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Creating sustainable communities

A Framework for City-Regions

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February 2006

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Summary

1. City-Regions are the enlarged territories from which core urban areas draw people for work and services such as shopping, education, health, leisure and entertainment. The city-regional scale also plays a significant role for business in organising supply chains and accessing producer services. The City-Region is therefore an important *functional* entity.
2. As a scale for policy intervention in England, the City-Region has greater economic and cultural resonance than current administrative regions and local authority districts. Regions are generally too large to capture the most important functional linkages and the geography of everyday life. Districts are invariably too small to be considered ideal 'units' for strategic decision-making in key areas such as transport, economic development, planning and housing. Serious interest in City-Regions has grown as the 'reach' of core cities has expanded, making their formal boundaries increasingly outdated, and because of the recognition that the functional nature of City-Regions makes them increasingly appropriate for a range of strategic issues.
3. Understanding the reach of the boundaries of City-Regions is not simple. Using commuting data to examine travel-to-work flows it is possible to identify a set of local districts that form the tributary areas for England's major cities. For other types of flows, city 'catchments' are extremely wide. Flow data suggests, overall, that the geography of City-Regions is fuzzy and varies depending on different functions but that, however defined, the tributary regions of the big cities are very extensive and have considerable significance for economic performance.
4. There are three 'in-principle' logics for taking city-regional geographies more seriously within the policy process. These are based on arguments for: the devolution or decentralisation of democratic decision-making to a more localised scale; the improvement of service delivery; and the enhancement of economic performance. All three have their attractions but the latter is the most compelling.
5. A change based solely on devolution and/or decentralisation would strengthen city-regional governing capacity but would entail extensive re-organisation of local government and run the risk of ignoring the fact that a stronger city-regional policy framework, to be successful, would need the support of all levels of government and not just the re-organisation of one. The argument that 'city-regionalisation' would improve service delivery is attractive for a range of functions relating to the promotion and management of sustainable economic change. The city-regional scale, however, is less relevant to policy-making and delivery for personal services that are inherently local and demand close relationships between service providers and consumers.
6. The economic logic for a city-regional component to policy-making has become more powerful as the economic performance of cities has become increasingly critical to that of the regions in which they sit. Across the country, Gross Value Added (GVA) data now show that the major City-Regions outperform their regions and show higher rates of growth in GVA. Strong City-Regions are a *necessary* – even though they may not be a *sufficient* – condition for ensuring optimal economic growth. Evidence assembled for the two case study City-Regions of Greater Bristol and Greater Manchester shows that

small businesses such as the cultural and creative industries and large businesses such as aerospace rely heavily on informal local networks and that their supply chains draw heavily on contacts drawn from within their City-Region. Critically, the need for access to information and knowledge has therefore given new salience to the agglomeration economies that big dense heterogeneous cities offer.

7. An economic focus on City-Regions fits well with the current logic of Government policy. Recognition of the economic role and potential of City-Regions is already central to the design and delivery of the Northern Way growth strategy. The *State of the Cities* report puts the strengthening of city economies at the forefront of the urban policy agenda and provides a context for a focusing on the economic role of City-Regions. Most significantly, the introduction of a stronger city-regional policy framework would potentially help address both elements of the Regional Economic Performance (REP), Public Service Agreement (PSA) target which commits ODPM, Her Majesty's Treasury (HMT) and the Department of Trade and Industry (DTI) to 'make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions'.
8. The case for City-Regions as economic entities is increasingly accepted within Whitehall. However, not all Government departments, as yet, can demonstrate that their policy and expenditure priorities are sensitive to the economic potential of City-Regions. Only in the case of the 'super-region' centred upon London is there evidence of an emerging, implicit, cross-departmental strategy for promoting and managing growth at the city-regional scale.
9. Seen from a Whitehall perspective, a wider and more explicit national policy framework for City-Regions could be approached in three ways:
 - *Working 'on' City-Regions*: this would entail encouraging the key 'economic' departments to review the design and impacts of their policies and spending priorities on City-Regions in each of the English regions in order to provide a clearer city-regional focus for all public agencies currently involved in promoting better regional economic performance.
 - *Working 'with' City-Regions*: focused more upon the aspiration to reduce the gap between regional growth rates, this would entail identifying a smaller number of City-Regions which could be incentivised to develop partnerships through which to enhance economic competitiveness in partnership with government.
 - *Devolving 'to' City-Regions*: this would mean creating a new national geometry of City-Region governance to which powers and resources would be decentralised on a comprehensive basis as part of a wider local government reform.
10. These approaches are not mutually exclusive and could be seen as sequential steps in a progression, moving from the essentially short-term, through the medium-term, to the long-term. In our view, the second of these broad approaches has the greatest potential impact. This approach recognises the 'fuzzy' nature of City-Regions and does not require a prior national reorganisation of local government on either a comprehensive or selective basis.
11. Five steps in the potential development and delivery of a national framework for City-Regions, based on this second approach, are suggested:

Clarifying PSA priorities. First, there is a need to clarify:

- (a) the relative importance of the two elements of the REP PSA target and the extent to which the narrowing of the gap in regional economic growth rates is a priority for Government policy; and
- (b) where the REP PSA sits within the broader ‘pecking order’ of Government aspirations, and hence how other Government departments are expected to contribute to its realisation.

The key question to be addressed here is whether a national framework would focus selectively on those City-Regions where potential improvements in economic performance would help reduce the gap in regional growth rates.

Selecting City-Regions. Irrespective of the answer to the last question, there is a strong case for identifying ‘trial’ City-Regions on which Government attention could initially focus. A small handful of City-Regions in the northern and midlands regions are the obvious candidates, here. A selective focus is strongly supported by analysis of commuting flows and GVA growth. Leeds/Manchester, for example, would be an obvious northern ‘pathfinder’ given that both cities have shown significant potential for growth and there have been recent moves towards exploring the scope for cross-district collaboration in both City-Regions. Together, they have considerable potential to perform a similar role, in the north, to that played by London within southern England’s ‘super-region’.

Central government incentives. Experience of the development of the Thames Gateway suggests that the formation of a dedicated Cabinet Committee, and supporting Whitehall executive capacity, will be essential in supporting the co-ordination of work for and within pathfinder City-Regions. The spatial implications of central government investment decisions also need to become a central feature of the thinking and approach of spending departments. This would have benefits in bringing on board those departments for which regional and economic development issues currently appear marginal or incidental, even though their decisions can often have critical implications for patterns of regional and sub-regional development. A mechanism through which this might be encouraged would be to introduce a system of ‘spatial impact assessment’ statements linked to investment decisions. A further incentive would be to move towards greater pooling of the mainstream resources drawn from across spending departments as the basis of a ‘compact’ with City-Regions.

Identifying relevant functions. The pathfinder cities – in association with adjoining districts and alongside the relevant Government Office (GO) and Regional Development Agency (RDA) – could then be invited to propose the sets of functions for which City-Region arrangements would be most appropriate. In this initial phase such discussions should be focused on strategic economic-related functions – transport, economic development, labour-market skills, housing, business supply links, and cultural services.

Determining governance arrangements. In the short term there are strong arguments for semi-statutory partnership arrangements, of which there are a variety of models available. These could potentially differ as between different functions but it would be important that such arrangements were backed by strong central government commitment and support. Semi-statutory bodies would need to become the responsible bodies through which both discretionary and some mainstream resources would flow. There would be a new emphasis at a regional level on ensuring the most effective linkage between the selected City-Regions and those areas lying outside their immediate ambit. This would be an important task of the existing regional agencies. The varying geography of flows and the disruption caused by reorganisation both suggest that moves towards formal city-regional governance structures should remain a longer-term option, depending upon the experiences with more immediate arrangements.

CHAPTER 1

Why ‘a framework for City-Regions’?

- 1.1 This is the final report of a study entitled *A framework for City-Regions* (FCR) commissioned in December 2004 by the Office of the Deputy Prime Minister (ODPM) from a consortium led by the Centre for Sustainable Urban and Regional Futures (SURF) at the University of Salford together with the Centre for Urban Policy Studies (CUPS) at the University of Manchester. The overall purpose of the study was to develop the evidence base that was seen as necessary to underpin any sustained, future move towards a clear national policy framework for City-Regions.
- 1.2 In its original specification of requirements for the study, ODPM described how its results were intended to feed into work then ongoing within Whitehall – by ODPM’s Urban Policy Directorate and the joint Department of Trade and Industry (DTI) Her Majesty’s Treasury (HMT) and ODPM Regional Economic Performance Public Service Agreement (REP PSA) team and through a specially constituted, inter-departmental City-Regions Working Group – leading to a ‘city-regional policy framework’. In the brief, ODPM did not specify what such a framework would involve, what needs and demands were driving its production or the nature, degree and depth of interest and involvement in it across Government.
- 1.3 The open-ended nature of the brief that the SURF-CUPS team responded to was made explicit in ODPM’s insistence that it ‘[did] not wish to specify a detailed approach to this study’. It was further reflected in the broad nature of the tasks established for the study, which included requirements to assess:
 - Why City-Regions are important and the utility of ‘a city-regional approach to policy’.
 - Which types of city-regional definition suit which policy purposes.
 - What advantages a city-regional policy framework could have over those applied at different spatial scales (e.g. neighbourhood, district, region).
- 1.4 The emphasis placed upon the REP PSA work suggested that the *economic* value of City-Regions and a city-regional approach to economic policy played a critical part in the Department’s thinking. However, the brief did not anticipate an exclusively economic orientation. It was anticipated that the study would ‘bring together evidence of the advantages of using a city-regional approach for economic, social and environmental development’.
- 1.5 The FCR study was delivered in a number of stages which involved:
 - Identifying the ‘footprints’ of cities (i.e. ‘city-regional geographies’) through the mapping of various ‘flow’ data.

- Reviewing the way in which the key drivers of city-regional growth are currently understood.
- Assessing the potential added value of a city-regional approach for policy formulation at the national, regional and sub-regional/local scales.
- Exploring the lessons arising from recent experiences with the reform and delivery of urban-regional policies, and sub-national institutional reform, elsewhere in Europe.

1.6 The work packages that supported these strands of the study involved:

- Quantitative data gathering and analysis designed to identify:
 - (a) the potential geographies of City-Regions *if* they were going to cover all of England; and
 - (b) the ‘reach’ and importance of key urban centres in terms of ‘flow’ data dealing with travel-to-work, travel-to-be-entertained, travel-to-be-educated, travel-to-travel and so on.

Because the data supporting the latter tend not to be available nationally, for all cities, CUPS’ work for this part of the study focused upon Greater Manchester and Greater Bristol as illustrative examples.

- A specially convened international workshop in March 2005, designed to examine: national and local factors that had influenced the development of city-regionalism and the ‘upscaling’ of cities in the Netherlands, France and Germany and; their implications for the development of city-regionalism in England.
- A comprehensive series of interviews with representatives of central government departments, regional officials (using the North West as an exemplar) and local authority officers (in Greater Manchester, again as exemplars) designed to test understandings of City-Regions, and the perceived importance (or otherwise) of city-regional policy frameworks, at different levels of government.
- A brief review of literature on the causes of recent urban economic resurgence.
- A specially-commissioned paper on the actual and potential roles of City-Regions in regional economic development policy, prepared by Prof. Harvey Armstrong of the University of Sheffield, and
- Advice from Prof. Michael Storper, an international authority on spatial economics, who holds positions at the Fondation Nationale des Sciences Politiques in Paris and the London School of Economics.

1.7 The various stages of the study have already given rise to a comprehensive information base. This is contained in four Working Papers which are available on the ODPM website: **www.odpm.gov.uk/urban**

- **Working Paper 1**

Mapping City-Regions

- **Working Paper 2**

City-Regions: policy and practice. Lessons from France, Germany and the Netherlands

- **Working Paper 3**

City-Regions: why, where are we now, and how far would we need to travel?

- **Working Paper 4**

The role of city regions in regional economic development policy

- 1.8 Readers of this final report should refer to these working papers for the bulk of the evidence that underlies the observations and arguments made here. Rather than rehearse the detail, ODPM asked that the remainder of this report should summarise the wide-ranging results of the study and relates them back to the original brief. This task is attempted in four further chapters, each of which address a key question that was not only central to the study but needs to be answered clearly if a national framework for City-Regions is to be developed and delivered effectively.
- 1.9 Chapter 2 asks why we are, and why we should be, talking about City-Regions. Building upon a simple working definition of the term, it summarises the powerful shaping role that City-Regions play within all our lives before describing the recent ad-hoc development of 'city-regionalism' in England that has begun to take their importance more fully into account. It then identifies three, 'in-principle' arguments – based on devolution, improved service delivery, and better economic performance – as to why the further development of a city-regional component to policy processes and governing arrangements is seen as potentially advantageous.
- 1.10 Chapter 3 argues that there are currently three options for developing a national city-regional framework. It briefly summarises the two main perspectives on the city-regional agenda outlined by Whitehall officials. The economic perspective is primarily interested in translating the analytical evidence that City-Regions drive their regional economies into a strategy and action across the key economic departments in Whitehall. The devolution perspective is primarily concerned with reshaping the government arrangements at city-regional scale to improve clarity, accountability and simplify relations with Whitehall. It then outlines the three key options for developing a national framework for City-Regions. Option 1 is a development approach that assumes Government is primarily interested in enhancing the economic performance of all regions through the existing array of instruments that are seen as contributing to spatial economic development. Option 2 is a more transformative approach which assumes that the longer-term aspiration of the REP PSA drives the Government's approach to spatial development and that a more robust approach from Whitehall, involving more fundamental changes at the regional and local levels, is needed. Option 3 is a devolved approach which assumes the development of new governance models for England that provide a sharper focus on city-regional government. We then review the lessons that are available from elsewhere in Europe about the potential and pitfalls of the third option.

- 1.11 Chapter 4 argues that the benefits of a city-regional approach are likely to be strongest across a number of policy fields that focus, broadly, upon the promotion of and/or adjustment to processes of economic change. It briefly summarises arguments and evidence about the increasingly important roles that City-Regions play – regionally, nationally and internationally – in an open, globalising ‘knowledge economy’. It goes on to describe the costs of not taking action at the city-regional scale in relation to the Government’s longer term commitment to reduce the gap between regional economic growth rates as opposed to the shorter term goal of improving sub-national economic performance across the board via the further devolution and decentralisation of decision-making. It then uses the distinction between these short and longer term Government aspirations to address the question of what an economic approach to City-Regions might look like in relation to the ‘development’ and ‘transformative’ policy options. For each approach it examines the key ‘what, where and how’ questions related to the future development of a framework for City-Regions.
- 1.12 Finally, Chapter 5 assesses what remains to be achieved if a future national framework for City-Regions is going to be sufficiently robust to achieve the aspirations that Government might set for it. Working on the basis that the key considerations that need to inform future developments are knowledge, mobilisation, incentive structures and governance, it then sets out the key requirements and staging posts that need to be addressed and reached if a ‘transformative’, economic approach to City-Regions is to be developed, shared and delivered effectively. This sets out action for central and local government that involve clarifying the role of the two elements of the REP PSA target; selecting pathfinder City-Regions for the focus of action; developing central government incentives to coordinate the role of the public sector in the selected City-Regions; identifying relevant functions for city-regional delivery; and, in the longer term, developing new governance arrangements.

CHAPTER 2

Why are we, and why should we be, talking about City-Regions?

2.1 What are we talking about?

- 2.1.1 There have been many attempts to define the notion of the city- or urban-region. A selection of recent contributions can be found overleaf (Box 1). What this suggests is that there is no necessary agreement about what comprises a City-Region nor a great deal of clarity about how the concept could – and, even more important, why it should – be operationalised. Our study had no choice but to acknowledge this context and try to move debate about the importance (or otherwise) of City-Regions forward in a way that recognised the imprecise and contested nature of the concept whilst at the same time making it more intelligible and useful to people involved in the policy-making process. We did so by operating on the simple working assumption that City-Regions comprise a central urban area, or two or more closely inter-linked urban centres, together with those areas that surround them with which they have significant interaction.
- 2.1.2 Like all definitions, ours inevitably begs further questions. Whilst it is useful to picture urban centres as having ‘footprints’ defined by their interaction with surrounding areas, the size and shape of these footprints inevitably differs depending upon the types of interaction involved. Thus the ‘reach’ of cities and towns in terms of travel-to-work patterns is not the same, for example, as that described by patterns of travel to entertainment venues or shopping centres, or the geography of business supply chains. Similarly, the idea that the various forms of interaction must be *significant* if they are to be useful to our analysis is attractive but not easy to operationalise. Standard definitions of the travel-to-work areas around key urban employment centres, for example, are constructed on the basis of assumptions about the levels and densities of commuter flows that are important as against those that can ‘safely’ be ignored for analytical purposes. Were this not the case, the travel-to-work areas defined for major cities, in particular, would appear huge and have little practical value.
- 2.1.3 Variations in the *type* and *intensity* of interaction between urban cores and their hinterlands mean that any attempt to draw clear and unambiguous ‘city-regional’ lines on maps will always be contestable. This observation causes alarm to those who prefer geographical simplicity and tend to think in terms of neat administrative responses to particular issues and challenges. It does not, however, mean that the notion of the City-Region is redundant or inapplicable. In our view it has significant unrealised value as both an analytic and decision-making tool. In elaborating these merits of the notion of the City-Region, we are not attempting to argue that the City-Region should become *the* most important ‘unit’ of analysis and action within policy processes. We recognise

that all policy issues, ultimately, are ‘scale’ issues, and that our understanding of what is relevant and important inevitably depends upon the degree of resolution at which any phenomenon is analysed. Rather, our more modest claim is that greater use of the notion of the City-Region as a scale at which to think about, design and – in some but not all instances – deliver policy could have improved important aspects of governance in the past and is capable of doing so in the future.

