses of city centre space:** the reduction in commuter footfall and likely consequent fall in commercial property values could make new uses of city space possible and open up opportunities to reshape city centres.

Internet sales as a proportion of total retail sales, UK (%)



# New uses for high streets: Cultural resilience in Southampton

Southampton is establishing itself as a major cultural city, having invested £58m in its city centre Cultural Quarter and with broad and dynamic support for a bid to become UK City of Culture in 2025. During the Covid-19 crisis, the city acted to maintain this cultural momentum, delivering Southampton's Mayflower 400 cultural programme with a mix of socially distanced performances and installations, online premiers of new artworks and exhibitions, which formed part of a city-wide and 2020 high street reopening - maintaining the city as a centre of community life and cultural experience.

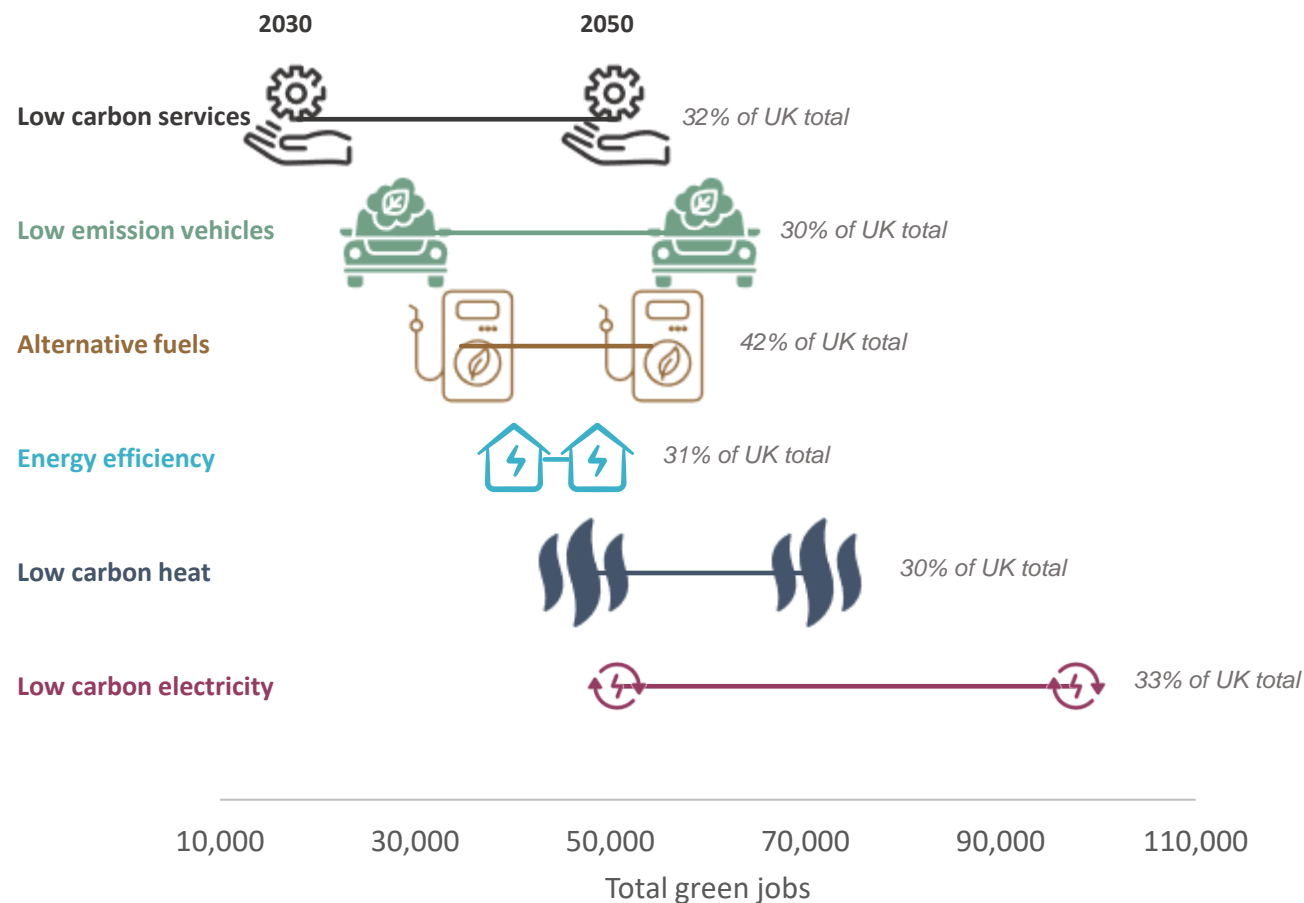
Throughout the crisis, the Southampton Business Improvement District worked with the local authority, artists, cultural, academic and business partners to activate creative projects in the public realm. BENCH involved the transformation of 16 benches on the pedestrianised high street by local artists; busking gave musicians a high street stage and income when venues were closed; artists delivered major on-street and bollard painting to aid the recovery of hospitality and leisure businesses by creating a 'go-to' outdoor dining destination; a 14-metre long mural celebrates Southampton's residents, environment and history at Westquay Shopping Centre; and bespoke artist-designed vinyls feature in empty shop windows.

The city intends to build on this success during the recovery process and has integrated culture as a key part of its local economic recovery strategy.



# There are enormous opportunities for the Cities in the UK's transition to net zero

Forecast employment in low carbon sectors in 2030 and 2050 for the Key Cities and Core Cities



Source: Metro Dynamics analysis of LGA Green Jobs data.

By 2030 the Local Government Association estimates the Key Cities and Core Cities will be home to at least 220,000 jobs in the low carbon economy, and by 2050 that figure could rise to 380,000. **The opportunities and benefits to cities of leading the UK's transition to net zero are enormous:** in cleaner air, healthier people, new industries, redesigned urban spaces and transport networks, and lower insurance premiums.

The transition will require significant investment. PwC estimates that for the UK to meet its net zero target, an estimated £40bn of investment per year is required over the next decade in low carbon and digital infrastructure. Cities will have a major role to play in envisioning greener futures, designing solutions and galvanising private sector investment.

The Key Cities and Core Cities are committed to the transition to a low carbon economy, with both groups declaring a climate emergency. Core Cities have called upon government to establish an emergency task force partnership and help develop a radical new UK Climate Strategy. The Core Cities are also seeking to use an event at COP26, in Glasgow, as an opportunity to foster longer term international collaboration and dialogue between cities, nations, their relevant institutions and representative networks, stimulating a debate, sharing practice and capacity long beyond COP26.



# Shaping cleaner and safer walkable cities in Barcelona, Pontevedra and Manchester

One way to tackle urban environmental challenges is to reduce the role played by cars in city centres. In Barcelona, innovative attempts to tackle air and noise pollution have culminated in the Superblock programme. In a Superblock, nine city blocks are grouped together, and through traffic is rerouted around the periphery, with parking underground for residents and street levels raised so that all modes of mobility have equal access to space. During the pandemic, Mayor Ada Colau announced an investment of €38m to convert a large portion of the central Eixample district into a “Super-Superblock”, covering 21 new green streets. Ultimately, the city aims to free up 70% of its current road space for active travel.

In the city of Pontevedra in the Spanish region of Galicia, a long-term pedestrianisation drive has delivered substantial environmental and demographic benefits. Cars and on street parking are banned in the city centre, ringed by a series of free underground parking. Traffic deaths have fallen to zero since 2009, while CO2 emissions have dropped by 70%. With the urban risk of traffic accidents reduced, the city is seen as an attractive destination for families, with town’s population of children increasing by 8% since the start of pedestrianisation in 2000.

Meanwhile in the UK, cities have taken advantage of lockdown to reshape city centres and strengthen mixed-use quarters. In Manchester, the City Council pedestrianised sections of the Northern Quarter and Deansgate, two popular mixed use city centre neighbourhoods. The City Council now plans to invest £2.6m into active travel infrastructure, in a permanently pedestrianised Northern Quarter.

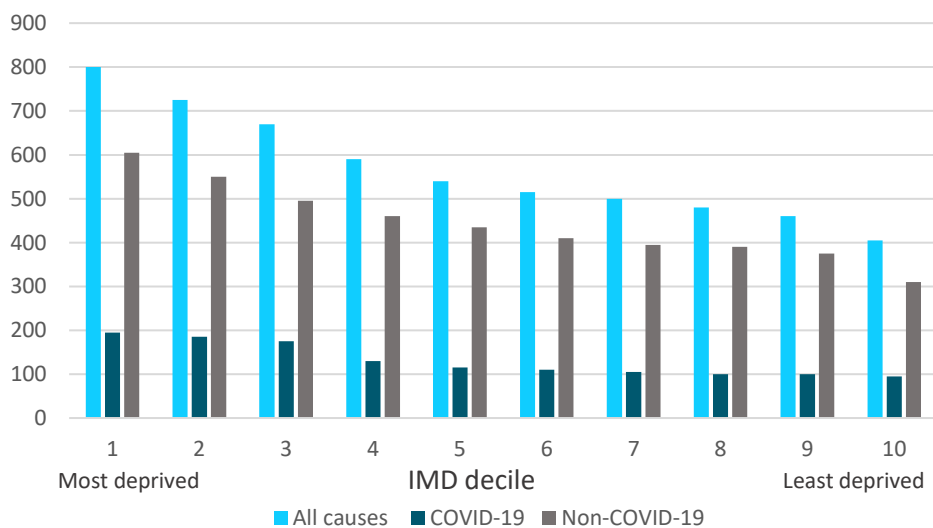


Photo: Ancoats, Manchester. James Gilmour 2020

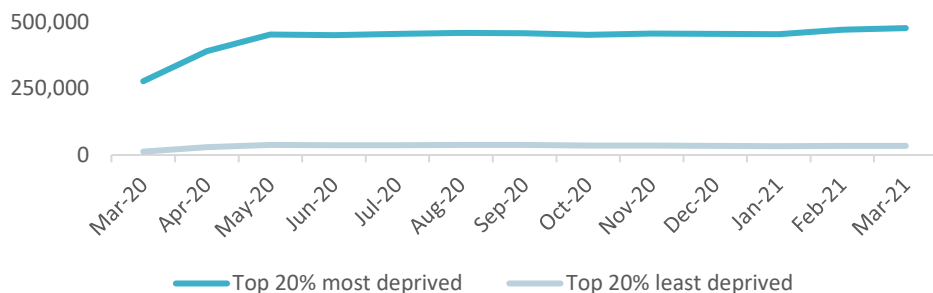
# Widening deprivation must be reversed if places are to level up

## Covid-19 mortality rate by IMD decile, *Institute for Fiscal Studies*

Age-standardised mortality rates (per 100,000), males



## Claimant count across Key Cities and Core Cities by deprivation group



Source: *Institute for Fiscal Studies; Metro Dynamics analysis of ONS Claimant Count*

The pandemic has widened the pre-existing inequalities between places and people in the UK. We have seen that **more deprived places have borne the brunt of the crisis**, both in terms of the impacts on health and work.

The link between health and deprivation is well-established. There is a ten year gulf in life expectancy between the most and least deprived places in the UK. The pandemic has provided a grim reminder of these disparities and has widened the gap between deprived and non-deprived places: research by the Institute for Fiscal Studies shows that the Covid-19 mortality rate in the most deprived areas was double that of the least-deprived.

The pandemic has widened income inequalities. Across Key Cities and Core Cities 7.6 million people live in neighborhoods which rank in the 20% most deprived – one in three of all Key Cities and Core Cities residents. **If rates of deprivation in the Cities matched the UK average, there would be 3.3 million fewer people living in deprived neighbourhoods.**<sup>1</sup> People in these deprived neighbourhoods make up the bulk of new Universal Credit claims over the pandemic period, with 200,000 new claimants from March 2020 – February 2021 compared to 21,400 in the top 20% least deprived. Moreover, the substantial gap in educational achievement between pupils in rich and poor households is likely to grow in years to come, with pupils from disadvantaged areas observing the largest reductions in learning from school closures.

The crisis is likely to leave scars on the people who have had to endure most of its burden. A survey report from the Mental Health Foundation found that twice as many people who were unemployed reported not coping well with the stress of the pandemic compared to those employed, with the potential for long-term harm to mental health and wellbeing. With most new unemployment claims coming from more deprived areas, this is likely to further compound challenges and points to the urgent need for policy makers to focus on helping those most impacted by the pandemic.

