The changing role and structure of the local state in economic development

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Abstract

Decentralisation to a variety of spatial scales is a prominent global trend in government and governance. Uneven decentralisation of powers, responsibilities and resources has placed a greater focus on local actors and the governance of cities and city-regions to coordinate local institutions and capacity.

This thesis examines the changing role and structure of the local state in the evolving sub-national frameworks of government and governance for economic development and how this has been unfolded by national and local actors across different scales. The empirical study focuses upon the cases of Greater Manchester and the North East in England.

The English case presents an advanced example of local state restructuring within a highly centralised governance system marked by continuous reorganisation of sub-national governance arrangements in the post-war period, including the abolition of the regional tier by the Coalition government in 2010.

Critically engaging with the literature on the autonomy and agency of the local state, and local institutions and economic development, a framework is proposed to understand and explain the implications for local government within a shifting landscape of decentralisation and austerity. The framework is used to examine and explain how sub-national government and governance has changed in the North East and Greater Manchester.

The research demonstrates that amidst a reconfiguration of responsibilities involving (re)centralisation and decentralisation, and unprecedented reductions and incremental moves towards the localisation of funding and financing; local government remains pivotal in the sub national governance of economic development but in new and reworked approaches and institutional forms.

This research contributes empirically towards questions on the role and contribution of local institutions in economic development by examining what these changes mean for the elected and unelected local state in the development of localities. Emerging from this are contributions to theorising the local state and its role in economic development in terms of institutional permanence and inter-generational outcomes and on adapting accountability and scrutiny in shifting institutional forms.

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Chapter 1. Introduction

1.1 Towards decentralisation and localism in a centralised state?

Decentralisation to a variety of spatial scales is a prominent global trend in government and governance. However, the type and nature of decentralisation and localism made available to sub-national tiers is highly uneven and variegated (Rodríguez-Pose and Ezcurra, 2010; CURDS and LSE, 2011). While the principle of subsidiarity and transferring decision making to the lowest possible level is generally accepted as necessary for effective and efficient sub-national economic development (Tiebout, 1956), the interpretation and implementation of decentralisation and localism in practice, by central governments, presents an uneven picture. In the UK economy, which is embedded in a highly centralised state, the uneven (and partial) implementation of decentralisation is even more pronounced.

Alongside this trend, the growing importance of cities and city-regions as a critical scale in decentralisation and localism has brought greater attention to the capacity and capability of the local state (see for example Harding, 2007; Jonas and Ward, 2007). A particular concern is how local state actors adapt and reconfigure in new frameworks of government and governance at the city-region scale, to enable and facilitate an economic development and growth agenda. A pivotal actor in the local state is local government with a unique set of objectives and responsibilities. However, in this latest episode of decentralisation, the role and contribution of local government in the local state has been reshaped and challenged in the broader context of restructuring, crisis and austerity within the distinctive political-economy and institutions of a highly centralised state.

The roles of local government in the local state in shifting cycles of decentralisation and localism have continued to be questioned over time (Cockburn, 1977; Cochrane, 1993; Ward et al., 2015). More recently, contributions on networks and governance theory have overlooked the role and contribution of the local government in these institutional arrangements, perhaps reflecting a decline in the theoretical interest in local government as well as its power base (Ward et al., 2015).

This research aims to understand and explain the changing role and structure of the local state in new frameworks of government and governance for economic development and how this has unfolded unevenly across scales, places and actors. In doing so the research examines the extent to which local government remains a pivotal actor in the governance of economic development in increasingly multi-level and multi-actor configurations of the local state. The

motivation for this study was twofold. First, to critically examine and explain this episode of decentralisation and localism and make explicit the underpinning assumptions and arguments of the local and central actors involved. Second, to explore the unique role of local government in the context of the governance of uneven development and across relational spaces. Chapter 2 explores these questions and contributions in more detail. This next section explains how these terms are defined in the research and why this focus was selected.

1.2 Revisiting conceptualisations of the local state

This research examines the changing role and structure of the local state in economic development. The focus on local government in the local state is to address a gap in the literature in understanding the role of political institutions in economic development and how their qualities and capacities shape the activity of other actors and economic outcomes (Helpman, 2004; Tomaney, 2013).

The definition of the local state used in this research draws on the distinction between local administration (*local governance*) and local democratic representation (*local government*) (Williams, 1998) to describe the local state in terms of the different local governance actors for economic development working alongside local government – as one element in the local state (Cochrane, 1993). Developing this further, this research argues that local government is not just one actor in the state but the pivotal actor, shaping the coordination and capacity of other actors, and this has become even more important with decentralisation and austerity. The distinction between local government and the local state is addressed in this research by examining frameworks of both government and governance simultaneously and recognising the role that local government plays within a broader multi-scalar and multi-agent context.

In the context of a Schumpeterian workfare state (SWS), focused on the promotion of innovation and competitiveness (Goodwin et al., 1993; Osborne and Gaebler, 1992), local government's transition towards an enabler, facilitator and commissioner of services in a market-oriented, neoliberal governance system has placed local government in a complex web of agents involved in the development of local economies (Bennett, 1997). A renewed territorial policy and decentralisation focus on cities and metropolitan governance has also turned attention to the local state. In particular, in the context of declining state capacity, relational interpretations of place, and a broadening field of economic development under decentralisation encompassing a greater number of interests and policy domains. This

research develops the argument that these changes have also increased local government's relevance in the local state.

Chapter 2 provides a comprehensive discussion of the themes and transformations of local government and the local state. This builds on a critique of the local state's linear depiction in earlier conceptualisations and questions on its conceptual relevance in a fragmented context. The review of the literature identified four perspectives in understanding and conceptualising the local state relevant to this study. First, how the relationship between local government and the local state is defined in new approaches to economic development and growth (Section 2.2.1). Second, examining the autonomy and agency of the local state in relation to frameworks of government and territorial development (Section 2.2.2). Third, examining both territorial and relational perspectives on the local state to understand how new localities are formed (Section 2.2.3). Fourth, exploring the politics of the local state to examine the interrelations between different sets of actors operating in and across the local state (Section 2.2.4). Examining these perspectives alongside a better understanding of the way local economies are governed for economic development (2.3) and of how processes of decentralisation and rescaling have unfolded at the local level (2.4) allow for a multi-scalar and multi-actor analysis of the local state.

The review of the literature on local institutions, the local state and economic development (Chapter 2) identified further questions or 'gaps' to be explored through the empirical research and these informed the research questions for this study:

1. What is the local state's role in economic development and how is it shaped by new and dominant approaches to local and regional development?
2. What characterizes the government's programme of changes to the sub-national governance of economic development?
3. How and why have changes to powers unfolded unevenly across scales, actors and places?
4. What do these changes mean for centre-local relations in the sub-national governance of economic development?

1.3 The framework for research: a comparative case study approach

This was an in-depth and qualitative study to be able to uncover and explain the complexities of local institutions in frameworks of government and governance for economic

development. The research drew on the analysis of interviews and secondary data to construct case studies to explain how the role of local government has unfolded in a city-region context.

To address the aim of the research and examine how decentralisation changes have unfolded across and between different spatial scales, geographic contexts, and actors; the research was comparative and looked beyond the core case study to other city-region examples to develop a rich and nuanced understanding of the governance changes as well as a finer grained analysis of the core case study itself. The focus of the comparison was on how decentralisation changes for the government and governance of economic development have unfolded across economically similar cases within a single national context but with different governance and economic development outcomes.

The UK was selected as the focus of the empirical research to understand processes of decentralisation within a highly centralised state. There have been studies that have addressed local state reform in more decentralised countries, for example in Western Europe (Tselios et al., 2012) and across OECD countries (Charbit, 2011). Despite experimenting with decentralisation to the sub-national level in various spatial imaginaries (regions, city-regions, pan-regions), successive governments have failed to redress the balance of fiscal decentralisation and local autonomy (CURDS and LSE, 2011; CLG Committee, 2014; London Finance Commission, 2013: Pike et al., 2015). The 2010 Coalition government identified decentralisation, rebalancing and localism as a priority. This study examined decentralisation changes for the sub-national government and governance of economic development over the five year parliamentary term and continuing into the Conservative's administration. This was to understand the particular type and nature of decentralisation and how it has unfolded, shaped by the distinctive political-economy and institutions of the local and central state.

The North East (NE) and Greater Manchester (GM) were selected as the case studies using Flyvbjerg's information-oriented strategy and an 'extreme/deviant' case selection approach to obtain information on unusual cases that can be especially problematic or especially good (Flyvbjerg 2006: 229-30). Both case studies are in the North of England and have an industrial past and post-industrial legacy, with sector strengths in innovation but also with some of the of the most deprived wards in England. Both case studies were former metropolitan councils in the early 1980s, and city region development pilots in the 2000s (albeit the NE had a different city-region geography) and have Core Cities, Manchester and

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Newcastle, in their city-regions. Greater Manchester was the first to establish a Combined Authority in 2011 based on an already-functioning city-region geography, were in the first wave of Local Enterprise Partnerships in 2011, secured the first devolution deal in 2014, in addition to subsequent deals and became the Coalition's trailblazer for devolution and model of governance for others to look to (Blond and Morrin, 2014). The North East established a new city-region governance scale in 2010, formed a Local Enterprise Partnership also in the first wave in 2011, and a Combined Authority at a later stage in 2014. To date, the NE has been unable to agree a devolution deal between local partners and with central government with prospective deals being abandoned through local and central negotiations. In contrast to the coherent local state collaboration over decades in GM, the NE's history of collaboration is one of churn and fragmentation between local actors.

This study draws upon academic work that has examined the political economy and social, and cultural evolution of the Greater Manchester and North East local economies and in relation to urban governance. In the North East, the earlier work on the politics of local state (Shaw, 1990a; Shaw, 1990b; Shaw, 1993), on post-industrial Tyneside (Byrne, 1989) and on moving forward from the 2004 referendum on an Elected Regional Assembly for the North East (Shaw and Robinson, 2007) and emergence of city-regions (OECD, 2006). From 2010, analyses of the changes to the sub national level and implications for the local level (Shaw and Greenhalgh, 2010; Shaw and Robinson, 2012; Shaw, 2012) and promoting local growth (OECD, 2012; OECD, 2015). In Greater Manchester, the seminal work of Tickell and Peck (1996) on who governs Manchester has informed a body of critical work examining the urban transformation and restructuring of Manchester and Greater Manchester (e.g. Peck and Ward, 2002). More recent work has examined the role of Manchester and progress under the Coalition government's programme of devolution (Ward et al., 2015; Haughton et al. (2016) as well as the evolution of the city-region (Deas et al., 2014; OECD, 2015).

