

NATIONS AND THE WEALTH OF CITIES: A NEW PHASE IN PUBLIC POLICY

Rt Hon Greg Clark MP

and

Greg Clark

*with support from Centre for London and
the Global Cities Initiative, a joint project
of Brookings and JPMorgan Chase*

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*Rt Hon Greg Clark MP, Minister for Cities
and Constitution, HM Government, UK, and
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/JPMorgan Chase Global Cities Initiative.*

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JPMorgan Chase, Brookings Institution and Centre for London hosted the Global Cities Initiative European conference in London on October 29th 2013. This conference brought together city and civic leaders from London, UK, Europe, and many emerging economies, together with experts from Brookings Institution and JPMorgan Chase. The major themes explored were the links between metropolitanisation and economic development through trade and global engagement, and the need to actively manage the challenges of globalising cities at the local and national levels.

Two of the speakers at the conference were the Rt Hon Greg Clark MP, Minister for Cities and Constitution in Her Majesty's UK Government, and Greg Clark, a Global Fellow at Brookings and advisor on city development internationally. Given their shared interests and the opportunity that the GCI conference offered them to share a platform, this paper brings together their two contributions as jointly authored by the two Greg Clarks. This is the first paper they have collaborated upon.

The intention of this paper is specific. It aims to address the challenges for national governments that result from globalising cities. It uses the example of the UK as a locus for a new suite of city oriented national policies and initiatives that seek to marry local leadership with national frameworks in a global system.

Sincere thanks from the two authors to JPMorgan Chase, Brookings Institution, Centre for London, and the Global Cities Initiative for this opportunity to share thinking at an international level.



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The Global Cities Initiative aims to equip metropolitan leaders with the information, policy ideas and global connections they need to bolster their position within the global economy. Combining the Brookings Institution's deep expertise in fact-based, metropolitan-focused research and JPMorgan Chase's longstanding commitment to investing in cities, this initiative aims to:

- Help city and metropolitan leaders leverage their global assets by unveiling their economic starting points on such key indicators as advanced manufacturing, exports, foreign direct investment, freight flow and immigration.
- Provide metropolitan area leaders with proven, actionable ideas on how to expand the global reach of their economies, building on best practices and policy innovations from across the nation and around the world.
- Create a network of leaders from global cities intent upon deepening global trade relationships.

www.jpmorganchase.com/globalcities

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PREFACE

There are broadly three positions a national government can take towards its cities. The first is to overlook them. The second is to see them as a source of problems that need fixing. The third is to view them as full of potential that needs realising.

The history of post-war urban policy can, with only a bid of simplification, be described as a progress from the first of these to the second. Post-war economists and governments had little sense of the economic importance of cities and city regions, while economic pressures and public policy tended to work in tandem to weaken them. Industries and businesses were encouraged to move from city-centre locations to edge-of-city ones. The spread of the car and continuing development of rail networks fuelled the growth of suburbs. Influential architects and planners extolled the virtues of demolishing old inner city 'slums', and moving their residents to edge of the city or beyond, and the construction of urban motorways, towers in parks and garden cities – which were in fact in reality more often or not, garden suburbs. The UK and other Western European nations characteristically adopted a more interventionist approach than did the US to planning in these years. The UK established 'green belts' to limit suburban development and promoted New Towns around London and other large cities. But there was a widespread assumption on both sides of the Atlantic in favour of policies and programmes that tackled the problems long associated with large cities – disease, pollution, congestion, poverty – by taking the city to the country and the country to the city and dissolving the difference between them.

From the 1970s onwards however, we saw the beginning of a new phase in urban policy. A number of related developments – the collapse of old urban industries and ports, and the consequent rise in unemployment and poverty, dramatically increasing crime rates, and the obvious failures of experiments in modernist social housing programmes – forced

governments to rethink their approach to cities. The last forty years have seen governments sponsoring programmes and initiatives aimed at rebuilding and rejuvenating rundown areas, and tackling the social problems that de-industrialisation and the decline of urban economies left in their wake.

But as Greg Clark and Greg Clark help us see in this insightful paper, though efforts to tackle urban dereliction and promote renewal were welcome, they were in some ways limited in scope and impact. They tended to be top down, reactive and ‘unjoined-up’. They often focused on the worst areas of decline rather than on the city as a whole, and on the tackling ‘hard’ problems of physical renewal at the expense of softer issues of education, skills and social capital. Funding came and went, but even at its most generous it was only ever a tiny proportion of overall government spend in an area, most of which was funnelled through the traditional routes.

It is against this background that the two Clarks argue that we can begin to see the emergence of a third phase of urban policy – what they dub ‘the systems of cities’ approach. In this latest phase of urban policy, national and state-level governments take a role that is at once more strategic and more limited. They seek to provide the national platform for city development, in the form of infrastructure investment, macro-economic policy, tax and regulatory reform, while devolving power and responsibility to cities themselves, allowing them to develop their own bespoke solutions to the problems they face. Two developments have encouraged this process. Firstly, there has been a growing appreciation among social scientists and economists, politicians and policy makers, of the economic value of cities and the face-to-face networks and agglomerations they allow. Secondly, recent economic and technical developments mean that cities are *increasingly* important as drivers of innovation and productivity, and so of competitive advantage in advanced service economies like those of the US and Western Europe.

Clark and Clark are careful to insist that there remains an important role for national governments in urban policy. But that role, they argue, will increasingly be about supporting cities, not running them. In the meantime we need to ensure that cities have the powers, resources and incentives to tailor policies to their own particular circumstances and make the most of their distinct advantages.

As this paper clearly sets out, the UK economy scores well on many measures and many of its cities in particular have adapted well to the latest wave of globalisation. This is above all true of London, which has benefited from heavy investment in public transport and the creation of a new level of strategic government – the Greater London Authority, led by a new Mayor for London. The ‘knowledge economy’ cities of South East England, including Oxford and Cambridge, have similarly undergone something of a renaissance. These cities can compete with any in the world in attracting highly skilled workers, innovative, global firms, and high levels of inward investment. But Clark and Clark also show that the UK’s cities do not always perform as well as they could, and therefore neither does the economy as a whole. Indeed, rather than driving the national economy, most large UK cities are poorer and less productive than the country as a whole – something almost without parallel among developed nations.

It is in some ways surprising to see the UK identified, as it is in the paper, as a leading example of the new more strategic phase of urban policy. After all, as Clark and Clark acknowledge, the UK has long been an exceptionally centralised country, with the taxation in particular, largely designed and collected by national government. British cities are denied freedoms and flexibilities that those in most other developed Western nations take for granted. But that is what makes the developments described in this paper – including the creation of a Cities Unit, led by Greg Clark MP, at the heart of government – so exciting. They represent a badly needed and belated recognition, on the part of

the national government, that cities are the main engines of growth and jobs, and that an important task of central government must be to support and empower them.

Any who believe, as we do, that the approach described by Clark and Clark is the right one must hope that the UK's cities policy continues in the direction it is headed and is emulated by others.

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EXECUTIVE SUMMARY

In the latest cycle of globalisation, ongoing economic integration has added to the number of internationalising cities whose roles in trade, services, migration and labour markets all exceed national boundaries. Metropolitan areas in upper income nations are facing new challenges in shaping themselves to meet the demands of this new urban age.

As a result, since the Global Financial Crisis, a new wave of thinking has emerged in the UK and other OECD, World Bank, and EU member states, which questions the continuing suitability of 'one-size-fits-all' national urban programmes orchestrated through top down grant aid funds and focused principally on the physical restructuring of blighted urban districts.

Instead, these global institutions and national governments are realising that increasingly there are two complementary tasks: **local** leaders must lead and govern individual cities, and manage, coordinate, and integrate services, infrastructures, and policies across wider 'city-regional' geographies through a focus on 'city systems', and **national** leaders must manage and shape the wider 'systems of cities' at a national level.

In this new cycle therefore, national governments have two main tasks:

- First, they should try to actively support the whole *system of cities* with effective system level national policies in areas such as connectivity, regulatory and institutional frameworks, knowledge production and complementary asset endowments and specialisations.
- Second, national governments should focus on how they can better equip local leaders so that cities can be actively shaped and managed to achieve positive productivity, livability, and

sustainability outcomes. They can help local leaders to strengthen the *city systems*.

In addition, such is the growing global market in urban services and urban innovation, national governments might also observe that there is a new trading imperative to promote urban excellence across international borders.

The UK Government provides a good example of a national government recasting its approach to cities in this way. It is in the process of forging a new kind of national cities policy that reflects *systems of cities* and *city systems* thinking, and is strengthening three critical areas:

- 1 – Inter-ministerial coordination on a cities agenda
- 2 – Inter-city initiatives that strengthen the national system of cities as a whole
- 3 – City deals that strengthen individual city and city-regional systems

For example, the City Deals and Growth Deals, The Future Cities Catapult, and Ministerial Smart City Forum are new government backed initiatives aimed at strengthening *city systems*.

Major policy initiatives and infrastructure projects which seek to strengthen the *system of cities* are also in train, including: the expansion of airport capacity in the south east of England, the High Speed 2 rail link and the 40 or so other projects earmarked by the new National Infrastructure Plan; the push for better higher education – business interaction; and The Future of Cities Foresight project, which is looking into the long term future (up to 2065) needs and requirements of the UK system of cities. At the same time, the new ministerial Smart Cities Forum and the Future Cities Catapult are both focused on how UK urban expertise can be better profiled and promoted in international markets.

The UK's experience is indicative of the new cycle of cities policies which has started. The new cycle provides reform opportunities for cities and metro areas that want to take them. It recognises the new roles of central government and has begun to reshape them. It offers cities the opportunity to take a lead and it gives them the responsibility to make it work. It also recognises that cities policy is not a magic formula that solves all problems. The UK's cities still face many different challenges, and those that succeed must address the unintended consequences of that success. This new approach is about setting in train a new evolutionary momentum whereby cities and national governments can broker agreements and find new solutions over time, through a negotiated governance system that is adaptable to different situations and can adjust further as progress is achieved.

