

## Chapter 4

# CITY REGIONS THE 'VISION' FOR LOCAL AUTHORITIES

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### **INTRODUCTION**

Since the publication of the Local Government White Paper, *Strong and Prosperous Communities*, in October 2006, City Regions have become a key issue in government policy and for local authorities in particular. The subsequent publication of the Sub-National Review of economic development and regeneration [1] (SNR) has identified how the policy for City Regions will be delivered in more detail. Ministers have now invited local authorities to develop their approaches quickly, not to wait for more guidance and for the first city regions to be ready to submit their delivery programmes by June 2008. These are to be known as Multi Area Agreements (MAAs).

There is a promise of considerable devolution of power and funding and new governance arrangements to go alongside the MAAs. With this new power also comes the encouragement for local authorities to group in new ways and work to a common agenda. This paper reviews the development of city regions policy, what the new policies may mean and how local authorities can respond to this new future with a new 'Vision'.

### **THE DEVELOPMENT OF CITY AND CITY REGIONS POLICIES**

Policies for urban areas and their citizens first started to emerge in the post war period with New Towns being generated to relieve the pressure on cities and create more space for businesses and communities. Although this worked in some ways, there were continuing issues

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with the level of investment in infrastructure, housing and then economic decline in late 1960s. Urban areas became synonymous with social deprivation and the Plowden report's Educational Priority Areas and SII Funding for areas with children with different home languages were amongst the first Government initiatives at the local level. The 1970s saw the development of more policies for areas that were experiencing economic decline and following a report on deprived inner city areas, the Inner Urban Areas Act was passed in 1978. 'The concern at the flight from the cities, increased land vacancy and led to a hollowing out the cores, with city suburbs becoming the residential location of choice. The opening of the M25 epitomised these changes of peripheral living and working with longer commutes by roads to out of town business parks becoming more the norm.

The results for cities were very problematic. They were left with abundance of investment in public infrastructure but not enough resources to be able to maintain it. Schools were frequently empty and standards were often poor. Open spaces and other public realm was abandoned and in many inner city areas it seemed that only those who had no choice continued to live there. Increasing amounts of public money was invested to support growing problems, much of it coming from the EU.

It is hard to define the exact moment of change but a number of differing activities came together to help both to increase investment in cities and people's attitudes towards them as places to live and work. One of the main drivers of change has been the need to generate a more sustainable way of living. The Earth Summit in Rio in 1992 gave voice to this need to be careful with resources and to consider the implications of increasing urbanisation. It also gave voice to the need to utilise existing investment in public transport, housing, town centres etc. A future dependent on separated locations, accessed only by major roads or motorways and not able to be supported by a public transport system seemed increasingly unable to be justified. Cities are seen to be the most sustainable approach to using land and moving people around. Creating more demand for brownfield land was one way to see more of it used.

However, supply of land is not enough if people and businesses do not want to locate in cities. The accompanying programme of improving educational standards, reducing crime, improving on street services and developing a localised economy have also been important. Also cities have proved to be very resilient in terms of changing the use of buildings – church halls into nurseries, banks into pubs – all supporting life style changes. As women's role in the labour market has developed, a family with two working partners finds it more advantageous for both to live close to work particularly when there are children. A ready supply of Victorian and Edwardian houses in inner city areas have found a new role as people move from apartments into family accommodation, with more families staying closer to the centre of the city rather than fleeing to the newer suburbs. The concerns of new urban residents about educational standards available at local schools have been met with a large increase in private sector schooling which begins at the earliest age.

To these two key components, a third element was added – urban buzz. The role of a revitalised Manchester in gaining the Commonwealth Games, the rejuvenation of city centres in

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Birmingham, Leeds and Glasgow, the use of the waterside and the conversion of older buildings into loft apartments have all generated an interest in city centre living which continues to grow.

So cities remain edgier but also more acceptable as places to live. For many people they are more convenient and a sustainable choice. These trends are exhibited in all parts of the country and in all scales of urban areas. Although the residential population may have doubled in central Manchester it is still low. However, the growth has generated more confidence and further investment. The same is true elsewhere in smaller towns.

