IPPR NORTH

REPORT

THE ROLE OF SMALL AND MEDIUM-SIZED TOWNS AND CITIES IN GROWING THE NORTHERN POWERHOUSE

CITY SYSTEMS

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Institute for Public Policy Research

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SUMMARY

The north of England's big cities have thus far been viewed as the primary means of rebalancing the national economy: the growth of Manchester and Leeds is regularly presented as evidence of an emerging counterweight to an overheated Greater London.

However, the dominance of this 'agglomeration narrative' is open to question. The empirical evidence for agglomeration effects in Europe – and in the UK in particular – is at best mixed, and is even negative in some studies. In this context, the role of small and medium-sized cities (SMCs) is too often overlooked.

Together, SMCs represent almost a third of the north of England's economy, and since 2010 they have grown just as fast as the region's core cities. The recent independent economic review of the 'northern powerhouse'[1] demonstrates that the majority of the North's primary and enabling economic capabilities lie *outside* of its big cities. However, while no northern SMCs are suffering from absolute decline, many do suffer from numerous problems associated with their industrial heritage and their peripherality in relation to large urban centres, a problem made worse by the prevailing 'big city' narrative.

This paper argues for a more sophisticated understanding of the urban system in the North. It acknowledges the vital role that the big cities must play in driving northern prosperity, but makes recommendations for a more coherent and comprehensive approach to regional economic strategy that gives greater attention to the complementary strengths of SMCs, without necessarily 'jam-spreading' public money.

KEY FINDINGS

On the big city narrative:

The rise and rise of Britain's core cities in public policymaking is welcome, in the absence of a more coherent regional or industrial policy. It has largely been driven by data and narratives from the US, and by hypothetical economic modelling of 'agglomeration effects', as well as by a concerted effort by England's core cities to present a positive case for their role in the UK economy.

In fact, there are some significant methodological concerns in relation to these approaches, and the empirical evidence for agglomeration effects in Europe – and in the UK in particular – is mixed at best, and, in some studies, negative. Recent studies have shown that:

- productivity and employment growth rates in the majority of core cities have remained consistently *below* national growth rates (Martin et al 2014)

1 http://www.sqw.co.uk/about-us/latest-news1/northern-powerhouse-independent-economic-review/

- there is no clear relationship between urban scale or density and urban productivity for the UK's 14 largest cities other than London (McCann 2016).

On small and medium-sized cities in the North

The 20 SMCs with populations of more than 75,000 represent nearly one-third of the North's economy (£82 billion) and of its population; they have experienced gross value added (GVA) growth of 34 per cent since 2009, which is comparable with rates of productivity in the core cities. SMCs are, in short, too big and too productive to be ignored – just as the northern economy itself is too big to be ignored in the UK context.

SMCs such as Warrington, Wakefield and Durham all have growth rates that exceed their core city neighbours, and two SMCs that feature as case studies in this report – Wigan and Burnley – have higher labour productivity rates than nearby Manchester. In most cases this is because they have local economic clusters that complement urban hubs, but benefit from non-urban locations.

Despite their combined strengths, many SMCs in the north of England face significant challenges. Very often these are a function of their peripherality – perceived and actual – in relation to larger urban centres, and of their ongoing transitions from their industrial pasts.

Typologies of SMCs show that there are some significant differences between them. These differences are very often associated with the relationship they have with core cities, and the broader role that they play within the northern urban ecosystem.

Case study evidence suggests that the problems of peripherality can be overcome by maximising the benefits of local economic assets; strengthening human potential; addressing institutional weaknesses; and enhancing collaboration and connectivity with big-city neighbours.

RECOMMENDATIONS

Based on a reappraisal of how urban systems operate in the UK context, there needs to be:

- more scrutiny of the extent to which regional and local disparities are the *natural* consequences of urban agglomeration, as opposed to a self-fulfilling prophecy generated by ingrained attitudes towards urban policymaking and public spending in the UK
- a better understanding of different 'types' of agglomeration, and recognition of the importance of connectivity over concentration
- greater recognition of the different and complementary roles played by different places within the northern urban ecosystem, and of the need for a more comprehensive approach to regional economic strategy.

With these needs in mind, we make the following six recommendations.

1. HM Treasury and the National Infrastructure Commission should reappraise the appraisal methodologies set out in the *Green Book*, in light of emerging evidence on agglomeration effects in the UK; and Transport for the North should develop its own appraisal methodologies that take proper account of the contributions that

SMCs make to the urban ecosystem, and the mutual benefits of better connectivity between the larger and smaller cities and towns.

2. Transport for the North should also ensure that its future strategy development takes account of the complexity of the northern urban ecosystem, and the diverse nature of the North's primary economic capabilities, rather than relying too heavily on partial accounts focussed on the dominant role of big cities.
3. Local enterprise partnerships (LEPs) and combined authorities should do more to acknowledge the role of SMCs in relation to bigger cities, and pursue specific initiatives aimed at building on their local assets and enhancing connectivity between places.
4. The chairs of the 11 LEPs should meet on a regular basis and work together to identify opportunities for collaboration across boundaries to support the development of particular SMCs.
5. SMCs themselves must take the lead in identifying and articulating their unique role within the wider urban ecosystem, focussing in particular on maximising the value of local assets, enhancing human potential and, in some cases, acknowledging their interdependency with bigger cities and/or embracing the need for re-evaluating their size and how they can best provide services in ways that suit the distribution of their population.
6. SMCs must identify and address their current institutional weaknesses through more extensive training and support for local councillors to help and encourage them to engage more fully with sub-regional affairs, and by more effectively pooling their policy capacity with neighbouring councils, and with city-regions as a whole.

1. INTRODUCTION

Over the past decade, enormous progress has been made in terms of the role that big cities play in driving economic growth in the UK. Central to this has been a transformation in the relationship between central government and the largest 'core cities', culminating in the formation of combined authorities and a series of ground-breaking devolution deals; further transformation will follow next year with the election of a number of metro mayors for city-regions including Liverpool, Greater Manchester and Birmingham. This new approach has, in many of these cities, delivered impressive employment growth figures.

The north of England's big cities have, over this period, been presented as the primary means by which the national economy can be rebalanced, with the growth of Manchester and Leeds increasingly providing a 'counterweight' to an overheated Greater London.

These dominant narratives do have substance and traction, and the evidence in their favour is compelling. Yet they remain only partial in that they often ignore a vital question: what about smaller cities and larger towns? What is the role of these 'in-between places' in this new, urban-dominated world that we are promoting?

This paper puts this question front-and-centre. It demonstrates that the evidence for the agglomerative effects of UK cities is more mixed than is commonly recognised, and that small and medium-sized cities (SMCs)[2] play a more significant role in the northern economy, and in relation to nearby urban centres, than policymakers acknowledge. It explores the big challenges that SMCs currently face, including some illuminating case studies and typologies that point the way towards a more nuanced understanding of the urban system in the North, and recommends a more coherent approach to regional economic strategy while taking care to avoid the dangers of 'jam-spreading' public money.

In this report, we argue that SMCs should be given much greater consideration in accounts of, and plans for, the economic future of the North, in recognition of the important roles that they play in supporting prosperity, and with the objective of to maximising their contributions to economic and social goals.

Why SMCs?

Typically, the language of UK urban policy tends to define places by their size, which invariably leads to the development of hierarchies in which size trumps all other considerations and the biggest cities are prioritised. The language that is used to describe smaller cities and larger towns can also often be pejorative: we talk about places

2 IPPR North defines these smaller cities and towns (SMCs) as those settlements with populations of between (approximately) 75,000 and 300,000.

‘on the periphery’ or ‘in the ‘hinterlands’, or as being ‘less dynamic’ – a lexicon that carries with it the implication that a place lacks value and is therefore unimportant to urban policy debates. The term ‘small and medium-sized cities’, or SMCs, that we use in this paper attempts to do for towns and cities what the term ‘SMEs’ has done for small and medium-sized businesses. With populations in the range of between 75,000 and 300,000 people, SMCs account for nearly a third of the population and economy of the north of England, and clearly deserve an amount of interest and attention similar (at least) to that afforded to SMEs.

1.1 ABOUT THIS RESEARCH PROJECT

This research project set out to answer the question, what kind of do role small and medium-sized towns and cities (SMCs) play in the northern economy, and in relation to nearby urban centres? It also sought to explore the role of public policy – both local and national – in shaping the future prospects of such places.

Our research focussed upon three key questions.

1. What challenges are SMCs dealing with, and to what extent are these similar to or distinct from those that face the core cities?
2. What roles should SMCs play in order to support prosperity, and how might these roles complement the growth of core cities?
3. What types of policy drivers and assets could help to support and enable future economic prosperity?

Case studies

We initiated this research by bringing together a ‘learning network’ of interested parties from four typical northern SMCs – Burnley, Wigan, Doncaster and Carlisle – which each have distinct characteristics. The learning network involved five roundtable meetings in which senior economic development officers in local authorities, local business representatives and elected councillors debated themed topics. In partnership with this learning network, we identified key challenges and opportunities, as well as models of good practice for how to maximise the benefits of living alongside big cities.

Some of the key characteristics of the four case study areas are set out in table 1.1 below.

1.2 THE STRUCTURE OF THIS REPORT

The report is subdivided as follows.

Chapter 2 offers a critique of current ‘big city narratives’. It draws heavily on secondary sources that are not frequently cited in the cities debate – largely, it would appear, because they don’t conform to dominant narratives of urban agglomeration. In this chapter we also tease out the four main implications of a more ‘European’ understanding of the urban ecosystem.

Chapter 3 considers the role of SMCs in more detail, while demonstrating their combined strength. It then explores the challenges that come with their peripherality – perceived and actual – in relation to larger urban centres. Drawing upon typologies and case study material, it then identifies a number of factors that are critical to supporting SMCs to maximise their economic potential.

Finally, chapter 4 explores four facets of the policy challenge facing SMCs, and sets out a series of recommendations for central government; for combined authorities, local enterprise partnerships and their sub-regional partners; and for small and medium-sized towns and cities themselves.

