centreforcities

discussion paper no. 2
October 2005

bigger, better, smarter

why the extended Lyons Inquiry is good for our cities

Adam Marshall

Abstract

The recent delay of the Lyons Inquiry into local government funding has been widely portrayed as a disaster – but in fact, it's rather good news.

The expansion of the Inquiry to include the role and functions of local government gives Whitehall the perfect opportunity to develop political and financial arrangements that help Britain's cities to perform better.

The UK is one of the most centralised countries in the developed world – but the economic evidence suggests that cities need real freedom in order to grow and prosper. Greater financial flexibility, policy-making independence, and strong leadership can promote economic growth. What's more, we know that scale matters, and that the case for financial devolution is strongest at a city-regional level.

This paper argues that the expanded Lyons Inquiry is an opportunity that should not be wasted. Instead of political manoeuvring, it's time to develop concrete reforms – beginning with the devolution of real power and resources to Britain's cities.

Introduction

Just weeks ago, the government provoked an outcry by delaying Sir Michael Lyons' inquiry into local government finance for an additional year. Pundits and critics say that the delay is a disaster, leaving the finance system without the reform it urgently needs.

Concerns over revaluation are legitimate – but the delay of the Lyons Inquiry is far from a disaster. In fact, it's rather good news. Lyons can now re-evaluate local government as a whole (as he should have done in the first place). This has big implications for British cities.

Whitehall is interested in cities again. There's a growing belief across government that Britain needs higher-performing cities to achieve key national policy objectives: full employment, growth across regions, and higher productivity, among others.

This consensus has developed around recent research which shows that cities are the 'hotspots' of regional economies, powering much of the growth that has occurred in English regions during the past decade (SURF et al, 2004). Policy-makers are waking up to the fact that cities are major economic drivers that need to be harnessed in the name of regional and national success.

Government also suspects that the quality and powers of local government make a big difference to how cities perform. City governance is at the top of the policy agenda – with financial devolution, elected mayors, and city-regions now at the centre of debate.

There are a number of lobbies competing for attention – each with its own prescription

“Over the past decade, local government has built up a key role in economic development, alongside its service delivery and community leadership responsibilities”

for governance change. Some want city-regional structures or elected mayors (e.g. Randle, 2004) while others think that devolution of power and resources to existing councils will do the trick (Jenkins, 2004).

Most of these groups are thinking politically, but there are also important economic concerns to address. Over the past decade, local government has built up a key role in economic development, alongside its service delivery and community leadership responsibilities. Changes to the political and financial settlement need to take this into account.

The evidence suggests that local government needs more freedom to deliver economic growth. ODPM-commissioned studies of European cities (Parkinson, 2003; Parkinson et al, 2004) argue that greater city-level autonomy, coupled with control over revenue-raising and expenditure, are linked to stronger performance. They also argue, controversially, that UK cities are under-performing compared to their EU counterparts.

About this paper

Recent research on competitive European cities leaves two key gaps:

- First, it does not test whether there are direct links between governance and performance – it could be that other factors, such as geography, history or demographics, explain the perceived performance gap between UK and continental cities.
- Second, urban systems are different on the continent – and we need to think about the type of devolution that might work in the UK.

This paper attempts to plug the first gap by looking at the evidence linking city governance to *economic* performance. Subsequent sections will apply the evidence to the current situation in UK cities, and draw out some of the implications for urban governance in Britain.

Overall, the evidence suggests that British cities would benefit from greater freedom and autonomy. If the government wants to meet its national economic objectives, it needs to use the Lyons Inquiry and the 2007 Comprehensive Spending Review to consider how devolution to cities can create the conditions for growth.

While this paper addresses the case for devolution, forthcoming Centre for Cities research will set out possible routes forward. *City Leadership*, reporting in February 2006, will recommend ways to devolve more power and financial freedom to cities within the UK policy context.

Getting to grips with ‘governance’

Governance has long been thought of as an important influence on the way cities work. International organisations such as the World Bank, UN, OECD and EU regularly report on the importance of good local governance in policy documents and research reports (for example, OECD 2001a, 2001b; CEC, 2001).

