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# **Borderlands: rescaling economic development in Northern England in the context of greater Scottish autonomy.**

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## **Abstract**

This article argues that the space created by the clearing away of the English regional 'institutional architecture' after 2010 allows local authorities, in particular, to consider new flexible place-based approaches to economic development not possible under the old system. In this context, economic development activities, initiatives and alliances can now be developed to cover geographical areas that 'make sense', rather than being imposed or being chosen through habit: it is an opportunity to rescale or recalibrate traditional spatial approaches to place-based economic development. Here we discuss some implications of that, particularly how local authorities in the North East of England and Cumbria are responding – or could respond -- to the potential granting of greater economic and fiscal powers to Scotland resulting from pressures for further devolution and the 2014 referendum on independence. We look at the emerging opportunities for collaborative approaches to cross-border economic development; this is an issue that is virtually absent from any contemporary studies of local economic development in the UK. Drawing upon recent research, the article outlines the case for a 'Borderlands' approach - which brings together the five local authority areas adjacent to the border – to develop joint approaches to economic development in areas such as transport, tourism, business development and superfast broadband. In addition to such cross-border alliances, we also point to opportunities to reinvigorate co-operation between the North East and Cumbria. The prospect of further autonomy for Scotland is stimulating a new interest in the North East, Cumbria and Scotland in working more collaboratively together, but the outcome of that (whatever the referendum result) may depend upon how the Anglo-Scottish border is perceived. We argue that it needs to be seen less as a barrier and more as an enabling mechanism which brings new opportunities for a relationship based on 'co-optition'.

**Key Words:** Local Economic Development; Local Government; Partnerships; Devolution; Scotland.

## **Borderlands: rescaling economic development in Northern England in the context of greater Scottish autonomy.**

### **Introduction**

'The dominance of London and South East England in determining UK economic policy is a problem for Scotland - to which in our view independence is the answer - but it is also a significant issue in many parts of England, where different solutions will be required... in all eventualities, we look forward to an independent Scotland having a relationship of friendship and co-operation with all our neighbours in these islands, including our next-door neighbours in the North of England' (Nicola Sturgeon MSP: quoted in, The Journal 2014).

As in the other former English regions, the initial response to the post-2010 abolition of the regional tier of governance in the North East of England was, necessarily, *inward-looking*. A wide range of public, private and third sector organisations had to come to terms with the 'post-regional' reality of the Regional Development Agency (RDA) being replaced by two sub-regional Local Enterprise Partnerships (LEPs), with a subsequent rescaling of economic boundaries being accompanied by a greater emphasis on private sector-led economic growth (Shaw and Robinson, 2011). More recently, however, the North East has adopted a more *outward-facing* approach to economic development which considers the potential implications of a more powerful Scotland (in the context of the referendum on Scottish independence in September 2014). In partnership with neighbouring Cumbria, Scotland's closest English neighbours are now 'looking northwards', both in terms of considering how a resurgent Scotland provides a threat to economic development south of the border and, more positively and creatively, how economic development in the North East and Cumbria can benefit from a stronger Scotland through enhanced cross-border collaboration. The growing interest in northern England in developments in Scotland also reflects the belief that an increase in Scottish autonomy - through independence, 'Devo Plus' or 'Devo Max' options - is likely, whatever the outcome of the 2014 referendum (Devo Plus, 2012; Schmuecker et al, 2012).

This growing interest and, indeed, concern about events north of the border led the local authorities in the North East and Cumbria to commission us to undertake research on the impact of greater Scottish autonomy on the North East and Cumbria. The research captured

the views of a range of stakeholders on both sides of the border, and included semi-structured interviews with 25 politicians, public and private sector representatives, and a number of senior civil servants. Presentations were also given to, and feedback received from, both the North Eastern and Tees Valley LEPs. In addition, three roundtable events were held in Durham, Carlisle and Edinburgh in 2012-2013, which involved over 40 representatives from local authorities, economic development bodies, private companies, tourist organisations, government departments, universities, and the media (Shaw et al. 2013<sub>1</sub>).

Drawing on the key findings of the research, this article highlights the opportunities for Scotland and northern England to develop new, collaborative, cross-border approaches to place-based economic development. This echoes one of the key messages of our earlier research on the shift from regionalism to localism: namely that the former English regions should aim to make what they can of the opportunities offered within the 'localism agenda' (Shaw and Robinson, 2011). In this sense, the space created by the clearing away of the English regional 'architecture' (however much lamented, or ill-advised) allows local authorities, in particular, to consider new flexible approaches to economic development that may not have been possible under the old system and which serve to reconfigure the traditional regional or sub-regional boundaries. In the case of cross-border collaboration, such a potential rescaling not only offers a wider interpretation of 'natural economic areas' than that provided by LEP boundaries, but also brings a fresh perspective on how the Anglo-Scottish border can be seen. We argue that it needs to be viewed less as barrier and more as a mechanism that may allow local authorities, LEPs and other sub-national institutions to develop and fund projects and programmes that embrace activities and interests on both sides of the border.

