

Policies for Urban and Regional Development: the UK experience

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Spatial schizophrenia: contemporary urban and regional policy in the UK

The UK was the first country in the developed world to experience large scale, structural industrial crisis and its national governments have long been concerned to ensure that all its residents have equal access to the benefits that citizenship brings. Because of the challenges that the co-incidence of these two factors generated for spatial economic management, the UK has rightly become well known, internationally, for its active urban and regional development policies over the last thirty years. Whilst the forms that these policies have taken, their targets, their aims and objectives and the way they have been delivered have varied very substantially during this time, a core concern with *spatial disparities* has remained. On paper, that continues to be the case, at least in England, which accounts for 90% of the UK's population. One of the many 'Public Service Agreement' (PSA) targets that Government departments are currently pledged to pursue focuses upon 'Regional Economic Performance'. This commits the Government to 'make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions'. Views differ about how ambitious the latter part of this PSA target is in practice. It is certainly true, for example, that a reduction in the differences between growth rates in the regions would not necessarily reduce the disparities between; it might well simply slow the rate at which disparities grow. Even if it were possible to ensure that 'lagging' regions grow consistently at a higher rate than the more 'successful' ones – a very tall order, as we shall see - it would take decades before the absolute differences in regional wealth and productivity began to decline.

In two important respects, however, debate about the Government's formal, recorded aspirations with respect to patterns of regional economic change is something of a sideshow. On one hand, the idea that it is possible to understand spatial economic change effectively through the lens of 'the region' is deeply problematic. Regional boundaries in the UK are mainly a matter of administrative convenience. None of the nine 'regions' of England, for example, with the partial exception of London, remotely approximate to functional economic areas, whether measured by travel-to-work patterns or other indicators of economic integration. Instead, we have a situation in which the economy of the regions of the north of England, for instance, are best viewed as a collection of sub-regional units, most of them centred upon one or more key urban areas. By contrast, in the south of the country there is strong, economic inter-dependency between the 'London region' (actually the metropolitan area that falls within the orbital motorway around the capital) and large parts of neighbouring regions from which the capital draws much of its labour and to which it effectively exports huge numbers of suburbanizing and migrating households. Beyond England, the UK's 'regions' can more accurately be described as stateless nations (or parts thereof) which, like the English regions, lack any obvious functional integrity but, unlike them, are associated with a strong sense of cultural identity and belonging (to Scotland, Wales and Ireland, respectively).

On the other hand, it is difficult to identify a clear set of institutional structures and policy instruments through which the formal Governmental aspiration to limit the growth in regional disparities might feasibly be brought about. Indeed there is considerable evidence that, despite the steady growth – both recent and historic - of sub-national governance arrangements that are intended to promote economic development and regeneration in *all* the nations and regions of the UK, the broad thrust of current Governmental strategy with respect to spatial development, implicitly, focuses upon supporting and managing growth in the growing 'super-region' centred upon London.

It is therefore possible to tell two 'stories' about policies for urban and regional development in the UK. The one generally told by national Government is that current, explicit policies represent an extension, and even a strengthening, of traditional concerns with reducing disparities at a range of spatial levels and that what is new is a growing realization that Government departments do not know best but need to devolve or decentralize responsibilities so that the onus for responding to spatial differences in economic performance rests with organizations that are ostensibly better placed to understand and act upon local or regional peculiarities and potential. The alternative story surfaces occasionally in Government pronouncements about the vital role London plays within the UK economy but in most respects it is reflected, implicitly, in decisions within single policy areas that are not seen primarily in spatial terms. It is that Government, in practice, is intent upon feeding the 'golden goose' that is the London super-region through a variety of investment and policy choices, in a way that has no parallel elsewhere in the country, because, however difficult such a strategy is to 'sell', politically, this represents the best way of sustaining the unprecedented economic boom experienced in the UK over the last 15 years and ensuring the longer term competitiveness of the national economy.

The remainder of this chapter examines how this dichotomous approach to spatial development has emerged by putting it, briefly, into a broader historical context before looking in more detail at policy and institutional change, and the economic context in which reforms have taken place, since the election of the Labour government in 1997. It concludes by considering how sustainable the governance and policy framework that has emerged in the UK in this time, and the patterns of spatial economic change it is effectively underpinning, are likely to prove in the future.

UK regional and urban policy in retrospect

The history of spatial policy in the UK started, in earnest, in the post-World War 2 period. From the 1950s to the 1970s, UK Governments took the issue of economic imbalance between regions seriously and developed a series of measures both to control development in the super region that surrounds London - and which has, since records began, always been the principal economic hotspot of the country - and to encourage economic decentralization, particularly of manufacturing industries, to the more peripheral regions. Attempts to achieve this were made through a system of incentives to move or to set up firms in the peripheral regions and the introduction of controls over new economic activities in the southeast of the country. These measures, focused upon private firms, were supported by others designed to manage the decentralization of population from London and the major cities, principally through the development of New Towns, and to deconcentrate public service employment from the capital.