<sup>1</sup> See Appendix: Notes on data for calculation method

# Post-pandemic inclusive renewal is a necessity

We are witnessing an accelerated evolution into the next life of cities. As our urban centres open up and we shift our gaze from the immediate crisis to its aftermath, the first step towards renewing our urban centres after Covid-19 is to recognise that a straight bounce back to how things were is neither likely nor desirable. The existing levels of inequality, including health inequality had already created the imperative for levelling up. The pandemic has simply exposed these fault lines in even more shocking and graphic terms, making the link between health and wealth brutally clear.

Post-pandemic renewal and 'building back better' is a necessity. Making the transition from managing Covid-19 to inclusive recovery will require local, collaborative economic leadership focused on rebuilding economic value and restructuring labour markets, redesigning the use of spaces and improving and managing public health. Cities and their leaders are resourceful; they will find many distinct and novel solutions to the challenges they face. To support the pursuit of post-pandemic renewal we provide a policy framework of goals for the post-Covid city, outlining methods to drive innovation, build resilience, create and support good work, pivot to net zero, and catalyse city liveability.



# A framework for inclusive renewal

As Government looks beyond immediate Covid-19 support for health services and direct support to individuals and businesses, HM Treasury's Plan for Growth points to themes that Key Cities and Core Cities are pursuing. On levelling up, the Plan states that 'our city regions are critical for driving economic growth and prosperity', and sets out innovation, skills and infrastructure as key themes for Building Back Better. Cities will have a central role in innovating, boosting skills and training, and investing in strong infrastructure.

Questions remain ahead of autumn's Spending Review: what will the scope of the anticipated Levelling Up and Devolution White paper be for cities? Will there be enabling structures for cities to invest with private and impact investors in the upcoming national Net Zero, R&D Places and Sector Plans? What could an expanded role for cities look like in post-Covid employment, skills and transport policy?

The framework we set out in the following pages is a starting point to help City Leaders think about the process of building a strategy for post-Covid renewal. Every city should develop its own vision alongside investment and delivery plans, around which partners collaborate and take collective responsibility for delivering. We expect that in many cases this will result in the creation of co-investment through Special Purpose Vehicles to drive the investment or collaboration, and wider partnerships for levelling up.



# A framework of goals

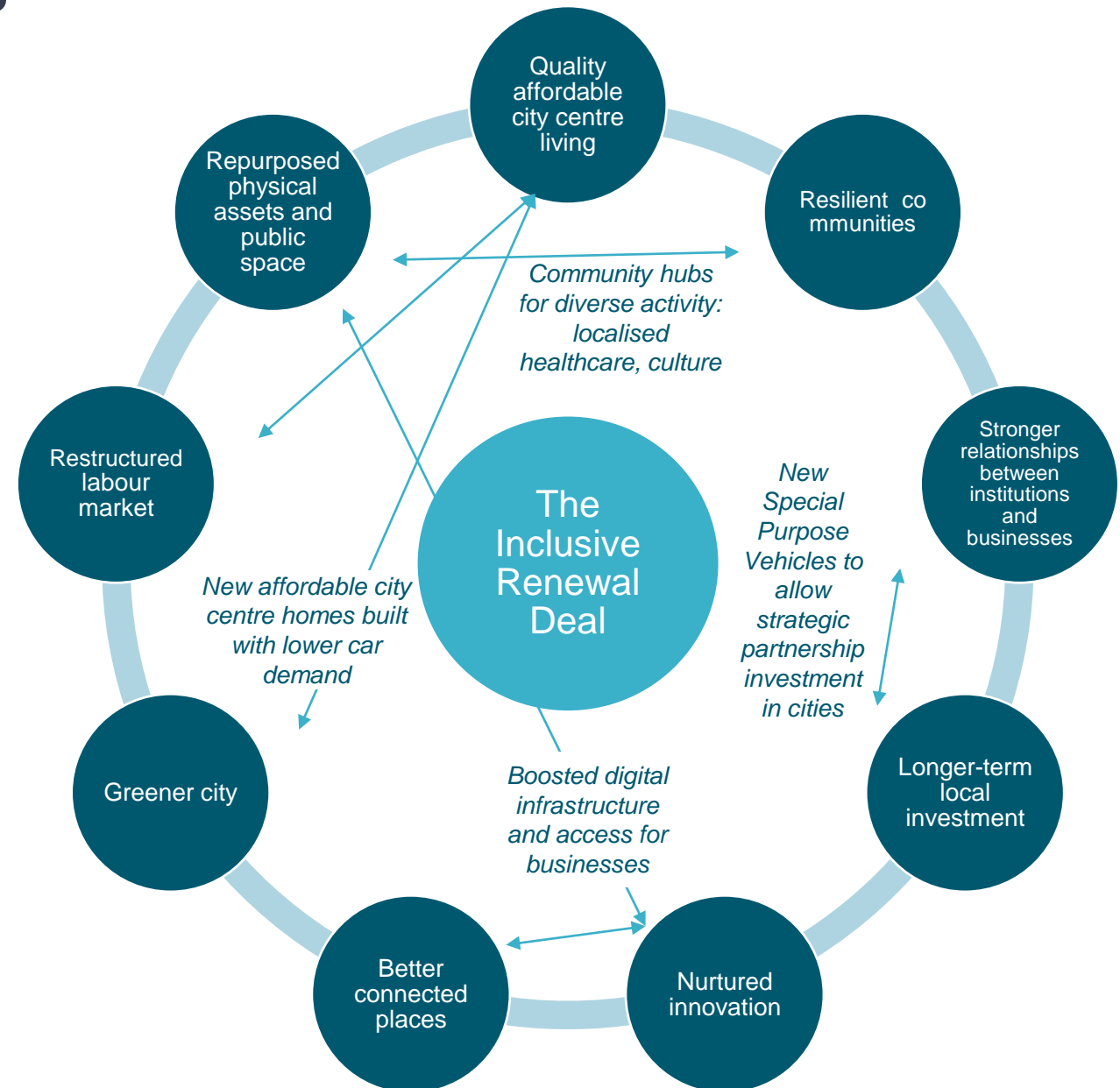
In this report we outline a proposed framework for the development of our urban centres post-Covid. The intention of the framework is to be used as a shared agenda for Key Cities and Core Cities on key areas for the future, providing building blocks for an Inclusive Renewal Deal with Government.

This overarching framework presents a range of shared goals for Key Cities and Core Cities around inclusive renewal for cities post-Covid. These goals respond to specific impacts of Covid-19, larger urban centre trends, and growth opportunities as explored earlier in this report. They are centred on the components integral to future thriving cities: in people, spaces and business.

The framework illustrates a direction of travel for cities and a platform to share initiatives and learnings among Key Cities and Core Cities. Individual cities can test specific interventions and different ways of meeting shared goals that work for the people and businesses in their communities.

This model provides an illustrative starting point and shows a way of using the framework with some example interventions and how they might serve to meet multiple goals.

The following pages show the framework applied in detail to five key areas: driving innovation, building resilience, creating and supporting good work, pivoting to net zero, and catalysing city liveability. The five detailed frameworks link to the shared goals in this overarching framework and Inclusive Renewal Deal, and develop an approach to building new vehicles for change by working with partners, leveraging local assets and investment with enablers from Government, and pursuing specific interventions.



# Driving innovation

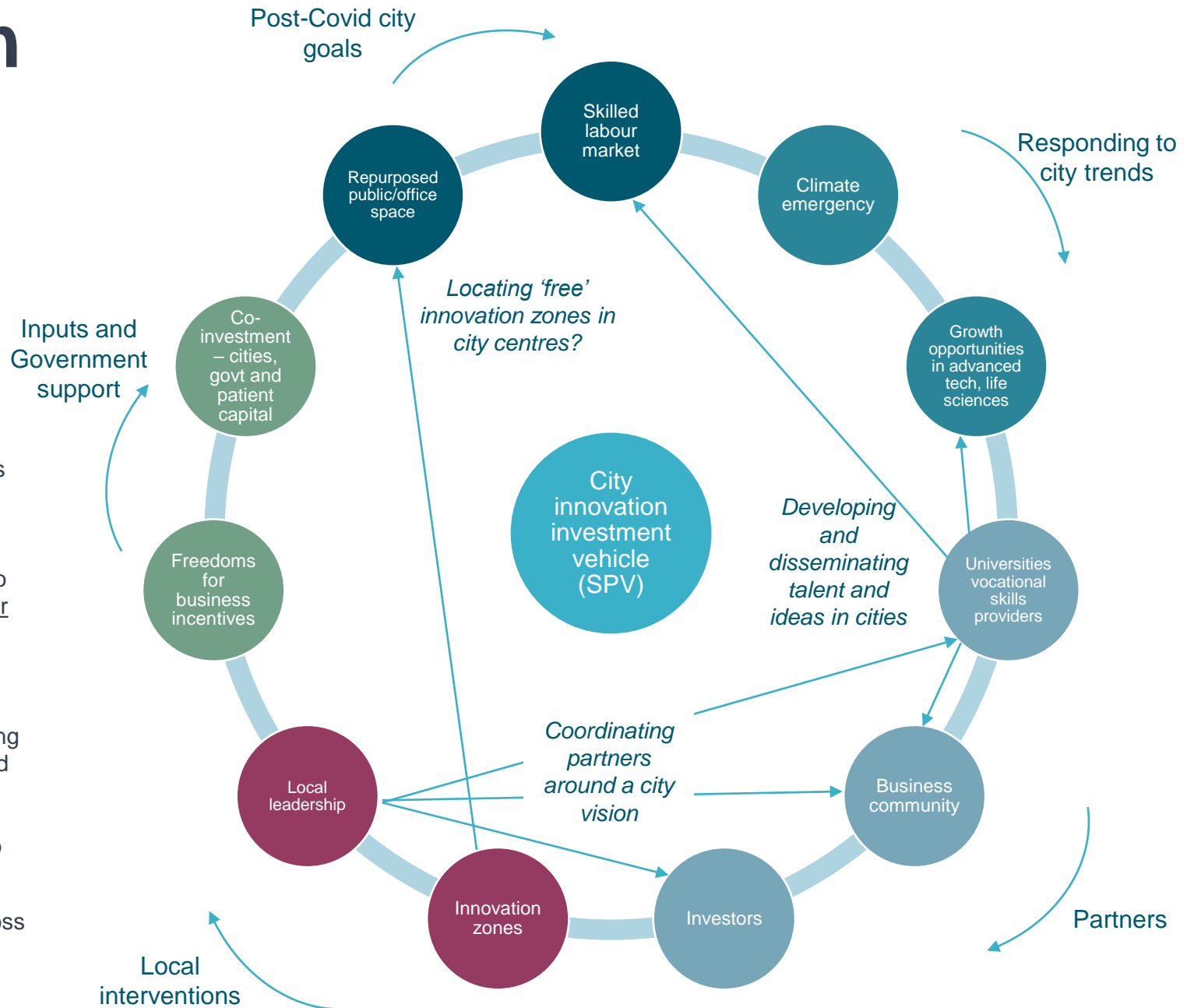
Economic value is shifting spatially, as retail and services continue to move online, and there are future growth opportunities for cities to grasp. Innovation is central to developing green technology, advanced manufacturing and life sciences businesses and jobs in the UK

The right investment and the right place combine to drive innovation.