1 INTRODUCTION

We live in what we might call the new global urban age. Cities are increasingly integrated globally and they are key to nations remaining competitive and successful. Nations that want to remain competitive need increasingly to focus on ensuring that cities policy is fit for purpose. Yet too often it is not. In several emerging and developed nations, governments have already become more purposeful in supporting their larger metropolitan areas in efforts to globalise and adjust effectively. National governments are recognising that they have an increasingly important role in providing the platform for globalising cities, and the UK is adapting its approach to cities in order to enable individual cities to succeed on their own terms, and to encourage the national pattern of cities to strengthen its coherence and systemic potential.

Globalisation, Urbanisation, and Metropolitanisation

It was only two decades ago that the phenomenon of the first ‘global cities’ appeared, but the intensification of global economic integration has since added a second, third and even fourth layer of internationalising cities whose roles in trade, services, migration and labour flows all exceed national boundaries.

Thus not only have London and New York retained and refined their place as global cities, but they have been joined by other kinds of global cities; including San Francisco and Tel Aviv (in technology), Boston and Basel (in life sciences), and Seoul and Mumbai (in cultural content). There are now many more paths to becoming a global city today than were acknowledged twenty years ago, and it is no longer essential to be a financial centre, a capital city, or a corporate HQ hub in order to be globally competitive and successful.

The world economy today is a system, first and foremost, of trading cities. Since the emergence of a truly global trade-based economy in around 1500,¹ cities have embraced international trade and exchange

opportunities in waves and cycles. These waves, illustrated below, are often triggered by geopolitical events that increase demand and openness, and add new industries, transportation and communication technologies that define each era.

The relentless and accelerating pace of urbanisation in the past 100 years has also seen most cities outgrow historic boundaries and become ‘city-regions’ or ‘metropolitan areas’, or become part of wider conurbations or urban corridors. This ‘metropolitanisation’ process means that cities now aggregate the productive assets that shape competitiveness: dynamic clusters of firms, skilled workers, logistical and infrastructural platforms, and relationship networks that breed innovation. But the processes of metropolitan growth have, in many cases, taken place without clear economic understanding or strategic institutional guidance.

2 NEW THINKING ABOUT CITIES AND NATIONS

According to OECD analysis, in the new wave of globalisation, cities and their metropolitan areas in upper-income nations face the challenge of addressing

Figure 1: Waves of cities joining a path to globalisation²

	Prominent cities entering a global path
1492–1650	Antwerp, Genoa, Istanbul, Venice
1650–1780	Amsterdam, Guangzhou, London, New York
1780–1850	Berlin, Birmingham, Paris
1850–1914	Bilbao, Glasgow, Liverpool, Manchester, Rotterdam, Vienna
1945–1973	Munich, Seoul, Singapore, Tokyo, Toronto
1985–2007	Bangalore, Barcelona, Chicago, Edinburgh, Sydney, Tel Aviv,
2010–	Brisbane, Cambridge, Colombo, Nanjing, Sao Paulo

five phenomena that must be tackled to achieve the optimal performance of cities.³

1 – Finance and fiscal policies

First, the strategic direction of cities is shaped by the public finance system: the means of financing public goods and services, the raising of tax revenues and by the allocation and distribution of money. The intended and unintended consequences of fiscal systems on how cities and metropolitan areas evolve and behave in the contest for public resources is a major driver of both urban and metropolitan form and the patterns (or lack) of inter-governmental coordination. Instruments for municipal finance, whether in terms of revenue-generation, higher tier transfers, expenditure responsibilities or debt flexibilities, have tended to constrain urban areas from making long-term ‘whole of city’ investments. Many are instead compelled to petition wealthier tiers of government to ‘win’ backing for trophy projects and to compete with other jurisdictions for sources of revenue.

At the same time, in more decentralised systems, the incentive for local governments to pursue and recruit ‘tax base’ can distort developmental policies or hinder inter-municipal cooperation, and this can give rise to urban sprawl, the distortion of planning policies, or competitive tax cost cutting between neighbouring areas.

2 – Joined up governance

Second, there is an imperative to recognise that most important domestic policies have increasingly strong multi-sectoral and inter-governmental dimensions. Most services and policies, whether the issue is education, transport, planning, housing, waste, energy, immigration, or the economy, involve multiple tiers of government, and no tier of government has a monopoly on power. Neither cities nor national governments can act effectively alone,

and there is an increasing premium on ‘whole of government’ and inter-governmental approaches to the more pressing cross-cutting policy challenges.

3—Human policies v spatial policies

Third, people-oriented policy agendas such as education, skills, housing, health, and social services, which are driven by major demographic changes, have tended to be detached from the urban processes and city systems in which they take place. These ‘human service’ policies tend to be led and managed by state or national institutions and are governed by concerns to ensure ‘uniform’ or ‘equitable’ provision across very large geographies. This often leads to such policies and programmes being poorly adapted to local urban contexts. It remains difficult either to calibrate the national policies to the conditions of distinctive city populations, urban labour markets, housing markets, or to achieve greater participation and integration of local governments in the provision of these services.

4—Governance for functional geographies

Fourth, with only some exceptions, there is a challenge to foster joined-up metropolitan coordination around land-use, transport, business clustering and sustainable development. Metropolitan governance is a ‘holy grail’ for cities that have grown beyond their historic boundaries. The importance of aligning institutions, investment, and infrastructure with the functional geography of a growing metropolitan area is well understood but hard to achieve.

The obvious and direct solutions of greater amalgamations of local governments or the redrawing of boundaries are rarely attempted by state and national governments as they are politically unpopular, they involve substantial adjustment costs, and are difficult to get right. At the same time, the imposition of second tier metropolitan authorities to create a two tier metropolitan/municipal system

is often resisted by local tiers. Thus what has emerged instead is a wide range of governance innovations whereby neighbouring local governments seek partnership with each other, as well as national/state governments and the private sector. Making these arrangements efficient and effective is a major quest upon which many metropolitan areas are now embarked.

5—Institutional structures and frameworks

Fifth, the institutional structures that establish the ‘vertical’ and ‘horizontal’ relationships between governments, and the coordination between different policy sectors, are still shaped more by historical accident than social, economic, and geographic logic. This means that many of the most important and mature institutions within a territory (water, waste, energy, aviation, logistics, and environmental assets) are often not able to address the evolving functional area and must instead work to old borders and boundaries through a form of institutional ‘lock in’, often outside the direct influence of decision makers. This impacts upon important issues such as infrastructure and utilities provision, higher education engagement, and housing investment.

As a result, since 2009, a series of influential studies have rethought ‘one-size-fits-all’ national urban programmes and policies and city and metropolitan development strategies. Several global organisations (OECD, World Bank, UN) and national governments are grasping the need for a much deeper engagement with spatial policies, and with the relationships between cities in a regional or national system. This is especially the case in democratic upper-income nations such as the UK, and other OECD, World Bank, and EU members. Through the influence and support of the World Bank many middle-income nations are also engaging in this process of engaging with urbanisation. For example, in Latin America the development bank Corporacion

Andina de Fomento's urban framework emphasises the role of local governance and 'soft' city region institutions in promoting sustainable development.⁴ There is also a growing awareness about the risks of city regional economies entering and becoming trapped in negative path dependency. This form of 'lock-in' can manifest in several ways: narrow economic specialisation, unsuitable governance arrangements, unfavourable spatial patterns, or outdated transport development choices.

3 'SYSTEMS OF CITIES' AND 'CITY SYSTEMS'

The World Bank's 2009 World Development Report identified the concept of 'systems of cities' and confirmed that all cities exist in an interdependent national or continental system, whose size and relationships determine each city's functions, specialisations and opportunities for manoeuvre. Larger cities in a given system often have more diversified and service-oriented economies. They have more potential to innovate, create new firms and encourage mature, and lower value-added industries elsewhere, as well as supporting complementary centres. They can be centrifugal forces. Smaller cities are usually more specialised in either industry or services, although they may well produce or trade in more standardised goods. They may remain competitive by supporting larger cities, either by hosting relocated sectors, by offering service support functions, or by developing complementary specialisations.

This insight signals that increasingly there are two complementary tasks: local leaders must lead and govern individual cities, and manage, coordinate, and integrate services, infrastructures, and policies across wider 'city-regional' geographies through a focus on 'city systems' and national leaders must manage and shape the wider 'systems of cities' at a national level. In this paper:

- The term 'city systems' is used to mean the set of infrastructure, services, and amenities that make up the operating and management platform of any city or city region, and the way it interacts with other systems such as market economies or ecosystems.
- By national 'systems of cities', we mean the systematising relationships between the cities within a national (or even trans-national or sub-national) space whereby population shifts, mobility, resource management, economic and capital flows, amenity deployments, connective infrastructures and services operate through dynamics of changes, flows, complementarities, competition and connectivity.

Box 1: Governing systems of cities

National approaches to govern systems of cities have been observable for over two decades, especially in OECD nations.

In South Korea, for example, the national government has employed a strategy to diversify economic activity from the dominant Seoul capital region by incentivising clusters and universities to scale up in the regional cities. The complementary economic roles of Busan's seaport and Daegu's manufacturing expertise have also been significantly supported.

More recently, in Poland, a national urban strategy developed by the re-vamped Ministry of Regional Development has given new impetus to regional and urban planning and spatial development policy, and has already improved coordination of public policies and investment financing. Poland's experience shows how a systems of cities approach also contributes towards a culture of more genuine partnership between local and national levels.

