



Prospects for cities: Generating prosperity beyond capitals

Core cities¹ (or 'second tier' cities) aren't just the beneficiaries of national economic growth, they are important drivers of it. With greater support and investment, core cities could contribute even more towards national economies. This briefing paper draws on findings from ESPON, a European research programme², including case studies of Leeds and Manchester, to suggest how we can generate greater prosperity beyond capitals.

Planning issues addressed

Decentralisation, local and regional economic growth, regional competitiveness, cross-boundary collaboration.

Who should read this?

Practitioners, local policy-makers and other decision-makers interested in local and strategic planning, promoting core city growth and strategic development.

Key messages for policy and practice

National governments should pursue policies and strategic investments which maximise the potential of core cities. They should:

- Where appropriate, decentralise more responsibilities and resources to (core) cities, not just capital cities.
- Influence the drivers of competitiveness. The drivers that can be most directly

influenced at the city regional level are the quality of places and 'strategic capacity' (local partners using their resources to maximise their competitive advantage).

- Be more transparent about the criteria for and impact of national expenditure policy and programmes on city regions, for example through monitoring and publication.

City leaders and local planners should make it a key target to deliver policies that promote and support growth (through 'economic place-based policies') at the metropolitan/city regional level. They should:

- Develop policies that respond to and build on the capacity and potential of metropolitan areas and city regions.
- Ensure that economic governance reflects functional economic areas (at present, governance is usually based on too many, and too small, local government units). Doing so will help city regional institutions maximise their resources at the city-regional scale and achieve integrated place-based economic strategies.
- Develop policies which support productivity in areas of high potential, so that they can help support sustainable growth in areas with lower potential.

Such efforts should also explore new methods of investment and finance (for example, public loans, local asset-backed vehicles, pooled budgets, and so on).

¹ 'Core city' is a term predominantly used in England to describe the eight largest economies outside London. In this briefing it is used in a UK context to refer to the non-capital cities in Scotland, Wales and Northern Ireland.

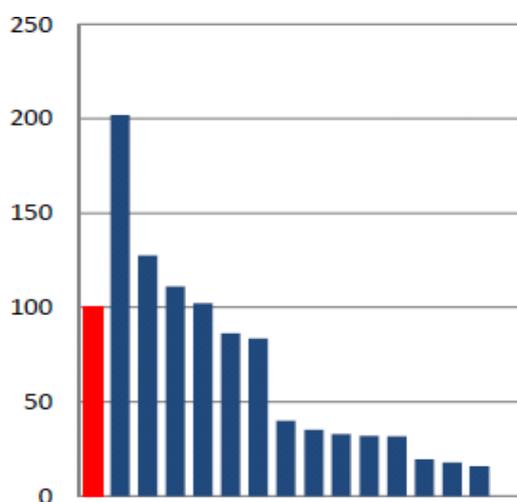
² This briefing is largely based on the ESPON projects, SGPTD and CAEE. Information and maps stemming from the ESPON Programme presented in this leaflet do not necessarily reflect the opinion of the ESPON Monitoring Committee.

Main findings

Capital cities are the dominant force in most national economies, but not all. For example, Germany's comparatively balanced urban development means that six of its core cities are of major international or national economic importance.³ Figure 1 shows the GDP for these cities compared to Berlin in 2007, clearly demonstrating their economic importance.

The ESPON project, Secondary Growth Poles and Territorial Development (SGPTD), which studied the performance and prospects of core cities, found that the key drivers of competitiveness and performance are as follows: innovation; economic diversity; skills and human capital; connectivity; place quality; and strategic governance capacity. These are strongly correlated to economic performance and influencing them requires successful governance at various levels.

Figure 1. GDP for Germany's capital and core cities, 2007 (Capital = 100)⁴



As a result of the recession, the GDP of all core cities in the UK declined. City regions which exploited their assets strategically prospered the most in the previous period of high growth, and these cities are also more likely to do best in the recovery.

Core cities perform better where national government policies support them, grant them significant power and resources, and where investment is more decentralised. The SGPTD project recommended that governments should invest more in core cities when the following conditions are present: the productivity gap between core and capital cities is large; national under-investment has weakened the business infrastructure of core cities; and capital city growth is generating negative consequences as a result of it reaching its full natural capacity. Under these circumstances, countries as a whole will benefit, including the capital city which will be relieved of some of the pressure to grow.

Firms make location decisions based on many factors, rather than according to the preferences of public policymakers. Metropolitan/city-regional institutions may not themselves directly determine 'agglomeration economies' (the advantages brought about by concentrating economic activity together), but they can be hugely important in helping to create the conditions for such agglomerations, and so influence the choices that firms and individuals make in a cumulative, indirect way.

For example, metropolitan and city regional governance arrangements can influence major investments and policy decisions, and help to build coalitions of actors which can in turn encourage firms to invest in an area.

Case studies

Both Leeds and Manchester are examples of core cities that are trying to use the resources available to them to strengthen their appeal and improve their performance. The case studies included in this ESPON research indicate that Manchester has been progressive in its approach to economic growth, successfully connecting its governance with its functional economic area. Leeds has to some extent been hindered by the dominance of national governance, however its strong governance and innovative approach to place-making has made it a robust and diverse economy.