TABLE 1.1

Key statistics and characteristics of our four case study areas (and Great Britain)

	Wigan	Doncaster	Carlisle	Burnley	Great Britain
Description	Large town in Greater Manchester	Large market town	Historic city	Mid-sized town	Nation state
Population[a]	319,700	303,600	107,900	86,900	62,275,900
Key local assets	Logistics and food sectors; high levels of business start-ups and labour productivity (higher than Manchester city)	Logistics, manufacturing, retail	Tourism, retail, logistics; land with development potential	Aerospace and automotive industry; Winner of 'Most enterprising area in the UK' award 2013	
Relationships with nearby cities	Good access to Manchester and Liverpool and part of GM combined authority	Relatively isolated (3.2% commute to Sheffield) but well-linked to road & rail network	Independent city serving significant rural hinterland; good road and rail links (M6, West Coast Mainline)	Relatively independent from Manchester but with recent transport links	
Key challenges	Low skills equilibrium; high rates of economic inactivity	Low skills equilibrium	Low skills equilibrium; ageing population; outward migration of young people	Not part of GMCA and two-tier administration; negative perceptions of place; housing challenges	
Jobs density[b]	0.55	0.63	0.97	0.69	0.78
Unemployment rate (model based)[c]	8.4%	9.2%	5.8%	10.1	7.2%
% economically active[c]	79.0%	75.9%	78.3%	75.1%	77.4%
% self employed[c]	8.5%	7.4%	12.8%		9.8%
% Retired[c]	17.6%	20.4%	15.5%		15.0%
% No qualifications[c]	12.0%	12.6%	12.3%	15.5%	9.3%
% NVQ4 and above[c]	27.3%	22.9%	26.8%	26.6%	35.2%
Gross weekly pay (full time workers) by residence (£)	£492.1	£463.0	£435.1	£473.3	£518.1

Source: Various datasets specified below, accessed via the Nomis data portal (ONS 2016a); the 'Key local assets' row reflects qualitative data supplied to IPPR via the learning network discussed above.
a. Population estimates, 2014
b. Job density, 2014
c. Annual population survey, 2015
d. Annual survey of hours and earnings – resident analysis, 2015

2. THE BIG CITY NARRATIVE AND ITS PROBLEMS

> *'The Government's ambition is to create powerful and innovative cities that have the powers, resources and autonomy to create their own vision for promoting growth'.*
> HM Government 2011: 6

2.1 THE NEW URBAN POLICY AGENDA

Between the 1960s and the early 1990s, cities were viewed as problems – places where social and economic problems were concentrated (Buck et al 2005, Boddy and Parkinson 2004). However, over the past two decades cities have come to be prioritised within the urban policy agenda, as part of what Buck et al (2005) call the 'new conventional wisdom'.

New Labour and the urban agenda

This resurgence of interest emerged during the early years of the New Labour government with the publication of the report of Richard Rogers' Urban Task Force (1999), *Towards an Urban Renaissance*, which in turn informed the government's urban white paper, *Our towns and cities: The Future*, published in 2000 (DETR 2000). Both documents are widely regarded as representing a fresh commitment to Britain's main urban centres (Allmendinger 2011). Their aim was to create a new vision of urban living, and to promote the competitiveness of Britain's cities as 'economic powerhouses' within a globalised economy (DETR 2000).

In subsequent years, this focus on the role of urban centres as drivers of growth intensified. In 2007 the government published its *Review of sub-national economic development and regeneration*, which considered how the economic performance of cities and regions could be substantially strengthened (HM Treasury et al 2007). It described towns and cities as 'the engines of economic growth' (ibid: 9), and was particularly focussed on the role of city-regions as the principal basis for economic development. This document contributed significantly to the now prevailing notion that city-regions were the most efficient spatial level at which to drive the UK's economic growth and organise future governance arrangements.

Cities under the Coalition and Conservative governments

The Coalition government that came to power in 2010 continued to support the privileged position of cities within economic policy. With the abolition of the Regional Development Agencies (RDAs), cities became the preferred scale at which to focus future economic growth and new forms of governance. Against a backdrop of public sector cuts, in 2011 the government both published its *Unlocking growth in cities* document and, at the same time, set up a Cities Policy Unit. This publication echoed the language of the 2007 sub-national review, again referring to cities as 'engines of growth' and singling them out as the most ‘economically important’ places (HM Government 2011: 1). However, the new report was much more bullish than its antecedent in terms of its belief in how the devolution of powers to cities could enable them to ‘drive economic growth’ in the future through ‘city deals’ (ibid: 1).

City deals were subsequently signed with the eight ‘core cities’ (see below), with a further 18 city deals agreed in further ‘waves’ up until the general election 2015. Following the general election, the new wholly Conservative government demonstrated an even stronger desire to deliver devolution agreements by passing the Cities and Local Government Devolution Act 2016, which has now created a legal framework for devolution in England – including the requirement of an elected mayor.

Another emerging theme of the Conservative government’s tenure has been the development of the concept of the ‘northern powerhouse’. The term was coined by George Osborne in a speech at Manchester’s Museum of Science and Industry in June 2014, and since then northern local authorities – not least the five core cities – have demonstrated growing enthusiasm to position themselves within this northern powerhouse narrative.

The role of cities themselves, and other lobbying groups

One of the major drivers of the focus on big cities has been the formation of the Core Cities group in 1995 by the eight largest cities in England outside London, with Glasgow and Cardiff joining latterly. The intention was to create an informal cross-party group that would lobby central government for greater influence and position. The group received formal recognition of their work in an amendment to the Localism Act 2011 that advocated greater control for core cities on key services such as economic development and planning.

Another important influence on the cities agenda was the establishment of the Centre for Cities thinktank in 2008, and its annual *Cities Outlook* reports,[3] which track the progress of the largest 63 cities and towns across Britain – defined as principal urban areas (PUAs) – against a number of economic indicators, including business and innovation, employment and jobs, and housing. These annual ‘health-checks’ of UK cities have become an increasingly indispensable tool for local government, academia and Whitehall.

More recently, the Royal Society of Arts (RSA) ran an influential City Growth Commission[4] which outlined ways in which cities can think about future financing arrangements, job creation and devolution.

2.2 AGGLOMERATION AND ‘NEW ECONOMIC GEOGRAPHY’

Current government policy, and policy assumptions about the ability of ‘big cities’ to drive economic growth, originates from academic and quasi-academic literature. Books such as *The Triumph of the City* (Glaeser 2011), *The Metropolitan Revolution* (Katz and Bradley 2013)

3 For the latest edition see Centre for Cities (2016) *Cities Outlook 2016*. http://www.centreforcities.org/publication/cities-outlook-2016/

4 https://www.thersa.org/action-and-research/rsa-projects/public-services-and-communities-folder/city-growth-commission

and *The Rise of the Creative Class* (Florida 2002) have been read very widely within central government and, despite the fact that they largely address the US context, have contributed significantly to urban thinking in the UK. Some of their key tenets include the following.

- Cities are now home to more than half the world's population, and are the 'engines of innovation' (Glaeser 2011).
- Despite the 'death of distance' at the hands of technology and higher costs of living, cities enable us to 'work and play together and their success depends on the demand for physical connection' (ibid).
- In the US, 'city and metropolitan leaders… are solving our toughest problems and revamping US economic relationships with the world' (Katz and Bradley 2013).
- 'In the face of federal gridlock, economic stagnation and fiscal turmoil, power in the US is shifting away from Washington and towards our major cities and metropolitan areas' (ibid.).

These tenets are based on a series of economic and social scientific ideas derived, in large part, from US data and from earlier urban social scientists. They reflect some ideas that have a lineage stretching right back to the Chicago School, but are also derived from ideas put forward by a school of thinking known as 'new economic geography', combined with elements of urban economics (see for example Krugman 1991; Henderson and Thisse 2004; Florida 2002). New economic geography (NEG) draws upon mainstream economic thinking to constitute a form of economic modelling that attempts to explain the spatial structure of the economy, particularly the spatial concentration (agglomeration) of economic activity in cities. Its key concepts can be summarised as follows.[5]

- **Individual maximisation:** Firms and workers choose where to locate according to their perceptions of relative transaction costs (transport, access to goods, services and labour, congestion) and the mobility of their markets. Where these costs are high and markets immobile, they tend to disperse; where costs are low and markets can be served cheaply at a distance, they tend to agglomerate.
- **City magnetism:** Due to imperfect competition, forces of agglomeration tend to prevail over the forces of spatial dispersal, thereby concentrating people and capital in urban centres. This in turn fuels further agglomeration, as firms and workers seek to locate where demand and income are highest.
- **The pursuit of equilibrium:** Agglomeration increases localised 'spillover' effects, such as higher levels of innovation, which raises average productivity. Over time, these beneficial effects move towards an equilibrium position, as new market entries increase competition and congestion effects produce negative externalities. However, rates of growth in more agglomerated regions are higher than those in others, and are therefore beneficial to rates of national economic growth overall.[6]

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5 For a more detailed account of these key concepts see Gardiner et al 2011.

6 This summary draws from all of the sources on NEG mentioned within section 2.2, particularly Gardiner et al 2011.

The policy implications of this eclectic mix of NEG theory, urban economics and various other lines of inquiry appear to be clear and significant. If it is true that, for advanced economies, spatial agglomeration boosts national growth, there would appear to be a trade-off between policies that promote agglomeration and more rapid growth on the one hand, and on the other those that support slower growth *across all regions*, and which minimise regional inequality. When it comes to public investment decisions, the marginal return on investment seems stacked in favour of boosting agglomeration and minimising the negative externalities that might inhibit beneficial spillover effects.

The power of these arguments appears to be backed by both widespread anecdotal and empirical evidence. The fact that cities are growing is clear for all to see. The facts that certain businesses tend to cluster; that workers with similar skills concentrate in particular places; and that higher incomes seem enough to tempt many people to suffer all manner of 'negative externalities' to work in certain cities, all give weight to the idea that the city is king – and the bigger the better.

In terms of empirical evidence, studies have shown that, in the US context,

- a doubling of city size is associated with something of the order of a 4–7-per-cent increase in GDP per capita (Rosenthal and Strange 2004)
- highly skilled graduates and talented and creative workers continue to move to and between our large cities (Florida 2002);
- cities dominate many of the indices of knowledge generation (McCann and Acs 2011).

In the UK context, research reports by both the Core Cities group and the Centre for Cities thinktank often publish data that demonstrates the relative strength and economic productivity of Britain's major cities. For example, the Core Cities prospectus *Competitive Cites, Prosperous People*, argues powerfully that the eight English core cities are home to a third of England's population and responsible for 27 per cent of England's wealth. It claims that, by 2030, these eight cities could add £222 billion – an amount that equals the size of the entire Danish economy – to the national economy (Core Cities 2013).

Heavyweight academic support has also been lent to the concept of agglomeration in the UK through the work of organisations such as the Spatial Economics Research Centre at the London School of Economics (SERC), which has argued that government policy can get 'more bang for its buck' by backing areas that are already economically successful (Haughton et al 2014). The SERC's Henry Overman has argued that much-needed investment in some of Britain's most successful (or potentially successful) cities has held back by too many place-based interventions, which he characterises as 'a lot of jam spreading' (Overman 2013: 5).

The fact that these stylised arguments seem to be backed by both intuition and supporting evidence makes them very persuasive – it is clear why policymakers are attracted to such narratives, and the policy prescriptions that follow from them. However, NEG modelling and the drive for agglomeration is not without its problems.