Box 1. Recent attempts to define the City-Region

“We have defined ‘city–region’ to refer to: a strategic and political level of administration and policy making, extending beyond the administrative boundaries of single urban local government authorities to include urban and/or semi-urban hinterlands. This definition includes a range of institutions and agencies representing local and regional governance that possess an interest in urban and/or economic development matters that, together, form a strategic level of policy making intended to formulate or implement policies on a broader metropolitan scale.”

Tewdwr-Jones and McNeill, 2000

“The City-Region transcends the local level (as the basic administrative unit) and also goes beyond the city level. In a spatial sense, the City-Region is very much like a conurbation or metropolitan area. Most importantly, the City-Region is far more of a complex system than a monolithic entity. The evolving City-Region constitutes a political and economic power field comprised of a variety of cultures and societies.”

Ache, 2000

“The concept of [the] City-Region.....covers not only the commuting hinterland of the city but also the whole area which is economically, socially, and culturally dominated by the city.”

Davoudi, 2003

“The concept of the City-Region can be understood as a functionally inter-related geographical area comprising a central, or Core City, as part of a network of urban centres and rural hinterlands. A little bit like the hub (city) and the spokes (surrounding urban/rural areas) on a bicycle wheel.”

ODPM, 2005

“From a geographic point of view, global City-Regions constitute dense polarised masses of capital, labour, and social life that are bound up in intricate ways in intensifying and far-flung extra-national relationships. As such, they represent an outgrowth of large metropolitan areas—or contiguous sets of metropolitan areas—together with surrounding hinterlands of variable extent which may themselves be sites of scattered urban settlements.”

Scott, 2001

Source: Rodriguez-Pose 2005¹

2.1.4 We believe this statement to be true in both negative and positive senses. With regard to the former, the notion of the City-Region as an area of significant interaction and interdependence distinguishes it from:

¹ **Rodriguez Pose, A.** (2005) The City-Region approach to economic development. *Report to the DfID Urban and Rural Change Team* (London: DfID 2005).

- (a) the urban centre(s) that typically lies at its core, invariably covering only a fraction of a larger, urbanised area, *and*
- (b) the wider region within which it sits (or, in a minority of English cases, the regions that it straddles²).

This distinction is important because the boundaries of local authority districts, including those for core urban areas, and of ‘regions’ in England are defined in administrative terms that do not reflect, and arguably never have reflected, complex socio-economic interactions.

2.1.5 We therefore have a paradox. On one hand, modern City-Regions have been a living reality ever since rising affluence, the development of transportation infrastructures and technologies and growth in car-ownership enabled the progressive, routine separation of individuals’ places of work and/or daytime activities from their places of residence. Their reach was extended, and the interactions within them became more complex, as population and economic activity during the industrial age became diffused over wider areas. On the other hand, with the partial exception of the local government reorganisation in the mid-1970s, there has never been a sustained attempt to ensure that the functioning of City-Regions was taken into account in the reform of sub-national administrative structures. Just as important, the City-Region has never been used as an organising device capable of guiding the policy choices and investment priorities of the broader range of public bodies – be they national government departments or NDPBs – whose decisions influence spatial development patterns. Two distinctive characteristics of present day English ‘spatial’ policy, broadly understood, follow from these observations.

ARBITRARILY DEFINED TERRITORIES

2.1.6 First, the decisions of local authorities and regional agencies – key conduits through which public investments flow – tend, understandably, to be based upon what is perceived as ‘good’ for the particular territories they cover, even though those territories are arbitrarily defined. Thus local authorities, on one hand, have traditionally found it difficult to take account of the importance of interactions between urban cores and their surrounding areas. Even with the best will in the world they have tended to compete with their neighbours for various forms of public and private investment and to try to influence the broader policy environment in ways that benefit their area and its residents and users. Regional agencies, on the other hand, even though they have generally accepted that ‘their’ regions make most sense when viewed as a collection of sub- and City-Regions, have tended to adopt a geographically ‘even’ approach to policies and investments rather than prioritise them on the understanding that some sub-regions do or can make a bigger contribution to regional performance than others.

² The area heavily influenced by London, for example, stretches well into the South East and Eastern regions and some versions of the Manchester City-Region would include parts of Yorkshire and the Humber and the East Midlands.

THE UNEVEN CONSEQUENCES OF 'PLACE BLIND' POLICIES AND EXPENDITURES

- 2.1.7 Second, the decisions of government departments, particularly those that are not seen as contributing directly to urban and regional policy goals, tend to be 'place blind'. In other words, they rarely take into consideration the spatial implications of policies and investments but think instead in terms of more or less standardised delivery to their various 'recipients' – social groups, service clients, institutions and so on. As we suggest below, however, policy and expenditure choices that are place blind in theory often tend, in practice, to have unevenly distributed 'targets' and, crucially, to produce highly uneven and place-specific effects, some of which can run counter to the intentions behind explicit spatial policies.
- 2.1.8 Seen in this context, the City-Region represents a scale of analysis that can serve two useful purposes.
- It can capture, better than current administrative definitions of sub-national 'spaces', the dynamic linkages that shape modern economic and social life.
 - It can help overcome the parochialism built into the local government system, enable regional agencies to prioritise their work more effectively and sensitise government departments to the spatial implications of their policies and investment decisions.
- 2.1.9 A key purpose of this report is to assess why now is a particularly appropriate juncture at which to press home these potential advantages of a city-regional approach. It is worth underlining, however, that whilst there is currently a particularly strong case for enhancing the city-regional component of policy-making, these positive merits are by no means new.
- 2.1.10 A city-regional perspective on the spatial implications of the transition from an industrial to a knowledge-based economy in England might well have produced a different form of analysis and strategic response to that underpinning existing urban and regional policy. For example, rather than contrasting employment loss and population decline within core urban areas with better performance elsewhere and forming conclusions about 'urban crisis', a city-regional organising framework would have:
- Taken into account the powerful relationships between city cores and their broader areas of influence, rather than assumed that the latter were independent and 'more successful'.
 - Allowed for the fact that (a) short range decentralisation of employment and population from urban cores, and (b) higher indigenous rates of growth in economic activity and residential development on the fringe of certain metropolitan areas could be interpreted as evidence of urban 'competitiveness' – albeit realised in a slightly different spatial form – rather than 'crisis'.
- 2.1.11 Thus, for example, the super-region centred upon London would, fluctuations in the economic cycle notwithstanding, have been found to exhibit relatively consistent job and population growth even though trends within the city itself for many years ran in the opposite direction. Similarly, had we focused attention upon employment, labour

and housing market dynamics at the Greater Manchester scale, rather than concentrating upon the deindustrialisation (and eventual recovery) of Manchester and Salford, we would have had a better understanding of the enduring importance of that particular City-Region to the North West region. These cases of inner metropolitan restructuring combined with broader city-regional growth/stability could usefully have been contrasted with that of the Liverpool City-Region where long-term economic decline – a trend that has been arrested and reversed only very recently – manifested itself for many years in the loss of employment and population from both the core city *and* the rest of Merseyside.

2.1.12 In short, a city-regional analysis, based on a better understanding of the economic, labour and housing market interactions between urban cores and their hinterlands, would have given us a sharper insight into England's changing economic geography and a better evidence base for policy-making. In all probability we would not now be claiming that 'our cities are back' because we would more readily understand that, marked improvements in economic performance by certain urban core areas notwithstanding, they have never really gone away.

2.2 The evolution of English City-Regions and 'city-regionalism'

2.2.1 Why is it that the notion of the City-Region, having been largely absent from discussions about policy change and institutional reform for thirty years, is currently being rediscovered? In our view, there are two sets of answers to this question. One concerns the reasons why policy-makers *should be* taking the idea of the City-Region more seriously; in other words, why City-Regions have become more important. The other focuses upon how policy-makers *are* doing so and *why* they might go further. There is some overlap between these two rationales for the development of English city-regionalism but they are not the same thing. Before examining them further, however, it is worth briefly asking who is currently taking City-Regions seriously.

2.2.2 Our research for this study suggests there *is* growing momentum behind a new English city-regionalism but that its major proponents thus far:

- (a) are relatively few in number;
- (b) are drawn from a limited range of organisations and interests; and
- (c) have substantially different motivations.

The loose confederation that has begun to lobby for some form of city-regionalism currently includes certain public policy 'think tanks', various policy-makers within a handful of Government departments and at regional and local levels, parts of the 'trade press', a number of academic researchers, and some elements of the private sector. Beyond this limited group of proponents who are stimulating debate about what a city-regional approach might achieve and how, there is a broader constituency in the statutory and non-statutory sectors who are part of the discussion about City-Regions. Either it has become part of their professional responsibilities or they have begun to monitor debate closely because they anticipate that it may have implications for their organisations further down the line. In these circumstances it is clearly important, if there is to be a sustained move towards a framework for City-Regions, that there is

clarity about the advantages it could bring and a widening and deepening of the coalition that would be needed to support and deliver it.

WHY BOTHER? 'CITY-REGIONAL LIVES' AND 'BOUNDARY HOPPING'

- 2.2.3 Our answer to the question of why we *should* be taking City-Regions seriously is simply that the mix of economic, social, physical/environmental and cultural attributes found within any particular City-Region increasingly represents a more important determinant of peoples' quality of life and life chances than that which is found at the artificially small district or the artificially large³ regional scale. Currently, the data to support this assertion has to be assembled creatively but it follows logically from four sets of observations that are at least partially empirically verifiable, *viz*:
- City-Regions, overall, make a vital and increasing contribution to regional and national economic performance but, at the same time;
 - there are big variations in the economic performance of our City-Regions;
 - a growing proportion of the population lead 'city-regional lives', and can therefore take advantage of the attributes that a particular City-Region offers (whilst simultaneously being constrained by the limits of that offer); and
 - given the tendency of the English workforce not to migrate in search of employment to the same extent as is the case, for example, in the US, the life chances of the least mobile groups are effectively determined by the performance of the City-Region in which they reside, on one hand, but also by their limited ability to access the opportunities within it, on the other.
- 2.2.4 The accuracy of the first two of these observations is amply demonstrated by spatial data on Gross Value Added (GVA), the Government-approved indicator of economic output (and therefore wealth generation), expressed in per capita terms. Whilst figures on GVA per capita – the best available proxy for productivity – are not available at a city-regional scale, given the absence of any official 'city-regional geographies', they *are* gathered at 'NUTS 3' level, that is at a scale corresponding to units that are larger than local authority districts but smaller than counties. In earlier work, we have shown how current levels of GVA per capita are highest, and recent increases in GVA per capita have been sharpest, in the 'super-region' around London which takes in the capital itself along with much of the South East and those parts of the Eastern region that are effectively part of the London labour market⁴. Whilst London's economic success and influence is well-known and understood, however, a similar pattern of urban productivity growth can also be demonstrated for provincial City-Regions, including many that have often been assumed to be undergoing protracted economic decline.
- 2.2.5 Table 1, below, provides a region-by-region listing of NUTS 3 areas, beyond the London super-region, ranked according to change in GVA per capita – in other words, effectively 'productivity' increases – between 1995 and 2001. It provides clear evidence

³ London, the 'region' broadly defined by the M25, is the one exception here. It is the one English case in which the administrative region is smaller than the effective City-Region.

⁴ SURF Centre, *Releasing the potential of provincial City-Regions: The rationale for and implications of a 'Northern Way' growth strategy* (London: ODPM 2004). Available at: www.odpm.gov.uk/stellent/groups/odpm_science/documents/downloadable/odpm_science_032253.pdf

that not only is productivity highest in those areas centred upon provincial England's major cities but recent increases in productivity have also increasingly been concentrated within these City-Regions. A close reading of the table suggests that the sharpest productivity gains have been concentrated in two sorts of urban area – freestanding City-Regions and other, sometimes smaller, urban centres that are best connected to London through major transport infrastructures.

- 2.2.6 So, for example, Tyneside – effectively 'Greater Newcastle' – and, to a much more muted extent, Sunderland, are characterised by the highest GVA per capita levels and the strongest recent GVA per capita growth within the North East region. A similar pattern is found in Yorkshire and the Humber, where Leeds, York (an area with strong economic and labour market connections to Leeds) and Sheffield stand out in terms of 'weight' and growth in per capita GVA. The same applies in the North West, where Greater Manchester South (especially), Liverpool/Merseyside and the area that lies between the region's two main conurbations (Halton and Warrington) are the key economic performers and improvers.
- 2.2.7 Outside northern England, areas centred upon the key freestanding urban centres show up strongly in all regions. Derby, Nottingham/Nottinghamshire and Leicester, for example, rank highly in the East Midlands, as does the area that forms the most dynamic part of 'Greater Birmingham' – the city itself, plus Solihull, Warwickshire and Coventry – in the West Midlands. In the South West, Bristol and its neighbouring areas plus Swindon rank very highly. A further feature of these more southerly regions, however, is that certain areas that border the South East region and have good connections to the capital rival the better-known cities in terms of GVA per capita performance. The best examples here are Northamptonshire in the East Midlands and Bournemouth/Poole in the South West.

Table 1: NUTS 3 areas outside London, the South East and the Eastern regions, by region, ranked by % change in per capita GVA, 1995-2001