Most of the literature which looks at this traditional regional policy period suggests that, at least in terms of private sector investment and activity, it worked reasonably well for some considerable time. Major manufacturing industries did set up in the peripheral regions and helped to modernize economies based upon longer-standing trading and heavy industrial strengths. However at the point where the UK started to go through an industrial crisis, relatively early compared to other advanced economies, the gains made as a result of regional policy quickly began to disappear. Many of the plants which had been established in the peripheral regions were amongst the first to close as soon as the corporations of which they were a part closed or rationalized in the face of growing global competition. The logic of regional policy began to unwind as (a) the size of the area of the country that was designated as being poor enough to qualify for regional policy assistance grew at precisely the point that the pool of firms that might once have benefited from it was shrinking, and (b) it became impossible to argue that there should be any form of control over development in those areas of the country that appeared to be weathering economic storms most effectively.

The costs of industrial change were very unevenly shared across the UK. The major cities, in particular, went through a protracted period of adjustment to a new, more knowledge-intensive economy. During the later 1970s and '80s, unemployment in certain districts of the major cities reached 50 percent or more. Even across cities as a whole, unemployment rates of 20 to 25 percent were not unusual at the height of the national economic recession of the early 1980s. So rather than have a regional policy which was based on the decentralization of economic activity from areas that were themselves experiencing the negative consequences of industrial restructuring, UK Governments switched their formal spatial development efforts more and more into urban policies, focusing in particular on small areas within major cities that were experiencing the most dramatic decline. From the late 1970s to the early years of this century, a series of interventions were made with the intention of making sure that cities redeveloped in terms of their physical infrastructure, enterprises and the wellbeing of communities that felt the worst effects of economic change.

Views differ about how effective national urban policies have been. On one hand there is no doubt that there has been a profound, if uneven, urban renaissance within the UK. However, there remain very large question marks as to whether urban policies were responsible for much of the positive change experienced within and by urban areas. At the time of writing, the UK has experienced an unprecedented 15 years worth of consistent national economic growth. Urban programmes have played a supporting role in reshaping cities for a so far buoyant and largely post-industrial economy, especially when they have focused on key areas within cities that were beginning to benefit disproportionately from national economic success, but any balanced assessment would have to conclude that change in UK cities has been primarily market-led rather than policy-driven.

Recent reforms

Since 1997 there has been a slow rediscovery of the core concern of traditional regional policy, that is the growing gap in regional economic performance, and a realization that the larger cities are key drivers of economic change within (and, in some cases, beyond) their respective regions in an emerging, largely post-industrial and knowledge-based economy. The latter has challenged the view, implicit within national urban policies, that cities are the source of social problems rather than (or as well as) economic innovation and dynamism. The former has triggered increasing interest in developing institutions and policies that respond to regional development issues in a new way. One of the reasons it has taken some time to acknowledge the improved performance and potential, as well as the problems, of cities lies in administrative geography. The UK has an administrative system which tends to divide cities and the wider areas they influence into a number of different administrative units. On their own, these 'units' make little economic sense and the fragmentation of governance means it is very difficult to bring policies together at the level of the metropolitan area or the city region. It has increasingly been recognized, however, that it is essential to do so because it is at the level of the travel to work area around our major cities that issues like segregation and economic competitiveness need to be considered.

Over the last five years, attitudes toward urban and regional policy have begun to change and consideration has been given to bringing them together more effectively in a way that reflects the differential economic performance and functions of key city regions. This is based upon a wealth of recent academic analysis which concludes that, in a knowledge economy, cities are increasingly the crucibles of economic change and policies and governance arrangements need to be reshaped to reflect emerging spatial economic realities. The route through which this realization has dawned in the UK, however, has been somewhat complex. In the first term of the Labour government, there were unprecedented efforts to devolve powers and responsibilities to the sub-national level. The thinking behind this first phase of devolution was not, however, primarily concerned with sub-national economic performance. Rather, it focused upon modernizing the UK constitution and according the 'right' to higher levels of self-government to those areas of the country where there was a clear appetite for it.

Consequentially, the pattern of devolution was uneven. There are now devolved administrations (in the form of directly-elected Parliaments or Assemblies) for the non-English UK territories (Scotland, Wales, Northern Ireland), where there is a strong sense of national identity. A directly elected, strategic authority for the metropolitan area of London has also been created. That, however, is as far as 'devolution' has got so far, which means that only around 25% of the UK population currently live under devolved governance arrangements.

