

## **“Rethinking the Northwest Spatial Economy” – Manchester, 29 November 2006**

I’m going to cover three points this evening. First, my reactions to this report from Alan Harding and colleagues. Second, my take on the city-regions debate. And third, where I see urban policy heading over the next year or so.

### **Rethinking the Northwest Spatial Economy**

This is a really useful report, commissioned by the Northwest Development Agency. The NWDA are doing more than any other RDA to contribute to the debate on cities and city-regions.

The Centre for Cities worked with the NWDA earlier this year, on “Cities Northwest” – a collection of essays from leading players in the region. So it’s good to be back to launch this second report in the series.

For me, these are the main headlines from the report.

- (1) If the Northwest is to catch up with regions like the Southeast, it needs to focus more on its key cities and city-regions. Whitehall departments and the Northern Way should also adopt a stronger city-region focus.
- (2) City-regions are the best level to co-ordinate and integrate key functions like transport, skills, housing, regeneration and economic development.
- (3) The Northwest needs a different “mental map” of its economy. This should acknowledge the centrality of Greater Manchester, the importance of places like Chester and Preston, and the challenges facing north Manchester, NE Lancashire and Cumbria.

If the evidence base in this report were available in every region, we’d be in a much better position to debate urban policy across the country. So I hope other RDAs will follow suit and commission similar research in their regions.

### **City-regions**

Our cities matter. Over half of us live in them, and even more of us work in them. Our biggest city-regions like Greater Manchester are the building blocks of the national economy.

But we face a performance gap and a governance gap.

Regional economic performance across England is still very uneven. Treasury Ministers Ed Balls and John Healey have acknowledged this recently, pointing to globalisation, technology – and geography. They say – and I agree with them – that devolution will help Northern towns and cities address their underperformance.

Meanwhile, a governance gap is opening up between London and our other big cities. London is taking on more powers – and quite right, too. Ken Livingstone is about to get more control over housing, planning and skills.

But our other big cities don't have the powers they need. For example, why can't Greater Manchester have a Transport for London model – with control over its farebox, to reinvest in local transport priorities?

City-regions make economic sense. They are the closest match to real economic areas like travel-to-work areas, labour and housing markets. A Treasury Budget paper earlier this year agreed with this, and said that city-regions have “a critical role to play in reducing regional disparities.”

We believe that city-regions are the most appropriate level for transport and skills funding. And with Multi-Area Agreements on the horizon, we now have the chance to make a reality of city-regions. Pooling and co-ordinating funding across local authorities, for transport, skills and housing. Which is what we proposed earlier this year.

But city-regions are difficult politically. Who should run them, and how? Our “City Leadership” report proposed directly-elected city-regional mayors as the best option. The most visible, strategic and accountable.

But we realise that there is not yet much appetite for a Greater Manchester Mayor. So we welcome the efforts by the 10 Greater Manchester local authorities to work more closely together. Indeed, Greater Manchester is very much a model for other city-regions – and did a lot to inform the thinking of Ruth Kelly's department in the run-up to the Local Government White Paper.

### **Next steps**

So where is policy likely to go over the next year?

Last month's White Paper was pretty good, and included some useful proposals. Fewer central targets on local authorities. Multi-Area Agreements. City Development Companies. More unitaries. Stronger council leadership models – including directly-elected mayors and cabinets.

The White Paper wasn't able to say much on city-regions. “Strong cities in strategic regions” was the holding line. The Treasury's sub-national review of economic development will say much more on this, ahead of next summer's Comprehensive Spending Review. So look out for that.

Before all that, we've got a stack of policy reviews coming in to land over the next few months. The Pre-Budget Report next week will line up with the Eddington review of transport, Barker review of planning and Leitch review of skills. And then we have the all-important Lyons review of local government – which is now likely to be published in the New Year.

So what about city-regions? My guess is that regions and local authorities will remain centre-stage, with RDAs continuing to play a pivotal role. The influence of Ed Balls will make sure of that.

But city-regions will start to emerge more formally, through vehicles like City Region Development Plans and Multi-Area Agreements. And if we act on the evidence base in tonight's report, we will start to prioritise more around our biggest cities and city-regions.

### **City Links**

Finally, today's report highlights the importance of the economic interaction between places. The strong links between Manchester-Leeds, and Manchester-London. This is really important, but we don't know enough about these links.

The Centre for Cities has just started to look at this, through our City Links programme. We'll be asking three questions.

- (1) What is the relationship between core cities and their surrounding towns and cities?
- (2) How strong are the links between Manchester and Leeds?
- (3) What is the impact of London on the rest of the UK economy?

We'll also consider how the Northern Way could be strengthened. We welcome the recent focus on transport investment, innovation and universities, and closer private sector involvement. But we also believe that the Manchester-Leeds axis is critical to the Northern Way, and will press for clearer prioritisation around the M62 corridor.

Thanks again for the invitation to speak this evening. And thanks to Alan Harding and NWDA for this report.