2.3 THE LIMITS OF THE BIG CITY AGGLOMERATION NARRATIVE

Methodological issues

Methodologically, there are significant problems with defining and measuring spatial agglomeration. First, it is clear that the scale of the spatial unit within which to measure agglomeration matters. Different NEG studies have used different scales, and very often data is collected according to administrative units rather than meaningful functional economic areas (see for example Gardiner et al 2011). Even where attempts have been made to measure more meaningful spatial units (see Duranton and Overman 2002), it is almost impossible to definitively identify the spatial limits or boundaries within which agglomerative effects should be measured. As Bickenbach and Bode (2008) argue, ‘choosing between different measures actually implies choosing between different definitions of concentration or specialization rather than just choosing between different ways of measuring a single, uniform theoretical construct of concentration or specialization’.

In the UK context, this problem is made manifest in the annual *Cities Outlook* report produced by Centre for Cities, in which researchers attempt to rank 64 ‘cities’ according to a range of measures, including their relative productivity. The *Outlook* uses a primary urban area (PUA) as its spatial unit but, as the authors admit, in many instances PUAs are ‘underbounded’ (Centre for Cities 2015a). In the 2015 *Outlook* (ibid), for example, ‘cities’ such as Rochdale and Sunderland were deemed to be in the ‘bottom 10’ for population and business growth, while others such as Milton Keynes, Cambridge and Swindon were ranked very highly. This led to headlines that proclaimed a widening of the North–South divide, but which overlooked the fact that quite different patterns of economic success might be found if considered at a wider spatial scale. While Rochdale, for example, may be struggling, its economy cannot be understood in isolation from its relationship with Greater Manchester; likewise, Sunderland’s weakness perhaps needs to be set in the context of Newcastle’s relative success; and there is clearly a ‘London-effect’ driving the success of places like Milton Keynes, Cambridge and Swindon.

The scale of analysis matters, and far too often data is presented simply to support, rather than to question, the stylised city growth model described above. Since January 2016, Centre for Cities has been working to update the geography of the PUAs by, for example, incorporating Bolton and Rochdale into the ‘Manchester’ PUA.[7]

A further theoretical problem is that while NEG modelling tends to account for the positive spillovers that accrue from agglomeration, they often ignore or simplify the negative externalities associated with agglomeration, particularly when these impact upon SMCs. While negative spillovers such as congestion and infrastructure costs can be symptomatic of the strength and buoyancy of the economy, genuinely negative spillover effects can also operate with extremely negative impacts for SMCs, especially in peripheral regions. SMCs often

7 Centre for Cities’ methodological note on changes to the PUA can be found here: http://www.centreforcities.org/publication/the-changing-geography-of-the-uk-economy/

experience a reduction of capacity as a consequence of the sucking of human and capital resources from the periphery to the core (ibid). These genuinely negative spillover effects and their consequences for SMCs are hardly ever discussed in studies that use these types of model.

The self-fulfilling prophecies of agglomeration modelling

The methodological problems associated with modelling the patterns and processes of agglomeration are exemplified by the recent Frontier Economics report *Assessing the productivity benefits of improving inter-city connectivity in Northern England* (2016). The report was prepared for the National Infrastructure Commission, and was the primary evidence base for the commission's *High Speed North* report and recommendations (NIC 2016).

To its credit, the report goes to great lengths to set out and explain its theoretical assumptions; it acknowledges 'gaps in knowledge where uncertainties remain'; and it provides extensive caveats with regards to issues including the importance of intra-city connectivity and the need to take other drivers of economic productivity such as skills into account. Yet despite whole chapters and annexes detailing its methodological challenges, the report still manages to conclude that policymakers will want to focus on inter-city connections where there are:

- large and fast-growing cities that are already close together
- high and intermediate skills
- high shares of sectors for which face-to-face or business-to-business contacts are important
- places with adequate intra-city connections (Frontier Economics 2016).

Such conclusions are an inevitable consequence of the assumptions and the data used in the modelling, and of the lack of any meaningful counterfactual. Two particular sets of assumptions illustrate the problems with the methodology used.

- **Measures of productivity:** the authors recognise the limitations of using overall earnings as the key measure, but use it in the absence of any other available evidence. Beyond this, despite recognising the potential of so-called 'second-order effects' of agglomeration, they choose not to measure them on the grounds that there is too little evidence to draw upon; instead they rely heavily on measures of congestion and 'first order effects'.[8] These assumptions inevitably lead to disproportionate emphasis being given to particular economic sectors with high earnings, and urban areas that are already dense.
- **Geography and accessibility:** despite acknowledging the problems of 'selection bias', the study defined the 'northern powerhouse' exclusively as six city-regions – thereby overlooking the five million people and £100 billion economy lying in-between those cities. It was also limited to an analysis of four city-pairs (Leeds–Manchester;

8 First-order effects describe the direct increases in productivity caused by improved connectivity. Second-order effects are the associated changes that might arise due to the changing composition of an economy caused by first-order effects.

Manchester–Sheffield; Liverpool–Manchester; Leeds–Hull). It also estimated intra-city journey times to nodes at just 10 minutes, and used 'employment' as opposed to population in its measurement of accessibility.

None of this is to suggest that the authors did not use the very best data or assumptions available to them, but simply that the sheer number of assumptions involved in such analyses make the results – and consequently, the policy prescriptions – highly questionable. Using these assumptions, it would have been almost impossible to derive any conclusions other than those drawn.

Empirical questions

In the years following the millennium, many of the public policy approaches described in section 2.1 were very much in line with the majority of thinking in international academic circles, which were developing new analytical tools and also new data. The analytical and empirical evidence from many countries provided strong grounds for arguing that, from the early 1990s onwards, large cities were indeed once again becoming the principal engines of their national economies, after many years of widespread decline. Indeed, these arguments heavily underpinned the highly influential 2009 World Development report, *Reshaping Economic Geography*, and also provided the basic framework for some of the advice provided to UK government (Combes et al 2006).

Yet, from 2009 onwards, there started to emerge much more comprehensive and wide-ranging empirical evidence to suggest that the dominant growth-producing role of large cities evident in the 1990s and early 2000s had already waned, and that much of economic growth of OECD countries was now increasingly being driven by smaller cities and less densely populated regions (OECD 2009a, 2009b). In the global context, it is *not true* that the largest cities are necessarily the most productive: OECD studies have shown that it is in fact smaller and medium-sized cities, with populations of around one million, that exhibit the greatest productivity growth, and that there is something of a U-shaped curve in relation to city size and per-capita productivity (OECD 2006).

Gardiner et al (2011) carried out a wide-ranging survey of numerous agglomeration measures over different spatial scales across the EU15 nations. They concluded that 'there appears to be no consistent positive relationship of the sort assumed or implied by the NEG model linking national growth and spatial agglomeration' (ibid).

In the UK, McCann's recent and comprehensive study uses a series of different datasets to explore the evidence for agglomeration effects among British cities (Ahrend et al 2014; McCann 2016). Using OECD data for metropolitan areas of over 500,000 people, the study finds that in the UK's 14 largest cities outside London, there is no clear relationship between either urban scale or urban density and levels of productivity. The same conclusion is also arrived at through an analysis of Eurostat data for the UK's 35 cities of over 250,000 people, only seven of which show worker productivity levels that are higher than the UK or EU average.

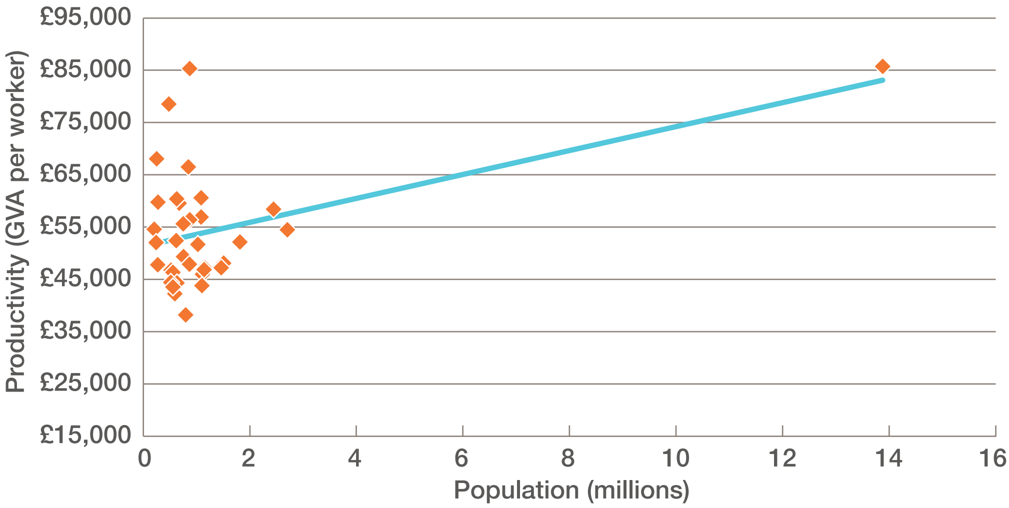
This leads McCann to the following conclusion:

> *'Arguing that many of the UK's largest cities need to become larger would only be persuasive if such scale-productivity relationships were clearly evident, as indeed they are in many other countries. However the OECD and Eurostat evidence presented here suggests that there is no such relationship in the UK, thereby largely undermining the city-size distribution arguments. As such, neither the UK urban system as a whole nor many of the largest cities conform to the standard textbook type of descriptions of urban productivity.'*
> McCann 2016

FIGURE 2.1

With the exception of London, population does not correlate with productivity in UK metropolitan areas

Resident population (x axis) and GVA per worker (y axis) in 2003 and 2013, in UK metropolitan areas



Source: Eurostat 2016a, 2016b and 2016c

A number of other studies raise questions about the true extent of growth in England's core cities. Champion and Townsend (2013) argue that although the nine biggest cities outside London weathered 2008–2010 better than they did previous recessions, they were generally performing worse than the rest of the country: 'Indeed, they [the nine cities] are tending to fall further behind the trajectory of pre-1980 growth rates and suffer increasing relative levels of worklessness' (Champion and Townsend 2013: 49). Whilst aggregate employment trends in the core city regions recovered more slowly than London in the wake of the 1990s recession, the ICA in their report on 'Growth Beyond the Big Cities' suggest that the much-vaunted employment growth in core cities is a very recent phenomenon – of the 2012–2014 period – that is likely to be a reaction to the recession; the long-term trend is that of relative decline (Champion and Townsend 2015, cited in ICA 2015).

Furthermore, the Office for National Statistics recently released figures on the productivity of city-regions which showed those in the North and midlands – including the West Midlands, Leeds and Manchester – all had levels of economic productivity that were between 7 and 14 per cent *lower* than the UK average (ONS 2016a).