What are we talking about when we refer to ‘city governance’? Governance is bigger than government: the concept takes in the way a city is run, who runs it, and the various networks and partnerships mobilised to get the job done. To get to grips with governance, we need to look not just at the town hall, but also at how public, private and third-sector actors shape local economies and societies.

Governance can seem like a big and fuzzy concept – and it is. However, researchers have examined a few pieces of the governance jigsaw and found that they are directly linked to the performance of city economies.

Three of these jigsaw pieces articulate a powerful economic case for devolution:

- Money: financial devolution
- Freedom: creating and delivering policy solutions locally
- People: political and institutional leadership

Academic and corporate researchers agree that financial, strategic and political capacity

> There is persuasive evidence that economic development is an inherently local job: efficient, effective investment decisions require detailed local knowledge, which central governments do not possess

have helped many great cities to succeed economically.

A fourth factor – city scale – raises important questions about *how to devolve* power. Scale is the subject of a huge debate within the policy community that cannot be addressed fully here. However, the evidence suggests that the case for *financial* devolution is best explored at a city-regional level.[1] This will be taken up later in the paper.

The next sections examine the case for devolution – and the importance of good governance to local economic performance.

Building an economic case for devolution

Money: financial devolution

This section explores what level of government should control financial resources, such as spending, borrowing and revenue-raising levers. It asks whether a more decentralised system of public finance can improve cities' performance.

There is a long-standing international debate over the appropriate level of fiscal control (for an overview, see Ter-Minassian, 1997). Proponents of decentralisation (e.g. Oates, 1999) have for years faced off against centralists (e.g. Tanzi, 1996; Rodriguez-Pose and Bwire, 2003).

In Britain, this debate has pitted 'new localists' (Stoker 2005; Jenkins, 2004; McLean and Macmillan, 2003) against those who believe that Whitehall provision and oversight should remain a core pillar of the public finance system (e.g. Walker, 2002).

The evidence suggests that there's a critical need for balance: "both extreme centralisation and extreme decentralisation are associated with disadvantages for economic growth" (Thiessen, 2003). Too much devolution can have serious implications for efficiency and equity, and can result in unwanted competition between cities and regions (Martinez-Vazquez and McNab, 2001). But no devolution can have equally bad effects.

Fiscal federalists say that regional and local governments need significant spending and revenue-raising autonomy. They deploy huge amounts of evidence to argue that specific policies, such as economic development strategies, need to be delivered at the level where their costs and benefits occur (Fujita and Thiesse, 2002).

From this perspective, financial devolution should be a practical goal – rather than a political objective. Decentralisation makes government run better by "aligning responsibilities and fiscal instruments with the proper levels of government" (Oates, 1999: 1120). For example, national government should run the armed forces – but cities should be the key players when it comes to regeneration.

There is persuasive evidence that economic development is an inherently local job: efficient, effective investment decisions require detailed local knowledge, which central governments do not possess (Cheshire and Magrini, 2002). And since the job is local, some of the financial levers need to be, too.

For these reasons the OECD, a leading proponent of decentralisation, argues that four key changes can boost city capacity and performance:

- reinforcing locally-controlled financial resources;
- reducing dependency on central government;
- improving access to capital markets;
- reducing financial imbalances between central and local levels (OECD, 2001a: 102-106).

So the evidence suggests that cities should have a good deal of control over public finances, but there are strong arguments against excessive decentralisation as well. For example, central governments need to maintain the ability to redistribute resources, even if local authorities gain new revenue-raising powers.

Devolution on its own does not have automatic economic benefits. It needs to be linked to robust local data, strong economic development strategies, and continuous improvements in capacity (Markusen, 2000).

Good policies, and the ability to implement them, are also critical. These factors will be discussed in greater detail below.

What does this mean for the UK?
The UK has one of the most centralised fiscal systems in the developed world. 96 per cent of all taxes are raised by central government – with local authorities raising a mere 4 per cent through council tax. In contrast, Danish and Swedish cities and towns raise 22 per cent of total tax revenue, and even Spanish municipalities, in a three-tier system, raise 9 per cent (Owens, 2003).

What's more, the recent trend in most developed countries has been to decentralise further. In the UK, by contrast, local dependency on central government is bigger than ever.