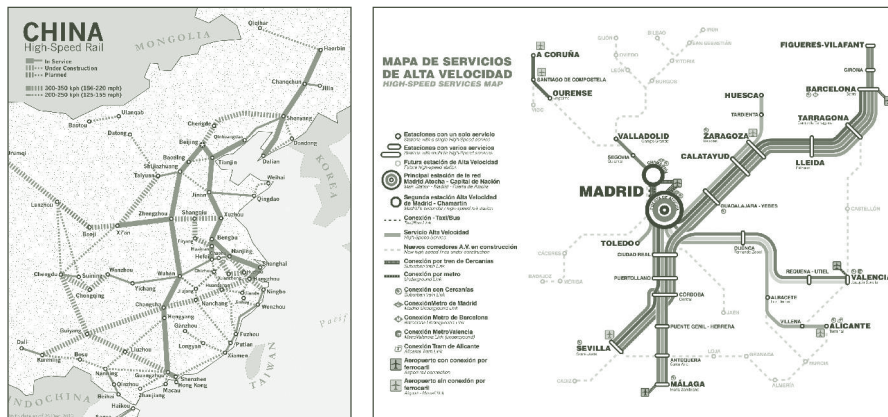
Elsewhere, other national growth policies have manifested in the form of high-speed rail investment. These have been used differently depending on the vision for the national system: Spain has used high-speed rail mainly to connect its capital to the poorer peripheral centres; Germany has used it to spread benefits evenly in a polycentric arrangement and improve goods transport systems; and in Japan high-speed rail has accelerated the emergence of Tokyo and Osaka as the country's premier services hubs.

Twin roles for national governments

Because cities now operate within complementary national and continental systems, national governments have two main tasks:

- First, they should try to actively support the whole system of cities with effective system level national policies in areas such as connectivity, regulatory and institutional frameworks, knowledge production and complementary asset endowments and specialisations.
- Second, national governments should focus on how they can better equip local leaders so that cities can be actively shaped and managed to achieve positive productivity, livability, and sustainability outcomes. They can help local leaders to strengthen the ‘city systems’.

Figure 2: The Chinese high-speed rail network,⁵ and the Spanish high-speed rail system by 2020⁶



These two roles help to shape a new path for national policies and agreements with cities. Several national governments are also developing a third role: that of international commercial champions for urban innovations and solutions generated in their countries, as we shall see below.

4 ADJUSTING TO THE NEW AGE

Some countries and groups of countries are already responding to the challenges of the new global urban age. There is a new recognition that government ‘urban policies’ should be framed in the context of inter-urban, national and international settings. Equally, governments are recognising the need to improve the quality and fluidity of city clusters and metropolitan agglomerations, and the importance of such clusters and agglomerations operating through well led and managed systems. This has given new impetus to the tasks of economic development, spatial planning, and governing metropolitan growth.

There are many varied national models of urban and metropolitan governance. Although some cities have benefited from more supportive governance contexts than others, there is no one model that either guarantees or precludes success. Some recent models and trends include:

- In some countries, national governments have established strong metropolitan governments that plan and manage for the whole functional metropolitan area (Tokyo, Seoul).
- In others, sub-national state or provincial governments have typically taken responsibility for metropolitan-level planning, infrastructure and land-use, but the policy approach is sometimes ad-hoc and not usually led by the interests of the cities (Toronto, Sydney).
- Large citywide governments have emerged in some places with extensive revenue and/or planning powers, but without cohesive alignment with other authorities at the metropolitan level (New York, Hong Kong).
- In other locations, city governments have recently begun to consolidate with other municipalities,

building city powers and revenue over issues that affect the whole economic area (Moscow, Auckland, Brisbane).

- Elsewhere, neighbouring municipalities have developed a cultural of co-operating to create locally designed and ‘bottom up’ mechanisms that tackle metropolitan challenges through inter-municipal co-operation (Zurich, Amsterdam).

Centralised ‘unitary’ nations versus federal nations?

Cities worldwide can be characterised by whether they exist within unitary or federal national systems. London, Paris, Stockholm, Seoul, Tokyo, and Rome are in unitary nations, while Sydney, Sao Paulo, Berlin, Toronto, and Los Angeles are in federal nations.

Unitary systems create cities as subordinate to the national government, because governing powers are granted (subject to removal) by the higher tier. In federal systems, by contrast, states and provinces have a substantial degree of sovereignty which in many (but not all) cases has translated into more empowered city governments. In some federal systems, such as those of Canada and Australia, the empowerment of provinces and states has not resulted in highly empowered cities. In Spain, there is a mixed pattern of both regional autonomy and city/metropolitan empowerment.

5 NATIONAL LEVEL INITIATIVES FOR REFORM

In several emerging and developed nations, governments have already become more purposeful in supporting their larger metropolitan areas’ efforts to globalise and adjust effectively. National governments are recognising that there is a key role in providing the platform for globalising cities.

Box 2: National Metropolitan Strategies

The Netherlands government developed the Randstad 2040 strategic agenda to help prepare for key investment decisions around Schiphol Airport, future housing development and long-term competitiveness of the Randstad metropolitan area. This metropolitan focus paved the way for the much more comprehensive National Policy Strategy for Infrastructure and Spatial Planning that was agreed in 2013.⁷

National engagement is extending beyond centralised initiatives to boost investment, undertake regulatory reform, and promote the nation’s cities. It also includes incentivising the more prepared cities to compete in higher value industries, helping cities manage the costs of exposure to globalisation, and even in some cases supporting the international brand potential of cities ahead of countries. National governments continue to play decisive roles in how metropolitan globalisation unfolds. Despite the frequent assertion that globalisation renders nation states less relevant as a new global system of trading cities emerges,⁸ in fact there is growing evidence that the ability of national governments to support cities in the adjustment process remains critical, and that this spurs governments to shift from urban programmes to a policy for cities.

National policies for cities internationally

Traditionally, national government policies for cities tended to focus on the ‘problems’ or ‘challenges’ of urbanisation and urban de-industrialisation, as if these could be separated and tackled very distinctly from other policy domains. In doing so, and despite the progress made on tackling metropolitan sprawl and urban blight, many of these policies neglected to address the national *system of cities* and the major component *city systems* with a more positive and strategic mindset. As a number of organisations including the UN and the OECD have pointed out, central government tendency to ignore urban systems in the name of balanced spatial development has been expensive and largely ineffective.⁹

Now, national governments across the world are beginning to grasp the importance of *space* and *place*. They are understanding that growth consists of actions and decisions that happen in specific identifiable places, that all investment needs an initial site, and that all businesses and entrepreneurs build and expand in a chosen location. There are at least three identifiable elements of the approaches that national governments are beginning to take to their cities in this new global urban age.

1—First, national policies are seeking **better coordination *within* national governments**, in ‘whole of government’ approaches. This requires close inter-ministerial cooperation around the spatial impacts of national policy and investment choices, and awareness of the risk of duplication, tension or conflict among different sectors and departments. The push for sustainable development, for example, demands a revised understanding of policy complementarities across economic, social and environmental sectors, a shared ‘whole of government’ vision and shared, cross-government measurable objectives.

2—Second, these approaches depend on more flexible **interaction between national, sub-national and local actions**. The inter-governmental sphere has become much more important. National policies are offering more support and incentives for national-local and inter-municipal coordination that can properly embed links and service delivery capabilities between cities in the same region. They also seek to achieve a more effective blend of national and local resources and instruments, given the variation of capacities, and more differentiated policies according to city size, needs and assets.¹⁰

3—Third, national urban policies are creating **better tools and incentives for local leaders** to lead, coordinate, plan, and invest locally across

Box 3: A new era of national cities policies

Brazil: There had been no tradition of coordinated Brazilian metropolitan management until the 2001 City Statute gave municipalities a new range of urban and fiscal instruments to encourage more inclusive urban land planning. A National Council was formed, including representatives from government and civil society on a policy advisory board, followed soon after by a Ministry for Cities. The latter integrated housing, sanitation, mobility and urban planning, promoting integrated financing systems for these sectors. Two results of this institutional reshuffle include the first ever long-term housing planning exercise in Brazilian cities, and a National Treasury urban infrastructure financing programme (PAC), promoted and implemented by local governments with 10–40% matching funds.¹⁴

Germany: The German government responded to the 2007 Leipzig Charter with its own National Urban Development Policy. Sponsored by the federal government, states and local authorities, the Policy aims to bring city development to the attention of all levels of government, focusing on the dissemination of good practice and the promotion of new ideas using upgraded instruments and stronger partnerships. Its focuses include the strengthening of inner city business districts with initial one-third federal funding backed by two-thirds state and local funds, and building energy efficiency. The Policy has initiated a much stronger culture of consultative partnership between the three tiers of government.

Australia: In 2011, the Australian government launched its *Our Cities, Our Future* report, the first time that it has outlined key long-term priorities for urban productivity and sustainability. The policy lent tangible momentum to the future creation of a federal Department for Cities and Urban Development, with infrastructure investment tied to plans and principles laid out in the national policy. The policy also proposed an Urban Infrastructure Fund to raise money for projects by issuing infrastructure investment products to retail and institutional investors. Although some of the national urban policy momentum has slowed under the new national government with the abolition of the Major Cities Unit, there is overall a stronger consensus around preparing Australia’s cities for the future.¹⁵

Poland: A more robust 2010–2020 National Regional Development Strategy, headed up by a strengthened Ministry of Regional Development, is co-ordinating the emerging system of Polish cities as they seek to become as competitive as their Western European counterparts. The Strategy identifies and addresses the risk of de-industrialising centres experiencing prolonged economic marginalisation. For the first time it integrates with the national transport vision and funding cycles for broadband, motorways, ring roads and rail. Warsaw is designated to play the hub role for innovation and economic decision-making.¹⁶

boundaries for whole metropolitan areas. They grasp the importance of improving physical connectivity between metropolitan hubs and their peripheries to make urbanisation more economically viable and environmentally efficient, and the need for land management policies that can optimise land-use for industry, commerce and housing.¹¹

In a new phase of national policies for cities, governments in middle and upper income countries are reassessing the trajectory of urbanisation and adopting more strategic and realistic long-term city frameworks (Box 3). Their impact is influencing other countries, such as Chile¹² and Ghana,¹³ to take up national urban frameworks for the first time.

