A COMMENTARY ON THE CITY DEALS IN THE UK

Peter Jones, Martin Wynn, David Hillier and Daphne Comfort.

Abstract

Within the UK, City Deals, essentially bespoke packages of funding and decision making negotiated between national government and local authorities, are increasingly taking centre stage in promoting economic growth. Each City Deals is seen to reflect the needs of individual cities and their surrounding regions and each has its own distinctive funding and development agenda. While the City Deal model has been broadly welcomed by national and local political leaders concerns have been more widely expressed about its operation and effectiveness. This paper outlines the development and characteristics of the City Deals programme and offers a reflective commentary on a number of issues surrounding the programme, namely accountability and evaluation, the relationship between the local and national state, the role of planning and sustainable development.

Introduction

In laying the foundations the UK’s first wave of ‘City Deals’ in 2011 Nick Clegg, then Deputy Prime Minister stressed the Coalition Government’s commitment ‘to building a more diverse and sustainable economy’ and argued that ‘as major engines of growth, our cities have a crucial role to play’ (HM Government 2011). City Deals are ‘bespoke packages of funding and devolved decision-making powers negotiated between central government and local authorities and/or Local Enterprise Partnerships and other local bodies’ (Ward 2016) and can be seen as part of the embodiment of the 2011 Localism Act which sought to devolve more decision making powers from central government back into the hands of individuals, communities and local authorities. Essentially a City Deal ‘is an agreement between government and a city. It gives the city and its surrounding area certain powers and freedom to: take charge and responsibility of decisions that affect their area; do what they think is best to help businesses grow, create economic growth’ and ‘decide how public money should be spent’ (Gov.uk 2013). O’Brien and Pike (2015) argued that ‘City deals have been used primarily to incentivise coalitions of local state actors in several areas to develop strategies and identify and prioritise propositions or “asks” of UK and devolved governments, to fund, finance and deliver infrastructure, and to formulate and implement new initiatives in policy areas such as skills and business support.’

In the years since 2011 the City Deal model has gained momentum within the UK and it has generally been broadly welcomed by national and local political leaders. When the first wave of city deals were established Keith Wakefield, the then Leader of Leeds Council, for example, emphasised that ‘The City Deal package represents an historic devolution of powers from Whitehall that we have long argued for’ and claimed that ‘for the first time we’ll have the ability to drive our own economic strategy and make much needed investment in our infrastructure’ (Core Cities 2012). However during the past five years increasing concerns have begun to be expressed about how the model is being operationalised and about its long term effectiveness. In reviewing the first wave of City
Deals the National Audit Office (2015), for example, concluded that ‘delivering the deals will require long-term commitment from government and cities to monitor projects and deals as a whole’, that ‘without a shared approach to measuring the impact of the programmes both sides’ understanding of their impact will remain limited’ and that ‘it is too early to say if the deals will have any overall impact on economic growth.’ With this in mind this commentary paper outlines the development and characteristics of the developing City Deals programme within the UK and offers a reflective commentary on some of the challenges the City Deal model is encountering.

The City Deals

In developing the thinking underpinning the launch of the City Deals HM Government suggested that ‘cities are the engines of growth and they will be critical to our economic recovery’ but argued that ‘the new enterprises and employment that the country desperately needs requires a dynamic local leadership to drive economic growth on the ground’ (HM Government 2011). Each City Deal was seen to be ‘bespoke’ and to reflect ‘the needs of individual places’ and to represent ‘a genuine transaction - with both cities and Government offering and demanding things in return’ (HM Government 2012). That said there were common goals in that all the deals aimed to give cities the powers and tools to drive local economic growth, to ‘unlock projects or initiatives that will boost their economies’ and to ‘strengthen the governance of each city’ (HM Government 2012). HM Government (2012) also emphasised that the City Deal model would ‘require capacity and authority to articulate and drive forward an ambitious economic vision, to build effective public-private partnerships, and to respond innovatively to barriers to growth’ and that it would herald ‘a fundamental shift in the relationship between national government and cities- starting with a genuine transfer of power.’ The expected life span of the City Deals varies, generally between 10 and 30 years and the nature and scale of the devolved powers also varies with Greater Manchester currently seen to have the widest range of such powers. Across the City Deals devolved powers are matched with a range of funding mechanisms including the combining of public and private investment streams, the retention and pooling of business rates locally and the introduction of new financial models to stimulate growth.

