

Local Government and Communities Committee

City Region Deals

Submission from Policy Scotland, University of Glasgow

Policy Scotland is the University of Glasgow's public policy research and knowledge exchange hub which offers a unique bridge between researchers and policy makers.

The authors of this submission have been actively researching the connections between devolution policy and urban policy, and have studied developments in Wales, England and Australia, in addition to the emerging Scottish context. The authors of this submission are members of, or provide research support for, the independent Commission for Economic Growth borne out of the Glasgow City-region City Deal. The views expressed in this submission **do not** reflect those of the Commission, but rather the views of the authors in their academic capacities within Policy Scotland at the University of Glasgow.

- **What is your understanding of the purpose of City Region Deals?**

City Deals have been promoted as tools to trigger and drive local economic growth. The former deputy Prime Minister (2011) noted: "As major engines of growth, our cities have a crucial role to play. But to unlock their full potential we need a major shift in the powers available to local leaders and businesses to drive economic growth"¹. The growth focus - which the Scottish Government similarly ties to cities policy ("engines of our economy")² - sits within a long-running concern for spatial rebalancing in the UK, and concerns regarding the north-south divide³. The divide, in broad terms, relates to the economic fortunes and potential of places outwith London and the south-east of England.

Localism is a key underpinning logic of City Deals, with the rationale put forward that local leaders are in the best position to take decisions concerning the futures of their local areas. In the context of the Inverness deal, it has been noted by the Chief Secretary to the Treasury, Greg Hands MP: "This historic deal is expected to create more than 3,000 jobs and leverage £1 billion of private sector investment by handing real power to local decision-makers, who are best-placed to ensure the Scottish economy is fit for the future".⁴

In the English context, City Deals can be regarded as an incremental step away from a highly centralised state system, where localities have few powers to act to shape economic development⁵. In the Scottish and Welsh contexts, complexity is added to the deal-making process as devolved administrations have powers relevant to cities policy.

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7523/CO_Unlocking_20GrowthCities_acc.pdf

²<http://www.gov.scot/Publications/2016/03/3178/5>

³<http://www.centreforcities.org/reader/cities-outlook-2015/>

⁴<https://www.gov.uk/government/news/uk-city-deal-invests-315-million-in-inverness-and-the-highlands>

⁵ Travers T (2015) Devolving Funding and Taxation in the UK: A Unique Challenge, National Institute Economic Review.

Coupled with localism, City Deals reflect a determination to move past “one size fits all”⁶ policymaking, to allow interventions to be geared to the unique needs of local places (in other words, what policies will support growth in Dundee may be different from the policies needed to support growth in Edinburgh). We note, for instance, commitments in the Aberdeen City Deal to progress initiatives connected to the natural resources sector (for example, the Oil and Gas Technology Centre).

Infrastructure features in a number of the deals and transport projects are prominent. In the deals agreed to date, housing is given less focus. Alongside infrastructure investments, City Deals may comprise a suite of labour market, business support and welfare interventions *inter alia*.

City Deals hinge on a quid pro quo – that is medium- to long-term funding commitments by the UK and Scottish governments for the development of strong capacities and accountable structures, at a local level, to manage the funding and financing responsibilities that City Deals present. The UK Government (2011) previously noted: “City Deals must be genuine transactions, with both parties willing to offer and demand things in return.”⁷

- **Are City Region Deals on track to deliver local growth, innovation and infrastructure schemes which would not have otherwise been delivered?**

Success of the City Deals, in terms of growth outcomes, must be considered in the medium- to long-term. This is required for the effects of investments to be realised. A view on the delivery of projects can be signalled at an earlier point, however, how households and firms respond to changes in accessibility - as a result of a transport project, for example - need to be evaluated over a longer time horizon. Evaluation also poses complex questions about what would have happened in the absence of a City Deal programme (the counterfactual position), so we can evidence the impact of a City Deal.

The aforementioned points to a balance to strike in terms of closely monitoring the progress of deals, as would be required of any public intervention, and recognising and giving time for the effects of interventions to be realised. There is a tendency for “compulsive re-organisation” of sub-national institutions in the UK⁸, and this may be problematic for strategic policymaking where long time horizons need to be considered.