In developing the case for a collaborative 'Borderlands' approach to economic development, we start by looking at how the North East is responding both to the end of regionalism and the growing challenge of a resurgent Scotland. We note the emergence of new possibilities for the North East to work with both Cumbria and Scotland. We then explore and examine the challenges and opportunities associated with rescaling economic activity and identify the organisational and sectoral priorities that could underpin a new Borderlands approach.

In conclusion, we reflect on how such an approach can be understood within a wider framework of cross-border collaboration in which neighbouring areas engage in a form of ‘co-optation’, where competitors agree to work together with each other on a project-to-project, joint venture, or co-marketing basis (OECD, 2013). Finally, we consider the implications for a wider set of debates on the new sub-national economic governance in England and the relationship between rescaling and ‘localism’.

### **The emergence of ‘Common-Sense Regionalism’**

One narrative on the post-2010 rescaling of economic development in England has interpreted the abolition of RDAs as reducing the resources, analytical capacity and strategic cohesion needed to promote regional economic growth. In addition, the demise of regional Government Offices has been viewed as undermining regional co-ordination and curtailing ‘voice’ (see for example: House of Commons, 2011a; The Smith Institute, 2011). Criticism has also been levelled at the LEPs, which were set up in 2010 to pursue private sector-led economic growth within ‘natural’ economic areas, led by boards comprising local authority leaders and a significant representation from the private sector. LEPs have been viewed as having insufficient powers and resources to achieve their aims; as having arbitrary territorial boundaries that have at least as much to do with political ‘fixes’ as economic analysis; and as lacking vision and dynamism. They are also derided for adopting a predominantly neo-liberal approach to economic growth that overstates the potential for private sector-led development and ignores the continuing need for robust spatial planning, government investment and, where necessary, public sector growth (see for example: Pugalys and Bentley 2013; Deas et al, 2013; Centre for Cities, 2011).

Such critical sentiments have a particular resonance in the North East of England, where there is a long history of regional institutions (Cousins et al, 1974) and, as a result, the loss of large organisations such as One North East (the region’s RDA) and Government Office North East has been keenly felt. Furthermore, the concept of regionalism has been particularly influential in the North East -- culminating in the previous Labour government’s (unsuccessful) proposals for a directly-elected North East regional assembly (Shaw and Robinson, 2007). Here, the abolition of regional governance, and the shift from regionalism

to localism, has marked a genuinely radical break with the past and has substantial consequences for the region's future development (Shaw and Robinson, 2012; 2011). Moreover, this is not likely to be a temporary state of affairs: while a few regional networks remain (including the Association of North East Councils), in the main, the traditional *regionally-based* ways of getting things done within in the North East, the tried and tested structures and processes that have developed over time, have gone, and there seems little point in awaiting a radical change in policy direction - or even a change in government.

Give the scale of the region's economic problems, highlighted by the continuing widening of the North-South divide (Huggins and Thompson, 2013) and exacerbated by cuts in local authority spending and the impacts of welfare reform (ANEC, 2013), it is not surprising that the coalition government's changes to regional structures are not forgotten and remain contentious. The abolition of the RDA and the subsequent division of the former region into two LEPs, covering the north (Northern Eastern LEP) and the south of the region (Tees Valley LEP), has greatly weakened regional voice and capacity -- as has the tendency of both LEPs to go their own way with apparently little appetite for collaborative working. There are new sources of friction too: for example, the recent growth strategy drawn up by a group led by Lord Adonis for the North Eastern LEP (NEIER, 2013) was strongly attacked by a number of the region's MPs for being 'intellectually dishonest' and failing to address the impact of Government cuts on the region (The Journal, 2013a).

However, it is important to point out that not everyone in the North East was enamoured of the regional structures prior to 2010. In an earlier review of these changes to the region's governance, we quoted one of the stakeholders we interviewed:

*'The heavy institutional architecture of the region was designed in a previous era, to manage decline. You need a lot of governance to manage decline. In this sense the region still has the feel of a former East European communist state about it. Now what is needed is a structure able to promote economic growth. For that, we need governance with a lighter touch, slimmer and leaner more streamlined'* (Regional Civil Servant, quoted in Shaw and Robinson, 2011).