Between December 2011 and July 2012, City Deals were launched in the eight largest cities, in England outside London, namely Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield (collectively described as the ‘Core Cities’) and these deals effectively embraced not only the cities themselves but also the surrounding city regions. Then, in November 2012, the Government announced that a further 20 large and rapidly growing cities and their surrounding areas would be given the opportunity to bid for a City Deal. In all, 18 of these cities and their wider areas successfully negotiated City Deals as part of this ‘second wave’. These were the Black Country; Bournemouth and Poole; Greater Brighton; Coventry and Warwickshire; Greater Cambridge; Greater Norwich; Hull and the Humber; Ipswich; Leicester and Leicestershire; Milton Keynes; Oxford and Oxfordshire; Plymouth; Portsmouth and Southampton; Preston, South Ribble and Lancashire; Southend; Stoke and Staffordshire; Sunderland and the North East,
Swindon and Wiltshire; the Tees Valley; and Thames Valley Berkshire. Finally, between August 2014 and early 2017, a number of ‘third wave’ City Deals were agreed, or are being negotiated, with cities outside of England, including Glasgow, Inverness, Aberdeen, and Cardiff.

City Deal Characteristics

The Greater Manchester City Deal includes Bolton, Bury, Manchester, Oldham, Rochdale, Stockport, Tameside, Trafford and Wigan, and embraces a population of 2.6 million people with another 4.4 million within an hour’s drive time. Over 30% of the city region’s jobs are in large businesses, particularly spread across a variety of sectors including manufacturing, financial and professional services, ICT and life sciences and healthcare. Major employers include Kellogg’s, Siemens, BASF, Adidas, Talk Talk and TNT. The strategy underlying the City Deal recognises ‘the critical link between economic growth and competitiveness and public sector reform: without addressing the latter and reducing the economic drag of dependency Greater Manchester will not achieve its full potential’ (Greater Manchester Combined Authority 2012). Greater Manchester’s City Deal includes eight elements covering finance; investment; skills; enterprise support; inward investment; low carbon; housing; and transport. Under the financial element for example, Greater Manchester was to receive new innovative financial powers to allow it to ‘earn back’ up to £30 million of the additional tax revenue from the growth generated by £1.2 billion in local investment.

Bristol’s City Deal, negotiated by the West of England Local Enterprise Partnership, included plans to drive economic growth through a growth incentive, a transport devolution agreement to deliver a rapid bus transport network, the development of a growth hub, the establishment of a public property board to manage public sector land and property assets and the greater involvement of the business community in skills provision. The Nottingham City Deal contains four specific elements namely the establishment of a large incubator in the city’s ‘Creative Quarter’; a package of measures to increase skills and reduce unemployment; a focus on infrastructure which will improve transport links and provide fast broadband connectivity to businesses in the Creative Quarter; and the development of a ‘Green Deal’ strategy to accelerate Nottingham’s transition to a low carbon economy. A ‘cornerstone’ of the Leeds City Region Deal was a ‘Guarantee for the Young’ which was to see ‘a commitment that every young person in the Leeds City Region has access to a job, training, apprenticeships, volunteering or work experience’ (Gov. UK 2014a). More specifically the Leeds City Deal contained four major elements namely, skills and worklessness; transport; investment; and trade and inward investment. In focusing on trade and inward investment, for example, the City Deal was to seek to address the Leeds City Region’s £1 billion a year trade deficit and to turn it into a surplus of £1.7 billion by 2018.

