City-Region Governance, Policy Variation and Economic Performance

Seminar: Spatial Economics Research Centre
20 February 2009
Paul Steeples: BERR & ESRC Placement Fellow, SERC
Structure

• Research Questions
• Definition of a City-Region and Policy Background
• Review of the Evidence on Governance and Conclusion
• The Case for Devolution
• Devolution in Planning, Transport and Business Support – progress and prospects
• Conclusion
Research Questions

• Can a link between the economic performance of city-regions and their governance arrangements be justified by evidence?

• Has devolution in three policy areas – planning, transport and business support – delivered benefits, and could greater efficiency result from different devolution arrangements?
What is a City-Region?

• Threefold typology in Devolved Decision-Making 3:
  • Municipal Cities (eg Manchester City Council)
  • Metropolitan Cities (eg Association of Greater Manchester Authorities – 9 local authorities)
  • City-Regions (eg functional economic footprint of Manchester – not necessarily linked to LA boundaries)
Manchester – An Under-bounded Authority

• Manchester City Council is no. 1
• Map shows AGMA area
Other City-Region Definitions

- Primary Urban Areas – 56 “cities” in England with a population of >125,000 (State of the Cities report)
- Travel to Work Areas – 243 in UK defined by ONS from 2001 Census: minimum working population 3,500, maximum >4.25m
- NUTS 2 areas – administrative
- Functional Urban Regions: >1m population
Policy Background

• There is general agreement that cities and city-regions are important for growth
• There is widespread support for decentralisation, both on political and efficiency grounds
• There is an assumption in the policy community that city-region governance plays an important part in economic growth
The Government’s Response (1)

• Explicit acknowledgement that cities are drivers of growth and some recognition that more devolution of power and resources is desirable (eg DDMR3; Sub-National Review)

• Development of city-region level delivery bodies (MAAs; MAAs with statutory duties; Economic Prosperity Boards)
The Government’s Response (2)

• Still an interest in elected Mayors from some ministers and the Conservative Party
• BUT, not all departments convinced that delegation will deliver for their policy objectives
The Advocates’ Case

• City-regions are key to the economic performance of nations and regions
• There is evidence that governance arrangements found elsewhere (eg Mayors, tax-raising powers) make city-regions perform better
• England ought to adopt similar governance arrangements
The Advocates

- Michael Parkinson and the team behind the State of the Cities report
- OECD
- Centre for Cities
- New Local Government Network
- Work Foundation
- Core Cities Group
- Local Government Association
- Some Treasury and CLG ministers
Reasons for Scepticism

• Governance is the “New Conventional Wisdom”. There isn’t a single answer. Governance is a process, not a set of arrangements.

• No-one else in Europe or elsewhere has really established city-regional governance – the process is complex and slow, and remains a work in progress.
Evidence (1) – Comparative Economic Performance

• European cities perform better on a series of indicators (eg, have a higher GDP per head than UK cities) – Parkinson et al 2004 – and this is due to their “combination of powers and resources”.
Problems (1)

• Comparability of area: “Choose your area and you can prove almost anything with the existing statistics” (Bridget Rosewell)

• Comparability of circumstances: European cities themselves operate in a range of different contexts, with different histories and governance arrangements
Problems (2)

• Appropriateness: For example, does GDP per head simply reflect historical performance and inherited positions?

• Subjectivity: Reliance on a series of “city indexes” which produce different rankings according to the criteria used (>19 indexes available on a quick count)
Evidence (2) – Good Governance

• Evidence shows a link between “good governance” or leadership and economic performance (eg Kaufmann & Kraay 2003)

• But the concept can be wide (“control of corruption, the protection of property rights and rule of law, and voice and accountability”)

• Many studies not city-region specific

• Many studies about the quality of leadership given a particular set of governance arrangements, rather than the arrangements themselves (eg US Government Performance Project)
Evidence (3) – The Scale of Governance

• Cheshire & Magrini (2005) – extremely influential in the policy community

• Demonstrates a link between the “degree of co-incidence of governmental boundaries with those of functionally defined city-regions and the growth performance of the city-region”
Issues

• Only about scale at which bodies with “significant administrative and decision-making powers” operate

• Does not specify a set of powers or arrangements which should operate at that level

• Focuses on Functional Urban Regions
Conclusions (1)

• There does not appear to be robust evidence to support the case that specific city-region governance arrangements (eg Mayors, tax-raising powers) and economic performance are linked

• Cheshire and Magrini demonstrate that the scale of governance and economic performance may be linked, but do not provide evidence to go further than that
Research Question 2

• Has devolution in three policy areas – planning, transport and business support – delivered benefits, and could greater efficiency result from different devolution arrangements?
Arguments for devolution from Fiscal Federalism (Tiebout, Oates)