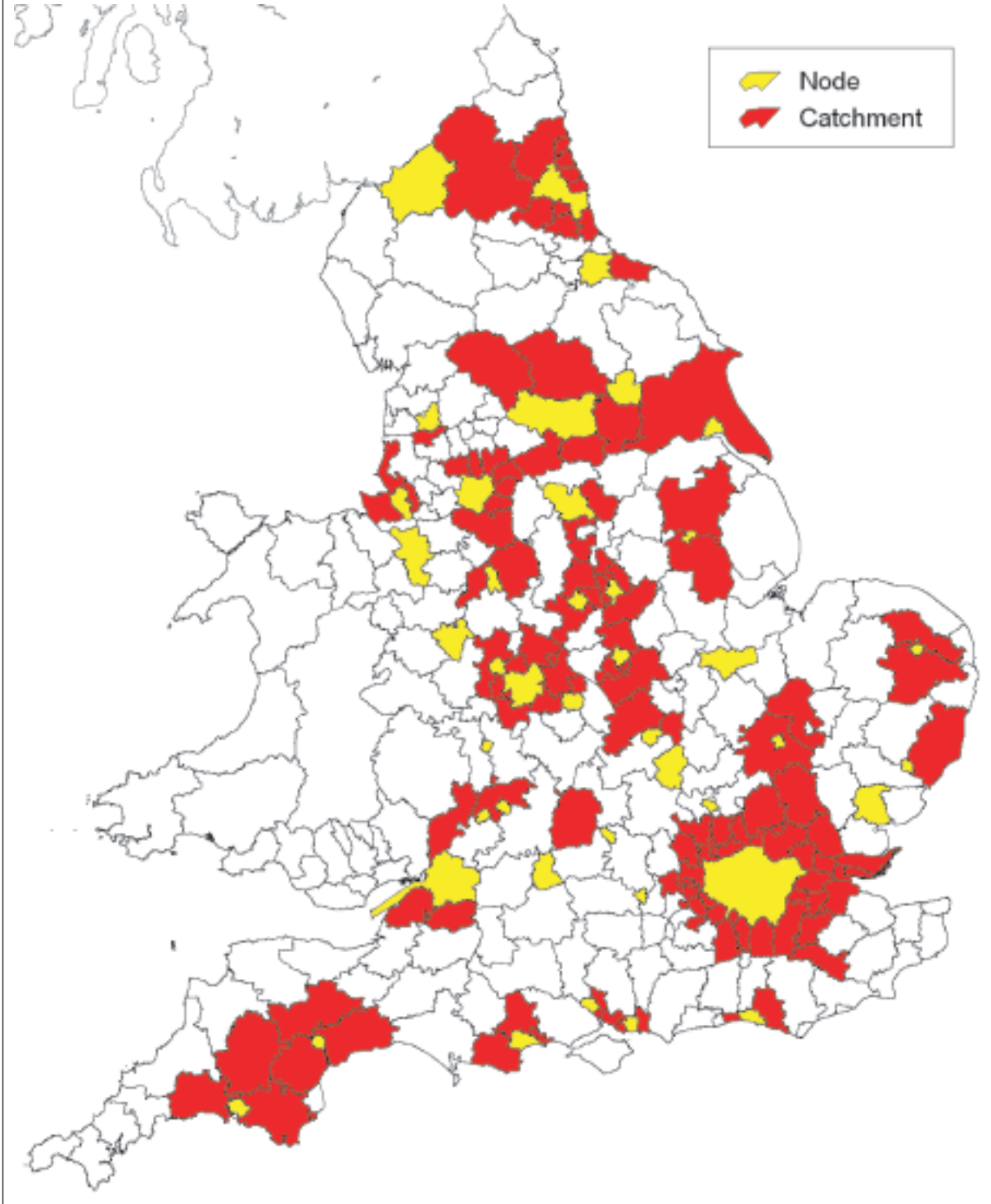
	GVA per Capita 2001	Change, 1995-2001 (%)	Change in regional GVA share (%)
EAST MIDLANDS			
Derby	18584	63.6	1.4
Northamptonshire	15671	47.3	2.6
South Nottinghamshire	10516	45.5	0.6
Leicester	16381	34.4	-0.1
Nottingham	20782	34.1	-0.2
East Derbyshire	9602	32.3	-0.0
North Nottinghamshire	11327	29.2	-0.2
Leicestershire CC and Rutland	12431	16.5	-1.4
Lincolnshire	10857	15.9	-1.1
South and West Derbyshire	11322	8.8	-1.7
WEST MIDLANDS			
Solihull	14951	50.0	0.6
Warwickshire	14708	39.1	0.9
Coventry	15979	39.0	0.5
Birmingham	15344	38.9	1.1
Staffordshire CC	10829	31.0	0.2
Worcestershire	12239	30.0	0.2
Walsall and Wolverhampton	12611	23.1	-0.7
Shropshire CC	10392	22.0	-0.2
Dudley and Sandwell	11988	17.9	-1.3
Stoke-on-Trent	11684	12.9	-0.8
Telford and Wrekin	13476	12.2	-0.2
Herefordshire, County of	10872	11.5	-0.3

Table 1: NUTS 3 areas outside London, the South East and the Eastern regions, by region, ranked by % change in per capita GVA, 1995-2001 (continued)

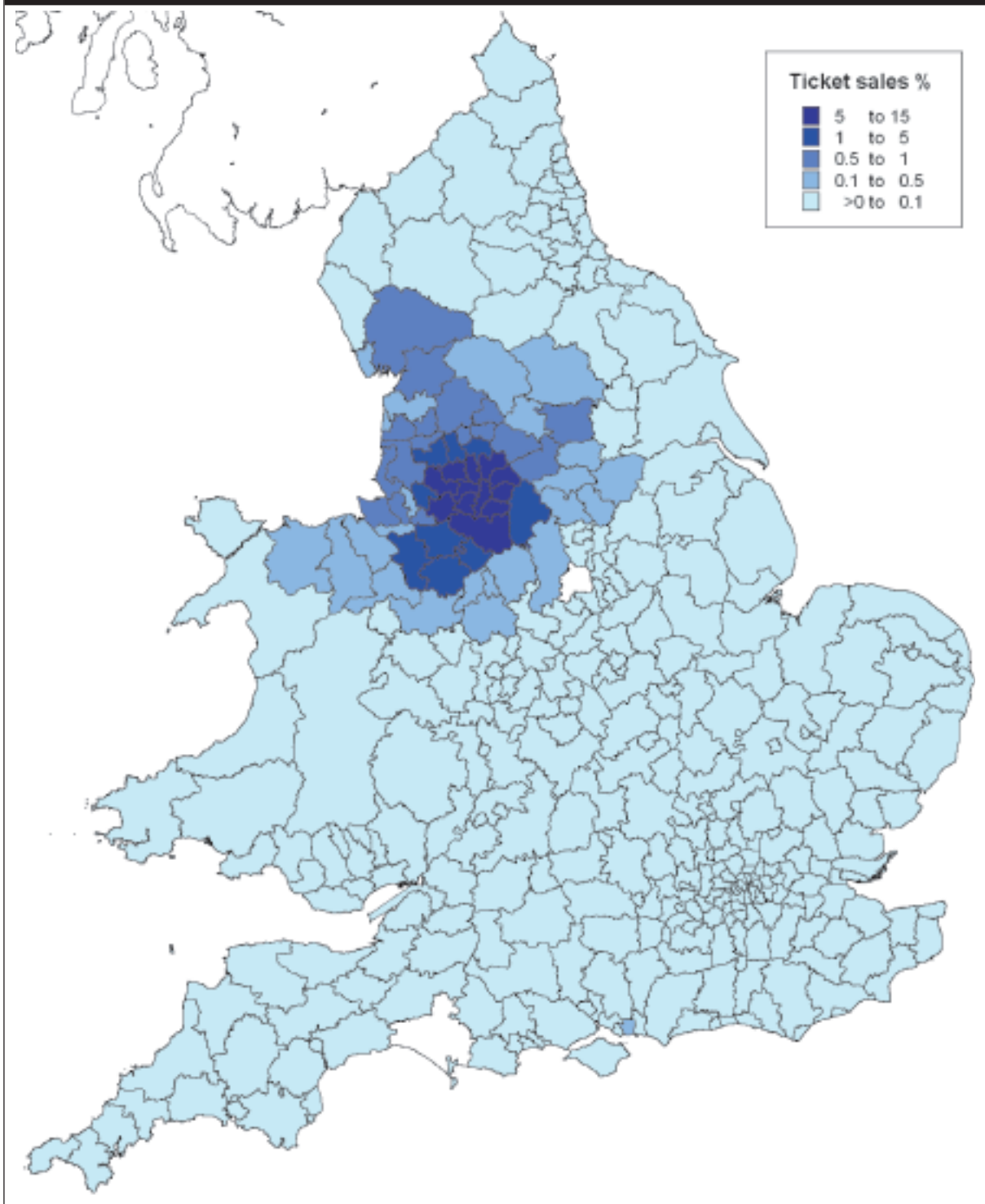
	GVA per Capita 2001	Change, 1995-2001 (%)	Change in regional GVA share (%)
NORTH WEST			
Greater Manchester South	17015	50.6	3.2
Liverpool	13317	44.4	0.4
Wirral	8611	34.4	-0.0
Halton and Warrington	16022	34.0	0.1
East Merseyside	9165	28.9	-0.1
Sefton	9315	28.8	-0.1
Lancashire CC	12534	28.0	-0.2
Blackpool	10626	27.5	-0.1
Cheshire CC	15694	26.1	-0.3
Gtr Mcr North	10361	18.5	-1.5
Blackburn/Darwen	12103	17.1	-0.2
West Cumbria	10776	13.8	-0.5
East Cumbria	11385	9.0	-0.6
SOUTH WEST			
Bournemouth and Poole	13693	50.1	0.8
Bristol, City of	19450	39.3	0.4
Swindon	22025	37.8	0.5
N & NE Somerset, S Glocs.	14382	34.5	0.7
Gloucestershire	14062	33.3	0.4
Plymouth	13174	31.6	-0.3
Cornwall and Isles of Scilly	8212	22.5	-0.3
Somerset	11225	22.4	-0.4
Torbay	10949	22.1	-0.1
Dorset CC	10259	21.7	-0.3
Devon CC	10897	20.7	-0.7
Wiltshire CC	12305	17.1	-0.7
YORKSHIRE & THE HUMBER			
York	16833	38.9	0.5
Leeds	16904	38.5	1.4
Sheffield	12634	33.0	0.2
Calderdale, Kirklees and Wakefield	11815	28.4	0.1
Barnsley, Doncaster and Rotherham	9270	28.4	-0.2
Kingston upon Hull, City of	13143	27.9	-0.5
Bradford	11895	27.8	-0.1
North Yorkshire CC	11822	25.3	0.1
North and North East Lincolnshire	13413	18.0	-0.7
East Riding of Yorkshire	9549	6.1	-0.9
NORTH EAST			
Tyneside	12539	32.5	2.5
Sunderland	11215	27.5	0.3
South Teesside	10114	17.9	-0.5
Hartlepool and Stockton-on-Tees	12295	17.0	-0.2
Darlington	12831	16.8	-0.2
Durham CC	9285	15.3	-0.8
Northumberland	8722	6.6	-1.1

- 2.2.8 Whilst the correlation between wealth and productivity, on one hand, and quality of life and life chances, on the other, is not absolutely perfect, it is still reasonable to assume from this evidence that differences in the performance of key English City-Regions have a critically important bearing on the choices that their residents and ‘users’ are able to make. In assessing how, it is useful to make a distinction between people whose choices are determined primarily by what a particular City-Region is able to offer, that is those who lead what we might call ‘city-regional lives’, and those who are constrained by their inability to do so. In both cases, life chances are heavily influenced by the performance of the City-Region but its impact is experienced differently.
- 2.2.9 Once again, the evidence has to be assembled creatively, but there is no doubt that the daily rounds of a growing proportion of the country’s population are less and less tied to particular administrative districts. At the time of the 2001 census, for example, 40% of the working population crossed at least one local authority boundary during their journey to work. This percentage figure increases as one moves up the occupational hierarchy and reaches its peak for the highest status occupational groups in and around the largest cities containing the densest concentrations of employment. And of course travel-to-work patterns describe only one of the ways in which people ‘use’ complex urban areas and the facilities that are distributed across them. We are all aware, anecdotally if not through personal experience, that it is perfectly possible for the adult members of a household located in one administrative area to work in another, send their children to school in a third, spend a proportion of their leisure time in a fourth, use the services of a hospital in a fifth, take a holiday flight from an airport located in a sixth, and so on.
- 2.2.10 As part of our City-Region mapping work for the study, we examined travel-to-work patterns around the key urban centres in England at the time of the 2001 census. Map 1 shows the ‘catchments’ for professional and skilled workers centred upon each of the urban nodes we identified. It needs to be interpreted carefully, given that the geographical sizes of the various catchment areas do not reflect the volume of people movements involved in each case. London, for example, obviously has a far larger employment base, and higher volumes of in-commuters, than do Carlisle in the North West or Plymouth and Exeter in the South West. What the map nonetheless demonstrates is the significant extent of the ‘footprint’ of key urban centres in terms of commuting to higher order employment.
- 2.2.11 Travel-to-work patterns are not the only demonstrations of the growing importance of ‘city-regional lives’. In Working Paper 1, we used bespoke data gathered from case study work in Greater Manchester and Avon to demonstrate the ‘footprints’ of Manchester and Bristol across a wider range of functions than that related solely to employment. Maps 2 and 3 exemplify this work by looking at ‘travel-to’ patterns for theatres. What these maps, plus a range of other data describing travel patterns to other urban facilities such as shopping centres, cultural venues, universities, airports, football grounds and hospitals, demonstrate is the extent to which those who have the necessary resources lead city-regional lives, featuring regular – if not daily – ‘boundary hopping’. They contrast with Map 4, the counterpart to Map 1 which shows the catchments of the same urban nodes for less skilled workers. The contrast between these two maps reveals very clearly just how limited the job-search area for less skilled workers is compared to that for higher skilled and invariably better rewarded employees. Whilst breakdowns, by occupational status, of the bespoke ‘travel-to’ data for other urban facilities was not available, it is reasonable to surmise that the geographical horizons of the less skilled in terms of leisure, entertainment, education