Many of the North East stakeholders we consulted as part of an earlier research project (Shaw and Robinson, 2011), felt that it was time to move on, that regionalism was finished,

and that excessive nostalgia and lamenting the loss of region-wide bodies could hinder the taking up of new opportunities. It was argued that:

- The ‘heavy institutional architecture’ of One North East and the Government Office had limited impact in spite of its scale and expense. More than a decade of regional development under New Labour had been unable to resolve the region’s deeply-rooted economic problems -- in much the same way that previous phases of regional policy had failed over the preceding decades (Shaw and Robinson, 2011).
- Political leadership across the region was also often fractious and inward-looking. The decisive rejection of proposals for a directly elected regional assembly (in the 2004 referendum) seriously undermined the idea that there is a strong north east identity and common sense of purpose.

It is also important to acknowledge that LEPs are considered by some in the North East to provide a more appropriate level at which to promote economic growth.

The need for a sub-regional approach is particularly felt in Tees Valley, where the new arrangements were viewed as a natural progression from earlier attempts at joint-working (going as far back as ‘Tees Plan’ in the 1960s) which had provided a stronger focus on the particular needs of the sub-region. This was also reflected in Tees Valley’s (albeit unsuccessful) bid for separate city-region status towards the end of the post-1997 regionalist period itself (Shaw and Greenhalgh, 2010). In Tees Valley, the post-2010 opportunity to ‘run their own affairs’ was thus greeted with enthusiasm by local institutions keen to push ahead with their own, locally agreed, strategy for development. Indeed, the decision of organisations in the Tees Valley to ‘go it alone’ when bidding for a separate LEP in the summer of 2010, can be viewed as the decisive break with the old regionalist order in the North East.

In our earlier research (Shaw and Robinson, 2011; 2012), we found that a number of stakeholders felt that effectively abolishing the North East as an administrative and economic creation provided a chance for local and regional decision-makers to adopt a more ‘outward-facing’ approach. We encountered a feeling that the region should not now be doing what’s been done before: either complaining about how bad things are, or else engaging in insincere ‘boosterism’. Losing the old structural certainties is a considerable challenge, particularly for a region that is used to being organised, rather than organising

itself. We referred to the emergence of what we thought of as *common-sense regionalism* (Shaw and Robinson, 2012), a situation in which activities, initiatives and alliances were being developed to cover geographical areas that ‘make sense’, rather than being imposed or being chosen through habit. In this context, the importance of effective local political leadership is clearly paramount: local leaders need to eschew political ‘tribalism’ and recognise the importance of developing a genuinely shared vision, committing their organisations to look afresh at how they operate and might best respond to new opportunities for collaboration. In the wider context of economic development, it can also be viewed as an opportunity to rescale or recalibrate traditional spatial approaches to place-based economic development, including external relationships as well as internal arrangements. A key element here is the realisation that there is a need to look outwards -- and especially to the north, rather than solely to the UK Government in London.

The opportunities and challenges of sub-national economic development in the North East are now being increasingly shaped by the possibility of greater Scottish autonomy associated with devolutionary pressures and the referendum on Scottish independence in September 2014 (Scottish Government, 2013a). The independence debate has prompted organisations and individuals on both sides of the border to consider new, collaborative, cross-border approaches. In the North East and Cumbria this has taken the form of a ‘common-sense’ response which aims to make the most of the opportunities offered under ‘localism’ for rescaling place-based approaches to local economic development. For Scottish local councils, particularly in the Borders, the rescaling of economic development activity has also been thought of as an opportunity to augment and enhance their local economic strategies by considering a larger economic area. The Scottish Government also views greater collaboration with northern England as important both in terms of illustrating how ‘independence’ will also mean ‘inter-dependence’ with their ‘cousins across the Border’ (Scottish Government, 2013b), and how such collaboration will strengthen the voice of the North, given that the, ‘incredibly lopsided nature of the current UK economy affects both Scotland and the regions of England’ (Fiona Hyslop MSP, quoted in The Journal 2012).



### **A more powerful Scotland: concerns in the north of England**

Concerns about the possible impacts of increased Scottish autonomy have been raised before in the north of England. In the late 1970s, North East MPs were concerned that a more devolved administration in Scotland could be a threat to their region's economic fortunes. They supported an amendment to the 1978 Scotland Act ensuring that the referendum on the creation of a Scottish Assembly needed to secure the support of at least 40% of registered voters. In 1979, only 32.9% of the electorate voted Yes, and new devolution arrangements were therefore not introduced. This period also saw the creation of the Barnett Formula, which has been the cause of a long-standing grievance in northern England due to the consequent advantages that Scotland enjoys in relation to public expenditure allocations (McLean, et al, 2008). More recently, in evidence to the Calman Commission on Scottish Devolution (2009), whose eventual recommendations on greater fiscal devolution were enshrined in the 2012 Scotland Act, the North East Chamber of Commerce expressed their concerns over the possible creation of a Scottish rate of Corporation Tax (NECC, 2009).