6 UK GOVERNMENT AND UK CITIES

The UK is well positioned to address the fundamental challenges of urbanisation and metropolitan leadership, and be a relevant member of the movement for new cities policies, for several reasons (Box 4). The UK's concentration of high-ranked universities, as shown in Figure 3, provides substantial scope for knowledge economy development in its cities.

This new era of city policy does pose certain challenges for the UK's central government. The geography of the UK, combined with a history of unification of separate nations, industrialisation, trade, empire, wars, democracy and parliamentary traditions, led to a national state that has wielded centralised power over national investment and policy goals for several centuries. Over 95% of tax revenue remains managed directly through central government, and the UK gives limited fiscal devolution to local governments.²¹ However, the UK governance system is in rapid and continuous

evolution, and its highly centralised nature is evolving into an increasingly asymmetric and more 'negotiated' governance system. A strong central state is aligned with three 'devolved administrations'; a recently empowered

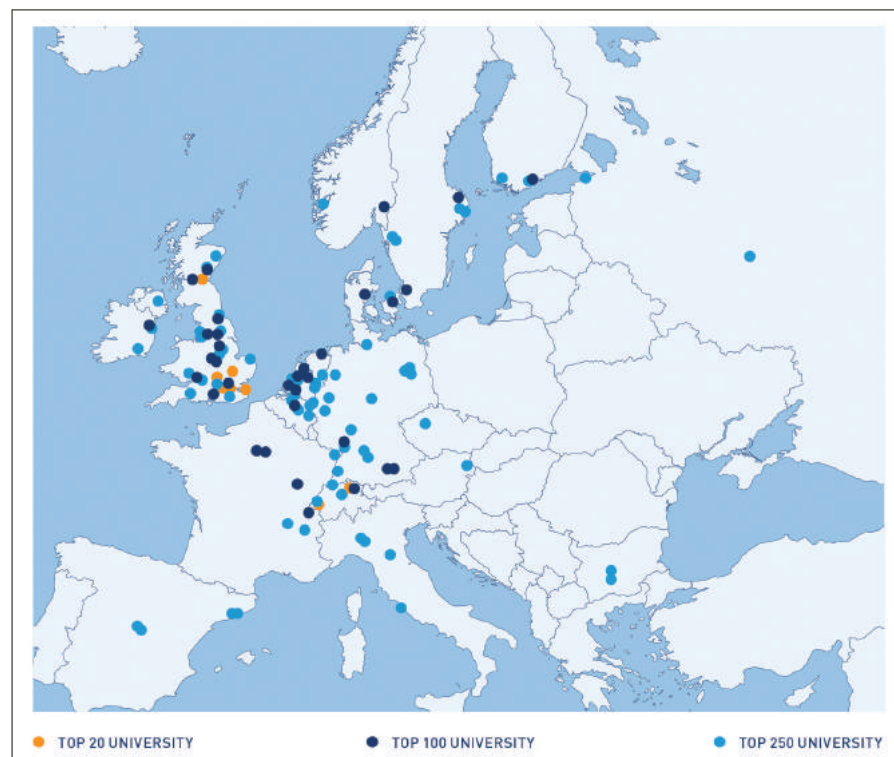
Box 4: The Character of UK Cities

The UK remains one of the most highly urbanised nations. At up to 90% of the total population, Britain's urban character is far broader than most Western counterparts. The country hosts a healthy range of cities in terms of size and function, spanning large global cities all the way down to compact industrial and knowledge hubs. Over 150 years ago, it was the first nation to industrialise and become more than 50% urban. More recently it was among the first to experience the effects of de-industrialisation. Over the past half-century nearly all of its cities have faced industrial decline, challenges of restructuring and regeneration, and the task of forging new relationships with business and capital. Over this period the UK government has gained more experience than most about the pragmatic pursuit of urban renewal, re-alignment and integration.¹⁷

Much of the world sees the UK as a nation of mature cities, many of which have been successful in incremental evolution through different cycles of economic and social change. Our cities have a strong reputation in engineering, planning, urban regeneration, infrastructure finance, architecture, design, and public-private partnership. They are also seen to possess a comparatively fluid cosmopolitanism, and an unusual proficiency for building and hosting globally significant cultural and sporting institutions and events. British cities' record of evolution through episodic integration and expansion of successful initiatives and approaches, as opposed to master plans, grand projects, or rigid formulae, bodes well for the next phase of recalibration and adjustment.¹⁸

A 2010 review of British cities confirmed that a number are also European leaders in the knowledge economy, innovation, and creativity.¹⁹ This group, which includes Bristol, Cambridge, Edinburgh, London, Manchester and Oxford, is recognised for the speed and effectiveness with which they have exploited their knowledge base and knowledge-rich institutions as sources of growth. They have created internationally competitive clusters in science and medicine, advanced services, creative industries, and higher education-led R&D. The role of the higher education sector, one in which the UK has been internationally successful and continues to excel (see Figure 3), has been critical in cultivating a more diverse knowledge economy and promises much if it can be harnessed.²⁰

Figure 3: Location of European universities in the global top 250, 2013²²



metropolitan government in London, new combined authorities in several city-regions (e.g. Manchester), and increasingly active collaboration among local authorities elsewhere (e.g. Glasgow). British cities may possess fewer fiscal and direct governing powers than many others in OECD countries, but there is now a growing set of tools that can be mobilised to address urban challenges.

The UK's new approach to metropolitan management and devolution of power from central government is a negotiated and customised model with local leaders striking deals with government according to local preferences and appetites. Each of these governance scenarios is shaped by the city's history and geography. Where successful, the objective is that metropolitan areas align

the evolving functional geography with investment, policy, and governance powers. There are multiple hybrid models as well, with different kind of public services, investments, and policies managed in different ways within the same city-region, metropolitan area. In the UK, we currently have three different models of metropolitan governance.

London's mayoral governance system currently has considerably more capability and flexibility than other British municipalities or combined city regions. Alongside

Box 5:

1 – The two tier system: Greater London

Each of London's 32 boroughs, plus the City of London, is a unitary local authority, but since 2000 the Greater London Authority (GLA) has provided city-wide government in certain areas. The GLA, led by the Mayor, has direct powers over transport, land use and spatial planning, policing, housing, sustainability, and economic development. The boroughs retain the key powers (and central government transfer payments) for education, roads, social care, waste management, local housing, leisure and the environment.

2 – Combined Authority: Greater Manchester

Greater Manchester is the pioneer of a new kind of local government institution in the UK – the combined authority. In 2011 the central city and nine other local authorities voluntarily pooled responsibilities and gained delegated functions from national bodies to deliver transport, skills, regeneration and economic policy across the metropolitan area. Since becoming a combined authority, Greater Manchester has developed a substantive strategy for growth and received more wide-ranging powers than other second cities as part of negotiations with central government. Other city-regions, chief among them Leeds and Liverpool, are set to follow Manchester's lead in 2014.

3 – City-Region strategic planning: Glasgow and the Clyde Valley

Greater Glasgow is an example of a city-region which has no single municipal government, but where its eight authorities instead form a combined strategic planning authority. Its principal role is to prepare and maintain a Strategic Development Plan, although it so far lacks the fiscal and implementational capacity of Greater Manchester, and will seek additional joint powers as part of a 'city deal'.

London's economic leadership, this is contributing to an important debate about whether London's role in the UK system of cities is too dominant, and a growing recognition that other cities need to be similarly empowered in order to exploit their own economic potential.²³

London's ascendancy in perspective

London's dynamism has seen it grow faster than the rest of the country in the last two decades, demographically and economically. This growth needs to be put into comparative perspective, however. The British capital still generates well under a quarter of national GDP, and is home to barely one in eight of the national population.²⁴ Many capital cities or large cities of competitive established nations occupy a much more dominant role in their country's economic and political life than London does. Among similar-sized nations, Paris, Seoul, Johannesburg and Buenos Aires are all at the top of even more hierarchical national systems. This suggests that London's current status and relationship with the rest of the UK is not inherently unprecedented or unsustainable. Debate about London's 'dominance' substantially stems from concern with the relative under-performance of England's secondary cities. Only one of the eight Core Cities (Bristol) has a per capita output above the national average, a situation which is almost

Figure 5: Economic performance of cities relative to national GDP average

	GDP per capita (\$000s) ²⁶	Number of regional cities above national GDP average ²⁷	Cities (above, below)
Germany	42	8/8	Cologne-Bonn, Frankfurt, Hamburg, Hannover, Mannheim, Munich, Nuremburg, Stuttgart
Italy	33	6/8	Bologna, Brescia, Florence, Genoa, Milan, Turin, Bari, Salerno
Canada	42	4/8	Calgary, Edmonton, Hamilton, Ottawa, Montreal, Quebec, Vancouver, Winnipeg
Spain	29	3/8	Barcelona, Bilbao, Zaragoza, Alicante, Malaga, Oviedo, Seville, Valencia
France	40	2/8	Lyon, Toulouse, Bordeaux, Marseilles, Nantes, Nice, Rennes, Strasbourg
England	37	1/8	Bristol, Birmingham, Leeds, Liverpool, Manchester, Newcastle, Nottingham, Sheffield

unique among developed nations. In Germany, by contrast, secondary cities are among the wealthiest in continental Europe, while in Italy the larger cities in the north remain considerably more productive than the southern or rural regions. The pattern of lagging regional cities in the UK reflects a context where London is the country's global business city, and the other high performing cities are primarily smaller knowledge cities such as Oxford, Cambridge and Edinburgh. This has reinforced the need to negotiate new 'deals' with the larger core cities so that they drive their own economic performance much more and enjoy a greater balance of incentives.

