



SERC POLICY PAPER 5

City-Region Governance, Policy Variation and Economic Performance

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Directorate, Department for Business, Skills and Innovation)

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Advocates for devolution of responsibility for economic development have frequently made a link between the governance of city-regions and their economic performance. The evidence they adduce for this does not clearly bear this out, since there are problems in defining the scale of the cities under consideration, the scope of the powers involved and robust indicators of economic performance. However, it is likely that where the governance area of a city-region matches its economic area, its performance will be enhanced. Empirical work with developing UK city-regions leads to a conclusion that an argument based on policy variation and fiscal federalism provides a stronger argument for city-regions than one based on links between their governance and their economic performance.

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Introduction

Devolution of policy responsibilities and resources to lower tiers of government has been a strong theme in UK policy-making since the Labour government came to power in 1997. Most obviously, substantial powers have been delegated to the Scottish Parliament and, to a lesser extent, to Wales, Northern Ireland and London. In the remainder of England, elements of policy-making and/or delivery have been delegated to non-departmental public bodies such as the Regional Development Agencies (RDAs). The extent to which resources have also been delegated is limited and even at the same spatial scale, the degree of delegation in different policy areas can vary widely. Following DTLR (2002) and CLG (2006), the Government has encouraged active discussion about the ways in which further devolution in England (particularly to local authorities, whether singly or in groups) or different arrangements could help to achieve a greater level of democratic legitimacy and realise the economic benefits of devolution. This has involved central government, local government, think-tanks and academics, and has been given an increased impetus following the failure of the referendum on an elected regional assembly in the North East in 2004.

At the same time, cities and city-regions have acquired a strong position in UK policy thinking as engines of national and regional growth, building on the academic literature on agglomeration economies. Again, this discussion has involved central government, think-tanks and academia. The fact that these two discussions have been proceeding in parallel has led to strong linkages being made between the realisation of the economic potential of city-regions and their governance arrangements, up to and including assertions that the former is in some way dependent on the latter and that others do it better (eg "Continental cities have responsibilities for a wider range of functions which affect their economic competitiveness than do their English counterparts. The mix varies but their combination of powers and resources seems to make continental cities more proactive, more entrepreneurial and probably more competitive" (Competitive European Cities: Where Do the Core Cities Stand? - Parkinson et al 2004, (hereafter CEC (2004)), p6)).

The first part of this paper considers the evidence cited to support the proposition that the governance arrangements for cities outside England make them more successful economically. It looks at the comparisons drawn between English and European cities and examines issues relating to the comparability of the areas under consideration, the appropriateness of the measures chosen, and the extent to which it can be demonstrated that governance is a major contributor to any differences which can be identified. It also considers the relevance of literature on governance more generally. At the end of the first part, the paper by Cheshire and Magrini (Cheshire & Magrini 2005) on the relationship between the scale of governance and economic performance is discussed. The conclusion of this part of the paper is that while Cheshire and Magrini demonstrate a link between the scale at which a city-region is governed and its economic performance, there is no clear evidence to show a clear relationship between other aspects of governance (control of policy, tax-raising powers, having a mayor etc) and the economic success or failure of a city-region.

The second part of the paper considers other arguments advanced for the devolution of policy and delivery from national to lower levels, particularly those relating to the literature on fiscal federalism. It focuses on the devolution settlement in three policy areas – planning, transport and business support. The paper discusses points made in a series of in-depth interviews with policy-makers at regional, city-regional and local level, examining the extent to which the expected advantages of devolution – particularly the ability to vary policy to respond to regional and local circumstances – are currently being realised. It concludes that although several areas have been identified where policy variation would be desirable (particularly in policies involving employment, skills and business support), elements of the current devolution settlement make it difficult to realise this. A conclusion to the paper suggests that, in view of the difficulty in making meaningful comparisons between governance systems and economic performance across countries, city-regions should base their arguments for greater devolution on the extent to which they could deliver varied policies, tailored to their areas, if the institutional arrangements allowed this.

The first section of the paper briefly examines the factors driving the city-regional agenda in England; both in terms of policy documents and academic research, and links it to the development of the agenda on devolution and governance. A second section considers the emphasis which has been placed on the governance arrangements for city-regions in recent policy documents and the discussion of this in the academic literature and then examines whether there is any evidence for a link between these arrangements and the economic performance of the city-region. The third section considers in more detail the arguments advanced for the devolution of policy-making and delivery, particularly in terms of the literature on fiscal federalism and the fourth examines whether the level of devolution currently in place in England has been successful in realising the benefits claimed for it. This section focuses particularly on policies relating to planning, transport and business support, where the current arrangements vary widely both in terms of the degree to which policy is devolved and the spatial level to which devolution occurs. A final section considers the potential arguments for devolution of policy responsibilities to city-regions, and advocates the development of a more rigorous account of the benefits expected from policy variation at a city-regional level.

The City-Region concept and its association with governance

As stated above, current policy interest in city-regions is driven by two considerations: the belief that productivity and economic growth are driven by agglomeration economies, generally operating in England at a level larger than a typical local authority and smaller than the current Government Office regions; and the belief that policy should be devolved to the lowest effective level, whether for reasons of efficiency or of democracy and accountability. Much of the current discussion on the governance of city-regions occurs when both these concepts are in play.

The belief that city-regions are sources of economic dynamism has a long history. Jacobs (1984, p47) identifies “the capacity of the city to replace wide ranges of its imports exuberantly and repeatedly. Cities that generate city-regions of any significance possess that capacity or have possessed it in the past”. Porter (1990) has had a strong influence on the development of both regional and city-regional policy in the UK. The work of researchers such as Fujita, Krugman & Venables (2001) and Duranton & Puga (2003) has provided an intellectual underpinning to an increasing emphasis on the city-region, considered as the

embodiment of the agglomeration economy, as a key element in English policy-making. Lee (2008) provides a useful summary of the underlying economic arguments on endogenous growth and agglomeration and Rodríguez-Pose (2008) considers the development of the city-region concept as a policy tool.

Box 1 – Definition of a City-Region

Devolved Decision Making 3 (HMT et al (2006), hereafter DDMR3) distinguishes in principle between “municipal cities”, which are defined as the area administered by a city council (such as Manchester City Council); “metropolitan cities”, which are the contiguous built-up area of a city including its neighbouring towns and suburbs (such as the area covered by the 10 local authorities of the Association of Greater Manchester Authorities (AGMA)); and “city-regions”, which represent the functional economic footprint of the city as a whole, and for the purposes of the document are defined by Travel to Work Areas (DDMR3, Box 2.1, p 8).

However, in practice, these definitions become blurred. The State of the Cities Report (Parkinson et al: State of the English Cities – A Research Study, hereafter SoCR 2006) is based on Primary Urban Areas (PUAs), which are 56 English cities with a minimum size cut-off of 125,000 in terms of their 2001 population (SoCR para 2.3.5, p 23). It also considers the travel-to-work areas of these PUAs and their constituent local authority areas, which are not co-terminus with the PUAs. Although DDMR3 equates the PUAs with “metropolitan cities”, the relationship is in fact more complex. For example, the 56 PUAs include Bolton, Manchester, Rochdale and Wigan (SoCR Map 2.1, p 24), each of which is a constituent part of AGMA, which is given as the example of the spatial level for the “metropolitan city” in DDMR3. The 56 PUAs also include smaller places which would not be considered as cities in the normal sense of the word (eg Aldershot, Crawley). Chapter 4 of DDMR3 appears to elide the concepts of PUAs and city-regions entirely: “...Bournemouth, Gloucester and Northampton have transformed their city-region economies from below to significantly above the national average between 1995 and 2002” (DDMR3 p 25).

