
Report of the Chief Executive's Department

Scrutiny Board (City Development)

Date: 12 September 2006

Subject: Inquiry into Leeds City Region

Electoral Wards Affected: All

Specific Implications For:

- Ethnic minorities
- Women
- Disabled people
- Narrowing the Gap
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1.0 Purpose of this report

- 1.1 During the 2005-6 municipal year, Scrutiny Board (City Development) undertook an inquiry into the development of the Leeds City Region as an appropriate mechanism for furthering the economy of the area, and the implications of this work for the delivery of the council's corporate plan outcome; "Leeds as a highly competitive, international city".
- 1.2 Scrutiny Board was presented with information from a range of witnesses over four separate sessions. The Board is now planning to review the evidence and reach some recommendations.
- 1.3 The concept of how city regions as functional economic spaces might be better harnessed remains a live issue, especially in the run up to the Local Government White Paper and to the Comprehensive Spending Review 2007. This report therefore presents some of the latest developments relevant to both the Leeds City Region and to the issue nationally.

2.0 Local Developments

2.1 The Leeds Business Case

At the last Scrutiny meeting when this topic was on the agenda, the Leeds Business Case submission to Rt Hon David Miliband MP (and subsequently Rt Hon Ruth Kelly MP) was discussed including the elements within that document relevant to the Leeds city region. Members may recall that the Leeds Business Case put

forward a limited number of proposals designed to enhance the competitiveness of Leeds and the city region. A delegation from Leeds and the city region presented the Business Case to Secretary of State for Communities and Local Government, Rt Hon Ruth Kelly MP on July 17 2006. Transport Minister Gillian Merron MP also attended that meeting. During the meeting, the questions posed by the Ministers and civil servants focused heavily around appropriate mechanisms including enhanced accountability to develop effective city region working, either through existing arrangements or by developing new governance mechanisms. A number of developments flowed from that meeting including: a commitment from the Department for Communities and Local Government (DCLG) civil servants to engage in a dialogue with Leeds officers on specific issues raised concerning the city's mixed communities proposals; a desire to develop discussions on the transport proposals involving the Department of Transport and a desire to engage on city region governance proposals. Rt Hon Ruth Kelly MP has written to Leeds and our city region partners outlining a number of questions which she would like to see explored by September 2006. (see attached appendix 2).

Most of the other Core cities have also now made their presentations to the Secretary of State.

2.2 Leeds City Region Development Programme

In the meantime, Leeds City Region partners are working on a second iteration of the City Region Development Programme (CRDP) which seeks to inform Government's thinking on the Comprehensive Spending Review 2007. The Programme will be launched both locally and also at a parliamentary event in Westminster in November 2006. Within the Programme there is a particular emphasis on a 20 year Vision for Transport across the Leeds City Region. The report also highlights a number of specific proposals aimed at accelerating economic growth in the city region. One specific example is the European Spallation Source project proposed for Burn Airfield at Selby where a Yorkshire Forward / White Rose University Consortium partnership is bidding to host the European Spallation Source (ESS) – a £1 billion neutron scattering research facility, which would be the most powerful such facility in the world. Several other European countries are currently bidding to host this prestigious facility, including Germany, Hungary and a Scandinavian consortium.

Priorities in the City Region Development Programme have been informed by a number of detailed empirical research studies looking at facets of the Leeds City Region economy. These include research on the role of the financial and business services sector and how this sector can be better supported and the city region's residential offer and how this relates to its economic growth trajectory.

2.3 Developments on the Worklessness and Skills agenda

As part of the recent Welfare Reform white paper, the Department for Work and Pensions (DWP) established a City Strategy programme. The programme provides financial and procedural support to link local providers and partners into a consortium dedicated to tackling worklessness and developing solutions to the specific barriers that prevent people accessing the labour market.