Figure 4: Size of population and GDP of capital cities compared to their countries²⁵

	% of national population	% of national GDP
Buenos Aires	32%	47%
Johannesburg-Gauteng	24%	36%
Tokyo	29%	33%
Stockholm	26%	32%
Paris	18%	30%
Vienna	20%	26%
Seoul	21%	23%
London	13%	22%
Moscow	8%	21%

7 A NEW NATIONAL APPROACH IN THE UK

A brief examination of recent UK government policy serves to highlight the shift in the national approach to cities.

In 1979 a fresh approach to urban renewal was set into motion by Michael Heseltine, then Secretary

of State at the Department of the Environment. In response to a declining manufacturing-led economy and, subsequently, inner city unrest, Heseltine supported the creation of urban development corporations that could bypass local authorities planning and investment powers in order to activate economic growth in derelict brownfield areas. Heseltine also introduced right-to-buy legislation that prompted a large rise in home owner occupation.

The approach of the 1980s created an impetus for large-scale interventions aimed at far-reaching transformation of the built environment in de-industrialised areas. It encouraged competition among cities as a means of accelerating urban change. Urban regeneration and flagship projects became widespread tools to attract investment and people back to the city. During the decade a culture of partnership and negotiation began to re-emerge in urban regeneration. Pragmatic alliances between local authorities, central government, the private sector and community groups re-established city regeneration as an ‘art of the possible’.²⁸

This cycle of post-industrial urban regeneration continued. A new phase of cultural regeneration, based on waterfront redevelopment, historic building re-use, sporting events, and the creation of cultural quarters in British cities emerged. Successive Labour governments also devised strategies for social development and neighbourhood renewal, especially in suburban and peripheral areas, often based on achieving a more mixed-development approach.

The UK approach in the new global cycle

In many respects then the UK has come to the end of this three-decade cycle of urban regeneration. The cycle largely succeeded in managing urban restructuring in the larger cities and in embedding an ethos of stakeholder partnership and negotiation, entrepreneurial leadership, and medium to longer-term vision.

A second cycle is beginning to emerge in its place, one we could call the ‘city systems’ cycle. This new phase

aims to address aspects of city governance, finance and leadership not achieved in the previous 30 years and is characterised by a focused approach to metropolitan infrastructure functionality, cross-departmental cooperation, better service delivery and technology integration. It has broader goals than urban regeneration, and aims for greater reach into systemic change for UK cities. We can identify seven dimensions of the UK’s new ‘city systems’ cycle:

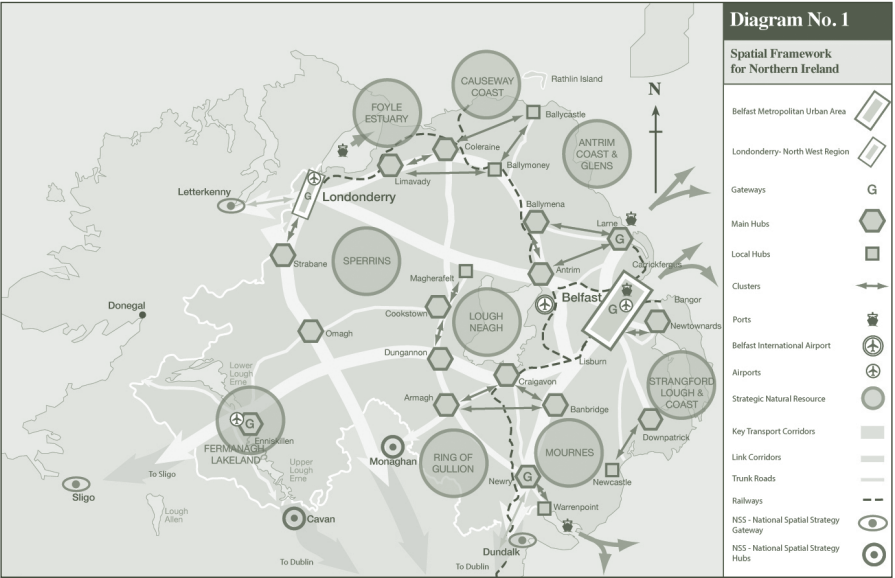
1 – Different ‘Home Nation’ approaches to cities and fiscal management.

The new cycle is prompting a fresh phase in the process of devolution of responsibility to national assemblies and governments for raising and spending money. In Scotland, Stamp Duty Land Tax and Landfill Tax are to be devolved from April 2015. Wales has recently been offered more powers over tax and borrowing, including landfill tax and stamp duty, and the capacity to raise money on financial markets. Today, around 68% of identifiable public spending in Scotland is devolved, versus 62% in Wales.²⁹

Figure 6: City initiatives in Scotland, Wales and Northern Ireland³⁰

Scotland	<ul style="list-style-type: none"> • Scottish Cities Alliance: partnership of seven cities and Scottish Government to attract investment, supported by a £7m Cities Investment Fund • City Deal proposal for Glasgow-Clyde Valley city region.
Wales	<ul style="list-style-type: none"> • Local Government Measure 2011 to amalgamate 2–3 local authority areas. • City Regions Task Force concludes that Wales needs two city regions recognised – Swansea Bay and South East Wales. • Proposal for South Wales Public Transport Fund.
Northern Ireland	<ul style="list-style-type: none"> • Review of Public Administration – Consolidation of 26 councils to 11 by 2015, to create more empowered, joined-up approach to urban regeneration and sustainable development. • Extended powers over planning, economic development and tourism. • Regional Development Strategy 2035 – spatial strategy to strengthen Belfast as regional economic driver and Londonderry as principal North West city.

Figure 7: Northern Ireland's 2035 Regional Development Strategy³¹



The coalition government is also giving the devolved authorities of Scotland, Wales and Northern Ireland greater freedom to borrow funds to finance necessary infrastructure improvements. The national government also recognises further scope for revenues from other taxes to be localised to stabilise public service revenues and create more policy flexibility.³² The process of fiscal devolution also creates a precedent for the potential transfer of responsibilities from central government to London and major English city regions.³³

2— A new National Minister for Cities and Cities Policy Unit and City Deals.

The sea change in how UK government has come to regard cities is exemplified by the establishment of a Minister for Cities. The new Minister of State post is located in the Cabinet office supported by a Cities Policy Unit as well as officials in the Department for Business, Innovation and Skills, Department for Communities and Local

Government, Department of Transport, and HM Treasury. The Cabinet Office aims to develop government's coordinating role around infrastructure and national policy priorities, while partnering closely with cities to identify individually negotiated local and metropolitan solutions. A Local Growth Committee, operating as a sub-committee of the UK Cabinet provides inter-ministerial coordination and oversees the programme of City Deals.

A major shift in the new governance cycle is central government's allocation of new powers and freedoms to England's larger cities in the form of City Deals, negotiated packages of reform and devolution of power. These agreements, negotiated and tailored with the Cities Policy Unit, are giving the eight Core Cities more control over elements of local public spending and decisions that affect growth.

The bespoke character of the City Deals means their terms are so far very varied. At the most transformative end, Greater Manchester has successfully renegotiated the way it works with Whitehall. Not only will the region 'earn back' around £30m annually generated from local investment in transport infrastructure, its City Deal has transformed joint work practices on low carbon projects, business support and inward investment.

Elsewhere, in Bristol, combined authorities are working together and pooling new resources from business rate income worth up to £35m a year, while the LEP has gained influence over funding allocations. And in Newcastle, Sheffield and Leeds, the City Deals have especially boosted funding for apprenticeships and skills development. In all cases, the ongoing and incremental devolution of specific powers is extending the can-do ethos among city authorities.

3— London

London's own governance capability has been incrementally enhanced at the start of this new cycle. The 2007 Greater London Authority Act gave more strategic powers to the Mayor of London in climate change policy, planning and housing. More recently

Box 6: The London Finance Commission

Established by Boris Johnson and London Councils in 2012, the LFC was the first major independent review into London's fiscal situation for over thirty years. The LFC established that only one in fourteen tax pounds raised in London is spent by local or city representatives. This appears to impact incentivisation and accountability for achieving local growth and constraining productive investments at a time when London is growing at a rate of 100,000 people a year.

The LFC's findings, released in May 2013, gave an overall message that London can only fuel its own growth and international success with far greater control over its own financial destiny. The report called for a London infrastructure investment plan covering transport, housing and other key infrastructure, enabled by control over the full package of property taxes, including stamp duty, business rates and capital gains tax, alongside smaller levies such as a tourism tax and potential to borrow on capital markets. It proposed a like-for-like cut in the national government grant to compensate for these more autonomous powers, which would be worth up to £12 billion annually.³⁵

the Mayor has accrued expanded powers over housing, planning, infrastructure, land ownership, regional transport, as well as over the Metropolitan Police's priorities and performance. This has enabled London to prepare the most convincing and far-reaching set of strategic plans of any British city.

The London Enterprise Panel (LEP), chaired by the Mayor, also improves the management of London's longer-term strategic development, infrastructure and investment needs. In advising the Mayor on how to attract investment to plan for growth and to support the private sector and all-round competitiveness, the LEP has addressed London's responsiveness around small business and skills agendas. It is now setting in train a 2050 infrastructure investment plan and is developing a new economic action plan that addresses London's relationships with the UK as a whole and the Greater South East.