While UK cities are unlikely to ever have the financial powers enjoyed by their Swedish counterparts, there's a strong argument that more decentralisation is desirable. This means a grown-up discussion about control of business rates and other tax-raising powers – as well as a grants regime with more scope for local discretion.

Why is this important? Local authorities have recently gained new 'well-being' powers that broaden their ability to act, but their revenue streams are tiny.[2] There's a huge gap between local powers of provision, on the one hand, and powers of taxation and regulation on the other (Turok, 2005). In the UK, cities have more positive duties and powers than they do financial tools to implement them – a problem affecting everything from investment decisions to the calibre of urban leadership. This resource gap ensures that cities are always under-equipped to do the job.

Let's take capital investment – buildings, roads, public transport – as an example. There is strong evidence suggesting capital spending encourages economic growth when targeted properly (Martinez-Vazquez and McNab, 2001).

In Britain, most public capital spending is controlled from the centre, and lacks a clear spatial focus on cities. Urban local authorities have little history of assembling resources for big projects without strict Treasury controls. Instead, cities remain dependent on grants and approvals from Whitehall departments, quangos and Regional Development Agencies. As a result, they have more difficulty focusing investment on top economic priorities, unlike their continental and American counterparts.

Consultation undertaken for the *City Leadership* project (Marshall and Finch, forthcoming) has revealed that central and regional control of capital spending levers has slowed or stopped a range of urban regeneration and economic development projects. The evidence suggests that centralised oversight of investment funds is slowing cities down: it's inefficient, cumbersome, and leads to poor outcomes. British cities need more flexibility to invest in local priorities.

> “The evidence suggests that centralised oversight of investment funds is slowing cities down”

Freedom: creating and delivering policy solutions locally
Evidence also shows that cities need the autonomy to create their own economic development policies – and the ability to deliver them.

A global study undertaken by the World Bank found that autonomy and ability to deliver services and key infrastructure are critically important to performance (Kaufmann et al, 2004). Cities need the freedom to do the basics (efficiency, avoidance of waste, picking up the bins) and to put together specialised strategies for land-use planning, infrastructure, and promotion of inward investment.

Research by Cheshire and Magrini (2002) uncovered a strong association between a city's 'policy capacity' and its economic performance. While their analysis does not measure the effectiveness of individual policies – since every city has unique economic development needs – it shows that cities require the autonomy to establish their own priorities and the ability to deliver them.

Their evidence shows that it's not simply a question of improving leadership or skills: freedom and flexibility are crucial. Strategic economic development policies can add to a city's bottom line, weak policies have little effect, and no policy can lead to negative outcomes (Cheshire and Gordon, 1998). The market alone is not enough to buoy city performance: local policy-making is equally important.

Autonomy is necessary, but having the freedom to develop policy isn't the same as delivering it. Good growth strategies only work when there are adequate financial resources – flexible spending and a variety of revenue-raising tools – attached to them, as well as the political leadership needed to get the job done. We'll return to this topic in the section on leadership, below.

> “Devolution and greater local power are far more likely to build up the local skills base than the current wave of piecemeal capacity-building initiatives”

What does this mean for the UK?

UK cities generally deliver the 'basics'. But when it comes to creating and delivering strategies that propel economic growth, they face a number of barriers. For example, they don't control skills, transport or labour market policies, which are crucial to economic success.

Our *City Leadership* research has found that UK cities lack the autonomy they need to craft policies that can lead to economic growth (Marshall and Finch, forthcoming).

First, autonomy. Local economic development policies have to comply with a bewildering range of regional and national strategies, greatly reducing the scope for policy innovation at the city level. Creativity flags easily when cities have to contend with three regional strategies, national and regional planning policy statements, and guidelines issued by Whitehall departments.

Whitehall ministers have repeatedly asked why there's so little innovation in UK local economic development policy. Cities, they claim, are all trying to be 'distinctive in the same way'.

But this is a symptom of the current centralised system. Many city councils choose not to innovate for fear of being told 'no' by Whitehall. How can cities be expected to create successful growth policies without the intellectual or fiscal autonomy needed to make them a reality?

A review of the financial levers held at the local level shows just how scant city resources really are. Council tax and borrowing arrangements are stretched to the limit, and recent central government incentives such as LABGI and LEGI add almost nothing to the bottom line (Marshall, 2005). Under these financial conditions, even the best economic development policy faces a huge struggle just to get off the ground.