In the rest of the country – that is, for the 75% of UK residents who live in England, outside London - progress has been slower and more difficult. Partly because English peoples' sense of attachment to 'their' region is comparatively weak, and partly because there was little in the way of deconcentrated national administration at the regional scale that could be 'democratised', the focus within England has been on economic performance. Regional Development Agencies (RDAs), whose boards are appointed by Government, were set up in 1999 in each of the English regions to pursue and co-ordinate economic development. RDAs are a key part of regional governance but they control relatively little – 5% or less - of the total public expenditure that flows into their region.

In the second term of the Labour Government (from 2001), there was a tentative attempt to move towards more direct democratic oversight of RDAs and other public sector activity within the regions through a process that could have led to the establishment of Elected Regional Assemblies (ERAs). In essence, the idea was to try and develop ERAs in the most peripheral, northern English regions where economic performance lagged furthest behind the national average in the first instance. The process entailed national government – and one Government Department, in particular - developing a proposal for what ERAs would do which, it was intended, would be put, initially, to the citizens of the three regions concerned – the North East, the North West and Yorkshire and the Humber – in a referendum. As it turned out, only one referendum was actually held - in the North East, the region that was generally expected to be most supportive of the idea of an ERA – in November 2004. It resulted in the overwhelming rejection, by 80:20, of the creation of an ERA in the North East.

There are many explanations of the referendum result. One reason, as noted above, is that there is not a great deal of cultural affinity with administrative regions in England. People tend to think of themselves as English or as coming from a particular county, city or locality rather than from a region. A second reason was that the ERA proposal that was on the table from government was widely seen to be very weak; ERAs, at least in the first instance, would not have had many powers or resources with which to realize their missions. The timing of the referendum – just after the much criticized Iraq war – also meant that some voters may have effectively voted against the Government rather than the idea of an ERA. But the principal reason that the people of the North East rejected an ERA was because they simply did not want more politicians, reflecting a very powerful 'anti-politics' sentiment in the country which makes the development of devolution in England very difficult. The scale of this rejection led the Government to abandon its plans for further referendums and to shelve its plans for devolution within England.

Thus, when it came to the third term of the Labour Government (from 2005), there was a need to rethink approaches toward devolution, institutional change and economic development in England, outside London. In practice, this has taken two directions which are neatly summarized in two Government documents produced in the latter half of 2007; the *Review of Sub-National Economic Development and Regeneration*, or 'SNR', and the *Pre-Budget Report and Comprehensive Spending Review*, or 'CSR07'. Together, these documents describe what might be called 'spatial schizophrenia'. On one hand, there is a commitment to the decentralization, rather than devolution, of economic development and related responsibilities to enable and encourage more effective responses to economic change, at a variety of sub-national levels, across the country. On the other, there is an implicit understanding within Government that London and the super-region that surrounds the capital represents the UK's most important asset in a

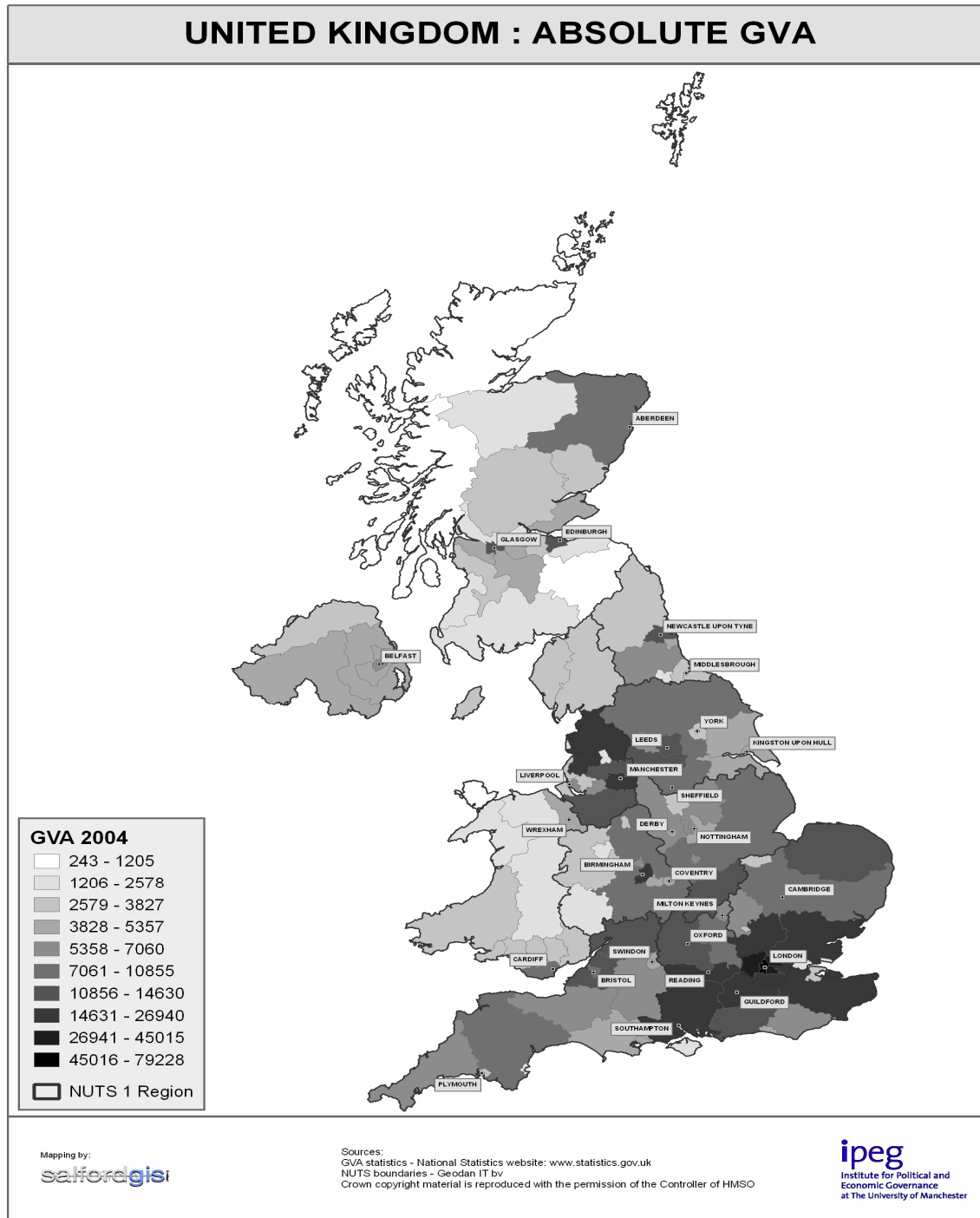
global economy and priority must be given to underpinning and managing the growth of the London super-region through a variety of policy adjustments and spending plans.

