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## Revisiting the 'Missing Middle' in English Sub-National Governance

Keith Shaw and Paul Greenhalgh\*

### Abstract

In the light of the new Coalition Government's proposed 'rescaling' of sub-national governance away from the regional level, it is an opportune time to re-consider the strength and weaknesses of the city or sub regional approach to economic development and to search, once more, for the 'missing middle' in English Governance. In this context, the article initially assesses the case for city or sub regions as tiers of economic governance, before examining the lessons to be learnt from the experiences of the existing city regions in the North East of England. It argues that while contemporary plans to develop Local Enterprise Partnerships (LEPs) can be usefully assessed against a backdrop of the emerging city regional developments under the previous Labour Governments, a number of important challenges remain, particularly in relation to ensuring accountable structures of governance, a range of appropriate functions, adequate funding, and comprehensive coverage across a variety of sub-regional contexts. While the proposals of the new Government create the necessary 'space' to develop sub regional bodies and offer genuine opportunities for both city and county LEPs, the scale of the sub-regional challenge should not be underestimated, particularly given the context of economic recession and major reductions in the public sector.

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## Revisiting the ‘Missing Middle’ in English Sub-National Governance

‘In 2000, NLGN (*New Local Government Network*) published a pamphlet entitled “Is there a missing middle in English governance?” which argued that, if Government was serious about its intention to devolve power and responsibility in England, especially in fields related to economic development, it should consider whether the city-region provided a more appropriate scale for policy integration and delivery than the region. At the time, this idea, last debated seriously in the lead-up to the 1974 local government reorganisation, was considered faintly exotic’ (Harding and Rees, 2009, p 16).

### Introduction

Given the pronouncements of the new Conservative/Liberal coalition government, it seems that yet another attempt will be made to tackle the perennial problem of how best to configure territorial approaches to economic development in England (New Start, 2010). In retrospect, such a re-think always seemed likely once New Labour’s regional agenda was derailed by the ‘No’ vote in the 2004 referendum on a directly-elected regional assembly for the North East of England. Given this, and the ‘...absence of a constitutional master plan, the outcome has been a set of reactionary and incremental adjustments that lack strategic direction, buy-in and focus’ (Ayres and Stafford, 2009, p 619). Indeed, the ‘mish-mash’ of sub-national initiatives after 1997, including Regional Development Agencies, Regional Assemblies, The Northern Way, Local Authority Leader Boards, Multi-Area Agreements, and Economic Prosperity Boards, can be viewed as symptomatic of ‘New Labour’s chaotic top-down approach to decentralisation’ (Stoker, 2005, p 158).

One other initiative that emerged as part of Labour’s fluctuating approach to sub-national economic development is that of city regions. Such a focus aimed to ensure that since ‘functional’ economic areas cut across the existing administrative

boundaries of city councils (and their adjoining suburban or rural local authorities), new collaborative institutional arrangements were needed at the city or sub-regional level. While Derek Senior enthused over the benefits of this level of governance as far back as the 1960s, (Senior 1965), the recent revival of interest in city regions has been gradual, low-key and associated with a number of perspectives. Thus, the city regional model has been widely debated by different Government Departments (ODPM, 2006a; HM Treasury, 2006), considered by a range of parliamentary committees, representative bodies, and think-tanks (LGA, 2006; Centre for Cities, 2006; IPPR, 2006; HoC, 2007; NLGN, 2009) and created considerable interest within the academic community (Parr, 2005; Harrison, 2007; Rodriguez-Pose, 2008; Neuman and Hull, 2009;). Following the May 2010 General Election, the new Coalition Government has also announced plans to encourage the creation of city or sub-regional Local Enterprise Partnerships (LEPs), abolish RDAs and their Local Authority Leader Boards, and to dismantle the existing tier of regional planning, (BIS/CLG, 2010).

Given this latest proposed 'rescaling' of sub-national governance, it is an opportune time to re-consider the strength and weaknesses of the city or sub regional approach to economic development and to search, once more, for what was termed, over a decade ago, the 'missing middle' in English Governance (NLGN, 2000). In doing so, this article initially examines the case for city or sub regions as tiers of economic governance, before examining the lessons to be learnt from the experiences of the existing city regions, particularly in the context of the Coalition Government's 'post-regionalist' approaches to sub-national governance. It argues that while contemporary plans to develop LEPs can draw upon some of the previous

approaches to city regional development, a number of important challenges remain, particularly in relation to ensuring accountable structures of governance, a range of appropriate functions, adequate funding, and comprehensive coverage across a variety of sub-regional contexts. In examining these questions, the article draws upon original material from research on the development of two city regions in the North East of England, Tyne and Wear and Tees Valley.