The momentum behind de-centralised fiscal reform gathered pace in 2013. The Mayor of London, London Councils, and the Core Cities have united for the first

time to call for changes to the current government finance formula. This alliance has occurred in the wake of the London Finance Commission report, 'Raising the Capital', which proposed a package of measures allowing London to retain more of its taxes generated locally and thereby stabilise investment streams. The nationwide coalition aims to achieve devolution of property tax revenue streams such as council tax, stamp duty, land tax and business rates in line with reforms in Scotland.³⁴

4—Mayors, city leadership and city-regional authorities

London's model of a directly elected mayorality has re-emerged as an attractive option for some other large British cities. Those cities that have chosen to have elected Mayors have gained a clearer voice in dialogue with central government. Their leaders have a mandate to implement strategic decisions, and a window of tenure security through electoral cycles. A culture of consultation alongside action has begun to emerge, and not just within cities that have voted for Mayors. Cities such as Bristol and Liverpool have effectively become a testing ground for new methods and mechanisms of city leadership.³⁶

5—Growth Deals, Local Enterprise Partnerships, and Key Cities

To build on the success of the City Deals, the Coalition government has committed to negotiating a Growth Deal with each Local Enterprise Partnership (LEP), in what amounts to a broadening and deepening of decentralisation policy. Growth Deals will allow LEPs to acquire influence over resources from government, and a share of local and European funds to target growth priorities, in return for clear evidence of a compelling strategic economic approach.

As part of the same process of including more cities, the success of the Core Cities in integrating responsibilities and lobbying for more powers has also inspired the next tier of England's cities into action. Over 20 mid-sized 'Key Cities', home to nine million

people, have developed a collective voice to identify and pursue ways to work more productively with each other and with central government. Nine city leaders will provide leadership of the lobby group, which aims for their cities to become less dependent on their retail economies and become more vibrant areas in which to live and work.

Box 7: Local Enterprise Partnerships

Since 2011 LEPS have constituted a new cycle of voluntary partnership between local authorities and businesses. The Department for Business, Innovation and Skills created LEPS as a replacement for regional development agencies, in order to become more responsive to local economic needs and the challenges of job creation. The government has since supported the devolution of funding to LEPS to tailor investment to communities, in the form of a Local Growth Fund. So far, £2 billion of annual funding across transport, skills and housing will be made accessible from 2015/16, most of which will be devoted to capital spending.³⁷ This is in addition to EU structural and investment funds.

Businesses involvement and leadership is critical to the success of the 39 LEPS as they make the adjustments to deliver local economic success. The LEP model demands active business engagement and decision-making around skills development, physical infrastructure and mobility. In many cases, LEP-led enterprise zones have already stimulated considerable investment. Although the evolution of LEPS may initially be uneven, the funding terms are set to drive local innovation, and support the sharing and replication of best practice.

6—Nation systems: major infrastructure – HS2, National Infrastructure Plan and Airports Commission.

One important role for any government intent on promoting the national ‘system of cities’ is to ensure that it is joined together by adequate transport and other infrastructure that improves interaction and complementary action between cities. The UK government has taken a bold approach to strengthening national infrastructure.

Forty critical projects are earmarked in the new National Infrastructure Plan, which sets out a strategy for coordinating the next generation of public and

Box 8: Greater Cambridge City Deal

Cambridge is one of the UK’s fastest growing and most successful smaller cities. The hub of UK life sciences and home of a world-leading university, the city’s growth is an important national asset.

The UK Government is developing a City Deal with Cambridge and its neighbouring authorities to encourage over £1 billion of investment. The Deal aims to enable hundreds of millions of pounds of additional funding for investment in transport infrastructure and homes to support high quality economic and housing growth over the coming decades. This extra funding is anticipated to come from Cambridge keeping a share of the additional tax income that will be generated as a result of future growth.

As part of the City Deal, it is proposed that this will be combined with a revised package of funding to support the delivery of affordable housing, along with new measures to ensure that skills funding is better used to meet the particular training needs of local employers in high growth sectors. In addition to funding for transport and affordable housing, the Deal would see three local authorities – Cambridgeshire, the City of Cambridge, and South Cambridgeshire District Council, – pooling some of their funding and powers, and working even more closely than now in a form of ‘combined authority’.

This requires Government to change current legislation, but would allow for the creation of a single strategic vision for the future of the area covered by Cambridge City and South Cambridgeshire. The city deal has been negotiated by a partnership of Cambridge City Council, South Cambridgeshire District Council, Cambridgeshire County Council, the University of Cambridge and the Greater Cambridge Greater Peterborough Enterprise Partnership.³⁸

private investment in UK infrastructure. The Plan has boosted processes of cross-sectoral coordination and funding arrangement for future urban infrastructure. It has already seen major progress on the Mersey Gateway Bridge, the Thames Tideway Tunnel, Crossrail, 4G mobile, an urban broadband fund, M25 works and King’s Cross Station.³⁹ This pipeline will provide Britain’s cities with a significant productivity dividend over time.

The most significant project is HS2, an ambitious inter-city high speed rail scheme that will strengthen connections within the UK system of cities and improve their potential to build complementary relationships.

Meanwhile the government-appointed Airports Commission, chaired by Sir Howard Davies, has already confirmed the need for new runway capacity in the southeast of England due to rising business and leisure demand. The Commission aims to help generate bi-partisan support around a compelling solution to the aviation challenge. Its findings should accelerate a solution to the South-East's long-term aviation requirements to match the road and rail investment currently taking place.

7—Future of Cities and Future Cities

The Minister for Cities is leading three important national initiatives that begin to address the future of UK cities and aim to set in motion longer term 'city systems' and 'system of cities' improvements, alongside mechanisms to promote UK urban expertise internationally.

The Future of Cities: a national investigation

The UK's national initiative for assessing future trends, needs, risks and opportunities, The Government Office for Science's Foresight programme is investigating **the future of its cities**. The Foresight project on the Future of Cities takes a long-term view of urban growth and success in the UK, and the challenges of economic and environmental resilience looking from 1965 to 2065. The Project is set to make a key contribution in understanding how to prepare the UK system of cities for the second half of the 21st century, and how cities can retain their character and vibrancy through multiple economic and political cycles.

The goal of the Foresight Future of Cities project is to provide multiple Government departments, as well as local government stakeholders, with a strong evidence base from which key policy implications for the future of UK cities can be determined. It aims to:

- present pictures of the system of cities in the UK and case studies of particular cities at a fine-

grain scale. It will present the states of these systems in the context of the history of their evolution and some of the case studies will be based on particular themes – e.g. examples of successful adaptation for future growth, challenges of social disparities.

- explore, in the context of these analyses of past, present and future, the range of possible policies for government agencies (both local and central) which will contribute to future growth, liveability, resilience, sustainability and adaptability of UK cities systems and will seek to learn from lessons in other countries.
- emphasise the science of cities within this analysis and policy development, which will be evidence-based and will look forward through the development of a set of scenarios to 2040 and 2065.

Second, the national government is backing the work of a new Future Cities Catapult, a UK-wide initiative to create a global centre of excellence on urban innovation. It aims to be a place where cities, businesses and universities come together to develop solutions to the future needs of cities.

The role of the Catapult is to get people working together to solve challenges faced by cities. Part of the vision is to have cities sharing what has worked in the past, companies and universities working together and financiers, lawyers and city governments teaming up to remove barriers to innovation.

Figure 8: UK Future Cities Catapult



The vision is a world where every city has the products, services and expertise it needs to integrate its systems and future-proof itself for the benefit of its citizens, economy and environment. To achieve that, the mission is to bring together cities, firms and academics to develop new commercial solutions for integrated city systems. The Future Cities catapult does three things:

- It demonstrates the opportunity in urban innovation and proves what works
- It enables innovation through collaboration
- It removes barriers to scaling-up innovations that work.

Ministerial Smart Cities Forum

Finally, jointly chaired by the Minister for Cities and the Minister for Universities and Science, the new ministerial Smart Cities Forum acts as an important co-ordination device and engages representatives from cities, business, and scientists, is a major development which aims to leverage Britain's technology leadership to become a world leader in city innovation. The purpose of the Forum is:

- to help all parties to develop a shared perspective of challenges and needs, to understand the barriers to progress, and the priorities for effective Government intervention, in order to strengthen UK capability and practice in smart cities and future cities;
- to ensure that the wide range of government activity on future cities is better co-ordinated to meet these needs;
- to identify where further research and demonstration or standards might enable innovation and exploitation in smart cities and to develop a

global perspective of good practice and market opportunities in future cities.

8 TEN PRINCIPLES FOR SUCCESS

The Minister for Cities works with his colleagues to guide the development of this new set of policies. As the UK Government's approach to cities evolves from its previous cycle, and individual cities have greater potential and scope to control their own destiny, there are 10 underlying principles which underpin the current reforms, and which British cities and their advocates might observe if they are to achieve success and overcome constraints:

1 — Recognise difference

Despite the concern that globalisation eliminates distance and distinctiveness, all cities remain unique. They each possess their own character, history, tradition, politics, culture and labour force. Their citizens are proud of this heritage and identity. These should be deliberately harnessed in order to emphasise each city's own position and offer.

Many British cities have already begun to understand the importance of having a singular style and identity. After the destructive modernist 1960s regeneration led by T. Dan Smith's 'Brasilia of the North' vision, **Newcastle** has more recently used its distinctive culture more effectively to create the momentum for regeneration and a new cycle of consumption-based investment.⁴⁰ The city has largely succeeded in attaching a sense of local ownership to economic and cultural transformation, using its manufacturing and river heritage, compact core of historic buildings, appetite for football, and vibrant nightlife. Seven Stories, Dance City, Stephenson Quarter, Grainger Town and the Discovery Quarter are all examples of major projects that draw

Box 9: Melbourne Leverages its Unique Characteristics

British cities have an advantage over others in that their long and pioneering histories have forged much that is distinctive. In other parts of the world cities with shorter histories have shown how to leverage their unique characteristics. **Melbourne** has become a successful creative economy in part due to its international reputation for well-preserved cultural and sporting venues and effective urban design. Local and state governments are preparing a metropolitan-wide ‘Distinctive Melbourne’ policy that identifies how the city’s past can influence future development.⁴²

on the city’s unique contribution to British culture. Ongoing investment to preserve the ‘new castle on the Tyne’ reflects the city’s commitment to preservation and building the regional tourism offer.⁴¹

2—Don’t be imprisoned by the past

Cities must be true to their purpose and identity, but not at a cost to their ability to change and adapt. Cities have always been organisms in constant flux. By their nature as centres of industry and innovation, they have always had to be flexible, provisional, and responsive to rapidly changing trends. This responsiveness must be encouraged. Citizens should be able to feel that their cities are places of progress.