Neither of these positions are easily reconciled with the one formal Government commitment with respect to spatial economic development referred to above – the Regional Economic Performance – and especially with the longer term target of reducing the differences in regional growth rates between the best-performing regions and the rest. The size of the challenge is summarized in the following maps¹, which use official data on Gross Value Added (GVA) for ‘NUTS 3’ areas – the standardised statistical unit, larger than the municipality but smaller than the administrative region, used by the European Commission to compare spatial change within the EU - to model recent changes in the spatial economic geography of the UK. Map 1 shows absolute levels of GVA in NUTS 3 areas as at 2004 whilst Map 2 shows growth in absolute GVA in the same areas between 1995 and 2004. Maps 3 and 4 repeat this analysis using GVA per capita figures, the best available proxy for productivity.

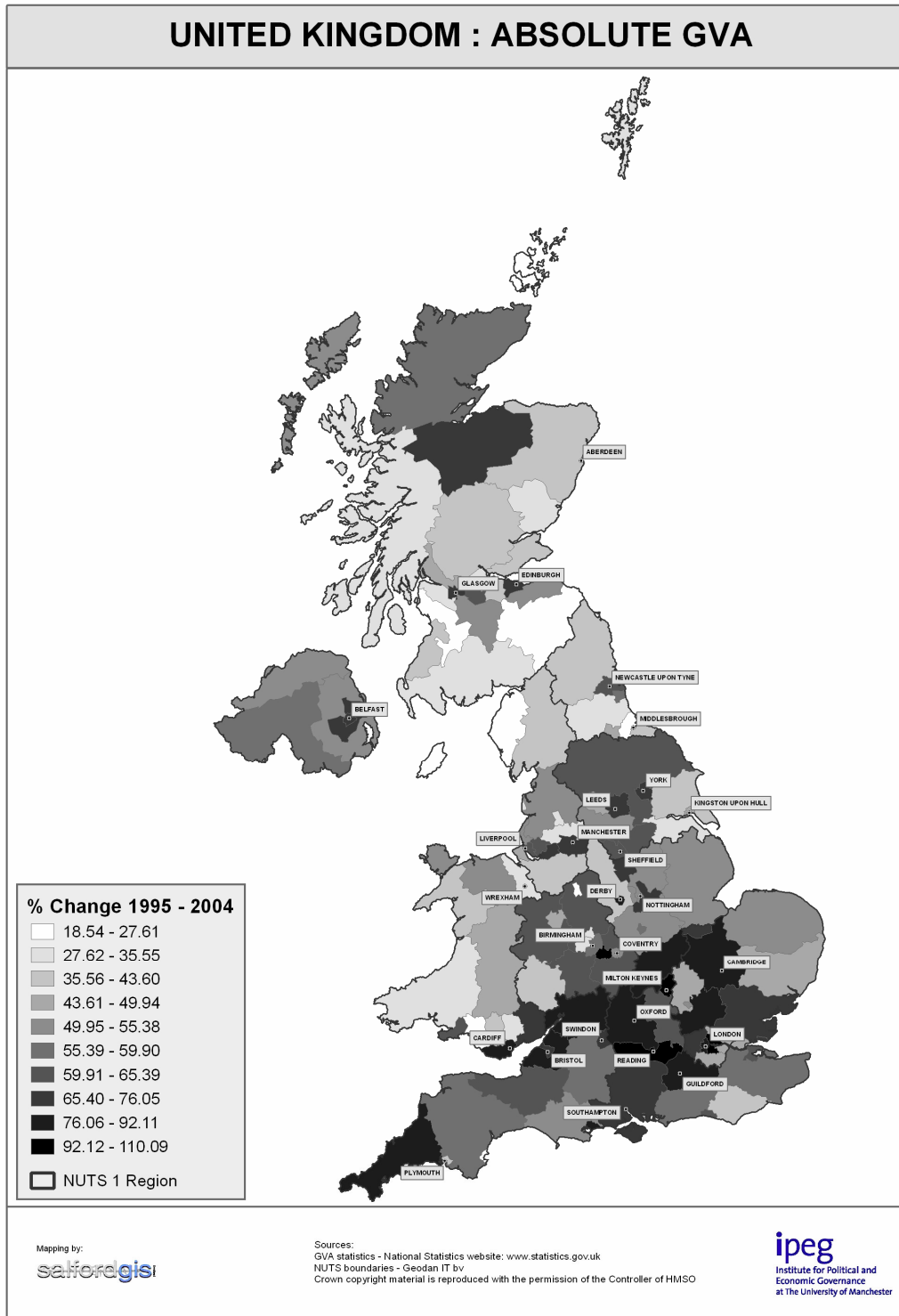
These maps illustrate three key things. First, ‘the London effect’ is huge, geographically widespread and growing. What we might term the London super-region, covering the city itself plus large parts of the south east, the southern part of the eastern region and, increasingly, the closest and best-connected areas of the midlands regions, contains the densest concentration of NUTS 3 areas with the highest levels of aggregate economic activity (Map 1), the vast majority of areas within which recent economic growth has been fastest (Map 2) and an even heavier concentration of areas in which productivity is highest (Map 3) and where recent productivity improvements are most marked (Map 4).