### **The Evolution of City Regions under New Labour**

Recent interest in city regions partly reflects the level of criticism aimed at the role of regional level structures, including the failure to meet central government targets for reducing regional inequalities (Burch et al 2008), the absence of strategic leadership (Pierce and Ayres, 2007), and their lack of accountability and transparency (Robinson and Shaw, 2005). The focus on city regions also reflected the growing body of national and international academic research which highlighted their importance as 'locomotives' of the national economies within which they are situated' (Scott and Storper, 2003, p. 581), and as the ideal 'scale' for policy interventions (Rodriguez-Pose, 2009, p 50). International support for developing city regions in England is also found in the OECD's territorial review of Newcastle, which argued that

'The weak and fragmented governance structure in the North East suggests that consolidating governance functions of local authorities and strengthening governance capacity at the city region level may be a good option' (OECD, 2006, p 12).

In England, the contemporary case for city-regions was first advocated in Alan Harding's report for the New Local Government Network in 2000. In considering

whether there was a 'missing middle' in English Governance, he argued that - despite the setting up of RDAs – the Government should consider whether city regions with new governance arrangements provide a more effective level for co-ordinating and delivering economic development (NLGN, 2000).

In relation to the Labour Government's devolution agenda, the focus on city regions slowly emerged to fill the gap in policy left after the public rejection of the directly-elected regional assembly option in the North East in 2004 (Shaw and Robinson, 2007). Since that date, ideas on city regions have been contained within a disparate range of initiatives:

- *The Core Cities Group*: Eight of the largest cities outside London (including Birmingham, Leeds, Manchester, Newcastle and Sheffield) joined together to develop a joint approach to promoting their economic performance. The emphasis was on increasing regional prosperity, narrowing the gap between the English regions and supporting the cities to fulfil their potential as 'engines of economic growth' (Core Cities Group, 2002).
- *The Northern Way*: While this pan-regional approach was initially seen as a response to the criticisms that the Government's Sustainable Communities Plan had ignored problems in the North, the rejection of elected regional assemblies in 2004 also served to shift the spatial focus of the Northern Way more firmly towards promoting city-regions. The outcome of a series of ministerial summits in 2005 and 2006 were new City Regional Development Plans which set out collaborative local authority policies for the Northern Way areas - covering economic development, transport and planning - and provided some preliminary thoughts on a suitable framework for city regional governance (see for example, TWCR, 2006).
- *Government Departments*: The report, *A Framework for City Regions*, (ODPM, 2006a), accepted that devolution of power to a more coordinated city regional level was a necessary condition for ensuring the enhancement of economic performance. In the same year, the Treasury-led review *The Importance of Cities to Regional Growth* (HM Treasury et al., 2006), also highlighted the 'desire in government to respond to the city region agenda and introduce structures that would allow localities to operate at multiple spatial scales, dictated by functional and evidence based rationales for action' (Ayres and Stafford, 2009, p 613).
- *The Sub-National Review*: the 2007 Sub-National Review (SNR) of Economic Development and Regeneration, advocated the further development of collaborative working within 'functional urban economic areas', concluding that, 'sub regions are in many respects the key spatial level around which growth is concentrated... increasing the extent to which economic development is managed at the sub regional level is

therefore an important means of improving economic outcomes including most deprived areas' (HM Treasury et al, 2007; para 6.63).

- *Multi-Area Agreements*: Following the SNR, the Government promoted Multi-Area Agreements (MAAs) as public agreements through which groups of councils and partner agencies covering a functional economic area, pledged to boost economic growth, and tackle deprivation and financial inequalities. In return, the Government committed itself to take action to 'allow greater freedoms and flexibilities to partnerships and reduce barriers to delivering better outcomes' (CLG, 2009). The first round of seven MAAs were signed off in May 2008, and included Tyne and Wear, Tees Valley, Greater Manchester, Leeds and South Yorkshire. By the end of 2009, 15 MAAs had been agreed, which included over 103 councils and local partners, covering 34% per cent of national GVA and 38% of the English population (CLG, 2009). A later addition to the MAA options was that of an 'MAA with duties' – although none had been approved prior to the 2010 election.
- *Statutory City Regions*: Two 'statutory city region' pilots were announced in April 2009, with Greater Manchester and Leeds offered the promise of increased statutory responsibility for strategic transport issues, joint housing and regeneration boards, formal powers over skills, integrated city-region planning, and additional financial flexibility over capital funding. Unlike MAAs, the city-region pilots were binding statutory agreements and offered a more stable, longer-term solution to sub-regional working.
- *Economic Prosperity Boards (EPBs)*: The 2009 Local Democracy, Economic Development and Construction Act, provided for a legal framework within which statutory city regions could be developed. EPBs or Combined Authorities could be set up as statutory governance structures to provide a stable mechanism for the long-term, strategic management of economic development, regeneration and transport activities across the sub-region. Each body would be controlled by their members, the majority being drawn from the council leaders of their constituent local authorities (CLG, 2010a). While both EPBs and Combined Authorities would have economic development and regeneration powers, only the latter would have powers to manage sub-regional transport issues. With the approval of Stockport Council at the end of March 2010, all the 10 local authorities in the Greater Manchester area had voted in favour of a Combined Authority being established (Regeneration and Renewal, 2010a).