The Review of Sub-National Economic Development and Regeneration (HMT et al (2007), hereafter SNR) focuses largely on local authorities and “sub-regions”, with the occasional, undefined, reference to city-regions (eg SNR para 6.64, p 86). The main policy innovation in the document – the Multi-Area Agreement (MAA) – although intended to be a partnership primarily addressing economic ends, is based on local authority areas. Its scope is defined as follows: “...as far as possible, MAAs should reflect economic areas that reflect the policy scope for the MAA (and therefore may include partners from more than one region and may also include parts of counties” (SNR para 6.76, p 90). Economic Improvement Boards and MAAs with statutory duties were proposed in BERR & CLG (2008b) and further details are given in CLG (2009), where the latter are re-designated Economic Prosperity Boards (EPBs). Both MAAs and EPBs are based on groups of local authorities, and MAAs are specifically referred to as sub-regions rather than city-regions (BERR & CLG 2008b pp 12-14; CLG 2009 para 6). The EPBs are linked with integrated transport authorities and are intended to be the vehicle through which the city-regional agenda is taken forward by Government (CLG 2009 paras 28 and 61-2). CLG (2009, para 59) comments that: “MAAs and EPBs are different types of arrangement. The former are arrangements to deliver targets, while the latter provide a governance arrangement for a sub-region”, clearly re-forging the link between the city-regional and governance agendas. Pike & Tomaney (2008

and 2009) comment adversely on the number of spatial levels in play in current policy and the lack of prioritisation between them.

Studies of cities and city-regions across Europe (eg Cheshire & Magrini 2000 and 2006; Bagnasco & Le Galès 2000; Le Galès 2002; Herrschel & Newman 2002; Buck et al (eds) 2005; Salet (ed) 2006) present potential definitions and typologies of cities and city-regions, but there is no consensus on their appropriateness. As discussed below, this lack of definitional clarity creates problems for meaningful comparisons in the performance of cities and city-regions across Europe.

Fothergill (2005) identifies a change in emphasis in English regional policy away from redistribution of economic activity between regions and towards the identification and correction of market failures which are seen as preventing places from fully realising their endogenous potential for growth. This tendency first clearly appears in *Devolving Decision Making 2* (HMT et al 2004, hereafter DDMR2), where it is largely put in a regional context. However, by the time of the third *Devolving Decision Making* document two years later (DDMR3), there is a much stronger emphasis on the city-region as an engine of growth and productivity, and as the key to achieving the Government's PSA target of reducing the gap in growth rates between the English regions: "Cities...matter because the productivity benefits they provide to knowledge-intensive businesses are important for regional and national prosperity...Cities provide an opportunity to narrow the economic gap between our regions" (DDMR3, ministerial foreword, p.i).

Part of this change in emphasis comes from active promotion of the city-region concept both by the cities themselves – for example by the revitalisation of the Core Cities lobby group from 2001 – by think-tanks such as the Centre for Cities, the Work Foundation and the New Local Government Network (Marshall, Finch & Urwin 2006, Jones et al 2008, NLGN 2005 and 2006), and through reports prepared on behalf of the Department for Communities & Local Government – the main promoter within Government of the city-region agenda – its predecessors and partners (Harding, Marvin & Sprigings 2004, CEC (2004), Marvin, Harding & Robson 2006ab&c, SoCR (2006)). However, at least part of the driving force for an increased concentration on cities and city-regions stems from the failure of the referendum on an elected regional assembly in the North-East in November 2004, between the publication of the two *Devolving Decision Making* documents (Turok 2008). As well as providing, in the view of policy-makers, a more logical level than the region to drive a policy based on promoting growth through maximising the economic potential of places, the city-region also provides a potential answer to the perceived lack of democratic legitimacy at the regional level. In some cases, the link between the devolutionary agenda and the city-regional agenda is not directly made. The Local Government Association, for example, has understandably stressed the democratic legitimacy, local knowledge and flexibility of all local authorities, without specifically placing this in the context of city-regions (LGA 2007 and 2008a&b).

There have also been disagreements about whether the regional and city-regional levels should complement each other or whether an increased emphasis on city-regions would make the current regional tier unnecessary. Balls, Healey & Leslie (2006) (which although issued by the New Local Government Network was written by one former and two current government ministers) takes the former line, as do formal policy documents issued subsequently by the Government, such as SNR (2007), BERR & CLG (2008a&b) and CLG

(2009). Bosanquet, Cumming & Haldenby (2006), Leunig & Swaffield (2007 and 2008), Shakespeare (2008) and the Conservative Party (2009) are far more sceptical about the continued value of all or most of the RDAs, on the grounds of efficiency, democratic legitimacy or both.

In the majority of the cases cited above, discussion has moved quickly from an acknowledgement of the economic importance of city-regions to regional and national economic performance (whether as the sites of agglomeration economies, or as the places where the majority of people live and work, or both), to the governance arrangements such city-regions require if they are to achieve their potential and/or are to have legitimacy. The next section discusses this in more detail.

Views on Governance Arrangements and Cited Evidence

In its simplest form, the argument in some of the city-region policy literature runs as follows: (i) city-regions (or in some cases cities) are key to the economic performance of nations and regions; (ii) there is evidence that governance arrangements elsewhere make city-regions perform better (or that different governance arrangements, not necessarily found in a specific place, could); (iii) therefore England ought to adopt similar governance arrangements, to increase the performance of our city-regions. To take examples from CEC (2004): (i) “The most competitive regions also had the most competitive cities. Conversely, we found no examples of successful regions which had unsuccessful cities at their core (CEC p 22); (ii) “. . .it is difficult to disagree with the view that their combination of powers and resources make continental cities more pro-active, more entrepreneurial and probably more competitive (CEC p 25)” (iii) “English cities arguably have fewer powers, resources and responsibilities than their competitors. . . And they have been less successful economically. The more centralised governmental, institutional and financial system must be one dimension of the under performance of English cities” (CEC p25). Similar assertions occur in Marshall, Finch & Urwin (2006): (i) “Generous boundaries that capture a large proportion of an area’s economic activity would allow cities to implement economic development initiatives, plan effectively, and, above all, to develop the capacity to enable growth” (p 20); (ii) “Wide-ranging powers at the *Diputacion* (provincial) level – which nearly matches a functioning city-regional economy – have been crucial to Bilbao’s successful regeneration” (p 20); (iii) “Intuitively, the state of affairs in continental Europe and the US suggests England needs to move towards greater power at the sub-national level to promote economic development” (pp 12-13). More modestly, and without making international comparisons, Jones et al (2008, p25) asserts “Some evidence suggests that appropriate local governance arrangements can be an important driver of growth”. Two of these reports come from well-respected and influential think-tanks, while Michael Parkinson’s report was published by the Office of the Deputy Prime Minister. Assertions of this kind have become commonplace in policy literature – for example LGA (2008c, p 5) refers both to the supposed lag in UK cities’ GDP when compared to major European rivals and ascribes it to greater levels of autonomy to take economic decisions, without providing a reference for either statement. However, Nathan and Marshall (2006, p 9) warn (also in a report for the Centre for Cities) that work of this kind, if not used with care, can lead policymakers into a “simplistic ‘European cities good, British cities bad mentality’ and more generally, Gordon (2006, p 156) believes that “In a metropolitan situation. . . ‘governance’ is not so much the answer as the question”.

There is a strong tendency in the academic literature to assert that a concentration on ideal and transferable governance is a distraction. Gordon and Buck (2005, p 13) refer to the “New Conventional Wisdom” (NCW) on city and city-regional governance: “In important matters, then, governance – specifically more responsive forms of governance – appears in the NCW as an answer to how the imperatives of competitiveness and cohesion are to be pursued and balanced when neither state nor market can assure this”, but do not believe that there is adequate evidence to support the NCW position. As Buck et al (2005, p 177) state in the same volume: “It is in the nature of governance that there should be relatively unpredictable and variable outcomes...The difficulty with overarching conceptual literatures that predict broad and invariant patterns of change but then identify changes in urban governance as critical to them is that they tend to assume that structural and institutional changes...determine the way institutions are used. Yet it is central to the study of governance that the behaviour of a range of actors (within and between institutions) affects outcomes in ways that cumulatively can be important”. Gordon (2006, p 156) reinforces the point: “The beginning of wisdom, however, is to recognise that there is going to be no neat, one-off answer to [the question of governance], which is going to be a matter of finding a series of ways through which a capacity-building process (involving new accommodations and work-arounds) can be stimulated and sustained”. Le Galès (2002, p 18) agrees: “Governance is not a matter of efficiency or a miracle problem-solver: after the way that the failures of state and market have been highlighted, no one can doubt that the failures of governance will prove at least as noteworthy”. Marshall (2006, p6) acknowledges that the work of the ESRC Cities research programme did not find “simple evidence” of a link between governance and economic performance, although he believes that such evidence can be found elsewhere.