It is reasonably safe to assume that Scotland will gain greater autonomy, whatever happens in the referendum. Retaining the status quo looks very unlikely. And, arguably, options such as Devo Max or Devo Plus (McLean et al, 2013; Trench, 2013) are at least as worrying for northern England as independence, as they would still enable Scotland to cut taxes and compete for inward investment. Moreover, it may be argued that:

'More devolution for Scotland could cause more problems for the north of England economy than a vote for independence. It's argued Scots would be pushing to grab the best of both worlds: fiscal autonomy with transfers of spending from Whitehall' (Fraser, 2012).

Not surprisingly, many of the stakeholders from northern England that we consulted during 2013 had genuine concerns about the impact of a more powerful Scotland on economic fortunes south of the border. In fact, political leaders and business representatives were concerned about the level of economic competition provided by Scotland *now*, irrespective of the outcome of the 2014 referendum. The decision (in 2012) of two companies, Amazon and Gamesa, to locate new projects in Scotland rather than in the North East, was felt to add some credence to the view that Scotland already has major advantages in the

competition for inward investment. Scotland has important advantages in terms of institutional capacity and resources to promote economic development -- advantages made substantially greater by the abolition of Regional Development Agencies and Government Offices for the Regions in 2010-2011. One commentator pointed out that

‘An investor looking at the North East has to traipse round the whole of the region knocking on a variety of doors. They go up to Scotland: they go and see Scottish Enterprise, it sorts out grants for the land, it sorts out grants for training, it sorts out all of the support that they require and that obviously makes it a whole lot easier for them’ (Keith Burge, ERS Consultants, quoted in BBC, 2012).

There is particular concern in northern England that, with greater devolution or independence, the Scottish Government would be able to cut corporation tax which would further strengthen its appeal as far as inward investors are concerned. Scotland could also reduce Airport Passenger Duty, which would potentially threaten the viability of Newcastle Airport in particular (ANEC, 2011). These fears are not unfounded: the Scottish Government’s Independence White Paper includes a timetable for reducing corporation tax by up to three percentage points and for cutting Air Passenger Duty by 50 per cent, with a view to abolishing it completely when public finances allow (Scottish Government, 2013a).

While such concerns are rooted in genuine anxieties, and are hard to dismiss, some reviews of the evidence on the economic impacts on the North East have concluded that the room for manoeuvre for a more independent Scotland to cut taxes will be limited by economic constraints, EU regulations, and the level of spending required to support the extensive welfare state in Scotland (Schmuecker et al, 2012). Other accounts of the debate on the potential economic implications of greater Scottish autonomy argue that the economic impacts remain contested and shrouded in considerable uncertainty:

‘Whether Scotland would be richer or poorer as a result of becoming independent is simply not possible to determine: there are too many uncertainties about not just the terms of independence, but the approach of any future Scottish government, not to mention what happens to the UK, European and world economies’ (McLean et al, 2013, p 46).

In this uncertain context, while it is not difficult to imagine a resurgent Scotland posing a threat to economic development south of the border, it is also possible to imagine economic development in the North East and Cumbria benefiting from a stronger Scotland.

### **Greater Scottish Autonomy: Opportunities for Cross-Border Collaboration**

‘We are so used to being governed by the South East that we have tended to forget just how much we have in common with the Scots in terms of our social and economic challenges. If we could forget that imaginary line on the map, we would see benefits from cross-border co-operation’ (North East local government officer, quoted in Shaw et al, 2013).

In our discussions with stakeholders, we found a high level of agreement that a more powerful Scotland was not inevitably a threat to the economic fortunes of its ‘closest friends’ across the border. It was felt that there is scope for joint approaches to place-based economic development, enabling councils in the North East and Cumbria to work effectively with their neighbouring Scottish councils. It was also considered timely to discuss such developments, as the period leading up to the independence referendum could see organisations on both sides of the border receptive to ideas new ideas and approaches. Moreover, we found that new changes taking place in Scotland could forge stronger relationships *between* the North East and Cumbria. In this sense, the reshaping of place may involve new ‘east-west’ relationships as well as new ‘north-south’ relationships.

In examining the potential for cross-border collaboration, what stands out is the lack of previous collaboration in economic development between geographically proximate areas. One former regional civil servant in the North East noted that in over 10 years in his previous role, he had only one meeting with Scottish civil servants. Another North East participant felt that the RDA, (One North East), ‘didn’t engage with Scotland and focused purely on things to the south’. Similarly, a Scottish stakeholder ‘found collaboration with the RDAs hard...you got a warm welcome but not much genuine desire to work together’. Economic development officers from the local authorities adjacent to the border also reported that there was little cross-border collaboration, and that this was felt to be almost inevitable owing to differences in funding regimes and initiatives.

Where cross-border engagement did take place, it had tended to be sporadic, often dependent on individual initiative, and oriented around specific projects or issues. From another perspective, a political leader in the North East said that

‘The number of cross-border linkages between the North East and Scotland has actually declined following devolution after 1997. Scotland hasn’t been very interested in working with the North East and tended to go its own way’.