While the 2004 'No' vote acted as a catalyst for the city region agenda, there were also more tangible economic, administrative and political advantages of the city-region agenda for policy-makers.

For one observer, city regions 'fit closely with the focus on indigenous economic development and innovation at the sub-national level, and offer the opportunity of capturing the economic benefits of agglomeration through coordinated planning of

transport and housing' (Turok, 2008, p 153). As the Treasury argued in 2006, '...there is significant empirical evidence to suggest that the co-ordination of economic policies across the city-region is conducive to economic performance' (HM Treasury, 2006, p.13). Similarly, one account of the economic performance of European cities, highlighted that the best performing urban centres were those where their political and administrative boundaries most closely matched the geography of the local economy (Cheshire and Magrini, 2005).

The sub-regional framework could also allow for the more effective administrative coordination of functions across different spatial jurisdictions. Given that the functional economies of cities often 'out grow' traditional local government boundaries a number of English cities were increasingly 'under-bounded' (HoC, 2007). The local administrative boundaries of Newcastle City Council, for example, only encompassed 270,000 residents out of the 800,000 who inhabit the Tyneside conurbation. Hence changes were needed to reflect the 'real geography of cities' (Harrison, 2009, p 5), or the 'geography of everyday life' (ODPM, 2006a, p 1). The Centre for Cities has recently summed up the case for city regions by arguing that

'Regions don't make a lot of economic sense, they often capture multiple economies. By comparison, city regions cover the functional economy of a place – the area in which people commute to, shop and move house, and where businesses connect with each other...city regions are more attuned to the preferences of their residents...and more democratically accountable. Their leadership is drawn from the council leaders of the local authorities involved and in the future they may be led by a directly-elected executive' (Larkin, 2010, p 3).

Despite the acknowledged benefits of this tier of economic governance, the implementation of city regional model under New Labour has not been without its problems.

Firstly, there remains uncertainty over exactly what a city region is, and the role that it is intended to play? (Rodriguez-Pose, 2008, p 1027). While attempts have been made to differentiate between 'monocentric', 'polycentric' or 'bipolar' city regions, on the basis of their 'industrial history, the "pull" of the economic centre, the economic characteristics of the city region and their wider commuting patterns' (The Northern Way, 2009), even defining city regions in terms of their economic geography remains problematic. Thus, boundaries are often unclear or 'fuzzy', are subject to constant shifts in flow patterns, and often 'lack consistency across the range of sub-national contexts' (ODPM, 2006b). As one account of the case for sub-regional governance recognises, 'although we recognise the importance of linking strategy with "functional economic areas", it is equally important to note that such areas will never be perfectly aligned with administrative areas and are in any case dynamic' (Kent County Council, 2010, p 17). Levels of uncertainty have been further exacerbated by the different emphasis produced within the three government departments concerned with various aspects of the city region agenda (The Departments for Business, Innovation and Skills, Communities and Local Government, and the Treasury), and the different interpretations produced by a range of New Labour ministers (Mawson, 2009, p 48), often supported by centre-left think tanks. As one observer notes of the post-2004 period, ministers at the ODPM, such as David Miliband and Ruth Kelly, supported by the Institute of Public Policy Research advocated the city region agenda, while Treasury Ministers, Ed Balls and John

Healey (alongside the New Local Government Network), were 'seeking to re-empower the existing regions' (Harrison, 2007, p 4).

Secondly, the Labour Government's acceptance of a 'variable geometry' of locally-constituted voluntary collaborative arrangements (ODPM, 2006b), partly reflected their desire to allow local authorities to further develop what already exists, rather than impose a national blueprint. While this approach did have the virtue of being flexible and allowing for arrangements that reflect local economic circumstances, it was still 'piecemeal and slow on delivery', and depended 'on a high degree of consensus and cooperative working at the sub-national level, which, given the localism of English local government, would in many instances be difficult to achieve' (Burch, et al 2008, p 35). There was also the problem that new city-regional institutions, frameworks and supports were added to an already congested institutional landscape, and resulted in what Harrison has referred to as 'England's scalar messiness' (2009, p 13). Thus, the Sub-National Review allowed RDAs to maintain their existing powers at the same time as continuing to encourage sub-regional initiatives. This outcome led the Centre for Cities to argue that the regional tier was a 'barrier' to their desired outcome, the emergence of stronger City Regions (Larkin, 2010).

Thirdly, others have argued that the absence of a clearly articulated and coherent government policy towards city regions should not disguise the strength of the national imperative. If city regions do have some flexibility to respond to their particular sub-regional economic challenges, it is very much within the context of a national approach that enshrines the dominance of a 'growth-orientated national

economic policy over redistributive spatial policy' (Pike and Tomaney, 2009, p 17). From this perspective, the Sub-National Review has been viewed as a 'top-down Treasury driven agenda, focussed predominantly on enhancing economic productivity' (Ayers and Stafford, 2009, p 619). There remains the lingering suspicion that Labour's approach has been less about devolution and more about 'deconcentration', which involves the introduction of more discretion and local flexibility within state bureaucracies, but without removing central control. Within this context, the pan-regional Northern Way has been viewed as a means by which 'central government can establish a national spatial strategy - with regionally specific variations - while keeping this beyond the control of elected local authorities' (Goodchild and Hickman, 2006, p133).