¹ Permission to reproduce these maps was kindly given by the Northern Way which sponsored the research programme that generated them (see www.thenorhternway.co.uk/page.asp?id+386)

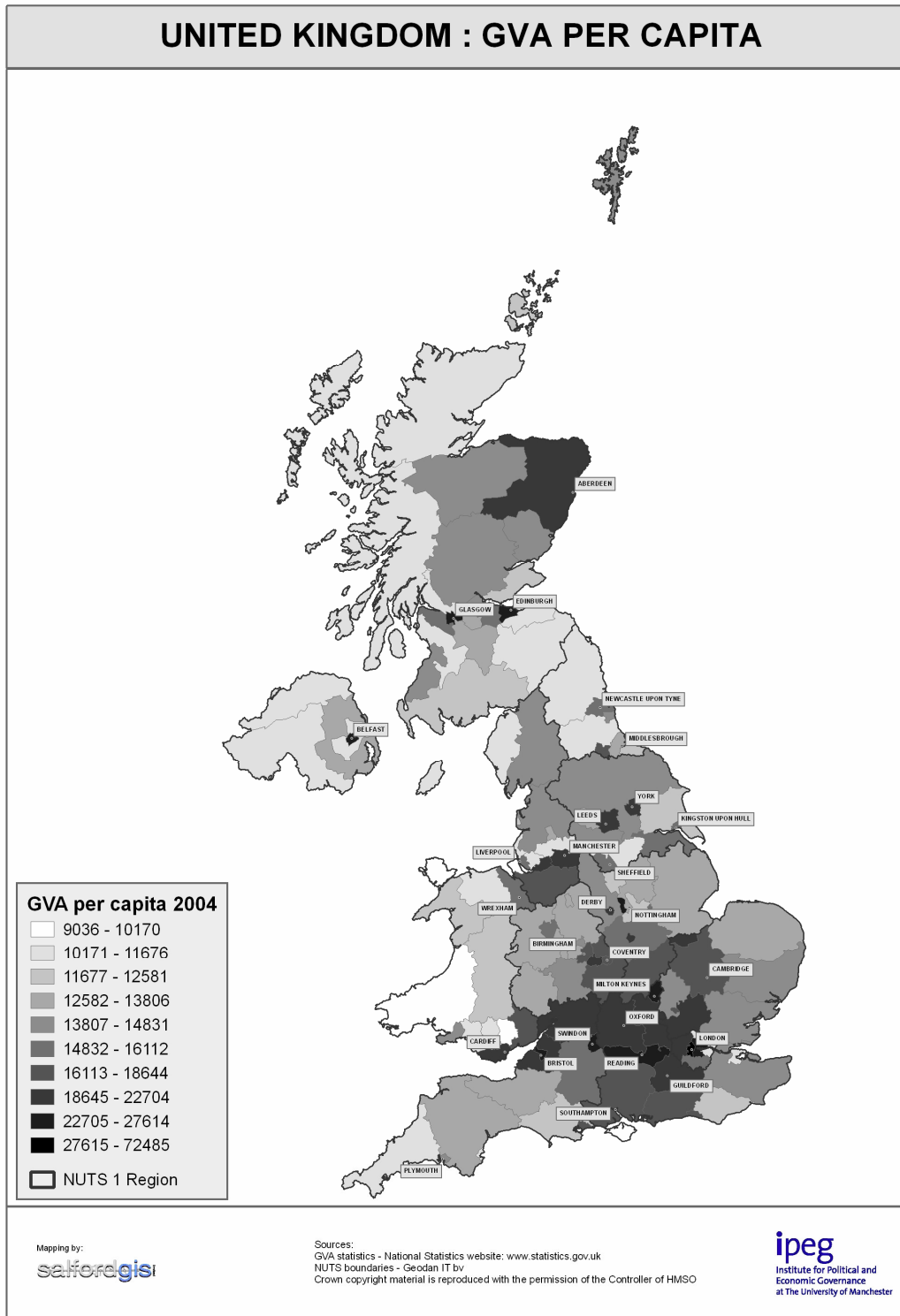
Map 1: GVA for UK NUTS 3 areas, 2004



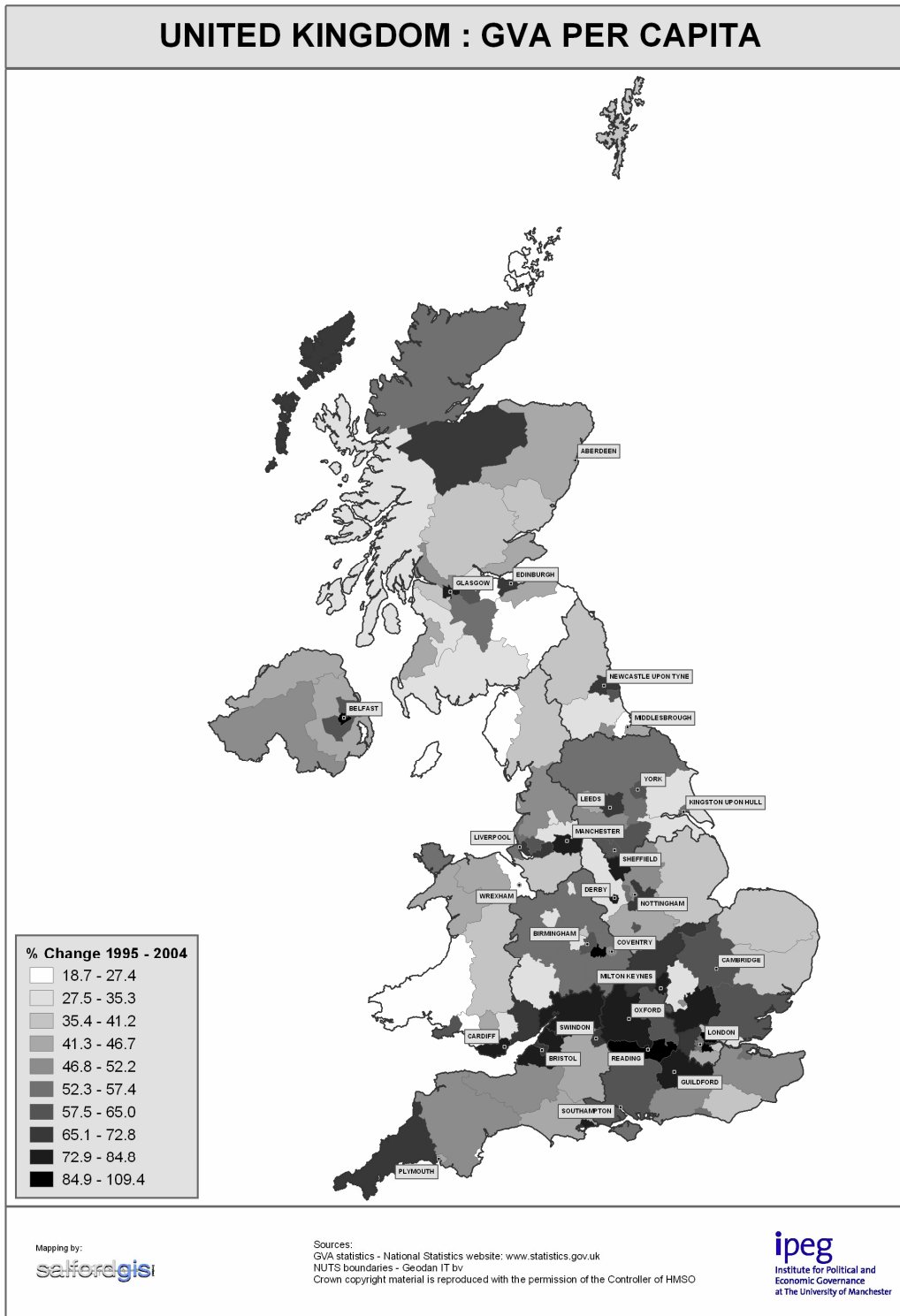
Map 2: GVA change (%) in UK NUTS 3 areas, 1995-2004