In total, 50 in-depth interviews were undertaken with local economic actors in GM and the NE, in addition to a small number of interviews in central government and cities networks. The framework of analysis was developed through a series of research propositions that emerged from a review of the literature and guided analysis of the empirical material.

A relational comparative approach (Ward, 2010) encouraged cross-case examination critical insight and reflection on the core case study and comparator case study. This helped to draw out and reflect upon the similarities and differences between the cases and how the broader processes of change were mediated and attenuated in different institutional, spatial and

temporal settings. The outcome of the comparative research was a more detailed understanding of the diversity of cities in relation to theories rather than identifying ideal types of governance (Robinson, 2002; Ward, 2010).

The study commenced in September 2011 and the fieldwork was conducted between June 2015 and February 2016. There were a number of reasons for this. First, arriving at this stage in the research following a period of maternity leave. Second, waiting until after the May 2015 General Election so all interviews could be conducted in the same political context and reflect back on the 2010-2015 Coalition government term. Third, delaying approaching potential interviewees in the North East due to the sensitive devolution discussions underway at that time.

The outcome of the General Election saw political control shift from the Conservative-Liberal Democrats Coalition government to overall Conservative control. The Rt Hon George Osborne remained as Chancellor for the new political term and continued to prioritise reducing the deficit and cuts to local government funding in order to balance the budget by 2020, thus presiding over the ongoing challenging circumstances for local government that began under the Coalition government. The research sought to understand and explain the different implications for local government from policy and funding changes introduced over the period 2010-15, which was the term of the Coalition government. As the study period as well as the fieldwork and analysis came before the 23 June 2016 Referendum to Leave the European Union, this has not been reflected upon. The study was written up over the course of 2016-17.

1.4 Conceptual and theoretical contributions

The aim of the study was to understand and explain how new frameworks of government and governance for economic development have unfolded across scales, places and actors. The purpose was to examine the extent to which local government remained a pivotal actor in economic development in increasingly multi-level and multi-actor contexts and in a climate of reduced public resources. A review of the literature on local institutions, the local state and economic development provided an understanding of existing conceptual frameworks to examine the local state in economic development in addition to highlighting gaps and opportunities to build new insight in a number of areas relating to the autonomy and agency, type and nature of decentralisation, horizontal coordination, and centre local relations.

The analysis showed that this was an expanding area of both academic and policy interest and particularly in the context of addressing uneven development. However, within debates on approaches to sub national growth (OECD, 2012; Glaeser, 2012, Pike et al., 2017), there are diverging perspectives on both where development and growth activity should be spatially concentrated in a national context, on the capacity and capability of city-region actors to mobilise in response to opportunities and through new forms of urban governance (Nelles, 2012; Ahrend et al., 2014), and on role of state institutions in facilitating and enabling development and growth (Tomaney, 2013). In increasingly multi-level and multi-actor configurations of government and governance for economic development and with Urban Economics as a dominant paradigm of growth shaping where growth happens as well as who is involved in shaping it; the role and contribution of local government to new forms of urban governance has been overlooked.

The research offers distinctive contribution to these academic and policy debates by providing a finer grained understanding and appreciation of: first, why institutions matter and how they influence the governance of economic development (Rafiqui, 2009; Farole et al., 2011; Pike et al., 2015); second, of local government in the local state in order to understand its unique role as a political institution and the political factors that "shape incentives for economic action" (Tomaney 2013: 6); third, to understand how new frameworks of government and governance have unfolded differently for city-regions in England to understand and explain the variation in governance and decentralisation outcomes (Gertler, 2010); fourth, through a relational comparative approach, reveal the uneven ways in which the broader processes are mediated in particular city and city-regional contexts, drawing out similarities and differences. Also to provide a critical and in-depth analysis of the Greater Manchester model of governance that has been the template and shaped the Coalition government's approach to decentralisation and devolution to cities, to sit alongside the many normative accounts of its success (cf. Emmerich et al., 2013; Holden and Harding, 2015; OECD, 2015), alongside a less successful and less well interrogated example from the North East. Finally, to provide lessons on collaboration across the local state as well as the role of the centre for future local governance experiments.

The first contribution from the research demonstrates that local government remains a pivotal actor in the local state in the governance of economic development but in new and changed forms. The review of the literature showed that analyses of urban governance can overlook the role and contribution of local government as an economic actor in local state configurations. This contribution builds on existing work examining the shift back from

governance to government (Koch, 2013) and the contribution of a qualitative state (Pike and Tomaney, 2009) by exploring the unique role of local government in a multi-level and multi-actor context of the local state. The empirical analysis showed how local government remains a pivotal in the local state for economic development with new enhanced responsibilities at a sub-national level, working in new institutional forms of groups of local authorities, and in both a reduced climate of resources and shift towards an increased reliance on growth incentivised funding. The fundamental characteristics of local government – of democratic representation and delivering a unique set of public missions such as justice and equality – are critical roles and responsibilities that are being implemented and challenged in new ways. This includes acting as representative governance at new city-region scales and having economic and social levers at their disposal in a broadening field of economic development. Analysis of the two cases showed the territorial challenges of relational ways of working and how dominant political actors and interests can lead to 'political lock-in' of established approaches.

The second contribution demonstrates the need for a greater consideration of multi-actor and multi-level arrangements in the local state, in which local government and centre-local relations are critical. This argues for not only examining horizontal governance and the interests of different actors in the local state, but also understanding this in relation to frameworks of government. This is to understand and explain how the autonomy and agency of the local state is contingent upon local and central government. This is important to understanding explaining the autonomy and agency of the local state particularly in the context of a broadening field of economic development powers and responsibilities.

This includes how the role and responsibilities of the central state are often largely undefined and unaccounted for in supporting sub-national economic development, despite this being critical to the agency and autonomy of the local state. This research has found that by leaving opaque the contingencies of the local state on the central state this can undermine its agency and autonomy as well as prevent local actors holding central government to account for commitments to resources and implementation, to also reduce uncertainty. Second, with more integrated approaches to economic development across different policy areas and geographies (see below) and more open and 'bottom up' approaches to collaboration and governance giving a greater number of local actors a stake in determining priorities and investment, the governance mechanisms required to negotiate a more diverse range of interests and how this will be coordinated and by whom, link back to representative democracy becomes a challenge in multi-level and multi-actor governance systems.

The third contribution of the thesis demonstrates that a 'centrally-prescribed' version of localism has shaped the agency of the local state to implement new forms of governance and economic development. This refers to the type and nature of decentralisation and localism implemented by the Coalition government and explains how and why it has unfolded differently across scales, places and actors. The literature shows that different forms of variegation of decentralisation and localism are not sufficiently examined and this can explain the uneven outcomes of localities. The research showed that local states were not only shaped by the type of decentralisation and localism on offer, but also *how* changes were implemented. In this latest episode of decentralisation in England, the Coalition government pursued a process and form of politics which resulted in deep and fast reductions to local government funding, and rescaling of the financial crisis to the local and urban scale. These insights build on the work of Peck (2012) and Meegan et al. (2014) looking at austerity urbanism and urban politics, and Wills (2016) on localism.

The empirical analysis showed how an overriding focus on reducing the deficit and austerity underpinned all decentralisation and localism activity. These objectives were not always explicit, nor was their consideration of the impact of cumulative changes to local government and the local state. A clear example of centrally-prescribed localism was the Coalition's focus on decentralisation of economic development powers and responsibilities to, arbitrarily defined, functional economic areas as the preferred scale. Also the specific governance requirement to have a directly-elected metro mayor to acquire substantive powers and local flexibility. Some interviewees perceived this to be backdoor restructuring and rationalising of local government, particularly given the scale of austerity borne by the local level through cuts and expectation to absorb further savings as reduced pots of funding were decentralised. The Chancellor's advocacy of the GM model of governance and devolution for other places to follow, also provided a challenge for local areas configured differently.

The fourth contribution is that economic development has become further integrated with social policy through a focus on economic growth, austerity and changes to local government finance. This emerging contribution finds that a more explicit link between economic and social policy at the sub-national level has emerged under decentralisation. Social policy is now more geared and linked to economic policy and its focus upon economic competitiveness and growth at the sub-national and city-regional scale.

The empirical analysis showed that greater integration of economic development and social policy was developed through an economic discourse and narrative on how spending in social

policy made economic sense to reducing the deficit. Also through the shifting nature of local government finance, away from grant funding to growth-incentivised funding sources, such as business rates and council tax, creating a dependency for local authorities to fulfil their statutory duties through economic development and growth.

1.5 Structure of the thesis

Chapter 2 provides a critical review and analysis of the underpinning literature on local institutions, the local state and economic development. This grounds the study, frames the empirical research and sets out its contemporary relevance. The chapter is organised into four sections to examine: the contemporary relevance and focus of examining local institutions in economic (2.1); critically examining definitions and conceptualisations of the local state (2.2); critically reflecting on the general changes that have shaped, and are continuing to shape, the way local economies are governed for economic development (2.3); and how processes of decentralisation and rescaling have unfolded at the local level (2.4).

Breaking this down, in Section 2.1, an institutionalist perspective is developed that recognises the politics of governance and complex political-economy of the local and central state, to examine and interpret decentralisation changes and how they have unfolded across scales, places and actors. Section 2.1.1. examines how institutions are defined in order to understand the different manifestations and configurations that emerge and highlighting the interaction between formal and informal institutions as important to understanding the institutional framework. Section 2.1.2 identifies political institutions as a critical institution in economic development. Examining how politics interacts with institutions in the local state for economic development is a central aim of this study and this section discusses the importance and focus of addressing this. In Section 2.1.3 the role and functions of institutions in economic development are explored to understand the variety of demands and relationships involved in the governance of economic development and examining not just what they do but the processes that enable or constrain them.

Section 2.2 introduces the local state in economic development and explores different frameworks of analysis to develop an understanding of urban governance within multi-level and multi-actor settings and to identify gaps to address through empirical research. Section 2.2.1 explores definitions and conceptualisations of the local state to understand and explain the distinctive role of local government in the local state and to identify the limitations of existing interpretations. Section 2.2.2 explores the agency and autonomy of the local state

and in particular the exogenous and endogenous sources that generate institutional change and how these are mediated and negotiated locally. In Section 2.2.3, the geographies of the local state are examined to understand the territorial and relational perspectives and tensions that manifest in governing across new economic geographies and in multi-scalar frameworks of governance. Following on from this discussion, Section 2.2.4 explores what these multi-level and multi-actor relationships means for negotiating the politics of the local state across political and administrative boundaries and with the central state. Sections 2.3 and 2.4 examine the general changes and transformations in the local state.