Finally, while the inclusion or exclusion of particular city regions within nationally-sponsored programmes brings a degree of legitimacy to those supported, those that were not part of the national city regional programme can 'become isolated and miss out on the potential benefits of state-assisted city regional development' (Harrison, 2008, p 63). Such differential status within English city regions can be seen in the selection of only Greater Manchester and Leeds as 'statutory city regions' in 2009. In taking this decision, the Government turned down bids from other well developed city regions, such as Tees Valley, which suggests that the decision had less to do with the quality of the governance arrangements and more to do with the economic growth potential of the areas selected: a concern that would be particularly emphasised by the Treasury. The use of the term 'city' region also carries with it an assumption that it is the interests of the larger cities that are paramount. As one review notes, 'While the SNR refers to MAAs, there is perhaps an underlying

assumption or acceptance in Whitehall that this really means “city regions”, dressed up in a more palatable label for rural areas’ (Ayres and Stafford, 2009, p 614).

### **The Post-Regionalist Era?**

Given their level of hostility to regionalism, and RDAs, it was always likely that Labour’s sub-national agenda would be swept away by the new Coalition Government. The Conservative’s approach to the devolution of power in England was outlined in the policy document, *Control Shift: returning power to local communities* (Conservative Party, 2009). At its core, was an emphasis on creating ‘strong localism’ by shifting power away from the central state and firmly back to local people. This included proposals to free local government from central bureaucracy and controls, giving more power to local communities, and the abolition of a whole tier of regional government, described in *Control Shift* as a ‘distant and remote tier of ineffective regional government which has been given increasing control over people’s lives’ (Conservative Party, 2009, p 3). In a similar vein, one of the key messages contained in the Conservative-controlled Kent County Council’s document, *Bold Steps for Radical Reform*, was that the ‘sub-regional level is central to economic development and regeneration’ (Kent County Council, 2010).

In considering the changed political context for sub-national governance following the May 2010 General Election, it can be argued that there is now a genuine opportunity to develop a more coherent and effective tier of sub-regional economic governance than hitherto. Several relevant factors can be identified.

Firstly, one of the major barriers to the development of the sub-regional tier under Labour was the continuing presence of RDAs. As the Centre for Cities point out,

'The failure of the Sub-National review to get RDAs to devolve real powers to City Regions indicates that there just isn't space for City Regions to reach their potential while RDAs remain in their current form' (Larkin, 2010, p 2).

Given that the new Government proposes to abolish RDAs, dismantle regional planning structures, and return responsibilities to local authorities (BIS/CLG, 2010), it can be argued that this at least provides for a much less congested landscape on which to clearly establish the sub-regional level as a more influential and effective tier of economic governance. It also provides a possible opportunity to rationalise the plethora of local economic development initiatives within the framework of a Local Enterprise Partnership.

Secondly, it is also important to highlight that promoting the city regional agenda was not just the preserve of New Labour politicians and left-leaning think tanks such as the Institute of Public Policy Research and the New Local Government Network. The Conservative Party also came into office with a number of ideas on sub-regions already circulating within party policy reviews, supportive think-tanks, and leading Conservative Local Authorities:

- In 2007, the *City Task Force*, set up by the Conservative Party and chaired by Michael Heseltine, reported that powers should be transferred down from regional bodies to local government and that - in addition to directly elected mayors for all top-tier authorities – there should be 'Pan-city' Executive mayors who would sit above existing councils in four conurbations Birmingham, Manchester, Liverpool and Newcastle. The Executive mayors would inherit powers from the regional level, including strategic planning, regeneration, and training (Conservative Party, 2007, p 10).

- *Localis*, the Conservative-leaning think-tank has also argued in favour of the city regional approach. Their recent report supported the granting of statutory powers to new city regions structures in relation to economic development, transport and skills and raised the possibility of elected mayors for city regions. There was also a clear recognition that while the Conservatives had been opposed to elected metropolitan governance in the past (the Thatcher Government abolished both the Greater London Council and the Metropolitan Counties in 1986), more recently, 'they have been broadly positive about the need for a more strategic form of cross-border governance of cities' (*Localis*, 2009, p 15).
- Conservative-controlled Kent County Council produced their own discussion paper on Local Government reform in January 2010 (Kent County Council, 2010). In proposing the abolition of regional quangos, the paper argued strongly for the devolution of their economic development and planning powers to the 'family' of local government in 46 sub-national areas 'based around city regions and historic county/shire boundaries'. The strength of this proposal is that 'unlike abstract regional boundaries, it provides flexibility for sub-regions to coalesce and form their own joint venture arrangements around strategic level issues' (Kent County Council, 2010, p 6).

