

GOVERNANCE AND LEADERSHIP

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INTRODUCTION

The work of the Northern Economic Futures Commission (NEFC) is focused on how to grow the economy of the North of England, to the benefit of the whole of the UK. In part this requires a focus on what the North can do for itself based on the powers, resources and assets already held within the North. But it also requires an analysis of the powers and resources central government currently wields and how these impact on the North of England, and consequently where there are powers and resources that should be decentralised. But any argument about the decentralisation of power and decision-making inevitably leads into a conversation about governance and leadership in the North.

The question of whether further devolution and decentralisation of powers will support or impede economic development has been of interest to academics and researchers for some time. This has resulted in a number of cross-national studies which have sought to quantify the effect of devolving greater power to the sub-national level. However, the results of these studies are mixed, and measuring impact is difficult. Moreover, these studies tend not to distinguish between decentralisation to different tiers – whether regional, sub-regional or local (Tomaney et al 2011).

However, some research does find that where the level of decision-making fits the economic footprint of a city-region, the impact on economic performance is positive (Cheshire and Magrini 2005). Evidence submitted to the commission by several cities argued that being able to take more decisions locally will help to deliver positive economic outcomes. Indeed, economic forecasts commissioned by the Core Cities Group suggest that with greater local control over the drivers of growth, the eight northern core cities and their wider city-regions could deliver an additional 1 million jobs and £44 billion of economic output over the next 10 years.¹ While all economic forecasts need to be treated with some caution, these projections nevertheless add grist to the mill in the argument for greater decentralisation.

This briefing paper begins by making the case for why governance matters for economic development. Chapter 2 briefly reviews how the governance of economic development in England has changed in recent years. Chapter 3 focuses on governance at the city-regional level, setting out some options for how city-regional governance might evolve over time. Chapter 4 considers arguments for pan-northern governance and voice, and what this might look like. Chapter 5 steps outside of the strict bounds of governance structures to address the more generic question of leadership in the North, before the paper concludes with some key questions for further discussion.

¹ Core Cities, cited in evidence submitted to the commission by the Greater Manchester Combined Authority.

1. WHY DOES GOVERNANCE MATTER?

There are two primary reasons why the governance of economic development matters and why it is an issue that the NEFC commissioners have to engage with as part of their deliberations. The first relates to the need to manage and support economic development in an effective way; the second relates to questions of transparency and accountability for decisions taken.

Managing and supporting economic development

Markets and businesses do not organise themselves according to administrative boundaries, a fact that has been demonstrated by successive studies in England and internationally. Whether we look at labour markets and travel to work areas, markets for goods and services, or housing markets, their reach stretches beyond the boundaries of individual local authorities. These areas, which may overlap, are often referred to in the literature as ‘functional economic areas’. And while the precise reach of different markets varies, there is a general consensus that the city-region or sub-region offers a reasonable approximation for a functional economic area in an English context (LGA 2007, HMT, BIS and CLG 2007). This presents those seeking to develop local economies with the practical challenge of coordinating activity across administrative boundaries, especially in urban areas where local authorities tend to be geographically small.

Collaboration across boundaries helps to ensure that maximum return on investment is being achieved, and that public policy has a keen impact. By contrast, fragmentation has a malign effect, undermining the effectiveness of public policy, with detrimental consequences not just for the place in question but for the nation as a whole, as a result of poorer economic performance (OECD 2009).

An OECD study on governing economic development (ibid) identified four key factors that support the good governance of economic development:

- Regional policy needs to be coordinated by an identifiable single gatekeeper at the national level.
- An effective use of knowledge in the policymaking process requires appropriate mechanisms for dialogue and coordination within and across levels of government, as well as across public and private spheres.
- Unified, co-financed and multi-year funding for regional policy helps to ensure the credibility and effectiveness of public investment.
- Monitoring and evaluation mechanisms need to be strengthened to ensure policy learning.

The need for ‘appropriate’ mechanisms for coordination and a single financing structure with certainty over a period of years suggests that the need exists for some sort of structure or institution to manage and govern economic development. This does not necessarily need to be in the form of a large bureaucratic organisation. Indeed, rather than endorsing any particular form of institution, the evidence suggests that a premium should be placed on stability, in order to allow capacity, knowledge and relationships to be built up over time (ibid).

Other case study research highlights the importance of institutional and governance capacity in developing economic development strategies. For example, Rodriguez-Pose’s comparison of the economic trajectory of Galicia and Navarre in Spain found the quality of the two region’s economic development strategies differed markedly, with Galicia’s fragmented and piecemeal strategy standing in stark contrast to Navarre’s more comprehensive and mutually reinforcing approach (Rodriguez-Pose 2000). This is

despite the two regions having similar regional governance institutions: it is not simply the presence of institutions that matters but the skill with which they are used.