There are also important questions surrounding the skills base in British city government. Business leaders, developers and public sector players we've interviewed have repeatedly told us that cities lack the managerial and political talent needed to see growth strategies through.

It's true that ministers and White Papers have devoted a huge amount of attention to 'local capacity-building' and 'freedoms and flexibilities'. However, the results delivered to date don't go far enough. Devolution and greater local power are far more likely to build up the local skills base than the current wave of piecemeal capacity-building initiatives.

People: political and institutional leadership

Observers agree that most economically successful cities benefit from strong leaders, while poor performers suffer from bad or non-existent leadership. London did perform well without strategic governance between 1986 and 2000 (Buck et al, 2005) – but the broad evidence suggests that it could have done even better with city-wide institutions. Most other UK cities have foundered in part because they lack effective, strategic leadership.

A range of studies has investigated the role of city leaders from Barcelona (Marshall, 2004) to Lille (John and Cole, 2001) and beyond. These suggest that two types of leadership affect city economies: personal leadership, centred around an individual such as a mayor or council leader, and institutional leadership, where city governments set the tone by exhibiting strong and consistent management capacity. Both

“For strong, stable city leadership to emerge, the government needs to put together a package of powers that attract talented individuals at both political and officer level”

directly-elected mayors (Stoker, 2004) and appointed chief executives (ANAO, 1997) – can help create the conditions for economic success.

The US Governance Performance Project[3] examined leadership in thirty-five American cities ranked by revenue, and found that “leadership clearly emerged as a decisive factor in the top five performers each year, while absence of leadership was clearly discernable in the lowest performers. Styles and patterns of leadership varied in the governments analysed, as did leadership strategies” (OECD, 2001b: 9). The study also found that the positive effects of leadership were political and managerial – and dependent on broader capacity and stability factors.

This evidence demonstrates that leadership matters to economic performance. Although studies have noted that leadership depends on the local context (see, for example, Kantor and Savitch, 2005), they all agree that good leaders have the flexibility and resources to achieve key economic goals. The best city leaders aren’t figureheads – they’re empowered politicians, often of national importance.

What does this mean for the UK?

With the exception of London, where Ken Livingstone and the Greater London Authority have plugged the gap in recent years, the evidence suggests that most UK cities face a serious leadership deficit.

Let’s take personal leadership first. Whereas most French or American citizens can name their local mayor and a number of other local politicians, British city-dwellers outside London usually can’t (Randle, 2004). UK cities face a legacy of low-key and sometimes ‘invisible’ leadership (Gains and Stoker, 2005). As a result, city leaders lack the clout they need to play a transformative economic role.

Additionally, cities face a serious institutional leadership issue. Recent surveys have found that people in Britain are extremely dissatisfied with local councils – but at the same time they often have a hard time understanding what councils are responsible for (e.g. Page, 2005; NOP World, 2003). Councils are bad communicators – and even top-rated local authorities are often perceived as inefficient and ineffective.

So what underlies this double deficit? Once again, it’s a question of autonomy and resources, affecting key political and managerial players. Leaders and chief executives in UK cities don’t have the tools to effect change – and often leave for greener pastures rather than persevere. Many effective local political leaders leave local government for Westminster, like David Blunkett in Sheffield and Manchester’s Graham Stringer. Apart from a few figures like Sir David Henshaw in Liverpool and Sir Howard Bernstein in Manchester, chief executives are nomadic, bouncing from job to job.

For strong, stable city leadership to emerge, the government needs to put together a package of powers that attract talented individuals at both political and officer level.

Leadership has been a buzzword on the central and local agenda since the 2001 Local Government White Paper (ODPM, 2001; LGA, 2005). However, change has focused on political structures and service delivery. The expanded Lyons Inquiry gives central government the perfect opportunity to empower local leaders with more tools for economic growth.

How should we devolve?

UK cities have improved, but the evidence shows they need devolution to get even better. That much is clear. But there are a number of important questions about how to devolve power. What type of devolution would promote the best economic outcomes? Do we simply give local councils greater power – or do we need more fundamental change?