Chapter 3 introduces the methodological approach in the study to address the aim and research questions, explores important considerations in undertaking comparative research and in economic geography, and provides the justification and context for the study focus and case studies.

Chapters 4-7 introduce and discuss the empirical analysis. The chapters begin with examining the national context and the distinctive political economy and institutions of the central state that interacted with the local state to shape governance outcomes. The experiences of the two case studies are then examined and discussed to explain how and why changes have unfolded unevenly across places, scales and actors.

Chapter 8 draws together the study conclusions, addresses the research questions, and offers theoretical and conceptual contributions in addition to reflections on future research.

1.6   Research aim and questions

The overall aim of the research was to examine the changing role and structure of the local state in new frameworks of government and governance for economic development and how this has unfolded differently across scales, places and actors. The main argument of the research – and its contemporary theoretical and policy relevance – is that local government remains a pivotal actor in the governance of economic development. In the context of what appears to be constant restructure and upheaval of the local state; local government, as suggested by Barnett (2013), maintains a degree of permanence despite constant talk of its demise. This research demonstrates how local government has become more important in the context of decentralisation and austerity, but in new and changed forms. The research therefore sought to: first, critically review the emergent concepts and theories on the local state in the context of new approaches to local and regional development and policy. Second,

identify the new and emergent forms of institutions, governance arrangements and policy for local and regional development in an international context. Third, examine the actors and explain the structures, roles and relationships involved in economic development for the case studies. Fourth, develop an analytical framework to interpret and assess the sub-national changes. The research questions are set out below:

1. What is the local state's role in economic development and how is it shaped by new and dominant approaches to local and regional development?
2. What characterises the government's programme of changes to the sub-national governance of economic development?
3. How and why have changes to powers unfolded unevenly across scales, actors and places?
4. What do these changes mean for centre-local relations in the sub-national governance of economic development?

Chapter 2. Local institutions, the local state and economic development

2.1 Local institutions and economic development: contemporary relevance and developing a critical approach

This chapter examines and grounds the study in the literature on local institutions, the local state and economic development to frame the research in wider theoretical debates as well as to highlight gaps in the literature that the research will seek to address. The chapter explores this in two parts. First, the role and contribution of local institutions in economic development is examined. Crucial to this is defining institutions and then examining those institutions that are critical to economic development and their role and functions. This analysis argues that the role of local government as a political institution in the local state is critical to the overall functioning of economic development activities. Second, the chapter examines in depth the role and contribution of local government to economic development in the local state to understand and explain how governance processes and relationships unfold.

The local level and city-region scale is a relevant geographic scale to examine how institutions seek to structure and shape the agency and relationships of economic actors, to examine the role of extra-local relations and processes in establishing and conditioning how institutions operate, and to explore how institutions adapt and cope with change, disruption and uncertainty (Pike et al., 2015). Furthermore, the scale of city region and metropolitan areas plays an important role in the governance of economic development (Wills, 2016).

The role and contribution of institutions in economic development as a source of inquiry in economic geography research, continues to generate both interest and scrutiny as scholars and practitioners explore ways to explain the geographically differentiated growth of cities and localities. The global trend of political and administrative decentralisation to a variety of spatial scales (Tomaney, 2013; Faguet, 2013) has opened up regions and localities to the opportunities and challenges of territorial competition and sparked a search for 'multi-scalar fixes' (Brenner, 2009; Pike and Tomaney, 2009; Pike et al., 2015). However these institutions and local actors are embedded in multilevel hierarchies that define to a large extent their scope and action and how they interact with existing forms and structures (Pierre, 2011), and in an increasingly contested space of scale and urban politics. Furthermore, the recent economic downturn and austerity state has cast a more critical lens on public institutions in a context of declining state capacity (Streeck and Mertens, 2013), declining democratic capacity and electoral disengagement (Crouch, 2011).

Recent academic contributions (Gertler, 2010; Rodriguez-Pose, 2013; Tomaney, 2013; Pike et al., 2015), building on a longstanding institutionalist strand of literature (cf. North, 1990; Rodrik, 2003; Faguet, 2013) have sought to re-examine the relationship between institutions and economic development and to provide a "richer account" (Rodrik 2003: 12) and more "finely grained appreciation of the geography of institutional variation" (Gertler 2010: 5). These studies contribute towards a better understanding of the origins of institutions, relationship between scales, and their ability to effect evolutionary change over time.

2.1.1 *Defining institutions in relation to growth and development*

To examine and explain the "distinctive institutional manifestations and configurations" (Pike et al. 2015: 188) that emerge in different geographical contexts, at different scales and at different speeds, institutions must first be defined. The most commonly cited definition is that by North who describes institutions as "the rules of the game in a society; (and) more formally, (as) the humanly devised constraints that shape human interaction" (North 1990: 477). According to Rodríguez-Pose and Storper, most of the literature tends to agree with a "two-tier division" (2006: 10): 'formal' or 'hard' institutions or 'society', and, 'informal', 'tacit', 'soft' institutions, 'community' or social capital (Amin, 1999; Pike et al., 2015). Expanding on North's definition, Fukuyama describes how 'formal' institutions (also known as 'hard' institutions or 'society') can be regarded as universal and transferable rules and generally include constitutions, laws, charters, bylaws and regulations, as well as elements such as the rule of law and property rights and contract and competition monitoring systems (Fukuyama 2000: 6). In contrast 'informal' institutions (also known as 'soft' institutions, 'community' or social capital) include a series of features of group life "such as norms, traditions and social conventions, interpersonal contacts, relationships, and informal networks" which Fukuyama describes as essential for generating trust (2000: 3).

An important distinction to draw upon in North's work, is to separate institutions, "rules of the game", from organisations, "players of the game" to understand and analyse the evolution of economic systems (Rafiqui 2009: 335-336). A distinction also made by Storper (1997) who describes institutions (underlying rules of practice and conventions between individuals and organisations) and organisations (specific administrative and political forms). North emphasises the constant interaction between the institutions and organisations, "what organizations come into existence and how they evolve is influenced by the institutional framework. In turn they influence how the institutional framework evolves" (1990: 5). This

interaction can also be examined using Martin's description of the 'institutional environment' and 'institutional arrangements' (2000: 79),

> "The 'institutional environment' [that] refers to both the systems of informal conventions, customs, norms, and social routines… and the formal… structures of rules, regulations… which constrain and control socioeconomic behaviour… [and the] 'institutional arrangements' … used to denote the particular organisational forms… which arise as a consequence of, and whose constitution and operation are governed by, the institutional environment."

From this analysis, Pike et al. (2015) recommend further examination the interaction between the institutional environment and arrangements and how this shapes economic behaviours and outcomes across and between different spatial levels and in particular geographical contexts through the "institutional regime", as an important issue that requires further examination (Pike et al. 2015: 5). Further to this, and in order to better understand the approaches and methods used to shape economic behaviours and why some approaches are more effective than others, a finer grain analysis of the interrelations between formal and informal institutions (Rodriguez-Pose and Storper, 2006) within the institutional environment could reveal more about these processes. The OECD (2012: 25) underscores the important interplay between formal and informal institutions that creates opportunities for negotiation and dialogue among key actors that mobilises and integrates them into the development process, the focus being on enhancing policy continuity, creating a cohesive voice external to the locality and region and fostering linkages between private and public sectors. Nelles (2012) research on intermunicipal cooperation stresses the importance of flexible arrangements, partnerships and collaboration, alongside structures, in tackling metropolitan issues. Also, the relationship between institutional quality and economic performance is widely recognised – better, stable institutions contribute to better economic performance however it is more difficult to demonstrate this (OECD Regional Outlook, 2014).

Notwithstanding a growing policy salience of the role of institutions in local and regional development, there remain limitations in the theory and understanding of institutions and the difference they make (Tomaney, 2013) and particularly at the local level (Pike et al., 2015). It is argued that institutions remain "poorly understood and under-appreciated in specific disciplinary domains relevant to economic development at specific spatial levels and in particular geographical contexts" (Pike et al. 2015: 3). Empirical studies point to the difficulty of determining the impact of effective (and ineffective) institutions on economic

development prospects (e.g. OECD, 2012; Rodriguez-Pose and Garcilazo, 2013), pointing to the importance of qualitative case study research to address this. A qualitative research approach can help to explain "*which* institutions, *when* they matter, and precisely *how* they shape growth" (Farole et al. 2011: 59, emphasis in original). However, the challenge for comparative research is to move beyond the idea that institutions matter and differ between places to "pin point exactly how they influence economic development" (Rafiqui 2009: 339) and to examine interactions between institutions and economic development at different geographic scales (Gertler 2010: 5-6). The imperative for this being the growing evidence that local solutions may not have sufficient scale to address economic development issues that span political and administrative boundaries, requiring increasingly "interlocal and interorganizational" forms of governance (Peck and Tickell 2002: 393). For urban or metropolitan areas within regions, the evidence points to coordinated intervention across functional economic areas to capitalise on economic flows (Katz and Bradley, 2013). Also forms of intermunicipal cooperation and collaboration, both formally binding and informal, are becoming more prevalent (Nelles, 2012; OECD, 2012).

How we come to understand the role and contribution of institutions and the local state is also shaped by different approaches to local and regional development and growth. The dominant approaches to growth advanced in the 2000s include New Economic Geography and Urban Economics and the work of Glaeser (2012; see Tomaney, 2013 for a critique). These perspectives advocating concentrating growth in larger cities and connecting smaller places through supply side measures to benefit from external spillovers from agglomeration economies. A counter-perspective to this is 'place based' policies for development – which point to sources of growth being diverse as well as locations (OECD, 2012) and is providing a counterweight to these hegemonic ideas (cf. Barca et al., 2012; OECD, 2012). This approach highlights the instrumental role of institutions in supporting growth but equally where institutions are ineffective this can have a negative impact.