This is further reinforced by OECD research looking at the factors of critical significance to the rate of economic growth in ‘underperforming regions’, like those of the North of England (OECD 2012). Drawing on an extensive analysis of 23 case study regions, the authors identify ‘institutional’ and ‘policy’ factors as critical, highlighting the following crucial to driving economic growth:

Institutional factors:

- The ability to mobilise key actors from across sectors – public, private and civil society – to play an active role in economic development.
- The existence of a clear vision for growth, and the ability of different actors to articulate a consistent and common voice and concern for the region.
- The continuity of economic institutions, programmes and decision-making processes.
- The existence of clear governance structures at different spatial scales and their ability to inter-relate vertically.

Policy factors:

- A changed mentality away from notions of subsidy and external intervention and towards growth potential and existence of endogenous factors.
- A focus on inter- and intra-regional linkages rather than simply the relationship between the central government and the region.
- A concern to ensure there are spillover benefits from economic development interventions.
- Clearly how areas are governed, along with the focus and attitude of policymakers, matters for economic development.

Transparency and accountability

The second reason why the question of how the North is governed matters is because it is the route through which transparency and accountability for decision-making can be achieved. There are a range of possible models for governance at the sub-national level, varying from voluntary partnerships taking decisions by agreement, to more formalised and structured approaches. As autonomy over decision-making and the ability to raise and spend revenue and take investment decisions varies, so too will the form of governance arrangements and the degree of accountability that will be appropriate. In a mature democracy, the form of governance that brings the most autonomy is direct election and accountability direct to citizens.

Furthermore, to be truly effective, governance that seeks to coordinate across several local authority areas needs to be able to deal with two key problems:

- **Free-riders:** Often, across a city-regional area, there is a concentration of disadvantaged individuals in the core city, while the outlying areas are home to wealthier professionals. Many in this latter group commute into the city for work and use the city’s amenities, but they do not contribute to the local tax base. This tends to be a particular problem in American cities, where there is a greater degree of fiscal decentralisation to the local level. This can result in people literally not paying for services they use.

At present this is less of a problem in England due to the needs-based formula that distributes local government funding and to the extremely limited tax-raising powers held at the local level. However, the under-bounded, overly granular nature of English cities means this may become more of an issue if greater fiscal decentralisation is pursued.

It is important to note that this should not be interpreted as an argument against fiscal decentralisation; rather, it is an argument in favour of mechanisms for greater coordination and pooling of resources between local authorities in the advent of fiscal decentralisation to maintain some relationship between local taxpayers and local service users.

- **Taking hard choices:** If more decisions about priorities and resource distribution are going to be made at the city-regional level, it is important that there are mechanisms in place to enable this to happen. At times this will mean taking difficult, seemingly zero-sum decisions, such as where to locate a major investment like a conference centre or enterprise zone. Local authorities are elected on a local mandate, and it is therefore understandable that they want to deliver on behalf of their citizens, but this can make collaboration difficult. A recent example of this occurred as Newcastle, Sunderland and Durham all bid to host the Green Investment Bank, rather than working together on one collective bid that each area could have supported in order to bring benefit to all areas.

Sometimes it is easier to transfer these decisions to a body that has responsibility for the area as a whole, and can be accountable to the area as a whole. Recent attempts to introduce road-user charging offers an example of this: Greater Manchester failed to implement road-user charging partly because some individual local authorities did not hold the line and withdrew their support for the scheme, and local people voted against it in a referendum. By comparison, the mayor of London was able to come to power on a pledge to introduce congestion charging across the various local authorities of inner London and to deliver on it.

Finally, it is important to note that the urgency of the debate about governance in England is likely to be driven by external forces to some degree. As 2014 approaches and the debate about Scottish independence gathers steam, questions are bound to be asked about how England is governed. And if the Scots do not vote for independence (which current opinion polls suggest they will not, although it is impossible to say what may happen in the course of a referendum debate) some form of 'devolution-max' is almost certain to be the response of any UK government. This will, in turn, reignite a debate within England about whether the country's future lies in an English parliament, in English votes on English laws in the House of Commons, or in greater local power and decision-making (or some combination of the three). There is an opportunity for the NEFC to speak to this debate.

2. HOW THE NORTH IS GOVERNED: A CHANGING PICTURE

How economic development and growth is governed in the North has changed substantially in recent years. There are two sets of changes to note here: changes at the regional and sub-regional level, and changes at the local level.

The regional and sub-regional level

The New Labour approach to economic development was to move away from a model that provided subsidies to economically lagging areas and instead towards a focus on building on the assets of areas to support growth. The regional development agencies (RDAs) were established for this purpose, with considerable budgets to spend on economic development and regeneration locally. It was a policy that treated unequals equally, with every region home to an RDA, although the size of their budgets did vary somewhat according to need.