As well as little formal cross-border co-operation, the contemporary relationship between Cumbria and the North East was felt to be ‘patchy at best’. However, in both the North East and Cumbria there were those who hoped that the focus on a more independent Scotland would provide a useful agenda around which to reinvigorate what one participant called ‘east-west co-operation’ within the north of England itself. In a round table meeting we held in Carlisle, it was noted that Cumbria and the North East had a shared history. They were, at one stage, both part of the same administrative ‘Northern Region’, partners in the Northern Planning Council in the 1960s, and both were members of previous regional organisations, notably the Northern Development Company and the Northern Regional Councils Association. In more recent times, Cumbria was included within the North West, rather than being linked with the North East, in terms of its Government Office and RDA. As one Cumbrian business leader noted, ‘Given the previous RDA boundaries, Cumbria needed to look down to Lancashire. But many, particularly in Carlisle, felt that important links across to the North East were being ignored’.

The small amount of work that has been done on economic linkages within the Anglo-Scottish borderlands does suggest that there are opportunities for collaboration. In 2009, preliminary work on economic linkages was carried out by the Northern Way to underpin their evidence to the Calman Commission on Scottish Devolution (2009). They reviewed the literature on links between the three regions covered by the Northern Way initiative (North East, North West, and Yorkshire and Humberside), and concluded that there is, ‘...potential for collaboration on a number of common areas of interest including off-shore wind, subsea industries, energy and high speed rail, as well as on local economic development work in the Borders region’ (Northern Way, 2009, p 1). Some local economic strategies in the last few

years have also shed light on existing and potential linkages. The 2008 Economic Strategy for the Carlisle City Region acknowledged that since

‘City Regions are places that can be defined in terms of their economic ‘footprint’, within which labour markets, housing markets and retail markets operate, then Carlisle is the City in a city region covering north and west Cumbria, parts of Northumberland and Southern Scotland’ (Carlisle Renaissance, 2008, p 26).

It also acknowledged the similarity of Carlisle’s economic challenges to those on the other side of the border -- a sentiment also echoed in the South of Scotland Competitiveness Plan 2008-2013 (South of Scotland Alliance, 2006). In terms of retail linkages, the managing director of the Lanes Shopping Centre near Carlisle confirmed that just under 40% of his customers come from north of the border (Shaw, et al 2013, p 21). In relation to the North East, a review of Glasgow-Edinburgh economic linkages showed that – after each other – Tyne and Wear is the most significant destination for freight and business trips from both cities (AECOM, 2011). On the Scottish side, one observer we talked to also confirmed that:

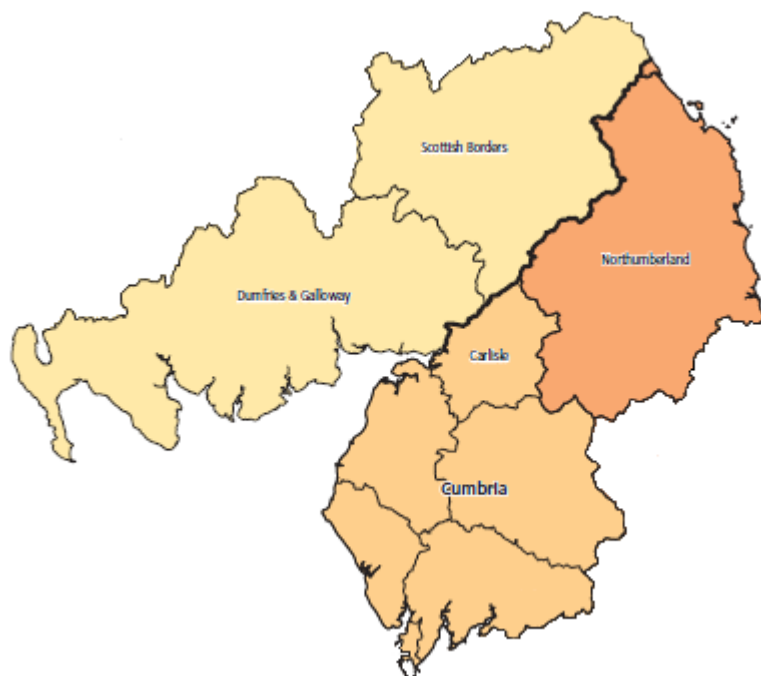
‘...with a population of 14.8 million... [The North of England] is an important part of the UK market for Scottish goods and services, the rest of the UK representing by far our biggest export market. It is also a critical area for Scottish banks and life assurance companies. Blight across the border is not at all in our interest’ (Jameson, 2013).