Devolution for devolution’s sake won’t work. Instead, studies say that European cities need to be a certain size to be economically successful, and that scale matters to the performance of city economies.[4] The evidence suggests that where administrative boundaries

“ The expansion of the Lyons Inquiry . . . needs to be seen as a huge boost to the devolution agenda, and a chance to develop city-regions and others ideas for governance change more fully ”

more closely match economic flows, cities perform better.

Across Europe, cities with generous administrative boundaries do better than those where the centre city is tightly constrained. High-performing conurbations like Hamburg, Brussels and Stuttgart have developed unique governance arrangements that cover functioning economic areas. City-regional structures – rather than single local authorities – are more likely to deliver improvements in economic performance (Cheshire and Magrini, 2002; 2005; OECD, 2001a; Pezzini, 2002). On the other hand, growth is less likely in fragmented urban areas, where boundaries block efficient and effective action (Cheshire and Gordon, 1996, 1998).

What does this mean for the UK?
In Britain, there is some anecdotal support for this conclusion: more generously-bounded cities, such as Leeds and Edinburgh, have performed better than places like Liverpool and Nottingham, where the central city is small and narrowly-bounded.

Additionally, new research is showing that growth in Britain's Northern cities is concentrated in and around big conurbations (Parkinson, 2003; Esposito and Nathan, 2005). These don't match up to administrative areas – leading observers and policy-makers alike to question whether their recent growth can be sustained without governance changes.

The evidence suggests that financial devolution makes the most sense at a city-regional level. City-regional governance arrangements could lead to favourable economic outcomes if armed with an appropriate package of powers and resources.

But the city-region concept is a 'hard sell'. For starters, few people are keen to make large-scale changes to the boundaries of British local authorities. Politically speaking, the city-regional debate is complex and hard to manage (Tarry, 2005). Official references to the concept – such as the Northern Way (NWSG, 2004) – have blurred city-regions into a 'purple haze' rather than touch the explosive issue of who's in and who's out.

There's a lot of enthusiasm for the city-region concept, both inside and outside government. NLGN's City-Regions Commission is set to report on the concept soon, and ministerial summits in the eight English core cities are debating what arrangements could help cities to "realise their full potential" (ODPM, 2005).

The expansion of the Lyons Inquiry to include local government's role, functions and financial arrangements needs to be seen as a huge boost to the devolution agenda, and a chance to develop city-regions and others ideas for governance change more fully. The wider remit gives key players time to develop a path toward smarter devolution.

Summarising the evidence

Governance matters to city performance. We're uncovering a strong case for greater devolution – and evidence that Britain's cities do not have the tool kit they need to succeed in the long term.

- *Financial devolution is key*. Current levels of financial centralisation prevent cities from taking effective and targeted action to promote growth. Devolved spending, borrowing, and revenue-raising powers could help cities to grow.
- *Good policies require freedoms*. Cities need the autonomy and ability to implement locally-generated economic development policies. Strategic capacity can promote city growth – but Britain's cities aren't performing in the premier league when it comes to policy innovation.
- *Cities need stronger leaders*. Our cities need more effective political and managerial leadership, coupled with autonomy and resources, to succeed in the global economy.
- *Scale matters*. Current administrative boundaries do not match up to economic areas, and this has important consequences for performance.

A lot of research has been done – but there are still a number of gaps and disagreements. In fact, what we do know is probably just the tip of a very large iceberg (see Hildreth, 2005). We need to learn more about the way that city-regional economies work, and about the direct impacts of governance arrangements, before we decide how to devolve power downward.

A good time for a turnaround

Government has woken up to the fact that national economic objectives depend on better-performing cities. There's a clear consensus that cities are improving – but that they have not yet reached their full economic potential.

Better governance could help improve economic outcomes at the city level. Cities don't have the governance arrangements they need to speed up regeneration, boost employment growth and drive their regional economies.

Studies show that cities with more autonomy perform better economically – and suggest that Britain's cities probably need more financial freedoms in order to grow.

But there are still a number of unanswered questions about the shape and form that devolution should take. Do we need elected city mayors (Labour Party, 2005)? Should city-regions be formal or informal – and what does this mean in terms of local accountability? How do we make greater financial autonomy a reality?

Thanks to the government's recent rethink, Sir Michael Lyons can help to resolve some of these issues.