2.1.2 *Political institutions critical in the local state*

Recognising the role of informal and soft institutions alongside the more traditional and hard institutions assigns an important role for political institutions in the governance of economic development. Political institutions at the local and city-region level refer to local government or groups of individual local authorities and their associated structures. However, in recognising that institutions cannot be reduced to specific organisations using the 'informal/formal institutions' definition (Storper 1997: 268; Rodriguez-Pose, 2013), political

institutions can therefore be expressed as, an important *actor* within the system of economic development government and governance at the city-region level (*formal institution*) and also part of the traditions of cooperative working between public, private and civic institutions *(informal institution)* (Rodríguez-Pose, 2013).

In the human geography literature on institutions and development, Tomaney (2014) highlights a gap in understanding how politics interacts with institutions in shaping development policies and outcomes and why there are differences in subnational economic performance (Dellephiane-Avellaneda, 2009). North (2005: 57) ascribes this to the "primacy of politics", in that "it is the polity that defines and enforces the economic rules of the game and therefore is the primary source of economic performance". This includes affecting the ability to innovate and to implement new technologies through political institutions framing the struggle between proponents of change and their opponents (Helpman 2004: 315). In evolutionary economic geography, this is also described as "political lock-in" (Hassink 2007: 1147), which can occur when institutions aimed at preserving existing traditional structures slow down industrial restructuring, thereby obstructing the development of indigenous potential and creativity. In contrast to economic decisions, political decisions are of a different nature, reflecting "complex, moral, ethical and 'non-rational' reasoning – or diverse rationalities (DiMaggio, 1998), and "create the conditions in which markets and economies evolve" (Tomaney, 2014: 135-136). Tomaney argues that a better understanding of the qualities and capacities of local political institutions would lead to a better understanding of how political factors shape incentives for economic action (2014).

Around the world, the political system at the local level varies from, the small, fragmented and powerless American municipalities to the politically and financially strong local authorities of Scandinavian countries (Pierre, 2011). Notwithstanding this, in the United States of America there have been recent examples of local and metropolitan scale governance innovation not least in response to a post-recession federal state hiatus (Katz and Bradley, 2013) and reported downscaling of austerity impacts (Peck, 2012). The process for *how* economic development takes place and *who* is involved is the topic of contemporary academic and policy discussions. This is particularly the case for political institutions that seek to make sense of a context defined by austere growth and fiscal constraints, shifting scales and economic territories, electoral disengagement, and a lack of trust in political parties within modern democracies. Also, the suitability of politicians, to set tough,

discriminating objectives in economic development cannot be assumed (Hanssen et al. 2011: 48).

2.1.3 *The roles and functions of institutions in economic development*

There are many ways of defining local economic development including whether development is seen as being a 'top-down' versus a 'bottom-up' intervention. The following definition is employed here to highlight the collective nature of the process of economic development and one that is focused on outcomes,

> **"**the purpose of local economic development is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation" (Swinburn et al. 2006: 1).

The collaborative focus described above has implications for the role and focus of institutions. The role and functions performed by institutions in economic development at the local level depends upon the nation state context and both the 'formal' and 'informal' institution characteristics, introduced in the previous section (Rodriguez-Pose and Storper, 2006). However there are some more general themes that can be extracted from the literature in the context of political institutions. Governance frameworks for economic development are increasingly multi scalar and multi agent, this places demands on new and existing institutions to negotiate vertically (with supranational, national and regional structures) and horizontally (in coordinating and mobilising other actors in the public, private and civic sectors) - across scales and agents - to achieve development outcomes. An important role for institutions in these frameworks is therefore,

> "…reducing uncertainty for local actors, for example, institutions undertake important work in diagnosing local economic development circumstances and issues, leading actors in deliberation and selection of priorities, formulating development strategies appropriate to local contexts and situations, and pooling and aligning resources and investments" (Pike et al. 2015a: 11).

In addition to the range of role and functions of institutions in local economic development, Pike et al. (2015a), attention should also be given to not just what institutions do in terms of responsibilities, but how those responsibilities are implemented in practice and the democratically accountable and politically autonomous arrangements in place, in addition to the extent to which they further these goals. Analysing the role of functions of local

institutions in economic development in isolation is not sufficient to determine the contribution. For political institutions, such as local government, the ability of these institutions to exercise their role and function in economic development as with other policy areas is also determined by autonomy and resources. Using Pierre's (2014) distinction of two types of autonomy: 'vertical autonomy' referring to constitutional arrangements and 'horizontal autonomy' referring to the relationship between the local authority and other actors on the local level, Pierre stresses that formal, vertical autonomy both facilitates and constrains political action (2014: 880-881), a reminder that the relationship between central and local government is an important dimension to examine.

In summary, this introduction to institutions and economic development has examined the main concepts and theories to understand the role and contribution of institutions in the context of uneven development. This has shown a recognition that institutions can shape economic development but that a more finely grained analysis of exactly *how* is currently lacking to understand and explain the distinctive institutional manifestations and configurations. In particular there is limited knowledge relating to the interrelations between formal and informal institutions and on the qualities and capacities of political institutions in shaping incentives for economic action which will be examined in this study. The next section will focus on examining the political institution of local government in the local state in the context of economic development, by exploring transformations in the state.

2.2 Local government and economic development in the local state

A growing research interest in the role and contribution of local institutions in economic development has prompted questions concerning the role and structure of local government and whether this is being redefined (cf. Peters et al., 2011; Peck, 2013; Barnett, 2011; Ward et al., 2015). Local government is an important political institution among a plethora of local economic actors that make up the local state. This section is structured in three parts: first, it will explore different conceptualisations and themes of the local state to emerge from a review of the literature; second, it will examine general changes restructuring and impacting on the local state; and finally examine transformations in the local state to draw out historical and contemporary insights. The synthesis and analysis of the literature will inform the theoretical and analytical framework (see Section 2.5 at the end of the chapter) that underpins this research and guides the empirical analysis.

Western states, typically, have longstanding structures for local government and have undergone processes of reform and restructuring following an uneven transition towards a post-Keynesian welfare state and post-industrial economy (Peck and Tickell, 2002). This has had implications for the role and structure of the local state for economic development, particularly in the context of uneven development and territorial competition, responding to new approaches to local and regional development, and more recently with the global financial crisis and austerity state (Schäfer and Streeck 2013: 9). Increased inter-locality competition, reinforces the importance of the local level as a source of political activity and territorial competition (Bennett, 1997). The city has long been seen as a relevant unit for understanding how wealth is created (Jacobs, 1984) and is therefore also a significant level of geography at which to examine the economic, political and social implications of austerity (Donald et al., 2014; also Peck, 2013).

2.2.1 *Defining, conceptualising and theorising local government and the local state*

This section examines conceptualisations of the local state to understand and explain the role of local government in the local state and to identify the limitations of existing interpretations.

> "the fragmentation of local government has led to a proliferation of different agencies which need to be considered as part of the local state, both in the fields of welfare and economic development […] local government can only be understood as one element alongside others within the welfare state" (Cochrane 1993: 5-6)

Local government, whilst rooted in the historical foundations and jurisdictions of national contexts, generally comprises a "governing institution which has authority over a subnational territorially defined area: in federal systems a sub state territorially defined area" (Bradbury 2013). The fiscal, legislative and executive authority therefore extends over the smallest geographical areas distinguished for administrative and political purposes (OECD 2001: 6). Some form of local government is found in virtually all developed polities as a complement to central government and is generally seen as a sign of healthy democracy (Kingdom 2003: 593). Local government can therefore be said to "maintain some degree of permanence" (Barnett 2013: 9), however increasingly this must be seen within sub-national systems of multi-level governance as states adapt towards increased multi-scalar and multi-agent relations.

Why do we need a better understanding of local government and the local state? First, the economic geography of places extends beyond political and administrative boundaries with a focus on functional economic areas and city-region/metropolitan areas as the context for wider growth processes. This in turn is challenging the "material and imagined coherence" of localities (Jones and Woods 2013: 39; see also Nelles, 2012). Second, economic development does not take place in a vacuum, the processes of globalisation, urbanisation and decentralisation have promoted and undermined capacity building and the empowerment of local actors leading to greater emphasis on the participation of stakeholders (Rodríguez-Pose and Palavicini-Corona 2013). This process draws in stakeholders from the private and third sectors, alongside the public sector, in formulating economic development visions and strategies for localities, in addition to developing new funding and delivery models. However, following the financial crisis, and in an austerity context, there is arguably a greater imperative for local government to work with stakeholders to develop new funding and delivery models. Third, following a trend of decentralisation that has spanned several decades - but that has manifested itself differently in different places - there is a growing body of literature that support "place-based" and more "bottom-up" approaches to growth (Barca., 2009; Barca et al., 2012; OECD, 2012) and localism (e.g. Featherstone et al., 2012). This, in turn, places demands on the capacity of local areas to build evidence, assessing and appraising the locality for investment, bidding for resources, negotiating with central government and across localities. Finally, the role of institutions in helping to facilitate growth is receiving research attention (Tomaney, 2013; Pike et al., 2015a) and this has implications for local states and the way they are manifested and configured to address, among other things, issues of legitimacy and accountability, the relationship with the centre and also the inter-relations with local government. These factors demonstrate what makes local government in the local state an important actor and focus in the governance of local economic development.

The following contextual points are worth highlighting here in order to explain how and why the interpretation of local government and the local state has evolved. Local governments in the post-industrial economies of the US and Western Europe, have a long and varied history of involvement in economic development, since the post-war period. This is usefully understood as part of the transition from a centrally driven Keynesian welfare state (KWS) ensuring a strong social safety net and, which saw local governments seeking to influence the location of companies (Jessop, 1994), to a Schumpeterian workfare state (SWS), focused on the promotion of innovation and competitiveness (Goodwin et al., 1993; Osborne and Gaebler, 1992; Brenner, 2004; Harvey, 2005; Lobao and Adua, 2011). In a market-oriented, neoliberal governance

system, the shift towards an 'enabler', 'facilitator' and 'commissioner' of services, has placed local government in a "complex web of agents involved in the development of local economies" (Bennett, 1997: 333; Sullivan, 2011).

As local governments became responsible for a widening range of functions and had greater local discretion, moving away from a universal state and collective consumption, this led to fragmentation of the local state and this was particularly pronounced in the United States and Great Britain (Eisenschitz and Gough, 1998). This resulted in a plethora of agencies responsible for aspects of the economy and neighbourhoods and with weak coordination overall coordination (ibid). Despite this, it is argued that fragmentation mobilised innovatory forms of 'socialisation' as agencies involved in the wider governance of local economic initiatives were freer from public scrutiny, expectations and accountability (Eisenschitz and Gough, 1998). The role of the local state in innovatory approaches became increasingly more important as time went on. In the US, this approach translated into the idea of "laboratories of democracy", coined by Supreme Court Justice Louis Brandeis in 1932 (Brandeis, 1932). Within a federal framework, states and local government could act as "laboratories" and try novel and social experiments without risk to the rest of the country.