Alongside the RDAs, other regional infrastructure was developed:

- Government Offices for the Regions (GORs) were established under the John Major government to coordinate the activity of a range of Whitehall departments in the regions and to act as an interface between the region and central government.
- Unelected regional assemblies brought together representatives of local government and wider stakeholders from business and civil society to develop planning policy for the region, including the house-building targets and transport investment priorities at the regional level.

Following the thwarting of John Prescott's plans for establishing elected regional assemblies at the hand of the North East electorate in a referendum in 2004, there was a period of consolidation around the role of the RDAs. The 2007 Sub National Review of Economic Development and Regeneration heralded the abolition of the unelected regional assemblies and the creation of integrated regional strategies, overseen by the RDAs, that brought together economic development and planning in the regions. This framework also recognised the importance of the sub-regional or city-regional tier of governance for supporting economic development, and introduced measures such as statutory city-regions (which Manchester and Leeds subsequently became) to strengthen working at this level.

But the process of consolidation at the regional level had barely begun when the Coalition government came to power in 2010 and quickly acted to abolish the regional tier of governance, including RDAs and GORs.

The abolition of the RDAs has been followed by the creation of more local, voluntary partnerships between local authorities and business at the sub-regional level, in the form of local enterprise partnerships (LEPs). Unlike other parts of the country, the entirety of the North of England is covered by at least one LEP, with some areas, such as York and Barnsley, being covered by more than one.

In many cases, the new LEPs have built on the foundations of already existing partnerships, but some are brand new. The LEPs are very different beasts to the RDAs: while they are far less bureaucratic in form, potentially making them fleet of foot, they are also drastically under-resourced and expected to operate with virtually no central government funding. Small budgets for start-up (a total of £5 million shared between all LEPs over one year) and capacity-building and research (a total of £4 million between all LEPs over four years) are available, but access to this funding is on a competitive bidding basis. Furthermore, the current capacity of LEPs varies considerably from one area to the next, with the depth of pre-existing relationships and partnership working a key factor.

Finally, the way in which Whitehall operates in the regions of England has also changed. The abolition of the GORs has not meant Whitehall that no longer has a presence at the sub-national level. Rather, the effect has been a fragmentation of that central civil service presence in the regions, with different departments operating across different geographies (Tomaney et al 2012). This feels like a return to the bad old days of uncoordinated activity, which led to the creation of GORs in the first place, two decades ago.

The local level

The Coalition government heralds localism as one of its core commitments. The Localism Act 2011 restored a power of general competence to local authorities, and included a mechanism that allows local authorities to make the case for being given new powers to promote economic growth and to set their own distinctive policies suited to the needs of their local area. However, it should be noted that the same act also included over 120 new powers for the secretary of state, suggesting localism is not uniformly the direction of travel.

The government has stated a particular commitment to empowering local authorities in cities. To this end they have developed the 'city deals' process. A city deal is a bespoke arrangement, negotiated between an individual local authority and central government. The idea is that local authorities – preferably in collaboration with their private sector partners, and where relevant with the wider LEP area – will be able to exercise greater influence over decisions that affect their economic competitiveness and develop projects that will help to unlock growth (CLG 2011).

The process does not define a menu of powers that local authorities can bid for. Rather, it is led by what local authorities identify as the powers that will make a difference in their area. While this holds out the possibility of bespoke packages for every local area, this competitive form of localism also means that each area has to negotiate bilaterally with Whitehall. In these negotiations, the government has stated it is looking for the following elements in order to devolve powers or resources (ibid: 21):

- A clear economic rationale: There must be a clear rationale underpinning any devolution of power. The guiding principle is that power should be held at the lowest appropriate level, and the onus will be as much on central departments as on cities to make the case for why powers should be held at any given level.
- A strong evidence base: Propositions need to be backed up by evidence that allows for a reasonable assessment of costs and benefits.
- Appropriate geography: In some areas the lowest appropriate level may be a local authority, but in others it will be the local economic area. When it comes to powers related to economic development, such as strategic planning and transport, there is likely to be a strong case for aligning powers with the functional economy.
- Appropriate governance and accountability: Before devolving powers, the government will need assurances that there is visible and accountable political leadership. Important ingredients that it is looking for are:
 - a clear mandate to drive an ambitious economic programme over the medium term
 - the ability to work effectively across boundaries, build informal coordination arrangements and take strategic decisions across the wider economic area
 - visible leaders that businesses can deal with, that communities can come to and that central government can negotiate with

- clarity over who is responsible and accountable for taking actions to support economic growth. Cities that have a directly elected mayor will be well placed to meet these tests. Other governance arrangements will need to demonstrate how they will do this.