Map 3: GVA per capita for UK NUTS 3 areas, 2004



Map 4: GVA per capita change (%) in UK NUTS 3 areas, 1995-2004



Second, there is evidence of significant improvement in the economic fortunes of those areas centred upon provincial cities. High concentrations of economic activity outside the London super-region are fewer and further between (Map 1) and in some cases reflect residual rather than recent strengths; the former industrial heartlands of northern Greater Manchester and Lancashire in the North West region, for example, continue to have relatively high GVA levels (Map 1) but perform markedly less well in terms of recent GVA change, current 'productivity' levels and recent productivity increases (Maps 2-4). If we focus upon recent growth in GVA and GVA per capita (Maps 2 and 4), however, it is clear that the performance of certain provincial 'city-regions' – particularly those centred upon Manchester, Leeds, Liverpool, Birmingham and Bristol and the smaller York, Derby and Nottingham – bears comparison with the London super-region whilst that of others – Sheffield and Newcastle are obvious examples – stand out within their immediate regional contexts.

Third, the contrast between the London super-region and the rest is both marked and growing. Thus whilst the trends indicated by Maps 2 and 4 suggest that the performance of key provincial city-regions could be expected to improve relative to 'their' regions and therefore increasingly 'drive' regional change, it seems set to lag further and further behind that of the London super-region.

Logically, then, an economic development-focused approach to city-regions might have been expected to take one of two forms, depending upon which REP PSA aspiration was seen to take precedence. Both would necessarily be spatially selective rather than comprehensive. If the first part of the target – to promote maximum feasible sustainable economic development in all regions – were to be prioritised, it would favour enhanced city-regional development strategies focused upon London (which clearly 'drives' the development of the south east and eastern regions) and the major provincial cities. Alternatively, were there to be a serious effort to reduce inter-regional disparities in economic growth rates, there would need to be a tighter focus upon the provincial city-regions with the strongest growth potential. Within these parameters, quite how delivery models for city-regions might be structured and what resources they might deploy remain open questions. In practice, little consensus on these governance issues emerged amongst the various contributors to the recent 'city-region debate' beyond the relatively banal observation that decision-making in key areas such as transport, economic development and regeneration, housing, skills, business development and land-use planning need to be better aligned at the city-regional scale.

What made such consensus difficult to achieve in practice was that Government, whilst it recognised the importance of cities and city-regions to patterns of sub-national economic change, neither clarified how it expected the two elements of the REP PSA to be pursued simultaneously nor specified how it saw city-regions fitting into its approach to spatial economic development. Instead, what emerged, during the latter half of 2007, was an orientation toward sub-national governance and policy that had a clear economic focus but lacked any explicit spatial priorities. The key document, here, as noted above, is the SNR. This represented an attempt to tidy up the confused institutional picture left behind after the collapse of democratic regionalism. It recognised that 'our towns and cities are often the engines of economic growth and many economic markets operate at the level of sub-regions, including city-regions' and that improved policy co-ordination at the level of the sub- or city-region in the areas of transport, planning, regeneration, employment, skills and enterprise would be 'likely to support economic growth'.

However the approach advocated by the SNR was permissive and decentralist. It entailed Government largely eschewing its longstanding practice of designating priority areas and devising specific national programmes and moving instead to a regime wherein policy design and delivery is largely left to sub-national bodies, particularly local authorities and Regional Development Agencies. In recognition of the limited co-ordination, leadership and delivery capacity currently found at the sub-regional scale, it promised non-specific support for initiatives that are championed, 'bottom-up', by relevant partners and comply with relevant Government criteria. The mechanisms through which the SNR anticipated that such initiatives will be taken forward included:

- The creation of a statutory duty upon local authorities to promote economic development,
- The development of ‘Multi-Area Agreements’ (MAAs) between sub- or city-regional partners,
- The potential introduction of a ‘duty of co-operation’ between such partners, and
- A potential move to the creation of statutory sub- or city-regional authorities for economic development and related purposes in the longer term.