In May 2006, the Government invited the Core Cities (who had already started some ground work via their business case submissions) together with those towns and cities ranked highest in the worklessness data set of the Index of Deprivation to

submit expressions of interest in becoming a City Strategy pilot. The focus of the initiative is on individuals who are farthest from the support available from the welfare state (such as Incapacity Benefit Claimants, Older Workers and Black and Minority Ethnic Communities) and to ensure that access to support is streamlined for individuals. Consortia were also asked to ensure that provision available meets the needs of local employers and develops clearer routes from training and skills development to the workplace.

Given the timescale set for submission and the relative immaturity of the city region partnership, it was not feasible to develop a city region consortia bid. Leeds submitted an expression of interest, as did Bradford, but neither were successful. Feedback has been received from DWP and it is noted in the Secretary of State's letter (see appendix 2 below) that support can be made available to further our proposals. Both of these indicate the potential for bidding in future rounds of the City Strategy programme when they become available.

2.4 Transport agenda

A 20 Year Vision for Transport in the City Region is being developed, led by WYPTE. There is a need to identify transport schemes of city region significance to underpin the economic growth objectives of the City Region Development Programme. This Transport Vision for the Leeds City Region will be used to influence strategic economic, land use and transport planning decisions.

A city region bid was submitted in late July 2006 to the Department of Transport for Transport Innovation Fund (TIF) pump prime funding to develop a better understanding of the current and future impacts of transport congestion on economic performance. This congestion strand of TIF funding is intended to support local authorities investigating innovative proposals that include the enhancement of public transport as well as demand management measures.

The bid has been developed with the support of a city region 'Congestion partnership' of local authorities across the city region as well as representatives from the private sector and Yorkshire Forward. The bid has been submitted by WYPTE on behalf of all city region authorities, they would act as the accountable body for DfT funding. A decision on this round of pump priming grants is expected in late autumn 2006.

3.0 Developments on the city region policy agenda nationally

Since the June 2006 Scrutiny Board meeting, there has been a significant acceleration in the pace of debate and discussion on city regions. This has been fuelled both by a series of ministerial speeches and press briefings on the subject and also via the publication of further policy papers exploring the issue. Some of the press reporting of this issue has not been wholly accurate. Clearly this debate is building momentum prior to the publication of the Local Government White paper which is now anticipated in autumn this year and the Comprehensive Spending Review 2007 (with related reports including the Lyons Inquiry and Eddington Transport study expecting to be published later this year). The detail in appendix 1 summarises the most significant of those recent developments.

4.0 Recommendations

- 4.1 That the Board supports the city region approach as the functionally coherent unit for developing interventions aimed at achieving enhanced economic growth. This particularly relates to interventions around transport connectivity; economic development (including innovation); skills and housing / building sustainable communities (i.e. places where people choose to live) where city region working can bring real added value.
- 4.2 That the Board endorses Leeds City Council's contribution to the broader city region partnership and to its efforts to enhance overall economic performance.
- 4.3 That the Board endorses the view that other regional and national public bodies, government agencies and departments with a remit to promote economic growth, improve transport connectivity, improve skills levels etc, should seek to align their strategy and delivery plans to the city region.
- 4.4 That the Board recognises that developing a city region strategy and policy in all areas will proceed at different rates dependent on the level of existing understanding, so for example transport thinking at a city region level is well advanced and moving forward, whereas a distinct city region skills offer is less well developed.

Appendix 1. Developments on the city region policy agenda nationally

Appendix 2. Letter from the Secretary of State for Communities and Local Government.

Appendix 1

Developments on the city region policy agenda nationally

1. Core Cities

The Core Cities group made the issue of city regions a key element of its policy summit held in Bristol in late June, Ruth Kelly and John Healey both gave speeches to that event which are reported below. Each of the Core Cities has been building its own city region partnerships by consensus and none of them advocates an elected mayor solution to enhanced accountability and leadership across their city region. The group will be undertaking further work over the summer examining effective international models for city region governance other than mayors.