Taking a specifically city-regional scale, there is also some doubt about whether there are any clear and successful examples of city-regional governance available for study in any case. Parkinson (2004, p 25) states: “Despite the assumption that things work better on the continent, this did not prove to be the case...few urban areas have yet devised a satisfactory set of arrangements that capture the wider economic territory. There are a series of territorial tensions”. Marvin, Harding & Robson (2006b, p 11) also found positive evidence hard to come by: “...the historical paucity of truly ‘city-regional’ authorities means that the development of city-regionalism could only feasibly follow one of two broad routes: additional formal administrative reform; or more voluntaristic forms of inter-municipal co-operation. Within the three countries we examined, a concerted attempt to follow the more formal route had recently been attempted in only one case, the Netherlands. In the cases of Germany and France, moves towards formal ‘city-regional’ structures have been more limited and patchy”.

The volume edited by Salet (2006) includes papers on countries as diverse as the Netherlands, the UK, Finland, Italy, Portugal and Germany, and in each case the complexity of the issues involved, the number of actors and the fragility of the networks in which they operate and the vulnerability to setbacks, disputes and competing priorities are stressed (Eckardt, Gordon, Harding, Haveri, Kazepov, Nunes Silva, Salet (all 2006)). “In most European countries... attempts have been made since the early 1970s to carry out administrative reforms. The intention has been to make the scale of the formal tiers of government match the new levels of social organization. However, the process of institutional reform is proving to be extremely complicated and very slow. The territorial

reform of public administration has not been fully successful anywhere. Indeed, it remains to be seen whether administrative reform is actually the right response to the vigorous dynamics of social and economic development” (Salet 2006 p 22). Failures, such as that in the Netherlands to establish sub-regional authorities in the Randstad or in Germany to merge the Länder of Berlin and Brandenburg, are more frequently and thoroughly discussed than successes (although successes cited include Stuttgart in Parkinson 2004, Lyon in Marvin, Harding & Robson 2006b and Bilbao in Marshall, Finch & Urwin 2006). Even Le Galès, an enthusiast for the city-regional agenda, is noticeably guarded on the extent to which it can successfully be put into practice: “In European cities, if the existing structural conditions are not entirely unfavourable, then it is not impossible to create the right combination of conditions in which to structure a relatively integrated mode of governance. Institutional and political barriers are often hard to overcome, notably in terms of financial resources, expertise, legal autonomy, and political fragmentation” (Le Galès 2002, p 272).

In these circumstances, evidence relating to the extent to which governance might or might not have an influence on the growth of city-regions would seem to fall into a series of potential categories:

- Evidence on the comparative economic performance of cities and city-regions with different governance arrangements;
- Other evidence on the links between governance arrangements and performance;
- Evidence on the links between the scale at which governance operates and economic performance, irrespective of the specific powers and resources which have been devolved.

These will be examined in turn in the paragraphs which follow. Particularly in the following section, the paper focuses on comparisons drawn between arrangements in England and those in Europe, since this is where most policy discussion has concentrated (presumably because of the availability of comparable statistics). This is not to say that North American experience is irrelevant to the evolution of English city-region policy, but simply recognises that relatively few studies have explicitly sought to take it into account. It is also not the purpose of this paper to consider the case for agglomeration economies or for devolution more generally, although later sections will examine the extent to which current arrangements in England have taken advantage of the potential benefits devolution is considered to bring.

Evidence on the comparative economic performance of cities and city-regions.

Nathan and Marshall (2006, p 9) comment on the tendency of Government to “...revert to easy football metaphors: [former] Communities minister David Miliband repeatedly talked about moving British cities into the ‘European Champions’ League””. Tables such as that ranking European cities by GDP per capita and based on figures produced by Barclays Bank in 2002 in CEC (2004, table 1, p 11) have frequently been quoted by ministers and others as definitive accounts of the competitive position of English and European cities, and have been used to justify an increased focus on cities and city-regions. Nor is this view exclusive to the Labour Party. The Conservative Party (2009) also refers to “the European league table of economic performance” and comments that British cities “have only half the GDP per head of major European cities” (p 5), citing SoCR (2006) as the source for both these statements. To an extent, this is encouraged by the reports themselves: for example, CEC (2006, p 5)

states that "...this study measured urban competitiveness in terms of six critical characteristics...the big picture is clear. Many [of the Core Cities] lag behind their competitors in terms of GDP, innovation levels, educational levels, connectivity, social cohesion, quality of life, political capacity and connections with their wider territories".

However, it is striking that the more detailed evidence papers related to or standing behind such documents are often more cautious and nuanced than the documents themselves. SoCR (2006) includes the table which appeared in CEC (2004) (SoCR table 8.1, page 226), as well as indicators relating to innovation, skills and human capital which are also broadly similar. However, in this case, their appearance is qualified more extensively: "There is disagreement about the relative merits of indicators. There is never perfect data with which to illustrate such indicators. Boundaries are always problematic. But this section uses the best available data from the most robust sources" (SoCR para 8.11.1 p 225). Nathan and Marshall (2006, p7), who themselves take a far more sceptical line than earlier reports from the Centre for Cities, are highly critical of the Barclays Bank data, commenting that "Several results are counterintuitive, to say the least. Can London really be the twenty-third most productive city in Europe? And how does the obscure German city of Karlsruhe come out ahead of Paris?". They point to problems in the choice of GDP per head as a measure of competitiveness, and to serious difficulties in defining and comparing each functional city-region. Citing figures from GLA Economics (Table 2, p 7) they demonstrate that "depending on whom you talk to...big German cities are either doing much better than big British cities, a little better – or more or less the same" (p 8). Similarly Morris and Williams (2008, p 3) row back to an extent from the assertion in earlier reports by the Work Foundation that there is evidence that local governance arrangements can be a driver for growth. They comment that there is no clear relationship between the type of governance structure and economic outcomes in the UK, beyond the correspondence between the area covered by these structures and the functional economic area (discussed more fully below).

On choice of indicator, Turok (2005, p 2) has commented that the main reservation with indicators such as per capita incomes, output or employment "is that these indicators tend to reflect historical performance and inherited positions more strongly than current performance or economic potential". Clark (2006) has also produced a brief paper collecting and discussing nineteen different indexes ranking cities internationally, according to different environmental, social and economic indicators, and identifying a further five for future discussion. Each index produces a radically different "league table". On choice of area Bridget Rosewell has remarked "Choose your area and you can prove almost anything with the existing statistics – but high density goes with high productivity [and] high growth economies have successful cities" (Rosewell 2006).

As a result, discussion in Government policy documents tends to be more restrained than ministerial speeches. While DDMR3 (2006, Box 4.2, p 27) comments that "...comparisons of English cities' GDP per capita with other European cities suggest that English cities are lagging behind their European counterparts", and proposes that some of this difference may be caused by a lack of statutory powers for English cities "inhibiting them to an extent from fostering long term economic strategies and investment programmes", it also says "Given that United Kingdom GDP exceeds many of our European competitors, it is likely that some of the difference between English and European cities is driven by different definitions of city boundaries".