The government has specified that cities with directly elected city mayors will automatically meet the leadership and accountability requirement. However, their plans were set back when the electorate overwhelmingly rejected the offer of an elected mayor in referendums held alongside the 2012 local elections in England’s major cities. Only Bristol voted in favour of having a mayor. It is essential that this verdict from the electorate is not now allowed to act as a block to the decentralisation of power.

Liverpool was the first city to sign off its deal with the government. It also elected its first mayor in 2012, after the city council voted to introduce a mayor without first holding a referendum. The boxed text below outlines the deal.

Liverpool’s city deal

The details of Liverpool’s city deal were announced by Communities and Local Government (CLG) in February 2012. The key elements include:

- A new enterprise zone that will create a ‘city fringe buffer zone’ to the north of the city centre. This means that for the next 25 years increases in business rate income will be invested in regeneration. The government will also be prepared to support economic development backed by a strong business case with up to £75 million during the spending review period.
- Creation of a joint mayoral investment board to oversee the city’s economic and housing strategy, pooling local assets, including those of the Homes and Communities Agency, to drive economic growth.
- The launch of welfare pilots to reduce welfare dependency. The city will work closely with the government on local schemes including a ‘youth contract’ to increase the number of claimants moving to work and to reduce fraud and error.
- A secondary school investment plan to build 12 new secondary schools, including at least six new academies to help support the local skills agenda and the local economy. The council will work with the schools, private companies and local universities to develop specialisms to meet local skills shortages.

Source: CLG 2012

Following the election of its mayor, Liverpool is in the process of negotiating a second city deal focused on transport.

Reflections on the government’s approach to governing economic development

This new approach to governing economic development offers some potential benefits, as well as a number of challenges.

Potential benefits

- **Functional economic areas:** The focus on the city-regional level offers the opportunity to better align decision-making with a functional economic area, bringing improved coordination and increased impact,

- **Flexible and ‘multispeed’:** There is an opportunity for proactive and ambitious local authorities – and their partners across an LEP area – to shape their powers and functions tailored to their local needs. And they can do this without having to wait for other areas to catch up, with each going at their own speed.

Challenges

- **Functional economic areas:** In reality, many LEPs are not reflective of functional economic areas. Research by Tomaney et al (2012) shows that over half of approved LEPs have ‘questionable validity’ as a functional economic area.
- **Disruption:** The process of abolishing the RDAs has been a painful and protracted one. This, alongside the fact that LEPs do not generally have access to budgets to enable them to hire many staff, has resulted in fears about a loss of expertise in economic development and regeneration. This has disrupted institutional capacity, a factor that the OECD finds to be critically important for the governance of economic development.
- **Capacity:** The lack of budget to support the work of LEPs means many are operating without sufficient administrative or research capacity, relying on local authority officers to add functions on to existing jobs.
- **Creativity:** While some local authorities are forging ahead with the city deals process, others are struggling to find creative solutions and to deduce the additional powers that are required to deliver them. According to Whitehall sources, many local authorities are requesting powers they already have.
- **How serious is Whitehall?** There is a tendency for Whitehall to accuse local government of a lack of imagination in asking for powers – up to the point where substantial powers are requested, when the answer frequently becomes no! While the engagement of Whitehall departments has initially been quite positive, the proof will be in whether powers are forthcoming.
- **Fragmentation:** Perhaps the biggest challenge facing the governance of economic development is fragmentation, as this makes the development of a coherent economic development strategy difficult. The table below sets out how each major function of central government departments is delivered at the sub-national level, the geography they adhere to, and whether or not local authorities are involved. The latter is of interest as their consistent involvement across activities might help to improve coordination. The picture is one of fragmentation.

Table 1
How different Whitehall departments deliver economic development functions, the geography they use and whether local authorities are directly involved

Whitehall department	Function	Works through...	Geography	Councils involved?
Communities and Local Government	Housing	Homes and Communities Agency	Regional	No
	Planning	Local authority collaboration (or not, as the case may be)	Local	Yes
	Regeneration	European Regional Development Funding Local Management Committee	Regional	Yes
Business, Innovation and Skills	Economic development	LEPs	Sub-regional	Yes
	Skills	Skills Funding Agency	From national to frontline	No
	Universities	Individual HEIs	From national to frontline	No
	Supporting policy delivery	BIS Local	Regional*	Yes
Home Office	Police	Police Authority (soon to abolished and elected police and crime commissioners introduced)	Sub-regional	Yes, until PCCs introduced
Transport	Transport	Independent transport authorities	Sub-regional	Yes
Health	NHS	Foundation trusts	Straight to frontline	No
Education	Education	Autonomy increasingly being given to schools direct	Local / straight to frontline	Increasingly no
Work and Pensions	Welfare-to-work (mainstream)	Jobcentre Plus	Local / sub-regional	No
	Welfare-to-work (long-standing claimants and those with complex needs)	Work programme prime contractors	Regional	No

* BIS Local works across six regions in England, rather than the nine standard administrative regions.