- **What is your understanding of the governance arrangements for City Region Deals, and how well are these arrangements working in practice?**

We can observe variation across City Deals within the UK and within Scotland. In Scotland and Wales, joint cabinets have been installed^{9,10}. Such arrangements reflect

⁶ <https://www.gov.uk/government/news/englands-major-cities-to-decide-own-mayoral-powers--2>

⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7523/CO_Unlocking_20GrowthCities_acc.pdf

⁸ Jones A (2010) Here We Go Again: The Pathology of Compulsive Re-organisation. *Local Economy*, 25(5-6): 373-378.

⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508268/Cardiff_Capital_Region_City_Deal.pdf

an emergent phase of city-region governance with local authorities working together to negotiate and manage the deal. The multiple LA arrangements are compelled by a focus in City Deals to target investments and policies to reflect, as far as possible, functional geographic areas¹¹, rather than be bound by administrative areas. Looking across the city-region deals in Scotland at present, however, it is clear that a wide range of geographic settings - from Inverness and the Highlands (a deal for a single authority) to the dual city bid of Dundee and Perth (the Tay Cities) - form the basis of current and potential City Deal areas.

In England, through successive stages of deal-making, notably devolution deals, arrangements for city-region governance have taken on greater formalism with the establishment of combined authorities, and, in early May, the appointment of city-region mayors¹².

An issue emerging, attached to governance, are the capacities available at a local level to manage risk (that comes through project funding and delivery). In the English context, this was highlighted by the NAO in their review of Wave 1 City Deals¹³. As deals continue to develop and evolve, capacity issues require careful consideration. Part of a response to this may be to improve the quality of data to support policymaking, and this may involve strategic capacity brokered across local government and their partners (including Scottish Government, national agencies and universities).

- **Have local residents and businesses been kept informed and involved in the development and activities of City Region Deals?**

This is an issue that warrants further consideration and scrutiny. A critique, in the English context, has emerged that deal-making has been a “secret” process¹⁴, conducted behind “closed doors”¹⁵. In one sense, where limited engagement is proven to be the case, this may be seen to reflect the nature of the contractual process underpinning deal-making. However, limited consultation may be seen to be problematic, particularly given the transformational aspirations attached to the deals.

- **Are regions not covered by City Region Deals able to access equivalent funding and support for growth, innovation and infrastructure schemes?**

As is being reflected in the preliminary steps made by councils in Ayrshire, “growth deals” have emerged as tools to support investment and policy approaches for other non-metropolitan places¹⁶. Growth deals have been put in place for local enterprise

¹⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/346278/Glasgow_Clyde_Valley_City_Deal.pdf

¹¹ <https://research.ncl.ac.uk/ibuild/outputs/reports/Pike%20et%20al.%202016%20Decentralisation%20-%20Issues%20Principles%20and%20Practice%20-%20Final%20Draft-1.pdf>

¹² <https://www.gov.uk/government/publications/devolution-and-mayors-what-does-it-mean>

¹³ <https://www.nao.org.uk/wp-content/uploads/2015/07/Devolving-responsibilities-to-cities-in-England-Wave-One-City-Deals.pdf>

¹⁴ <http://blogs.lse.ac.uk/politicsandpolicy/beyond-secret-deals-rethinking-devolution-in-england/>

¹⁵ <https://www.publications.parliament.uk/pa/cm201516/cmselect/cmcomloc/369/36902.htm>

¹⁶ <http://www.scdi.org.uk/news/626-ayrshire-growth-deal-prospectus-submitted-to-governments>

partnerships (LEPs) in England¹⁷, and progress is underway to establish a growth deal for authorities in North Wales¹⁸.