More recently, the North East Independent Economic Review chaired by Lord Adonis and covering the North East LEP area, noted that there are lessons to be learnt from approaches to economic policy in Scotland. One particular example was how Scotland has used its diaspora as an international network to provide support to growing companies: ‘Scotland has created a Global Scot network to give Scottish companies access to richly connected individuals in countries that they might wish to enter’ (NEIER, 2013, p 13). The report also argues that the ‘business case for improvements to the A1 between Morpeth and Alnwick/Berwick/Scotland should also be updated’ (NEIER, 2013, p 28), and that there are opportunities to ‘strengthen the links between Scotland and the region’s port facilities’ (NEIER, 2013, p 30).

## **'Borderlands': Reshaping economic development in the north**

A key message from the research is that a new approach to place-based collaboration should be considered, especially given the likelihood of a more powerful Scotland. More specifically, there were opportunities for the five 'borderland' local authorities (Northumberland, Cumbria, Carlisle, Dumfries and Galloway and Borders) to work more closely together (Figure 1).

**Figure 1: The Borderlands**



Source: ONS: Counties and Unitary Authorities (2009)

A decade ago, an attempt was made to enhance joint-working across the border: the *Border Visions Partnership* brought together the county councils of Cumbria and Northumberland and the Scottish regional councils of Borders and Dumfries & Galloway to discuss co-ordinated approaches to economic development, transport and rural issues (Peck et al, 2002; 2003). However, The Border Visions format - of an annual conference with a set theme – failed to maintain momentum throughout the rest of the year. In addition, the

limited resources available to build an organisational infrastructure, the lack of clarity over what the joint issues were, and the absence of tangible outcomes, meant that the Partnership ran out of steam after a few years. While one of the stakeholders we consulted confirmed that 'it didn't really go anywhere at the time', they also added that, 'Border Visions did leave issues that we can pick up again, and this is probably the right time to do it'.

In the current context, it is clear that a partnership of the four local authority areas (five local councils when Carlisle City is included) could provide the basis for collaborative working. The areas are similar on many economic and demographic indicators (Figure 2) and, by extension, experience similar economic problems. They all have a large proportion of their populations living in rural areas, which provides challenges in relation to connectivity and business engagement. They also have an above average percentage of tourism-related jobs and relatively large proportions of self-employed workers. Each of the areas has an unemployment rate below, or at, the national average, ageing populations and low pay. Cumbria and Dumfries & Galloway, also have low proportions of their adult populations with 'NVQ4 and above' qualification levels. Many people in these 'borderlands' have difficulty accessing job opportunities and services compared with those residents in more densely populated areas.

As the Leader of Scottish Borders Council recently noted, a refashioned Borderlands economic area 'would share a common history and common interests', (Scottish Government, 2013b), including a shared sense of being on the periphery, both in relation to London and the South East and to major centres in their own regions. As one Cumbrian observer noted, 'Border towns such as Berwick, Carlisle, Galashiels and Hawick, arguably have more in common with each other than with Newcastle, Manchester, Edinburgh or Glasgow'. The issue of 'voice' was also highlighted. Border authorities working together could add substantial strength to a 'northern voice' that embraces Scotland and northern England, in the face of the continuing dominance of London and the South East. A stakeholder from the North East noted that the Borderland area is 'substantial and bigger than Edinburgh, Glasgow or Newcastle in terms of population' which could allow for 'more distinctive branding, notably to encourage and promote tourism'.

**Figure 2: Demographic and economic indicators in the ‘Borderlands’**

	Northumberland	Cumbria	Scottish Borders	Dumfries and Galloway	Great Britain
Population	316,300	499,800	113,200	148,100	61,425,700
Unemployment rate (%)	6.2	6.1	5.9	8.0	7.9
% economically active	76.6	79.8	76.7	75.9	76.7
% self employed	11.0	12.7	11.7	11.3	9.6
% Retired	21.7	26.5	21.7	25.4	16.5
% No qualifications	9.5	10.6	9.9	12.2	10.6
NVQ4 and above	31.4	26.4	35.9	27.0	32.9
% Gross weekly pay (full time workers) by residence	465.2	481.4	449.5	419.6	508.0
Tourism-related employee jobs	11.6	12.7	8.7	10.4	8.2

Source: NOMIS (2013).