Map 1: Catchments for professional and managerial workers, 2001

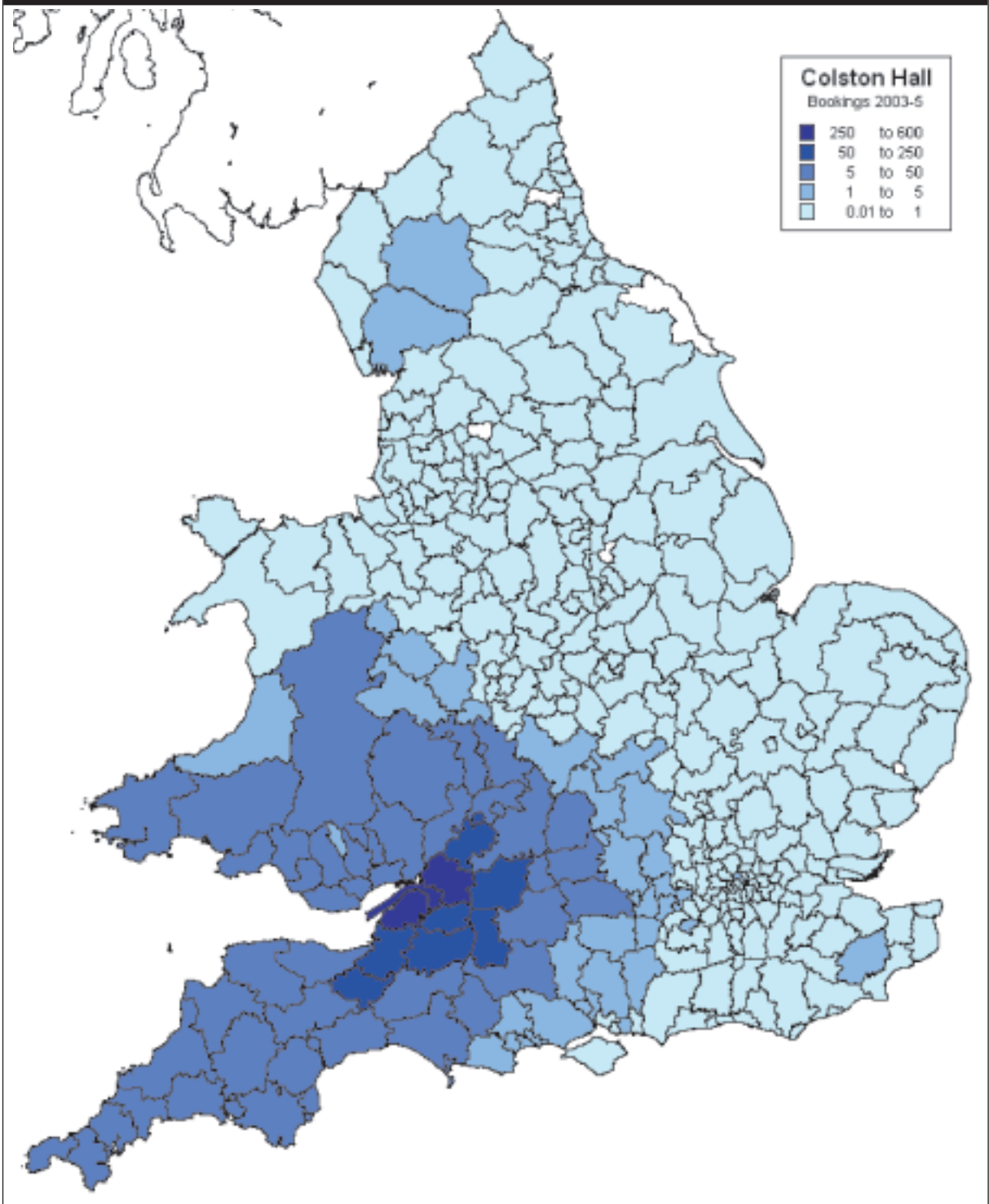


Map 2: Percentage of total ticket bookings for Manchester theatres, 1998-2003



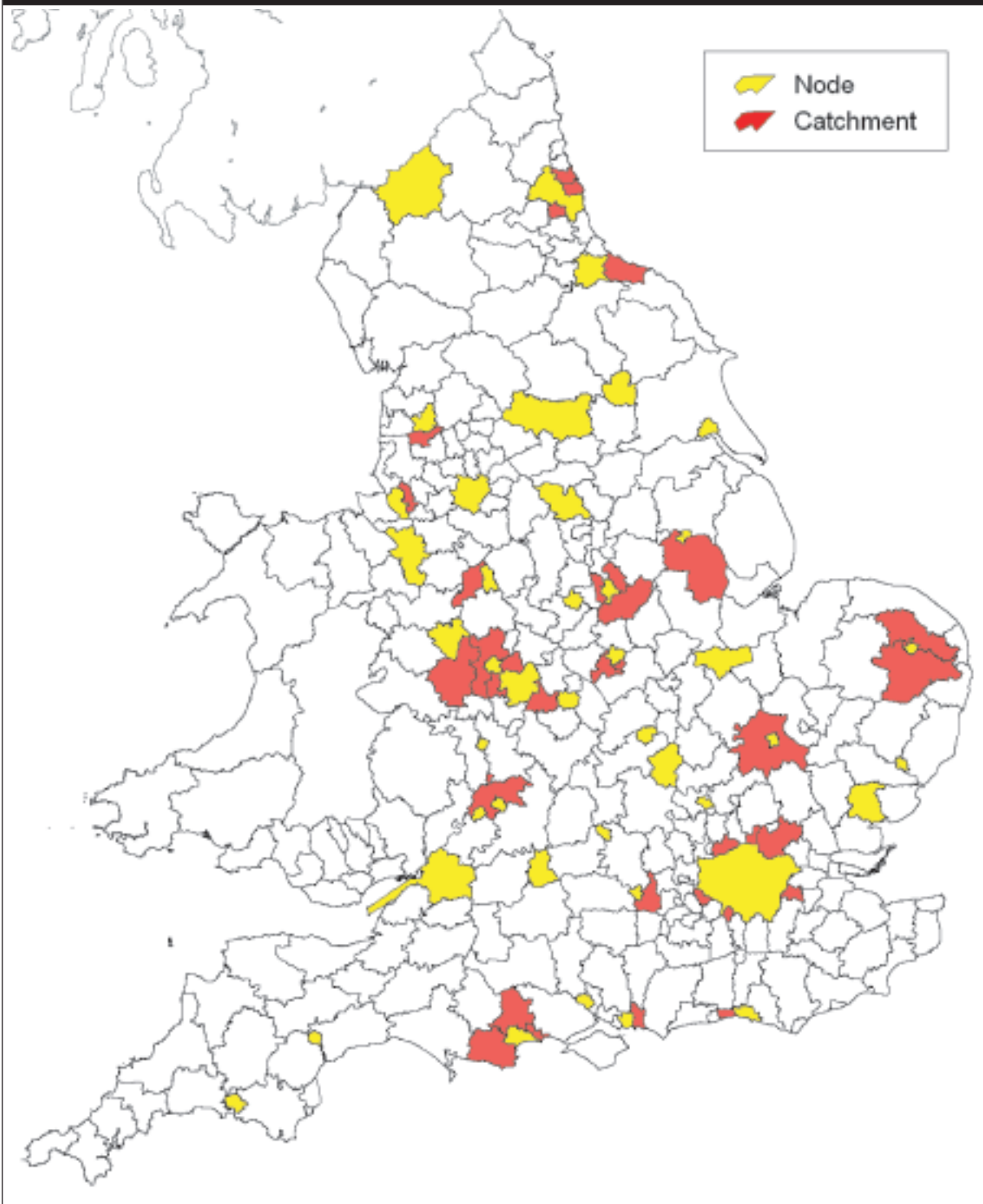
Source: Arts about Manchester

Map 3: Bookings for Colston theatre, Bristol, 2003-05



Source: Colston Theatre, Bristol

Map 4: Catchments for routine and unskilled workers, 2001



2.2.12 The argument that differences in city-regional fortunes play a critical role in determining quality of life and life chances, then, rests upon two main observations. First, the density, quality and range of employment opportunities and life-enhancing facilities available at the city-regional scale determines the realistic choices available to the most mobile and affluent residents able to lead city-regional lives. Second, for the less skilled, affluent and mobile, the availability of employment opportunities and prospects for career development are indirectly related to overall city-regional fortunes but their access to these, and to a broader array of city-regional facilities, is also dependent upon the internal functioning of the City-Region. For the first group, the key issue is how ‘their’ City-Region compares to others whereas a key, additional concern for the latter is how they are positioned within a particular City-Region.

AD-HOC CITY-REGIONALISM

2.2.13 The importance of city-regional fortunes to the prospects of their residents and users, along with the implications of differences between City-Regions, have had an impact upon the policy process in a variety of ways in recent years. We identified (in Working Paper 3) a variety of emerging forms of city-regionalism or city ‘upscaling’, driven by a number of factors, including:

- The need to continue delivering ‘strategic’ services (e.g. public transport, policing) at the metropolitan scale following the abolition of the Greater London Council and the other metropolitan county councils in 1986.
- ‘Bottom-up’ collaborations between local authority districts focusing upon the mutual pursuit of economic development and regeneration goals and/or the more effective management of development pressures.
- The decentralisation of strategy development and delivery responsibilities from the regional level in recognition of:
 - (a) the greater economic coherence and cultural resonance of city- and sub-regions; and
 - (b) the efficiency gains to be made from the implementation of regional strategies *via* a small number of sub-regional (rather than multiple district level) partners.
- The Core Cities group of local authorities’ efforts to enhance its influence upon Government departments by speaking with and on behalf of a wider group of authorities.

2.2.14 The various forms of ad-hoc city-regionalism we identified are summarised in Table 2. What the table demonstrates, overall, is that:

- There is a complex and uneven pattern to, and a high level of innovation around, the concept of city-regionalism, based on flexible geographies, new forms of collaboration, and partnership, network and institution building across local authority boundaries.

- city-regionalism in practice has taken three broad forms, based upon the *internal* re-working of city-regional relations; regional and national *decentralisation* to city- and sub-regions and the development of new relations *between* City-Regions.
- Because collaborations are often voluntary and constructed outside formal government frameworks, participants have been experimental in selecting joint priorities and deciding upon informal governing arrangements.
- The Government role in ‘incentivising’ city-regionalism has been limited. Only in the case of London have new ‘upscaled’ governing arrangements been created through new legislation. Beyond this, the Government role has involved:
 - (a) creating cross-district structures for NDPBs (e.g. Learning and Skills Councils, Business Links) based largely on service-specific judgements about the most appropriate delivery scale;
 - (b) ‘arms length’ encouragement of bottom-up collaboration (the most recent example being in-principle support for the drawing up of the eight City-Region Development Plans linked to the Northern Way Growth Strategy); and
 - (c) a limited amount of joint work with selective urban authorities (e.g. the joint HMT-DTI-ODPM working group, with RDA and Core Cities representatives, on Cities, Regions and Economic Competitiveness).

2.3 Why go further?

2.3.1 Why, then, is there a concern to consider what a *national* policy framework for City-Regions might entail? Currently, three sets of answers to this question are on offer, each supported by different interests, based upon different judgements about what a city-regional approach would be good for and, at least potentially, leading in different directions. These are variously driven by concerns with devolution, improved service delivery and better economic performance.

DEVOLUTION

2.3.2 The ‘devolutionist’ case for City-Regions is based on three main assumptions. First, that the perceived benefits of new, directly-elected governing arrangements for London are replicable elsewhere. Second, that the costs of organisational fragmentation within the ‘urban’ policy process, broadly understood, can be reduced through a city-regional approach. Third, that some form of devolution (or at least decentralisation) to the city-regional scale is a natural and potentially more compelling alternative to the creation of elected regional assemblies, the move to which stalled after the referendum in the North East region at the end of 2004.

Table 2: The topography of contemporary city-regionalism				
Style	Logic	Drivers	Boundary	Example
1. Repositioning of Core Cities: Enlarging the Scope of Cities				
1.1 Core Cities Network	Pressure Group	Economic and wider role of core cities at centre of City-Regions and relations with regions.	Core local authority district boundary.	Core cities membership.
1.2 Enlarging the Central City-Region	Growth coalition	New relationships formed around extension of city core to overcome constraints and realise new opportunities through voluntary collaboration.	Core of enlarged city centre often involving two or more districts...	Newcastle-Gateshead Partnership City-pride...
1.3 New City-Regions	Upscaled city	Core city works with neighbour authorities on key strategic issues such as transport, economic development that link them.	Greater City – including all or part of periphery. Negotiated.	Greater Nottingham, Greater Cambridge.
2. Decentralisation and devolution to Sub-Regions: Delegating Roles to City-Regions				
2.1 City-Region Government:	Democratisation Local govt reform	Elected city-wide government for London. Strategic coordination of transport, economic development, planning, policing.	New and fixed boundary.	London Mayor and Greater London Authority.
2.2 City/Sub Regional Service Delivery	Post abolition arrangement for services	Need for coordination.	Former MCC boundary.	Joint boards.
	Delivery via sub-regional NDPBs	Link service delivery to enlarged units that reflect TTWAs, economic markets, large concentrations of population.	Often former MCC boundaries or bespoke.	Health authorities, LSCs, Business link.
2.3 Decentralisation from Regions	Devolution – subsidiarity	Sub-regional partnerships involving a range of public and private partners delivering implementation of regional strategies in sub-regions.	Often former metropolitan counties or bespoke.	Tyne and Wear Partnership.
3. Networks of City-Regions: Relations between City-Regions				
3.1 Twin or Polycentric city-regional Alliances	Collaborative networks	Partnership focus on identification of mutual benefits that can be realised through collaboration on strategic issues.	Multiple – bespoke, Core cities, City-Regions, TTWA.	Manchester – Liverpool Vision, 3 Cities Study.
3.2 Enlarged Growth Concepts	Cross-regional Growth coalitions	Strategic coordination of housing, economy and infrastructure in enlarged growth concepts.	Regional and cross – regional (with strong focus on City-Regions – see below).	Northern Way, Midland Way.
	city-regional Development Plans	New (enlarged) city-regional development strategies to accelerate their potential as are key drivers of their regional economies.	Enlarged City-Regions, plus relations between City-Regions.	8 CRDPs within the Northern Way.
3.3 Inter-city collaboration	Collaborative networks	Collaboration between London and core cities.	GLA and core cities.	Core Cities – GLA.

2.3.3 There would be two potential ways forward within a devolution-driven approach to City-Regions. One would concentrate upon democratisation, that is the integration and placing under democratic control of public responsibilities currently discharged by indirectly elected or unelected bodies or decentralised arms of national government. If such a move were to follow the London model, it would involve the ‘City-Regionalising’ of policing, elements of transport, fire and emergency services, economic development and strategic planning through the creation of a new strategic authority strongly directed by a city-regional mayor. Whilst the creation of new governing

arrangements for London, as has traditionally been the case, was justified on the basis of the capital's exceptionality, it is difficult to see how this line could be held if similar models were to be created elsewhere. There might then be pressure for city-regional democratisation to be made available to the rest of England on the basis that what would be good for the likes of Manchester, Leeds or Birmingham should not be denied to Portsmouth, Norwich or Brighton.

- 2.3.4 In short, democratisation would trigger local government reform which might affect every area of the country. This, in turn, would throw up the tricky dilemma – never adequately resolved by any attempt to define city-regional geographies so far – of how to construct an England-wide ‘system’ of city-regional authorities that resonates with citizens’ sense of belonging and attachment and in which administrative boundaries are firmly fixed and every settlement in the country is covered by just one city-regional authority. A further complication would also arise if any movement toward city-regional authorities were to follow the precedents set, in very different circumstances, in Scotland, Wales, Northern Ireland, London and the north east of England and be made conditional upon positive votes in popular referendums. This would not only go against the tradition of previous rounds of local government reform but also introduce a significant degree of unpredictability into the equation and open up the possibility of change that would almost certainly need to be comprehensive and England-wide in principle becoming selective and patchy in practice.
- 2.3.5 A second devolution-driven approach would be based upon the slightly different notion of subsidiarity, that is, upon the argument that the City-Region represents the most localised scale at which certain responsibilities can be delivered by an elected authority. A ‘subsidiarity solution’ would also entail local government reform and the creation of new, directly elected strategic authorities. Whether it would necessarily entail comprehensive, country-wide change or a more selective approach, however, would depend upon whether a convincing rationale could be constructed whereby the City-Region was seen as the most feasibly localised scale for policy formation and delivery in certain areas of the country whereas existing local authorities were seen to act at the most appropriate scale elsewhere. Ultimately, this would come down to a discussion about whether the larger and more complex metropolitan areas outside London ‘need’ strategic authorities more than the smaller urban centres.

IMPROVING SERVICE DELIVERY

- 2.3.6 The devolutionist argument for city-regional reform links to a second rationale, based on the search for improved service delivery. What they both share is a concern to understand which policy responsibilities are best performed at the city-regional scale. In principle, however, there is no reason why this second, potentially more technocratic approach would necessarily lead to the creation of new, multi-purpose institutions or greater direct democratic scrutiny at the city-regional scale. It might, for example, lead to more organic solutions whereby the way existing institutions design or implement services is recast and better incentives for them to collaborate at the city-regional scale are introduced. Whether a city-regional ‘solution’ based on improved service delivery would necessarily entail all-England or more selective reform is also an open question, for reasons covered above in relation to a potential subsidiarity-driven approach.

2.3.7 The case for city-regional service delivery is not new and has tended to prove both controversial and difficult to implement, at home and abroad, even during those times when it has been made most strenuously, not least because it has usually been linked to significant structural reforms of local government. In England and Wales, the potential of City-Regions with respect to service delivery was last considered seriously in the early 1970s as part of the debate about the first comprehensive reform of local government in eighty years. The key issue then, as now, concerned the appropriate scale(s) at which different types of service – in the language of the time, ‘personal’ and ‘strategic’ services – should be delivered. The consensus in the 1970s was that, at least for the largest and most complex urban agglomerations:

- ‘Environmental’ services (e.g. strategic land-use planning, transport, policing, waste disposal, emergency services) needed to be delivered at a scale that reflected the ‘realities of social geography’, that is at a city-regional/metropolitan scale, whereas
- Personal services (e.g. housing, education, social services, street cleansing, local planning) that involve more direct, localised relationships between deliverers and consumers needed to be provided at a scale that offered the most appropriate balance between service efficiency/economies of scale and accessibility/democratic viability.

2.3.8 After a long period in which there has been a steady, incremental movement towards a unitary system of local government, this debate has resurfaced, albeit in a slightly different form. A minority position in the debate is that the creation of larger unitary authorities delivering the whole range of local government services – for example through the merger of existing districts into ‘super-sized cities’⁵ – could achieve further economies of scale and better strategic integration. For most commentators, however, the fact that local government re-organisation in the 1970s created some of the largest authorities in Europe, by population size, means that ‘economy of scale’ arguments are unpersuasive and that city-regional governing arrangements need (a) to concentrate more upon strategic decision-making than direct service delivery, and (b) to the extent that they are seen to require local government re-organisation, to focus, as in London, on the creation of a strategic upper tier of city-regional governance.

2.3.9 The key question, here, concerns the meaning of ‘strategic’ or ‘environmental’ services in an age in which what local authorities do, and how they do it, have changed almost beyond recognition since the 1970s. Change has come in two ways. First, much greater attention has been paid to the ‘enabling’, as opposed to the direct service provision role of local government. And second, the range of things that local government is expected to enable has expanded to take in issues such as economic development, regeneration and environmental sustainability, none of which are amenable to traditional ‘command and control’ approaches but instead depend upon negotiation and bargaining with organisations and interests outside local government and very often outside the public sector altogether. What links these ‘new’ issues together, in our view, is their focus upon the promotion and management of economic change. The case for a city-regional approach to service delivery therefore shades into a third rationale – improving economic performance.

⁵ See, for example, **Stoker, G.** (2005) *What is local government for? Refocusing local governance to meet the needs of the 21st century* (London: New Local Government Network).

ENHANCING ECONOMIC PERFORMANCE

2.3.10 The argument that stronger city-regional governance arrangements and/or policy frameworks can contribute to improvements in economic performance requires an acceptance that governing arrangements and policy decisions can and do make a difference to spatial economic change. Whilst there are differences of view about the degree to which this is the case, and about the mechanisms through which it is achieved, this is not, in principle, a controversial claim. After all, generations of urban and regional policy, along with the myriad urban and regional development agencies, partnerships and programmes which have been created over the years, have effectively operated on the assumption that public intervention in the supply and demand sides of sub-national economies, organised at particular scales, can positively influence development trajectories.

2.3.11 Most recently, the abortive move toward Elected Regional Assemblies (ERAs) in England was clearly 'sold' on the basis that ERAs would contribute to improvements in regional economic competitiveness. Similarly, and specifically at the city-regional scale, the recent production of City-Region Development Plans (CRDPs) by partners in eight City-Regions across the north of England has been driven by assumptions that:

- These City-Regions are critical to the future economic performance of the north, and
- CRDPs, along with Northern Way sectoral strategies intended to enable northern England to close the '£29b performance gap' – the additional economic output per annum that is estimated to be needed if northern economic performance is to match that of the Greater South East – will need to be have greater influence over mainstream policies and expenditure programmes in future and not just rely on the 3-year, £100m Business Plan that currently supports its activity.

