

City deals

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What are city deals?

A city deal is an agreement between government and a city. According to government, city deals give the city and its surrounding area certain powers and freedom to:

- take charge and responsibility of decisions that affect their area
- do what they think is best to help businesses grow
- create economic growth
- decide how public money should be spent¹

By agreeing deals the government aims to drive productivity and economic growth, and increase decision making and accountability in local areas.

So far, 29 deals have been concluded, including 26 in England, two in Scotland and one in Wales, and three are under negotiation – two in Scotland and one in Wales. Although proposals for new city deals were announced for Scotland and Wales in the March 2016 budget, no new deals have been signed in England since 2014.

How do city deals fit into the local growth landscape?

The first waves of city deals preceded the recent devolution deals. Devolution can be broadly grouped into three categories: county-wide devolution deals, such as in Cornwall (without an elected mayor), devolution deals in combined authority areas (with elected mayors), seen in Greater Manchester and the North East, and city deals, which are widespread, more limited in scope, and have been in place for most of the major cities in England for a few years (and more recently in Scotland and Wales).

As such, city deals can be seen as ‘stage one devolution’. City deals have helped prepare the ground for devolution deals, which are ‘stage two devolution’, as they cover a wider geography and hand down more extensive powers. Wider still are

the strategic economic geographies of the Northern Powerhouse and Midlands Engine, strongly promoted by government as areas for international investment and to ‘counterbalance’ the economic strength of London. To add to this complexity, Growth deals devolve money from the Local Growth Fund to the 39 Local Enterprise Partnerships (although discussions over a Growth deal for North Wales are also underway).² This factsheet focuses on city deals, with particular focus on the devolution deals that have superseded older city deals in some areas.

The relationship between city deals and devolution deals

The first cities to get city deals were the eight largest cities outside London: in all but two of these devolution deals have since superseded the city deals (see ‘a brief history of city deals’). In this sense, city deals (if effectively implemented and managed) are a good foundation for further devolution. This might suggest that regions without a city deal are less likely to secure a devolution deal – to date, only Cornwall and Greater Lincolnshire have obtained a devolution deal without a preceding city deal. However, we are likely to see further devolution deals announced in 2016, and government will be keen to see a geographic spread and the inclusion of rural areas.

The recent city deal announcements for Scotland and Wales bode well for future devolution deals in these nations. Scotland and Wales submitted devolution bids in September 2015 that map onto the city deal areas: Aberdeen, Cardiff, Edinburgh and Inverness.³ These deals are agreements between the UK government, the Scottish or Welsh government, and local authorities.

The scope of city deals versus devolution deals

Most of the devolution deals to date facilitate a transfer of powers for employment and skills, transport, planning and investment from central government to local areas. Recent deals offer

support for science and innovation audits, with some adding that the audit may provide government with part of the evidence base on which to make decisions on Catapult centres. The majority of deals allow for devolution of adult skills budgets. The agenda is wider than local growth, with Greater Manchester for example receiving devolution of powers for criminal justice and devolved budgets for health and social care.

City deals are more limited. They focus on economic competitiveness and innovative projects. They have included pledges to create jobs in specific industries, development of investment funds for infrastructure and housing, transport and broadband improvement projects, and recognition of an area's unique identity – for example, Newcastle as a low carbon Pioneer City or the establishment of Tech City South in Greater Brighton.

The House of Commons has produced a briefing paper that outlines the content of each deal.⁴The more recent city deals for Scotland and Wales have somewhat larger sums of money associated with them than the previous English deals: for example the Glasgow deal aims to secure £1 billion of Scottish and UK government capital funding and £3.3 billion of private sector investment; the UK and Scottish governments both commit to investing £250 million over 10 years in projects in Aberdeen; and a central component of the Cardiff Capital Region deal was the creation of a £1.2 billion infrastructure investment fund, funded by contributions of £500 million from both the British and Welsh Governments and £120 million from the 10 local authorities in the region over 20 years.

A brief history of city deals

The Unlocking Growth in Cities White Paper introduced city deals, proposing new powers and responsibilities for cities demonstrating strong and accountable leadership, to drive economic development in their areas.

Wave one

The first wave of deals in 2012 incorporated the 'Core Cities' – the eight largest cities outside London: Greater Birmingham and Solihull, Bristol and the West of England, Greater Manchester, Leeds City Region, Liverpool City Region, Nottingham, Newcastle and Sheffield City Region. All but Leeds City Region and Nottingham have since been granted devolution deals (although West Yorkshire Combined Authority did agree a deal with government for Leeds City Region on a more limited scale than the recent tranche of devolution deals).⁵

Wave two

The second wave saw the next fourteen largest cities (and their wider areas), and the next six with the highest population growth between 2001 to 2010 invited to develop city deal proposals. See table 1 for a list of deals (Bournemouth and Poole – a larger city – and Milton Keynes – a fast growing city – incorporated their proposed funding and powers into their respective LEP Growth deals and so are not listed).⁶

Universities were involved with these deals – for example, the Greater Brighton deal prominently featured the local universities, with local press also picking up on collaboration between the universities, businesses and the local authorities.