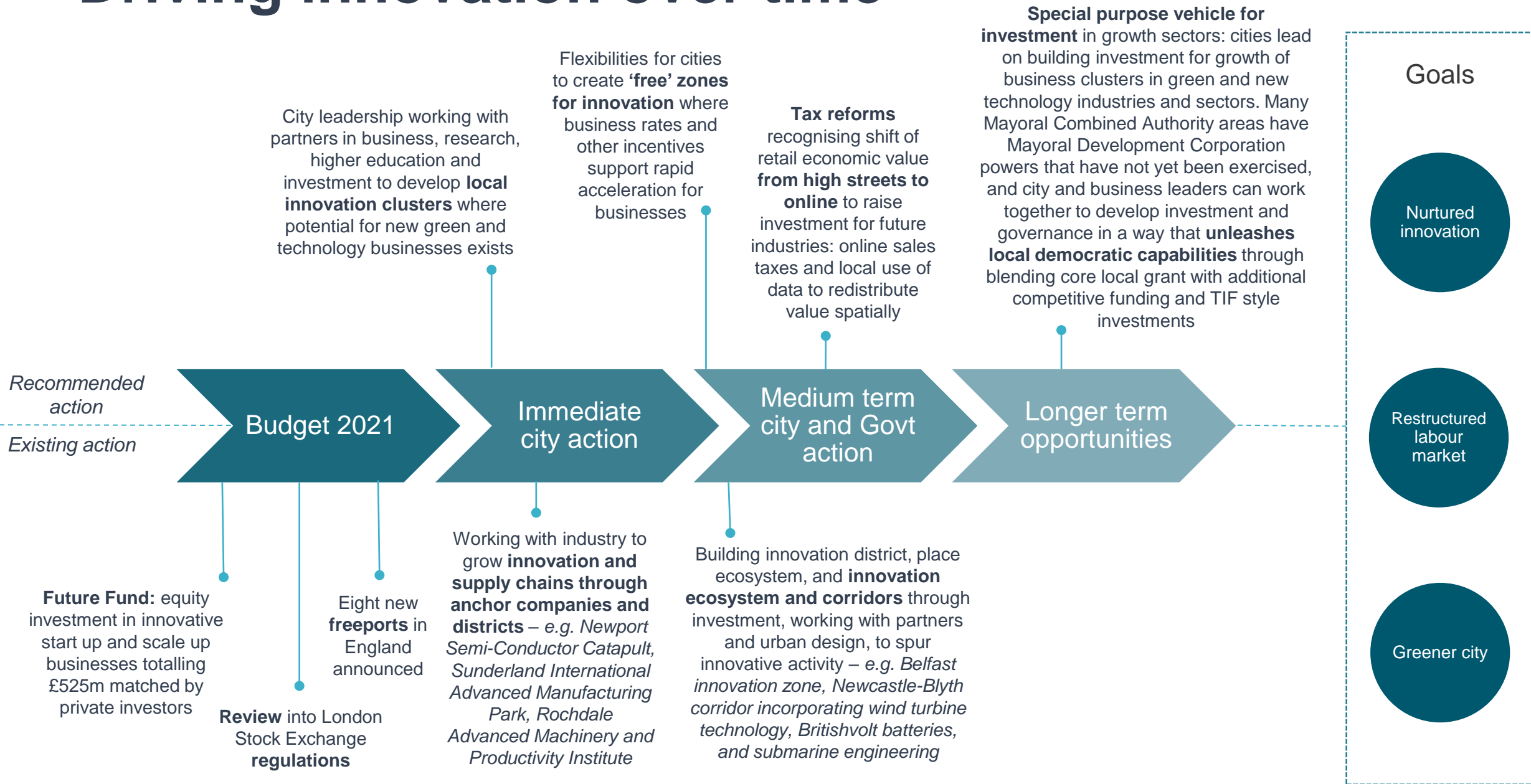
Clustering of industries and sectors in places are a marker for successful innovation, and cities can accelerate what may already be happening. Cities can create innovation ecosystems through research, higher education, business and investor networks such as advanced manufacturing; innovation districts for clustering businesses and institutions; and amplifying the assets of place – attractive liveability, vision and leadership – to make a success of innovation. (cf. [Metro Dynamics research for Bruntwood SciTech](#))

Investment in cities needs focus and partnership. City leaders can create a vision for investment in their place, support and amplify clusters of businesses, sectors and industries developing green technologies, advanced manufacturing, life sciences, and create new Special Purpose Vehicles (SPVs) of co-investment with partners in local institutions, Government and private investment. Public investment here should act as a multiplier to leverage in additional private sector investment.

Developing the skills and talent pipelines in cities, working across education providers and with employers, will supercharge the impact of innovation investment.



# Driving innovation over time



# Bringing together innovation assets with Smart Belfast

Belfast is a city of creators and inventors, where Smart Belfast harnesses the collective innovation and energy of organisations and individuals across the city. Belfast today is one of the fastest growing creative industry clusters in the UK, with other local specialisms including cybersecurity, medical software and fintech. Smart Belfast supports the Belfast agenda to develop the city and grow the economy, doing so via shared city challenges, an engaged innovator community, building city assets, and robust delivery mechanisms.

The Council collaborates with Belfast's universities, businesses and citizens to innovate and experiment with new technologies and data science to find solutions for the benefit of all citizens. Smart Belfast will be vastly accelerated through the £1 billion Belfast Region City Deal investment in research excellence, digital connectivity, skills and economic and generation initiatives.

Projects range from an SME collaborative challenge for businesses working together on active travel and transport innovation, to Immersion Lab bringing VR and AR into the mainstream, to leading the world in developing zero emissions maritime technology. Smart Belfast operates through a defined framework which seeks to foster greater collaborative innovation between public, commercial, academic and community organisations. Amongst its initiatives is also an emphasis on inclusion and community development; for instance with the new Innovation District highlighting 'inclusive innovation' as its USP, leading on what it means to be truly inclusive from the ground up.

Smart Belfast leads funding calls with investment from European agencies, UK Government, the Northern Ireland Executive, and the City Council to boost business and private investment in collaborative innovation projects. A partnership with the Future Cities Catapult informed development of the framework and guiding principles.





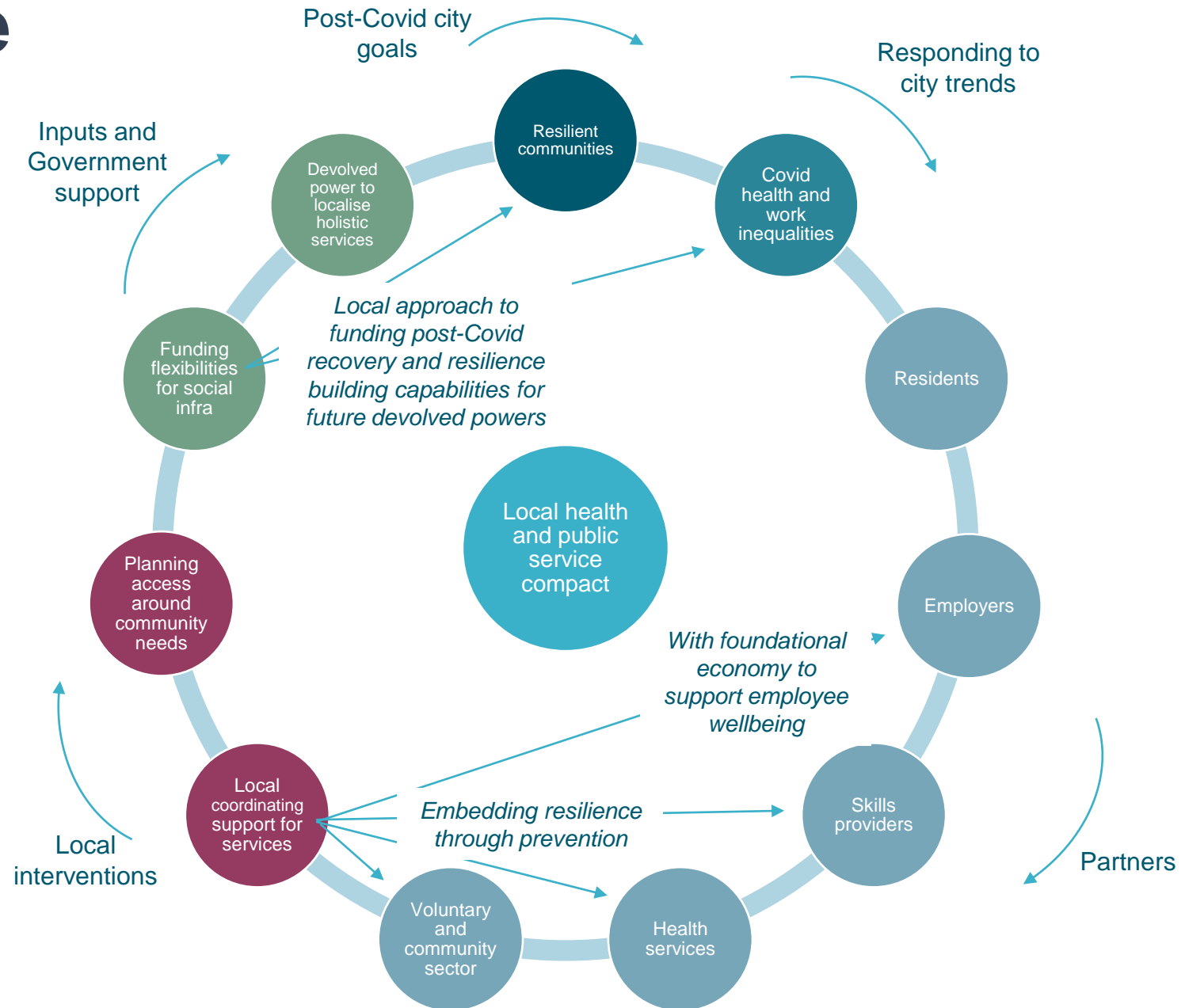
# Building resilience

City leaders and councils have seen first-hand the experience and the impact of Covid-19 on communities. Many of the health, economic and personal impacts on people of Covid-19 have exacerbated long-entrenched challenges key to levelling up.

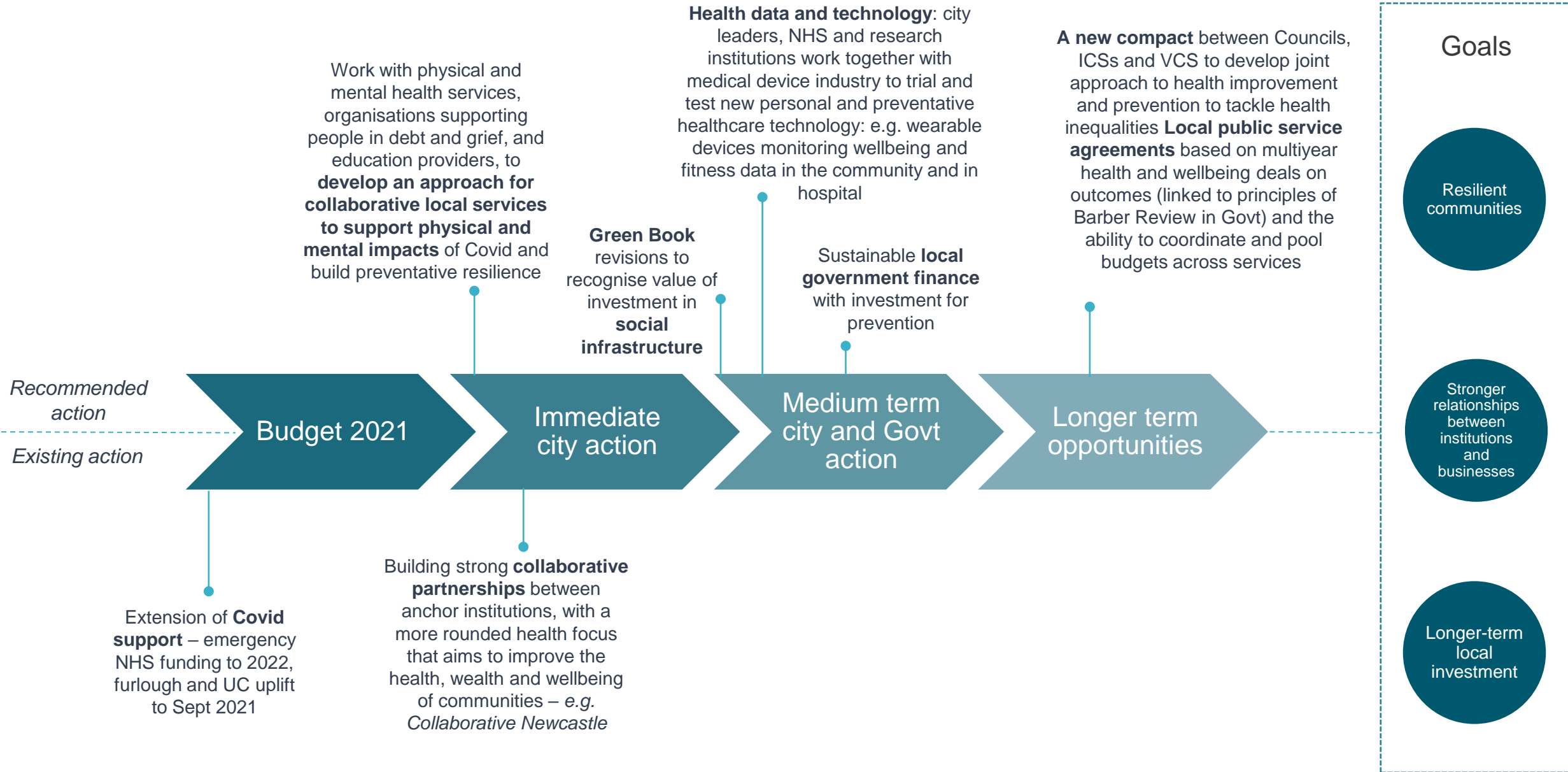
Health inequalities have come to the fore – with exposure to acute illness highest among key workers and disproportionately affecting some communities. The extent of the long-term effects from physical recovery, long-Covid, grief and mental health challenges are as yet unknown.