Leaving aside questions of what to measure and at which scale, there are also problems in making comparisons caused by cities' history and place in the national framework as a whole, and issues such as composition effects and path dependency. There is even increasing fragmentation in modes of governance – Le Galès (2002, pp 230-1) comments that the elements of governance “tend to vary in two dimensions (1) within nation states, which seem to be increasingly differentiated, and (2) over time, since reforms have been pursued almost uninterruptedly in search of new, non-fixed rules of the game between different levels of government. All this underlines the wide diversity of local government in Europe, including within nation-states themselves”. Although typologies covering the governance of cities and city-regions have been produced by, for example, Herrschel and Newman (2002) and summarised by Dematteis (2000, pp 56-7) and Nathan and Marshall (2006, p 5), this forms an additional problem in making useful comparisons between different city-regions in differing national structures.

Thus, factors relating to the comparability of city-regions themselves (in terms of size and composition); the factors used to measure and compare economic performance; and the widely varying historical, economic and institutional contexts in which each city-region is placed, all contribute to the difficulty of making meaningful comparisons between the performance of cities and city-regions across countries, let alone drawing valid conclusions relating to governance from them. Beyond the work by Cheshire and Magrini (2005), which is focused on the scale of governance and is discussed below, I can find no evidence which demonstrates a clear link between the powers and resources the government of a city-region has and its economic performance, as compared with other cities with different arrangements.

Other Evidence on the Links Between Governance and Performance

Marshall (2006, p 3) also examines the evidence for a link between governance and city performance. He takes as a starting point, assertions by bodies such as the OECD and the UK Government that “good governance is directly linked to broad improvements in city performance” while acknowledging that “the evidence to back up this assertion has often been anecdotal and city-specific”. Marshall shares some of the concerns expressed above about the quality of the datasets which would allow city performance to be compared directly, including privately-produced league tables (pp 9-10). He cites the evidence for the importance of cities to economic growth (p 4) and links this directly to questions of governance. He also considers questions of scale (such as the findings of Cheshire & Magrini 2005) and the literature on fiscal federalism, both of which are discussed more fully below.

Marshall refers extensively to the importance of leadership and “good governance” (pp 3-4, 7-8, 10-11), quoting studies undertaken by the World Bank, OECD and others (some of which were at a national and some at a city level). However, in some cases (such as the study by Kaufmann and Kraay cited on p 10), the concept of “governance” has a far wider scope than it has in discussions on the powers and responsibilities of city-regions (in that case, “control of corruption, the protection of property rights and rule of law, and voice and accountability” Kaufmann & Kraay 2003 p 1). While it may be possible to demonstrate that such broad factors have a significant link to economic performance, they do not provide strong support for the devolution of particular powers and responsibilities to city-regions. Similarly, the Government Performance Project referred to on p 8 of Marshall (2006) is more

about the capacity of city governments to perform their allotted tasks efficiently and effectively than it is about the nature of the tasks themselves. Finally, Marshall refers (p 9) to a study by Deas and Giordano (2002) which “score[s] a set of UK cities, plotting the relationship between assets and outcomes as a series of regressions. Policy is here proxied as the amount of discretionary grant funding that cities are able to attract, as this is thought to be indicative of economic development capacity and local ‘institutional thickness’”. As with the earlier examples cited, this study offers support for drawing a connection between the *quality* of leadership and performance in a particular set of circumstances and economic performance, rather than one involving specific governance arrangements.

Marshall’s paper, like Parkinson (2004), is a useful summary of evidence relating to questions of governance and economic performance. However, there are major problems in applying this to the specific case of city-regions. The concepts of governance under consideration appear to be unclear and potentially very wide – encompassing issues such as the underlying legal framework, which are national rather than city-regional matters. There are also problems in distinguishing between studies which consider different types of governance arrangements and those which look at the actual quality of leadership and performance within a range of places which have a broadly similar governance structure, such as the Government Performance Project. While these are obviously valid topics for study, they do not help us to determine whether different governance structures would improve the performance of English city-regions or the economy as a whole.

Evidence on the links between the scale at which governance operates and economic performance

Fothergill (2005) laments that recent government policy papers take little account of academic research. However, there is one significant exception to this rule: European Urban Growth: Throwing Some Economic Light into the Black Box (Cheshire & Magrini 2005). Marshall (2006 pp 11-12) discusses the paper at length, as do Morris and Williams (2008, pp 17-19) and it is referenced in DDMR3 (2006 pp 13, 38 and 46); the SNR (2007 p 49) and CLG (2008a) (p 15). During preparatory work on this project, it was the paper most often mentioned by policymakers as providing clear evidence of a link between the economic performance of places and their governance.

However, it is important to be clear about what Cheshire and Magrini are demonstrating in their paper. They state that “...systems of urban governance are strongly related to growth” (Abstract, p 1), which almost certainly explains the attractiveness of their paper to the policy community. However, the aim of the paper is more limited than the phrase “systems of urban governance” might suggest to a policymaker: “Specifically, we test whether there is a positive relationship between the degree of co-incidence of governmental boundaries with those of functionally defined city-regions and the growth performance of the city-region” (p 2). On the basis of the evidence examined by the authors, the paper demonstrates that such a positive relationship exists.

It should be recognised that Cheshire and Magrini are interested in the scope of urban governance, not the specific powers that the governing bodies possess. They refer to relevant units of government which have “significant administrative and decision-making powers” (p 7), and examine the extent to which the size of these bodies was significantly larger or smaller than the relevant Functional Urban Region (FUR), with the assumption that

the FURs “approximate to the ‘most appropriate territorial units’ at which to pursue local growth promotion policies” (footnote, p 7). In the case of the England, the district was used (except in London, where because of governmental changes in the period under study, Inner London – which is not a unit of government – was used), in Scotland the region and in Northern Ireland the province as a whole. An appendix to the paper identifies the equivalent territorial units in the other ten states under study, many of which have widely differing powers and responsibilities. The paper treats “significant administrative and decision-making powers” as a minimum requirement for consideration, which is met by the bodies listed in the appendix, rather than a normative set of powers and responsibilities that such bodies should have in order to pursue growth promotion policies. This fact is specifically recognised by the authors: “The variable used in the present paper...is an indirect measure, designed to reflect not the policies themselves but the capacity of an urban government to generate such policies” (p 12).

Indeed, the paper goes further, building on Cheshire & Gordon (1998): “Policies encouraging local economic growth are not here conceived of as being particularly concerned with inward investment nor even, necessarily, with explicitly promoting growth at all. They may consist mainly of efficient local public administration, the avoidance of waste and a focus on activities that government at an urban level can effectively influence, such as the supply of skills or infrastructure planning...” (p 12). The authors cast doubt on the possibility of measuring such factors in a comparable way across the EU.

Thus, the paper clearly limits itself to considering the spatial fit between FURs and governing bodies which have a sufficient level of administrative and decision-making powers, and the effect of this on the economic performance of those FURs, and finds a statistically significant connection. It does not purport to examine or prove any link between the extent or nature of these powers (for example, the ability to raise or retain tax; the extent to which national policies can be modified or disregarded) and economic performance. Thus, while the paper is a significant contribution to the evidence base in the area of urban growth and governance, it does not support all of the devolution agenda described earlier in the paper or that set out in, for example, DDMR3 (2006) and SNR (2007). Policymakers need to avoid placing a weight on it that it was not designed to bear.

Thus, the difficulty of making meaningful comparisons between city-regions with different governance structures – in terms of defining comparable city-regions; in defining meaningful data to compare; and in codifying the governance structures themselves and the context in which they operate – means that there is no clear evidence that alternative governance arrangements, such as those in operation elsewhere in Europe, would improve the performance of English cities. Other studies considering links between governance and economic performance either give a very wide definition to “governance”, involving issues which go beyond the scope of arrangements for city-regions, or a primarily focused on the quality of, rather than arrangements for governance. Cheshire and Magrini demonstrate a link between the spatial scope of governance structures and economic performance, but not (beyond a basic definition) the detailed powers and responsibilities which operate at that level. Therefore, there does not seem to be clear evidence based on international comparisons to justify increased devolution of powers and responsibilities to English cities on economic grounds.