The experience of **Glasgow** exemplifies how cities can positively engage in re-invention when existing specialisations lose their competitive advantage. The decline of industrial activity along the River Clyde corridor demanded a radical response. City leaders approved bold waterfront architecture such as the Glasgow Science Centre, Glasgow Tower and the Clyde Arc bridge, and a new emphasis on the lifestyle and recreational opportunities of the river. This process saw Glasgow begin to reposition itself as a more cosmopolitan place within domestic and international markets.⁴³ After being voted European City of Culture in 1990, a series of long-term projects has helped the city host new niches, including financial services and digital media. Derelict sites have been converted into creative spaces, and former

shipyards turned into visitor attractions. Glasgow’s design and museum heritage means the link with the past is not severed, but it has found a new *raison d’être*.⁴⁴

3—Transcend inherited boundaries

Administrative borders established decades, sometimes centuries ago, rarely bear any resemblance to the functional economic geography of British cities. It is important to overcome parochial squabbles between local governments. They can be a distraction and impede progress. The creation of combined authorities is one option open to local governments looking to overcome tensions.

Greater Manchester’s leaders have exhibited a pioneering spirit over the past decade in arguing for, creating and empowering its Combined Authority (GMCA). The stability, diplomacy and realism exhibited by local leaders has not only brought outside the city’s business, higher education, voluntary and media sectors, but also generated the momentum that has united the ten authorities. The GMCA has already provided the scale and arrangement capacity to take a lead in important reforms.⁴⁵

4—Complexity needs connection

Cities thrive when their clusters overlap and are in constant connection. This means that they need to build the infrastructure to support networks across the city and region. The era of walled cities or city border protectionism is over, and in their place well-crafted systems are required to make inter-city flows and intra-city interactions efficient and productive.

Many of Britain’s cities are relatively close to each other – Liverpool, Manchester, Leeds, Sheffield, Birmingham, Bradford, Wakefield and Derby are all less than 100 miles apart. Yet transport connections between these cities underplay their geographical proximity – to travel from Birmingham to Leeds by train takes around 2 hours, and from Birmingham to Manchester, an hour and a half.

Box 10: Metropolitan Institutions

Amsterdam is an international example of a city that has persevered to create an effective metropolitan authority. In 1995, city residents rejected the idea of metropolitan government in a local referendum, and other neighbouring municipalities were also opposed, partly because the central city council did not adopt a programme based fully on mutual interests.

A series of diverse informal regional associations were spawned around agendas such as housing, which created a regular platform for networking and consensus-building. In 2007 the municipalities agreed the creation of the Amsterdam Metropolitan Area and gained enhanced statutory roles around housing, public transport, infrastructure and youth welfare. The networks and partnerships built up over 15 years has embedded a real metropolitan consciousness, which has now translated into tangible public-private institutions such as the Amsterdam Economic Board.⁴⁶

Box 11: How to connect a complex mega-region

To consider one remarkable example of embracing complexity, just a quarter of a century ago Hong Kong and the Pearl River Delta region were largely divided, spatially and economically. But the region, about the size of Denmark, has accepted the economic advantages of mega-agglomeration, leading its perimeters to blur and merge. This interconnection has been supported by the Chinese government, which in 2008 began plans to integrate the Mainland's nine cities into a single megalopolis.

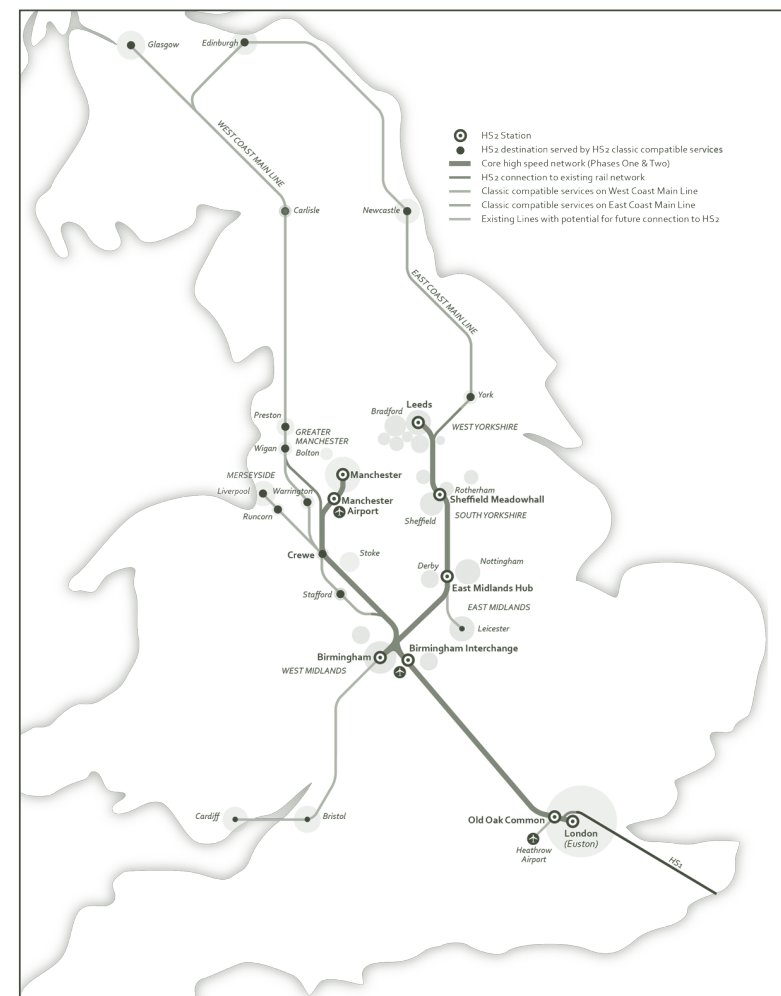
The initiative has required enormous transportation, water, energy supply and telecommunication investment with a view to creating a 'one-hour-living zone' that makes use of each area's advantages. It is also being supported by 'barrier-free circulation' of public services. Between 2000 and 2013, the 11 control points along the Hong Kong-Mainland border saw a 60% increase of traffic, and this is set to rise with the forthcoming 140km-long Express Rail Link, and 35km Hong Kong-Zhuhai-Macao Bridge, the world's longest sea-crossing bridge-tunnel.⁴⁸ The whole region's pursuit of agglomerative capacity has reaped considerable competitiveness rewards.

One of the principal advantages of the proposed High Speed 2 railway line is that it shrinks the time taken to travel between many of these cities. From Birmingham to Leeds will take 57 minutes, Manchester to Birmingham 41 minutes and Birmingham to Nottingham 36 minutes.

These are the kind of journey times that in London are regarded as the normal time it takes to cross the city.

High Speed 2 offers the potential to bring these northern and midlands cities together into a network in which people can live, work, meet each other, do business across the cities just as easily as if they were

Figure 9: A Vision for High-Speed Britain⁴⁷



in London. With a population greater than London, creating this super cluster of people, businesses and cultural venues can effect a fundamental change to the economic geography of the country.

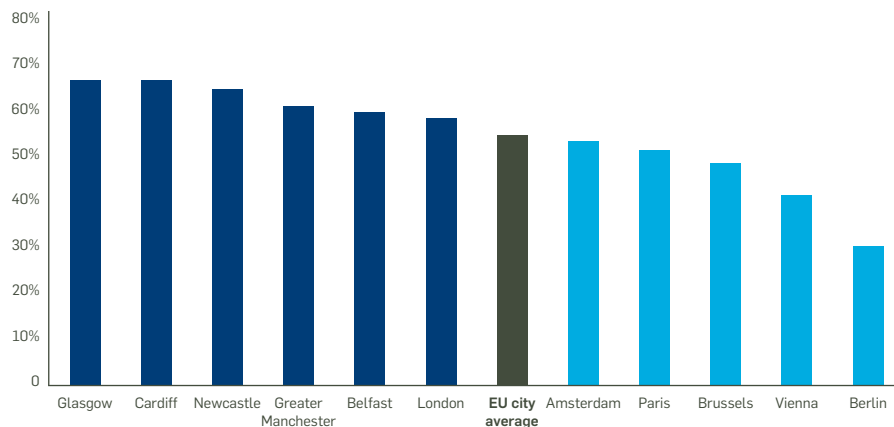
5—Be vigilant on liveability

Cost of living, public transport, safety, culture and nightlife are critical to British cities' attractiveness, especially compared to high-performing counterparts in continental Europe. British cities are improving but do not currently excel in worldwide liveability assessments,⁴⁹ or in European quality of living surveys.⁵⁰ There are many dimensions to the liveability equation. City leaders need to remain attentive to hard infrastructure such as power, waste management and transport, but also softer fields such as crime, mixed-use urban design and access to public services. Enhancements in place-making are therefore constantly required to remain competitive.

One area of liveability where UK cities have performed more strongly than those in Europe in the past two decades is in integrating immigrants and achieving a more comfortable social diversity

Figure 10: Proportion of participating city residents who agree that foreigners are well integrated in their city, 2013⁵²

Note: The results for Manchester and Paris are the merged scores of the central city and their surrounding area



(see Figure 10). In a recent European Commission survey of city opinion, residents in all six major British cities studied are above averagely affirmative that foreigners have integrated successfully into city life. This reflects the experience and proficiency that cities in the UK now have of managing population diversity.