There are a number of defining aspects of local government while different across and within national contexts. These include: the rules of government and/or constitution; historical foundations; the nature of central-local relations; organisational and financial structure; and policy administration versus policy discretion (Bradbury, 2013). It is this final point, also referred to as local administration alongside the role of local democratic representation (Williams, 1998), that is pivotal to examining the relationship between local government and the local state and provides a useful distinction in highlighting the sometimes conflicting democratic (local) versus administrative (national) objectives of local government. Other definitions of the local state, however, argue that given the involvement of other actors in the process of local development - with potentially shared objectives and responsibilities - the focus of the local state should be wider than the narrow concentration on the institutions and organisations of local government (Duncan and Goodwin 1988: 32). Examining frameworks of both government and governance therefore takes into account the role that local government plays within a broader multi scalar and multi agent context.

The earlier literature on the local state raised critical questions on, the contractual and conflicting relationship between central and local (Duncan and Goodwin, 1988; Rhodes,

1997), on the fragmentation of local politics (Eisenschitz and Gough, 1998; Cochrane, 1993), uneven development (Duncan and Goodwin, 1988) and on the perceived and actual democracy and legitimacy of local institutions (Crouch, 2004). Prominent perspectives on the local state focused on conceptualising it, initially in terms of centre-local relations (e.g. Rhodes, 1997) and in terms of resistance and struggle, conflicts and accommodations (e.g. Cockburn 1977; Barnett, 2013), by examining the local state as a part of the capitalist state. This perspective, however, does not account for sufficient agency for change, variations or degrees of autonomy.

Of all the stakeholders that make up the local state and are responsible for the governance of economic development, local government has distinctive and unique characteristics in fulfilling this role. Transformations in the state over a number of decades have shaped and moulded local government in a fragmented governance context that has seen the rise of regional and metropolitan structures. More recently, in the wake of the financial crisis, some are starting to question whether we are seeing a return to government from governance (Koch, 2013) as national governments seek to consolidate governance structures and recentralise functions to establish greater control of finances. The extent of this depends on the system of local government and the national and local politics of different countries. Significantly, local government can be said to have more permanence than other actors (Barnett, 2013) and what makes local government distinctive in relation to other actors in the system is the fundamental institution of representative democracy in the electoral system (Kateb 1981: 357).

Expanding on the distinctive role of local government, in contrast to private sector management it is accountable for "a unique set of public missions and norms such as representations, equality, impartiality, integrity, justice and citizenship", alongside the economic efficiency, economy and competition criteria (Haque 2000: 610). Also distinctive to local government is that, to varying degrees, it is able to generate its own income, by taxing businesses and people within its territories (Musson 2010: 80). Following the Great Financial Crisis which saw reductions in public finances rescaled to the local level in the US and Great Britain (Peck, 2012), Sullivan argues that local government "still matters" as it has to 'govern the mix' of actors and interests at the local level, offering expertise in coordination and decision making with a logic of care (2011: 81-82). Sullivan describes local government occupying a symbolic role in articulating and representing a local government and local democracy "to come" (2011: 81-82), a nod towards inter-generational outcomes. With this in mind, rather than seeing a scaling back of local government as austerity and financial cuts continue to take hold, it may

increasingly fall to local government to fill the gaps left by higher levels of government in order to preserve the social safety net (Lobao and Adua, 2011). Institutional capacity for local government to perform this role will be a critical issue, as will the capacity to undertake local economic development as priorities become reconfigured in an austerity context.

Given the increasing propensity for the creation of cross-sector partnerships in local economic governance (Cochrane, 1993; Peck and Tickell, 1996), how does one formulate a view of local government that captures these dynamics within a multi-level governance context, and what is the merit and purpose of theorising local government? For some, the local state is implicated in the need to manage uneven development (Goodwin et al., 1993), for others it is theorised in terms of the working connections between central government and local government and the world of government and business (Rhodes, 1997), for still others it is understood in terms of discourses of resistance or opposition (Cockburn, 1977: 41; Barnett, 2013), It has also centred on dealing with the constraints imposed on cities by the national and international political economy (Leitner, 1990). Certainly, with contemporary pressures and constraints that bring to bear questions about the viability and sustainability of local government provision, there is a pressing need to understand this variability in governance capacity. Moreover, as Leitner (1990) states; "we need an analysis that sets local government in the context of the real economic situation of the period in which we live and asks: what is its job?" (1990; see also O'Neill, 2004). One aspect we can draw on from Leitner's work on cities and the local state in the US, and local growth and urban politics, in the 1980s and 1990s, is the need to analyse how economic and political processes operating at different spatial scales interact to determine local policy formation and outcomes (1990: 150), and the way institutional and governance mechanisms shape these. In summary, the purpose of this section has been to explore different conceptualisations of the local state and role of local government and to ground this study in a contemporary understanding of what local government is for in order to provide insight on changes under the Coalition. This next section will explore the autonomy and agency of the local state.

2.2.2 *The autonomy and agency of the local state*

An analysis of the local state that recognises the contingency of local government and the local state, and is sensitive to issues of agency could also help to show how local governance, might challenge, negotiate and soften the impact of dominant and prevailing forces in the development of localities (Newman, 2008). Identified as a feature of local economic development, autonomy - referring to "self-government….and the ability to act according to

a group or institution's own direction" (Bradbury, 2013), is seen to contribute to better local development outcomes alongside other factors, such as capacity building and participation mechanisms (Rodríguez-Pose and Palavicini-Corona 2013: 2). The argument supporting greater autonomy for local economic development policy is reflective of a broader shift, driven by processes of globalisation, urbanisation and centralisation, from traditional top-down to bottom up, or territorial, approaches to development (ibid.) It is argued that these approaches are more likely to succeed provided there is a certain level of local autonomy (Rodríguez-Pose and Palavicini-Corona, 2013; see also OECD, 2012).

Central to examining the role and structure of the local state in economic development are discussions of autonomy and agency and how these processes interact to explain the relationship between central and local government, and local-local relationships in frameworks of growth and development. This draws on discussions of structure and agency, that is "'structure' - the social context that defines the range of potential actions - and 'agency' – the intentional agent" (MacLeod and Goodwin 1999: 36; see also Giddens, 1984). However, this relationship is recursive - structures are mutually constitutive of agents, shaping and in turn being shaped by their agency (Storper, 1997). Institutions shape and regulate and, in turn, are shaped and regulated by the agency of economic actors (Farole et al., 2011; Pike et al., 2015a; Goodwin, 1999). This is important for explaining changes to the local state in multi-scalar and multi-actor governance as well as understanding what the sources that generate institutional change and lead to differentiated social and economic outcomes (Gertler, 2010).

As discussed in Section 2.1, there is growing evidence that effective institutions shape the performance of places in the global economy (see Peck and Tickell, 1994; Brenner, 2004; Pike and Tomaney, 2009). For post-industrial economies in mostly Western states, neoliberalism opened up localities to internationalisation and globalisation of trade, whilst concurrently exposing localities to territorial competition. The neoliberal constitution of competitive relations between localities and regions placed real limits on the practical potential of localised or bottom-up political action (Amin, 1999). Also, the asymmetrical scale politics of neoliberalism led to local institutions and actors were being given responsibility without power (Peck and Tickell, 2002). Competition between places intensified and the economic importance attributed to place became pivotal for localities in developing competitive advantage (Gordon and Cheshire 2001: 137). While some places were able to capitalise on this based on exploiting favourable factor endowments, for many

localities, this simultaneously reduced their bargaining power and resulted in a "scramble of localities" (Peck and Tickell 1994: 281). Peck and Tickell's analysis underlines the transitory nature of success under this 'global regulatory order' in that success for localities was achieved at the expense of failure elsewhere and "the more vigorously localities compete with each other, the more pronounced their subordination to supra-local forces becomes" (1994: 302). For Newman (2014), both central and local government have some autonomy, although the state in a capitalist society is certainly under pressure to comply with business interests and market forces and this is a limitation on local government in a capitalist society (Newman, 2014: 55). According to Newman, the extent to which a local authority can modify the dominance of market interests will depend on its history and on the values of its councillors and residents and their ability to build coalitions to resist market-driven policies (ibid.). Therefore, alongside examining the effects of neoliberalism and territorial competition which can lead to the long-term decline of local government autonomy (Cochrane, 1993), it becomes important to also examine localism and local actors and what can be influenced through local intervention (Peck and Tickell, 1994). Uneven and contingent outcomes can be shaped by "economic, social, cultural and political context, legacies and aspirations and the agency of institutional actors" (Pike and Tomaney 2009: 24).

As discussed in Section 2.1, the scope and limits of the agency of local institutions is shaped by approaches to growth as well as the governance of uneven development. The examination of external or global forces in shaping the autonomy and agency of national and local government therefore should not detract from the role of the nation state in shaping the agency of local institutions, particularly through growth policy and the governance of uneven development. This process is described by Pike and Tomaney (2009: 29) as, local institutions and the nation state as being "integrally inter-twined […] the nation state whose agency shapes the 'variegation' of particular processes and outcomes of governance and uneven development across and between spatial scales".

To examine how local states articulate their interests relative to the centre as well as working with other localities, adjacent and further afield, in pursuit of local goals, this study will draw on MacKinnon and Shaw's interpretation of Brenner's 'New state spaces' (NSS) and the ancillary notions of 'regional armatures'- "spatialised social relationships that shape the evolution of state spaces" - and 'the politics of scale' – the links between actors and groups operating in and across different spatial scales" (2010: 1232). MacKinnon and Shaw contend that this new synthesis of state spatialities "incorporates a greater sensitivity to agency and

politics, particularly in terms of the social relations and struggles that 'form' and 'mould' particular spaces" (2010: 1232). It is worth highlighting here two aspects that have influenced MacKinnon and Shaw's synthesis of New State Spaces which, independently deserve further consideration for their contribution to untangle the role and shape of the local state, particularly at the margins: the process of 'institutional layering', often associated with excessive rounds of reform (Brenner, 2004). Also and the notion of the 'qualitative state' (O'Neill, 1997) which emphasises the diversity and multiplicity of state structures and practices (MacKinnon and Shaw 2010: 1246). In summary, examining issues of autonomy and agency uncovers factors of institutional change in the local state. However, greater autonomy does not necessarily result in greater agency, as explained in the next two sections.