Fiscal Federalism as a Justification for Devolution

An alternative economic justification for devolution of responsibilities and powers to sub-national levels is based on the literature on fiscal federalism. The remainder of this paper considers the applicability of these concepts to England. The next paragraph briefly discusses the theoretical justifications for devolution cited by the advocates of fiscal federalism. The paper then considers the contrasting devolution settlements in three policy areas: planning, transport and business support. The following section is based on a series of in-depth interviews with policy-makers at regional, city-regional and local levels. It examines the benefits they consider would stem from policy variation as a result of devolution (primarily in these policy areas, but going wider where appropriate); the elements within the current arrangements which prevent these benefits from being realised; and the potential changes (and their justification) which could deliver more effective policy outcomes. A final section concludes.

Concepts of fiscal federalism, originated by Tiebout (1956) and elaborated by, for example, Oates (1972), provide a strong justification for the devolution of service delivery and the collection of taxes and charges to lower spatial levels. This devolution: allows a closer fit to be made between the level at which policy is made and the area over which it operates (for example, basing policy delivery on transport and employment on functional economic areas); enables the meeting of citizens' varying wants and needs; encourages greater innovation and experimentation in service provision and delivery; allows decisions on expenditure to be made at a level which can match them closely to real resource costs; and facilitates benchmarking and competition between places, driving the efficient provision of public services. It also allows a greater input to be made by local people to determining the mix of services to be provided, aligning it closely with the UK Government's increased emphasis on encouraging local democracy and participation. Potential downsides of the approach are: the loss of national efficiency through economies of scope and scale; "postcode lotteries" and potential loss of minimum service standards; and a risk that disparities between successful and less successful places will be increased. The balance between the advantages and disadvantages of devolution are discussed widely in the academic literature, notably in Rodríguez-Pose & Gill (2005), Turok (2005) and Rodríguez-Pose, Tijnstra & Bwire (2007), and by Gil Canaleta et al (2004), where it is asserted that decentralisation does not cause any increase in regional economic disparities.

Somewhat surprisingly, a narrative based on fiscal federalism has been slow to emerge in UK government policy documents. DDMR2 (2004), DDMR3 (2006) and SNR (2007), while emphasising the need for flexibility in the formulation and delivery of economic development policies, in order to respond to the challenges of globalisation, do not specifically place this discussion in the context of fiscal federalism. The same applies to recent policy statements from the Conservative Party. In Conservative Party (2009 pp 5-7, 17-18), proposals to decentralise are justified by the claimed inefficiency and bureaucracy of Labour's national and regional institutions, the need to re-engage citizens in the local political process and flexibility and tailoring to local needs. This is likely to mean that national policy-makers have not so far fully considered the implications of this agenda, and the ways in which it could potentially strengthen the case for devolution.

However, some inputs to policy thinking have recognised the concept's relevance. For example, Marshall (2006, pp 5-6) discusses the arguments of Tiebout, Oates, their followers

and their sceptics, without coming to a firm conclusion. The reports of the independent Lyons Inquiry on local government (Lyons 2006 & 2007) consider the economic advantages of devolution at length (Lyons 2006 pp 27-32; Lyons 2007 pp 63-4). Lyons includes this agenda as part of his over-arching concept of “place-shaping”, which is set out in his final report (Lyons 2007 p 60 para 2.43). This has gained significant purchase on government thinking, particularly in the Department for Communities & Local Government (CLG). At the same time, similar considerations have come into play in recent discussions of Scottish devolution, which was originally largely driven by democratic and historical forces (Morgan 2007 p 1239). For example, many of the responses to the consultation undertaken by the Commission for Scottish Devolution have commented on the increased scope the devolved settlement gives for the adoption of policies which are innovative and tailored to Scotland’s specific circumstances, although not all agree that this has been realised in practice (CSD 2008, evidence volume pp 35-39)

One of the recommendations of the Capability Review of CLG in 2006 was that evidence and analysis should be more firmly embedded in the Department’s policy-making. An early response to this was CLG (2008a), which builds in material relating to fiscal federalism as a potential justification for enabling local solutions to a greater extent (section 3.2, pp 29-31). The paper also raises the question of economies of scale and scope (section 3.4, pp 33-34) and uses these and other considerations to develop a set of principles for policy development (table 2, pp 35-36), which will assist policy-makers to “identify the level of government that will take the lead or the largest role in these broad dimensions of the policy process, after which the scope for further divisions” of responsibilities can be explored” (p 35). These principles are then applied to six policy areas – planning, transport, employment, skills, business support and neighbourhood regeneration and renewal – to see whether any potential reform issues emerge.

In the light of this increased interest in economic justifications for decentralisation and devolution, the remainder of this paper considers the extent to which any significant benefits have been realised from the current level of devolution in three of these areas – planning, transport and business support – and whether this provides any potential justification for devolving further, for re-centralising or for maintaining the status quo. The next section briefly sets out the current devolution settlement in England for each of these policy areas. These differ widely both in terms of the formality of the current arrangements, the levels to which devolution now takes place and the direction of travel for the future.

The section following reports the results of in-depth discussions with policy-makers at national, regional, city-regional and local level on what they considered to be the key issues for successful delivery in these policy areas and, in particular, whether any this devolution had allowed any meaningful variation or tailoring of the policies to be delivered. Ten semi-structured interviews were undertaken with officials and representatives from regional development agencies; bodies promoting the development of city-regions and local authorities involved in them; and local authorities which are not participating in city-regions. These interviews were conducted under a condition of unattributability, and specific comments do not necessarily represent the policy views of their organisations as a whole. I also drew on extensive discussions with central government officials both before and during my secondment, although these did not take the form of formal interviews. A final section of the paper. speculates on potential justifications for further devolution to city-regions.

The Current Devolution Settlement

Planning

An interviewee in a city-region typified the current planning regime in England (outside London) as based on decisions at district level with elements of regional and national override. Decisions on individual planning applications and the production of draft local development frameworks are made in the first instance by district or unitary local authorities, within the context of national and regional planning guidance and a Regional Spatial Strategy. Appeals against refusal of planning permission and examinations of local development frameworks are undertaken by the national Planning Inspectorate. Planning applications may also be “called in” for a decision by the Secretary of State for Communities and Local Government, rather than the local authority, where the authority’s decision may conflict with national policies on important matters. The Secretary of State calls in an application having regard to public policy and makes a final decision acting in a quasi-judicial capacity and based on a report from a Planning Inspector, who will normally hold a public inquiry into the proposal.

In London, the Mayor produces a strategic document on spatial planning – the London Plan – and is consulted on the conformity of the local development frameworks in the 32 London boroughs and the City of London with this Plan. The boroughs are also required to consult the Mayor on planning applications which are of strategic importance for London (as defined by statute). The Mayor is able to direct a borough to refuse planning permission for such a project. He cannot direct a borough to approve an application, but in certain circumstances he can take over the borough’s role in determining the application himself.

Recent reviews have resulted in some significant changes to this system. The Regional Spatial Strategy is currently drawn up by a Regional Assembly consisting of representatives of local authorities, business and voluntary groups. Following the SNR (2007), and a public consultation on the resulting policy proposals (BERR & CLG 2008a&b), the Regional Spatial Strategy is to be brought together with the Regional Economic Strategy (currently produced by each Regional Development Agency). The Regional Assemblies are to be abolished; and the resultant single Regional Strategy is to be jointly produced by the RDA and a Local Authority Leaders’ Board. The intention of this is to “...ensure closer alignment between economic and spatial planning and [to] provide a vital means of prioritising the region’s activity to drive forward economic development and regeneration” (BERR & CLG 2008b, para 2.24).