3. DEVELOPING MODELS FOR GOVERNANCE WITHIN THE NORTH

As outlined in chapter 1, coordination is a key element of effectively governing economic development. The myriad of partnerships, quangos and agencies operating at a variety of spatial scales in England suggests our approach could be made more effective.

Furthermore, the government has made clear that the devolution of substantial new powers and funding mechanisms to cities or city-regions will require clear lines of accountability and visible leadership. This is right and proper in a democracy. These two observations speak to the important question of how we should govern economic development in the North.

Given the wide acceptance of the sub-region or city-region as a reasonable approximation of a functional economic area, governance at this level should be a key concern. Furthermore, given the role that institutional stability has to play in effectively governing economic development, several of those who responded to the NEFC's call for evidence made a plea to build on the foundations that already exist. To produce strong and accountable governance structures requires a long-term commitment, not only from partners but from central government too.

There are two primary ways of governing city-regional or metropolitan areas (from Lefevre 1998):

- **Inter-municipality:** 'Firstly, the political legitimacy ... rests with the member (basic) authorities; it is they who are represented on the metropolitan councils. Secondly, inter-municipal structures rarely have financial autonomy, their resources deriving generally from the member authorities and from subsidies granted by the higher levels.' City-regional partnerships are an example of this form of governance.
- **Supra-municipality:** 'Direct political legitimacy, definite financial autonomy and multiple powers exercised over the relevant functional economy.' The English metropolitan counties were an example of this form of governance.

In reality these two models represent two ends of a spectrum, with a number of other options and combinations to be found in between.

In the North of England the governance of the city regions is currently based on the inter-municipality model, although with the involvement of stakeholders beyond public sector and local government actors. Taking LEPs as the central plank of the current government's economic development governance offer, the strength and depth of the partnerships vary widely in different parts of the North. In areas such as Tees Valley and Greater Manchester, the establishment of the LEP mirrors the geography of established and mature partnerships: trust and a shared understanding of the knowledge base have already been established between key partners, providing the newly formed LEPs with a framework to fit within. By contrast, in areas like the North Eastern LEP, partners are coming together in a new geography, meaning there is a great deal of preliminary work to be done in order to build trust and understanding. It is important to emphasise that individual governance arrangements are at different stages of development and must be allowed to develop at different speeds.

But thinking ahead, what do we need to do to ensure the North has effective governance for economic development in place? The rest of this chapter outlines four potential models for how city-regional government could develop over time in the North of England. This will become more and more important as more powers are sought by city regions, especially given the premium the government has attached to clear lines of accountability and governance. The boxed text also outlines some international examples of city-region governance.

These four models can be regarded as ascending a hierarchy of accountability. Establishing a range of models like this (which can then be adapted to local circumstances) could assist areas to think ahead about how they might develop over the medium term. Government can assist this process by establishing a framework of options for city-regional governance, enshrined in legislation where necessary.

Combined authority

Greater Manchester was the first to introduce a combined authority, an approach that is now being considered by other city-regions, such as Leeds. The Greater Manchester Combined Authority (GMCA) replaced a number of single-purpose joint boards and provides strategic oversight of a range of issues, including economic development, transport and skills. Where there are also delivery functions, executive delivery bodies, such as Transport for Greater Manchester, are being created. The work of the GMCA is overseen by a partnership board including one representative from each of the 10 GMCA local authority areas. The GMCA is a statutory body that is able to take on devolved powers and deal with them in a mature and accountable way. Most decisions are taken by a simple majority vote.

Delegated leadership

An alternative model to the GMCA approach would be to enhance the visibility of a leader in such a partnership body, with a city-regional board electing a leader who is then invested with delegated decision-making powers. Under this scenario, the delegated leader would act like an indirectly elected mayor, and would be accountable back to the partnership body, which would act like a metro-assembly, scrutinising the leader's activity. Arguably, this proposition would better fulfil the government's visible leadership requirement for the delegation of powers, although it would lack direct accountability back to the electorate, which would limit the extent of the powers that could be devolved.

City-regional commissioners

Police and crime commissioners will be elected for the first time in November 2012, within boundaries that are a near match to city-regions. One option would be to build on this model and establish commissioners to oversee other areas of city-regional activity, such as housing, economic development and transport. To begin with, these commissioners could be indirectly elected by a city-regional board; over time, it would perhaps be possible to move to direct election. However, a similar model has been mooted previously and on that occasion it was criticised for a fragmented and siloed approach that risks undermining a coherent economic strategy (Marshall and Finch 2006).