## **UNDERSTANDING THE ECONOMIC ROLE OF CITY REGIONS**

Whilst the policies over the last twenty years have started to work, yet there is still much to do. Local authorities have continued to campaign for support through groups of cities across Europe and in the UK. However, there has also been a major new recognition of the role of cities in the economy, as a motor of regions and this is where much of the new impetus for city regions is located. Much of this 'new' thinking is set out in three Treasury papers on Devolved Decision Making or DDM. The third of these papers concentrates specifically on cities and takes a new approach to their contribution to the development of the national economy and GDP. In DDM3, published in March 2006[2], the fundamental role of cities in promoting regional growth is outlined, whilst the persistent social disadvantage in cities is seen as an issue that needs to be tackled.

The background to the policies contained in DDM 3 is international in origin and based on a new economic model. In the past more thriving cities were seen as places from which economic activity could be relocated into areas that were more economically challenged. It was assumed that all regions in any country should be capable of achieving economic growth and contributing to the wealth of the country if the inward investment brought into the region could generate a multiplier effect, enabling other local companies to benefit as suppliers and through the general uplift in the area. The inward investment was also frequently accompanied by infrastructure investment. This is generally known as the 'trickle down' effect. However, this approach has rarely been successful with lagging regions remaining in their respective positions after over 50 years of these kinds of state interventions.

The new economic policies differ from this and are related to a different understanding of the ways of dealing with underperforming local economies. Firstly, this approach works on the assumption that the intervention that is required is of a different style, which is much more cultural and attacks the institutions which support worklessness or lack of innovation. For example if high numbers of workers are signed off work as being eligible for invalidity benefit, the new approach is to tackle the doctors who undertaking the signing off to move those capable of work back into the labour market. It also looks at the need for more child care support and training for those who have children very young and do not have time to develop their own skills and work experience.

A further approach is to consider the development of more localised homogenous markets. After assuming that markets are best met by common products which appeal to all the

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population, the new ideology suggests two approaches. The first is to serve smaller, more homogenous markets which are seen to be more efficient and profitable. This approach includes making special versions of cars or other goods and services where more culturally specific offers may be more successful. The second approach has been to encourage the development of more markets. The opening up of Eastern Europe, China, India and South Africa has generated greater market places for imports and locally produced goods. Thus the more people who work the greater the demand will be for goods and service and the greater the volume of taxes paid.

The driver of these changes is seen to be at city level, where the city commands a sub-region or in some cases a region. The economic health, the market development, skills and economic future of a city sub-region are seen to be at the heart of this new approach and this is measured generally by a Gross Valued Added (GVA) measure. Cities are increasingly being placed in league tables which demonstrates their GVA in comparison with other cities of a similar size and, in the case of the UK, these comparisons are made with city regions in Europe.

#### **THE LOCAL GOVERNMENT CASE FOR CITIES**

This change in theoretical approach to cities as the driver of national economies has started to generate a variety of new policies that look at the way in which cities function as a whole. The State of the English Cities Report, published in 2006 (CLG) has provided a detailed assessment of the current position of English Cities and has provided a mechanism through which local authorities representing cities can make a case to government for additional resources to respond both to the conditions that still prevail in cities and also to fulfil their role in growing the economy.

The development of a more comprehensive approach to cities has followed the publication of the State of the English Cities Report. This has come from a number of directions. The first has been the recommendation of Sir Michael Lyons that the primary role of all English local authorities should be place-shaping – the development of a comprehensive approach to improving places using the methods that are most appropriate to different local conditions. The second was the inclusion of the role of city regions in the Local Government White Paper, *Strong and Prosperous Communities* which was published in October 2006. In this, the development of City Regions as operational units has been proposed and some pilot area discussions have been running over the period since 2005, in Sheffield for example to examine the scale and scope of these sub-regions. The Local Government White Paper proposed that City Regions should establish City Development Companies, which would be local delivery vehicles which could become the operational arm of delivery.

The White Paper also proposed the implementation of Multi Area Agreements (MAAs) or contracts between central and local government to achieve specific economic targets for the city regions. The funding available for City Regions and the mechanisms to support them is to be provided from the triennial spending review which will run from 2008-2011.

The publication of the sub-national review of economic development and regeneration in July 2007 developed the Treasury's thinking on this further. Firstly, it helped to define the extent of a city region as being their economic footprint, with the greater definition of the economic footprint being found on the CLG website. The SNR was clear that the economic footprint should not be coterminous with local authority or regional administrative boundaries if these did not represent the economic footprint. It also extended the potential for urban sub-regions to all parts of the country if they could demonstrate a cohesive urban footprint. The report included a list of over 50 urban areas which it might be reasonable to assume would be the first group to be considered.