Following the reviews by Kate Barker, of housing and planning, and Rod Eddington, of transport, major changes have also been made to the planning regime for major infrastructure projects, including energy, transport, waste and waste-water. The Government will produce national policy statements for key infrastructure sectors such as air transport or renewable energy. Decisions on individual projects will then be taken by an independent commission, based on these policy statements. The aim is to streamline the current system of planning inquiries. These proposals are justified in CLG (2007) in the following terms: “...a purely local approach to planning cannot deliver the best outcomes for us as a society or nation, or for the environment. Sometimes, development may have national or regional benefits or impacts which go beyond the immediate impact on local communities. Planning needs to reflect these wider regional and national factors” (para 1.48). The White Paper also

proposes a reduction in the number of cases notified to or called in by the Secretary of State and “to explore devolution of some non-national infrastructure decisions, especially in relation to local transport, to local authorities” (para 1.50), although no firm proposals are made on this.

These changes increase the influence of local authorities on strategic planning at regional level but are likely to reduce it with regard to major infrastructure. Although both CLG (2007) and CLG (2008b) comment on the need for local authorities to collaborate sub-regionally, there is currently no formal role in the system for sub-regions or city-regions outside London.

Transport

Eddington (2006, Volume 4, para 2.2) comments that sub-regional decision-making responsibilities for transport “...are spread across a range of players, to the extent that no single body has the powers to develop and implement cross-modal transport strategies in these areas”. At national level, the Department for Transport is responsible for negotiating most commuter rail passenger franchises and for purchasing infrastructure renewals and enhancements from Network Rail; and the Highways Agency is responsible for the strategic road network. Regionally, the Regional Spatial Strategies include a related transport strategy, and this is likely to continue to be a feature of the new single regional strategy (see above). Through the Regional Funding Allocations, the Regional Assembly and Regional Development Agency also advise central Government on priorities within long-term indicative funding allocations for transport, housing and economic development.

In London, Transport for London operates or franchises the bus, underground and some of the rail network, and is under the control of the Mayor and Assembly, but the roads are controlled by the boroughs. At city-region level outside London, there are currently Passenger Transport Authorities (PTAs) and their associated Executives in six areas (Greater Manchester, Merseyside, South Yorkshire, West Yorkshire, West Midlands and Tyne and Wear) with participation from between five and ten metropolitan authorities in each. They are responsible for passenger transport, but not for local roads (including, for example, bus lanes). Finally, local authorities (either unitary councils or in two-tier areas primarily county councils) have responsibility for the construction and maintenance of highways; the regulation of traffic; and the securing of passenger transport services, usually by franchising.

The vast majority of finance for local government’s transport activities comes from national level, via each authority’s revenue support grant; from a capital funding allocation and supplementary funds for managed by the Department for Transport; and certain specific grants. These are supplemented to a degree by fares, charges, developer funding and council tax.

As a consequence of the Eddington Report, the Local Transport Act 2008 provided for the PTAs to become Integrated Transport Authorities (ITAs) following a governance review. This will give the ITAs a duty to take the lead in developing local transport policies and plans (a role the PTAs shared with their constituent local authorities); a power to make road-charging schemes; a general power to promote well-being, similar to that given to local authorities; and duties relating to all local transport policies and plans, rather than just those relating to transport services and facilities. There are plans to link the ITAs with CLG’s planned

Economic Prosperity Boards (CLG 2009 paras 6, 28, 53 & 57), giving rise to city-region authorities with responsibility both for transport and for economic development and sharing a governance structure.

The Department for Transport also administers the Transport Innovation Fund, which allows local authorities to bid for financing for major schemes. The bidders need to demonstrate that they are adopting innovative solutions to congestion problems, involving demand management measures. The bid by the ten authorities in Greater Manchester's for £1.5bn from the fund to finance an expansion of its tram network and other transport improvements was withdrawn in December 2008 following the failure of a referendum on an associated congestion charge.

The devolution settlement for transport is similar to that for planning in that it involves numerous bodies at different spatial levels. It differs in including a clear city-regional tier, which is evolving and is closely linked with government initiatives on economic development. However, the degree of real devolution is limited by the extent to which activity at lower spatial levels relies on funding from central government.

Business Support

Business support involves the provision of assistance and advice to existing and prospective companies on: starting up; access to finance (including grants); management, recruitment, training and people development; operations and efficiency; product development; sales and marketing; regulation and legal issues; provision and finding of workspace and other relevant topics. This can be provided to companies in a particular location, in a particular sector or of a particular type (eg social enterprises or BME-led businesses). Tax-based incentives are not included in the Government's definition of business support. Business support services are currently provided at neighbourhood, local, city-regional, regional and national level. It is estimated (BERR 2008) that the public sector spends £2.5bn per year on the provision of business support, of which 40% is local funding, and that there are currently over 3,000 support schemes.

In the 2006 Budget, the Government announced a Business Support Simplification Programme, intended to reduce the number of schemes on offer from the public sector to fewer than 100. Although this was primarily justified in terms of reducing confusion for users and wasteful duplication, CLG (2008a) also emphasises the potential to realise significant economies of scale and scope in the delivery of business support and the risk of over-investment, investment in zero-sum policies and displacement of business activity (p 51). Government intends that a standardised portfolio of products should be offered primarily through its national Business Link brand, delivery of which is administered by the Regional Development Agencies. There will be scope for co-branding at local level and for some degree of local delivery, but not for new locally- or sub-regionally based business support products which are not associated with the Business Link portfolio. The simplification programme is being taken forward by a group involving a range of Government departments, business associations and local authority representatives.

Business support differs from the other policy areas considered because, before the Simplification Programme, there was no formal devolution settlement at all. Providing they had the resources, bodies at all spatial levels were able to provide business support services

and many did so. The simplification programme represents an attempt to pull back from the current arrangements, driven by a belief at national level (and amongst users) that the actual disbenefits of devolution in this policy area outweigh the potential benefits.

Actual and Potential Policy Variation

Throughout the interviews undertaken, respondents stressed the difficulties caused by what they saw as the piecemeal and inadequate way devolution is being taken forward in England, and the wide variety of justifications which are given to support it (increased democratic engagement; increased efficiency; increased personalisation; recognition of economic geography). One of the respondents from a city-region challenged the Government either to prioritise activity at this level, supporting it with appropriate powers and resources, or to stop pretending to pursue a city-regional agenda, allowing everyone involved to get on with something more useful instead. Actors at all levels accepted the case for policy variation but struggled to identify areas in which they had actually been able to deliver it. It was not always clear whether this was because they were unable to vary because of external constraints (such as control of funding); they could vary but for some reason choose not to; or they saw no need for variation. If the devolution agenda is to make progress, it will be important to develop a clearer narrative in this area.

General comments at regional, city-regional and local level emphasised the greater potential to integrate service provision around the needs of individuals, avoiding the silos in which central government was seen to operate. The most frequently cited example of this was the scope for integrating activities on worklessness (managed by the Department of Work & Pensions and Jobcentre Plus), training (Department for Innovation, Universities & Skills) and the promotion of entrepreneurship (Department for Business, Enterprise & Regulatory Reform) around the needs of the individual or firm. Respondents took the view that the performance frameworks of each of these departments prevent them from considering individuals' needs as a whole. For example, DWP is not concerned about training provision for people once they are in work, meaning that individuals moving in and out of the job market do not receive the services they needed in a coherent way. Agencies operating at regional or sub-regional level can also consider other relevant factors such as the availability of public transport for individuals seeking to access the job market. However, respondents at local and regional level strongly felt that their reliance on funding from central government sources and the fact that they were primarily viewed as delivery agents rather than policy makers in their own right limited their effectiveness in delivering the full potential for variation in these areas. For example, in skills provision, DIUS targets are based around increasing the numbers of people who have level two qualifications. Several regions, city-regions and local authorities would prefer to dedicate a greater proportion of DIUS funding in their areas to the development of higher-level skills, but are not able to. It was commented that national budgets are designed to ration public expenditure in particular policy areas overall, and may not allow sub-national bodies to achieve the right balance for their particular localities.