Standalone deals and budget announcements

In 2014 the first city deal outside of England was agreed in Glasgow. The 2015 Spring Budget announced negotiations for city deals in Cardiff, Aberdeen and Inverness; deals for Cardiff and Aberdeen were agreed in 2016 and negotiations are continuing over Inverness.

In the March budget three new devolution deals were announced in England (the West of England, East Anglia, and Greater Lincolnshire). In Scotland, negotiations for a city deal for Edinburgh and South East Scotland were announced, and in Wales negotiations for a growth deal for North Wales and a city deal for Swansea Bay City Region were announced.⁷

Why are city deals important?

In several city regions, university students, teachers and staff make up around ten percent of the population, and universities will therefore have an interest in structural changes to governance arrangements and decision making. Universities have a key role as anchor institutions driving growth and meeting skills needs.

City deals are an important first stage of devolution. Devolution and localism are important because they open up opportunities for universities to become more engaged in their local area, through their leadership roles, education provision, skills training, coordination of economic and social activity, provision of evidence and analysis, and national and international links. Devolution provides opportunities to work closer with local communities, businesses, local authorities, and health and professional services.

Of course, many universities are in rural areas or are not located within cities, and the important role these institutions play as connectors between urban areas, as anchor institutions within small and fast growing towns, and as economic actors in their own right should be considered as part of devolution discussions. The importance of higher education in non-metro areas was highlighted in recent devolution deal draft agreements for East Anglia and Greater Lincolnshire, for example.

What's next?

City deals now cover England, Scotland and Wales. Although we may see more city deals emerge outside of England, the ultimate 'prize' for most areas will be a devolution deal offering long-term sustainable investment funds, devolved powers and budgets for a range of activities, and a governance structure that effectively brings together local councils and represents the often wide range of interests in an area.

Currently devolution deals are found in England only, although areas in Scotland and Wales previously submitted bids for devolution in response to the call in late 2015. Those areas with a city deal will look now towards the more comprehensive package offered in devolution deals, and those areas without a city deal will look towards the model of Cornwall and Greater Lincolnshire, and aim to make a strong case for devolution on the basis of a natural economic geography and unique assets that can be enhanced through greater autonomy from central government. Yet many of the newer devolution deal regions will look in turn towards the likes of Greater Manchester, which has the widest range of devolved powers. In all cases, universities are well placed to work with partners and to uncover and deliver the benefits of increased localism.

Notes

¹ <https://www.gov.uk/government/collections/city-deals>

² <https://www.gov.uk/government/news/secretary-of-state-pushes-forward-with-growth-deal-for-north-wales>

³ <https://www.gov.uk/government/news/landmark-devolution-bids-submitted-from-right-across-the-country>

⁴ <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SNO7158#fullreport>

⁵ <http://www.westyorks-ca.gov.uk/News/Articles/Devolution-deal-for-Leeds-City-Region/>

⁶ <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SNO7158>

⁷ <https://www.gov.uk/government/publications/budget-2016-documents/budget-2016#a-devolution-revolution>

Table 1: City deals and devolution deals to date (click links to view agreements)

City deals	Subsequent devolution deals
Wave 1: Greater Birmingham	West Midlands
Wave 2: Coventry and Warwickshire	
Wave 1: Bristol	West of England
Wave 1: Leeds	(Earlier deal: Leeds City Region)
Wave 1: Liverpool	Liverpool City Region
Wave 1: Greater Manchester	Greater Manchester
Wave 1: Newcastle	North East
Wave 2: Sunderland and South Tyneside	
Wave 1: Nottingham	
Wave 1: Sheffield	Sheffield City Region
Wave 2: Black Country	
Wave 2: Greater Brighton	
Wave 2: Greater Cambridge	East Anglia
Wave 2: Greater Norwich	
Wave 2: Hull & Humber	
Wave 2: Greater Ipswich	
Wave 2: Leicester and Leicestershire	
Wave 2: Oxford and Oxfordshire	
Wave 2: Plymouth and the South West Peninsula	
Wave 2: Preston, South Ribble and Lancashire	
Wave 2: Southampton and Portsmouth	
Wave 2: Southend-on-Sea	
Wave 2: Stoke-on-Trent and Staffordshire	
Wave 2: Swindon and Wiltshire	
Wave 2: Tees Valley	Tees Valley
Wave 2: Thames Valley Berkshire	
Glasgow and Clyde Valley	
Cardiff Capital Region	
Aberdeen City Region	
Inverness (under negotiation)	
Swansea Bay (under negotiation)	
Edinburgh and South East Scotland (under negotiation)	
	Other devolution deals
	Greater Lincolnshire
	Cornwall

Key

Wave 1 city deal = agreements with the ‘core cities’, the eight largest cities outside London (2012)
Wave 2 city deal = the 9-20 largest cities in England (after the 8 core cities) (2013 and 2014)
Wave 2 city deal = the fastest growing cities (by population) in England (2013 and 2014)
Other city deals = on a ‘one-off’ basis (Glasgow, 2014) or announced in budgets (2015 and 2016)

This is the fifth in a series of factsheets on innovation and growth. We welcome suggestions for other topics.

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