In the second wave of City Deals two contrasting examples offer an illustration of their often distinctive characteristics. The Black Country City Deal embraces the four local authorities in the Local Enterprise Area (LEP), namely Dudley, Sandwell, Walsall and the City of Wolverhampton. This city region has a population of over one million and over 400,000
jobs, it is a major national manufacturing centre and houses the largest concentration of high value manufacturing jobs within any LEP. The City Deal’s vision for the future is focused on maximising the growth of high value manufacturing by opening up key supply chain manufacturing sites. This vision included the establishment of a Black Country Investment Fund to stimulate the local land market, the delivery of 1,500 high value manufacturing apprenticeships, the creation of a business support programme and the setting up of a demonstration project to reduce welfare dependency and increase employment opportunities in two areas of high unemployment. More specifically the Black Country LEP suggested that the City Deal would lead to 80 hectares of brownfield land being brought into manufacturing use and 5,800 new manufacturing jobs being created within the first four years. This is to entail an estimated £120 million of private sector investment in high value manufacturing sites and intensive working with long term unemployed social housing tenants designed to move 900 of these tenants into employment and reduce the welfare budget by £1.1 million.

The Greater Cambridge City Deal, agreed in June 2014, is seen as a ‘unique opportunity to secure the future of Greater Cambridge as a leading UK and global hub for research and technology, support economic growth and improve quality of life for residents of Cambridge and South Cambridgeshire’ (Cambridge City Deal 2017). While Cambridge and its surrounding region is the ‘innovation capital for the country’ and ‘a gateway for high tech investment in the UK’, this very success ‘is now contributing to a shortage of housing and significant transport congestion that threaten to choke off further economic growth’ (Gov. UK 2014b). As such the focus is on innovation led growth with investment in infrastructure, housing and skills. More specifically the City Deal is to create an infrastructure investment fund, accelerate the delivery of some 34,000 planned homes, enable the delivery of an additional 1,000 new homes on rural exception sites, and provide £1 billion of local and national public sector investment which will lever a further £4 billion in private investment and create some 45,000 new jobs. The lack of affordable housing is identified as a barrier to continuing economic growth and the City Deal will address this problem by developing a new model for housing investment that will look to draw in land holdings from the local authorities, and possibly the University of Cambridge, in order to develop more affordable housing, which would then be rented to people working in the area.

In August 2014 the Glasgow and Clyde Valley City Deal became the first of the third wave of City Deals outside England. In 2016 City Deals were also agreed for Aberdeen City Region, Cardiff capital region and Inverness and the Highland City Region and at the time of writing in early 2017 the six local authorities that make up Edinburgh and the South East Scotland city region and the Dundee, Angus, Fife and Kinross local authorities were also collectively working on City Deal bids to the UK and Scottish governments and in Wales negotiations were underway for a Swansea Bay City Deal. The Glasgow and Clyde Valley Deal is an agreement between the UK and Scottish governments and eight local authorities across an area which has a population of 1.75 million, which provides 33% of Scottish jobs and houses 29% of all Scottish businesses. While the Glasgow and Clyde Valley area is seen to have a range of economic assets including strengths in financial services, life sciences,
engineering, manufacturing and the media and creative industries, the area also faces problems of high rates of long term unemployment, poor survival rates for new businesses, stalled development sites in key locations and weaknesses in the transport infrastructure. In ‘transforming the physical and social landscape’ the City Deal ‘will benefit, people, communities and businesses across Glasgow and the Clyde Valley’ (Glasgow City Region 2017). More specifically the City Deal aims to generate an increase of some 29,000 employment opportunities, work with 19,000 unemployed residents and bring 5,000 of these people back into the labour force, secure £1 billion of UK and Scottish government funding, lever £3.3 billion in private investment and ensure that currently deprived areas benefit from the city region’s economic growth.

The development of a ‘new, industry-led Oil and Gas Technology Centre’ is seen to be at ‘the heart’ (Gov. UK 2016a) of the Aberdeen City Region deal. Here the aim is to support continuing innovation in the oil and gas industry, to maximise the economic recovery of the remaining oil and gas reserves from the UK’s continental shelf and to anchor the supply chain for the oil and gas industry in the UK. The Inverness and Highland City Region Deal looks to provide ‘a transformative opportunity to position the area as a region of digital opportunity and strength, thereby enabling the Highlands to be the best digitally connected rural region in Europe’ (Gov. UK 2016b). More generally the commitments within the City Deal focus not only on digital connectivity but also on innovation, skills, air access, road improvements and affordable housing. Innovation, for example, is seen as an important driver for sustainable long term economic growth and both public and private investment is to target health and life sciences products and technologies as well as the more traditional economic strengths in tourism, food and drink and the creative industries.