Metro mayors

In the wake of the electorate's rejection of city mayors, a debate is beginning about the idea of a metro mayor – a directly elected mayor covering a whole city-region, similar to London's mayoral model. The debate has been led by both central and local government, with Richard Leese, the leader of Manchester, telling the *Manchester Evening News* that a 'very clear debate about a Greater Manchester mayor' was now needed (MEN 2012). Meanwhile, cities minister Greg Clark has pledged that he would rapidly pass a bill to create a city-region mayor if any city-region demanded one (Liverpool Post 2012).

If a metro mayor was to be introduced, some form of scrutiny function would also need to be established. This would usually be carried out by some sort of assembly; this could be performed by a directly elected assembly, as is the case in London, but other lighter-touch options would include an assembly comprising representatives of local authorities, or an

assembly of nominated local stakeholders from a range of sectors. Experience suggests that once a mayor is in place, further powers and functions will accumulate to them – the mayor of London’s brief has expanded to include economic development and housing.

Some international examples of city regional governance

Bologna, Italy

The Bologna city-region operates on a voluntary and flexible inter-municipal basis, whereby municipalities can opt in to or out of activities as they see fit. An ‘Accordo per la Citta Metropolitana’ (ACM) was signed in 1994, leading to the creation of a metropolitan conference, which brings together all the mayors of the member municipalities, and is presided over by the president of the province. It has a light-touch administrative structure, and is responsible for transport, the environment, planning, financial matters, social services and health. However, as decisions have to be taken by unanimous vote, it tends to operate as a discussion forum for prioritisation rather than a decision-making body. Nonetheless, significant projects have included the creation of a ‘city card’ and the renewal of a major bridge. The framework also allows for individual members to come together around specific issues on an ad hoc basis.

There is a framework in place that allows for the further formalisation of these arrangements through the creation of a city-regional mayor following a referendum, but this option has not yet been tested.

Rotterdam, Netherlands

In the mid-1990s, the Dutch government sought to develop stronger monocentric city-regions around places like Amsterdam and Rotterdam. The ability to pool resources at the city-regional level has been used as an incentive to encourage this activity. A referendum on creating directly elected structures was held but the response was an overwhelming ‘no’ vote. This is thought to be due to concern from outlying areas that their taxes would increase, a lack of identification with the wider city-region, and the highly technocratic arguments presented in favour of reform. Instead an inter-municipal approach has been developed, with central government ministries channelling funding for planning, housing, the environment and transport through the city-region, with a small executive body responsible for determining priorities.

Barcelona, Spain

Greater Barcelona has developed what they refer to as a ‘strategic city’ to oversee the governance of the city-region. A 300-member general assembly comprising municipalities, chambers of commerce, universities and trade unions meets to agree a strategic plan for the area. There are also three ‘commissions’ which provide mechanisms for joint working; one is responsible for common services affecting public space, infrastructure and housing; one for public transport; and the other for water supply and waste management. An executive commission, comprising 30 representatives of the most important stakeholders, is responsible for overall administration of the plan. The whole process is chaired by the mayor of Barcelona, giving that office a de facto authority over the wider city-region.

Questions for discussion

The capacity of governance structures to coordinate activity is critical for economic development. Stability also matters, suggesting we need to build on what already exists rather than seeking to start over. However, governance structures must be up to the job required of them, and as areas accumulate more powers they will have to develop clearer and more visible leadership and accountability mechanisms.

This section has set out some possible future models for governance for the North's city-regions:

- Are there any other alternative models to those set out here?
- To give a clear steer and incentive to city regions, should the government introduce a bill setting out a range of models for city-regional governance, paving the way for more detail to be worked out?

4. MAKING CONNECTIONS ACROSS THE NORTH OF ENGLAND

Governance at the city-regional level is not the only question that commissioners need to consider. There is also considerable potential to be realised by individual city-regions collaborating and acting together in concert. There are a number of arguments for this.

- **Scale:** Individual northern city regions are small compared to the likes of the London mayoralty and the devolved administrations in Scotland and Wales. In order to ensure that northern voices are heard at the national level, there will be occasions when the North is better together.
- **Divide and rule:** If city regions do not collaborate with one another there is a risk that they will be played off against each other (Ward 2010).
- **Shared northern interests:** There are a number of policy areas which are broader in their scope than individual city-regions, and so call for collaboration. There are also some truly pan-northern issues, for example:
 - **Transport** – While many transport issues are specific to a particular area there are others, such as east to west connectivity across the Pennines, which affect all parts of the North. There are also a number of campaigning issues where the North should speak with one voice to ensure that northern interests are prioritised others might be able to ‘shout louder’. An example of this would be ensuring that the Northern Hub project remains on track, is delivered in full, and remains a priority for national government ahead of projects like Crossrail 2. A coordinated effort will maximise the chances of achieving this.
 - **Science and infrastructure** – It is not possible for every place to be home to a major research institute or infrastructure investment. Taking a strategic approach and prioritising the assets and opportunities that will bring the greatest return to ensure as many areas as possible benefit from the investment that is available is likely to bring greater results (ibid).
 - **Branding and inward investment** – When the RDAs were abolished, responsibility for inward investment was centralised to UKTI (with the exception of London, which still has a promotional agency). Proactive individual LEPs, like Tees Valley, have already done deals with UKTI to promote them internationally as a place to invest for particular sectors. However, doing this for each of the 39 LEPs seems quite impractical. As a result there may be merit in collectively marketing the North on a global level. Furthermore, a wider scale is likely to be beneficial when working internationally, when potential investors may not need to know about every individual town and city;
 - **Overall resource allocation** – Some issues – such as the overall level of public spending per head in the North compared to London and Scotland – affect all three northern regions in a similar way. This is particularly acute in some policy areas, such as science and transport spending. If a case is to be made for an alternative resource distribution, it will be made more powerfully if made collectively.