What we do know is that building and strengthening resilience is a key priority for City Leaders and local communities. The health, personal and economic effects of Covid-19 are expected to be with us throughout the coming few years, and cities can lead on joined-up support for individuals and communities so that the coordination of health and care is closer to communities and can focus on access across neighbourhoods.

This calls for new local compacts to co-ordinate health improvement. Building on new local Integrated Care Partnerships, these could be based on NHS and City public service agreements with local service leaders working together to combine deep understanding of local communities and agree outcomes over multiyear periods with the ability to pool budgets in programmes that make sense for the place. They could link human capital development with improved health outcomes, enabled by up front investment in prevention to tackle health inequalities.



# Building resilience over time



# Strengthening local capacity through Health and Care integration with Collaborative Newcastle

Innovation in public service delivery can help to deliver future health resilience for city populations, and strengthen local healthcare capacity. Collaborative Newcastle is a local health and care integration partnership that brings together Newcastle City Council, the city's two university teaching hospitals, the Clinical Commissioning Group, and local GP services. The Collaborative takes a holistic and preventive approach to healthcare with the overarching aim of transforming the health, wealth and wellbeing of the city's residents by reducing inequality and providing better opportunities for all.

The initiative aims to provide a joined-up system of health and social care that focuses on individual needs for the right support, advice, care and treatment, while creating new solutions, sharing knowledge and growing the local economy. As part of the programme, they have established a co-located city centre based health and social care centre encouraging staff to collaborate and with access to a digital dashboard containing shared data updated and accessible in real time, alongside Wellbeing Centres to prevent serious diseases through health improvement programmes

Newcastle aims to improve health and wellbeing by recognising wider social, economic and environmental factors. By partnering patients with a 'link worker' – someone who supports an individual by understanding their specific issues and challenges and connecting them with local sources of support – enables people to take greater control of their own physical and mental health, by selecting and accessing support that works best for them.



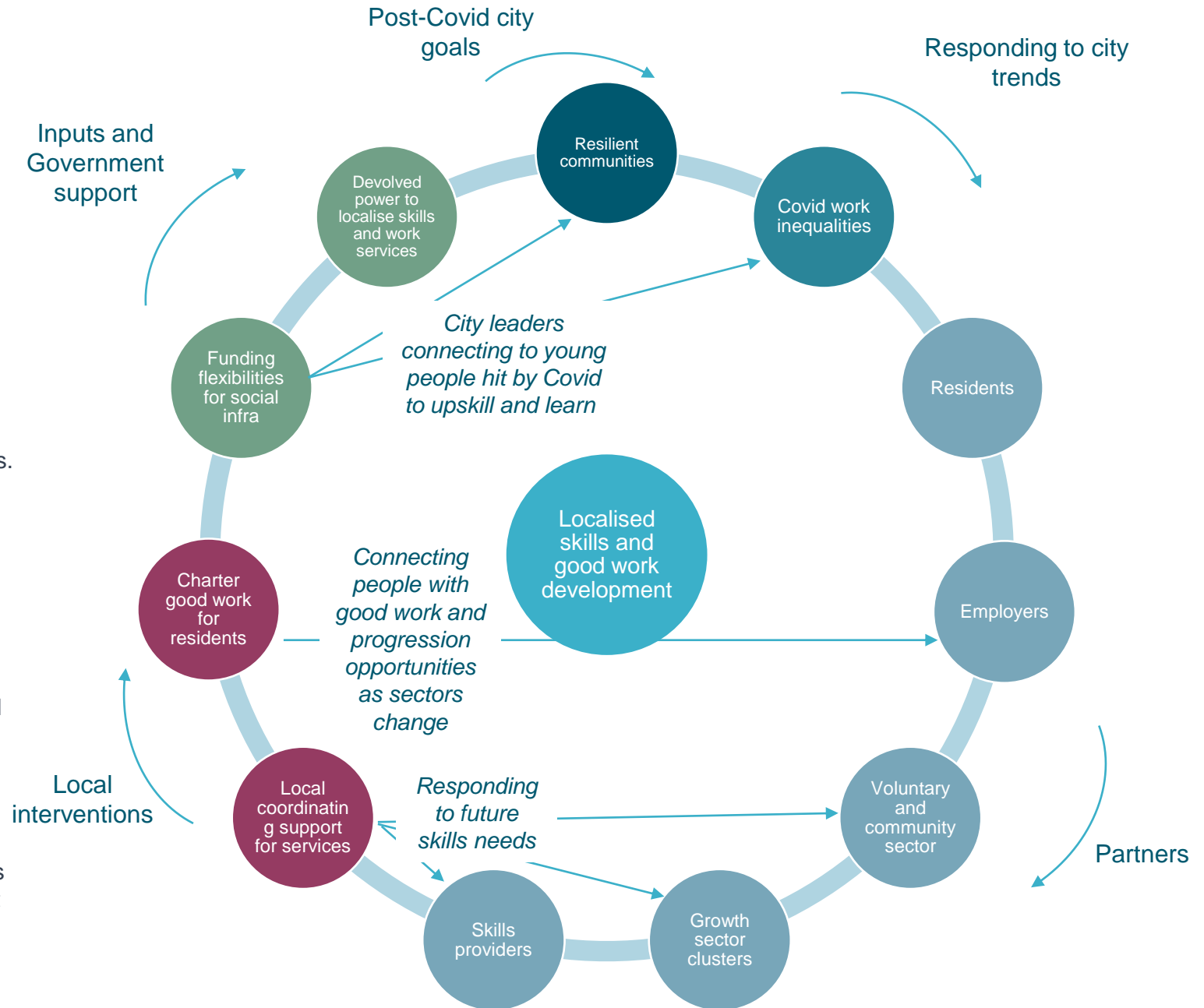
# Creating and supporting good work

City leaders have already seen the immediate impact of job losses and earnings reductions in their communities. With the Government furlough scheme now extending through to September 2021, the full extent of potential job losses and precarity of work in the economy is also yet to be realised.

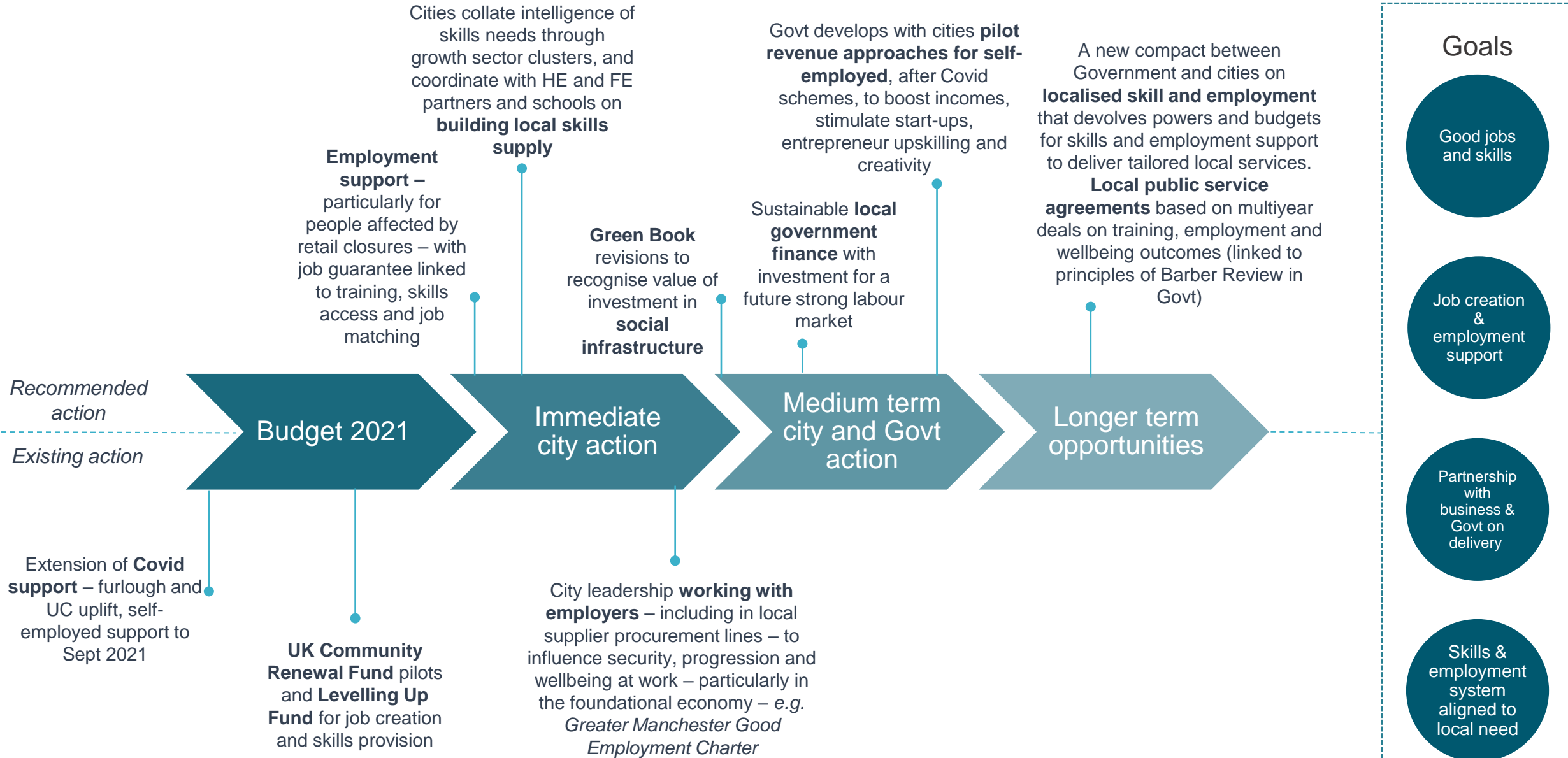
A critical renewal priority for cities will be creating good jobs, as well as supporting people to transition from at risk employment sectors such as retail, into future growth sectors. This will require working with the DWP, and businesses to rapidly put in place large scale jobs, employment support, skills matching and youth job guarantee programmes. At the heart of this will be the objective of creating good work.

By good work, we mean with real living wage earnings, decent and safe employment conditions, health and wellbeing support at work, flexibility to work around caring responsibilities, and opportunities for skills development and progression.

Stimulating good work needs to include the local education system – linking localised careers advice and engagement with schools across cities with opportunities in local FE and HE as well as ambitions for growth sectors. Partners in cities – businesses, Councils, anchor institutions and Government departments – will need to work together to stimulate good work in their cities post-Covid.



# Creating and supporting good work over time



# Promoting good work in Greater Manchester through the Good Work Charter

The Greater Manchester Combined Authority's Good Employment Charter is a voluntary membership and assessment scheme that actively promotes good employment standards across the region. All Greater Manchester companies, regardless of size or sector, can sign up to the Charter and are encouraged to improve employment practices to:

- provide secure working conditions, e.g. guaranteed regular hours and predictable shifts;
- pay the Real Living Wage;
- practise fair and flexible recruitment that embraces diversity and is socially representative;
- promote positive workplace health and wellbeing and adjustments,
- enact flexible working practices on how long, when and where employees work; and
- ensure employee engagement in the direction and success of their organisation.

Created in 2019 and launched by Mayor Andy Burnham, the Charter was developed through a process of co-design by the Greater Manchester Combined Authority (GMCA) working with all Greater Manchester district councils, trade unions, and employers and employees from all sectors. Beyond improving the lives of local people through improved working opportunities, its aims extend to broader social and economic benefits including encouraging a societal shift in the importance placed on the value and quality of work that is available and the business case for good employment, which improve productivity and contributes to a thriving economy. It is the first of its kind in the UK.