**Discussion**

The City Deals are an ambitious new approach to economic and urban policy making designed to access substantial investment, to drive economic growth, to share the benefits of that economic growth more widely and to increase both decision making and accountability within cities and their surrounding areas. With the exception of Greater London, City Deals now embrace large swathes of the UK’s population and almost all of its large city regions. Although the City Deal model has attracted enthusiastic government support, both locally and nationally, there are concerns about the operational effectiveness of the model and looking to the future public affairs professionals and consultancies may increasingly look to monitor the development of this new approach to urban and economic policy. Here a number of issues, namely accountability and evaluation, the relationship between the local and national state, the role of planning and sustainability, merit attention.

Given the scale of, and the government investment in, the City Deal programme within the UK, accountability is an important public issue. In November 2015, following select committee scrutiny of the first wave of City Deals, Meg Hillier, Chair of the House of Commons Public Accounts Committee (PAC) argued that ‘evolving power and responsibilities carries the risk of weakened accountability. The fact that the Government cannot adequately
explain where responsibility lies for the success or failure of City Deal programmes should therefore sound alarm’ (House of Commons Public Accounts Committee 2015). Meg Hillier also argued that ‘it is also disappointing that there is no effective mechanism for comparing results in different cities, nor to scrutinise the knock-on effects projects in one area might have elsewhere. Taxpayers and indeed the Government are unable to assess precisely the impact of what has been delivered through the Deals so far. This becomes particularly significant if the perceived success of individual City Deal programmes is cited by Government as evidence its overall approach to devolution is working and does not require improvement’ (House of Commons Public Accounts Committee 2015).

At the same time there has been little by way of a comprehensive, rigorous evaluation of the achievements and progress of the City Deal model. The House of Commons Public Accounts Committee (2015) reported ‘the Department’s lack of monitoring and evaluation in the deals makes it difficult to assess their overall effectiveness. The Department did not include a consistent definition for common outcome measures with cities. Therefore, the claims for 25,000 jobs and 10,000 apprenticeships created so far are not based on consistent measurement and are of limited use when trying to understand what has actually been delivered. Furthermore, the Department is unable to distinguish whether any of the reported figures are new jobs, or whether they have moved from one economic centre to another as a result of these policy interventions.’ In a similar vein, analysis of City Deal documentation and interviews with representatives from local authorities, LEPs and national government relating to employment and skills, Clayton and McGough (2015) revealed that ‘several respondents highlighted the need for better access to data to allow them to monitor and evaluate programmes. This in part requires more data sharing among delivery partners and central government departments.’ A National Audit Office (2015) review of the first wave of City Deals echoed this concern suggesting ‘the government and cities continue to find it difficult to know what works best in boosting local growth without a robust and shared evaluation approach.’ In reporting on ‘Cities and Local Growth’ the House of Commons Committee of Public Accounts (2016a) concluded ‘we are not confident that existing arrangements for the scrutiny at local level of devolved functions are either robust enough or well supported.’ Further, the House of Commons Committee of Public Accounts (2016a) stressed the need for ‘adequate local scrutiny of devolved activities’ but suggested that ‘there is very little resource in many local authorities to provide independent evaluation and scrutiny.’

These concerns reflect the reality that the ‘City Deals are reworking the role of the UK state internally at the national and local levels and through changed central-local and inter-local (city-regional) relations.’ (O’Brien and Pike 2015). On the one hand this reworking has led to a number of operational and political problems. While the Department for Communities and Local Government has policy responsibility for the City Deals as many as eight other national government departments have a role to play in providing funding and/or support for specific programmes. However the House of Commons Committee of Public Accounts (2016b) concluded that ‘the Department (i.e. the Department for Communities and Local Government) has not made it clear who is accountable for public funds that have been devolved through City Deals’ and more specifically that ‘the
Department cannot explain clearly and simply whether responsibility for the outcomes of individual City Deal programmes rests with local or central government.’