The delay of the Lyons Inquiry isn't a disaster – it's a bit of much-needed breathing room. Lyons now has the opportunity to look at what local government is for – and to further expand its leading role in economic development and regeneration. Alongside Lyons, the Centre for Cities' *City Leadership* research will bring new evidence and specific recommendations to the table early in 2006.

Short-term delays can lead to long-term payoffs: if we get city governance right, the evidence suggests that both local and national economic performance will improve as a result.

Whitehall now needs to accept that there is a strong case for devolution. With the expanded Lyons Inquiry and the 2007 Spending Review, ministers have a perfect opportunity to reform city governance – and deliver the high-performing cities that Britain needs.

Notes

1 Devolution to other levels – such as neighbourhoods – may be appropriate for some services, such as policing. However, this part of the devolution agenda is beyond the focus of this paper.

2 Though cities have better access to capital markets thanks to the new capital finance system introduced in 2004, their power to raise money is limited. Central government can still 'cap' local budgets, and the CIPFA Prudential Code places restrictions on the amounts they can borrow.

3 This wide-ranging project, run by the Maxwell School at Syracuse University, has tracked city government performance in the US for six years. See www.maxwell.syr.edu/gpp for more.

4 Some US economists believe that fragmentation doesn't affect city economies (Swanstrom, 2001; Stansel, 2005). But American and European cities differ hugely – and the European evidence shows that fragmentation has negative economic consequences.

References

ANAO (1997). *Applying Principles and Practice of Corporate Governance in Budget-Funded Agencies*. Canberra: ANAO.

Buck, I *et al* (eds) (2005). *Changing Cities: Rethinking Urban Competitiveness, Cohesion and Governance*. London: Palgrave Macmillan.

CEC (2001). *White Paper on European Governance*. Luxembourg: Eur-OP.

Cheshire, P and I Gordon (1998). 'Territorial Competition: Some Lessons for Policy', *Annals of Regional Science* 32, 321-346.

Cheshire, P and I Gordon (1996). 'Territorial Competition and the Predictability of Collective (In)action', *International Journal of Urban and Regional Research* 20:3, p383-99

Cheshire, P and S Magrini (2005). 'European Urban Growth: throwing some economic light into the black box', LSE Working Paper presented to the Spatial Econometrics Workshop, Kiel, 8-9 April 2005.

Cheshire, P and S Magrini (2002). 'The Distinctive Determinants of European Urban Growth: does one size fit all?' *LSE Research Papers in Environmental and Spatial Analysis, 73(2002).*

Esposito, L and M Nathan (2005). *What drives high performance in cities, and why some cities have performed better than others*, ippr Centre for Cities Working Paper 2.

Fujita, M and Thiesse, JF (2002). *Economics of Agglomeration: Cities, Industrial Location, and Regional Growth*. Cambridge: Cambridge University Press.

Gains, F and G Stoker (2005). *Political Leadership Under the New Political Management Structures*. London: ODPM,

Hildreth, P (2005) 'Cities as Poles of Competitiveness: collaboration across the public and private sector', presentation to *Economie Publique Locale* conference, Paris, June.

Jenkins, S (2004). *Big bang localism: a rescue plan for British democracy*. London: Policy Exchange.

John, P and A Cole (2001). *Local Governance in England and France.* London: Routledge.

Kantor, H and Savitch, P (2005). 'How to study comparative urban development politics: a research note', *International Journal of Urban and regional Research* 29:1, 135-51.

Kauffmann, D *et al* (2004). 'Governance and the City: an empirical exploration into global determinants of urban performance', Draft Paper, World Bank Governance Team, www.worldbank.org/wbi/governance .

Labour Party (2005). *Britain Forward Not Back: The Labour Party Manifesto 2005*. London: Labour Party.

LGA (2005). *Stronger Political Leadership, Better Local Governance*. London: Local Government Association.

Markusen, A (2000). 'What distinguishes success among second-tier cities?' in S Yusuf et al (eds), *Local Dynamics in an Era of Globalisation*. Washington: World Bank.

Marshall, A and D Finch (forthcoming). *City Leadership*. London: ippr.

Marshall, A (2005). *City Economic Development – Policies, Powers and Funding*, background paper to *City Leadership*. London: ippr.