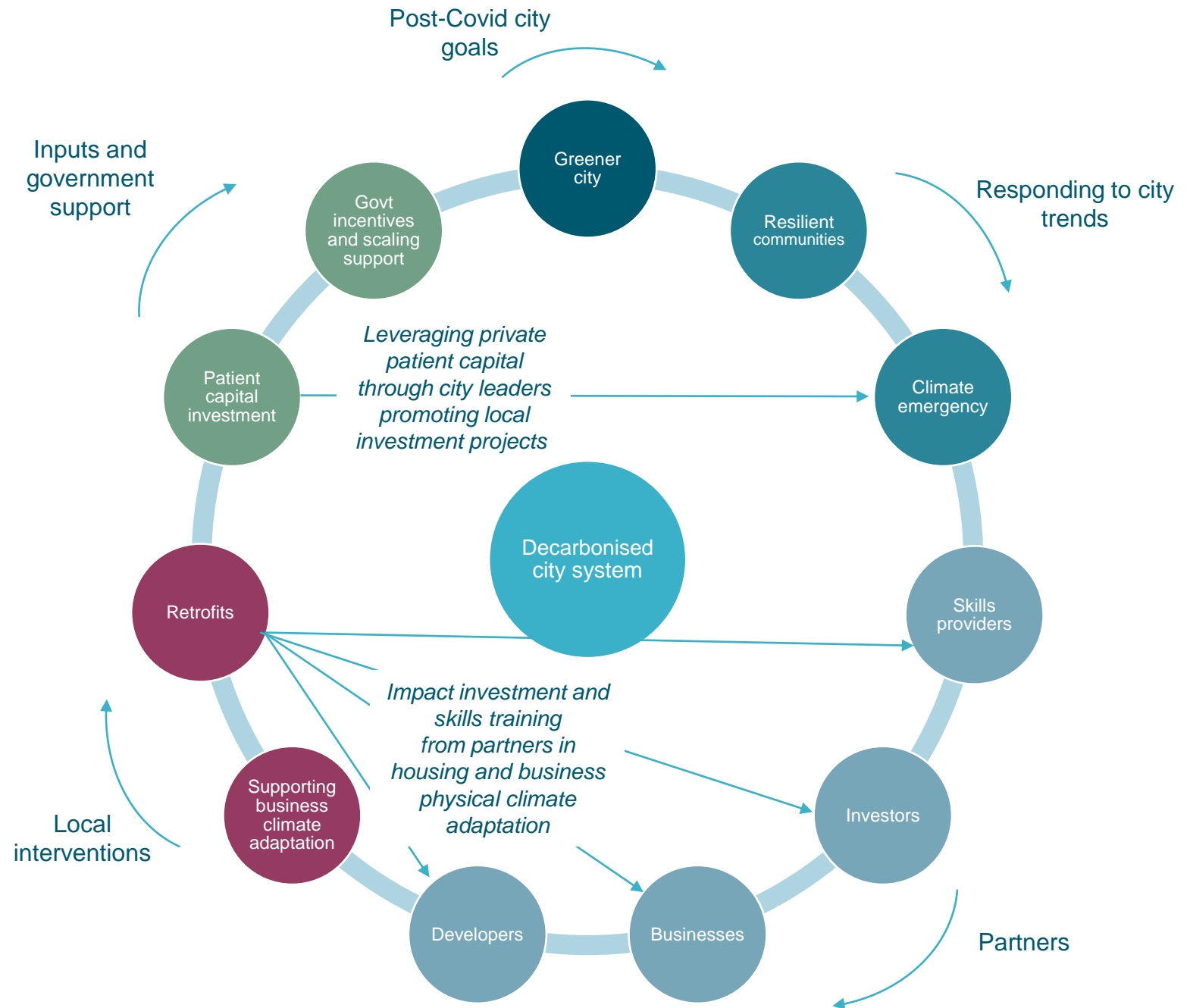


# Pivoting to net zero

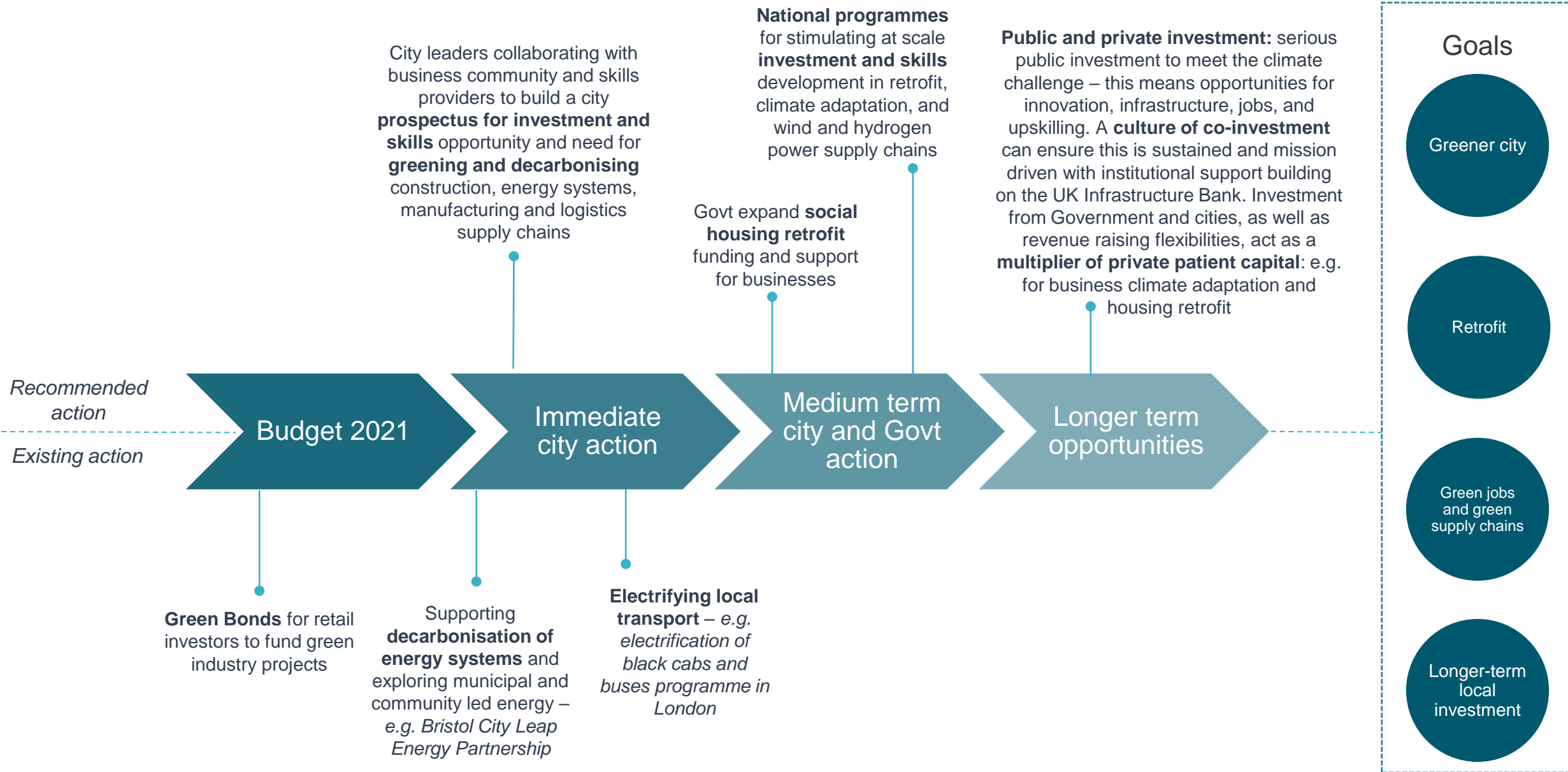
Averting a climate emergency and rapidly moving to net zero carbon emissions are priorities for all cities. They are central shared objectives for cities and Government alike. And they are also major job and economic opportunities, whether on energy production, green tech, or reducing emissions such as from homes through retrofit.

Most cities have dedicated climate action plans, to which there are many strands. Behaviour change and investment are both needed to really pivot to net zero. This will not be achieved without partnership in places. The impact that this partnership can make on a city level will radiate out into regions across the UK. City leaders can collaborate with partners to unite around collective local ambitions, in order to maximise individual, sector and business level adaptation activity and investment.

A key priority will be developing investable plans. There are growing opportunities for cities to lead in place-based patient capital and impact investment, for net zero projects supporting green jobs and supply chains, that create Environmental, Social and Governance benefits (ESG), as well as long term investment return.



# Pivoting to net zero over time





# Prioritising green space in Berlin, London and Nottingham



Cities across the world are taking action to increase access to Green Space, and the Covid-19 crisis has highlighted the importance of local parks, trees and open space in urban environments. Green Space Factor, a planning tool first pioneered in Berlin, has been adopted in cities like Seattle, Hamburg and Malmo. Requiring developers to dedicate a share of footprint to greenspace, and assigning points to various biodiversity measures, is intended to increase green space in new developments. Local authorities can work with developers and tweak weightings, allowing flexibility and creativity in individual developments. Recently, London has adopted elements of this approach under an Urban Greening Factor for major developments, as part of the new London Plan, with the ultimate aim to see 50% of urban environment into green space by 2050.

Within the Cities, Nottinghamshire Wildlife Trust has submitted a proposal for urban rewilding to the City Council on the site of the disused Broadmarsh shopping centre in the city centre. The 2.5ha of space would be transformed into wetlands, pocket woodlands and a wildflower meadow. Potential plans are under consideration. In 2019 Nottingham City Council set the target to become the UK's first carbon neutral city. According to the Wildlife Trust, the green development would secure 30% of the city centre's land for nature. As well as integrating greenery into the city centre, the designs go further with a preservation approach through rewilding, restoring biodiversity, and protecting wildlife.

# Catalysing city liveability

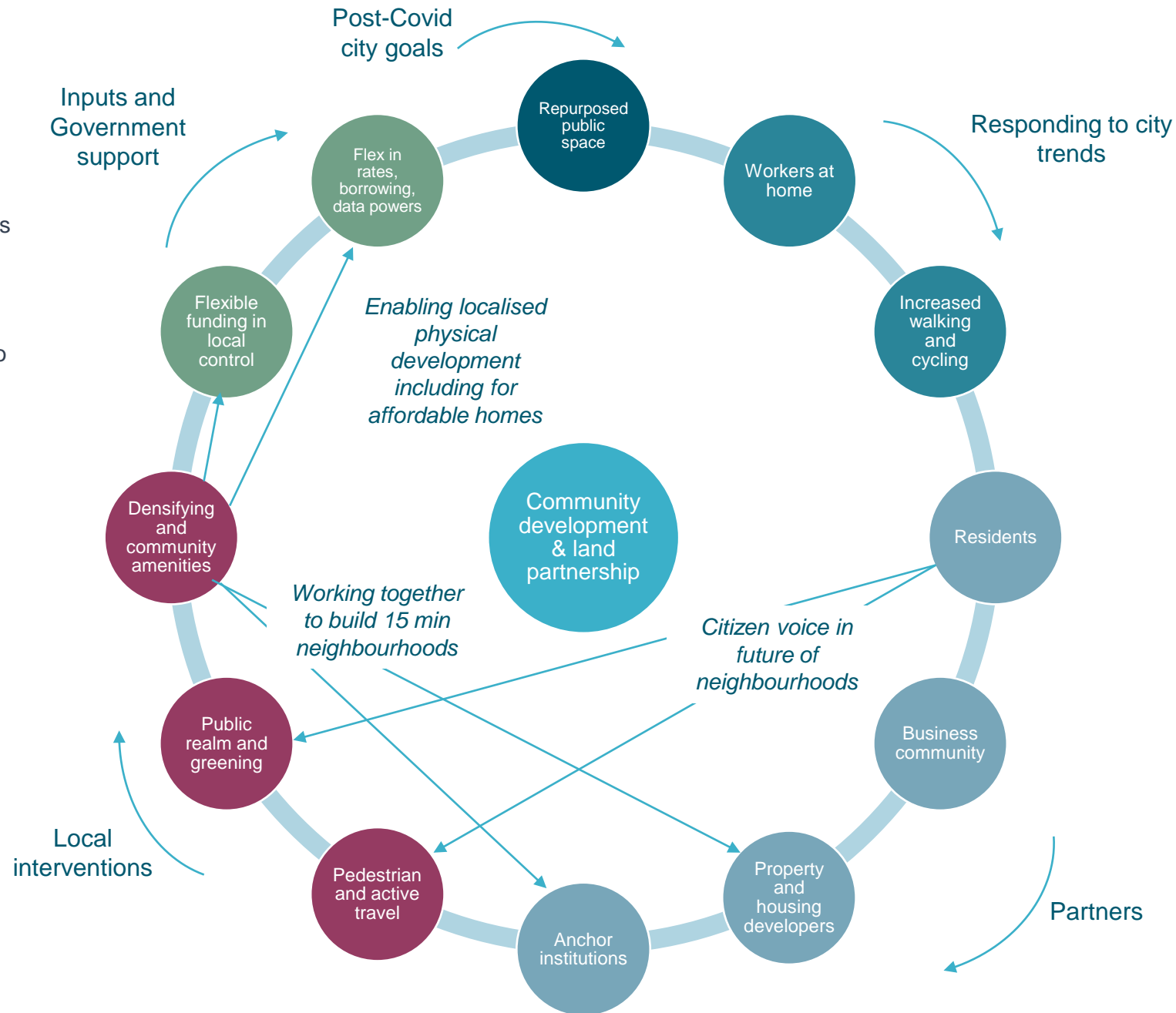
Recovery from economic lockdowns will inspire new approaches to neighbourhood building.

