

DIRECTIONS in Urban Development

CITY-REGIONS: EMERGING LESSONS FROM ENGLAND

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Welcome to *DIRECTIONS in Urban Development*

The World Bank's Urban Development Unit is pleased to launch a new Issues Note Series under the title *DIRECTIONS in Urban Development*. This issue focuses on City Regions and is intended, like all future issues, to provide a forum to share and exchange new ideas, innovations, good practice and lessons learned in the field of urban development.

DIRECTIONS will provide an opportunity to address in a timely and focused manner emerging trends and topics of relevance to cities, towns, national governments and development agencies as they face the challenges of urbanization. This series will draw attention to new research and policy issues with references and resources for researchers, policy analysts, and practitioners alike who will wish to further explore these topics. As is the case in this issue, we anticipate that many of the ideas, research, and documented experiences presented will be by guest contributors from cities and towns across the developing world as well as think-tanks, development agencies, practitioners, and others who share our passion of fighting poverty and understand the importance of a global exchange of ideas and good practices.

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Summary

- *The emergence of city-regions in England offers some useful lessons for World Bank partners in developing countries. The City-Region approach, as applied in England touches upon issues of decentralization, intergovernmental fiscal relations, governance, and the need to realign outdated administrative arrangements with a metropolitan area's economic footprint, among other highly relevant topics for rapidly urbanizing cities in developing countries.*
- *As a concept, City-regions are designed to promote cross-boundary collaboration across large urban areas. They aim to facilitate horizontal and vertical co-ordination between multiple jurisdictions. They advance the concept of an appropriate spatial scale for economic development functions such as transport, housing and training. They capture urban hinterlands, as well as core cities.*
- *This note explains 1) the emergence of city-regions in England, 2) the current policy framework in England, 3) a case study of Greater Manchester, 4) City-Region Contracts as a policy tool to codify intergovernmental institutional arrangements, and 5) transferable lessons.*

Introduction

In 2008, the world's urban population topped 50% for the first time¹. City economies have spilled over traditional boundaries in both the developed and the developing world, leaving local leaders to face the challenge of co-ordinating policy across multiple territorial jurisdictions.

City-regions drive regional and national economies. In England, 58 percent of people live in recognised cities and 63 percent of people work in them. But the



functional economies of cities stretch far beyond their political boundaries. Nearly 75 percent of England's population lives in city-regions, and nearly 80 percent of jobs are located in them.²

Fragmented, multiple governance structures across large urban areas in England have led to policy co-ordination problems. National, regional, sub-regional and local levels of government have led to a confusing array of policy interventions. And collaboration between local authorities, across real economic areas, has been limited. This has undermined effective decision-making and economic development.

City-regional arrangements have recently emerged in England, in response to these difficulties. They aim to deliver services such as transport and training, across groups of municipalities within a single, economically integrated urban area.

This note examines the development of city-regional governance in England. It outlines the rationale and policy framework underpinning city-regions in England. It focuses on the case of Greater Manchester, which has recently created new cross-boundary governance arrangements. And it draws out some lessons for the World Bank's partners in developing countries—proposing the use of City-Region Contracts to improve cross-boundary urban governance, strategy and service delivery.

Emergence of City-Regions in England

The city-regional approach in England has emerged in response to excessive centralisation, under-bounded central cities, poor horizontal co-ordination around economic development, and the changing geography of England's urban economies. City-regions aim to match up the delivery of economic development with the functional economic area in and around a city. The bottom-up accountability of city-regional structures is derived from the elected leaders of their component local authorities.

But city-regions are difficult and complex. They challenge the local identities of residents and politicians, requiring them to embrace a wider economic area and brand. City-regions do not sit easily with existing regional governance arrangements, for example Regional Development Agencies. And the boundaries of city-regions are often unclear, or “fuzzy”.

Centralisation

England has historically been a centralised country—with power concentrated in ministries in London. In an effort to move some economic development powers away from the centre, the Labour government created nine Regional Development Agencies (RDAs) in 1999. Although RDAs have helped to introduce a stronger spatial and geographic element to economic development, they are not sufficiently accountable and do not match up with ‘real’ urban economies.³

English local authorities have relatively extensive statutory powers, but these are circumscribed by central government directives, targets, and limited control over funding. Most urban authorities get approximately 80% of their funding—with conditions—from the centre. Despite rhetorical commitments to devolution and recent moves to increase local financial flexibility at the margins, cities' ability to initiate and sustain large-scale infrastructure and economic development projects remains limited.