2.2.3 *Geographies of the local state*

Discussions on geographies of the local state connect with theoretical debates on territorial and relational approaches to governing economic development. The different perspectives are summarised by Pike and Tomaney as "…a territorial vein that seeks to interpret 'rescaling' and the emergence of 'new state spatialities' and relational approaches whose concern is the 'unbounding' of spatial assemblages of nodes and networks of governance" (2009: 14). As articulated by Cochrane,

> "Critical to understanding conceptualisations of the local state and contemporary local government is developing an understanding of the local as a contested political and geographical category" (Cochrane 2016: 907).

In contrast to territorial accounts (e.g. Brenner, 2003; Jones et al., 2005) which depict the state as "integrally spatial" (Pike and Tomaney 2009: 15), under relational interpretations, the continued relevance of the term 'geography' and 'scale' in accounting for the new arrangements of state powers, is questioned (Allen and Cochrane 2010: 1087). Here it is argued, that the proliferation of networks (e.g. Rhodes, 1997; Martin and Guaranos-Meza, 2013) has led us to a "flat ontology" (Marston et al., 2005). Critique of relational accounts point to them providing only a partial explanation that can underplay or disregard the continued importance of the territorialities of institutions and boundaries in governing economic development (Pike and Tomaney 2009: 29; McCann and Ward, 2010).

Case studies on emerging metropolitan governance show the difficulty in ignoring issues of scale and territory in cross-border collaboration. Katz and Bradley's (2013) case study of

Denver's approach to annexation and disunity highlights the role of state laws as being an aid or obstacle to collaboration across administrative borders. The notion of networks being unable to escape the existing territorial mosaic of politico-administrative units is indicative of how relational accounts have been challenged by those that contend that regions are the product of a struggle and tension between territorialising and de-territorialising processes (Hudson, 2007; Harrison, 2012). An approach to the analysis of localities should take both approaches into account (Pike and Tomaney, 2009; MacKinnon and Shaw, 2010) in order to understand localities as "multifaceted, dynamic and contingent entities" (Jones and Woods 2013: 39). Key to this, the authors argue, are "… using the vehicles of imagined coherence and their material coherence, which collectively make a locality meaningful" (ibid: 39; see also Nelles, 2012). Research on localities should therefore be "spatially focused, but not spatially constrained" in order to understand the range of forces and actors engaged in the governance of a locality (Jones and Woods 2013: 39).

The sub national tier of government and governance has been a site of experimentation and adaptation particularly in more centralised economies without clear sub national constitutional settlements and political units, such as federal states and regions. This has led to a churn in the geographies of the local state as units of government are consolidated and divided, powers centralised and decentralised and governance mechanisms expanded and contracted. Reforms can be triggered by a mix of economic rationales, political ideals and international governance trends and are increasingly driven by new understandings of economic geographies that transcend political and administrative boundaries in order to capitalise on the economic flows of places (e.g. Bennett, 1997; Brenner, 2004). Despite an expansion of local governance and local state arrangements across administrative boundaries, and the transfer or extension of accountability arrangements to new scales, local government remains a core part of the local state, as discussed in Section 2.2.1.

The interrelation between administrative systems and economic spaces - that is the relationship between state apparatus and economic change (Bennett, 1997; O'Neill, 1997) – is central to discussions on institutions and economic development (OECD, 2012; Tomaney, 2013; Pike et al., 2015a). An important aspect to aligning economic and social change with more adaptable and flexible systems of administration (Bennett, 1997) is multi-level governance capacity and developing soft infrastructures that are organised in relation to functional economic areas rather than administrative boundaries (OECD, 2012; Tomaney, 2013). The long term changing nature of the economy has given rise to new spatial

imaginaries in economic geography (see Brenner, 2004), in particular the role of 'city-regions' and cities and metropolitan areas (Rodríguez-Pose, 2008; Katz and Bradley, 2013). This has emphasised the need for greater coordination and improved governance under a city-region framework (Hooghe and Marks, 2001; Frisken and Norris, 2001) in addition to underlining the importance of action at the local scale as a platform for competitive advantage (Jones and Woods, 2013). 'Multi-level' refers to "the increased interdependence of government operating at different territorial levels, whilst 'governance' signalled the growing interdependence between governments and non-governmental actors at various territorial levels" (Büchs 2009: 40; see also Bache and Flinders, 2004; and Jessop, 2008). Examining changes to the geography of the local state as part of a framework of multi-level government and governance reveals both the vertical and horizontal dimensions and relationships (Büchs, 2009; Hooghe and Marks, 2003).

2.2.4   Politics of the local state

There have been significant changes in the political economies of North America (Leitner, 1990; Peck, 2013) and Western Europe (Brenner, 2004; Peck, 1995) which have seen a shift in how cities are governed, coupled with the growing intensity and unevenness of inter-locality competition (Peck and Tickell, 1994; Pike and Tomaney, 2009; Brenner and Wachsmuth, 2012). This has sparked interest in the politics of local and regional development and urban politics. While the politics of the local state is not a new debate (Shaw, 1990), recent developments including the interest and development of functional economic geographies that transcend political and administrative boundaries and reductions in public finances through austerity (see Section 2.2.4) present new complexities and challenges for local actors in negotiating 'politics of scale' (Cox, 1998) in multi-level and multi-actor forms of governance.

Across nation states, local government's role in the politics of local and regional development varies. For example, compared to local government in Europe, local governments in the United States (US) are extremely active agents in the politics of local and regional development, with stakes in the growth of economies and aligned with strong and active local business interests (Cox, 2011). This is in part because in the post-war period of economic restructuring, US local and state governments adopted a more proactive role in seeking to protect and enhance the development of local and regional economies (Phelps and Wood, 2011). From this restructuring emerged a few select concepts - 'urban

entrepreneurialism' (see Section 2.3.2), 'growth machine' and the 'urban regime' – which Phelps and Wood (2011) argues grapple with the politics of local and regional development, and have sought to revitalise the study of the politics of local and regional development, however they are specific to the US context.

The idea of politics, according to Weber (1948: 78) is "striving to share power or striving to influence the distribution of power, either among states or among groups within a state". An example of the politics of territorial competition being the potential influence over important location factors (Gordon and Cheshire, 2001), another being negotiating with the central state for public resource. Cox's "politics of scale" (1998: 1) provides a conceptual lens to examine the interrelations between different sets of actors operating in and across different spatial scales (see also MacLeod and Goodwin, 1999; MacKinnon, 2011). According to this notion, local and regional actors construct 'spaces of engagement' that link them to regional, national or even supra-national institutions in order to secure their local 'spaces of dependence' (MacKinnon 2011) — areas in which their prosperity, power or legitimacy relies on the reproduction of certain social relations (Cox and Mair 1988; MacKinnon and Shaw, 2010). At the same time, drawing on Jones' (1997) notion of 'spatial selectivity' shows how from the top down, the central state can privilege certain places through accumulation strategies, state projects, and hegemonic projects.

The politics of scale can therefore be said to play out through multi-level governance arrangements. As Faguet (2013: 9) proposes in relation to decentralisation reform, "the question of multi-level governance can be an endogenous outcome of struggles among the powerful for advantage". This, he argues, can help explain the variation observed across countries in the scale of "local" or "regional" government, the authority and discretion devolved to them, and the resources they control" (ibid.). A challenge for local governments is managing these dynamics whereby, it is argued, effective local politics must operate in multiple spaces, including supra-local ones - "a politics of place beyond place" (Clarke and Cochrane, 2013: 22). This is particularly so in the context of the economic powers of globalisation and economic restructuring (Pierre, 2011).

As part of a multi-level approach to economic development, the participation of stakeholders is seen as a key element in order to make local economic development sustainable (Rodríguez-Pose and Palavicini-Corona, 2013). However, these mixed forms of governance, of scales and actors - from public agents to employers, community and voluntary

organisations, universities, and development agencies - Crouch argues, threaten to dilute the role of democratic institutions within governance systems (2011). The differences between business and government are highlighted by Bogdanor (2005: 8), "businesses, after all, had concrete and enforceable obligations to their customers. Governments, on the other hand, had to respond to a diverse range of constituents whose claims were less concrete, though in many ways far more formidable". These competing, and potentially conflicting, interests have also been described as a tension in the economic development agenda between competitiveness and cohesion objectives (Meegan et al., 2014). These new forms of local state governance, Pike and Tomaney (2009) argue, are often given normative and neutral claims with the aim that they will redress a perceived and argued political or administrative imbalance and which rarely follows a considerate, objective appraisal or intention to build on existing arrangements. These perspectives on the local state offer a conceptual framework that is sensitive to the multi-level and multi-actor framework of analysis for this study. The next section explores transformation in the local state.

2.3 General changes impacting on the local state

The preceding sections in this chapter have critically reflected on how to better understand the role of local government and the local state in local economic development, negotiating multi-scale and multi-agency frameworks of government and governance. In so doing, the analysis has identified and examined the enduring features of the local state to establish the big themes and principles that frame discussions of local government today. Four themes emerge: i) defining the relationship between local government and the local state in a new context of economic development; ii) understanding how the local state exercises agency and autonomy in relation to the central state within a framework of growth and competition; iii) to understand the territorial and relational geographies of the local state and dynamism of localities; and finally iv) the politics of the local state in negotiating multi-level and multi-actor forms of governance. Exploration of these themes is important in determining the changing role and shape of the local state.

In this section, these themes are applied to the general changes impacting on the state in the field of economic development to examine the characteristics and fundamental nature of local government. In so doing, the general changes that have shaped, and are continuing to shape, the way local economies are governed for economic development are examined. These transformations are organised into two categories in order to examine the local state implications for governance: the general changes impacting on central states and applicable

at the local level; and, how the processes of rescaling unfold at the local level. This connects with the overall aim of the thesis, which is to understand the role of local government in a changed context of multi-scale and multi-agent frameworks of government and governance, and to understand how these processes have unfolded at different levels and in different places. It is precisely understanding and explaining these variations in governance that this study is concerned with.