The key question for commissioners is how to achieve collaboration between city-regions. Some of the evidence submitted to the commission highlighted ad hoc ways in which city-regions are already working together: for example, Greater Manchester and Merseyside are working together on developing the Daresbury Science Park, and Leeds city-region and Greater Manchester are collaborating to press for the electrification of the trans-Pennine railway. So one possibility is to leave it to ad hoc collaborations over issues deemed to be of mutual interest. However, the question that remains is whether such an approach will deliver powerful messages and joint approaches that are able to counterbalance the influence of Greater London and Scotland in our national debate.

An alternative would be to develop some sort of light-touch pan-northern approach to coordination on relevant issues, and to seek to ensure it happens in a consistent way. The Smith Institute has called for the establishment of a 'council for the North', which would act as an advocacy body for the North, bringing together local government, business and civil society. This would not be an executive body but would comprise a small secretariat supported by a research and statistics function to identify opportunities for collaboration and support it to happen (ibid).

There are a number of factors to consider in thinking about what such a body might look like, and the answer to each question will be influenced by those to the ones before:

- **Purpose:** There are a number of options for what the precise purpose of such a pan-northern organisation would be. Would it focus only on economic development or have a wider remit? Should it play an advocacy role, providing a voice for the North in national debates and identifying and promoting areas for collaboration within the North? Should it create working groups to take forward specific projects? Should it be able to take decisions about major strategic priorities across the North in agreed policy areas such as transport? Could it hold a block grant for the whole of the North of England, which is then distributed among areas? Would it need a secretariat to support its work, and would this be created specifically to support the organisation or be hosted by a local authority or LEP?
- **Composition:** This would to some degree be informed by the purpose, but there are specific issues to consider here. Who would sit on such a body? Would it be a small grouping that brings together economic development actors, such as LEP chairs and city region representatives, or a larger forum bringing together stakeholders from the wider northern business community and civil society?
- **Selection:** This would in turn be informed by the new body's composition. Options would include drawing delegates from specific organisations, such as LEPs and local authorities, inviting a wider range of stakeholders to nominate representatives, or inviting a such a wide range of stakeholder groupings to elect a representative. Direct election might also be considered, although this approach would seem unnecessary unless the body was given substantial powers.
- **Process:** Again, this would be informed by the purpose of the body, but we would need to consider how frequently it needs to meet – annually? Twice a year?
- **Name:** To be influenced by the purpose and nature of the new body, there is a range of options for what a pan-northern organisation could be called. A 'council for the North' has already been mooted by the Smith Institute. Further options would include a forum, convention, standing committee, assembly or consortia. Alternatively, it could follow in the footsteps of the Northern Way by taking on a slightly more abstract name, say, 'Northern Voice'

Questions for discussion

There are clearly areas where collaboration between sub-regions or LEPs will be important. Leaving such collaboration to ad hoc opportunism leaves open the risk that it simply doesn't happen. We recommend some sort of light-touch structure is created to facilitate cross-city-region joint working.

- What would an effective light-touch coordination structure look like?
- What are your views as to the purpose, composition, selection, process and name of such a new body?

5. LEADERSHIP

Up to this point, this paper has addressed only the question of governance. But there is also a broader issue of leadership, which is just as important, if not more so. While governance is primarily about structures for decision-making and accountability, leadership is about people. Furthermore, while it is important to have effective leaders in the realm of governance, the North also needs proactive leadership in all walks of life – from business to the charitable sector, and from public services to culture and the arts.

There is an entire industry dedicated to the development of leaders. Rather than seek to replicate all the literature here, we shall limit ourselves to two issues: first, a brief overview of some theories of leadership; and second, the question of how to develop leadership in the North.