2.3.12 What our work for the study brings to this analysis, over and above these assumptions, is evidence that:

- The performance of City-Regions plays a crucial role not only in the quality of life and life chances of their residents but also in the functioning of regional and national economies – internationally as well as domestically.
- That new forms of 'agglomeration' have recently reinforced the contribution that City-Regions are able to make in both of these senses.
- There is a very close fit between the arguments of those who argue either for the 'institutionalisation' of City-Regions or for city-regional frameworks designed to improve service delivery, that it is in those 'strategic' service areas most intimately linked to the promotion and management of sustainable economic change – planning, economic development, environmental regulation, transport, housing and business development – that the strongest case for a new city-regionalism lies.

CHAPTER 3

What are the options for a national framework for City-Regions?

3.1 Understanding the options

3.1.1 What are the options for developing a national framework for City-Regions? In this chapter we consider the wider context in which Whitehall is currently thinking about the city-regional agenda and the implications this has for national policy options. Drawing upon the interviews with senior Whitehall officials active on the city-regional agenda (see Working Paper 3) in this chapter of the report we:

- Briefly review key Government perspectives on City-Regions.
- Outline in a comparative way the key features of the three national policy options that flow from these perspectives.
- Offer a rationale for a staged approach to the development of a national framework.

3.2 Three options for a national framework for City-Regions

3.2.1 As we saw in Chapter 2, a city-regional perspective is currently not well developed within Whitehall. The city-regional scale plays little part in mainstream Whitehall departmental thinking and the concept is only at the early stages of development within the DTI and HMT. Thus far, the strongest support for a city-regional approach is found within ODPM. That said, there is now wider strategic context for bringing together interests around the city-regional agenda through Government's emerging focus on city-regional economic performance and the potential of the City-Region as a scale at which an alternative approach to devolution and decentralisation can take place (see Working Paper 3). These two approaches to city-regional strategy currently run in parallel and there is a need for greater clarity about the affinities between them.

3.2.2 Within those Government departments most concerned with sub-national economic performance – HMT, DTI and ODPM – we found that there was widespread acceptance of the analytical evidence that city-regional economies play a critical role in driving regional economic performance. What was less clear, however, was how Whitehall should use this analysis to develop a national strategy design to shape resource application and policy priorities. Two main perspectives were outlined by officials.

3.2.3 The first argued that the analysis of the critical economic role of City-Regions was of key importance for central government and attention should now be focused on working through the implications for Whitehall departments. Consequently a policy process was required that systematically reviewed the potential role of City-Regions in more effectively delivering national PSA targets. There were two options for dealing with this challenge:

- The first can be described as a ‘developmental’ approach and assumes Government is primarily interested in enhancing the economic performance of *all* regions through the existing array of instruments that are seen as contributing to spatial economic development, and
- The second is a more transformative approach which assumes that the longer-term aspiration of the REP PSA drives the Government’s approach to spatial development and that a more robust approach from Whitehall – and involving more fundamental changes at the regional and local levels – is needed.

3.2.4 The second perspective also accepted the critical economic role of City-Regions but felt that this was evidence that required action by local authorities, the City-Regions and regional institutions. This perspective saw a role for Government in reviewing and potentially reshaping the governance frameworks of northern City-Regions (see Chapter 2). A third potential option followed from this perspective:

- A devolved approach which assumes the development of new governance models for England that provide a focus for city-regional government. Within this option attention moved away from the analysis of the economic role of City-Regions towards a local government reorganisation agenda.

3.2.5 The three options for developing a national framework for City-Regions are summarized in Table 3 and discussed in more detail below.

Table 3: Three options for developing a national city-regional framework			
Stage	Working on City-Regions	Working with City-Regions	Devolving to City-Regions
Approach	“Developmental”	“Transformative”	“Devolution”
Assumptions	Existing	Integration	Reorganisation
Governance	Straightforward	Bespoke	Complex
Benefits	Effectiveness and efficiency	Transformational potential	Clarity and accountability
National Role	Build framework in action	Co-production of shared framework	Set framework for action.
Time	Short-term	Medium term	Longer term

3.3 Working ‘on’ City-Regions: a developmental approach

- 3.3.1 The critical priority in this option is to ensure that the evidence on the key economic role of City-Regions is taken forward by Whitehall largely using the same assumptions that underpin the existing need for regional and local approaches to economic performance. The argument is that the additionally of a city-regional scale of analysis in the design and delivery of policy (see Chapter 2) could result in significant improvement in the efficiency and effectiveness of a multi-level, spatial economic policy. This approach therefore provides an agenda for action by Whitehall’s key economic policy departments that has implications for their relations with regions and City-Regions. There is an opportunity within a national framework to move forward on this agenda by sensitising central priorities to the city-regional scale through a process of rebundling key aspects of the design, delivery and evaluation of economic policy between the centre, regions, City-Regions and local authorities.
- 3.3.2 This approach is not dependent upon local government reform although it requires a creative approach to the way existing governance frameworks are used and strengthened. The key steps for Whitehall would be:
- The development of a greater understanding of the potential additionality of the city-regional scale in the design, delivery and evaluation of economic policy.
 - More integration between Whitehall ‘economic departments’ – potentially through a city-regional coordination unit – designed to strengthen the city-regional dimension to national spatial economic policy.
 - More effective vertical integration between departments, regions and City-Regions, working through existing links to GORs, RDAs and City-Regions.
 - The provision of stronger incentives for city-regional thinking and action at local level through the selective pooling of existing resources.
 - Flexible working within the context of existing governance structures in the main English City-Regions.
- 3.3.3 The key characteristics of this approach are that Whitehall can take prime responsibility for leading and directing the content of a national framework for the city-regional scale. Government would take responsibility for improving cross-departmental co-ordination and ensuring increased effectiveness and efficiency of policy. This approach works largely with the grain of existing assumptions and governance frameworks underpinning existing economic policy. Because it is largely Government-led, it does not require local government restructuring and could be acted upon relatively quickly.

3.4 Working ‘with’ City-Regions: a transformative approach

3.4.1 A second, more transformative approach would see a national framework for City-Regions becoming one of the principal mechanisms through which Government realises the longer term commitment of the REP PSA to reduce the gap in regional growth rates. This approach requires a greater degree of commitment as it involves greater risk, is more experimental and its outcomes are less easy to define at the start of the process. It would entail a much more selective strategy in which Whitehall would work with selected City-Regions to develop a more comprehensive and integrated approach. This would be designed to ensure that central, regional and local policies and expenditure commitments are much more effectively aligned around a transformative City-Region growth agenda. The selective approach – rather than comprehensive inclusion of all City-Regions in the first step – means that there is scope for such an approach to be developed in a more customised way.

3.4.2 This approach has some similarities to the one used by Government in defining and taking forward the development of the Thames Gateway. The key issues involved in translating it into action would involve:

- Selection of potential city-regional growth areas of national economic significance.
- Cross-departmental commitment to city-regional foresight processes designed to generate scenarios of future development potential.
- Learning processes designed to absorb the implications of transformational change for the design and delivery of government priorities and public expenditure.
- Revision and alignment of Whitehall, regional, city-regional and local strategies to ensure that strategies are mutually consistent and supportive and ‘funnel’ efforts into achieving city-regional priorities.
- The development of governance arrangements that are fit for purpose in terms of policy and programme alignment and delivery.

3.4.3 The key feature of this approach is that Whitehall, the regions and the City-Regions would jointly assume responsibility for taking forward action at the city-regional scale. The process and governance arrangements can be developed on a more bespoke basis and are not necessarily dependent upon wider local government reform and reorganisation. However given the multiple scales of governance that need to be involved in the development of a well researched, widely understood and shared strategy this option should be considered as a more medium term option.

3.5 Decentralising ‘to’ City-Regions: a devolved approach

3.5.1 This third approach is much less driven by the economic logic that underpinned the first two options. Instead, it was implicitly justified to us, by some Whitehall officials, on the basis of three alternative rationales. The first is the view that, within currently

fragmented City-Regions, voluntary collaborations and partnership arrangements are not capable of arriving at strategically ‘optimal’ decisions about the allocation of resources, the selection of priorities and effective delivery. The second is that Whitehall needs a simpler and clearer way of managing its relationship with City-Regions. The London mayoral model was suggested, here, as an example of how such clarity could be provided. The third is that, given the fact that the potential move towards elected regional assemblies stalled last year, the City-Region scale could provide the context for further devolution/decentralisation in a way that it is consistent with current approaches to local government modernisation.

3.5.2 This option would need to face the following issues were it to be translated into action:

- A review of options for local government reorganisation and the development of city-regional government models outside London. These could include:
 - the bringing together of existing City-Regionalised services and functions, potentially following the London model;
 - a national local government reform that would have to deal with the definition of City-Regions;
 - a more bottom-up and selective process of city-regional reform based on the amalgamation of local authorities, the creation of a directly elected authority or the creation of a city-regional mayor.
- A process of consultation on the options, followed by the development of detailed legislative proposals that would need to be taken through Parliament, potential referenda on the new arrangements (if the process was the same as for London), and the introduction of transitional arrangements prior to the establishment of new bodies.

3.5.3 The key feature of this approach is that it is driven by the perceived need for City-Regions to have a greater degree of regulated autonomy to develop their own priorities, irrespective of their ultimate impacts upon city-regional economic fortunes and their implications for greater regional economic balance. The role of Whitehall would be limited to creating the legislative and administrative framework that facilitates action at individual city-regional scales. Given that local government reorganisations are invariably protracted and contested, this option would have to be realised over the longer term.

3.6 Developing a phased approach?

3.6.1 In principle, the options outlined above are not incompatible. They could be realised in a staged approach. At this stage, however, it is useful to consider the experiences of ‘city-regionalism’ in France, Germany and the Netherlands which were reviewed as part of the project (Working Paper 2). In general terms, the ‘routes’ to city-regionalism identified in this review were: the creation of new formalised city-regional or inter-municipal structures; the development of less formal and institutionalised cross-boundary co-operation and the creation of incentive structures to enable this to happen, and; the development of ‘imaginary geographies’ for the purposes of analysis, networking and policy-formation.

- 3.6.2 The ‘institutional route’ to City-Regions has been tried in a number of contexts without a great deal of success. That is not to argue that the creation of new, elected city-regional or upscaled city authorities is impossible. What it does mean, however, is that formal institutional restructuring needs to recognise and overcome resistance from those that are most threatened by it (including, typically, higher levels of government that might lose responsibilities and suburban local authorities wary of being ‘swallowed’ by core cities) and to build coalitions for change amongst those that are more likely to welcome it (which are likely to include central city authorities, business communities, economic development agencies, universities).
- 3.6.3 The European experience suggests that progressive coalitions for change are easier to build when reform concentrates upon working around the status quo rather than trying to revolutionise it. What has clearly helped, here – for example in France – is the development of a system of incentives, particularly by national government, capable of encouraging more co-operative and strategic behaviour of local authorities and stakeholders. A uniform national ‘system’ of City-Regions may not be an immediately realisable or worthwhile goal; that, notwithstanding this, national incentives are important; and that the negotiations for either institutional or informal change are most likely to be sensitively managed if they are driven from below rather than above. Investment in greater understanding of city-regional dynamics and potential has often been critical to achieving ‘buy-in’ to new, more co-operative and strategic ways of working.
- 3.6.4 Taking these lessons and insights into the English context – how then does government develop a national framework for City-Regions that deals with its economic and democratisation priorities and provides a consistent and coherent framework for action? Our view is that in the longer term there is potential to build on the learning and coalition-building that would have to take place under the two ‘economic options’ to develop a more informed approach to local government re-organisation at the City-Region scale. While there will clearly be institutional issues involved in the development of the economic options these are not necessarily dependent on a full commitment to local government reorganisation.
- 3.6.5 Rather than putting institutional reform on the agenda immediately, we argue that it makes more sense to build towards this through a phased process that uses the initial steps of a policy to inform the development of potential reorganisation options. This would involve joint learning about the limits and flexibility of existing models to inform more radical reforms; building the coalitions and partnership that might eventually support and/or lobby more radical reform; and making a commitment to engaging wider publics about the potential benefits and costs of institutional reform. Such a process would help provide the intelligence, stakeholder networks and wider public understanding that could support a longer term and more considered review of city-regional governance.
- 3.6.6 The difficulty of embarking on a reform agenda now are that it is disruptive, contentious, potentially costly and sends contradictory signals about Government’s commitment to the city-regional agenda. Whilst the economic options require Whitehall to take responsibly for developing a framework for action at the city-regional scale, the devolution option, seen in isolation, can too easily be interpreted as a move to absolve Whitehall of responsibility for city-regional development rather than a recognition of the critical role of Government plays – in London, as elsewhere – in shaping the context within which economic dynamism occurs. In our view it would be a mistake,

at an early point in the evolution of a national framework for City-Regions, to start by creating distance between Whitehall and City-Regions and diverting attention from the need for change at all levels of government.

3.7 What needs to change to develop the economic options?

3.7.1 If we accept that the devolution option should not be seen as an immediate priority, there are three key implications for a national economic framework for City-Regions:

- First, there is a compelling case for integrating urban policy more closely with regional economic policy if the current strengths and future potential of key City-Regions are to be built upon so as to support generalised improvements in regional competitiveness and enable further progress to be made on reducing inter-regional disparities.
- Second, there are strong arguments for widening the remit and influence of urban and regional policies so that the policy choices and expenditure decisions of wider range of Government departments can be seen to become more consistent with the aim of accelerating the realisation of city-regional potential, *and*
- A City-Region led strategy requires a governance framework that links national, regional and local levels and is explicitly designed to build up the capacity of the provincial City-Regions – and try to ensure that the benefits of these ‘hotter spots’ in the lagging regions are better connected to the ‘cold spots’ within and across those regions.

3.7.2 The successful development and delivery of a national framework rests upon the need for:

- Clear and shared objectives, based upon a recognition that City-Regions – which take very different spatial forms – are key to regional competitiveness and that regions cannot be economically successful with restricted access to broader markets.
- The effective articulation of strategic objectives horizontally, across central government departments, so that their considerable influence is brought to bear on the activities of sub-national agencies.
- Effective leadership, and a preparedness to make difficult choices, at all levels of government in order to support the realisation of consensual priorities.

3.7.3 This, in turn, demands a level of institutional capacity building that is only just beginning to occur in England but has three essential aspects:

- The development of knowledge resources which gives stakeholders access to a rich range of knowledge about spatial development options, rationales and methods.
- A broad level of agreement about spatial policy priorities and exposure to new insights that can change stakeholders’ frames of reference and views about how priorities can be realised through joint action.

- Good relationships within disparate stakeholder networks and mechanisms to allow these relationships to be translated into practical outcomes.

3.7.4 Three priorities emerge from this list of themes which could help develop a national economic framework for City-Regions. These relate to understanding, governance and delivery.

BUILDING CITY-REGIONAL INTELLIGENCE AND FORESIGHT

3.7.5 A key limitation we ran into in the study was as much about knowledge as commitment. Put starkly, we simply do not know enough, currently, about the functioning of individual City-Regions, the interaction between City-Regions and the implications that would follow from such an understanding about appropriate policy responses. A significant strengthening of strategic intelligence and foresight is therefore essential if we are to be able to assess, systematically, the existing city-regional evidence and knowledge base, identify critical research and policy development themes and commission work to address key gaps and current deficits.

3.7.6 A better informed and accessible city-regional intelligence capacity would need to analyse the key components of competitiveness and productivity, identify key city-regional economic specialisms and provide a prospective capacity to examine future options and scenarios. It would also need to develop a systematic analysis of the interrelationships between City-Regions in terms of the distinctiveness and similarities of their economic structures, the functional relationships between city-regional economies and the impact of city-regional economies on wider regions. An intelligence programme covering the major City-Regions would need to be link the relevant local authorities, regions and national government to ensure that a widely shared, well understood and long term understanding of City-Regions can be developed collectively.

ENHANCING GOVERNING CAPACITY

3.7.7 A better understanding is a starting point, but it is important that new intelligence and foresight capacity informs innovative policy approaches nationally, regionally and locally. Critical to this is the short-term development of a framework for more effectively coordinating what is already happening within City-Regions. The wide range of existing initiatives include the Housing Market Renewal Pathfinders, Urban Regeneration Companies and English Partnership programmes. These cut across a range of central departmental interests, particularly ODPM, DTI and the Treasury, but should involve a wider range of departmental interests. At a regional level the collective roles of RDAs, GOs and RAs will be central in undertaking a critical review of the similarities and differences between their key strategies and the implications for City-Regions to ensure that they relate to each by adding value rather than stimulating competition.