To analyse and interpret these general changes to the local state, they must be examined in the context of a broader state transition in the global North over the last half century, while remaining cognisant of different interpretations and approaches within individual countries (Lobao and Adua, 2011). The transition from an industrial to post-industrial economy, and from a Keynesian welfare state focused on the collective consumption of services, to a neoliberal economic system, resulted in a shift whereby the needs of capital increasingly took precedence over the wellbeing and provision of services for local inhabitants (Purcell 2013: 312; MacLeod, 2002; Jessop, 1993; Tickell and Peck, 1992). These political and economic changes, endogenous and exogenous to localities, have profoundly influenced local government and the local state's role in economic development from a post-war role largely confined to promoting local economic activity by influencing the location of companies, to intervening in the production process itself (Geddes and Newman, 1999). From a governance perspective, this can be said to illustrate a shift from welfare and state control towards the state as an "'enabler', 'facilitator' and 'commissioner' of services, in a complex web of agents involved in the development of local economies" (Bennett 1997: 333; Sullivan, 2011).

New state forms and relationships for economic development increasingly transcend political and administrative boundaries, particularly in a context where the focus of growth has shifted towards city-regions and functional economic areas (see *inter alia* World Bank, 2009; Glaeser, 2012; Rodriguez-Pose, 2008; Harrison, 2007) as engines of growth and crucial policy spaces. However, the manifestations of this wider process have been uneven and complex at the local and urban level, and compounded by increased inter-local competition for economic investment so that local authorities feel they have no choice but to create a "business friendly" climate (Purcell 2013: 312; Brenner and Wachsmuth, 2012; Osborne and Gaebler, 1992).

The following transformations of the state represent longstanding debates on the fundamental nature of government and, in turn, have implications for the local state. In a neoliberal

context, these transformations have unfolded unevenly over time and space, leading to variable outcomes in places. They are not mutually exclusive and the attributes overlap into each other. The purpose here is to examine and explain how these broader trends have impacted on, and continue to impact, the local state.

2.3.1 *'Hollowing out' the state*

Discussions on the 'hollowing out' of the state, refer to the rescaling of the nation's powers and responsibilities vertically, upwards and downwards, to supra-national institutions and local administrations respectively, as well as horizontally, to non-state actors (Jessop, 1993; Jessop, 1997). For these reasons, the notion of 'hollowing out' is reflective of a number of multi-level governance changes taking place. Claimed to provide a response to the "overloaded and bureaucratic state" of the 1960/70s (Skelcher 2000: 3), questions on the extent to which a 'hollowing out' out of the state (central and local) is occurring, are ongoing today.

Contemporary analyses contrast with original interpretations which were fixated on a transfer from national to subnational. Later interpretations focus on capturing the complexity of state activity and relations, as articulated by Brenner's 'New State Spaces' (2004; see also Rodríguez-Pose and Ezcurra, 2009) which explores the dynamics of 'hollowing out' alongside 'filling in' which addresses the reconfiguration and emergence of new arrangements and relationships in place of shifting state powers (Shaw and MacKinnon, 2011). As defined by Jones et al. (2005: 357)

> "while hollowing out refers to the transfer of certain national state functions to other scales of governance, filling in is concerned with 'the sedimentation of new organisations, the configuration of pre-existing organisations, the evolution of new working relationships between different organisations and the development of new working cultures' at these other scales."

The focus, therefore, is analysing a readjustment between different levels of government, rather than a scaling back or weakening of, particularly, the nation state's powers (Shaw and MacKinnon 2011: 28; Jessop, 2002; Goodwin et al., 2005; Jessop, 2000). As part of these governance changes, self-organising networks were seen as a way of reintegrating the 'hollowed out' state (Martin and Guarneros-Meza 2013: 586; see also Rhodes, 1994). However, this revealed a conflict between the general tendencies towards decentralisation and the centralising consequences of meta-governance (Peters, 2011). An example of 'filling

in' is what has come to be known as 'meta-governance', which refers to the way of enhancing coordinated governance by politicians in a fragmented political system, based upon a high degree of autonomy for a plurality of self-governing networks and institutions (Sørensen, 2006). The development of multilevel governance in the 1990s offered a framework to explain these changing roles and structures (Hooghe and Marks, 2001) and showed how local government interacts with different levels of government as well as other local state actors.

A central concern of 'hollowing out' has been its "spatial myopia", ignoring the reconfiguration of state capacities at scales beyond the national (Jones et al. 2005: 338). It's argued that 'filling in' focuses on the reorganisation of governance within particular territories, involving the establishment of new organisational forms or the configuration of old ones, for example, the emergence of a regional level in Europe (Jones et al., 2005; Mackinnon and Shaw, 2010). Goodwin et al. (2005: 338) argue that it is only by examining the notion of filling in that the spatially contingent evolution of governance within particular territories or regions can be appreciated (Goodwin et al. 2005: 338).

To address a more multi-scalar and complex governance environment, Shaw and MacKinnon (2011) redefine hollowing out in scale-neutral terms as "involving processes of institutional reconfiguration that diminish the capacities of, or functions exercised by, state and quasi-state agencies." However, as shown above, processes of hollowing out and filling in occur simultaneously. To understand better how 'filling in' shapes devolution and state restructuring, Shaw and MacKinnon (2011: 23) distinguish between "structural and relational forms of filling in, ensuring a clear analytical separation between structure and agency". Also, with structural filling in' referring to the establishment of new, and reconfiguration of existing, organisational forms, and 'relational filling in' involving how these organisations operate in terms of using their powers and developing links with other organisations and actors" (Clifford and Morphet 2014: 1). This allows for analysis of recalibration between local, regional, national and supranational levels – including changes to new and existing organisational forms (Storper, 1997) - and in so doing, acknowledges the linkages and relations between scales.

2.3.2 *Urban entrepreneurialism, entrepreneurial government and New Public Management (NPM)*

The transition towards entrepreneurial government practices captured the shift from the bureaucratic managerial practices of earlier decades - whereby local states operated mainly as sites of welfare service provision and collective consumption (Brenner, 2004) - towards a more entrepreneurial stance. Faced with fiscal pressures, local leaders were encouraged by central states to embrace new partnerships and develop alternative ways to deliver services (Osborne and Gaebler 1992: 17). Against this backdrop, New Public Management emerged, referring principally to reforms aimed at introducing private sector techniques and market orientations into the public sector with the purpose of improving the efficiency of service provision (Tomaney, 2007).

These changes also stemmed from a realisation that solutions to country wide problems were not just coming from the central state, but also the local level (Osborne, 1993; Brenner and Theodore, 2002). Around the same time, the role that urban areas play in the radical restructuring of places and economic activity was receiving increased attention (Harvey, 1989; Leitner, 1990). This was driven by a shift in the economic base, experienced in the US and Western Europe during the 1970 and 1980s, that resulted in de-industrialisation, transforming city and urban landscapes (MacLeod, 2002). A neoliberal agenda prevailed and local growth came to dominate urban politics and planning, leading cities to increasingly adopt entrepreneurial strategies (MacLeod, 2002; Leitner, 1990; Osborne and Gaebler, 1992). Under this framework, urban governance was seen as playing an important role in fostering and encouraging local development and employment (Harvey, 1989).

A focus on territorial competitiveness, New Public Management techniques, and cities as arenas for policy experimentation and institutional restructuring were all seen as promoting and facilitating the neoliberal cause (Brenner and Theodore, 2002). This transformation had far reaching implications for local states, including changing intergovernmental relations (Leitner, 1990; Sbragia, 1988) and also the potential to influence macro-economic dynamics (Harvey, 1989). However, competition with other cities assumed primacy over distributional issues in urban policy-making and became the new basis for growth (Harvey, 1989; see Macleod (2002) for a detailed discussion of the drivers. This left European cities confronting sharpening inequalities and entrenched social exclusion (MacLeod, 2002). NPM arguably compounded these disparities by not accounting for equity of provision, complicating the joining up of institutions at the local and regional level, and raising questions of legitimacy and democratic accountability by removing decision making from political structures

(Tomaney 2007 – see article for an in depth review of NPM). A critical perspective on urban entrepreneurialism indicates,

> "not only its negative impacts but its potentiality for transformation into a progressive urban corporatism, armed with a keen geopolitical sense of how to build alliances and linkages across space in such a way as to mitigate if not challenge the hegemonic dynamic of capitalist accumulation to dominate the historical geography of social life…"(Brenner and Wachsmuth 2012: 201).

In the recent context of the financial crisis, it is argued that the profound failures of the market have tended to undermine any confidence in ideas such as those of NPM, which depend on the market, but as yet there seems to be no clear alternative (Peters et al., 2011). Alongside NPM, a move to entrepreneurial government practices has had a profound effect on the role and shape of local government today. A key defining feature of NPM and entrepreneurial government approaches were that they triggered a reconfiguration of intergovernmental relations as forms and functions were redefined, set in the context of 'a revival of the local' (Brenner and Theodore 2002: 341). Brenner (2004), suggested that the changes occurred in three basic forms. Firstly, in the face of increasing budgetary constraints, local states privatised or contracted out; second, local states sought subsidies to promote economic regeneration through nationals and/or European industrial and sectoral programmes; third, local states often in conjunction with regional state governments in federal governments, introduced a range of new policies to promote local economic growth (Brenner, 2004; Eisenschitz and Gough, 1993).

An entrepreneurial government - that is one that, among other things, generates self-finance, embraces participatory management and catalyses all sectors into action (Osborne and Gaebler, 1992) – is still an aspiration today, albeit in a changed context with new pressures and challenges. As mainstream policy discourse accentuates 'entrepreneurial' paradigms and the importance of exploiting the competitive edge of the city-regional scale in economic development strategies (OECD, 2006; 2007), there is pressure on local authorities to 'cope and compete' (Nelles, 2012; (Hulst and van Montfort, 2007; Brenner and Wachsmuth, 2012). In the same thrust as Peck and Tickell's search for a new institutional fix and Harvey's call to address uneven development (1989); Brenner and Wachsmuth (2012: 201) ask whether localities can escape from the competitiveness trap to which they apparently have been consigned over three decades of worldwide geoeconomic and geopolitical restructuring.

This raises questions on the ability of localities to influence macro-economic dynamics (Harvey, 1989) that impact on local outcomes. For the competition of localities, "the more vigorously localities compete with each other, the more pronounced their subordination to supralocal forces becomes" (Peck and Tickell 2008: 304). Local government today is one actor amongst several, both state and non-state, competing for resources for developing local economies, at multiple scales i.e. within a functional economic area, neighbouring region, nationally, supranationally. As the system of neoliberalism is deemed unsustainable as a mode of regulation (Kiel, 2009), what becomes of the market driven approaches and practices that drive the governance of local economic development, particularly in the context of uneven development.