– Closer fit between the level at which policy is made and the area over which it operates (eg policy on employment and transport in a functional economic area)
– Can meet varying wants and needs
– Can result in greater innovation and experimentation
– Means that expenditure decisions are tied more closely to real resource costs
– Can encourage benchmarking and competition between places, driving the efficient provision of public services
Possible Points Against

• Loss of economies of scale
• Lack of capacity at city-region level means that efficiencies are not realised
• Zero-sum or wasteful competition between places
• Increased disparities between places
• Other factors are more important than governance
Policy Context

• Asymmetrical devolution – different things devolved to different places for different reasons (Scotland, Wales, NI, London, regions, local authorities)

• Key justifications in England: flexibility, accountability and comprehensibility to users

• No real references to fiscal federalism in policy documents until recently (CLG 2008)
Planning – Current Arrangements

• National, regional and local system – no current role for sub-regions
• Largely driven by local authorities with regional over-ride
• Single regional strategy will replace separate regional economic and spatial strategies
• Little incentive for local authorities to work together or to consider broader benefits of planning decisions
Transport – Current Arrangements

• Inter-urban transport nationally-driven but city-regional structures taking an increasing role for intra-urban transport

• Deliberate attempt to align city-region structures for transport (integrated transport authorities) and economic development (economic prosperity boards)

• Linkage between availability of funding and decisions on congestion charging
Business Support – Current Arrangements

• No formal devolution of powers – local, sub-regional, regional and national bodies all able to provide business support services if they choose

• Business Support Simplification Programme – central government attempt to rationalise public sector provision

• Decision to simplify around delivery of a standardised package of products through Business Links
Evidence: Advantages of Devolution (1)

• Potential ability to integrate service provision more effectively, without central government silos (eg integration of policies on worklessness, training, business support and transport around individual circumstances). In practice this has been limited at LA and sub-regional level by inflexibility of budgets and reliance on external funding.
Evidence: Advantages of Devolution (2)

• Better knowledge of local citizens and communities, particularly pockets of deprivation. This also allows better targeting of initiatives relying on persuasion, eg on green transport
• Operating at a geographical level clients relate to
• Ability to support over-loaded national provision where necessary (eg post credit crunch)
Evidence:
Disadvantages of Devolution (1)

• Clashes between levels
  – Region seen as too remote and not committed to city-regional success; city-region seen as too insular and not reflecting true economic geography
  – Individual local authorities not committed to regional or sub-regional strategies, and engaging in zero-sum or NIMBY behaviour (particularly on planning)
Evidence: Disadvantages of Devolution (2)

- No public support for or recognition of regional or sub-regional tiers and their strategies
- Need for local politicians to be responsive to their own electorates first
- Many central government departments have not actually delivered meaningful devolution
Future Issues – Planning

• The Government seems to want city-regions to lead on the delivery of economic prosperity, but with no real influence over the planning decisions which might bring this about

• There are no incentives for individual local authorities to take decisions where the benefits appear general but the disbenefits local (e.g. wind farms)

• Me-too planning – everyone wants a creative industries business park
Future Issues – Transport

• Seen as the area in which the government is most likely to deliver effective devolution
• An emphasis on city-regions may lead to projects which connect them to the rest of their region being neglected
• City-regions currently lack the robust governance structures and the authority which will enable them to make tough decisions (eg the Manchester congestion charge)
Future Issues – Business Support

• No consensus about effectiveness of simplification programme
• Increased emphasis on standardised products and regional delivery seen as a potential turn-off for business
• Previous arrangements were incoherent – rationalisation can’t be delivered because of local political pressure to respond to crises
General Points (1)

• The piecemeal way in which devolution has been delivered, and the variety of justifications given for it, means that there has been no systematic attempt to judge its effectiveness.

• All levels believe that there is no coherence about what has been devolved to which level and why.

• Although city-regions appear to be supported by Government, they believe that key resources (e.g., RDA budgets) and powers (e.g., on planning) have not been made available to them.
General Points (2)

• City-regions currently lack robust, effective and credible governance structures. Government should be more specific about the structures they want and the powers they will give in return.

• It is not clear whether delegation includes the possibility of disregarding national policy (e.g. on support for higher-level skills). If not, it isn’t worthwhile.
Conclusions (1)

• Delegation of powers and responsibilities by central government to lower spatial levels reflects a wide variety of historical and political forces. Areas which have been devolved are not felt to form a coherent package.

• Although recent government documents have advocated devolution to city-regions, this is not strongly supported by evidence.

• Despite the emphasis on city-regions in government policy-making, many of the levers the city-regions believe they need are in other hands.
Conclusions (2)

• Unless city-regions can agree appropriate governance arrangements (mutually and with Government), they will not be able to fulfil the role envisaged for them. Robust governance arrangements are a necessary but not sufficient condition for success.