3.7.8 In the medium term there needs to be a commitment to developing a more effective governance framework for the City-Regions. An incentive framework need to be developed to accelerate the development of stronger forms of city-regional collaboration that build more effective capacity and capability than can be provided by weakly resourced sub-regional partnerships. There is also a requirement to anticipate how a longer-term policy framework could be constituted to incentivise the move from city-regional collaboration to more formal city-regional governance structures.

CO-ORDINATING PUBLIC SECTOR INVESTMENT

- 3.7.9 The final step involves a critical assessment of how existing central departmental priorities and key areas of public sector investment could be re-oriented to further accelerate the development potential of City-Regions. Central departments and public investment sector priorities needs to be sensitive to the development of City-Regions. Whitehall requires a corporate understanding of city-regional requirements and coordinating mechanisms at civil service and cabinet level to stimulate the critical thinking and relevant dialogue with other government departments and public agencies to identify new investment priorities.
- 3.7.10 The potential for government to use its influence over existing programmes to co-ordinate and link them more effectively to city specialisms is then heightened. It also requires other government departments to think more spatially, to understand the impact of current programmes and the advantages of more flexible policies and programmes that can help drive city-regional development. The governance models that link central, regional and local priorities in the Thames Gateway provide a clear lesson for the intergovernmental structures required to align spending priorities around enlarged growth concepts.
- 3.7.11 Chapter 4 provides an overview of the rationale for an economic approach, the costs of inaction at the city-regional scale and sets out a more detailed comparative review of the two economic options that could underpin a national economic framework for City-Regions.

CHAPTER 4

The economic approach to City-Regions

4.1 Why a *national* framework?

4.1.1 Previous chapters demonstrated that, whilst there is currently no agreement on the particular mechanisms through which a ‘new city-regionalism’ might be delivered in England, there is emerging consensus that the sorts of policy areas that need to be brought together more effectively at a city-regional scale are those that relate most closely to the promotion and management of sustainable economic change. It further showed that the ad-hoc city-regionalism we have witnessed in recent years has focused mainly upon an economic growth/management issues, hence a future city-regional approach with an economic focus would be ‘going with the grain’.

4.1.2 The two key questions that remain are why national government should feel it needs to respond to these developments – rather than, for example, view them as something that sub-national organisations should take exclusive responsibility for – and what implications arise for the development and delivery of any future *national* framework for City-Regions. We deal with the latter question, and begin to unpack what the economic approach to city-regionalism might mean in practice, below. On the former question, we believe that City-Regions should be central to national government concerns for three principal, inter-related reasons:

- First, because their performance is already crucial to the national economy and is set to become more important in the future.
- Second, because the costs of the status quo – the ‘no change’ option – could well have a negative impact upon national economic performance in the longer term, *and*
- Third, because the economic performance of City-Regions is and will remain critical to the Government’s short and longer-term aspirations for spatial development.

4.2 City-Regions and economic competitiveness

4.2.1 Whilst the rediscovery of the importance of City-Regions has taken a particular form and direction in England, the debate that surrounds it is, in many respects, similar to that found in other European countries – and indeed beyond – in recent years. Our research showed (Working Paper 2) that in the cases of France, Germany and the Netherlands, growing concern with perceived dysfunctions within city-regional labour and housing markets and concern about the capacity of existing policy regimes and governing arrangements to address them effectively has led to a variety of attempts to

'upscale' cities, develop new formal or informal governing arrangements at something resembling a city-regional scale, provide incentives for collaboration at this scale, and engage higher levels of government in city-regional 'compacts' of one sort or another.

- 4.2.2 These parallel developments are not co-incidental. What has underpinned various changes in 'city-regional' policy and governance in these and other countries is a growing recognition that City-Regions are increasingly important drivers of regional and national economies in an emerging global knowledge economy. Thus for Scott and Storper⁶, for example:

City-Regions are locomotives of the national economies within which they are situated, in that they are the sites of dense masses of interrelated economic activities that also typically have high levels of productivity by reason of their jointly-generated agglomeration economies and their innovative potentials.

Similarly, for Veltz⁷:

Metropolitan spaces are becoming, more and more, the adequate ecosystems of advanced technology and economy.... [T]he decrease of communication costs does not by itself lead to a spreading and diffusion of wealth and power; on the contrary, it entails their polarization.

- 4.2.3 Such statements are built on widespread evidence, similar to that emerging from the NUTS 3 data for England examined in Chapter 2, that something has happened in the transition to a service-dominated 'knowledge economy' that has:
- Triggered changes in the locational behaviour of firms in advanced economic sectors in ways that favour certain – but by no means all – established City-Regions, *and*
 - Seen the established tendency, in the late industrial period, for population and economic activity to decentralise from major cities and/or grow afresh on the periphery of expanding City-Regions become overlain with a more recent tendency for the *reconcentration* of particular sorts of jobs and certain types of household within the core areas of cities.
- 4.2.4 City-Regions, in the process, have been 'rebalanced', in that many now contain resurgent core areas, but what remains critical is the relationship between these regenerating 'core cities' and the broader areas with which they interact. The key to these changes is the importance of new 'agglomeration economies' that privilege the larger, more economically diversified and nationally/internationally connected City-Regions that dominate employment in advanced service sectors. Such City-Regions have agglomeration advantages in two analytically distinct but, in practice, related senses.

⁶ Scott, A.J. and Storper, M. (2003) Regions, globalization, development, *Regional Studies* 37, 6/7, 579-593.

⁷ Veltz, P. (2004) The rationale for a resurgence in the major cities of advanced economies. *Paper to the Leverhulme International Symposium on the Resurgent City*, London School of Economics, April 19-21.

- 4.2.5 First, they benefit from ‘urbanisation economies’ as a result of their sheer size and diversity. Thus, for example, the extensive labour pools that are found in large urban areas not only provide employers with a high degree of choice when hiring staff, they also offer a large number of options to workers and potential workers and provide them, comparative to other sorts of place, with a high level of insurance against unemployment. At the same time, the high demand for finished goods, personal and consumer services and homes generated by a large and comparatively discerning population drives innovation and competition amongst producers for urban markets.
- 4.2.6 Big, dense and heterogeneous urban areas also benefit from ‘localisation economies’, based upon the advantages to firms in related economic sectors of grouping together within the same broad economic space. This, in turn, gives rise to ‘input sharing’, that is the benefit accruing to firms from being located close to suppliers and purchasers of intermediate goods and services, and to ‘knowledge spill-overs’, through which firms are able to gain access to the tacit intelligence and understandings that circulate through formal and informal contact between economic agents with similar interests. A combination of these two agglomeration advantages gives particular City-Regions the ‘buzz’, in both professional and lifestyle/consumption terms, that attracts talent and underpins further rounds of innovation.
- 4.2.7 Neither of these agglomeration advantages are new, but they have become more significant in an age of rapid, risk-laden technological change in which the dominant forms of competition between firms – increasingly conducted on a global scale – has become less cost-driven and more ‘quality and innovation-based’. This has meant, in turn, that the competitive edge of firms has become more reliant upon knowledge resources. In these new circumstances, the traditional advantages of agglomeration – for example in terms of innovation in consumption goods and services, in providing choice and quality to both employers and workers in matching skills and jobs and in the ‘quality of co-operation’ between producers – have grown, particularly in the largest, densest and most economically diverse City-Regions. As a result, they are the places that best enable firms, workers and households to insure themselves against risk – of falling behind competitors in the case of firms, or of unemployment or underemployment in the case of individuals – and therefore tend both to attract new incomers and investors and to discourage current residents and ‘users’ from leaving the City-Region.

4.3 So what for a ‘framework for City-Regions’?

- 4.3.1 The evidence suggests, then, that the interests of the national economy will best be served by ensuring that:
- (a) England’s major City-Regions are actively enabled to take advantage of their inherent strengths and development potential; and
 - (b) the challenges that their future growth generates is managed in the most effective and sustainable way. However this conclusion does not, in and of itself, give us a clear guide as to what sort of changes in city-regional governance and policy are needed or where and how they should be applied. What is useful, in moving towards a more prescriptive position, is firstly to think through the implications of *not* developing a stronger and more active city-regional framework and governing arrangements and, secondly, to understand how a city-regional approach can enable the Government to deliver its current, stated commitments more effectively.

THE IMPLICATIONS OF INACTION

4.3.2 Continuation with the status quo would mean that the current characteristics of spatial policy and governance described in Chapter 2 would remain in force. That is to say:

- The continued operation of a fragmented local government system, outside London, would continue to militate against decision-making based on the needs of the broader City-Region as opposed to those of individual districts, often acting in competition.
- Regional agencies would, in all likelihood, continue to develop sub-regional strategies and delivery capacities but struggle to prioritise City-Regions, even though in virtually every case they are particularly crucial to regional development prospects, *and*
- Government departments would continue to make ‘place blind’ decisions, in support of a variety of departmental missions and targets, that pay little heed to what are often highly uneven spatial implications.

4.3.3 If current national policy commitments also remain in place, we believe the overall effect will be to ensure that England, by default rather than design, will effectively have a single, implicit city-regional ‘strategy’, based upon a plethora of uncoordinated measures that help generate, and respond to, development pressures in the London super-region. This implicit strategy will be supported by:

- Specific responses to ‘market failure’, e.g. the Thames Gateway and the south east growth areas, which address perceived imbalances in the demand for and supply of housing and related concerns that house price inflation squeezes essential workers out of the housing market.
- Related investments in transport and community facilities that are necessary to facilitate the planned increases in housing supply in the London super-region.
- A variety of place blind investments that favour the south east, for example in higher education where the progressive concentration of research funding into the UK’s ‘world class’ institutions will lead to the biggest gains being made in the ‘Golden Triangle’ of London, Oxford and Cambridge, *and*
- ‘Special initiatives’ that reward London’s capital status; the best example here being the programme of investment in new facilities and transport and community infrastructures that is set to follow the city’s successful bid for the 2012 Olympic Games.

4.3.4 None of this is to argue that these investments are not justifiable in their own terms, nor that a city-regional strategy for the London super-region, no matter how implicit, is unnecessary or unwelcome. What is clear, however, is that the level of ‘incidental’ benefit that accrues to this one area of the country is not currently replicated in any other English City-Region. More important, when this implicit London super-regional strategy is set in the context of the trends in output and productivity outlined in Chapter 2, it seems self evident that its effect will be to:

- (a) *widen* existing gaps in spatial economic performance still further, *and*

- (b) generate, rather than alleviate, pressure on the infrastructure and environment of the London super-region and the quality of life of its residents.

4.3.5 The ‘no change’ option, then, is far from neutral with respect to City-Regions. Furthermore its implications, we estimate, will run counter to the Government’s stated objectives in respect of spatial economic development, to which we now turn.

CITY-REGIONS, NATIONAL SPATIAL POLICY AND THE REP PSA

4.3.6 The context for the Government’s current aspirations in terms of spatial development is set out in Regional Economic Performance Public Service Agreement (REP PSA) targets, to which HMT, DTI and ODPM are joint signatories. The REP PSA commits these three departments to ‘make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions’. On the face of it, the REP PSA contains no city-regional element. If it is accepted, though, that it is the performance of City-Regions, and not the characteristics of administratively defined regions *per se*, that will drive regional – and indeed national – economic performance in the future, it is clear that delivery of the REP PSA can benefit substantially from the development of a framework for City-Regions. The dilemmas arising from this are that:

- There are ambiguities, currently, about which of the two targets that the REP PSA sets out has priority.
- It is not clear what policy and delivery mechanisms are currently being employed to realise its aims, *and*
- It is not clear where the REP PSA sits within the broader array of Government priorities and therefore what ‘bite’ it is expected to have on the policy choices and expenditure plans of departments that are not signatories to it.

4.3.7 If a city-regional policy framework and/or the creation of further city-regional governing capacity were to be seen as a means to help realise the first, short term aspiration of this PSA target then the logic would be to follow a city-regional approach, however defined, in *all* regions. This would not necessarily imply that all parts of each region would necessarily be covered by any new approach but it would be difficult to justify applying it in selected regions only. If a city-regional approach were seen as a key contributor to the second aspiration, to reduce inter-regional economic disparities, however, the opposite logic would need to apply. In other words it would be difficult to justify *not* being selective and applying whatever was the favoured city-regional approach only within those regions where economic performance was deemed in need of improvement relative to the rest.

4.3.8 Which of the two elements of the REP PSA commitment is seen to take precedence is one unresolved question, the answer to which is critical to any future city-regional approach. Just as important, in our view, is where the REP PSA stands in the pecking order of Government commitments relative to other PSA commitments and how the resolution of this broader question would have an impact upon the place blind investment priorities of a wider range of Government departments. In what follows, we cannot answer these questions but we can use them as a basis for assessing options about what an economic approach to a future framework for City-Regions might look like.

4.4 Options for a national economic approach to City-Regions

4.4.1 Overall, the analytical evidence supporting a city-regional approach is powerful. If it is to be taken seriously and viewed as a basis for a new national city-regional framework for policy, the two broad options we have outlined are:

- A ‘developmental’ approach that assumes Government is primarily interested in enhancing the economic performance of all regions through the existing array of instruments that are seen as contributing to spatial economic development, *and*
- A more ‘transformative’ approach which assumes that the longer-term aspiration of the REP PSA drives the Government’s approach to spatial development and a more robust approach from Whitehall, involving more fundamental changes at the regional and local levels, is needed.

The developmental option would thus entail the enhancement, through the additionality of the city-regional scale, to the current regional and local approach reflecting the existing Government rationale for explicit intervention in territorial economic performance issues. The transformative approach would be more far reaching and attempt to identify and exploit economic potential with an enlarged range of measures and interventions at both national, regional and city-regional scales.

4.4.2 The shared starting point for both options is that economic development policies, now and in the future, would benefit significantly from much more of a City-Region emphasis than at present. This should not be taken to imply that regional and local economic development policies should suddenly be replaced or dominated by City-Region initiatives. Rather, the argument is that existing approaches would greatly benefit from a new look at the role of City-Regions in policy making and that the City-Regions should play their own, strengthened role within the system. The key challenge is therefore to identify what would be distinctive about a city-regional scale in a broader multi-level governance approach in which all tiers of government – from the EU, national governments, and regional institutions down to local authorities – are actively engaged.

4.4.3 Consequently what we seek to demonstrate here is that even within the Government’s existing framework of thinking about economic performance there is a significant scope for exploiting the city-regional scale. As we have seen this scale of intervention is currently largely absent from central government thinking and action. Yet there is much more that can be achieved within this existing framework and we seek to show what could be done at a city-regional scale through a range of concrete examples of policy interventions. At the same time there is evidence that while the city-regional scale can be better exploited within current arrangements, this approach has its limitations. In particular it does not easily acknowledge the importance of place blind public investments that critically shape the potential of City-Regions. A transformative approach would need to build a broader understanding of and commitment to city-regional potential.

4.4.4 We consider each of the two options in more detail below by focusing upon a number of key questions: Why would the approach be adopted? What would be involved in developing it in policy and action? For which areas would new policy approaches be developed initially? How would a new approach be taken forward within Whitehall and the regions? And when would this happen? Our purpose is to show what can be achieved within existing policy and governance frameworks and to illustrate what could be developed through a more transformative approach.

4.5 The developmental approach

WHY THIS APPROACH?

- 4.5.1 This approach works within the context of existing regional and local economic development policy in England. Its key features are that:
- It concentrates policy initiatives seek to stimulate indigenous growth through innovation and technology transfer, new enterprises, training and education etc;
 - Issues of market failure which underlie the weaker regional economies are directly addressed, *and*
 - The ‘drivers of productivity’ model that the Government uses to understand differences in regional growth rates and patterns provide a clear set of guidelines for policy-makers.
- 4.5.2 This approach is based on three key assumptions (see Working Paper 4). The first is that the broad thrust of current Government policies and objectives will remain in place and that the REP PSA will continue to define the framework for spatial development policy. The second is that the issue is not one of a radical restructuring of the existing governance system through the re-ordering of local and regional competencies and boundaries. Rather, the enhanced City-Region role would have to be accommodated within the context of the current system. Finally it assumes that an enhanced City-Region dimension could be introduced through innovative and flexible governance structures and partnership arrangements rather than wholesale structural reform.
- 4.5.3 A greater City-Region dimension in regional and local economic development policy would certainly give rise to some additional complexity in the policy making process. This additional complexity does, however, open up the opportunity for a significant enhancement of the effectiveness of the policy effort. Within the developmental option, significant efficiencies and potential for more effective delivery can be realised through a greater sensitivity to the city-regional scale. Yet this does not necessarily require a fundamental shift in key assumptions about the rationale for government economic policy or views of scale to develop a rationale for this approach.

WHAT WOULD BE INVOLVED?