Other advantages cited for regional or sub-regional provision included a better knowledge of the needs and motivations of citizens (again, the needs of the long-term unemployed for tailored packages were stressed). Because of this knowledge, sub-national bodies believed they were more adept at developing initiatives which relied on persuasion (initiatives on cycling, walking and public transport were cited by a respondent at local level). In some cases, efficiencies could be achieved by combining schemes operated nationally and sub-

nationally (an RDA respondent claimed that sideways integration of initiatives on innovation at regional level, including schemes which were formerly delivered nationally, had resulted in a better service delivered by fewer people). Services could be provided on a geographical scale which client groups recognised and could relate to (although there was strong disagreement over what scale this was in practice – see discussion below on business support). Finally, an increased emphasis on delivery at sub-national level facilitated responsiveness to particular crises – eg local authorities could support the response of Jobcentre Plus to major industrial closures.

It was strongly felt at local and city-regional level that the degree of personalisation required to deliver a policy effectively should be seen as the key driver of devolution – the greater the level of personalisation, the more the policy should be devolved.

However, respondents at all sub-national levels felt that the current devolution settlement had not achieved its full potential in practice. In particular, central government had not clearly articulated its view of the spatial hierarchy, and had kept regional, city-regional and local levels in play, without making clear the lead contribution which each was expected to make. SNR (2007) and its successor documents (BERR & CLG 2008a&b, CLG 2009) were universally considered to be disappointing in this respect.

By those at regional level, city-regional organisations were considered to be too inward-looking, failing to consider a broader economic context beyond the area they covered. They were reluctant to consider links with places which formed part of the city-regional economy, but were not participants in the governance structures they had established. This was exemplified by the stress they placed on transport systems within the areas covered by the participating city-region authorities, rather than links between city-regions or with smaller places in the region. They were also viewed as being unwilling or unable to deliver their constituent authorities when difficult decisions had to be made (eg on the Manchester congestion charge) or efficiencies achieved (eg on the rationalisation and simplification of business support). At its worst, the entire city-regional agenda was considered to be an attempt to wrest money and control from central and regional bodies, in order to pursue the political aims of politicians at city and local level, whether or not this was in the best interests of the majority of people in the region or of the nation as a whole.

City-regional respondents considered the regional tier to be too remote and to be based around an artificial construct – the region – with which citizens did not identify. Nor did the region coincide with any real economic geography. This made it less effective in delivering services to users (business support was particularly cited in this regard – see below) and in tailoring these to individual needs. The Regional Development Agency was seen to be a creature of central government, without the willingness or legitimacy to deliver more than central government asked it to, whether this was in the best interests of economic growth or not.

City-regions also had problems with the local level, where the legitimacy of city-regional bodies to make difficult decisions was frequently cast into doubt. These problems occurred in planning, transport and business support, and are discussed more fully below. City-regional respondents felt that national and local government were willing the ends for city-regional structures – an increased focus on the delivery of economic growth built around a more rational spatial level than either the regional or local – but not the means. In central

government's case, this meant delivering a clear recognition of the primacy of the city-regional level in economic development and a meaningful devolution of resources and policy levers to that level. Local government needed to recognise and buy into the economic strategy for the city-region, including decisions which were not perceived as delivering an unambiguous local "win". The city-region's own structure needed to be robust enough to deliver this, in terms of legitimacy and clarity and transparency of decision-making. However, it shouldn't simply been seen as another layer of government – it should have a clear role, responsibility, powers and budget. Mayors were not felt to be necessary to achieve this. Ontario and Munich were quoted as city-regions which operated successfully without a strong mayoral structure.

At local level, there was a concern about the extent to which local authorities could, off their own bat, legitimately "devolve up" powers and responsibilities to a higher level such as a city-region, particularly where political factors came into play. Many decisions appeared to have strong local impacts but delivered only generalised benefits, and even where officers supported the agenda, it was difficult to motivate local politicians and citizens to have regard to wider benefits in these circumstances. Once again, the fact that central government appeared to be simultaneously emphasising the importance of the local (including spatial units smaller than the local authority), sub- and city-regional and regional levels did not help to achieve buy-in to any of these agendas. This is compounded by the fact that central government is not perceived to have delivered meaningful devolution of policy or resources to any of these levels (as strongly set out in LGA 2007 and 2008a).

Thus, while there appears to be scope for policy variation at city-region level, the reluctance of central government to devolve finance and responsibilities; the rigidity of national policy frameworks; and tensions between national, regional, city-regional and local levels mean that this has not been significantly realised in practice.

Planning

As stated above, the current regime for planning decisions operates at national, regional and local levels, but contains no established role for city-regions. The scope for policy variation at local level – primarily through the local development framework – is to an extent constrained by national planning guidance and the Regional Spatial Strategy (although local government has an input into the latter). At all levels, including the local, there is significant concern about the lack of incentives for local authorities and their citizens to consider wider economic factors when taking individual planning decisions. One respondent at local level believed that this had led to applications to site wind turbines becoming the category with the largest proportion of rejected planning applications in England. At local level, respondents thought that taking decisions on major infrastructure up to national level was undemocratic and undermined the engagement of citizens in the local political process. They advocated more flexible arrangements allowing greater retention of benefits in areas bearing environmental costs (for example, special energy tariffs in areas which permitted wind turbines to be installed). In their view, only in these circumstances could local authorities make balanced judgements.

At city-region level, there was major concern that city-region's lack of influence over local planning decisions could put the achievement of economic growth in jeopardy. One respondent commented that while the city-region's economic development work-stream had

made significant progress, that on strategic planning had made almost none at all. The city-regions had as much of a concern about wasteful duplication (all the districts in a city-region designating media business parks, for example, potentially undermining conglomeration) and zero-sum competition for investment, as they had about development being prevented entirely. They also had concerns that while transport strategy is increasingly being focused on the city-regional level, the associated planning levers were not. Although CLG is conscious of the need to encourage planning bodies to collaborate at sub-regional level (as set out, for example in CLG 2008b), there is general acceptance that such collaboration is patchy in the absence of more than marginal incentives for it to take place. Comments were made about the influence the Mayor's London Plan has over the boroughs' planning decisions, and it was believed that the lack of a similar power in other city-regions was evidence of Government's lack of commitment to them.

Lack of a formal role in the planning system means that city-regions are unable to introduce policy variation or meaningful prioritisation without the active consent of their constituent local authorities and need to operate within the context of the regional spatial strategy.

Transport

Unlike planning, bodies at city-region level exist for transport and continue to be developed through the Integrated Transport Authorities and their relationships with the new Economic Prosperity Boards. In theory, this should allow city-regions to tailor the development of their transport networks on a spatial scale which matches their economic footprint, and there is some optimism at the city-regional and local level about this opportunity. However, three potential threats have been identified: the extent to which city-regions have the financial independence to make the investments necessary to develop an appropriate transport infrastructure; the extent to which city-regions will take into account linkages which fall outside their administrative footprint; and the credibility city-regional bodies have in prioritising investment and making difficult decisions.

On investment, one of the city-regional respondents pointed to the example of Lyon, which had decided to build a tram network in 1996, had opened service on the first line at the beginning of 2001 and currently had three lines in operation (all of which had exceeded passenger estimates) and was working on a fourth. This was contrasted with the failed attempts to develop tram systems in Liverpool, Leeds and Southampton. Lyon had been able to fund the majority of development of the system itself, partly through a tax on local employers called the *Versement Transport*, which had made the process quick and simple. This was contrasted with the supplementary business rate introduced in England, which was felt to be bureaucratic and lacking in flexibility.

Similarly, other authorities (for example, in Amsterdam, but also in London) had taken the lead in integrating services and ticketing arrangements. In England, highway and public transport schemes costing more than £5m need Treasury approval, and many schemes rely on national funding from the Department for Transport, which can either be refused or can be made dependent on unpopular measures like a congestion charge. Preston, Marshall & Tochtermann (2008) provides a useful summary of these issues. While city-regional respondents were sensitive to suggestions that trams, for example, could be regarded as prestige projects, not suitable in all circumstances, they nevertheless believed that greater

control over funding mechanisms was necessary if appropriate and attractive transport provision were to be provided at city-region level.