Theories of leadership

It is a common perception that leaders are charismatic people with forceful personalities. While this is sometimes the case, it is not necessarily so. In essence, leadership is about influencing others to assist with the accomplishment of a common task. There are a number of different approaches to thinking about leadership – here we very briefly summarises some of the major theories.

Some common theories of leadership

- **Trait theory:** Major quantitative analyses have established a relationship between leadership and certain individual traits, including intelligence, extraversion, openness to experience, ability to adjust, conscientiousness and general self-efficacy.
- **Situational and contingency theory:** This school of thought emphasises the importance of context for leadership. For example, an authoritarian style of leadership may be best suited to a crisis situation, whereas a more democratic style of leadership will be suited to cases where consensus is required. The style of leadership is contingent on the situation in hand.
- **Transactional and transformational theories:** Transactional leadership is when an individual has the power to reward or punish a team for their performance and so is able to achieve their goals by *directing* the efforts of others. By contrast, a transformational leader can *motivate* a team to perform, by getting people signed up to a common goal. Transformational leaders tend to focus on the big picture, relying on others to master the detail.
- **Neo-emergent theory:** This theory suggests that leadership is not the result of actions per se, but of reputation, perception and distributed information. In this sense, leaders can be created without their necessarily having outstanding innate leadership qualities.

What appears clear from this summary is that there is much about leadership that can be taught and learned. Whether that is how to cultivate particular personality traits or developing sensitivity to the leadership style that is appropriate in a given situation, leadership can to a large degree be learned. A further observation is that what the North needs is more transformational leaders, and if neo-emergent theory is to be believed, we need to create rather more hype around them.

Developing northern leaders

If the NEFC is to convey one message to the North's leaders it should be this: in all we do we should be leading not pleading. The days of going cap-in-hand to Whitehall and competing over which places have the greatest problems must be behind us. This is not to suggest that problems should not be acknowledged where they exist. Rather, it is a call

to arms to identify and build on our assets, and demand from others the support we need to maximise the potential of our places.

To achieve this, the commissioners have discussed the value of building leadership capacity in the North and of facilitating interaction between leaders in different sectors. Many individual projects and programmes seek to develop leaders within their given sector. While this is very important, we also need approaches that bring together leaders from different sectors and work with them to look beyond their individual sectors. Such interaction releases new ideas, energy and innovation.

There are some examples of this happening already. The Common Purpose programme, for example, has for years sought to bring together leaders from the private, public and voluntary sectors to build connections and understanding. More recently, Sheffield city-region has established a postgraduate certificate in city regional leadership in partnership with Sheffield and Sheffield Hallam universities. Open to individuals from the public, private and voluntary sectors, the course delivers leadership skills and techniques while aiming to encourage collaboration and skill-sharing across sectors to improve services and the city-region's response to changing circumstances.

Auditing where these programmes exist and where there are gaps would be a good starting point for an assessment of how well the development of northern leadership is being supported. There may also be opportunities to take a bolder, wider northern approach that builds on the foundations of these programmes, bringing leaders together from across the North of England.

Questions for discussion

The North needs transformational leaders to drive forward growth and economic development. Furthermore, our leaders need to be visible and inspirational, not just within the North but further afield too.

- How can we identify and cultivate transformational leaders in the North of England, not just in the public policy sphere but in other areas of northern life as well?
- What do we need to do to promote our leaders on a national stage and to create a buzz around them?

6. SUMMARY: QUESTIONS FOR CONSIDERATION

This paper has highlighted a number of questions for discussion. To recap, the key questions are:

- **City-regional governance:** The capacity of governance structures to coordinate activity is critical for economic development. Stability also matters, suggesting we need to build on what already exists rather than seeking to start over. However, governance structures must be up to the job required of them, and as areas accumulate more powers they will have to develop clearer and more visible leadership and accountability mechanisms. This paper has set out some possible future models for governance for the North's city-regions.
 - Are there any additional models to those set out here?
 - To give a clear steer and incentive to city regions, should the government introduce a bill setting out a range of models for city-regional governance to pave the way to more powerful models?
- **Pan-northern connections:** There are clearly areas where collaboration between sub-regions or LEPs will be important. Leaving such collaboration to ad hoc opportunism leaves open the risk that it simply doesn't happen. We recommend some sort of light-touch structure is created to facilitate cross-city-region joint working.
 - What would an effective light-touch coordination structure look like?
 - What are your views as to the purpose, composition, selection, process and name of such a new body?
- **Leadership:** The North needs transformational leaders to drive forward growth and economic development. Furthermore, our leaders need to be visible and inspirational, not just within the North but further afield too.
 - How can we identify and cultivate transformational leaders in the North of England, not just in the public policy sphere but in other areas of northern life as well?
 - What do we need to do to promote our leaders on a national stage and to create a buzz around them?

It is the intention of that many of these questions will be addressed in the NEFC's final report which is due to be published later in 2012.

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