Further evidence comes from a Local Government Association study in England, covering the period 2009–2013, which found that employment grew in metropolitan county areas (Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, the West Midlands and West Yorkshire) by only 185,000, whereas it grew by 525,000 in London and by 540,000 in non-metropolitan areas (LGA 2015). And, despite the methodological caveats noted above, Cities Outlook data suggests that 'city' proximity to London has far greater salience than PUA size or population density (Centre for Cities 2015a).

Inter-regional migration flows also appear to be far more complex than the NEG modelling would suggest: there has been a significant slowdown in labour mobility since the 2007–2008 financial crisis and the subsequent recession. People appear to be choosing to switch sectors rather than move to new places (Partridge et al 2012). In the UK, only in London was there a net inflow of 22–30-year-olds between 2009 and 2012; however, it experienced a significant net outflow of population for all other age groups (Centre for Cities 2014). Similarly, all the other big cities lost population in every age range, except among 18–21-year-olds, over that period (ibid). Quite simply, the population-agglomeration story does not stack up.

Dependency on US data

Perhaps one of the most interesting critiques of the NEG agglomeration theory concerns empirical differences between continents. Much of the agglomeration theory is based on studies conducted in North America, where labour market mobility is high, and city- and metro-regions are more clearly bounded. European urban geography is very different, and has a much higher level of polycentricism – that is, cities are much more closely inter-related and much less concentrated than cities in the US and East Asia (Dijkstra et al 2013).

In their seminal paper 'The Economic Performance of European Cities and City Regions: Myths and Realities', Dijkstra et al (2013) remind us that only 7 per cent of EU citizens live in cities of five million or more, compared with 25 per cent in the US. During the period 1995–2001, large cities in EU15 countries grew marginally faster than cities as a whole in their respective countries, while between 2001 and 2006 large cities grew at about the same rate as smaller cities. Within the EU15 as a whole, metro regions with a population of over 250,000 people have only increased their share of EU15 GDP by 0.6 per cent during the last decade; furthermore, just one-quarter of the difference in GDP growth between individual EU cities is accounted for by variations *within* countries, with the remainder accounted for by national differences in growth rates (ibid). City size, in Europe, appears to matter much less in terms of growth than it does elsewhere. These arguments and observations are further reinforced by comparing the pre- and post-crisis periods (Dijkstra et al 2015).

These facts lead the authors to the following conclusion.

> *'Amongst the rich countries, the majority of the frequently reported evidence is based primarily on North American data, with some additional limited evidence also emerging from countries such as Japan and the UK. Yet, the role played by cities in the economic growth of many other rich and emerging countries is rather more varied than observations of the North American and East Asian cases would imply (OECD, 2011a, 2011b). For many countries, and particularly for the countries of Europe, the picture is very much more heterogeneous, and understanding the implications of this heterogeneity for public policy requires careful analysis and consideration which moves beyond standard tenets.'*
>
> Dijkstra et al 2013

A recent study by Martin et al (2014) for the Government Office for Science's 'Foresight' project draws similar conclusions within the UK context:

> *'The evidence on whether greater spatial agglomeration of economic activity in cities promotes faster growth, both of the cities themselves, and by implication of the national economy to which those cities belong, is mixed… The growth rates of output and employment in the majority of core cities have consistently been below the corresponding growth rates for the national economy. Not surprisingly therefore, if we plot average city output growth rates over 1981–2011 against city sizes (by population) in 1981, we find there is no statistically significant relationship. If, however, we exclude London, a stronger relationship then emerges, but it is negative: it has been the initially small-to-medium cities, especially in southern Britain, that have tended to register the fastest rates of economic growth.'*
>
> Martin et al 2014 (emphasis added)

Many have used the fact that the UK fails to conform to the agglomeration patterns seen in the US as evidence that there is something 'wrong' with the UK economy. It is widely concluded that if London does conform to the US model, then other cities in the UK are somehow 'undersized' relative to their US or European counterparts. There may well be some truth in each of these conclusions: the UK economy is indeed imbalanced, and its core cities do indeed have untapped potential. However, it seems that, rather than question whether the theory still holds in light of the methodological challenges and empirical contradictions, UK policymakers persist in pursuing policies that seek to imitate a simplistic model that is clearly not sufficient to explain the much more complex reality of the spatial and social contexts of UK cities.

Agglomeration and trickle-down economics

The big city narrative presents itself as the means to generate maximum aggregate economic growth and, relatedly, as the most efficient mechanism by which to guide public expenditure. In policy terms, this means that arguments for state intervention in places that are not major urban centres becomes increasingly difficult to make, despite the human challenges that those places may face in terms of deprivation, disconnection and lack of infrastructure.

The theory of agglomeration relies upon the assumption that aggregate wealth creation is akin to a 'rising tide that will lift all boats' – that is, that the more aggregate wealth is created in urban centres, the more wealth will 'trickle-down' and will, by doing so, raise incomes and increase consumption, with businesses and residents reaping the knock-on benefits. This rationale is based on a utilitarian logic which argues that promoting aggregate wealth creation is in the public interest because it will generate the greatest number of benefits for the greatest number of people (Keen 2001). Consequently, policy focusses upon Britain's core cities as 'engines of growth' (HM Government 2011: 1) that, acting like pistons in a steam engine, will drive economic activity and, in doing so, circulate the benefits of this growth to people living in the city-region and in neighbouring towns and cities. The economic health of these 'city engines' will, it is argued, over time improve people's lives and enhance the ability of the state to deliver services.

The term 'trickle-down' emerged as a concept during the 1940s and 1950s, when Albert Hirschman used it to speculate about the extent to which growth in developed regions may have positive 'spread effects' for poorer regions, and would lead to some degree of convergence or rebalancing (Arndt 1983, Pike et al 2006). However, there is only limited evidence that this trickling-down of benefits actually occurs.

The concept's proponents often point to improvements in living standards in western Europe in the postwar period as evidence that trickle-down does occur. However, it can be argued that these improvements had as much to do with the development of the state through systems of public health and education (Self 2000). Danny Dorling (2010) argues that in 2005, the poorest fifth of households in Britain had to rely on just a seventh of the income of the richest fifth of household – that is, while Britain has enjoyed growth in recent decades, 'the rich took so much more of what growth there had been than the poor' (ibid: 117). The International Monetary Fund has argued that 'if the income share of the top 20 per-cent (the rich) increases, then GDP growth actually declines over the medium term, suggesting that the benefits do not trickle-down' (Dabla-Norris et al 2015: 4).

In the UK, perhaps the most high-profile example of the failure of trickle down is the disparity between economic performance in the north of England relative to that in the south. Recent research undertaken by the Joseph Rowntree Foundation has shown that 10 of the 12 UK cities with the highest relative decline are in the north of England, which suggests that the economic benefits that accrue to London and the wider south east do not automatically 'trickle-down' to people living in the North, despite concerted efforts to 'rebalance' the UK economy over the last 20 years (Pike et al 2016).

Implications for urban policy

So the policy implications, of pursuing a big city narrative that supports the concentration of population and agglomeration in search of more rapid economic growth are that trade-offs are being made that may inadvertently stifle growth in smaller cities – despite the fact that, as empirical evidence shows, they might have greater growth potential than their larger neighbours.

North–South disparities in the UK seem to bear this out: until very recently, public investment in London far outweighed anywhere else (ostensibly due to *Green Book* rules that appear to support the NEG thesis) and, unsurprisingly, London has experienced the most rapid growth. But at what cost to the rest of the country? In more recent times, there has been recognition that such patterns of investment may have inhibited economic growth in the North. However, it is ironic that the same underlying thesis remains intact and unchallenged: investment in the northern powerhouse is now predicated on agglomeration across the main northern cities.

Indeed, McCann makes a strong case that the UK has as much of a 'regional problem' as it does an urban one, and that if policymaking is disproportionately focussed on core cities without sufficient broader consideration of connectivity and co-ordination between a wide variety of places, then it will not achieve the stated objective of regional rebalancing (McCann 2016).

None of this is to throw out altogether the importance of cities, nor is it to discredit the significance of urbanisation and agglomeration as processes. Rather, it simply makes clear the need for a more sophisticated understanding of systems of urban and regional economics in order to provide the basis for effective public policymaking.

2.4 UNDERSTANDING URBAN SYSTEMS IN EUROPE

While it is not within the scope of this paper to set out the variety of alternatives to the dominant NEG paradigm, the following propositions are intended to advance the debate and deepen our understanding of how urban systems might be working, particularly in Europe.

Proposition 1: Core–periphery relationships are as much a function of public policymaking as they are of market disequilibrium

Under the NEG model, regional disparities are considered to be the natural consequence of agglomeration, and it is assumed that over time this disequilibrium will be balanced as negative externalities such as congestion and house-price-inflation cause diminishing marginal returns on investment. Even casual observation of the growth of the UK over 30 years tells us that this does not automatically hold true, and that alternative explanations of the core–periphery relationship are necessary. The UK evidence suggests that regional divergence in productivity has been cumulative, and that the productivity gap between London and the rest of the country has steadily grown over the past 30 years (Cox and Raikes 2014). However, far from being a 'natural process' of cumulative causation, regional divergence is *supported by public policymaking*. Staying with the example of London, until the late 1980s it was a city in significant decline. It was only after the advent of modern globalisation, the introduction of a London mayor and significant infrastructure investment that the capital's fortunes were transformed.

In simple terms, while agglomeration is a strong driver of economic growth, the role of public policymaking (both its presence and its absence) in shaping core–periphery relationships should not be underestimated.

Proposition 2: Different places play different and complementary roles within an urban hierarchy

In 2009, the Northern Way published an extensive study of how cities in the north of England relate to each other in terms of their economic relationships – for example, commuting patterns and public transport connectivity. The study found that:

> *'The economies of local areas are shaped by their economic relationships with other areas – the connections and flows of people to and from home, work and leisure, as well as firm relationships and supply chains. Strengthening the economic links between places has the potential to contribute to sustainable economic growth, higher individual prosperity, the attraction and retention of higher skilled workers and the reduction of deprivation. Particular benefits are associated with building links between economic centres, which contain higher levels of employment and more diverse firms, and surrounding town and cities.'*
>
> Jones et al 2009

However, it also found that 'some places have more complementary – or mutually beneficial – economic relationships than others', and that 'different places have different roles within a city region depending on these factors and the resulting nature of their labour market and firm links' (ibid).

What is clear both from this research and in the wider literature (see for example Henderson and Thiss 2004, Cheshire et al 2004) is that cities cannot be treated as isolated states, and their interrelationships with even quite distant places offer mutual advantages that are rarely recognised, let alone maximised. Perhaps the best articulation of this point is made by Clark and Clark, whose paper 'Nations and the Wealth of Cities' describes 'systems of cities' where "population shifts, mobility, resources management, economic and capital flows, amenity deployments, connective infrastructures and services operate through dynamics of changes, flows, complementarities, competition and connectivity' (Clark and Clark 2014). Frustratingly, although they acknowledge that such systems operate at a sub-national level, the authors address them through a predominantly national lens.