In addition the group is planning to produce a 'Manifesto' by September which will serve to express the collective views of Core Cities on a range of economic policy issues in advance of the CSR 2007.

2. Ministerial Comments

Ruth Kelly

As the minister responsible for agreeing the White paper Ruth Kelly's views are clearly pivotal. She has given a number of speeches alluding to her approach to increased devolution of functions from government to city regions.

Her speech to the Core Cities summit was of particular relevance and worthy of reading in full, however the following abstracts indicate the thrust of her argument;

"... getting governance over the right spatial area is essential. Many of these challenges cut across local authority areas, suggesting that some key decisions need to be taken across the city-region. Indeed empirical research across EU cities suggests that a better fit between administrative boundaries and the real, underlying economic geography, strengthens economic performance across the city-region. This isn't about turf wars or power grabs. It is about creating new ways of addressing economic inter-dependence."

"...in Yorkshire, the growth of Leeds as a financial and services centre has created jobs and fostered opportunity for a wide catchment area across the whole of West Yorkshire and beyond. This does not mean that Leeds is the only employment centre in the sub-region, nor that Leeds should be the only focus of our efforts: Wakefield, Halifax, Huddersfield and other places are all important in their own right. But it does mean that each of these smaller cities and towns, needs a distinctive economic strategy that helps it to contribute to, and complement, the growth pole of Leeds. We need our cities and towns to be both competitors and collaborators: to strive to excel individually in economic performance and in quality of life but also to recognise shared opportunities, put aside parochial concerns and maximise joint advantage."

...we need to ensure that leadership and accountability arrangements are commensurate with the powers on offer. I have no fixed blueprint here but I'm absolutely clear that if I'm to make the case in Whitehall for more devolution then I need to be able to explain in clear and simple terms to whom we will be devolving and how this will make sense to the citizen in the street.

If you want to help me win the case for devolution to cities then let's work together on governance arrangements that provide a clear mandate to take tough decisions across a city or a wider metropolitan area. Nothing less will equip our cities for the ever more competitive and globalised world of the decades to come."

At a speech to the International Mayors and City Leaders forum later that same week the Secretary of State spoke of the challenges of city leadership and tackling the international challenges of economic transformation, social inclusion, climate change and city investment.

".....this Forum is happening at an appropriate time for us, not only to listen to the experiences and expert advice of others, but to consider how we might take forward our policies on these key issues in the UK, on city leadership, on addressing the differences between cities and identifying those areas we can really learn from.

We are on the cusp of taking the crucial decisions for the next steps in devolution. We want to empower our cities and to engage our citizens.

And I want to draw on the best international expertise in making these decisions."

Phil Woolas

DCLG Minister of State for Local Government Phil Woolas giving a long interview in early August to the Birmingham Post was reported to have made a strong (but not exclusive) case for city region mayors. The press attributed the following comments to him:

"We will be saying to all the cities - but obviously the core cities are the main ones - if you want more powers, where is the leadership? Where is the accountability?"

"The difference is this - is your council leader the leader of the council? Or the leader of the city? With Ken Livingstone, there is no doubt. He is the leader of London."

The White Paper would propose a major relocation of powers from Whitehall to local councils, the Minister promised.

"It is going to be much more radical than the debate at the moment realises. I don't think most council leaders realise how radical we will be. "We are not talking about strong leadership for nothing."

John Healey

At the Core Cities Summit, John Healey Financial Secretary of the Treasury spoke on regionalism and localism in Treasury economic policy, highlighting the continuing disparities in economic performance across the UK and the challenges which CSR 2007 will present.

"Beyond this continuing drive to raise levels of productivity and regional growth, the Government's big policy task in the next decade is to come to terms with the long-term policy challenges of the:

- *expanding global economy with rapidly emerging new economies and competitive pressures;*
- *accelerating pace of technology change and diffusion;*
- *intensifying scarcity of national resources and threat of climate change;*
- *increasing insecurity in face of international crime and terrorism; and*
- *rapidly changing demography of our own country.*

And in the Comprehensive Spending Review - the CSR - as we assess the implications of these trends and the contribution to the economy of new policies on skills, transport, planning, housing, employment, better regulation, science and innovation we will need to consider in each policy area, the case for further decentralisation of decision-making.