Ideas such as the 15-minute city promote a future in more densified neighbourhoods where communities can easily and sustainably access services and enjoy recreational time close to home while creating opportunities for independent local retail, hospitality and cultural businesses.

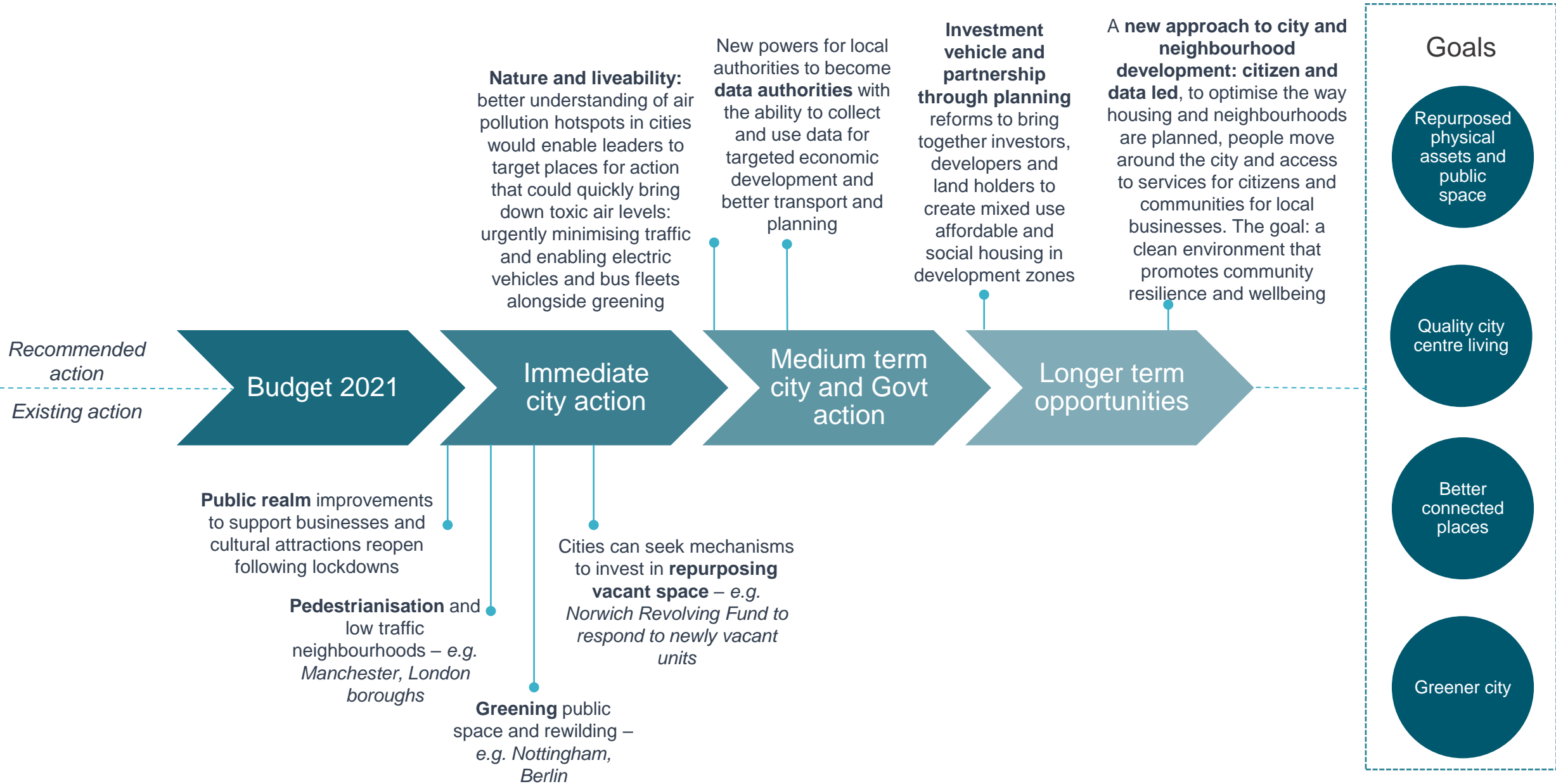
Following the experience of Zoomshock: where during lockdowns people have been spending all their time in their neighbourhoods rather than workplace areas, people will be more conscious of what they want from their neighbourhood. How clean is the air? How is public space used? How is the business community doing? Could health services be easier to access? Would the school run be quicker on foot or bikes without dense traffic?

Supply and quality of affordable housing is a major factor in people's quality of life and prosperity as we recover from the pandemic. Planning reforms should focus on ensuring quality affordable homes in neighbourhoods with community led development and regeneration.

Citizen leadership, reviews of land use in cities and neighbourhoods, and better use of data on air pollution and mobility could make holistic neighbourhood building, planning and supporting local businesses work better for more people and be geared towards a cleaner, greener environment and improved physical and mental wellbeing.



# Catalysing city liveability over time



# Revitalising and repopulating the urban core in Sunderland Riverside

Sunderland has long been an industrial hub of production, but the city is one of the few UK cities that pivoted from a post-war heavy industrial economy to a contemporary modern industrial economic base. The decline of the shipbuilding industry was countered by an expansion of the car manufacturing industry in the form of the Nissan plant, which helped to mitigate the loss of manufacturing employment opportunities. The plant remains nationally significant, and at the cutting edge of manufacturing with Nissan investing in advanced manufacturing and automation.

While the Nissan plant remains an important driver for the national economy, in recent years the council's strategy has aimed to increase activity within the city centre. The largest component of this strategy is Riverside Sunderland, which will traverse the River Wear and incorporate green space, car free residential zones and major new employment sites. By densifying the city centre over the next decade – doubling the resident population to 5000 - the Council intends to support the vibrancy, leisure offer and evening economy of the currently lightly populated urban core. Building on £100m investment from Legal and General the development will become the workspace of 10,000 people



Image: Riverside Sunderland. Sunderland Bridges

# Delivering inclusive local-led regeneration through Tax Increment Financing in the United States



Photo: Creative Commons, Ajay\_Suresh, Flickr, 2019

A number of cities in the US are using Tax Increment Financing (TIF) to stimulate investment and development in designated regeneration areas. Their deployment of TIF tends to be for broader purposes than the often narrower focus on transport investment in the UK. In the US, Flexible financial instruments are used for innovation and business incentives, as well as supporting community infrastructure.

The arrangement diverts a proportion of tax revenue – usually property, sales or business taxes – generated in the designated area away from mainstream local authority revenue and into new development in the area. The proportion of tax revenue is set at the level of taxable value of properties in the regeneration area at the start of the period. Revenue can be used to pay debt for development, and the TIF arrangement is usually set over a period of 20-30 years.

TIF has been used to fund major development projects such as Hudson Yards in New York, and a transit TIF established to improve and expand Chicago rail lines. However, TIFS are also funding affordable housing and community infrastructure – for example, 40% of Portland's TIFs have funded new affordable housing. In Cincinnati's Over-the-Rhine quarter, TIF districts draw revenues from downtown growth into neighbourhood regeneration. TIF funded projects in regeneration zones help to boost construction and clustering of economic activity, spurring job and collaboration opportunities in key strategic areas of cities.

# Applying the framework: Leeds Bournemouth, Christchurch and Poole

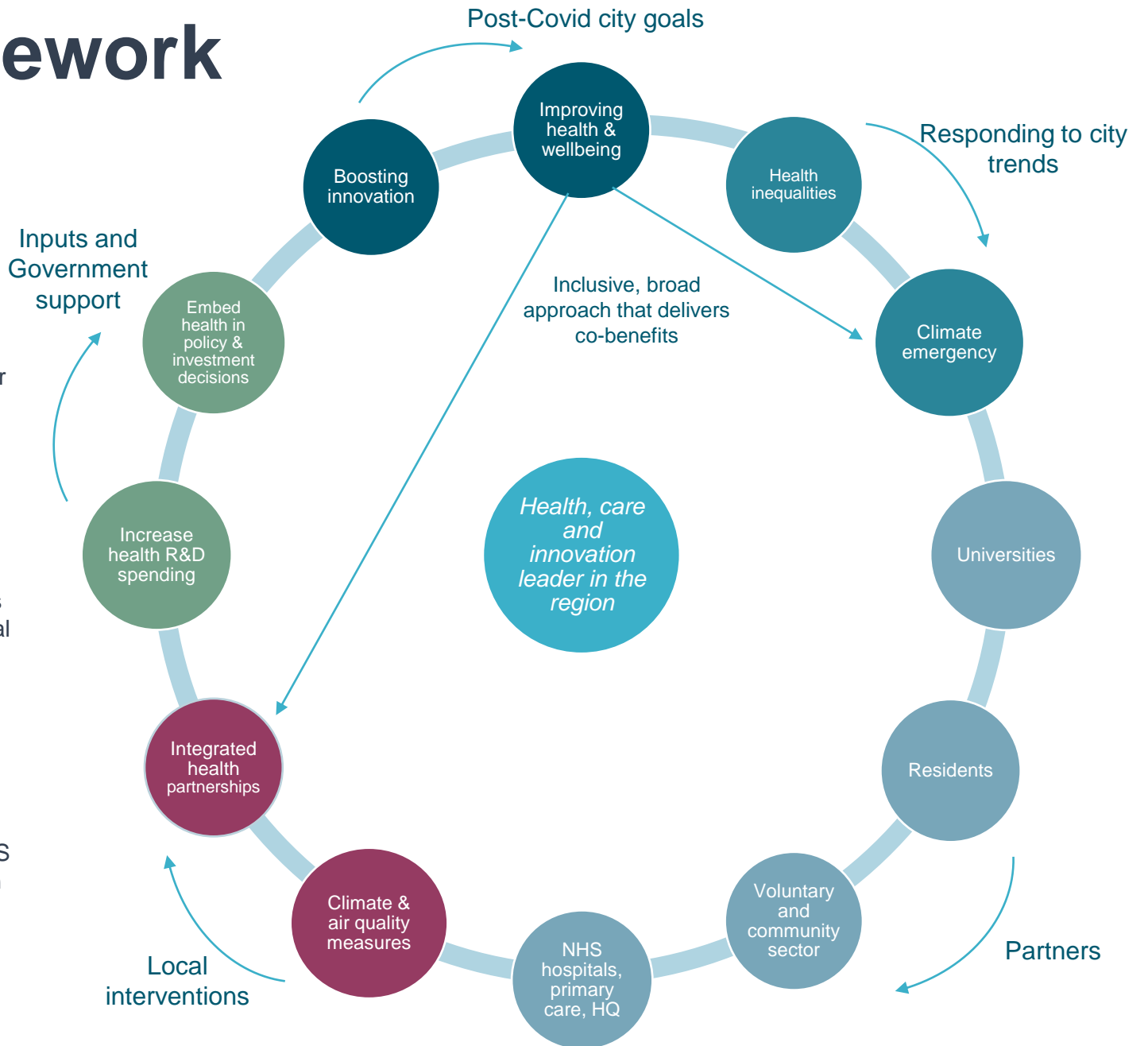
As we developed this work we wanted to test how it would apply in a Key City and a Core City. Through a series of workshops with senior officers, elected members and partners we applied the framework in Leeds and Bournemouth, Christchurch and Poole. The two places vary in geography, economic history and characteristics, and leadership. Through applying our framework, we explored the two places' current programmes, priority areas, and ambitions for the future of their cities post-Covid. This exercise helps to demonstrate how other Cities can apply the framework to their own circumstances.