More politically, following a series of in depth interviews with some 32 ‘lead actors in the City Deals’ O’Brien and Pike (2015) argued that ‘the UK government has been keen publicly to encourage cities and city regions to propose innovative and creative ideas, particularly in relation to infrastructure funding and financing, but privately has been reluctant to sign up to firm proposals that risked undermining the government’s overriding political and economic objective of deficit reduction.’ The House of Commons Committee of Public Accounts (2016a) argued ‘the rhetoric surrounding devolution is that local areas are the driving force behind deals’ but that ‘in practice central government is stipulating certain requirements, such as around local governance, without making them sufficiently clear up front.’ At the same time the House of Commons Committee of Public Accounts (2016a) also concluded that ‘central government has not set out clearly what is required from local areas in putting forward devolution proposals and equally what is and is not on offer from central government in return.’

On the other hand the reworking of the role of the UK state at national and local levels within the City Deal model also relates to wider social science debates about the role of the state in economic policy within capitalist societies. Although these debates (e.g. Dear and Clark 1978; Goodwin and Duncan 1985; Friedmann 1987; Cochrane 1989) are now somewhat dated, they do raise some issues relevant to any public review of the City Deals. At the national level Friedmann (1987) recognised ‘the State is obliged to play a dual role: it must encourage and support the interests of capital, but it must also prevent those interests from eroding the foundations of a common life’ and that this is a ‘complex, conflict-ridden role’. Dear and Clark (1978) argued that ‘the links are much less direct between the local state and the local urban economy than between the national state and the national economy’ but that ‘an independent local state agenda’ which may be ‘in conflict with an obligatory mandate, which derives from the national state, to implement policies aimed at full sectoral/spatial integration of the national economy irrespective of local interests.’

Such general concerns have not gone away over time. Knudsen and Boggs (2012), for example, have argued that ‘the exact division of labor between different tiers and agencies of the state (national state local) is open to constant contest and negotiation, and the resultant allocation of state functions is driven by a combination of political, social, cultural and economic considerations. The local state is thus at once an agent and an obstacle to the central (national) state.’ More specifically in examining the Sheffield City Region Deal, Etherington and Jones (2016) highlighted ‘the tensions and conflicts between central and local objectives, competition and cooperation and entrepreneurial versus social inclusion objectives and also issues of power and representation.’ At the same time Dear and Clark’s (1978) concerns that ‘local discretionary power might also be confounded by attempts by the national state to slough off its various crises to lower levels of government’ and that ‘an internal (vertical) adjustment is being made between different levels of government, causing a spatial (horizontal) transfer of crisis responsibility’ both still resonate in relation to the City Deals. Arguably more polemically Etherington and Jones (2016) use the word ‘chimera’ to characterise the Sheffield City Deal model in that it is a state project that is ‘imaginative,
even dazzling at times, though deeply implausible when unpacked in reality’ and one that will not ‘sufficiently coordinate effective responses to address a deep legacy of de-industrialisation, deep-rooted labour market and social inequalities.’

At a time when ‘politicians nationally have presented planning as an inhibitor of growth’ (Tomaney and McCarthy 2015), the City Deals, which look to drive economic growth, may have important implications for traditional town (and country) planning. There are concerns, for example, that development planning, which sets out a local authority’s policies and proposals for the development and use of land, will be ‘downscaled’ (Colomb and Tomaney 2016) as commitments to development agendas are forged within City Deal agreements without any specific reference to planning departments. In some ways this downscaling may be exacerbated by ‘the rapid downsizing of many local planning departments’ as ‘local authorities, especially in northern England, are faced with drastic cuts in central government funding allocations’ (Colomb and Tomaney 2016). As such the role of planning which is seen to be ‘necessary to address uncertainty and manage complexity’ (Adams and Watkins 2014) in the development process may be lost.