A recent report by the Industrial Communities Alliance (ICA) (2015) cites work by Fothergill and Houston which sets out the complementary and interdependent roles played by large cities in comparison with more peripheral places. They show that in 2011, 45 per cent of the jobs located in the English core cities were held by commuters from outside the local authority area, and 17 per cent by outside the wider metropolitan county (Houston 2015, cited in ICA 2015: 11).

The authors of the ICA report conclude that:

> *'Cities and their hinterlands are interdependent… Many jobs located in cities are directly supported by demand from businesses and consumers in surrounding areas. These include employment in city centre retailing, in leisure, in culture and entertainment, in business services geared to the local and regional market, in higher education and healthcare. In this respect, the scale and the prosperity of the hinterland act as key motors of city growth: the city follows what is happening elsewhere rather than drives growth itself.'*
> ICA 2015

We return to this issue in greater depth in section 3.1 below.

Proposition 3: Connectivity is more important than size or concentration
Given the rather mixed evidence for the importance of size or density in relation to economic growth in cities, it is right to ask what else might be driving the most effective local economies. In their study of global cities, McCann and Acs present evidence that, outside the US, Japan and Korea, urban connectivity appears to be more important than city size (McCann and Acs 2011).

In real terms, in the UK case it is obvious that significant capital investments in the Channel Tunnel, Heathrow's terminal 5, Crossrail and the London Underground, together with the clear advantages that the public management of London's bus network provides, have benefited the economic prospects of the capital city. By contrast, a lack of investment in northern road and rail connectivity has come to be recognised as one of the primary inhibitors of economic growth within and between northern cities (Transport for the North 2015). However, at the city-regional level too, it is axiomatic that if peripheral places within a city-region have a complementary and supportive role to play in relation to the city 'core' (see proposition 2 above), good transport connectivity will be key to strengthening and maximising the benefits of this relationship.

Proposition 4: Messy regional geographies represent a better basis for economic policymaking than neat urban areas
The first three of these propositions – and indeed of much of the analysis within this chapter – suggest that there is no such thing as an ideal city or city-region geography. The very nature of the production of space tends towards discontinuity and disequilibrium. The choices of firms and workers often lead to regional inequalities and overlapping economic geographies that don't conform to the neat territorial units of administrative governance or academic measurement. However, in the UK our city geographies are often underbounded, and the overlapping of geographies is too often ignored by policymakers.

In analytical terms, we have shown that PUAs represent a poor proxy for urban systems in the UK. In institutional terms, local enterprise partnership and combined authority areas fail to take in large swathes of peripheral areas that both take from and contribute to their core economic centre(s); furthermore, associations such as the Core Cities and Key Cities groups fail to give proper expression to the geographical contiguity in which they operate.

While there is never a perfect geography for economic governance, and while there would be little value in further disruption and change, economic policymaking at national and city-regional levels would do well to adopt a more sophisticated attitude towards more peripheral places, and accept the messy regional geographies that are more critical to their success than is commonly acknowledged.

3. THE ROLE OF SMALL AND MEDIUM-SIZED CITIES

The previous chapter presented a number of flaws in the prevailing narrative about big cities. In this chapter we explore the reasons why more attention needs to be given to the role of small and medium-sized towns and cities in the UK. We begin by looking at some empirical data, before moving on to consider different typologies of more peripheral places, and some case studies drawn from a recent research network. The second half of the chapter then looks at some of the challenges that small and medium-sized towns and cities (SMCs) face, and proposes four ways in which they might respond.

3.1 THE STRENGTHS OF SMALLER CITIES AND LARGER TOWNS

Combined size and local strengths

In chapter 2 we identified the methodological difficulties of carving up urban systems into meaningful units for administrative and analytical purposes. However, these problems notwithstanding, there is also compelling evidence that SMCs make a significant and under-recognised contribution to the national economy.

For example, the Key Cities – a group of 26 mid-sized cities[9] – calculate that they have a combined GVA of £163 billion and a population of 7.9 million, and make up 11 per cent of the UK economy (Blond and Morrin 2015). While this is a little smaller than the combined economic weight of the Core Cities group, the Key Cities assert that their year-on-year growth in real GVA was, between 2008 and 2014, nearly double that of their big city neighbours (ibid).

These figures are mirrored by our own research looking at northern cities, summarised in table 3.1 below. The combined economic weight of the five northern core city-regions (that is, the combined authority areas of Greater Manchester, North-East, West Yorkshire, Sheffield and Liverpool City) is £148 billion. This figure may not be surprising, but what is more so is the fact that a further 20 SMCs in the north of England (with populations of over 75,000) that lie *outside* core city-regions have a combined economic weight of £82 billion, a population of nearly five million, and productivity levels that are almost as high as those of their big city neighbours. If there is any agglomeration effect among northern core cities then it is marginal at best.

9 The Key Cities group comprises: Bath and North East Somerset, Blackpool, Bournemouth, Brighton and Hove, Cambridge, Coventry, Derby, Doncaster, Hull, Kirklees, Milton Keynes, Newport, Norwich, Oxford, Peterborough, Plymouth, Portsmouth, Preston, Southampton, Southend-on-Sea, Stoke-on-Trent, Sunderland, Tees Valley, Wakefield, Wolverhampton and York.

TABLE 3.1

A comparison of the combined economic weight, population and wage growth of core cities and SMCs in the north of England

	Total population 2014[a]	Total employees (private/public) 2014[b]	Total GVA 2014[c]	Change in GVA 2009–2014[c]	Average gross wages 2014[d]
Northern core city-regions	7.0 million	2,940,000	£148bn	34%	£24,200
SMCs outside core city-regions	4.7 million	1,980,000	£82bn	34%	£23,200

Sources: a: 'Population estimates' dataset accessed via the Nomis data portal (ONS 2016a); b: 'Business register and employment survey' dataset accessed via the Nomis data portal (ONS 2016a); c: ONS 2014, 'Business register and employment survey' , IPPR North calculations; 'Annual survey of hours and earnings – resident analysis, 2015' dataset accessed via the Nomis data portal (ONS 2016a).

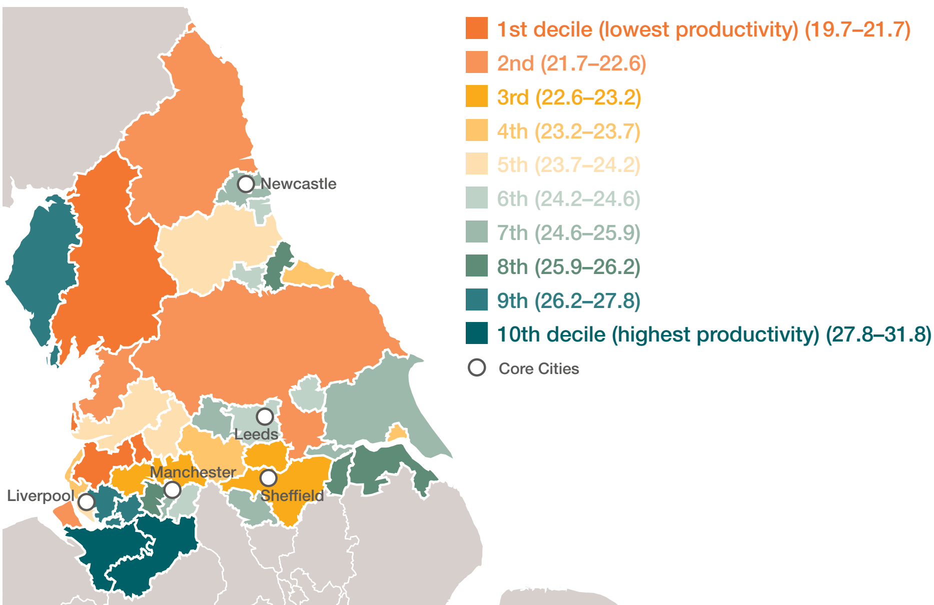
In examining our four case study SMCs – Burnley, Doncaster, Wigan and Carlisle –other interesting patterns emerge that challenge conventional wisdom about the superiority of their nearby core cities. Burnley and Wigan, for example, have both enjoyed higher labour productivity growth rates than Manchester since 2010, and Wigan's employment rate is 4 percentage points higher than Manchester's. Doncaster and Carlisle both have higher employment rates than Sheffield and Newcastle respectively, and employment growth has been more rapid in Doncaster than in nearby Sheffield, although productivity levels remain significantly lower in the former (ONS 2016a).

In fact, the map of labour productivity looks very different from the often cited map of employment growth.

FIGURE 3.1

The regions within the North that have the highest labour productivity are not those that the big-city narrative would lead you to expect

Nominal GVA (£ per hour worked, excluding rental income) at NUTS 3 geographies in the north of England, 2004–2014

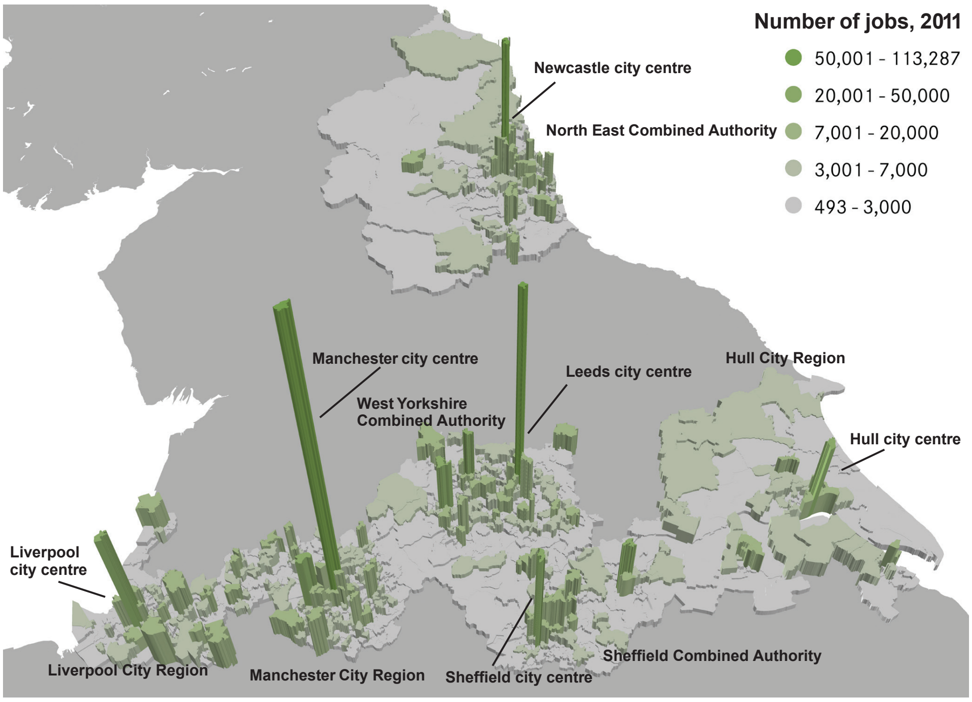


Source: ONS 2016b

FIGURE 3.2

'The geography of jobs across the northern powerhouse'

Number and distribution of jobs in city-regions and combined authorities in the north of England, 2011



Source: reproduced from Centre for Cities 2015b

These facts should hardly be surprising: different places serve different purposes. Core cities do not necessarily represent the ideal location for all firms, or for all workers. Fothergill and Houston identify the differing strengths of large cities and their hinterlands for different types of firms (Fothergill and Houston 2015, cited in ICA 2015). Given that a healthy economy needs a diverse range of firms, the contribution of each type of area is vital. The relative economic strengths of both types are summarised in table 3.2 below.