³ ESPON SGPTD project, Final Report, June 2012.

⁴ Ibid.



Leeds

In an attempt to encourage Local Enterprise Partnerships (LEPs), the UK Government set up the 'Unlocking Growth in Cities' programme, in which various decisions are being devolved to the local level through negotiated 'city deals' and 'growth deals'. This may be where policies for core cities can emerge and Leeds, as an important core city, forms a good test case of how well the negotiated city deals are performing.

Leeds has been very successful and innovative with regard to governance, partnership-working and place-making. It has experienced high population and employment growth and is one of the largest and most diverse local economies in the UK. Leeds has a strong regional administrative role, having successfully hosted public sector jobs transferred from the capital, and the City Region is the second largest functional sub-national economy after London (accounting for around 5% of the national economy).⁵

In recent years, much has been achieved through the Leeds Initiative, a public, private and community partnership led by the Leeds City Council. According to the research, Leeds did, however, face two important obstacles in attaining further economic growth:

1. Leeds would benefit from more transparency in territorial investment: Although Leeds has received some European and national regional policy funding, these national policies have primarily been infrequent and temporary, making it difficult for some key schemes to survive. Similarly, Leeds has faced difficulty in securing funding for its public transport infrastructure. Although it successfully secured national funding for road building, it has failed to secure funding for a light rail transit system that would respond to the worsening congestion in Leeds.

2. Leeds would benefit from a regionalised policy at the national level. Leeds did have a regional innovation policy for some time via Yorkshire Forward, but this stopped when the agency was abolished. The absence of a

regionalised industrial and innovation policy at the national level is now holding Leeds back. This is further highlighted in Leeds' attempt to develop its own skills and strategies for young people in collaboration with various national skills agencies, which was hindered because the relationship was too top-down. Leeds has been negotiating for more devolved powers in skills development policies with the government, arguing that national skills policies need to be grounded at the local level.

In response to these challenges, Leeds has invested in the potential of its city through regional institutions including the 'City Region Local Enterprise Partnership' (although this has been difficult in the absence of a national regeneration framework and the abolition of the intermediate regional planning and economic development). The Leeds Initiative brand was decommissioned in March 2013 and replaced by a 'Vision for Leeds', which focusses on new opportunities in the finance and business sector, the creative and digital industries and the health and medical sector. It emphasises the need to support social enterprises and the third sector, and particularly aims to facilitate low carbon growth. The LEP's development plan for the city region also focuses on sustainable development and together with their plans; this is a step closer to re-balancing the economy.

Manchester

The City of Manchester provides a successful example of a city region that has achieved its own economic goals in a context where autonomy from the nation state has been limited. The city has managed to capture the benefits of economic change, leading to inter-governmental, as well as public-private, inter-institutional and cross-district coalitions that have strengthened investments in Greater Manchester.⁶

Agglomeration economies in Manchester have created the capacity and autonomy to build new forms of collaborations between public

⁵ ESPON SGPTD project, Final Report, June 2012.

⁶ ESPON CAEE project, Greater Manchester case study, June 2010.



and private bodies and with central government which can influence the choices that firms make. Manchester's pro-active attitude and its willingness to collaborate with different levels of government, as well as with the private sector, have contributed greatly to its success.

Although Manchester's success coincided with a period of national economic growth, importantly the growth of the city was built on the modernisation of its urban assets (for example, infrastructure development, higher education provision, media and sport, retail and commercial development, cultural and leisure facilities). These were primarily led by the public sector and its willingness to collaborate with private investment, which occurred earlier in Manchester than in any other provincial urban areas. This modernisation was critical to improving the functioning and accessibility of the regional centre and its attractiveness to investors, businesses and visitors. The majority of these projects were influenced substantially by the Greater Manchester local authorities.

Manchester's success is largely attributed to the collaborative and entrepreneurial approach it has adopted to developing the city. At the metropolitan/regional level, a supportive role was assumed, focusing on developing and promoting a common view of the area's strengths, potential and opportunities to market Greater Manchester in a more targeted way to potential investors (for example, through MIDAS and the Commission for the New Economy).

At the metropolitan/regional scale, the main focus was on forming collaborations which were based on a real understanding and awareness of the economic geography of the city region, i.e. the core-south relationship is based on genuine economic interaction and the core-north relationship is much more political (the success of the north depends on the core and the opportunities it creates for the development of the north).

Besides this, Manchester has also adopted a collaborative entrepreneurial attitude to attracting companies and its assertive relationship to central government has been

essential to its core leadership. Manchester recognised the need to increase access to European funds, engage with the private sector and work directly with central government ministers on high profile schemes. This partnership with government still applies today in the Combined Authority.

Areas for further research

How can the governance of areas be better shaped to deliver improved sustainable economic performance across city regional economies? Similarly, how can national government policies be better aligned to encourage higher performing core cities, for example through greater autonomy?

Further reading

Useful resources on the issues raised in this briefing can be found on the following sites:

ESPON SGPTD project –

http://www.espon.eu/main/Menu_Projects/Menu_AppliedResearch/SGPTD.html

ESPON CAEE project –

http://www.espon.eu/main/Menu_Projects/Menu_TargetedAnalyses/CAEE.html

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