Marshall, T (2004) (ed). *Transforming Barcelona*. London: Routledge.

Martinez-Vazquez, J and R McNab (2001). 'Fiscal Decentralization and Economic Growth,' International Studies Program Working Paper Series number 11, Andrew Young School of Policy Studies, Georgia State University.

McLean, I and A Macmillan (2003). *New Localism, New Finance*. London: NLGN.

NOP World (2003). *Public Knowledge and Attitudes to the Balance of Funding*, presentation to ODPM Balance of Funding Review, October.

NWSG (2004). *Moving Forward: the Northern Way*. Newcastle: Northern Way Steering Group / ODPM.

Oates, W E (1999). 'An essay on fiscal federalism', *Journal of Economic Literature* 37:3, pp 1120-49.

ODPM (2005). *Your city, your future*. London: ODPM.

ODPM (2004). *Our cities are back*. London: ODPM.

ODPM (2001). *Strong local leadership, quality public services*. London: ODPM.

OECD (2001a). *Cities for Citizens: Improving Metropolitan Governance*. Paris: OECD.

OECD (2001b). *Linking Leadership to Performance in Public Organisations*, Public Management Committee HRM(2001)8. Paris: OECD.

Owens, J (2003). *Fiscal design across levels of government : European perspectives*. Presentation to the Balance of Funding Review, London, 25 June.

Page, B (2005). *Building our reputation*, presentation to LGA Annual Conference, July.

Parkinson, M *et al* (2004) *Competitive European Cities: Where Do the Core Cities Stand?*, London: ODPM.

Parkinson, M (2003) *Cities and Regions: Institutions, Relationships and Economic Consequences: A Literature Review.* Liverpool: John Moores University.

Pezzini, M (2002). 'Main Trends and Policy Challenges in OECD Regions: Metropolitan Regions in a Global Context', OECD Territorial Governance paper.

Randle, A (2004). *Mayors Mid-Term: Lessons from the first eighteen months of directly elected mayors*. London: NLGN.

Rodriguez-Pose, A and A Bwire (2003). 'The Economic (in)Efficiency of Devolution', LSE Department of Geography and Environment Papers, August 2003.

Stansel, A (2005). 'Local decentralisation and local economic growth: a cross-sectional examination of US metropolitan areas,' *Journal of Urban Economics* 57, pp 55-72.

Stoker, G (2005). *What is local government for? Refocusing local governance to meet the challenges of the 21st century*. London: NLGN.

Stoker, G (2004). *How are Mayors measuring up? Preliminary findings – ELG evaluation team*. London: ODPM.

SURF *et al* (2004). *Releasing the national economic potential of provincial city-regions: the rationale for and implications of a 'Northern Way' growth strategy*. Salford: SURF.

Swanstrom, T (2001). 'What We Argue About When We Argue About Regionalism,' *Journal of Urban Affairs*, Vol. 23, No. 5, pp. 479-496.

Tanzi, V (1996).'Fiscal federalism and decentralisation: a review of some efficiency and macroeconomic aspects', in *Annual World Bank Conference on Development Economics 1995*. Washington: World Bank.

Tarry, N (2005). 'City-Regions: A Discussion Paper', London: New Local Government Network.

Ter-Minassian, T (1997). 'Intergovernmental Fiscal Relations in a Macroeconomic Perspective: An Overview', *Fiscal Federalism in Theory and Practice*. Washington: World Bank.

Thiessen, U (2003). 'Fiscal decentralisation and economic growth in high-income OECD countries', *Fiscal Studies* 24:3, pp 237-74.

Turok, I (2005). *Local and National Competitiveness: the economic case for devolution*. Paper to seminar *Local Devolution: the case for change,* June.

Walker, D (2002). *In Praise of Centralism: a critique of the new localism.* London: Catalyst.

centreforcities

The Centre for Cities is an independent urban research unit based at ippr, the Institute for Public Policy Research. We are taking a fresh look at how UK cities function, focusing on the economic drivers behind city growth – investment, enterprise, innovation, skills and employment.

This paper is part of our rolling series of discussion papers which will be posted on our website www.ippr.org/centreforcities

Adam Marshall is a researcher at the Centre for Cities. He can be contacted at a.marshall@ippr.org