TABLE 3.2

The relative economic strengths of large cities and hinterlands as locations for different types of business and business sectors

Large cities' economic strengths	Hinterlands' economic strengths
Consumption-based activities such as retailing and leisure	Space-intensive industries
Providing regional facilities such as big public buildings and cultural assets	Logistics and distribution hubs
Networked industries – particularly where innovation is involved	Industries with negative externalities
Specialised services requiring large and accessible markets	Firms where labour and other factor costs need to be low
Large employers that require a large pool of labour	Firms seeking environmental quality or 'lifestyle' businesses
Firms that require a locational brand or international recognition.	Firms that benefit from big city overspill or nearby urban consumers.

Source: Adapted from ICA 2015

The Key Cities group go further by arguing that the wider debates about agglomeration conflate two distinctive issues: the size and scale of urban populations, and the geographical clustering of firms with particular sectoral specialisms. They argue that the success of Key Cities is based upon the clustering of businesses in strategically significant industrial sectors (Blond and Morrin 2015). They identify six broad categories of Key City 'economies', based on 'a high clustering of businesses in important industries' (ibid: 8).

- **Regional service economies:** Peterborough, Preston, Milton Keynes
- **Advanced manufacturing economies:** Sunderland, Derby, Coventry, Tees Valley
- **Visitor economies:** Blackpool, Bournemouth, Southend-on-Sea, Bath
- **Marine economies:** Portsmouth, Southampton, Plymouth, Hull
- **Knowledge economies:** Cambridge, Oxford
- **Creative-digital economies:** Brighton, Norwich (ibid: 8).

In the course of our case-studies of SMCs in the north of England we also found that smaller towns and cities derive huge strengths from understanding their roles within a wider regional economic geography.

- **Burnley**, for instance, has strengths in advanced manufacturing and engineering; its commercial aerospace industry is particularly competitive. Start-up statistics suggest that it is a fairly entrepreneurial place, but it does not attract a great deal of inward investment.
- **Doncaster**'s key sectors are logistics, engineering, manufacturing, retail, leisure and tourism, and construction. The town is quite reliant on lower skilled, lower productivity sectors that are sensitive to consumer demand, but it is building its role as a strategic transport hub and establishing the National College for High Speed Rail.
- Food and packaging are a key industry in **Wigan**: 76 per cent of the world's top-25 food companies have bases there. Wigan has the potential to be a key logistics hub for Greater Manchester if connections within it are improved.
- Tourism is important to **Carlisle**, but it plays second-fiddle to the Lake District, in the sense that it's a place that people go to on a wet day when visiting the Lakes. However, Carlisle also has good logistics, food and drink, and manufacturing sectors. It has employee shortages in its nuclear sector, with an insufficient supply of engineers.

Finally, while SMCs may seem remote from larger city-regions, their role in servicing their local hinterlands should not be underestimated. SMCs, particularly if they are relatively remote like Carlisle, may constitute the most significant settlement and consequently provide a main hub for retail, employment, education and leisure. Furthermore, they may provide the means for connecting communities by offering to neighbouring areas, thereby enabling people to access employment, services and education elsewhere. From an economic perspective, the relationship between the 'hub' town or city and their local hinterlands provides an opportunity for trade and exchange, as well as for access to external markets. Depending on their level of isolation and remoteness, some of these

SMCs may be relatively self-sufficient because of the dependence of their local hinterland on the services they provide.

Well-being and identity in smaller cities and larger towns

One important and often-cited reason for the growing popularity of life outside big cities is perceived quality-of-life. In many SMCs, house prices are low relative to the national average, and there is good access to open countryside and national parks. The fact that population density tends to be lower in these towns and cities has the effect of reducing pressure on infrastructure, which means that they tend to face fewer challenges in terms of housing affordability and availability, traffic congestion and other issues that often afflict neighbouring city-regions. Furthermore, in many cases the quality of schooling available in SMCs compares very favourably to that in larger urban areas (Clifton et al 2016). These factors, and others like them, can make these areas much more attractive for people to live in, even if they choose to commute to neighbouring areas for employment.

Cities are increasingly seen as the focus of efforts to promote economic growth, based on the assumption that higher levels of growth lead to a higher quality of life – an assumption that Amartya Sen characterises as ‘a confusion of wellbeing with being well-off’ (Sen 1999). Data on levels of wellbeing in the core cities appears to show lower levels of self-reported wellbeing than the UK average, and higher than average levels of anxiety. Using data for the four case study areas used in this research is combined, these areas actually have higher levels of reported wellbeing and lower levels of anxiety than the UK average. Further more rigorous analysis needs to be undertaken in this field, but this simple comparison suggests that people living in these areas may enjoy a higher quality of life and personal wellbeing relative to their counterparts on larger cities.

TABLE 3.3

Levels of wellbeing (out of 10): English core cities

	Satisfaction with life	The things you do in your life are worthwhile	How happy did you feel yesterday?	How anxious did you feel yesterday?
Manchester	7.2	7.5	7.2	3.0
Sheffield	7.4	7.7	7.3	3.2
Nottingham	7.4	7.5	7.2	2.9
Newcastle	7.4	7.5	7.2	3.1
Leeds	7.5	7.7	7.3	3.1
Bristol	7.3	7.5	7.2	3.2
Liverpool	7.2	7.6	7.0	3.5
Birmingham	7.3	7.5	7.2	2.9
Core cities average	**7.3**	**7.6**	**7.2**	**3.1**
UK average	**7.5**	**7.8**	**7.4**	**2.9**

Source: ONS, no date
Note: figures pertain to the period 2012/13–2014/15.

TABLE 3.4

Levels of wellbeing (out of 10): Case study areas (SMCs)

	Satisfaction with life	The things you do in your life are worthwhile	How happy did you feel yesterday?	How anxious did you feel yesterday?
Carlisle	7.7	7.9	7.3	3.2
Doncaster	7.5	7.8	7.4	3.0
Burnley	7.7	7.9	7.5	2.8
Wigan	7.4	7.7	7.4	2.7
Average	**7.6**	**7.8**	**7.4**	**2.9**
UK average	**7.5**	**7.8**	**7.4**	**2.9**

Source: ONS, no date
Note: figures pertain to the period 2012/13–2014/15.

As well as providing a good quality of life, the case study cities examined in this research all have strong identities that have developed from their industrial and social pasts. All four towns have histories that span at least 1,000 years: both Doncaster and Carlisle, for example, can trace their histories back to the Romans. In both cases, this has left a wealth of historical buildings and archaeological sites: Doncaster retains part of its Roman wall, Saxon architecture and Norman castles, and as well as its cathedral, Carlisle is home to a Norman castle, and is located adjacent to Hadrian's Wall. Such cultural and historical assets provide these areas with a unique sense of history and identity which, as well as providing a valuable resource in terms of tourism, also make them attractive places in which to live and work.

3.2 TYPOLOGIES OF SMALLER CITIES AND LARGER TOWNS

As discussed in the section above, different towns and cities fulfil distinctive roles within the wider urban hierarchy. This has led some researchers to draw distinct 'typologies' for different peripheral places.

City relationships

One of the best studies of this kind was the City Relationships programme carried out by the Work Foundation and several other research institutes under the auspices of the Northern Way (Jones et al 2009). The programme analysed the economic relationships between the five most significant economic centres in the North – Leeds, Liverpool, Manchester, Newcastle and Sheffield – and selected cities and towns nearby. The analysis was particularly focussed on labour market linkages and the connections between businesses; it asked what barriers there were to more complementary economic relationships, and how public policy might do more to foster those relationships.

In doing so, the analysis identified two broad patterns:

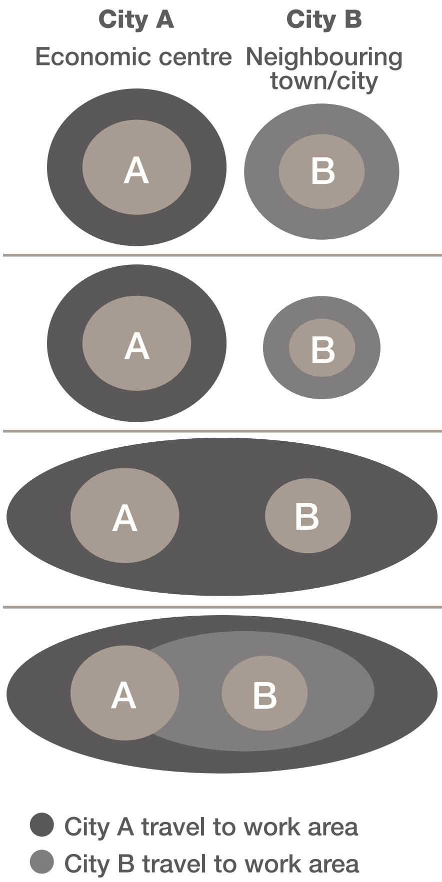
> *'Places with complementary links – tend to share a combination of relative concentration of more productive firms, higher skilled workforce and higher quality and priced housing.*
>
> *'Places with less complementary links – tend to have a relative imbalance of more and less productive firms, higher and lower skilled workforce and higher and lower quality and priced housing.'*
> Jones et al 2009

Within this argument, this research also indicated four broad types of towns and cities located in proximity to major cities. These types are summarised and graphically represented in figure 3.3 below.