Finally, while the development of the city region agenda under Labour clearly lacked coherence, it did bring in to the public domain a number of alternative routes to sub-regionalism including via Core Cities, The Northern Way, MAA's, MAAs with Duties, Economic Prosperity Boards and, latterly, Statutory City Regions. Indeed, the 15 areas to have MAAs accepted included both city-regions (such as Tyne and Wear, Tees Valley, Greater Manchester, Leeds, Birmingham, and Liverpool), and also suburban or county areas such as Pennine Lancashire, North Kent, West of England and the Fylde Coast. Some of these varied approaches could provide a number of more positive options that the new Government could build upon, or, at least, contribute valuable lessons on how not to constitute city regions.

Drawing upon research recently undertaken in the North East of England <sup>1</sup> (home to two city regions in Tyne and Wear and Tees Valley), the article will now consider a number of lessons from the initial phase of city regional development, and identify potential linkages to the new post-regionalist agenda.

## **From City Region to Local Enterprise Partnership? Reflections from the North East of England**

Despite being part of the same English region, and sharing a common status (both had MAA's agreed), Tees Valley and Tyne and Wear demonstrate different responses to, and applications of, the city region model. Because of this, the two sub-regions ability to 'fit' within the suggested Local Enterprise Partnership model will also vary.

Tees Valley is a 'polycentric' city region, (Centre for Cities et al, 2009), being based around the five towns of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees which have a combined population of 650,000 (TVJSU, 2006). While its economic footprint includes County Durham and North Yorkshire, the City Region Partnership Board (now rebranded as TVU - 'Tees Valley Unlimited') does not include direct representation from either of these two authorities. Although officers from the two authorities are, in the words of one interviewee, 'invited to the table', they cannot participate in voting. This realistic compromise was initially made because of concerns that such a partnership 'would lack cohesion and have been too unwieldy, potentially involving two county and five district councils and the raft of organisations from a different region, Yorkshire and Humberside (TVJSU 2006). It could be argued that this makes Tees Valley more of a 'sub-region' (based on existing local authority boundaries) rather than a 'city-region' based on a functional economic area that cuts across a number of urban and rural council boundaries.

In contrast, Tyne and Wear is a 'bi-polar' city region, (Centre for Cities et al, 2009) comprising the two economic cores of Newcastle/Gateshead and Sunderland, the metropolitan councils of North Tyneside and South Tyneside, and the new single tier authorities for County Durham and Northumberland, constituting a population of 1,650,000 (TWCR 2006). If it were represented by the existing boundaries of the urban councils it would be severely 'under-bounded', as its economic footprint extends deep into the County of Northumberland - for which Tyneside is its main economic pole - and south into County Durham. The Tyne and Wear City Region has thus adopted a 'fuzzy' boundary, incorporating the two neighbouring counties, with all seven authorities partners in the Tyne and Wear Multi Area Agreement. As one observer from a regional administrative body in the North East noted, 'Tees Valley is a much simpler, self-contained area, one of the best fits between the economic and the political. Tyne and Wear is much more diverse and complex'. While for a representative of a regional regeneration agency, 'Tees Valley have drawn their boundaries around local authorities, and have sacrificed working outside in order to achieve cohesion'.

The main advantage identified for Tees Valley pursuing a City Region approach, was that of economic agglomeration, as none of the five towns is individually big enough to be influential on a national or international scale. As a result, it was widely regarded by those interviewed that Tees Valley had been able to reach a 'shared acknowledgement' of the different economic emphasis of each of the five towns in Tees Valley: 'Darlington's being office development and Government departments, Stockton for business services, Middlesbrough for retail, North and South Tees for industry, Redcar as a local service centre and Hartlepool for leisure and north sea

wind farm' (Tees Valley Interviewee). Examination of key strategy documents also suggests that the City Region has a clear understanding of its different priorities, knows what it wants to achieve, and what it needs to do to get there (TVJSU, 2005 & 2006; Tees Valley Unlimited, 2010). According to one Tees Valley representative, it has taken over a decade to achieve a sufficiently 'mature and robust enough partnership' to survive changes in political control of the member authorities and to appreciate that that they can achieve more together than apart, (including greater recognition from the centre), and that such gains are worth the sacrifice of a measure of local autonomy by constituent councils.

The rationale in Tyne and Wear was initially shaped by Newcastle's early interest in promoting its economic status through membership of the Core Cities Group and the galvanising effect of the OECD Territorial Review of Newcastle (OECD, 2006). The introduction of the Northern Way framework served to produce a pragmatic acceptance that city region status would have to involve linking the two economic centres of Newcastle/Gateshead and Sunderland, as neither 'were big enough in isolation to punch their weight' (City Region Manager). A number of those interviewed recognised that the Tyne and Wear City Region structure was something of an artificial construct, lacked political and organisational cohesion and faced many of the same territorial conflicts experienced by the Tyne and Wear Metropolitan Council between 1974 and 1986, where the absence of clear political leadership seriously hampered progress. While logic would dictate that the city region core would be Newcastle/Gateshead, with Sunderland as a secondary City, this concept is not universally subscribed to, particularly on Wearside. By 2010, it was acknowledged by one Regional Office representative that a key test for any city

region strategy in Tyne and Wear would be to reconcile both Sunderland's Economic Master Plan and the Economic and Spatial Strategy for Newcastle/Gateshead, with 'both areas having to acknowledge, and take account of, each other's existence and recognise their mutual needs'.