- 4.5.4 The critical challenge in developing this approach would be to sensitise existing spatial economic development policies and delivery agencies to the importance of the city-regional scale and to particular city-regional contexts. The key issue is looking below the level of the region but above the level of local authorities and

neighbourhoods in the design and delivery of policy for economic development, skills, education and business development. This means that the limitations for economic policymaking at the regional and local levels need to be critically addressed through the lenses of City-Regions.

- 4.5.5 The existing English regions have boundaries that in that in only a few cases coincide with functional economic markets. Although regional boundaries in the North East of England come close to matching the underlying economic geography, elsewhere the boundaries cut across functional economic entities. There are numerous situations such as those between the North West and Yorkshire & the Humber; between the West Midlands and East Midlands; and between Yorkshire & the Humber and the East Midlands where regional boundaries cut across City-Region catchment areas.
- 4.5.6 In contrast the areas covered by local authorities are often ‘under-bounded’ and too small for many forms of economic policy because they fail to match the underlying economic geography. Moreover, as City-Regions steadily expand their spheres of influence and economic ‘reach’, the existing pattern of local authorities and the boundaries of sub-regions are less suited to what is needed for efficient policymaking (Working Paper 1).
- 4.5.7 These boundary issues do not necessarily imply that City-Regions should simply replace established local and regional boundaries. The Regional Development Agencies have provided a valuable additional tier of regional economic planning and policy delivery between central government and the EU on the one side and sub-regions and local authorities on the other. RDA’s have also developed strategic plans that attempt to both take account of complex economic geographies – including City-Regions – within their own regions, and also, to a lesser extent, attempted to stimulate closer ties with adjacent regions. Nevertheless, a stronger City-Region presence within the various local and regional forums and partnerships has the potential to greatly enhance the effectiveness of the policy effort.
- 4.5.8 A useful example of the type of policy that would benefit from a City-Region perspective is supply-chain policy (see Working paper 4). There are a number of different sub-types of supply chain policies at the local and regional scales. For instance active supply chain policies are used at small scales to target communities for social inclusion policies. Yet these communities have such open local economies that policies designed to develop a degree of economic self-sufficiency are difficult to sustain in such small areas. Supply chain policies are also developed at regional level in particular for the embedding of large inward investment projects in a region. Yet it is at the level of the City-Region that supply chain policies can really engage with the diversity of the goods and services being produced and the sheer size of the production sector being available to meet supply chain needs (Working Paper 1) The potential additionality of the city-regional scale is the development of active links both inwards from the region back into the City-Region and outwards to other City-Regions as well backwards from City-Regions to localities. By developing a two-way set of supply chains this kind of policy can help strengthen the local economy without causing additional market failures and reduced national competitiveness. The existing regions simply do not coincide with the network patterns to be found within and between City-Regions and local authorities and neighbourhoods are often too small.

- 4.5.9 A similar approach could be taken in respect of SME development. Here, despite the large surge in the numbers of new SMEs the enterprise base in many of the UK's disadvantaged regions remains weak. This is as true of the main northern City-Regions as it is for many of the more rural areas. Yet much more is now known about the determinants of the three key elements which make up a successful enterprise base – business start-up rates, survival rates and growth rates of survivors. Important parts of the delivery components of enterprise policy need to be focused at sub-city level. Advisers and other policymakers need to work directly with the entrepreneurs in an on-going manner and with sustained and individually tailored assistance being offered from a wide menu of alternative types. Under no circumstances would one wish to move these sorts of delivery elements up to the wider City-Region level. Yet different considerations emerge when considering the strategic design, partnership and coordination arrangements for SME policy where there is a much stronger case for a city-regional dimension:
- 4.5.10 First, by concentrating on the predominant new starts component of SME policy greater potential exists to stimulate new starts in the more affluent parts of a City-Region than in other areas. It is in the less disadvantaged areas that one tends to find the main reservoir of a city's existing stock of entrepreneurs. It is here that local demand conditions for new products and services are most buoyant and it is here that property prices are highest and hence access to start up capital is easiest. An SME policy can attain greater impact in the City-Region's areas of opportunity than elsewhere. This is a strategic consideration and it is within the boundaries of a City-Region and its commuting limits that such strategic considerations should be brought to bear in the policy planning process, and not at the wider regional level or down at the level of the sub-city communities.
- 4.5.11 Second, very few new businesses serve purely local markets and those that do, such as local convenience stores, local personal services, often produce displacement effects elsewhere locally make them poor candidates for policy help. The city is invariably the main immediate market for most new starts. The exception to this are new manufacturing businesses, most of which are highly niche market enterprises serving national and international customers. Even here, however, the City-Region remains the key dimension since it is through the city's transport, information and informal contact networks that these enterprises are linked to the wider world.
- 4.5.12 Finally, attracting successful existing entrepreneurs to set up in an area relies critically upon the attractiveness of the City-Region. As noted above, such individuals are likely to be drawn to the more affluent parts of the City-Region to live. Nevertheless, it is the attractiveness of the city as a whole which is what is crucial to snaring these individuals and subsequently persuading them to stay. It is the city's leisure facilities, its cultural and environmental attractiveness and its educational and training reputation which is what matter. These are overwhelmingly City-Region characteristics and not those of a regional or sub-city local area.
- 4.5.13 There is, however, no doubt that this type of policy would have greatly benefited from being strategically planned at a City-Region level and with resources being allocated as part of a city-wide approach. Whilst a much stronger City-Region dimension to SME policy can certainly be justified, it should be noted that the case for City-Regions does not extend to all elements of enterprise policy. The case for City-Regions is much weaker when inward investment policy is considered. There are however clear roles

for city-regional dimension the strategic design, partnership and coordination function of policies for innovation and technology transfer policy, social inclusion and community economic development, and some aspects of training and education policy.

WHERE WOULD THIS BE DONE?

4.5.14 A critical assumption underpinning the developmental option is that government policy should seek to improve the economic performance of all regions and localities. Consequently this would directly imply the same principle is applied to the city-regional scale. So the approach would be developed on a comprehensive basis focused on the all main City-Regions of the English regions. This would include all the former metropolitan counties, and the additional City-Regions contained in both the northern and midland ways. It could also include the large City-Regions based in the southeast of England outside of London and may also include Greater London. Such an approach would probably cover a significant majority of the English population and involve between 12 and 15 City-Regions.

4.5.15 A nationally agreed city-regional architecture would be required to provide a focus for action by Whitehall departments as well as regional institutions and local authorities. These could probably be based on the existing sub-regional and city-regional boundaries used by RDAs, GORs and RAs. It would not necessarily require, in the short term, wholesale rethinking of current understandings of sub- and City-Regions. But at the same time particular consideration would have to be given to cross-regional boundary issues in order to manage the inter-linkages between city-regional economies. The city-regional scale would increasingly sit – where relevant – alongside the regional and local scales of analysis and intervention used by Government to develop and deliver economic policy. At the same time Whitehall would begin to develop an enhanced sensitivity to the distinctiveness of the needs of different city-regional contexts and the potential for identifying and developing up and down stream linkages to regions and localities.

HOW WOULD IT WORK IN PRACTICE?

4.5.16 While the case for an enhanced City-Region component in regional policy-making is a strong one, the challenge is to translate it into practice. The challenge for Whitehall is to sensitise itself to the city-regional scale. A useful model is to think about how Whitehall currently builds an understanding of the distinctive needs of different regional and local contexts and then examine the potential transferability of these mechanisms for the city-regional scale. Key here is the role of HMT and ODPM who have sought to strengthen relationships between central government departments and the regions in order to sensitise certain national policies to regional needs and priorities. GORs have played a key role in coordinating the preparation of Regional Emphasis Documents designed to shape spending and policy priorities. For the developmental option to work it will be necessary to ensure that the city-regional scale is more adequately reflected in processes like these and that OGDs develop policies that acknowledge City-Region functionalities and interconnections.

- 4.5.17 In order to be clear about how such knowledge and intelligence should be used by Whitehall there is considerable merit in ‘unbundling’ and then ‘rebundling’ what we mean by local and regional policy into its constituent parts (see Working paper 4). When this is done one finds that the case for any one scale – regional, city-regional or local – can differ between the different elements of the policy. A useful form of ‘unbundling’ is between policy design, delivery and evaluation. It is also valuable to distinguish within the policy delivery component between financial budget decision powers, the precise areas that are eligible for a policy initiative, and the businesses and individuals who are the focus of assistance.
- 4.5.18 An enhanced City-Region role would be of benefit to the strategic design of regional economic strategies and local development plans. Yet this does not necessarily involve City-Regions in taking over the policy design function. Although there is merit in all of the scales being involved, a strong case can be made for the regional and national levels having a dominant role in strategic planning and programme design. Similar comments apply to evaluation of the policies. Evaluation in partnership principles suggest a strong case for City-Region participation, but with central government retaining the major evaluation powers, as is the case with current regional policy evaluation. It is at the level of policy delivery that the case for enhanced City-Region participation is at its strongest and it rapidly becomes clear by looking at the example of enterprise policy how useful a much stronger City-Region dimension would be.
- 4.5.19 Although a powerful case can be made for a City-Region approach to major components of modern regional economic development policy it is not suggested that City-Regions should take over as the principal scale running the policy. Modern economic development policy functions within a multi-level governance system, with each tier playing its own distinctive and useful role. Moreover, the existing partnerships and forums allow different types of organizations, public, private, voluntary and community to play an active part in regional economic policy.
- 4.5.20 Within the developmental option the City-Region dimension is given a much more prominent role than in the past and city-level organisations are given stronger roles alongside the partners from the other tiers. This is generally an organisational matter and not necessarily one of fundamental constitutional reform. More flexible governance structures would need to be developed for regional economic policies to facilitate a greater City-Region role. However a stronger City-Region dimension to economic development policymaking in this approach is critically dependent upon major local government reorganisation.

WHEN WOULD THIS HAPPEN?

- 4.5.21 Although the introduction of the city-regional scale will create some complexities in the existing system of governance the developmental option fits neatly within the existing assumptions that underpin policy and the established framework of governance. Consequently introducing a city-regional approach is not likely to be particularly disruptive if carefully focused around the key departments that together are responsible for the economic agenda – this would involve at its core HMT, ODPM and DTI but is also likely to require input from DWP, DFES and DoT. A City-Region Coordination Unit involving representatives from these departments as well as key regional institutions such as GORs and RDAs could develop a programme to work through the unbundling and rebundling of economic policy around the city-regional scale and develop the type

of relations with the key City-Regions and other sub-regional partners to take the agenda forward. It does not require substantial reorganisation; more of a sensitising and focusing around the city-regional scale and additionality of designing strategic policy at this scale.

4.6 A transformative approach

WHY THIS APPROACH?

- 4.6.1 There are limits to the developmental option that are likely to restrict its potential to affect the economic performance of major City-Regions more than marginally. First, this approach presents a rather static approach based on analysis of existing problems and failures rather than providing any real in-depth understanding of the potential that could be realised with the right package of support. Second, it is not sensitive to the key role of public investment in a range of services – infrastructure, education and public services that can play a key role in shaping economic performance. Finally, it is not likely to deliver the type of transformative change that is envisaged in the more ambitious cross regional and city-regional strategies – such as the Northern Way – that are designed to close rather than slow the growth of the productivity gap between the north and south of England.
- 4.6.2 While there is much that can be achieved through the city-regional scale within the developmental approach, a quite different approach is required to achieve transformational change. The evidence suggests that building upon the economic potential of City-Regions is critical to future progress in addressing regional economic disparities. A strategy focused upon key City-Regions also has a number of additional advantages in terms of realising other PSA targets and preventing future overheating in labour and housing markets in the south of the country. Yet the type of approach required to provide this performance requires a significantly different approach and level of commitment to the developmental option.

WHAT WOULD BE INVOLVED?

- 4.6.3 Experience in the promotion and realisation of integrated strategies for substantial, complex City-Regions or broader development corridors is in short supply in the UK. Such initiatives have developed, elsewhere, in a wide variety of contexts and for a number of different reasons. These have shown that concentrated public investment over a long period of time and the conscious (or relatively fortuitous) alignment of policy objectives and strategies between different levels of government were the hallmark of the more successful, large scale development objectives. The remaining challenge is to identify the implications that follow from this analysis for the feasibility of a future city-regional development strategy. This, in turn, demands a focus on the knowledge base that a future strategy needs to draw upon and the changes in the policy frameworks of national, regional and local agencies that is required to accelerate its development.

4.6.4 The task of establishing a coherent and realisable development strategy is a challenging process, involving more sophisticated and detailed analysis and further dialogue and negotiation between interested parties. There are no ‘best fit’ models available – conceptual or practical – that can simply be transplanted wholesale to the broader institutional, policy and expenditure environment of England. There are, however, three central themes emerging from our review that need to be taken on board in developing a transformational framework:

- The key role of City-Regions and infrastructure connections in wider growth concepts.
- The crucial role of public expenditure in realising city-regional and inter-regional development strategies, *and*
- The requirement for consensus and integrated action between levels of government.

4.6.5 These themes, in turn, give rise to three central challenges for a national framework: the need for a step change in our understanding of City-Regions and the functional and infrastructural connections between them; the need for more effective coordination of public sector investment and expenditure over the long term; and the development of effective, widely-supported governance arrangements that can mobilise, sensitise and align national, regional and city-regional strategies.

WHERE WOULD THIS BE DEVELOPED?

4.6.6 In the transformative model there are a number of different options for thinking through the role of City-Regions and the connections between them. As we have seen there is considerable variation between City-Regions in terms of economic performance and their future development potential. There are a series of choices about how this differential potential is realised which depend largely upon which element of the REP PSA is seen to take precedence and which City-Regions are seen as critical to their realisation. If the transformative approach is seen as contributing most to the reduction of inter-regional disparities, for example, it would clearly not prioritise all City-Regions equally. And even within a more selective approach targeted on provincial City-Regions, its ‘targets’ could range from all the major City-Regions outside of London and the south east to the eight northern City-Regions covered by the Northern Way or, more tightly still, to the northern regions’ most dynamic City-Regions (around Manchester and Leeds).

4.6.7 Underlying any choice regarding selectivity is a wider debate about how the benefits of city-regional investment could be connected more effectively to areas of need within and outside City-Regions. This then focuses on the connections between these core City-Regions and then outwards to other City-Regions, rural areas and Greater London. The key issue of infrastructure connections and movements along these connections, if it is approached systematically, will necessarily help determine decisions about the geography of future investment and which areas should be chosen as a basis for stimulating development and interconnections between City-Regions.

HOW IS IT DONE?

- 4.6.8 There are three main tasks in developing an integrated growth strategy for a city-regional growth pole – the development of more effective city-regional intelligence, the alignment of public expenditure and the development of governance models. All of these are significantly new elements – while clearly building on the logic of the developmental approach they would involve a major challenge to Whitehall in developing a national policy framework as this is not simply a form of unbundling and rebundling functions around an additional scale. It requires a very different and perhaps more experimental approach.
- 4.6.9 First, the challenge posed by this research is that the transformative approach should take a more serious and strategic view of the current economic role and future growth potential of City-Regions. The critical implication is a requirement to undertake a strategic analysis of the comparative functional role of City-Regions in the English urban hierarchy to construct more effective strategic intelligence and foresight about the development potential of City-Regions. Working with City-Regions and regions Whitehall need to support a city-regional intelligence and foresight programme that examines the key components of competitiveness and productivity, identifies what specialisms are performed, assesses the impact of public expenditure and reviews options for accelerating the potential of City-Regions. This assessment could provide Whitehall with the intelligence and knowledge to start building a national strategic framework for City-Regions. As a starting point this should focus this on limited number of areas such as the City-Regions at the heart of the Northern Way.
- 4.6.10 The second issue is the crucial importance of the commitment of public resources to building enlarged development concepts and programmes, not just in enabling action but also in mobilising a range of supporting organisations behind a common understanding and set of objectives. It is important to realise that this investment has not always been new, nor has it necessarily been seen in relation to particular spatial development objectives. Currently, economic development and regeneration initiatives are not well integrated, largely because of the fragmented governance arrangements supporting their development and implementation. But there is significant potential in more effectively co-ordinating what is already in place or under development. The central issue is how a strategy might, for instance, put Housing Market Renewal programmes, Urban Regeneration Company plans and English Partnership investments into a more strategic context rather than treat them as localised initiatives that are can work against each other rather than add value at a larger scale.
- 4.6.11 There is also a strong argument for examining the transferable lessons of the Government investment overtly serving spatial development objectives that were seen to be of national importance in the transformation of the Thames Gateway initiative. This moved the concept from a struggling and somewhat incoherent regeneration strategy into a programme that can realistically hope to transform infrastructural and housing provision in an area spanning three English regions, but only when it was given Cabinet level support and impetus. Without this level of investment and the clear national political will that underpinned it, the Thames Gateway strategy was unlikely to have realised its initial aim to begin to shift the geography of economic activity in London. Without a similar level of commitment a city-regional strategy is unlikely to realise its development objectives.