FIGURE 3.3

The four types of 'city relationships'

Neighbourhood Way's typology of labour market relationships between economic centres and neighbouring towns and cities



1. Independent: Labour market B independent from Economic Centre A but with strong labour market of its own (City B has strong economy and weak labour market links with Economic Centre A)

2. Isolated: Labour market B independent from Economic Centre A and with weak labour market of its own (City B has weak economy and weak labour market links with Economic Centre A)

3. Dependent: Labour market B dependent on Economic centre A (City B has a variable economy and strong labour market links with Economic centre A)

4. Interdependent: Labour market B interdependent with Economic Centre A (City B has strong economy and strong labour market links with Economic Centre A)

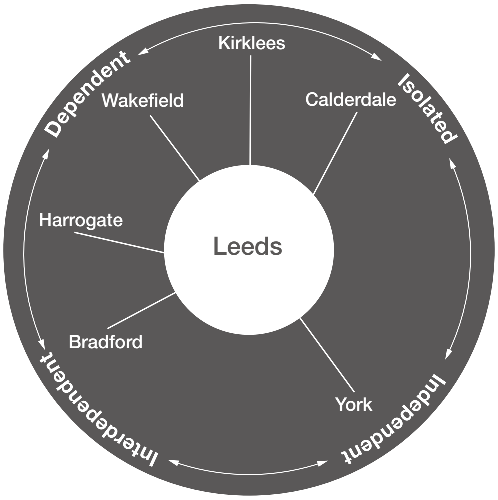
Source: adapted from Jones et al 2009: 23

This typology is based largely on commuting patterns in and out of city 'cores', but also the extent to which relationships are complementary. The same report included detailed studies of all five northern core cities and their outlying SMCs; it also included diagrams in which those SMCs were presented in a 'wheel' diagram, in which each is positioned according to the nature of its labour market relationship with a core city – the figure 3.4 below gives the example of Leeds and SMCs on its periphery.

FIGURE 3.4

Leeds city-region: 'an emerging pattern of polycentricity'

Labour market relationships between Leeds as an economic centre, and selected nearby towns and cities, positioned according to Northern Way's four types of 'city relationships'



Source: adapted from Jones et al 2009: 36

While space does not allow a more detailed summary of Northern Way's analysis within this report, it is worth highlighting three of the key policy messages that emerged from it.

- First, the report argued for national government to press ahead with devolution to city-regions so that 'component Local Authorities can use them to support the development of more complementary economic relationships and more effective policy delivery' (Jones et al 2009).
- Second, 'to ensure that the Integrated Regional Strategies reflect a dynamic analysis of economic relationships between places within city-regions, and that this analysis is extended where appropriate to understand how smaller economic centres link to their neighbours' (ibid).
- And third, the city-regions should develop a 'shared economic strategy' that recognises the role of the centre, but which also 'reflects the distinctive roles and assets of different places within the city region' and 'invests in building links between the economic centre and neighbouring areas to ensure the benefit from this economic growth across the city region is maximised' (ibid).

Despite strong progress being made more recently in relation to city devolution, the extent to which economic development strategies are incorporating a 'dynamic analysis' of economic relationships within city-regions is limited, and many SMCs report that their links with core city centres remain weak.

Uneven growth

Another study in which a typology of small and medium-sized cities was developed was part of a project looking at uneven growth in England, Scotland and Wales. The report, *Uneven Growth: tackling city decline* (Pike et al 2016), set out to analyse employment changes in the 24 cities that were found to have the highest values on the index of relative decline.[10] These cities were identified from among the 74 primary urban areas (each referred to as a 'PUA+') in the UK identified as 'cities' in the context of that report by virtue of having an urban population of 100,000 or more. Its analysis focussed on the multi-dimensional nature of demographic and employment changes related to increased risk of poverty within these labour market areas (ibid).

As was widely reported at the time of the report's publication, 10 of the 12 cities found to have the highest levels of relative decline were in northern England.[11] Pike et al rank three of the four case study cities considered within this report in its index of relative decline: Burnley (second), Wigan (twelfth) and Doncaster (thirty-second).[12] There are no cities in southern England, however, that were found to be in relative decline (ibid).

The report also highlights the importance of a 'brain drain', as younger and/or higher skilled people move south. However, just as crucial – but much less reported upon – was its finding that, unlike cities in many other countries, no English cities are experiencing absolute population loss. Furthermore, the report highlights the fact that there was a convergence in employment rates between smaller and larger English cities between 2001 and 2011 (ibid).

In the course of their analysis, Pike et al developed a typology that attempts to characterise three different types of cities-in-relative-decline.

- **Core:** cities that host high-level services and anchor institutions. Of the core cities in the North, this describes Liverpool and Sheffield; farther afield, it also covers Birmingham, Nottingham and Glasgow.
- **Overshadowed:** cities with larger neighbouring cities that are losing, or have lost, higher-level functions to their larger neighbours (thereby supporting the economic growth of the latter) – in effect, their economic growth is displaced. Overshadowed cities are linked to core cities by strong commuting flows; examples of them in the North include Blackburn, Burnley and Bolton.
- **Freestanding:** cities that are too small to be considered 'core' cities, and which are not overshadowed. They tend to be located at a significant distance from the largest conurbations – for example, Doncaster, Blackpool and Hull (ibid). Carlisle might also fall into this category.

10 'Relative decline' was defined as a decline in the performance of a city relative to similar cities or to the national average; 'absolute decline', by contrast, refers to outright declines in specific indicators such as population and employment.

11 That is, 'northern England' as defined as the North West, the North East, and Yorkshire and the Humber.

12 Carlisle was not covered in Pike et al's analysis.

Pike et al argue that the factors that *reduce* the likelihood of relative decline were:

- more highly qualified people among its working-age population
- the absence of nearby larger cities to attract away service trade
- faster rail access to London
- the absence of a history of dependence for work on mining or manufacturing (ibid).

3.3 CHALLENGES FACING SMALLER CITIES AND LARGER TOWNS

Although our own analysis demonstrates the combined importance and key strengths of SMCs, it also highlights the significant challenges that they face. An important one, as discussed above, is that they are often isolated, and/or overshadowed by larger towns and cities, which are, in a range of different ways, encouraged to become dominant. The other issues, many of which are closely interrelated, can be summarised as follows.

SMCs are often isolated and overshadowed by larger towns and cities which are encouraged to become dominant for a range of different reasons as outlined in figure 3.5 below.

FIGURE 3.5

Why do small and medium-sized cities become geographically isolated and overshadowed?

The core problem for SMCs is, perhaps inevitably, their peripheral or isolated position in relation to larger hubs. This might be an issue of geographical proximity or transport connectivity (or both); however, it could also relate to a smaller town's peripheral position within decision-making processes and institutional networks.

Smaller cities make important contributions to their city-regions' skills mixes, and can build complementary sectoral strengths by, for instance, carving out roles providing support or specialist functions for businesses located in nearby large urban centres. However, they are often overlooked by an approach to economic development in England that focusses primarily on the core cities.

The isolated position of SMCs is not a new phenomenon. It is the result of historic trends that are caused by, and in turn further exacerbate, the unequal balance of power between large and small cities. Some of these trends are explored below.

As Pike et al's research has shown, many SMCs were **historically reliant on one or two big employers**, whose products are now produced elsewhere – most likely overseas in emerging markets (Pike et al 2016). It has taken time for new businesses that provide new products and services to fill this void; in some areas this process is still quite some way from being complete, resulting in above-average levels of structural unemployment. Policy initiatives that aim to tackle the supply-side problems of worklessness at the neighbourhood level are, on their own, unlikely to be effective unless they take into account the wider labour and housing market dynamics that operate both on the demand side and at broader geographical levels (Turok and Robson 2007).

The decline of 'traditional' industries, and the lack of jobs that tends to result, is also likely to lead to **low skill levels** in smaller cities and larger towns. Indeed, all of our case study areas have identified the skills profile of their working population as a key issue. This creates a vicious circle: a poor skills profile helps to reinforce a low-skill economy. However, a lack of competition for employees also plays a role.

A further, related challenge for those areas in close proximity to bigger cities, such as Doncaster's position relative to Sheffield, is that these larger conurbations can offer higher quality jobs and wider opportunities for talented employees.

A lack of local employment opportunities undoubtedly plays a role in **out-migration**. SMCs are often characterised as places that lack investment and skills; that have high levels of economic inactivity and social deprivation; and whose populations are in decline as young people move away. The reality is, of course, somewhat more complex and nuanced, but many young people and those with a strong skills profile are likely to gravitate towards the larger metropolitan centres, leading to shrinking, ageing populations in SMCs.

However, this is not simply a question of a lack of skilled jobs. Carlisle, for example, has employee shortages in its nuclear sector, with an insufficient supply of engineers. Similarly, Burnley struggles to attract people to fill vacancies in its high-skilled industries. Attitudes are key to this: many northern towns and smaller cities **are portrayed by the media and within the public imagination as undesirable places to live**, with empty and decaying town centres and poor job opportunities. Core cities, by contrast, are presented as dynamic and attractive places for people to live – an image that has been supported over the last decade by significant public investment, particularly in the redevelopment of northern city centres.

Changing this perception is, then, a key challenge. Yet, in some places, the caricature rings true. Many SMCs suffer from a disproportionate level of **social problems and poor quality of place**, associated with a lack of sustained investment over time. Most of our case study areas are acutely aware of the need to rejuvenate town centres and improve the quality of residential areas in order to attract or retain businesses and skilled employees.

Among the numerous improvements needed to address social problems within SMCs, addressing **poor connectivity** is arguably of the highest importance. Many smaller cities and larger towns require only relatively small amounts of investment in their physical and digital infrastructure to enable them to contribute more fully to growth in their local areas, and to better support or complement the growth of neighbouring metropolitan centres.

This type of joined-up, strategic thinking requires **strong institutional leadership**. However, smaller cities and market towns can struggle in this area. To achieve success, SMCs must arrive at a clear understanding of their role in the urban hierarchy, critical assets and good connectivity. Institutional relationships are key to achieving that understanding. However, it can often be difficult to attract high calibre candidates to work at a senior level in local government in local authorities within, or which encompass, SMCs.

From an institutional perspective, local enterprise partnerships (LEPs) often don't serve smaller cities and market towns particularly well. Smaller cities are much more likely than larger ones to straddle multiple functional economic areas, and as such may be considered a peripheral concern for each of them. Equally, both LEPs and smaller cities need to consider whether they could benefit from increasing their economic links with neighbouring areas in cases where such links have historically been quite limited. **Administrative boundaries** should not be allowed to block or prevent the realisation of economic opportunities – especially in cases where the growth of major city-regions has direct consequences for SMCs in neighbouring hinterlands.

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There has recently been a great deal of focus on the opportunities that devolution presents, particularly in the North. However, the discussion has so far tended to focus on the core cities. This may be changing given that many smaller areas are now trying to negotiate devolution settlements from government, but there is still work to be done in terms of exploring how the opportunities that devolution offers can be used to benefit 'in between places'.

4. TOWARDS A NEW STRATEGY FOR SMALL AND MEDIUM-SIZED CITIES

This chapter explores the different dimensions of how SMCs respond to their multiple challenges, and sets out a series of recommendations for government, for LEPs and combined authorities, and for SMCs themselves.

4.1 THE FOUR FACETS OF THE SMC POLICY CHALLENGE

Our research has identified four inter-linked facets of an approach which maximises the economic and social potential of small and medium-sized cities and begins to address many of the challenges identified in the previous chapter. They are:

- building local economic reliance
- maximising the benefits of local assets
- enhancing connectivity
- addressing institutional weaknesses.