# Applying the framework in Leeds

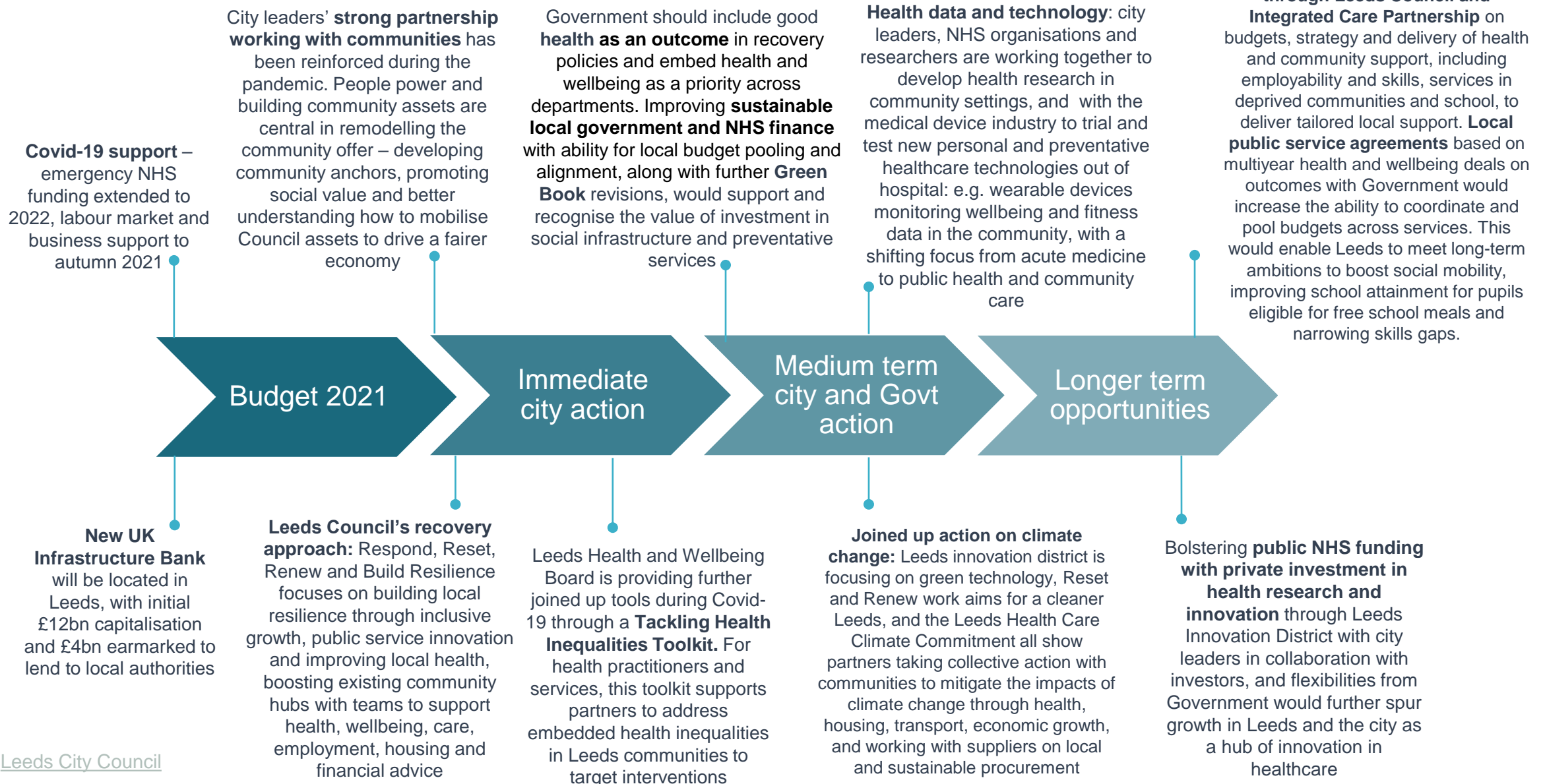
The health, economic and personal impact of Covid-19 on communities in Leeds has further spurred existing community-based activity in health. Leeds has strong partnerships across the Council and with the NHS, third sector and private sector via an existing **strategy focused on integration and improving the health of the poorest the fastest**. Aligned approaches to developing community assets, promoting anchor institutions and building an inclusive economy enabled a rapid and focused response in communities that resulted in Leeds setting up community hubs across the city supplemented by a range of locally-led public health programmes.

Partnerships in Leeds take an integrated approach: the Council’s Health and Wellbeing Strategy, Inclusive Growth Strategy, Economic Recovery Framework, and net zero targets focus on delivering interventions with co-benefits across several interconnected priority areas – inclusive economic growth, the climate emergency and health and wellbeing resilience. Delivery for communities is strengthened by partnerships with the voluntary and community sector: e.g. Leeds Community Foundation, and West Yorkshire Resilience Forum.

With strong partnerships across the universities in Leeds, the Council, local NHS providers as well as a long-established NHS management base, **Leeds is a leader in the region on health research and innovation**. Leeds Inclusive Anchors, Leeds Health and Wellbeing Board and Leeds Academic Health Partnership are testing new approaches to local health data, tech and innovation for economic growth and to benefit communities in Leeds and find new approaches to improving public health and community care.



# Applying the framework over time

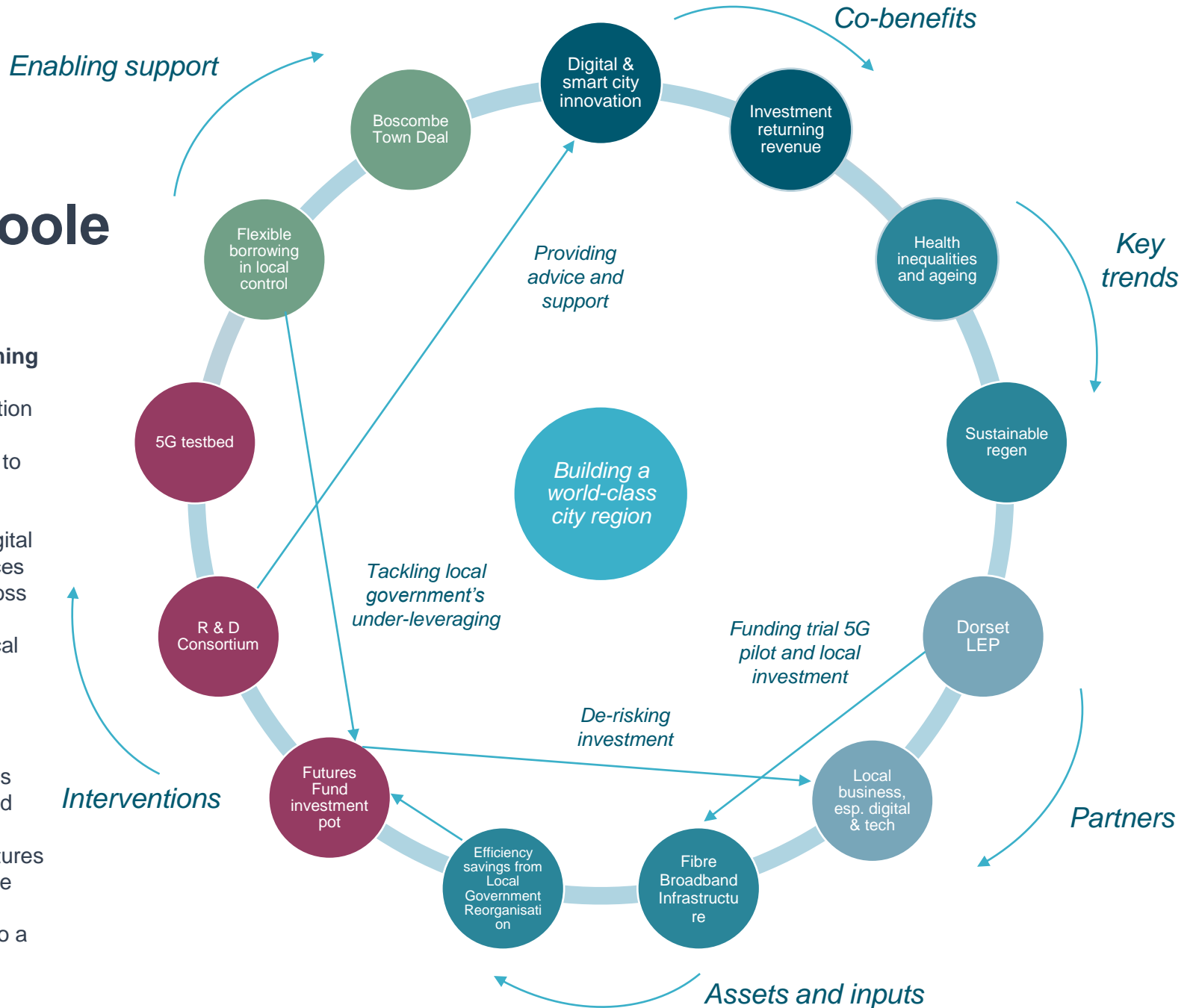




# Applying the framework in Bournemouth, Christchurch and Poole

As a new unitary authority, BCP is pursuing two key approaches for boosting the local economy and innovation. The 'UK's newest city region' is **transforming investment in the area** and **embracing data driven growth** through the **Smart Place** programme. In addition to local government reorganisation, transformation in services and budget savings, these initiatives are key to the BCP's plans for the local economy:

- Smart Place aims to empower value-generating digital solutions that improve people's lives, enhance places and drive prospects of businesses in BCP and across the UK
- It includes a **local 5G testbed managed** by the local authority, with a developing focus on industry use cases in private enterprise
- BCP intends to reshape the local authority's **relationship with data through a place-based approach**, working with innovative local businesses through an R&D Consortium while building trust and infrastructure through the Council brand
- To fund interventions, BCP is creating the local Futures Fund, **new co-investment streams**, building on the consolidation of local government assets and leveraging further public and private investment into a pot for the place



# Applying the framework over time

A **£22m Town Deal with Government**, the Town Investment Plan, is regenerating a historic, densely-populated economic town centre, Boscombe. Building a new mixed use urban neighbourhood and investing in walking and cycle infrastructure, this model high street of the future is central to boosting BCP's economy

BCP Council has established a **Futures Fund: a £50m investment pot** funded by borrowing against future efficiency savings. Designed to be spent on its own capital and infrastructure projects, the Futures Fund will be fully financed from established local government borrowing mechanisms. This creative model will give the authority greater control to unlock new ways to invest in the future

Maximising the opportunities from the Futures Fund, one option being considered is the establishment of an investment arm with an advisory board comprised of local business and investors. Operating over the long term as a **special purpose vehicle owned by the Council** it would borrow to invest in public assets. A further review of local authority freedoms and flexibilities with government to support regeneration could boost this model

BCP Council's approach will strengthen relationships with local businesses and growth sectors, while smart use of data will inform economic development; **cementing BCP's position as a world-class city region**



HM Treasury's Plan for Growth announced ambitions to "**crowd-in**" private sector investment, through the UK Infrastructure Bank; this priority fits firmly with BCP's ambition to leverage local government investment with match funding

BCP Council has set up a **5G testbed network in the Lansdowne Neighbourhood** – already the overland connectivity hub of the conurbation. The first local authority to operate a local 5G network, with local partners, there is strong engagement and buy in from the community. The trial has supported local digital SMEs, who can conduct trials and create apps, part of a **local digital marketplace** operated by BCP Council, reflecting changes on our high streets

By designating BCP Council as a **Local Data Authority**, the Government could enable the city-region to tap into infrastructure assets and localise use of data, for the benefit of public services and economic growth. BCP Council is already looking to apply this model to its Smart Place programme

5G expansion could reshape **cities' relationships with digital infrastructure**, if market failures can be addressed by revenue-generating local infrastructure. BCP Council's investment in fibre and 5G creates a **digitally-forward base for business**