The city-region concept has emerged, in part, in response to the shortcomings of the Government's regional development and devolution efforts. City-regions are seen as a way of improving the economic performance of the eight Northern cities⁴. They featured prominently in the government-commissioned State of the English Cities Report (2006), which secured cross-departmental recognition of cities as the “motors” of the national economy.

Under-bounded cities

Whereas the English regions are seen as too large to tackle the issues facing individual urban economies, existing city authorities are too small. England's cities are in effect ‘under-bounded’. For example, the City of Manchester has 450,000 residents, out of a metropolitan population of over 2.5 million. Newcastle-upon-Tyne has only 260,000 residents, out of a metropolitan population of 800,000.

The administrative boundaries of England's cities fail to capture the ‘geography of everyday life’⁵—that is, the scale at which people live and work, and the scale at which business supply chains and labour markets operate. City-regions help fit policies to an urban area's real ‘economic footprint’⁶, and overcome co-ordination difficulties. But they are seen by many as an extra tier of governance, between the local and regional layers.

Poor horizontal co-ordination

English local authorities have traditionally been poor at co-ordinating policies and activity across council boundaries. Until recently, local politicians and officials stood to gain more by delivering services *within* their borders, rather than by co-ordinating housing, transport, training and regeneration across a wider urban area. Institutional incentives have tended to work against cross-boundary policy management and delivery. Until recently, for example, the Audit Commission has measured and managed local authorities' performance in isolation.

Changing economic geography

The city-region concept has gained traction because a number of the underlying factors that shape the urban economy have changed⁷. The ongoing effects of globalisation, increases in long-distance commuting, and

expansion of the service and knowledge based economy have widened the scale at which urban economies function.⁸ Local authorities can no longer tackle housing, transport and training issues within their own boundaries. Instead, they need to collaborate much more with their neighbouring authorities.

Global economic change has increased the importance of city-regions. They are the 'hotspots' of growth within the English regions⁹. The best-performing European cities are those where local government boundaries more closely match the geography of the local economy¹⁰.

City-Regional Policy Framework

The development of a clear 'city-regions policy' in England has not been straightforward:

- First, city-regions are inherently difficult to define. Since the rationale underpinning city-regions is based on economic geography, which can shift, their boundaries are 'fuzzy'¹¹.
- Second, there is little appetite in England for large-scale reorganisation of local government boundaries, so city-regions consist of groups of existing local authorities.
- Third, many politicians find the city-region concept difficult as it would result in selective devolution to certain areas—a very difficult step in a centralised country.

Despite these difficulties, the economic logic underpinning city-regions has led the UK government to support their development—albeit in an incremental fashion. The Local Government White Paper (October 2006) acknowledged the importance of city-regions to improving national economic performance and prosperity¹². The HM Treasury-led Sub-National Review of Economic Development and Regeneration (SNR, July 2007) subsequently set out a more substantive policy framework¹³.

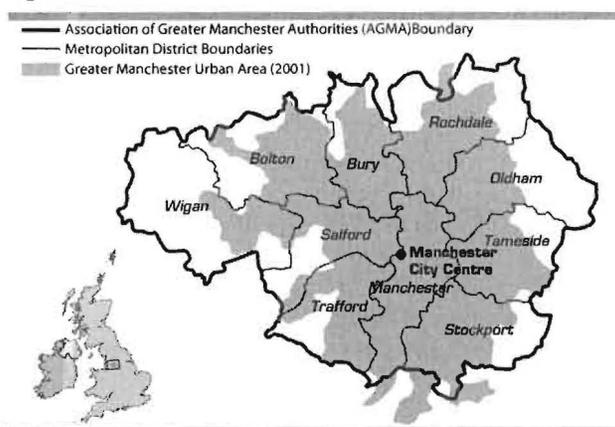
The SNR explicitly endorsed a differential approach: *"The need for co-ordination is greatest in cities, as they have larger functional economic areas than other places. Better decision-making for policies such as transport, planning and regeneration at the city-region level would be likely to support economic growth. City-regions could also play a stronger role in tackling employment and skills barriers, and in promoting enterprise."*

The SNR provided for the creation of Multi-Area Agreements (MAAs). MAAs are bottom-up, voluntary partnerships between local authorities focused on economic development. They allow local authorities to pool targets and funding to pursue city-regional housing, skills, transport, and regeneration priorities¹⁴. The Agreements are made between groups of authorities and central government. Central government has attempted to incentivise MAAs by offering limited devolution of powers and financial freedoms to city-regions that set out convincing cross-boundary governance arrangements, clear economic development strategies, and evidence of prioritised investment plans.