At the same time Tomaney and McCarthy (2015) suggested that the announcement in November 2014 of the Greater Manchester Agreement signalled ‘the return of statutory strategic spatial planning within England (outside London) which was abolished by the coalition government in 2010.’ Tomaney and McCarthy (2015) argued that while ‘land use planning has never figured prominently in recent Greater Manchester Policy deliberations’ it can now be seen ‘as an essential underpinning to Greater Manchester’s potential new infrastructure, giving public and private investors the confidence that the city region is aware of its infrastructure needs and associated locational priorities.’ That said Tomaney and McCarthy (2015) also suggest that the strategic spatial planning process may provide a number of challenges for the Greater Manchester City Deal not least in that the legally binding public examination of the strategic planning documentation will ‘test the secret deals approach that have been the hallmark of the Manchester Model.’ More generally Colomb and Tomaney (2016) suggest that ‘the most pressing planning issues in England’, include ‘a chronic shortage of affordable, adequate housing for significant parts of the English population’, ‘the need for improvements in infrastructure’ and ‘the threat of climate change, resource depletion and natural disasters’ which are seen to ‘demand strategic planning at a scale that may be higher than city or city-region.’

While many of the City Deals stress their commitment to sustainable economic growth, sustainable development per se receives only limited attention. Arguably the most explicit commitment to sustainability within the City Deals is a commitment to accelerate low carbon growth. The Stoke on Trent and Staffordshire City Deal, for example, includes proposals for the development of a low carbon (geothermal energy) district heat network which is designed to save 10,000 tonnes of carbon dioxide per annum. That said the Green Alliance (2012) revealed that only four, of the first eight City Deals, had made a commitment to either making low carbon part of the city’s vision or making efforts to tackle climate change as central elements in their programmes. More specifically the Green Alliance (2012) reported that some cities had ‘credible low carbon ambitions but they missed the
opportunity to use them to shape how their city deals approach growth and prioritise activities’ and ‘responding to climate change is central to securing resilient growth but there was little evidence that this was informing the City Deals.’

More generally the commitment to sustainable economic growth is a contested issue. The City Deals are seen as ‘as critical to our economic recovery’ bringing ‘the new enterprise and employment that the country desperately needs’ (HM Government 2011) with their ‘core philosophy’ being to ‘maximise infrastructure led economic growth to achieve positive employment, productivity and financial outcomes’ (KPMG 2014). However the commitment to economic growth is a thorny issue as some commentators suggest that there are fundamental, if often unpalatable, tensions between sustainable development and economic growth. Basically the argument here is that economic growth, dependent on the continuing depletion of the earth’s finite natural resources, is incompatible with sustainable development. Higgins (2013) for example, argued ‘the economic growth we know today is diametrically opposed to the sustainability of our planet.’ However the Government’s position, and that of the vast majority of the business community, is that sustainability and continuing economic growth are compatible not least because continuing improvements in technology will lead to the ever more efficient use of natural resources. Here ‘the orthodox view’ is that ‘achieving sustainability is a technical issue’ requiring ‘better knowledge, incentives and technology’ (Mansfield 2009). That said this position sits uneasily with those who are concerned about what Jackson (2009) described as ‘an emerging ecological crisis that is likely to dwarf the existing economic crisis.’

**Conclusion**

Within the UK City Deals have emerged as the central element in encouraging and facilitating sustainable economic growth. While these City Deals have been widely welcomed by national and local political leaders it is too early to undertake a rigorous and critical evaluation of the impact and effectiveness of the City Deal model. That said concerns have been raised about accountability and evaluation, the relationship between the national and local state, the role of traditional planning and sustainable development. In the light of these concerns politicians, policy makers, planners and public affairs analysts will want to maintain a watching brief on the effectiveness of City Deals in promoting economic growth, job creation and improvements in infrastructure.

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THE AUTHORS

Peter Jones, Martin Wynn, and Daphne Comfort work in the Business School at the University of Gloucestershire and David Hillier is an Emeritus Professor in the Centre for Police Sciences at the University of South Wales.