In Tees Valley, the coherence of contemporary partnership experiences were regarded by interviewees as a reflection of collaborative ways of working that have developed there over the last two decades. Following the abolition of Cleveland County Council in 1986, and further local government reorganisation in 1996, the five Tees Valley local authorities were involved in developing a series of sub-regional arrangements. The Tees Valley Joint Strategy Unit (TVJSU) would prepare the sub-regional economic development strategy, structure plan, strategic transport planning, information and forecasting and the management of European programmes. The unit reported directly to a Joint Committee comprising 25 councillors from the five authorities. Thus, some strategic capacity and continuity was maintained that could be exploited when opportunities arose from the emerging sub-regional agenda. In 2002, the Tees Valley Urban Regeneration Company (TVRC) was set up by English Partnerships, ONE North East and the five authorities. At around the same time, Tees Valley Living (TVL) was created to promote housing market renewal (in the absence of being awarded a 'pathfinder' by the government) and also served to galvanise partnership working.

In 2009, all three organisations (TVJSU, TVRC and TVL) merged to form Tees Valley Unlimited, a metropolitan economic partnership for the City Region comprising strategy, inward investment and corporate services units and an in-house delivery

group to provide consultancy, financial advice, and urban design facilitation, in recognition of the lack of capacity within the five authorities. In relation to governance arrangements, the development of a Leadership Board for Tees Valley ‘Unlimited’ included elected members from the 5 local authorities plus other key local stakeholders. The Board is advised by an Executive made up of local authority chief executives and an equal number of senior managers from the other partner organisations. Importantly, the chair of the leadership board is not a local authority representative but a prominent business leader. In addition, delivery partnerships cover not just economic development, skills, and transport (as in the case of Tyne and Wear) but also involve tourism and housing (TVU, 2010). Significantly, this arrangement is almost identical to the Local Enterprise Partnerships proposed by the new Government.

In the case of Tyne and Wear, the partnership was viewed as relatively immature with some aspects of the City Region’s governance arrangements yet to be formally established. The original City Region Plan depicted a Governance Framework that involved creating an Executive Board that included elected members of the nine local authorities in the sub-region (now seven due to move to unitary status in County Durham and Northumberland), representation from the RDA, and also from the business, education and voluntary sectors. In practice, however, the city region ‘is primarily local authority, rather than business, driven’ (Regional Development Manager), with the board chaired by one of the elected members and supported by a Partnership Group made up of local authority chief executives. In relation to policy coordination and delivery, arrangements in Tyne and Wear are more narrowly defined than in Tees Valley, and include city regional partnership boards covering

employment and skills and transport. While the collaborative arrangement was to be voluntary, the initial business plan noted that 'over time there may be a case for placing this arrangement on a statutory basis'. However, the City Region partners 'did not feel that an elected City Region Mayor would be appropriate' (TWCR, 2006, p 53). In contrast to Tees Valley, when the Metropolitan County of Tyne and Wear was abolished in 1986, little of its institutional infrastructure remained. As a result, many of the collaborative structures for the Tyne and Wear City Region have 'had to be reinvented'.

Considering the relevance of the previous experiences of city region structures in the North East to the emerging sub-regional agenda, is a useful reminder that 'place does matter', and that the introduction of Local Enterprise Partnerships will clearly impact in different ways in different localities. In Tyne and Wear, the legacy of Newcastle's involvement in the Core Cities Group, and the absence of a recent history of joint working, has shaped both a narrow economic focus, and a traditional approach to governance in which the local authorities firmly remain as the key powerbrokers. A relative absence of joint working and a number of local rivalries characterises the sub-region. As one interviewee observed,

'Tyne and Wear need to get their act together. They argue about everything and only speak collectively when they feel Tees Valley are getting more. Some of the officers get the big picture; it's the politicians and their different parties that are the problem'.

There was a general view (from the outside) that the 'political infighting and rivalry' in Tyne and Wear looked set to continue, as a consequence of which it appeared unlikely that the City Region will be able to achieve a sufficient commitment from its

partners to pursue its strategy on a consensual basis. Until a robust governance structure is in operation and the individual authorities start to make some genuine sacrifices for the common good, Tyne and Wear will struggle to articulate and pursue a clear vision for the city region and may fail to capitalise on strategic investment opportunities that arise.