In May 2008, the first round of seven MAAs was agreed: Tees Valley (Middlesbrough), Greater Manchester, South Yorkshire (Sheffield), Leeds, South Hampshire (Portsmouth/Southampton), Bournemouth-Dorset, and Tyne and Wear (Newcastle). Each MAA has a different focus, and a different degree of cross-boundary cooperation. The South Yorkshire MAA, for example, is focused exclusively on city-regional housing policy, while the Leeds City Region MAA prioritises transport and training. Greater Manchester signed the most ambitious MAA, reflecting the councils' twenty-year history of informal cross-boundary cooperation.

As well as coordinating resources to improve the economic performance of a city-region, MAAs are intended to consolidate local-central relationships, and thereby reduce central administration costs. The Government is currently considering whether MAAs should become statutory instruments, which would make them directly able to hold both powers and financial resources.

Figure 1: Greater Manchester



Case Study: Greater Manchester

The City-Region

Located in England's industrial North, the city of Manchester has become well-known for its economic resurgence over the past decade. While still affected by serious deprivation and economic restructuring, the Greater Manchester area has managed to halt its population decline, and has higher average earnings than most other major English cities¹⁵.

Manchester was one of the main centres of trade during the Industrial Revolution, home to a thriving textiles economy—particularly cotton. The decline of textiles, and then heavy industry in the 1970s, dam-

aged the city's economic profile. However, since the late 1980s Manchester city centre has been substantially regenerated—thanks to significant public and private investment, as well as strong council leadership.

The ten local authorities of Greater Manchester have worked closely together since the late 1980s. The Association of Greater Manchester Authorities (AGMA) brings together Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan—and has progressively set the economic development agenda for the whole conurbation. It has successfully lobbied for the development and expansion of the Metrolink tram system, and spurred growth at Manchester Airport—which is owned collectively by the ten councils.

The Greater Manchester MAA covers the ten AGMA authorities¹⁶. This area has a population of 2.6 million people and represents around 40 percent of the North West, and 5 percent of the English, economy.

The governance arrangements for the city-region have been refreshed and strengthened as part of the MAA process—though they do not go as far as the City-Region Contract approach described below.

- The existing association of local authorities has been transformed into a city-regional Executive Board, comprised of the ten local leaders. Policy decisions are subject to a legally binding vote, with seven of the ten leaders needed to back changes for them to be approved. The Board will draw up and deliver a Greater Manchester Strategic Plan, setting out the objectives of the city-region¹⁷. It is a voluntary relationship and as such legally all activities undertaken by the city-region are effectively carried out by one of the authorities on behalf of the other nine.
- Three other elected councillors from each of the ten authorities sit on a Council, which meets quarterly to scrutinise the Executive Board's decisions.
- Seven Commissions develop and deliver individual policies. These are: economic development, skills & worklessness, transport, strategic planning & housing, health, safer communities, environment, and improvement & efficiency. Commissions include elected politicians, RDA representatives and the private sector. The Economic Development Commission oversees Manchester's economic development agency, Manchester Enterprises.
- The Executive Board is also advised by a Business Leadership Council, made up of 15 private sector representatives—including the Greater Manchester Chamber of Commerce.

The development of a single strategic vision for the city-region aims to articulate and co-ordinate city-regional priorities across all ten authorities. This should reduce the transaction costs of other bodies that work with Greater Manchester, as they will only have to understand one set of priorities rather than

deal with ten competing visions. Greater Manchester has agreed ten key indicators for assessing performance, including Gross Value Added, the employment rate and the proportion of adults with a university level qualification¹⁸.

Difficulties to date

While Greater Manchester's new governance arrangements remain substantially ahead of other major English city-regions, they are not without their difficulties.

First, they are *complex*. This has made it difficult for the public to understand, and engage with, the emerging city-regional governance system.

Second, *political disagreements* between local authorities within the city-region can result in sub-optimal outcomes. Since all authorities remain 'sovereign', most decisions have to go before each council for approval—sometimes preventing the adoption of the most economically-beneficial policy solution.