It is also important to be mindful that City Deals and Growth Deals, involving the support of the UK Government, are not the only mechanisms to support infrastructure financing and delivery in Scotland. In this respect, Growth Accelerator Models (GAMs), developed by the Scottish Futures Trust, are being applied to development projects in Edinburgh and Dundee. GAMs operate on similar principles to “tax increment financing” (TIFs) – where up front borrowing hinges on future returns stemming from a development - but take into account a wider range of outcomes beyond immediate development effects.¹⁹ Like the allocation mechanism in a number of City Deals, where future funding is predicated on performance or achievement against key “gateways” (set out every 5 years), a “payment-by-results” mechanism underpins GAMs.²⁰

- **Are City Regions Deals supporting a shift towards local decision-making on major investment projects?**

Local decision-making is emerging through discretion as to how to spend funding allocations (subject to agreement with the Scottish and UK Government’s and compliance with Green Book guidance). The ethos of deal-making is that localities need to present to the UK Government, and the devolved administrations, a compelling investment case²¹. New tools for fiscal devolution, designed to give localities greater control over income streams stemming from growth investments - such as “earn back” in Greater Manchester – have raised questions about the “funding formulas” and “data sources”, and whether “sufficient stability or certainty” is given for local investments to be based on such an approach²².

- **Any other issues relating to City Region Deals which you wish to bring to the attention of the Committee?**

We think it is useful to distinguish the merits of individual deals – some of which may contain a series of useful interventions to address local growth needs – and the system of policymaking that City Deals have stemmed from. Regarding the latter, we take the view (along with others)²³, that the piecemeal ad hoc nature of city dealing may prove to be problematic given the process for agreeing deals does not appear to be clearly set out. This is not to argue for a “one size fits all” approach, but to make the case that greater clarity regarding the principles, phases and criteria of deal-making may help to provide parity of treatment across the varying localities seeking funding.²⁴

¹⁷ <https://www.gov.uk/government/news/growth-deals-gain-momentum-firing-up-local-economies>

¹⁸ <https://www.gov.uk/government/news/secretary-of-state-pushes-forward-with-growth-deal-for-north-wales>

¹⁹ http://www.scottishfuturestrust.org.uk/files/publications/Growth_Accelerator_-_Guidance.pdf

²⁰ http://www.scottishfuturestrust.org.uk/files/publications/Growth_Accelerator_-_Guidance.pdf

²¹ <http://www.walesonline.co.uk/business/business-news/local-authorities-join-forces-give-9744388>

²² <https://www.nao.org.uk/wp-content/uploads/2015/07/Devolving-responsibilities-to-cities-in-England-Wave-One-City-Deals.pdf>

²³ <https://research.ncl.ac.uk/ibuild/outputs/reports/Pike%20et%20al.%202016%20Decentralisation%20-%20Issues%20Principles%20and%20Practice%20-%20Final%20Draft-1.pdf>

²⁴ <http://www.ippr.org/publications/rebooting-devolution>

In the Scottish context we believe there is an important task ahead to consider how City Deals align and cohere with other strands of policymaking, from the National Planning Framework to the National Outcomes and the ongoing Enterprise and Skills Review. Has city dealing changed, or will it have a bearing on the way in which such strategies and approaches should be taken forward and developed?

Related to the above, we believe there is an important question to pose about how growth is being approached and treated, as this exhibits greater complexity in a tripartite deal-making context. We are mindful, for example, that “inclusive growth” features centrally in the Scottish Government’s economic strategy, yet how this fits with the UK Government’s aspirations for, and indicators of, economic success warrants further consideration. Inclusive growth is a term increasingly referred to by policymakers but remains elusive in terms of providing a precise definition or policy focus. A concern for distribution in growth systems or effects rests at its core, however. The RSA Inclusive Growth Commission have recently called for devolution deals to be considered within an inclusive growth framework.²⁵

Finally, it may be useful to consider urban policy through decentralisation as an ongoing process, rather than a one-off event²⁶. This has proven to be the case in England - with successive phases of deal-making to places (through growth and devolution deals) – and, through ongoing discussion, this may offers a means to consider where and at what levels of government policy levers are best placed.

David Waite, Des McNulty and Duncan MacLennan

²⁵ <https://www.thersa.org/discover/publications-and-articles/reports/final-report-of-the-inclusive-growth-commission>

²⁶ UK Government (2016) Government Response to CLG Select Committee Report: “Devolution: the next five years and beyond”.