The SNR defines these new city sub-regions as a group of local authorities coming together on a voluntary basis to agree collective targets and performance indicators and local authorities will be able to pool funding streams to meet these collective targets. The Multi Area Agreement which would support the sub-region will include a number of Government Agencies including the Highways Agency, the Regional Development Agency, Learning and Skills Council and Job Centre Plus. Each MAA will have some specific requirements including:

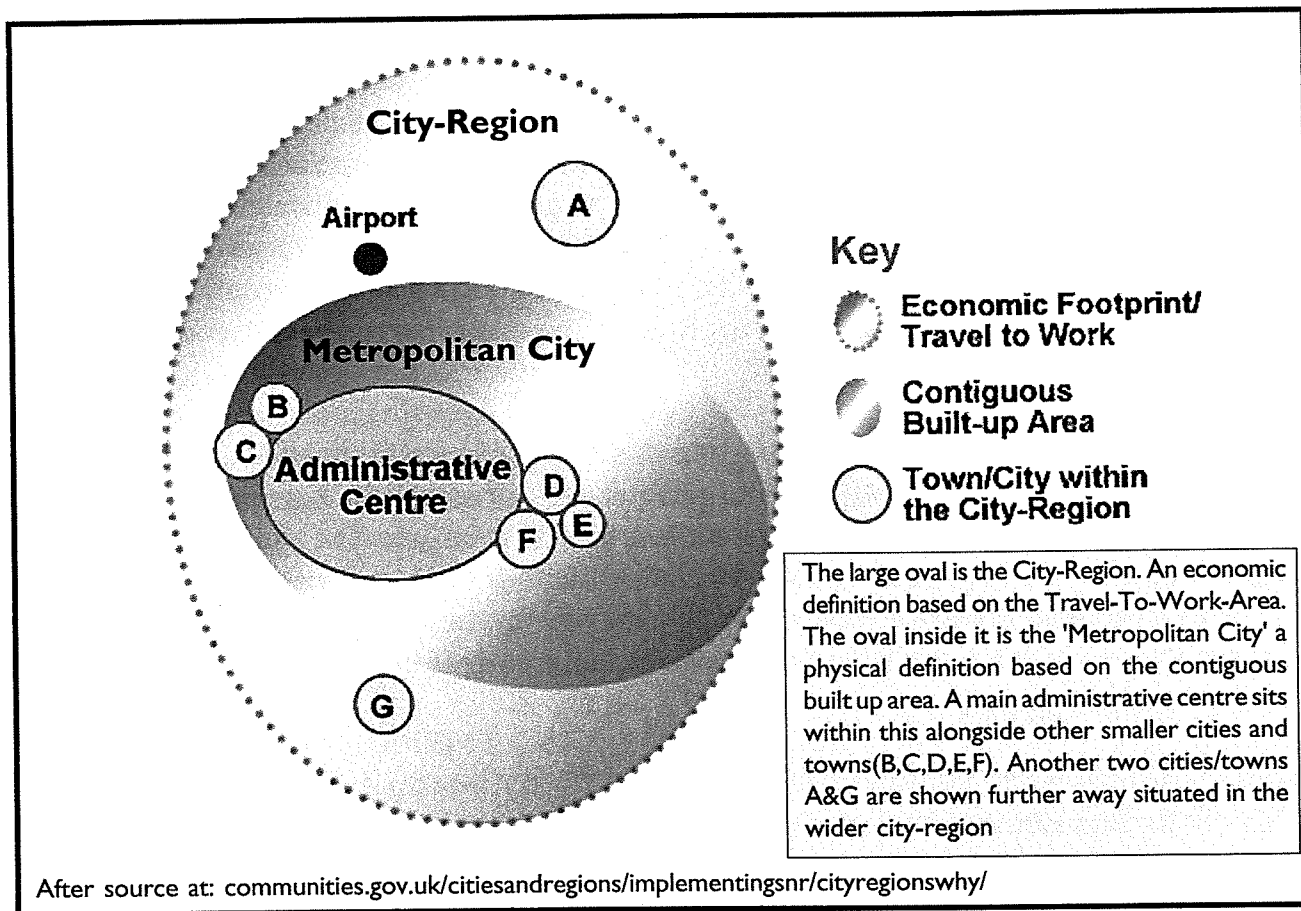
- Being voluntary
- Should concentrate on where they can add value
- Be focussed on economic development
- In two tier areas, counties and districts will be co-signatories
- They will build on existing sub-regional arrangements