The ongoing debate over the city-region's plans for congestion charging is a good example. The plan, which would unlock a £2.8bn public transport investment package¹⁹, is opposed by Conservative-controlled Bury and Trafford councils, and Liberal Democrat-controlled Stockport council. The seven Labour-run authorities could have pushed ahead with the charge, but have decided to put the plan to a city-regional referendum in December 2008. The referendum will be the first major test of the new city-regional arrangements. The final outcome is very much in the balance.

Another example is the development of Media City:UK. Instead of backing a single city-regional site for 1,600 broadcasting jobs relocating from London, both Manchester and Salford submitted their own bids.

These early difficulties suggest that there is still more to be done to cement city-regional governance in Greater Manchester. While the new structures are improving co-operation across the city-region, there is some evidence that the Executive Board may find it difficult to take tough strategic decisions. If the congestion charging referendum fails in December, there may be calls for a stronger city-regional governance model—such as an elected city-regional mayor.

Potential benefits

Manchester's emerging city-regional governance model offers some potential economic benefits. For example, the single strategy for the city-region will help to prioritise limited investment resources—and ensure that housing, transport, and training initiatives are targeted at the right parts of the urban area.

Collaboration may also help to improve the effectiveness of Greater Manchester's labour market. For example, the MAA includes policy measures to train up workers in the more deprived northern half of the

conurbation—and connect them to jobs in the more prosperous southern half. Cross-boundary working has also led to further Government support for the expansion of the Metrolink tram system. Although the trams only run in four of the ten city-regional authorities, all have backed the project in recent years. Together with greater investment in buses, Manchester's new governance arrangements could deliver a stronger and more integrated local transport system that better links residents with jobs.

Despite some shortcomings, Greater Manchester remains a good illustration of how city-regional collaboration can help to deliver economic change. Local co-ordination, strong leadership and strategic vision may help to explain why the city-region has performed better than some of its peers.

City-Region Contracts

Incremental steps have been made towards city-regional governance in England, but these are not radical enough. The voluntary and relatively informal nature of MAAs is unlikely to prove strong enough to deliver major improvements to city-regional economic development, transport, or training outcomes.

The Centre for Cities advocates the adoption of statutory city-regional governance arrangements, such as formal City-Region Contracts²⁰. These arrangements are critical to embedding city-regional governance. While Greater Manchester has made some progress using voluntary cooperation and the informal MAA approach, other large city-regions have not made sufficient progress—including places such as Birmingham and Liverpool.

A statutory City-Region Contract would formalise a long-term agreement between central government and all local authorities in a city-region. It would result in the devolution of large-scale economic development budgets from national government departments and agencies to city-regions. Contracts would:

1. set out clear, long-term economic development priorities;
2. ensure accountability through statutory status, and formal city-regional governance arrangements; and
3. allow city-regions to pool devolved funding with local resources to deliver transport, training and regeneration.

In 2005/06, a City-Region Contract would have devolved an economic development budget of £600m to Greater Manchester. MAAs, by contrast, involve far smaller financial commitments—and rely on a vague statutory 'duty to co-operate'.

City-Region Contracts would best be delivered by directly-elected city-regional mayors. But so far, there has been little appetite for these outside of London.

A City-Region Contract for Greater Manchester

This would set out a small number of strategic priorities, such as integrating skills and employment provision and the preparation of an integrated transport strategy and sub-regional housing strategy.

To ensure public accountability, the Contract would set out what the city-region intended to achieve, using what resources, and to what timescale. Over a five-year period, this could mean:

1. Delivery of the Metrolink Phase III tram extension
2. Developing a single, regulated city-regional bus service model
3. Getting XXX out-of-work Greater Manchester residents into jobs
4. Training YYY young people to a recognised vocational standard, working with employers
5. Remediating and developing ZZZ hectares of industrial land for business and housing use
6. Facilitating the delivery of AAA thousand new homes

To supplement transport, housing, regeneration and training funds devolved downward from central and regional government, the local authorities in Greater Manchester would be required to club together and 'pool' their own financial resources. The Contract would unlock additional revenue-raising powers for the city-region, including the power to levy a supplement on business property taxes to part-fund new transport infrastructure.

Lessons from the English Experience

The policy debate over City-Regions in England touches on many ongoing challenges faced by rapidly urbanizing cities across the developing world. As national leaders increasingly recognize the importance of cities as the drivers of national economic growth, they can no longer relegate the fate of the city to legal frameworks and administrative boundaries that do not adequately take into account the dynamics of labor markets and urban expansion. Cities like Cairo, Sao Paulo, Manila, and Mumbai face extraordinary challenges in harmonizing and linking policies, planning, infrastructure investments and services within a single economic market that stretches across multiple municipal jurisdictions or spills over into institutionally undefined periurban areas.