In contrast, the collaborative history of Tees Valley - and the development of a wider development agenda via the Northern Way framework - has produced a more balanced and inclusive approach to governance. For one regeneration manager in the North East, Tees Valley are a 'coalition of the willing', able to speak with one clear voice to the region and central government, to 'articulate its needs and achieve the best outcomes for the city region as a whole'. The non-local authority partners have 'bought-in' to the concept and recognise that they may have to make some individual sacrifices for the greater good. As the interviews were being conducted, Tees Valley was currently undergoing a tactical realignment of its strategy in response to being rejected as a statutory city region in late 2009 (only Manchester and Leeds were successful). For one Tees Valley observer, 'the speed and relative ease with which this is being achieved is testament to the integrity of the partnership and its governance model'. Evidence also perhaps, that overcoming partisan loyalties, developing a local commitment to partnership working and recognising mutual interests was more influential in shaping the response in Tees Valley than the (often incoherent) promptings of central government.

## **Conclusion: The Challenge of Sub-Regional Governance**

In June 2010, the Coalition Government duly announced its plans to promote a new 'post-regionalist' approach to sub-national governance, which, on the surface at least, held out the opportunity to remedy a number of the limitations of previous approaches to promoting city regions. Proposals to scrap RDAs, dismantle regional planning responsibilities, and to create Local Enterprise Partnerships (LEPs) that reflected the 'natural economic geography of the areas they serve', were all outlined in a letter to local authority and business leaders signed by both the Business Secretary Vince Cable, and Communities Secretary, Eric Pickles (BIS/CLG, 2010). A White Paper on 'Sub-National Growth' was also promised for later in the summer of 2010, while it was also confirmed that the Government Offices in the English regions were to be abolished alongside the Government Office for London (CLG, 2010b).

In the 'Cable/Pickles' letter, the Government recognised that certain former RDA functions, such as inward investment, sector leadership, responsibility for business support, innovation and access to finance, would be best undertaken nationally, and encouraged local councils and businesses to come forward with proposals to set up LEPs to perform other duties. These new partnerships would create the right environment for business and growth by focussing on a wide range of areas including, 'planning and housing, transport, employment and enterprise (including low carbon approaches), small business start-ups and, in some areas, tourism' (BIS/CLG, 2010).

The reference to a LEP role in planning is important. For the advocates of sub-regions, the development of such a planning role at this level would be able to avoid what one review has termed the ‘excessive localism’ of individual local councils (Larkin, 2010, p 6), and provide opportunities for a statutory sub-regional plan that could also be linked to the production of Local Economic Assessments at this level of governance. However, others are more cautious. The negative impact on key development proposals caused by the period of uncertainty following the scrapping of regional plans, has led to calls for effective transitional arrangements to be quickly put in place (Public Property UK, 2010). While for the RTPI, there is a ‘real danger in hastily abolishing regional planning’ and a continuing need to have a ‘level of strategic planning between local councils and national government to ensure proper co-ordination across council boundaries’ (Skippers, 2010).

The June 2010 letter also outlined the Government’s view that LEPs should have an equal number of local authority and business board members and be chaired by a ‘prominent’ business leader. There was also mention of an elected mayor chairing the partnership, if it is the ‘clear wish’ of council and business leaders’. This is not a proposal for a directly elected city or sub regional mayor, merely that if one of the constituent councils has a local mayor, he or she could ‘step up’ to the LEP level. However, this still offers a more focussed and accountable form of leadership, and may be viewed as a way to attract a wider range of candidates to stand as local mayors when the Government pushes forward with its plans for 12 elected mayors in England’s largest cities. The Government also highlighted that LEP proposals would not only be welcome from economically vulnerable areas, but from ‘any part of England’. This moves the debate away from a focus on a small group of ‘core’ city

regions towards a range of sub-regional partnerships in a variety of economic and spatial settings (Kent County Council, 2010).

This article has suggested that the 'post-regionalist' agenda under the Coalition Government can be usefully assessed against a backdrop of the emerging city regional developments under the previous Labour Governments. In the North East, the initial support from both local politicians and businesses for keeping the RDA has gradually 'dwindled away' (The Journal, 2010a), in the face of the Government's strong preference to remove the regional tier, and particularly in relation to Tees Valley's stated intention to 'go it alone' as a LEP (The Journal, 2010b). As this article is being completed (in August 2010), it thus seems likely the features of the existing city regional structure in Tees Valley (including 'tight' institutional boundaries, an acceptance that they can do more together than apart, a balanced approach to governance, and a leadership role for the private sector) allows it to fit neatly within the Local Enterprise Partnership model. In contrast, the legacy of the much less coherent Tyne and Wear City Region remains highly uncertain. Possible outcomes include the remaining seven councils in the North East forming a LEP that brings together the five urban authorities with Durham and Northumberland, or the creation of smaller partnerships based on Tyneside (with a core of Newcastle/Gateshead), and Wearside (based on Sunderland). This even opens up the (albeit unlikely) possibility of configuring Northumberland and Durham as separate 'county' LEPs. Other outstanding issues remain in relation to the 'governance architecture' of the North East. These include the fate of the pan-regional Northern Way, which conceivably could remain as a research and development 'hub' that can also facilitate collaboration on issues where regional or inter-regional joint-working is

necessary. While the inter-relationship between any new LEPs and other local economic development bodies, such as City Development Companies, Urban Regeneration Companies, and Housing Market Renewal Pathfinders, would also need to be considered.