- 4.6.12 It is critical to ensure that the strategy has the support of a broad range of central departments – dealing with transport infrastructure, higher education, land-use, local government, labour market regulation, housing, culture and so on. Each department needs to find creative ways of supporting enlarged development concepts by putting in place incentive mechanisms for the effective engagement of sub-national agencies. Each department, equally, needs to see the value in the City-Region concept in helping address its strategic objectives. Unless this level of commitment is secured the wider public sector investment and spending priorities are unlikely to support and work with the grain of a city-regional strategy.
- 4.6.13 Finally there is the issue of governance frameworks for the effective management and implementation of the transformative approach. Here, it is important to question dependence upon an informal and competitive set of relationships between national and local government in England that puts more emphasis upon local entrepreneurialism and bargaining power than it does on the quality and suitability of particular development proposals. Placing the future of the City-Region in this highly competitive and unstable policy context is unlikely to result in a well-researched and widely shared development framework. In this context it is important to recognise that the UK ‘system’ tends to produce bargaining between individual local authorities and national departments, sometimes mediated by regional agencies, but this then squeezes out the possibility of strategic initiatives at the level of the City-Region. The absent, or at best weakly developed, scale of city-regional governance urgently needs addressing. Building a more effective governance framework will mean developing an approach that supports the mutual ‘nesting’ of the objectives and activities of different levels of government. There are strong arguments for a clearer articulation of national spatial development aspirations; to provide a greater degree of clarity and confidence to public and private sector agencies when they are considering taking risks on particular developments.
- 4.6.14 Perhaps the most useful domestic example of where these different elements have come together is the model of the Thames gateway, which is currently the closest to a national integrated development strategy to be found in the UK and can provide important lessons and insights into how such an approach might be developed for a selected City-Region. The notion of a Thames Gateway had a long gestation period. It began life in a Roger Tym study produced in 1993 for SERPLAN – the former South East Regional Planning Agency – which outlined a strategy for the re-use of ex-industrial and port land in east London, north Kent and southern Essex. At that point, the focus was very much upon economic regeneration and the creation of employment for some of the most impoverished communities in the south east. A small project team was subsequently established in the then Department of the Environment. The team had some successes, notably in the routing of the Channel Tunnel Rail Link, but had no budget and lacked influence within and beyond Whitehall. A variety of partnerships were also developed at sub-regional and local levels across the Gateway area charged with defining and seeking resources for regeneration programmes in their ‘patches’.
- 4.6.15 It was only during the last spending review period, however, when there was concern within Government about the effect of house price inflation in London and the South East on the UK’s entry into the Euro, that the Thames Gateway concept acquired significant national visibility and was broadened to take in a housing policy strand. A further housing capacity study for the Gateway area – this time overseen directly by a Cabinet Committee chaired by the Prime Minister – was subsequently completed. This set out three scenarios for new house-building, each based on different assumptions

about the provision of additional infrastructure, and identified various ‘zones of change’ where future housing development could be focused. One of these options was then supported by £446m of ODPM investment in the 2004-06 expenditure round, supported by further infrastructural investment by the Department of Transport.

- 4.6.16 It was the potential role of the Gateway in national housing policy and progress towards ODPM’s PSA Target 5, rather than its place in regional regeneration, that gave the programme momentum. Government support at the highest level and the resources that this unlocked has underpinned a substantial expansion of the ODPM Thames Gateway team and given them the ‘clout’ to deal with existing local and sub-regional agencies and partnerships on the definition and delivery of what is now primarily a housing-based programme. A variety of mechanisms, including new Urban Development Corporations in Thurrock (Essex) and London – the latter closely associated with the Olympic bid for the capital – are being developed to realise the strategy.

WHEN WOULD THIS HAPPEN?

- 4.6.17 The transformative approach would require a much longer timescale to develop both as a national framework and as an investment strategy. The lessons from Thames Gateway suggest that substantial political will and planning capacity is required to develop an understanding of the different options and choices that might be involved in developing a transformational strategy and what the implications would be for different areas of public policy and investment. At the same time Whitehall would need to develop mechanisms for working across government departments within the centre and at a distance with a wide range of regional and local partners in the chosen growth area. Whereas regular face-to-face contact and interaction is possible between central, regional and local officials given their co-location in and proximity in southern English growth areas, such networks would need careful development in the north.
- 4.6.18 The build-up of shared intelligence and foresight that informs a range of partners at different levels of governance is key to developing a shared understanding of the assumptions that underpin policies. Such understanding and the networks that support the reshaping of government priorities and their alignment around a clear narrative require investment, time, commitment and resources. None of this is likely to come easily or quickly. A longer term approach is needed. But in the short term there is an opportunity to ask the sort of questions that the London 2020 study provided for the Cabinet Office – what would the role of central government and public policy be in the development of northern City-Region.

4.7 The economic approaches summarised

- 4.7.1 Table 4 provides a comparison of the two options for developing a national framework for City-Regions. Thinking about the implications of these choices for Whitehall there are three key conclusions from this chapter.

Table 4: Comparing options for City-Region economic policies

Option 1 The developmental option	Features	Option 2 The transformative option
Working with existing assumptions of economic policy framework	Why?	Development of a new framework designed to transform City-Regions.
Additionally of a city-regional scale alongside region and local	What is involved?	An integrated development strategy aligned around city-regional priorities
Comprehensive approach based on all major City-Regions.	Where is it developed?	Selective approach focused on a City-Region of national significance
Sensitising Whitehall to city-regional through un- and re-bundling of scales	How is taken forward?	Strategic foresight, aligned public expenditure and nested governance.
Short to medium term to develop and implement a national framework	When could this happen?	Medium to long term to develop framework and implement strategy

- 4.7.2 The first is that significant progress can be made in developing a national city-regional policy framework within the assumptions of the existing policy framework. The developmental approach would re-introduce the City-Region scale into a reordered economic policy framework that redistributed functions between national, regional, city-regional and local scales. This does not require large scale reorganisation and work could begin immediately on this framework in Whitehall and the regions working across all major City-Regions.
- 4.7.3 The second is that although this policy is likely to increase the efficiency of existing policy priorities and allow regions to more effectively realise their potential this framework does not adequately address the issue of how transformational change – closing the gap between north and south productivity performance – would be achieved. Instead a much more transformative would be required that selects a city-regional growth pole of national economic significance and develops the type of longer term strategies, intelligence and understanding, and public investment and multi-level governance framework that has launched the growth strategies in the south east.
- 4.7.4 The final point is that although both options require institutional change this is not necessarily disruptive or time consuming. For instance the city-regional scale works with the grain of existing regional and local scales in the case of the developmental option. In contrast the transformative approach is based on a bespoke and customised model of governance that is complex yet does not require the wholesale reorganisation of local government structures. Both approaches require greater central government commitment to City-Regions and ensuring that policies that are currently place blind take into account city-regional needs and potentials.

CHAPTER 5

What are the next steps?

5.1 Next steps

- 5.1.1 The first four chapters have been at some pains to spell out the economic case for a City-Region focus. With the increasing centrality of the knowledge-based economy, the core cities and their City-Regions have become an ever more important framework through which to secure economic competitiveness. All the evidence suggests that resilient cities are a necessary – if not a sufficient – condition for strong regional economic performance and that England's peripheral City-Regions are capable of making a bigger contribution to national economic performance. Our view, therefore, is that the transformative option that was outlined in the last chapter should provide the basis for the next steps in the development of a national framework for City-Regions.
- 5.1.2 This final chapter considers how best we might capitalise on this potential and develop a sensitive city-regional perspective on strategic planning. At the outset we have to recognise that the geometry of city regions is both fuzzy and partial. Not all parts of the country fall incontrovertibly within the footprint of one or other of the big cities – there are significant areas of rural and semi-rural England which largely fall outside the immediate ambit of any core city. Moreover, the urban footprints vary from one type of function to another – differing as between labour markets, housing markets and 'cultural' markets.
- 5.1.3 This suggests that any short-term response to the City-Region agenda should recognise three principles:
- It should be selective, focusing on the catchments of the principal core cities rather than covering the whole country. This would take account of the partial nature of urban footprints.
 - It should be based on locally-determined informal and flexible governance partnerships rather than a formal statutory reorganisation of local government. This would take account of the fuzzy nature of city regions, *and*
 - Finally if such governance arrangements were informal, it is critical that central government should give them unambiguous support to add power and legitimacy to their views.

Five essential forward steps suggest themselves, some to be taken by central government, others by local government.

5.2 Actions for central and local government

- 5.2.1 The priorities for central government need to focus upon clarifying regional PSA priorities, selecting pathfinder City-Regions, and providing clear incentives for city-regional co-operation.

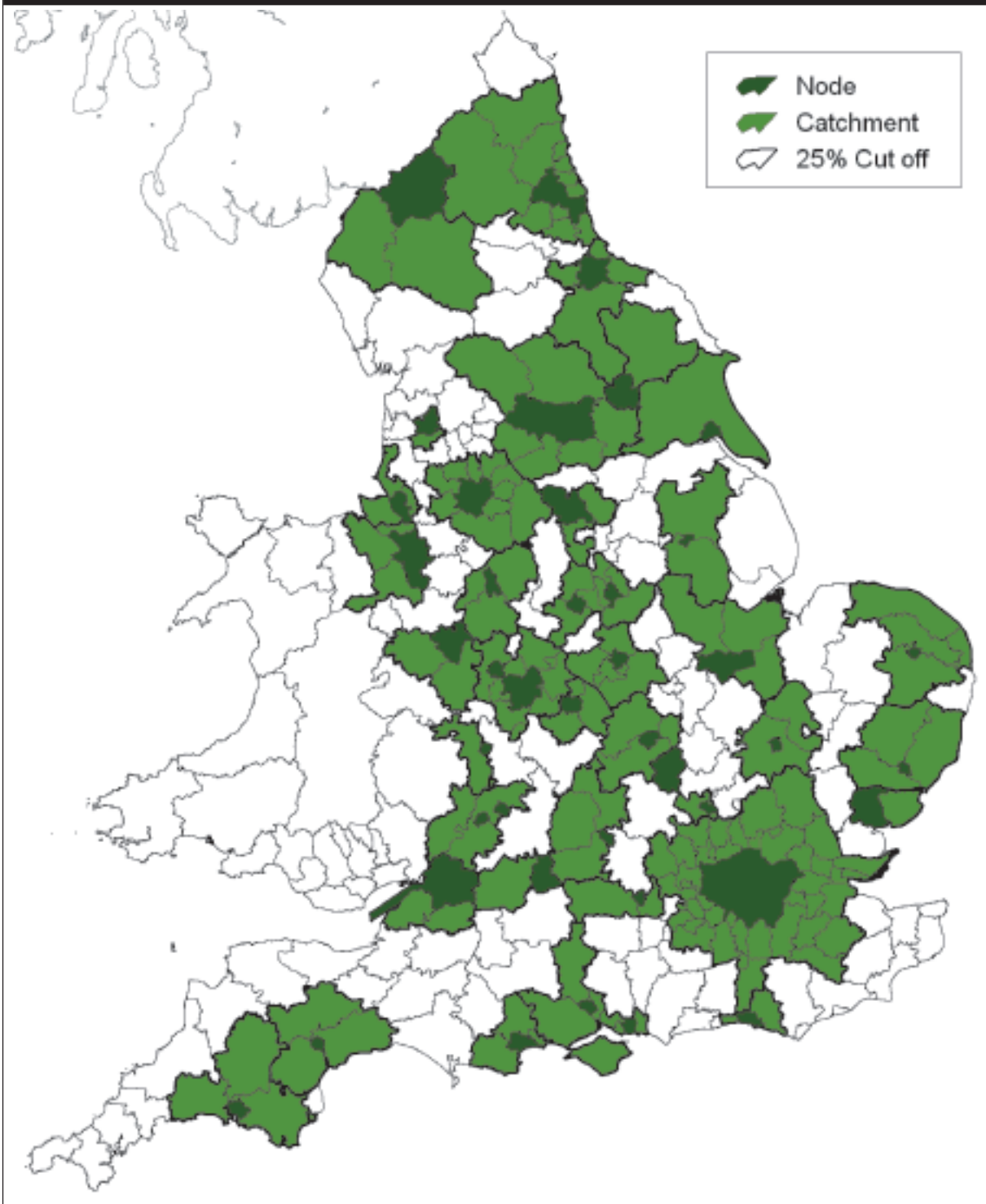
REGIONAL PSA PRIORITIES

- 5.2.2 There is a need to clarify the relative significance of the twin elements of the regional PSA2 target to make it clear that narrowing the relative economic performance of regions is a priority of government policy. This would further reinforce the argument that any City-Region framework should not aim to cover the whole country but would focus selectively on those areas with low GVA whose improvement in economic competitiveness and productivity would benefit the country as a whole.

SELECTING PATHFINDER CITY-REGIONS

- 5.2.3 There is a strong case to identify one or more pathfinder city regions on which government attention would initially focus. Candidates would be drawn from a small handful of possible places in the north and west (with Newcastle, Hull, Leeds, Sheffield, Manchester, Liverpool, Birmingham and Coventry being the obvious candidates). Such a selective focus is strongly supported by analysis of commuting flows which show that large areas of rural and 'semi-urban' England largely lie outside the labour-market areas of the big cities. For an example see map 5 which is based on travel to work area data analysed in Chapter 2 of Working Paper 1.
- 5.2.4 The most fruitful initial area would be Leeds/Manchester. This would make a valuable case for a pathfinder since both cities have shown their potential for growth in recent years and in both – but especially in Greater Manchester – there have been recent moves towards exploring the scope for cross-district collaboration. Taken together, the economies of the two core city regions have considerable potential to act as a counterweight to the Greater South East growth axis. It would also work with the grain of existing developments in The Northern Way. It would also provide a valuable context for exploring both the linkages and complementarities across two neighbouring major cities as well as the feasibility and the problems associated with city regions that cut across existing regional boundaries.

Map 5: Selected city-regional boundaries



INCENTIVE STRUCTURES

- 5.2.5 A Cabinet Committee should be established to oversee, to respond to, and to help in the co-ordination of the work of the selected pathfinder city region. Most importantly – as we argue in looking at our transformative model – the spatial implications of central government investment and policy decisions need to become a central feature in the thinking and approach of spending departments, to replace their current place-blind view and to reinforce the national imperative to narrow regional differentials. This would have benefits in bringing on-board those departments for which regional and

economic development issues may appear marginal, even though their decisions can often have critical regional and sub-regional implications. Part of this sensitising could come from exhortation from the centre (and a Cabinet Committee would be a critical element in this), but a valuable additional mechanism through which this might be reinforced would be to introduce a system of ‘spatial impact assessment’ statements that would be required to accompany new policies and investment decisions across all departments. A further incentive would be to move towards greater pooling of the mainstream resources drawn from across spending departments.

- 5.2.6 The priorities for local government need to revolve around the identification of relevant city-regional functions and governance arrangements.

IDENTIFYING CITY-REGIONAL FUNCTIONS

- 5.2.7 The selected cities should be invited by government to propose the sets of functions for which City-Region arrangements would be most appropriate. They would clearly need to do this in association with adjoining districts and alongside the relevant GO and RDA. One probable outcome of such discussions would be to suggest that strategic economic-related functions would be central to the City-Region scale – transport, economic development, labour-market skills, housing, business supply chains, cultural services. The spatial boundaries for some of these (and hence the membership of coalitions) may well differ, as, for example, is implied in the different catchments for commuting and for audiences for major cultural events.

GOVERNANCE ARRANGEMENTS

- 5.2.8 In the longer term there may be grounds for moving towards formal governance structures, although the varying geography of flows and the disruption caused by reorganisation both provide compelling arguments against this. However, in the shorter term there are strong arguments for semi-statutory partnership arrangements (which may differ as between different functions), but it would be important that such arrangements were backed by strong central government commitment. Such semi-statutory bodies would need to become the responsible bodies through which both discretionary and some mainstream resources would flow.
- 5.2.9 One of the implications of any form of City-Region governance model – and especially the spatially selective approach favoured here – is that there would be a new emphasis at a regional level on ensuring the most effective linkage between the selected city regions and those areas lying outside their immediate ambit. This would be an important challenge and role for the regional agencies – either GOs or RDAs.
- 5.2.10 This sequence of steps would create a context that could better harness the economic potential of the core cities, and would thereby begin to address the problem of regional inequalities which does damage both to the overheated areas of the south and east as well as the lagging areas of the north and west.