Edinburgh is one of the strongest British cities in terms of combining entertainment with safety, mobility and economic vibrancy. Although the city has long-standing aesthetic and architectural advantages, the city council was among the first to focus on enhancing its public realm, nightlife safety and walkability, and has allowed a world-class arts and literature scene to flourish. Its recent strategy emphasises the role of quality of life in attracting not only visitors but students, investors and young graduates. The city's government and business leadership groups are mindful of forthcoming demographic and housing challenges that will affect its capacity to deliver excellent services.⁵¹

6—Strive for educational excellence

High academic performance at all tiers of the education system is critical to feeding specialisation. London has proved it is possible to break out of a period of low educational attainment. The capital has set a challenge to the other cities in the UK to do the same. The fact that London's maths and science school attainment is only 10th of 27 global cities, and behind most Asian centres, indicates that the battle to supply the next generations of workers with skills is becoming more intense.

Since the 1990s, **Belfast** has given clear priority to lifelong learning, education and training. The city was one of the first to describe itself as a Learning City in pursuit of fulfilling local community potential, as part of its commitment to peace and reconciliation. This programme stimulated a cycle of demand for learning and collaborative interventions by providers. Belfast now has considerably better GCSE attainment than comparable English cities.⁵⁴ The city's most recent Masterplan continues to emphasise the value of further and higher

Figure 11: Top 10 global cities for maths and science attainment, 2012⁵³

1	Shanghai
2	Singapore
3	Hong Kong
4	Beijing
5	Seoul
6	Tokyo
7	Toronto
8	Sydney
9	Berlin
10	London

education institutions in maximising economic and social impact.⁵⁵ In particular Queen’s University is identified as the anchor institution around which city region stakeholders can address education challenges.⁵⁶

7—Housing

British cities are not alone in facing challenges of housing supply. Cities in countries from Canada to China face mounting medium-term affordable housing shortages.⁵⁷ In otherwise successful cities across the world, the rise in household numbers combined with restrictions on supply has created considerable cost burdens, as well as raising business costs and aggravating skills shortages. Although suburbs are sometimes maligned, they can and must play a central role in alleviating the housing shortage. In most cases they offer an attractive balance of amenities, space and comfort. The acceleration of housing development must not lose sight of the need to offer choice for individuals and families.

Sheffield illustrates the potential British cities have for creating exemplary housing in areas just beyond the city centre. The rehabilitation of Park Hill estate by the city council in tandem with developer Urban Splash, and most recently Places for People, has been costly but is now stimulating genuine neighbourhood renewal.⁵⁸ A substantial proportion of social housing properties have benefited from a programme of investment, raising

the overall quality of the social stock.⁵⁹ The city has improved its practices in housing planning, attracting investment and delivering key projects in engagement with communities, and now is well placed to deliver housing in partnership with its two universities.⁶⁰

8—Internationalism

Cities in the globalised era compete beyond national boundaries. Those with a global outlook will be best placed to secure positive economic futures. Despite past setbacks, the history, vitality and economic roles of British cities mean they are predisposed towards confident and effective global interaction.

Global reach is arguably the single biggest economic priority for Liverpool’s city and business leaders. In 2009, Liverpool First, the local strategic partnership, published its ‘Liverpool 2024: a thriving international city’ vision. The city identifies it needs to become internationally connected, recognisable not just for its history but for its trading, investment, logistics and knowledge relationships. Key assets include its international airport, North American trade networks, life sciences and music industry expertise, and an

Figure 12: The international dimension of Liverpool's strategy wheel⁶²



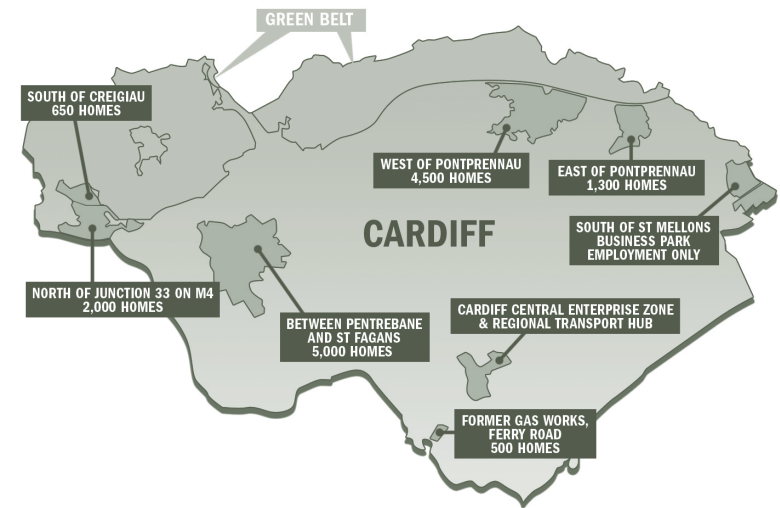
emerging partnership with Shanghai. A new four-year major events programme overseen by a dedicated marketing team in Liverpool Vision aims to establish the city as a more popular conference and convention destination.⁶¹ Highlighting Liverpool's international outlook, the International Festival of Business, taking place in Liverpool during June and July 2014, will bring over 150 business-focused events to Liverpool in the largest international business event in the world in 2014, and the largest business event in the UK for over a decade.

9—Success Breeds Success

The proceeds of city success should be reinvested in order to build virtuous circles. The move to arrange individualised City Deals reflects an acknowledgement that cities deserve to be incentivised to generate revenues. The Deals are increasing ambitions, encouraging policy experimentation, and a creative approach towards persistent city problems such as skills and mobility. Access to the financial dividend of local investment and growth offers genuine potential to permanently raise the investment rate, as wealthier city governments such as **Brisbane** have showed.⁶³

Cardiff has received significant ICT infrastructure investment in recent years, which has seen many of its firms mature into specialist, lower-volume, high value-added activity. This has been supported by the construction of two technology business centres in medical and technology sectors. The city is at the forefront of BT's investment into advanced internet technology, which means it is becoming one of the first 'super-connected' cities. Cardiff's growing business competitiveness and investment into its enterprise zone has provided the confidence for the city council to fast-track plans for a major urban expansion, with more than 40,000 new homes by 2026. This growth is expected to cater for a rapid growth in private sector financial and business services.⁶⁵

Figure 13: Current plan for Cardiff's growth up to 2026⁶⁴



10—Leadership

Individual mayors and figureheads play a critical proactive role in leading city agendas. Their charisma and vision can help them play the part of ambassador and honest broker for a city. From Michael Bloomberg to Richard Daley in the US, to Patricia de Lille in Cape Town and Ron Huldai in Tel Aviv, cities worldwide are benefiting from leaders who are focused, consistent, visible and influential. Outside of London, the UK has been slow to rediscover the era when city leaders were household names, granted the mandate to argue the city's case to central government. But whether in the form of mayors or other leadership models, the global evidence is resounding that a strong 'guiding mind' is essential if cities are to create the impetus and consensus for change.

Four large English cities now have directly-elected mayors – London, Liverpool, Bristol and Leicester. In each city the visibility of the Mayor is high both locally and in their relationships with central government. These mayors have also had a presence on the world stage,

promoting their cities to inward investors on overseas trade missions.

9 THE UK'S NEW PATH IN THE GLOBAL CONTEXT

A new cycle of cities policy in the advanced industrialised world is taking shape, building on the progress and lessons of the past three decades.

While some argue that the UK is behind much of the rest of the developed world on cities policy due to a centralised financial system, the activity and reforms taking place indicates should go some distance in addressing those concerns. Although the balance of power between cities and Whitehall is by no means completely transformed, there is now a recognition that city governments and local authorities often possess the capabilities and enthusiasm to assume new responsibilities, especially when provided with greater fiscal autonomy, and that national governments can still play an important facilitating role.

Furthermore, the UK is in the process of forging a new kind of cities policy based on strengthening three critical areas:

- 1 — Intra-ministerial coordination on a cities agenda
- 2 — Inter-city initiatives that strengthen the system of cities as a whole
- 3 — City deals that strengthen individual city and city-regional systems

The UK's new approach to cities brings new dimensions to the table that can fill important governance gaps over the next cycle. In so doing it can provide inspiration to others seeking to adjust and innovate around the balance of governance incentives and capabilities.

The new cycle of policies for cities does not look the same as the previous cycle of urban policies. It does not offer large transfer payments or powerful development corporations to cities. But it does provide reform opportunities for cities and metro areas that want to take them. It is menu-driven. It recognises the new roles of central government and has begun to reshape them. It pays attention to the system of cities and tries to strengthen it. It is an invitation to all to join in a new way of leading cities: it offers the opportunity to lead and the responsibility to make it work.

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In this report two of the UK's leading experts on cities policy, the Rt Hon Greg Clark MP, Minister for Cities, and Greg Clark, global cities advisor, document the emergence of a new phase in cities policy.

From the 1970s onwards, with the rapid decline of many of the industries on which developed cities had long depended, Western governments tended to focus on centrally funded programmes aimed at arresting decline and regenerating run down areas. However, as national and state-level governments show a growing appreciation of the economic importance of their cities, so they are taking a more strategic approach to their development. We are seeing more and more examples of governments from around the globe focusing on 'city systems' and providing a strong national platform for city development – infrastructure investment, macro-economic policy, tax and regulatory reform – whilst devolving power and responsibility to cities themselves. The approach taken by the UK's Coalition government are in many respects a good illustration of this new phase in public policy, encouraging cross-departmental coordination on city issues and investing in infrastructure projects that will connect cities, while negotiating 'deals' with individual cities that will result in a fundamental shift in the balance of power from national to city government.

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