Regional respondents, and to a lesser extent those at local level, were concerned that even in their expanded form, administrative city-regions still did not cover all of their functional economic areas, and city-regional bodies were slow to see the value of intra- and inter-regional links as well as links within the city-region itself. They felt there was a continued need for the Regional Funding Allocation process, which was a way of prioritising investment within a wider context. Without such a process, particularly where sub-national investment was still heavily reliant on national funding, city-regions would naturally fall into zero-sum contests for a larger share of investment than their competitors, and would focus primarily on their own internal projects.

Respondents at all levels commented that city-regional structures currently lack the legitimacy and robustness to take difficult decisions, citing the failure of the congestion charge referendum in Manchester. Particularly at city-region level, it was felt that if radical policies were to be delivered, central government needed to give a clearer signal that city-regions had a legitimate place in the sub-national structure (if necessary, defining or supporting particular governance arrangements), and that if these governance criteria were met, the city-region had the right to lead on policy initiatives of this kind.

Although the role of city-regions has been recognised in transport policy, and bodies introduced at that spatial scale, practical scope for policy variation has been limited by a lack of control over finance. There are also problems of legitimacy and robustness at the city-region level where controversial decisions are contemplated.

Business Support

The delivery of business support has not been “devolved” in any conventional sense, and respondents commented that little attempt had been made to assess what worked and in which circumstances before undertaking a simplification process. That said, several respondents admitted that many schemes had grown up with little or no rationale beyond the need to be seen to be taking action, and many did not make sense in spatial terms (for example, training initiatives which assumed that all the employees in a particular location also lived in that location, and would find it most convenient to access training there). All respondents agreed that many of the Government’s claimed 3,000 schemes were likely to represent inefficiency and duplication rather than successful policy variation.

However, while there was general support for a degree of simplification and rationalisation, there was little consensus about the way in which this should take place. The regional respondents believed that a strategic focus at regional level allowed for economies of scope and scale to be realised, and coherent branding to be achieved through Business Link, while allowing more locally-based activity (for example aimed specifically at deprived communities) to continue in collaboration with local authorities. This is also the line taken in CLG 2008a (pp 51-3) To respondents at regional level, those who advocated devolution of delivery to lower levels either wanted “a scheme with their name on”, irrespective of the perceived need for simplification, or access to RDA money or both.

City-region and local respondents placed emphasis on flexibility and responsiveness to users’ real needs. Local provision was felt to be vital (local businesses wanted easy access

to face-to-face advice, not “a call-centre in another town or advertisements on buses”). City-regions saw a role for themselves in preventing duplication and proliferation, similar to that advocated by the regions but with better links to the local level at which delivery takes place. However, the city-regional respondents were once again concerned that without a more formal place in the hierarchy (both in terms of control of money and of perceived legitimacy), they could find it difficult to make simplification of business support stick.

Local respondents recognised the problems of business support proliferation, but emphasised that the problems of user confusion had been over-emphasised (for example, a scheme directed at BME businesses in Bradford counted towards the 3,000 business support products the Government had identified, but was unlikely to cause confusion to a business located in Southampton), and stressed their ability to target and tailor their business support activities. They also emphasised that many local schemes had existed for a long time, and were more widely recognised and favourably regarded by users than the offerings of Business Link. However, they acknowledged that a few business support schemes were put in place primarily to respond to local economic crises, and were more about showing that the local authority was doing something than about a well thought-through programme of assistance. One respondent added, though, that regional and national bodies were not immune to the temptation to do this as well.

Thus, while there is clear potential for policy variation at all levels on business support, the extent to which this is realised is unclear, and there appear to be no real attempts to assess what benefits variation does or could bring. However, the Business Support Simplification Programme (see p.18) appears to be aimed at reducing policy variation in order to achieve clearer branding and user intelligibility.

Conclusion

This desire for clarity, which seems to be shared at all levels (although with no consensus about what should happen where), and which drives the SNR and the legal structure being put in place to realise it, appears to be a continuation of a trend in Britain identified in Ashford (1982). This contrasted a formalised British system of national and local government, based on national policies with local delivery, with a French system based on “institutional and organisational tension, not only among the various levels of government, but also within the administrative system” (p 364). In Ashford’s view, such a “supple, adaptable relationship between local and national government” (p 363), based on the accumulation of powers and responsibilities in a pragmatic, opportunist way at local level, represents a better response to policy problems which are complex and frequently changing.

Nevertheless, one of the main drivers behind the discussions on city-regional governance examined in the first part of this paper appears to be the establishment of some kind of objective case for concentrating powers and responsibilities at city-regional level, based on economic performance rather than political advantage. The fact that a case for particular powers and responsibilities to be located at that level cannot be strongly made on the basis of current comparative evidence means that ambiguity and uncertainty is likely to continue.

In these circumstances, three options appear to present themselves. First, to accept Ashford’s view that clarity is not, in fact, either desirable or necessary in a complex world, and to seek to find a pragmatic place for city-regions within this; second, to seek to justify

devolution for other reasons, such as democratic accountability; and third, to attempt to make a more sophisticated case for devolution to city-regions in terms of the advantages presented by the literature on fiscal federalism.

Ashford points out (Chapter 3) that the British and French systems have evolved differently for historical reasons – the greater influence of the Communes and other sub-national bodies in France primarily results from the fact that democracy at national level was on far more shaky ground than in Britain. Therefore, as with much else, the French model cannot simply be transplanted to England (and no doubt would have undesirable as well as desirable effects if any such attempt were made). However, as discussed above, the majority of studies of evolving forms of city-regional governance throughout Europe have stressed the importance of networking, trust, and other soft relationship factors in developing a successful city-regional governance structure. In this scenario, promoters of city-regions would need to stop looking for a simple structural solution to the problem of city-region governance, and to emphasise that the city-region offers a potentially useful approach to the problem of managing policy formulation and delivery in an increasingly complex world. Emphasis could be placed on the increased importance of personalisation, and the greater knowledge deliverers at local level have of individual wants and needs. It would involve continuous negotiation of powers and responsibilities, based around pragmatic assessments of which policies could be better delivered at city-region or local level – a process rather than a structure. From the point of view of the more ambitious city-regions, a limitation of this approach would be that it emphasises delivery more than policy variety, and may not, therefore, satisfy them.

The second option carries the risk of creating a political impasse. As one of my respondents pointed out, because of the counter-cyclical nature of local elections, and the consequent chance that by a Government's mid-term it has lost control of many local authorities, the opportunity for meaningful devolution only tends to occur immediately following a change of government at a general election. It is not clear that any level of government is intrinsically more democratically legitimate than any other, and as discussed above, local government has some difficulty with the idea of pooling the limited sovereignty it has (for example on planning policy) into higher bodies such as city-regions. It is presumably for this reason that the proposal for city mayors in Conservative Party (2009), justified primarily on the basis of democratic accountability, covers only currently-existing large authorities rather than aggregations. However, this agenda cannot be ignored entirely. As discussed above, a major weakness of the regional tier is its perceived lack of democratic accountability, particularly following the failure of the Regional Assembly referendum in the North East. By contrast, decisions at local level (for example on planning applications) have strongly-perceived accountability but there are few incentives for putting them in a wider economic context. City-regions will need to develop strong arguments to demonstrate how they can combine economic competence and democratic accountability if they are to achieve acceptance as an integral part of the sub-national structure.

An argument for city-regions based on the benefits claimed in the literature on fiscal federalism would appear to avoid the difficulties of drawing meaningful international comparisons discussed earlier in this paper. City-regions should develop a more concrete, clearly-argued case based on the areas in which the content of policies and/or the ways in which they are delivered could be varied at city-regional level, the economic benefits expected to result from this, and the constraints preventing variation under current

circumstances, This is likely to have greater impact on policy discussions than attempts to link specific systems of city-region governance to the economic performance of an area as a whole or asserting the superiority of practice outside the UK.

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