Building local economic resilience

The urban policy landscape is dominated by cities, which are routinely presented as the main drivers of future economic growth. Many of the arguments used to support this approach depend upon ideas of 'rebalancing the national economy' with a view to strengthening national economic resilience. However, those same arguments hold true at the sub-national level: if a region is to have a healthy and sustainable economy, it too needs to have a clear understanding of how it can achieve a level of economic balance such that particular towns and cities do not create a drag effect on that region's more prosperous areas.

In some respects this is a case of mitigating the costs and risks of multiple deprivation. Given the increasing primacy of the devolution of key budgets and public services, combined authorities will themselves need to adopt policies and strategies that link economic development with public service reform in all parts of their city-regions.

However, much more positively, and as this paper has shown, SMCs themselves become key growth hubs within wider urban systems – offering comparative advantages around particular clusters, and providing economic functions that cannot be located in large cities due to the constraints of space, or that must be located in SMCs because of their advantages in terms of higher environmental quality.

A second aspect of building local economic resilience is the importance of long-term planning. City-centre living may remain in vogue for some time to come, not least among younger cohorts of workers. However, a healthy urban system needs to be responsive to longer-term trends, and alert to the possibility that at some point – and for certain cohorts – tipping points may be reached at which the attraction of big cities is outweighed by that of living in smaller cities and larger towns. Adopting a balanced and long-term approach to economic development makes it more likely that city-regions can avoid the worst effects of the inevitable cyclical downturns that affect the global economy.

The third dimension to building local economic resilience concerns maximising the human potential of the residents of SMCs. As discussed above, many SMCs have particularly low skills bases. Key to building their resilience will therefore be driving up standards in schools, as well as in any further and higher education institutions in the area. Improving the skills system will not only contribute towards generating a healthy supply of workers and commuters for city-centre jobs, but will also support the important local economic clusters upon which many successful SMC economies are built. With further devolution of the skills system to combined authorities anticipated, there will be much to be gained from local skills strategies that combine place-based approaches to local skills provision with conventional, sectoral approaches.

Maximising the benefits of local assets

As our case studies demonstrate, most places, regardless of their size, contain assets that can be used to support and enhance local economic prosperity, and which provide a basis on which to consider the advantages of a particular place (as opposed identifying its disadvantages or shortcomings, or what Tony Chapman (2011) calls the 'place deficit' model). Many different types of assets can and should be considered, including the following.

- **Industrial capabilities and specialisms:** the existing sectoral strengths that characterise the local economy – for instance, expertise in agricultural production and processing, advanced manufacturing, or acting as a key distribution node.
- **Land supply:** the availability of land for residential and employment uses, which provides potential for investment, although this is contingent on issues of economic viability and local planning policy.
- **Natural assets:** this includes resources for energy production (including wind, solar production and shale gas), national parks and areas of outstanding natural beauty, biodiversity and water.
- **Historical and cultural assets:** these include historical and archaeological sites (which both provide a strong sense of place identity and act to support and promote local tourism), and arts and culture venues such as art galleries, music and theatres.
- **Public and community assets**: public buildings, parks and community centres, which may provide foci for civil society and also have the potential to do the same for local entrepreneurship and social enterprise.
- **Foundational assets**: these assets comprise the everyday services and utilities that characterise the day-to-day workings of a place's economy, including electricity supply, care services, telecommunications and food. Bentham et al (2013) argue that these constitute 'foundational' assets which can be used in efforts

to maximise opportunities for jobs and investment through the supply chain, the labour market and local procurement.

- **Quality-of-life assets:** as discussed above, many SMCs have a higher-than-average quality of life offer in terms of access to good schools, the availability and affordability of quality housing, and access to recreational resources

By re-examining the assets that a place may contain, it is possible to begin to revalue it and the opportunities that it offers both to its residents and to investors. Particular assets such as quality of life, history and culture are often particularly attractive to knowledge-based businesses because they provide a dynamic and creative environment in which to work.

Enhancing connectivity

SMCs will very often benefit from improved connectivity, both in terms of physical connectivity to nearby places via effective transport, and digital connectivity.

The issues associated with physical connectivity, and the benefits that improvements would deliver, vary from place to place depending on local context, and in this respect SMCs might usefully be thought of as falling into three categories.

- **Commuter SMCs:** for some SMCs such as Burnley, improving physical connectivity might involve providing better access to nearby core cities for commuters who choose to live there for quality-of-life reasons but who travel to work in neighbouring cities or towns.
- **Hub SMCs:** for other SMCs that play a strong 'hub' role – Carlisle, for example – the challenge might be to ensure that it has good connectivity with their local hinterlands, both to ensure that people can access employment and services, and to facilitate the movement of people to and from an area for other reasons, such as for tourism and leisure.
- **Economic cluster SMCs:** some SMCs may be home to particular economic clusters that require good connectivity to national and international markets. For instance, logistics in Wigan is a growth sector, but one that requires good road and rail connectivity to nearby ports.

While transport has received considerable attention in the North over recent years, perhaps most evident in the establishment of the Transport for the North body in 2015, inter-city connectivity but very often appears to be prioritised over the more local connections that SMCs might derive greater benefit from.

Also crucial for economic development is the extent of opportunities for businesses to use digital connectivity for their work – particularly their access to high-speed broadband services, which has been increasingly become known as 'the fourth utility'. Research published by the Federation of Small Businesses in 2015 found that 14 per cent of small businesses in the UK still viewed lack of digital access as the main barrier to growth in their business (FSB 2015). Furthermore, this research found that only 14 per cent of businesses in rural areas had access to superfast broadband (ibid). While it may not be possible for some SMCs in rural areas to benefit from improved physical connectivity, they may look to digital connectivity as a potential means of growing their economy over the longer term.

Addressing institutional weaknesses

As explored in our case study research, some SMCs may face challenges in terms of institutional and leadership weaknesses, which may limit an area's ability to pursue and achieve its economic potential.

One of the biggest challenges facing local authorities in SMC areas has been the effect of spending cuts on policy and economic development capacity. Most smaller local authorities have necessarily narrowed their focus to providing key statutory services, but this leaves little if any capacity for engaging with LEPs and local economic planning.

There is also a strong sense that diminishing responsibilities in turn diminishes the attraction of taking up elected office, not least for those in paid employment. Consequently, SMCs very often rely upon retirees to serve as elected members on local councils; and some SMCs have suffered from significant political instability, which does not lead to good decision-making or long-term planning. Whether at officer level or in elected roles, many SMCs experience difficulties in recruiting high-calibre candidates to take up positions in local government.

Beyond leadership, there are also challenges relating to the ways in which combined authorities and LEPs have been formed. Government itself has recognised that many LEP areas are underbounded – that they are, in other words, smaller than the functional economic geographies that they are supposed to encompass. This issue has led to some SMCs being excluded from formal LEP areas centred upon cities, despite the fact that they are 'overshadowed' by that LEP's main city. Furthermore, the problem has been exacerbated by the fact that government seems more ready to strike devolution deals with areas that include core cities ahead of those areas that don't. Many SMCs report that they struggle to maintain a wide range of effective relationships with government officials for this reason. Even those SMCs that are part of combined authority and core city LEP areas often feel that their interests are not as well-served by LEPs as the major cities are.

These significant institutional challenges are leaving many SMCs considerably far behind in terms of their ability to build on their economic strengths and address their critical problems.

4.2 IN-BETWEEN BRITAIN: POLICY RECOMMENDATIONS

The analysis set out in this paper demonstrates that policymaking across diverse geographies is necessarily complex and messy. The central argument of the propositions set out in chapter 2 is that the current singular focus on core cities in economic development strategy is too narrow to promote genuine economic resilience, social wellbeing and environmental resilience.

The prevailing big-cities narrative requires a fundamental rethink, and doing so could lead to a wide range of positive outcomes. Within this short paper, however, it must suffice for us to make a series of more practical recommendations within the following three broad areas.

On a more comprehensive regional economic strategy

It is right that the government continues to promote and act upon its strong narrative about the so-called northern powerhouse: the concept implicitly acknowledges the interconnected nature of the wide range of different places and economic assets that need to function in concert in order to support economic growth across the north of England.

However, to give this vision greater shape, both national and sub-national policymaking must do more to reflect the economic coherence of all places and areas. This is not an argument in favour of the 'jam-spreading' of public funds: it is right that limited resources are targeted on those places and schemes where government can expect to receive the greatest returns on its investments. Yet the appraisal methodologies that are currently used to allocate public funding do not adequately capture the wider economic benefits that might be generated by investment beyond big cities; nor do they take into account the counterfactual costs of not investing in SMCs to help them achieve their potential.

To this end we make the following recommendations.

1. HM Treasury and the National Infrastructure Commission should reappraise *Green Book* appraisal methodologies in light of emerging evidence about the economic potential of SMCs, and the contested evidence about the relationship between city size and economic growth in England. Furthermore, Transport for the North should develop its own appraisal methodologies for transport and wider infrastructure investment that take account of the contributions made to the urban ecosystem by SMCs and the mutual benefits of better connectivity between larger and smaller cities and towns.
2. Building on the Northern Independent Economic Review and IPPR North's proposal for a Great North Plan,[13] Transport for the North should ensure that its future strategy development takes account of the complexity of the North's urban ecosystem and the diverse nature of its primary economic capabilities, rather than relying too heavily on partial accounts that focus on the dominant role of big cities.
3. As they refresh and enhance their strategic economic plans over time, LEPs and combined authorities should do more to acknowledge the role of SMCs in relation to bigger cities, and identify specific initiatives by which their local assets can be built upon, and connectivity between places enhanced.
4. The chairs of the North's 11 LEPs should meet on a regular basis and work together to identify opportunities for collaboration across boundaries to support the development of particular SMCs.

13 See http://www.greatnorthplan.com/

On the role of small and medium-sized cities

The evidence in this report demonstrates that SMCs already make a significant contribution to the northern economy, but the picture is mixed – some places could adopt more proactive and progressive approaches to enhancing their role in the wider urban system. We offer the following two recommendations for how they should go about this.

5. Drawing on the available typologies discussed above, SMCs must relentlessly work on identifying and articulating their unique roles within the wider urban ecosystems of which they are part. Their main focusses should be on maximising the value of local assets, enhancing human potential and, in some cases, acknowledging the interdependent nature of their relationships with larger cities, and/or embracing the need for re-evaluating their size and how they can best provide services in ways that suit the distribution of their population.
6. SMCs must identify and address their current institutional weaknesses through more extensive training and support for local councillors to help and encourage them to engage more fully with sub-regional affairs, and by more effectively pooling their policy capacity with neighbouring councils, and with city-regions as a whole.

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