In considering the opportunities for collaboration in more detail, three areas in particular were identified as common concerns and as lending themselves to a ‘Borderlands’ approach:

- **Tourism:** this sector was generally regarded as an area ripe for cross-border collaboration. One Scottish council participant in our research said that: ‘Visit Scotland is now interested in looking south – as both areas face many of the same challenges’. The border areas have much to offer in terms of the visitor economy but lack the brand of their neighbours, the Lake District and Western and Northern Scotland. Stronger branding could help to promote tourism and counter perceptions of peripherality. According to one round table participant: ‘We could even think of a new brand which involves place-marketing based on ‘The Borderlands’. Other possibilities highlighted included collaborative marketing of walking and cycling routes, efforts to target new visitors and encourage longer stays, achieving greater tourism spend, and the promotion of out of season tourism. Such collaboration could link to the agenda of the Rural Growth Network being developed across Cumbria and Northumberland (Defra, 2012).
- **Transport:** Given the challenges of connectivity in the Borderlands area, enhancing transport infrastructure is a key issue on both sides of the border and one which



could be promoted by collaboration. Scottish Borders and Northumberland Councils have prioritised the upgrading of the A1 as a crucial ingredient in stimulating local economic growth, while both areas have a key interest in train services on the East Coast mainline including the crucial issue of access to High Speed Rail infrastructure. Both sides of the border also have a direct interest in the decisions on reallocation of the East and West coast rail franchises, while the re-opening of the 'Waverley line' between Edinburgh and the Scottish Borders is a significant development, pointing to the kind of initiative that might be looked at (BBC, 2013). Other areas of fruitful collaboration include enhancing the integration and connectivity of rural bus services and promoting tourism-related infrastructures for walking and cycling.

- **Superfast Broadband:** superfast broadband is being rolled out across rural communities on both sides of the border before the end of 2015. In the south of Scotland, investment has come from both the Scottish Government and the local authorities, with both Dumfries & Galloway and Scottish Borders councils recently committing £21m to the rollout of next generation broadband. This level of funding will not meet all needs however, and up to 15% of the region will remain to be covered. There are hopes that the £5m Community Broadband Scotland fund (which targets small community projects) can be accessed for the purpose (The Berwickshire News, 2012). In the North East of England, Northumberland County Council recently announced an £18.9m deal with BT to roll out superfast broadband to 95% of homes and businesses in the county (The Journal, 2013c). Given that Northumberland was also awarded funding from the Rural Community Broadband Fund to deliver a community-led broadband project (in the Rothbury area of the county) there are opportunities for a more co-ordinated approach to the different funding regimes that exist on both sides of the border. More generally, there are also arguments in favour of exploiting cross-border agglomeration, where the critical mass provided by an area covering five local authorities (and a population of over 1 million) may be more likely to attract infrastructure investment in superfast broadband.

Other ideas on a new Borderlands approach reflected the views expressed by one business stakeholder that 'there needs to be greater recognition that functional economic areas do not stop neatly at the border'. In this context, joint working on a number of labour market interventions - such as strategic investments in skills and training - would benefit from better cross-border co-ordination. However, the existing rigidity of administrative boundaries - and of the funding that flows through them - was cited by local economic development officers in councils close to the border as a crucial factor inhibiting increased levels of collaboration. It was also acknowledged that there is still a distinct lack of data on the existing economic and business links within the Borderlands. Detailed analyses is still

needed of the linkages covering travel to work, shopping and leisure flows; labour markets; migration; inward investment; and sectoral linkages, including supply chains.

Some stakeholders expressed interest in exploring the possibility of shared 'borderland exemptions' or 'flexibilities' that permitted the redesigning and reconfiguring of local economic development interventions. As one North East stakeholder said, 'We certainly don't want Scottish independence to make the border 'harder'. We need to define our offer so Scotland sees the North East and Cumbria as a more flexible border'.

### **Conclusions: Towards Co-optition?**

'Scotland already has strong ties with the North of England and it is in both our interests that these be developed and strengthened further, and that there be greater practical co-operation. We are keen that the Scottish Government builds on the Borderlands report and does all it can to help the councils around the Borders look at new ideas for co-operation. An economically stronger Scotland would be a major boost for our close neighbours in the north of England and we want to work with local authorities and their partners to help them meet the needs of their communities, improve business, transport and tourism and make their local areas better places to live' (Derek MacKay, MSP, Scottish Local Government Minister: quoted in *The Scotsman*, 2013).

Following the launch of our Borderlands report in July 2013, both the First Minister of Scotland and the Scottish Government's Local Government Minister (see above) were quick to accept both the principles and main recommendations of the report. In announcing that Scottish Borders, Dumfries & Galloway, Northumberland, Cumbria and Carlisle City Councils will meet to forge new alliances to improve existing business, tourism and transport links, organisations on both sides of the border were using the opportunities created by the abolition of regional structures in England, and the likelihood of a more powerful Scotland, to rescale economic development around a flexible Borderlands concept. This outcome highlights the timeliness of the research, and particularly the readiness of the main actors involved to consider reshaping economic areas and view the border less as a rigid administrative demarcation and more as an open, flexible and enabling mechanism. It also reflects a pragmatic acceptance on both sides of the border that there are clearly areas where economic competition is now, and will continue to be, vigorous - irrespective of the outcome of the coming referendum. Hence, the new relationship between the North East,

Cumbria and Scotland accepts would need to accept that, inevitably, collaboration in some areas will exist alongside competition in others.