These new groups of local authority partners in sub-regions will also be able to extend their relationship into a new, more permanent organisation and will be able to extend their role beyond economic development to other issues such as planning and housing. The development of the sub-regional approach for cities and other urban areas is also promoting change at the regional level, including the creation of a new Integrated Regional Strategy which establishes a framework for the region and its public sector investment. In order to achieve this, the Government will be abolishing the Regional Assemblies and redefining the role of the Regional Development Agencies, possibly into Regional Development Authorities. This would have the effect of moving their position to less of delivery agencies to one which is held responsible for the region's economic performance with delivery through others.

The definition of sub-regions has not been spelled out in the SNR beyond stating that they should represent the urban area's economic footprint. However, on the [www.communities.gov.uk](http://www.communities.gov.uk) website, the diagram below Figure 4.1 identified the economic footprint of the city region to be the Travel to Work Area (TTWA).

## **WHAT WILL BE THE KEY ISSUES IN IMPLEMENTING CITY REGIONS FOR LOCAL AUTHORITIES?**

The implementation of a major new policy and funding stream for cities will be very welcome to many city areas, not least in the opportunities that it offers to coordinate and utilise central



**Figure 4.1 A Theoretical City Region**

and local government funding together. This will also support the more efficient use of public sector funding by reducing back office costs through joint and shared delivery. The objective of this policy will be to provide cities with a much clearer economic leadership which could potentially extend over a much wider area.

The SNR also has some mention of governance for the new city region areas. City and sub regions are meant to be voluntary although there may be an expectation that the MAA will be the most common approach across the country. Once an MAA is established for economic and transport issues, the SNR suggests that they can be extended to housing and planning and beyond this into other areas in due course. The SNR also offers the opportunity to the sub-regions covered by the MAA to establish a new organisation to cover the area. In practical terms, the governance of the sub-region may be through a voluntary arrangement or could utilise other mechanisms available such as the provisions of the 1972 Local Government Act to establish joint committees. There could also be further encouragement for city and sub regions to appoint a single political leader or mayor or create a strong profile for the place.

As yet these new arrangements have to be put into effect and whilst the financial benefits seem attractive, the political arrangements may be more difficult to achieve. This may be as much a problem in areas of similar political majorities as well as those with differing political control. Secondly, the voluntary arrangements which are required to promote an MAA may be as difficult to achieve in two tier areas as in multi-authority metropolitan areas.

## **A NEW VISION FOR CITIES?**

So will this new policy for city regions create a new vision for cities? Although there are likely to be some political issues to be overcome before these new city regions can be implemented, the opportunity presented by creating a vision and delivery programme which will be able to marshal a substantial raft of central government funding and bring this under local control will have considerable attraction. City regions will need to base their vision on the successful approaches of other city regions on mainland Europe and this might suggest a more coherent political leadership such as that operated in Catalonia or in some of the economically vibrant German cities. This might also suggest a new governance settlement with increased powers for city regions which will go into innovative areas of revenue raising through local taxes and the possibility of raising funds in the markets through new approach such as the recent Treasury agreed Barnet Bond.

At present, city and other sub-regions are at a development stage but it is unlikely that such a major policy statement by the Treasury will be left unimplemented. Local authorities will need to understand the operation of TTWAs in their locality. Does their place dominate a sub-region? Is it part of a larger city region? How are the local authorities going to work together? Much will be revealed as the guidance for MAAs is published and the first City Region bids are submitted. If the pattern of MAA roll out are similar to LAAs, then most of the country will be covered by MAAs in 2-3 years. If these city regions are to fulfill their role and economic potential, new approaches may be needed together with new skills. Cities will need a brand as well as a vision. Yet cities can change as Barcelona, Dublin, Prague and Manchester all testify. Finding a role and identity which has a distinct and economic purpose is a challenge but the gains are also high for those local authorities who want to take it.

## **REFERENCES**

1 Her Majesty's Treasury, July 2007

2 Devolved Decision Making 3 Cities, Her Majesty's Treasury, 2006