But whether this may be to region, city or local level, proposals backed by evidence must meet the central policy test: Will this improve employment, economic performance and growth? And will it do so cost effectively?"

He discussed the appropriate spatial level for action to be taken:

"But in developing a stronger economic role for our local authorities, it is important to recognise, as this conference has, that economic spheres are rarely consistent with council boundaries.

Labour markets, commuting patterns, transport networks, housing markets, or retail catchments do not respect the administrative boundaries of local government and local authority strategies must reflect these economic realities.

It means that the regional and sub-regional economic context is important, as are the relations with RDAs in particular.

There is no principled or pragmatic choice between either regions or cities and local councils.

Rather there must be close co-operation and consistency on economic strategies and activities between the leading agencies at regional, city regional levels, and central government must support such collaboration."

John Healey spoke positively of the impact of RDAs to economic success and warned:

“If we weaken the role of RDAs, or simply carve out city regions from the regional economic strategy, then cities - and in particular the smaller cities and towns - would be the losers.”

John Healey’s views and those of fellow Treasury minister Economic Minister Ed Balls, were further developed in a paper published by the New Local Government Network in July entitled ***Evolution and Devolution in England: how regions strengthen our towns and cities*** .

The paper argues for greater devolution to the regions and local government, and greater collaboration within city regions without imposing fixed models or new governance structures on towns and cities. Other suggestions include: new powers and flexibilities for local government and RDAs; caution on city-region governance models and scepticism about imposing sub-regional mayoral arrangements where they do not fit local identities; new regional select committee style bodies in Parliament; and a monthly Question Time in Parliament to discuss issues relating to each region in England.

The views were quite specific in seeking to defend the continued role of regional development agencies in economic policy for cities and city regions.

The paper also included some views on city region mayors using Leeds City Region as an example:

“Many people think of themselves as ‘Londoners’ before they see themselves as residents of Camden or Vauxhall. Whereas in West Yorkshire, residents are most certainly from Leeds or Wakefield or Bradford before they call themselves a ‘Leeds – city – regioner’. In our view the success of the elected London Mayor cannot be easily replicated within the English Regions or imposed on city regions.”

3. LGA Local Transport discussion paper

This report, commissioned by the Local Government Association and written by Tony Travers and Stephen Glaister, puts forward the authors’ views about ways in which the governance and funding of transport could be reformed.

This report is set in the context of recent debates about the future of local government, transport, city regions and funding. The report recommends building on existing institutions and mechanisms with a view to allowing the greatest amount of reform with the minimum of reorganisation and upheaval.

It highlights the existing role, legitimacy and democratic accountability of passenger transport authorities and explores the possibility of developing more powerful and accountable city region transport authorities taking greater control (from central government) over local bus and rail services and possibly extending their powers to include major roads and other elements of planning and regeneration. The authors suggest such bodies could be given greater fiscal freedoms to raise revenue and borrow against fares income.

4. Other studies

In the last quarter two significant pieces of work on other city regions have been produced. Firstly a series of essays looking at the economic importance of cities and city regions in the North West has been published by the North West Regional Development Agency and the IPPR Centre for Cities as ***Cities Northwest***. This publication includes contributions from both Liverpool and Manchester.

A substantial study has been published by the Organisation for Economic Cooperation and Development (OECD) on the North East of England. Entitled ***Building a Competitive City-Region: the Case of Newcastle in the North East***, this major international study, the first of its kind in the UK considered the prospects and potential of the city region economy. In terms of future governance arrangements it commented on the weak and fragmented governance arrangements across the region and suggested that consolidating the governance functions

of local authorities and governance capacity at city region level would be beneficial, suggesting a city region mayor as a possible governance solution.