At the time of writing, each of these strands of activity is being taken forward as part of a SNR implementation plan. The tentative, decentralist character of the SNR can usefully be contrasted, however, with a firmer set of initiatives that have been and are being put in place for the London super-region. Government policy has, for some time, effectively drawn a distinction between the need to manage growth in the London super-region and to tackle decline in lagging, and mainly northern, neighbourhoods, cities and regions. The aspiration to deal more effectively with the challenges generated by high levels of economic growth – transport congestion, pressure on airport capacity, skills shortages, insufficient supplies of ‘affordable’ housing etc. – was subsequently reinforced by a number of independent reviews conducted for Government on, for example, housing and planning (Barker), transport (Eddington) and skills (Leitch).

These growth management imperatives were more evident in CSR07, which sets out the Government’s spending plans to 2011. Overall, CSR07 set out a tight three-year public expenditure settlement which planned for slower spending growth in real terms. At the same time, however, it continued and, if anything, accelerated a tendency for Government departments to commit substantial resources to, and in some cases become directly engaged in delivering, a range of projects that promote as well as manage development in and around London. These include support for the London Olympics (currently anticipated to cost more than £9b), a range of transport infrastructure projects (including Crossrail, a new cross-London tunnel link, which is anticipated to cost £16b), investment in new housing and infrastructure in the ‘Thames Gateway’ to the east of London (projected to cost £9b) and a series of other ‘growth area’ initiatives, and plans for Europe’s largest medical research centre at University College, London and a third runway at Heathrow, London’s principal airport.

Whilst these and other projects are justified against a range of individual departmental policy criteria, the fact remains that:

- As they come on stream, their effect will almost certainly be to fuel further growth in inter-regional disparities,
- The funding and planning decisions that produced them were not decentralised to any significant extent,
- All of them stand outside the formal spatial development framework that is being put into place in the wake of the SNR, and,
- There is no equivalent package for any area in England outside the London super-region.

In short, for the 2008-11 spending period at least, a distinction needs to be made between explicit and implicit spatial development policy whereby a formal, England-wide approach that is ostensibly permissive and decentralist sits alongside a more informal, centrally-directed set of initiatives that

collectively represent an implicit growth promotion and management strategy for the London super-region.

The question of sustainability

The publication of the SNR and CSR07 provided a degree of clarity to the Government's intentions in respect of spatial development in England which departed substantially from the direction that sub-national and institutional policy reform was moving before the collapse of the relatively weak devolution 'movement' in England. Within the newly emerging policy regime, the perceived needs of the London super-region are at least partially catered for by a loosely integrated set of national investments, and the delivery mechanisms that are associated with them, and strengthened, strategic metropolitan governance arrangements. Elsewhere, stronger city-regional governance, policy frameworks and investment strategies *may* emerge out of the voluntary, 'bottom-up' arrangements enabled by the SNR but this is only one potential outcome of the relatively unpredictable future interplay between local, regional and national agencies and tiers of government. What is even less clear is how sustainable this emerging 'settlement' will prove to be in practice.

In economic terms, the success of the emerging spatial policy and governance arrangements described above is substantially dependent upon London's role as a global centre for financial and business services and the assumption that the 'London effect' will not only continue to drive the development of the super-region that surrounds it but that its positive externalities will ultimately refresh the more peripheral parts of the country they have not yet reached. This level of reliance upon the London super-region makes intuitive sense in the context of fifteen years of sustained national economic growth but looks questionable in less propitious circumstances, particularly when it is recognised that the impact of national economic downturns is felt most strongly, at least in the short term, in the most buoyant areas. The emerging arrangements also face serious challenges in terms of environmental sustainability, given that concerted attempts to promote and manage growth in the London super-region more effectively necessitate the accommodation of higher levels of economic activity and the population needed to sustain it and therefore face substantial resistance from the inhabitants of the south east of England where quality of life is already perceived to be declining or under severe pressure.

Perhaps the most intriguing question, however, concerns the political sustainability of the new settlement. What the outcome of the North East referendum illustrated, ultimately, is that there was little appetite for greater sub-national autonomy at a point in time when most economic indicators, even in the poorest region of the country, were moving in a positive direction. The slow progress of 'city-regionalism' in the interim period suggests that pressure for change, beyond a relatively small elite group of policy-makers and commentators, is similarly limited even within areas that arguably represent more 'natural' economic units. Whether that will continue to be the case, however, remains an open question.

Should the national economic boom continue, the likelihood is that Government, at some point, will need to concede that it cannot realise its aspiration to achieve greater convergence in regional economic growth rates and to face the political consequences that will inevitably follow. A national economic slowdown, ironically, will almost certainly have the short term effect of reducing the differences in growth rates between the regions as its effects will be most apparent in the London super-region. Over the longer term, however, the steps that are being taken to promote and manage growth in and around London will enable disparities to grow once more when there is an economic recovery. Whichever of these scenarios occurs in practice, it is unlikely that the issue of spatial economic disparities will become less politicised and that the contradictions that the Government's spatial schizophrenia will go away.