BCP Council and its partners are working to **pioneer health and connected ageing in a smart city**. Bournemouth University is partnering with a leading private healthcare / hospital brand to pioneer robotic assisted hip replacement surgery; the result of effective collaboration between local anchor institutions and innovation in growth sectors –health, care and life sciences – that also support resilient communities post-Covid

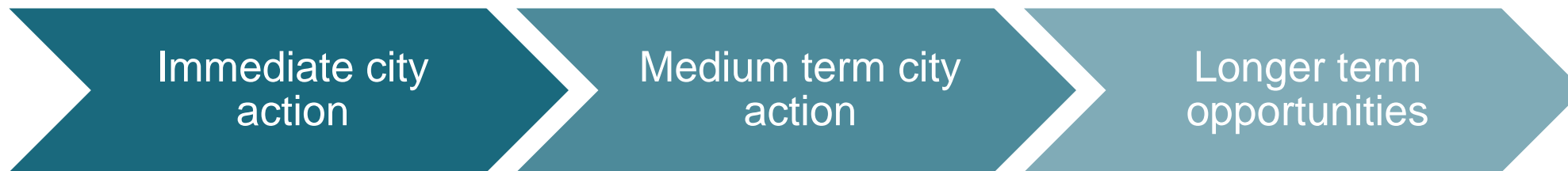


# The Inclusive Renewal Deal

# The Inclusive Renewal Deal

RENEWAL THEME	CITY OFFER	GOVERNMENT ASK
<b>City recovery, levelling up &amp; renewal</b>	Cities to work with residents, businesses, investor and anchors to develop recovery Levelling Up and renewal plans, with a clear set of costed commitments.	Government to work with Cities on a new series of Recovery, <b>Levelling Up and Renewal Deals</b> , that set out strategic place plans, with funding, and joint delivery arrangements.
<b>Good jobs, employment support, and skills</b>	Cities to develop detailed plans on job creation, employment support, and skills matching for at-risk retail and other workers.	<ul style="list-style-type: none"> <li>• <b>DWP and City Framework agreements</b> for employment support and skills and job matching</li> <li>• <b>Devolution and expansion of Kickstart, expansion of Enterprise Allowance,</b></li> <li>• <b>integration of skills and FE reform</b> through devolution to MCAs/cities working with local business</li> </ul>
<b>Investment in innovation, Net Zero, green jobs, housing and regeneration</b>	Cities to develop <b>innovation districts, retrofit</b> and <b>affordable housing</b> plans and other investable projects and to develop with their partners <b>Special Purpose Vehicles</b> (SPVs) to bring together Land, Investment, Borrowing and other assets and explore investment models including <b>dynamic impact investment</b> and <b>rolling investment funds</b> .	<p>To link these opportunities to <b>further funding for its Plan for Growth priorities</b>, including:</p> <ul style="list-style-type: none"> <li>• Supporting investment in <b>social housing retrofit</b></li> <li>• Linking <b>housing &amp; regeneration</b> funding and broadening Homes England's remit to include regeneration</li> <li>• Extending Council borrowing powers, further use of <b>Tax Increment Financing (TIF)</b>, exploring the use of <b>municipal bonds</b></li> <li>• Building on UDCs and Freeports with support for <b>municipally-designed SPVs</b></li> </ul>
<b>Health improvement and wider public service reform</b>	Cities to partner with new NHS Integrated Care Systems to <b>create local health improvement compacts</b> aimed at improving post-Covid long term health outcomes, focusing on prevention and workforce health.	<b>Multi-year funding agreements</b> linked to outcome agreements that enable a shift to prevention in spending and investment, as part of wider measures to create a sustainable financing system for local government.
<b>New powers</b>	Cities to develop propositions for new powers and regulatory freedoms that can enable them to speed up renewal and economic transition, including the power to acts as "data authorities".	The Devolution and Levelling Up White paper should support <b>new powers for Cities</b> and outline a <b>process for further devolution and city Deals</b> that can enable cities to lead renewal.

# What the Deal means for cities



## City recovery

Cities to work with residents, businesses, investor and anchors to **develop recovery and renewal plans**.

## Good jobs, employment support and skills

Cities to develop detailed plans on job creation, employment support, and skills matching for at risk retail and other workers.

## Establishing collaborative economic partnerships

**Key Cities and Core Cities should collaborate to test ideas** and interventions around shared ambitions and share lessons among membership.

**Cities should bring together partners** in employment, health, communities, business, institutions and investment to create a vision around the future of place economies, and jointly deliver on strategy.

## City liveability

**Cities are supporting high street reopening in spring/summer 2021** with greening, pedestrianisation, repurposing vacant units with cultural and independent retail and hospitality pop ups.

## Innovation

**Cities building innovation districts within innovation ecosystems:** leading collaboration between business, research and education institutions, and investors, to help build and promote clusters of innovative and existing sectors and industries adopting innovative approaches.

## Resilience and good work

Continue and expand **joined up working across skills and employability support services and links with business** to support individual and community outcomes in physical and mental health, employment, skills and finances. Develop local collaboration in context of health service reforms and new funding e.g. UKSPF, and boost local training with a jobs guarantee programme.

Cities should work with local employers to **promote good work charters** for decent and safe conditions, training and pay, develop employability support and job matching.

## City liveability

**Work with communities and use planning levers** to bring together partners, boost quality affordable housing, and enable neighbourhood design and development for communities: green space, wellbeing, access to services, and supporting independent local businesses.

## Longer term opportunities

## Health improvement and public service reform

Cities to partner with new NHS Integrated Care Systems to create **local health improvement compacts** aimed at improving post-Covid long term health outcomes, focusing on prevention and workforce health.

## Innovation, pivoting to net zero and investment

Cities should build on existing levers, such as freeports, to **test innovative financing and incentive approaches** for business and investment with new trading arrangements.

**Develop with partners a culture of co-investment to build into Special Purpose Vehicles (SPVs):** utilise current investment – e.g. Towns Fund, Levelling Up Fund – and collaboration to invest as a place in post-Covid development, stacking Government, local authority, business and investor funding for shared co-benefits for communities and businesses – e.g. **retrofit of commercial and housing**.

## New powers

Cities to develop **propositions for new powers and regulatory freedoms** that can enable them to speed up renewal and economic transition, including the power to act as data authorities.

# What the Deal means for Government



## City recovery

Government should **work with city leaders** on recovery priorities including rebuilding confidence in how people use city centres, commitment to public transport revenue, and emergency jobs programmes with localised DWP agreements in cities.

Extend **high street business rate and VAT relief** to counter impact of Covid and long term retail trends.

## Good jobs, employment support and skills

DWP and City Framework agreements, to create the shared local capacity for emergency employment support, skills and job matching, and Kick Start implementation, together with rapid expansion of the Enterprise Allowance schemes.

## Investment

Further **Green Book revisions** should be made that build on the focus on strategic rationale and enable prioritisation of social infrastructure investment. To link these opportunities to further funding for **Plan for Growth** priorities, as well as extending borrowing powers, further use of Tax Increment Financing (TIF) and co-investment.

## Investment

**Special purpose vehicles** should be enabled by Government for co-investment and flexibilities for **'free' innovation zones** that can be implemented in city centres for innovative business clusters: helping to spur innovation for the future economy.

**Government investment in the Green Industrial Revolution** should be flexibly deployed by cities across the UK where city leaders collaborate to invest with private investors and business: for economic growth and climate adaptation, and investment and skills development to scale retrofit and climate adaptation.

Building on Green Bonds, the UK Infrastructure Bank and Future Funds to **expand co-investment models for municipally designed investable projects, combining local core grant and additional funds** with TIF style and impact investment, and municipal bonds.

**Reform to retailer taxes** (from business rates to sales tax) to recognise shift of economic value from the physical high street to online with revenues linking back into city revenues through allocation where business rates revenue has been lost.

## New powers

The Devolution and Levelling Up White paper should support new powers for cities and outline a process for **further devolution and City Deals**, enabling cities to lead renewal, including integrating Skills and FE reform through devolution to MCAs/Cities and local business.

## Health improvement and public service reform

Government should develop plans for multiyear **sustainable local government finance with a recovery boost** that recognises impacts of lost business rates, commercial return and council tax revenues due to Covid-19.

Use upcoming health reforms and established local Integrated Care Partnerships to agree **a new compact of multiyear local service agreements for devolved health and social care** service coordination based on improved health outcomes with multiyear place-based funding deals.

Deals between Government and cities with **local flexibilities for labour market and skills** support funding to deliver in the best way for local communities.

# Appendix: Notes on data



# Calculation methods

## Methodology for calculating potential uplift in UK economic output if Key Cities and Core Cities were as productive as the UK average

The methodology below sets out our process in constructing the estimate of additional output that would be generated if productivity in Key Cities and Core Cities was equivalent to that of the national average.

We calculated the sum of output across Key Cities and Core Cities individually and divided them by the sum of their respective populations. This provided us with a GVA per head estimate for both Key Cities (£22,600) and Core Cities (£23,600). We followed a similar procedure to obtain the national average for GVA per head (£27,500). These numbers are based on 2018 GVA figures, the most recent available.

Following that, we took the difference between Key Cities /Core Cities GVA per head and the national average. This supplied us with the additional output per worker required to match the national average.

To obtain the total output gain, we multiplied separately the Key City difference by the Key City population and the Core City difference by the Core City population. Summing the total output gain of both Key and Core cities arrived us to our final estimate, which is that if GVA per head in the Key Cities and Core Cities matched the national average it would **add an additional £89.4bn per year to the national economy.**

## Methodology for calculating potential reduction in deprivation if the proportion of deprived neighbourhoods in Key Cities and Core Cities matched the UK average

By 'deprived areas' we mean the top 20% most deprived neighbourhoods in the Index of Multiple Deprivation for England (2019). Across England, one in five people live in these neighbourhoods. But in the Key Cities and Core Cities 36% of residents - nearly two in five people – live in neighbourhoods that are in the 20% most deprived across England. That is to say, deprived areas are relatively concentrated in the Key Cities and Core Cities.

7.6 million people in the Key and Core Cities live in the top 20% of deprived neighbourhoods out of a combined population of 21.3 million. If the proportion of people living in deprived areas in the Key Cities and Core Cities was in line with the rest of England – that is to say if one in five people lived in neighbourhoods in the 20% most deprived places - **3.3 million fewer people in would be living in deprived neighbourhoods.**

The Index of Multiple Deprivation incorporates a number of indicators that measure deprivation levels in a place. Places are compared with one another by relative measures, and therefore the data provides an illustration of places rather than individuals.

This estimate also makes the assumption that deprivation levels in the Key Cities and Core Cities outside England (Belfast, Cardiff, Glasgow, Newport, Wrexham) share broadly similar levels of deprivation to the cities in England. Because the Index of Multiple Deprivation for England is not directly comparable with data in the devolved nations, it is not possible to say this precisely, but similar measures for the devolved nations point to similar levels of deprivation. This assumption has been built into our calculations to make an estimate for Key and Core Cities across the UK.



# Key Cities and Core Cities online evidence base

Metro Dynamics prepared an online evidence base to complement this report and illustrate the impact of Covid-19 on individual cities. This is a sample page for Salford. The same information has been reproduced for all the Key Cities and Core Cities. It can be accessed via [Key Cities](#) and Core Cities' websites.

Salford on a page
City average comparison
City  
Salford



**Total GVA**  
£7.4bn



**Businesses**  
11K



**Total jobs**  
143K



**Population**  
259K

Explore more

Select button for city centre

City centre

### Movement into different spaces (baseline Feb 2020) Explore more

● Grocery and Pharmacy ● Retail and Recreation ● Transit stations ● Workplaces



Mar 2020 May 2020 Jul 2020 Sep 2020 Nov 2020 Jan 2021 Mar 2021

### UC claims Explore more

31K

- In Feb 21



### Green jobs by 2030 Explore more

● Green jobs ● Cities average



### Job vacancies Explore more

493

- In Dec 20



### Innovation sector jobs (2019) Explore more

● Innovation jobs ● Cities average



### Number of covid-19 cases Explore more



23K

Total Covid-19 cases

8.94K

cumulative cases per 100,000

### Businesses Explore more



9.9%

Startup business growth in 2020

### Deprivation by area Explore more

● 1 ● 2 ● 3 ● 4 ● 5 ● 6 ● 7 ● 8 ● 9 ● 10





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