The English experience of city-regions offers three important lessons for the World Bank and its partners—in both the developed and developing world. City-Region Contracts in particular could help to address critical matters of accountability, collaboration, and prioritisation of resources.

1. **City Region Agreements are Important Policy Instruments:** In many emerging markets where the effects of urbanization are only beginning to be felt, formal intergovernmental development frameworks and corresponding city-region agreements can serve as important policy instruments that encourage optimal outcomes in the delivery of services and in rationalizing the role of multiple actors. City-regions would enable cities to collaborate with their hinterland.
2. **Governance Challenge:** Power sharing arrangements under voluntary City-Region Agreements represent an important first step toward achieving a more appropriate institutional model for territorial development. However, they may involve compromises that impede executive decision-making.
3. **Urbanization Economies:** If cities are to fulfil their potential as engines of growth and sources of innovation for a national economy, they cannot do it alone. National governments need to engage in defining an appropriate enabling environment that facilitates realignment of traditional city structures and forms with the dynamics of labor markets and urban expansion.

Endnotes

¹ UNFPA (2007) *State of the world population 2007*, New York: UNFPA

² Webber C., Berube A. (2008) *Smarter, Stronger Cities*, Washington DC: Brookings

³ New Local Government Network (2005) *Seeing the light? Next steps for city regions*, London: NLGN

⁴ Northern Way (2004) *Northern Way Growth Strategy*. This defines eight 'city-regions' – Liverpool, Manchester, Central Lancashire, Sheffield, Leeds, Hull and Humber Ports, Tees Valley and Tyne and Wear.

⁵ Harding et al. (2006) *A Framework for city-regions*, London: ODPM

⁶ HM Treasury (2006) *Devolved Decision Making. 3 Meeting the regional economic challenge: The importance of cities to regional growth*, London: HMT

⁷ For further analysis on this topic see World Development Report 2009: *Shaping Economic Geography*. The World Bank.

⁸ Brown, H (2008) *UK Cities and Globalisation*, London: Centre for Cities

⁹ SURF (2004) *Releasing the national economic potential of provincial city-regions*, Salford: SURF

¹⁰ Cheshire P., Magrini S. (2005) *European Urban Growth: throwing some economic light into the black box*. LSE Working paper presented to European Regional Science Association Congress, Amsterdam

¹¹ Harding et al. (2006) *A Framework for city-regions*, London: ODPM

¹² Communities and Local Government (2006) *Strong and Prosperous Communities*, London: CLG

¹³ HM Treasury (2007) *Review of sub-national economic development and regeneration*, London: HMT

¹⁴ HM Treasury (2007) *Review of sub-national economic development and regeneration*, London: HMT

¹⁵ Centre for Cities (2008) *Cities Outlook 2008*, London: Centre for Cities. Earnings in Manchester are well below the English national average.

¹⁶ Some argue that the Greater Manchester city-region should go further—to encompass other areas that have strong economic links to the urban core. The Northern Way identified the city-region to additionally include High Peak, Congleton, Macclesfield, Vale Royal and Warrington. AGMA itself includes Blackburn with Darwen, Blackpool and Warrington as associate members, who can attend but not vote at city-region meetings.

¹⁷ AGMA/Manchester Enterprises (2008) 'Multi Area Agreement for Manchester City Region—Statement on the Governance Model', *The Manchester Multi Area Agreement: Annex 2, June 2008*.

¹⁸ The full list of indicators are: Total annual real GVA output, GVA per hour worked. Total employment, Overall employment rate, Working age people on out of work benefits in worst performing neighbourhoods, Proportion of adults qualified to Level 2 or higher, Proportion of adults qualified to Level 4 or higher, Stock of VAT registered companies. Percentage of non car morning peak journeys to the regional centre. Net additional homes provided.

¹⁹ In June 2008, Greater Manchester received approval for £1.5 billion in grants and £1.2 billion in loans of investment from the Transport Innovation Fund (TIF), to improve its buses, trams and trains. Major part of the project include an additional 22 miles of tramlines and additional carriages for local trains.

²⁰ Marshall and Finch (2006) *City Leadership: giving city-regions the power to grow*, London: Centre for Cities.

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