The importance of this emphasis on 'co-optition' in underpinning collaborative cross-border approaches to economic development and innovation has been confirmed by the OECD in their report, *Regions and Innovations: Collaborating across Borders*:

'Economic and innovation ties often span regional administrative borders, including international borders. However, policy efforts often ignore this fact, thus limiting the economic and innovation potential of many border regions. ....The real competition is global; therefore neighbouring regions may need to engage in 'co-optition' (co-operation for competition)' (OECD, 2013, pp 12-13).

The OECD study, based on a study of six cross-border areas in Europe, including the Oresund area between Denmark and Sweden, highlights a number of reasons why public bodies would wish to work with a cross-border neighbour. These include: identifying larger labour markets and wider business and knowledge networks to increase critical mass; addressing positive or negative externalities that cross the border; efforts to overcome peripherality; and maximising opportunities for regional 'branding'. For the OECD, 'borders are 'opportunities for innovation rather than barriers to flows of people, goods and knowledge' (OECD, 2013, p 19).

This emphasis both affirms the rationale for a 'Borderlands' collaboration and offers a series of recommendations on which the, as yet, embryonic partnership could draw upon (Figure 3). The wider political and governmental implications of greater Scottish autonomy for the North East and Cumbria have, necessarily, involved the two areas 'looking north'. It is also important however that the north of England still continues to 'look south' as well. The issue of Scotland's competitive advantage now and in the future, should certainly be used to support attempts by the North East and Cumbria to convince UK government ministers of the need for a more level playing field in respect of economic development. Furthermore, it opens up debates on the need for greater decentralisation and devolution of power *within England* – issues already taken up by the Heseltine and Adonis reports (BIS, 2012; NEIER, 2013).

### **Figure 3: Cross-Border Collaboration: Ten Lessons from Europe**

1. Make greater use of opportunities created by the border
2. Only pursue the cross-border element when it makes sense.
3. Allow a certain degree of flexibility in the area definition to avoid creating unhelpful new borders.
4. Understand the different costs and benefits, and the alignment of those across the border, for cultivating long-term collaboration that builds trust.
5. Understand what the data show, but don't wait for complete data to start collaborating.
6. Devote more efforts to strategy development and policy intelligence.
7. Mainstream the cross-border element in national and regional innovation strategies and policy instruments, or at least align programme rules.
8. Political commitment is a key factor in developing and securing long-term support for cross-border efforts so give politicians a reason to care about the issue
9. Identify for national (and supra-national) governments where they can help cross border efforts.
10. Engage non-public actors in the governance of cross-border initiatives

(Source: Drawn from OECD, 2013)

In relation to the North East and Cumbria, the Borderlands approach provides an example showing how the abolition of the English regions provides an opportunity to think anew about the value and values of collaboration above the local level. In this sense, the space created by the clearing away of the English regional institutions after 2010 has encouraged consideration of new and flexible place-based approaches to economic development that may not have been possible under the old geography and structures. It also reinforces the importance of the political dimension in creating and reshaping economic boundaries and can provide a response to a situation where the 'functional geographies that spatial economic analysis identifies, do not accord with the institutional structures that policymakers propose and, crucially, ultimately form' (Pugalis and Bentley, 2013, p 8).

Even when considered within the context of an approach to 'localism' in England which provides the Communities and Local Government Secretary with a wide range of new powers to intervene in devolved decisions that the government dislike (House of Commons, 2011b), it can be argued that the opportunities for cross-border collaboration are genuine

and may not face (for the time being at least) being undermined by opposition from UK central government. Partly this relates to how the combination of the debate on Scottish independence - and that of the new governance of economic development in the North East and Cumbria - has allowed for a willingness to consider new creative cross-border approaches. The level of support and political interest from Scotland, The North East and Cumbria will be important in determining the outcome and how much collaboration will be developed. Interestingly, the highly contested nature of the independence debate (and the desire of the UK Government to avoid any unnecessary interventions that may be used by for their own political purposes by the Scottish government) may have created a window of opportunity for the interested parties to design their own approaches to economic development. Thus, in attempting to rescale existing spatial approaches to place-based economic development, Borderlands can be viewed as an illustration that, 'local and regional actors are not passive, nor do they simply respond to the initiatives of the centre' (Pike and Tomaney, 2009, p 29).

Developing a new relationship with Scotland is neither a panacea for the many economic and social challenges facing the North East and Cumbria, nor will it be easy to achieve. In addition, the scale of economic competition provided by a powerful Scotland *now*, irrespective of the outcome of the September 2014 referendum is clearly an issue that the North East and Cumbria need to address. No one knows what the result of the independence referendum will be, let alone the consequences, but we conclude that there are genuine opportunities, now, for creative and innovative approaches to reshaping economic development in the Borderlands.

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