Following the publication of the 'Cable-Pickles' letter, local authorities across England are now busy reviewing which LEPs they will join. It is likely that LEPs will take a number of different forms and develop to suit local and sub regional interests. Despite early support to keep their RDA, signs from the North West now suggest that the Greater Manchester City Region will become an LEP. In Yorkshire, four LEPs may be configured on the basis of the old geographical 'ridings' (East, West etc), while it is possible that the West Midlands will also divide into separate LEPs reflecting the traditional urban/industrial centres of Birmingham, Coventry, the Black Country, Staffordshire and Stoke (Centre for Cities, 2010). The abolition of RDAs in the South East and South West is likely to lead to new LEPs covering a much smaller area than the agencies, with partnerships being configured around two counties, or one county council and its district authorities, or even larger free standing towns and their economic hinterland. Whatever the precise approach adopted however, it can be argued that the creation of LEPs should be less concerned with grappling with the intricacies of defining a 'natural' economic area, and more focussed on building upon previous experiences of collaborative and cooperative working at the sub-regional level.

These are still early days. A number of areas still require further clarification and attention if the new Government's proposals for the sub-regional level are to really make a difference:

- The transitional process from RDAs to LEPs needs to be clearly outlined, responsibilities agreed, and a realistic hand-over date set. Given the scale of the economic challenge likely to face LEPs, estimates of at least a two-year lead-in time are worrying, as are some predictions of the need for a residual body to manage the transition from a range of RDA funding regimes (including EU monies), contracts and land holdings (Regeneration and Renewal, 2010b).
- It is also important that LEPs have the ability and resources to promote local economic growth. While the initial list of LEP *responsibilities* looks impressive (covering planning, housing, economic development, transport etc), the extent of their actual *powers* in relation to other bodies (with related responsibilities) remains to be agreed. This is particularly important in areas such as business support, innovation and inward investment, where the government's initial plans for centralisation of the former RDA responsibilities runs the risk of undermining any locally-determined approaches.
- Given the economic climate, the issue of the funding of LEPs is also problematic. Resources will clearly be limited, and highly unlikely to match the amount previously available to RDAs. At present, LEPs have not been guaranteed any funding of their own. Some monies will be available via the £1bn Regional Growth Fund (RGF), with the consultation document on the RGF highlighting how LEPs will have a lead role in coordinating bids from their areas. However, bidding for resources is not confined to LEPs, with other private companies and public-private partnerships also encouraged to submit separate bids. There is also likely to be tensions when the Independent Assessment Panel comes to decide the balance (financial, sectoral, and spatial) between bids that aim to encourage private sector economic growth and those that aim to meet the fund's other criteria, namely '...supporting areas and communities that are currently more dependent on the public sector to make the transition to sustainable private sector led growth' (BIS/CLG/HMT, 2010, p 8).
- Not all local councils will find it easy to be part of a LEP, and there are dangers that the eventual coverage of the initiative will exclude some smaller district councils (in the remaining two-tier county areas) or even some county councils, caught in a 'catch-22' situation where they are too small to constitute a LEP but end up being excluded from the more narrowly focused LEP created by their neighbouring urban councils. This links to the wider issue of how the government sees its role in promoting growth in all regions. As the Work Foundation argues of the urban context, this will involve ensuring that weak cities do not have weak LEPs, 'There is a danger that business-led LEPs provide the worst services in exactly those cities which need them most, whereas cities with strong economies and private sectors create strong bodies. This may be exacerbated by competitive bidding for the Regional Growth Fund, if weaker LEPs are unable to put in bids which are as strong as LEPs in more successful areas'. (The Work Foundation, 2010, p 6).

To conclude: there are now real opportunities to develop the sub regional level in England by removing a regional tier that has, arguably, outlived its usefulness. The new Coalition Government has created the necessary 'space' to develop sub regional bodies that have a direct link with democratic politics, enhance the role of business stakeholders, and provide for a range of interventions that offer genuine opportunities for both city and county LEPs. However, the scale of the challenge in (finally) locating the 'missing middle' after all these years, should not be underestimated. We have been here before. Indeed, we have been here many times, and it is right to remain cautious about finding a territorial 'fix' for sub-national economic development, particularly in the context of sub-regions now having to cope with both economic recession and major reductions in the public sector. As Alan Harding, the author of the original NLGN report in 2000, has realistically pointed out,

'..there is a world of difference between encouraging the patchwork quilt of coalitions of varying seriousness and capacity that have emerged for the purposes of initiatives like MAAs, and organising an orderly transition to a comprehensive and effective tier of sub-regions and city regions' (Harding, 2010, p 8).

## Footnote

1. Material in this section has been informed by a number of interviews undertaken in the North East in late 2009 and early 2010. In addition, a number of direct quotations have been utilised, and are drawn from interviews with senior staff at the Northern Way, from both City Regions, the RDA (ONE North East), the Homes and Communities Agency, and the Government Office for the North East.

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