2.3.3 *From government to governance*

Examining whether there has been a shift in neoliberal societies from government to governance, through public sector reforms, can also be viewed as a subset of discussions on the 'hollowing out' of the state (Rhodes, 1997; Bevir and Rhodes, 2003; Jessop, 2004). The 'government to governance' debate moved thinking on from the mainly efficiency-led proposals of New Public Management (NPM) during the 1970s and 80s (Tomaney, 2007), to a set of ideas which stressed the importance of involving a range of social actors in the process of governing (Pierre and Peters, 2000; Peters, 2011). The objective being to enhance democratic participation in making and implementing decisions, alongside promoting efficiency (Peters 2011: 6; also Kjær, 2004). However, despite the proliferation of local governance arrangements in local economic development and the premise of a more efficient and consultative approach to governance, the impact of the emergence of local governance is unclear, with no necessary association between the emergence of local governance and any increase in local autonomy (Lowndes, 2009).

In the field of public administration and public policy, governance can be said to refer to "self-organizing, interorganizational networks characterised by interdependence, resource-exchange, rules of the game, and significant autonomy from the state" (Rhodes 1997: 15). This contrasts with local government which is a formal system of government that takes place within administrative and political boundaries and involves statutory relationships between politicians, professionals and the public (Guarneros-Meza and Geddes, 2010). In Western democracies, the governance changes advanced under neoliberalism have given rise to more pluralistic forms of governance, based on the interactions of a range of political actors, aside from the state (Kooiman; Bennett et al., 2005). The term 'governance' is used to

describe the "broader coalition of forces" in economic development (Harvey 1989: 8), which represents the state and non-state actors that make up the local state. Whilst local governance can be said to represent a looser process of steering localities in contrast to the more formal system of local government, these networks can become formalised into structural arrangements, for example, partnerships (Guarneros-Meza and Geddes, 2010).

The debate on the extent to which we have witnessed a shift from government to governance requires consideration of a number of aspects. Often examined as opposing arguments (Rhodes, 1997; Koch, 2013), examining the relationship between the two provides useful insights on the role that government can/does play in governance arrangements, explicitly and implicitly, and in a supportive and constraining sense. The two approaches are defined as traditional modes of government and new forms of network-based interactive governance (Klijn 2008) and between type I and type II governance (Hooghe and Marks, 2003). Implicitly or indirectly, the influence of government can extend through the 'shadow of hierarchy', in the external and self-steering of networks can be explained through the term 'meta-governance' (Jessop, 2004). This refers to different forms of coordination and self-organisation and the way in which "governments (and other organisations) may seek to initiate, facilitate or constrain network processes" (Klijn and Koppenjan, 2012; see also Jessop, 2004). Here, the state is no longer sovereign authority, it becomes just one participant among a pluralistic guidance system (Jessop 2004: 71; Fenwick et al., 2012). More explicit involvement by government can be seen as instrumental in establishing and mobilising partnerships through an 'external' or 'soft' steering role (Martin and Guarneros-Meza, 2013: 585), which also extends the capacity and realms of government (Fenwick et al., 2012: 417).

In considering the role of local government in new governance structures, drawing on research by Aars and Fimreite (2005), the interplay with emerging network structures can raise questions on the democratic quality of network governance if network decisions are not open to public scrutiny. They also highlight that in moving towards local governance arrangements, democratic control is difficult to achieve even if local councillors are represented as local councillors may deliberately deprive themselves of influence over important policy fields or because networks develop decision-making styles that shield them from external political control (ibid.).

The involvement of government in governance arrangements leads some to suggest that rather than a shift to governance, we are witnessing a "path to government" (Koch, 2013) but

through multiple scales and agents. The aftermath of the financial crisis reveals constraints for both state and non-state actors in governance arrangements, however, Pike et al (2010) suggest that the crisis is pushing the state back into the centre stage in economic development.

2.3.4   Austerity

The general changes outlined above show how aspects of neoliberalism – in particular the reorganisation of state responsibilities and scale and promoting the territorial competitiveness of places - have profoundly influenced the role and shape of local government and the economic development governance of localities, in multi-agent and multi-scalar ways. The Global Financial Crisis in 2008 and ensuing recession experienced by a number of countries in Europe, resulted in a substantial deterioration of public finances and restricted the ability of governments to generate revenues at a time when spending needed to increase; a concoction referred to as "permanent austerity" (Schäfer and Streeck 2013: 1). The marked a shift away from the tax and debt Keynesian economy to an austerity state (Blyth, 2011). The austerity approach involves cutting the state budget to promote growth, a logic underpinned by the belief that cutting the state's budget, debts, and deficits, would restore competitiveness and inspire business confidence (Blyth 2013: 2). For an in-depth review of austerity see Blyth (2013) and Schäfer and Streeck (2013).

Despite the common characteristics of austerity as a policy approach, individual countries have developed their own interpretations and priorities. The most draconian measures to address the public deficit have been witnessed in Western Europe through public sector reforms, in Greece, Spain and Portugal and in England with the removal of the regional tier and rescaling of funding cuts to the local level.

Austerity policies have had a direct impact on the role and shape of local government. In England, the pressure on public spending and push to reduce the deficit whilst still pursuing growth has led to a scaling back of public expenditure as well as simultaneous decentralisation and centralising of functions and responsibilities. However, this is not simply about reductions in public expenditure, but "profoundly political choices about the future character of the state, with uneven implications for cities and regions" (McCarthy et al. 2012: 127). Whilst there is sporadic evidence of discussions of these choices taking place, they don't mirror the scale and pace of cuts to expenditure.

Where does this leave local government? Some see an enhanced role for local government in its unique position of preserving the social safety net. Rather than a rolling back of the state, Lobao and Adua (2011) prescribe a recalibration of state levels whereby local government may be required to fill the gaps left by higher levels of government. Similarly, Sullivan (2011) argues that local government's "logic of care" is important and relevant to "governing the mix" of actors and interests at the local level, as well as having a symbolic role in articulating and representing a democratic and local government of the future (Sullivan 2011: 81-82), and focused on intergenerational outcomes.

In the harsh light of austerity, the nature of intergovernmental relations and politics of austerity are revealed. In the aftermath of the financial crisis, the capacity and capability of local government alongside discussions of governance is a critical issue. While it is suggested that the financial crisis has only exacerbated the long-term shrinking of the room that governments have to manoeuvre (Schäfer and Streeck 2013: 2); austerity can be argued to have reduced the agency and autonomy of local governments through a nationally determined and executed approach that manifests in spatial, scalar and temporal ways (Meegan et al., 2014).

Instead of sparking an alternative economic model to challenge the uneven effects of neoliberal policies, the crisis is seen to reinforce and even accelerate a tranche of market-oriented policies which position cities on the frontline (Peck, 2012; Warner and Clifton, 2014). The city is therefore a significant level of geography at which to examine the economic, political and social implications of austerity (Donald, 2014; also Peck, 2013). Approaches to austerity are seen to reinforce neoliberal tendencies of helping the strongest first (The Economist 201: 1). This can be seen in the uneven spatial impact of the distribution of cuts, the reconfiguring of intergovernmental relations and the pace at which cities are able to bounce back and return to growth and employment. In the US, Peck describes the "renarration of the financial crisis" (2014: 20) in the form of local state failure, where the costs and responsibility for the crisis are redistributed to the lowest tiers of government. There is growing evidence of the effects of austerity in the US and in the UK as illustrate in this quote,

> "The devolution of austerity is driving a deep wedge between those cities that can feasibly go it alone and those that, by virtue of local economic frailty or high poverty rates, have no real option but to downsize municipal government and retrench public services" (Peck 2012: 633).

As noted by Meegan et al. (2014), those with more buoyant and resilient local economies will reinforce their position at the expense of those in which economic restructuring is a long term challenge. For local governments and local state actors carrying out economic development, there is arguably a greater imperative for local government to work with stakeholders to develop new funding and delivery models and respond to further government downsizing and privatisation. This presents a conflict in the shape of reductions in local government spending and the desire to promote local economic development, especially in large cities (ibid.). Furthermore, the extent to which economic development represents a statutory obligation rather than a discretionary service will determine the approach taken. In summary, this section has show the different ways that local government is important in the local state in the context of restructuring and transitions.

2.4 Decentralisation and rescaling the state

The preceding section has shown how, in a global neoliberal framework of growth (Brenner and Theodore 2002: 14; also Leitner et al., 2007), general changes to the state have shaped and, in some instances, are continuing to shape the characteristics and nature of local government. These general changes – affecting mostly Western states and post-industrial economies – can be described as promoting neoliberal objectives. Economic development is a relevant area to examine these state transformations over time given the enhanced post war role of the local and sub national level. The state transformations are explained by broader theoretical debates on the role of the state in the economy and encompass diverging perspectives and interpretations. Following the global financial crisis, national and local states continue to make budget cuts in austere times, contributing to a number of common themes emerge from the transformations of the state, relating to the relationship between central and local government, the relationship with other non-state actors in the field of economic development, and restructuring of the state. The extent and impact of these general changes is very difficult to assess as power shifts are multi-directional – there may be a simultaneous withdrawal and extension of the state by new forms and means - and have unfolded differently in different places. One way of analysing this further is to look at the processes of state rescaling and decentralisation to understand how and why these changes take place, as institutions and governance are increasingly recognised as mechanisms to achieve policy objectives (Barca, 2009; OECD, 2012).

This section explores the processes of decentralisation and state rescaling as an outcome of these state transformations, and also as a result of the interplay between state actors at different scales. They are the levers that enable the restructuring and adjustment within the general changes to take place. There is broad accordance in the literature of a general trend towards decentralisation and the rescaling of the state (see inter alia Rodriguez-Pose and Gill, 2005; Pike and Tomaney, 2009; Peck, 2012), influenced by international trends towards more powerful cities and regions within nation states, and advocacy for these ideas from international organisations such as the Organization for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF), and the World Bank. However, individual nation states construct their own interpretation based on a mix of political ideals, constitutional frameworks and the extent of the political support for transformation. Furthermore, the true extent and impact of the processes, in addition to spatial variations, sparks much debate, particularly on its uneven nature within a framework of territorial competition (Pike and Tomaney, 2009). As with the state transformations, the approach and pace of change for rescaling processes may differ *between* countries, but also importantly *within* countries. The competitive environment for local economic development see localities negotiating and drawing up contracts with the central state for increased freedoms and flexibilities, for example 'City Deals' in England (Ward, 2017) and proposals for Collaborative Federalism in the US (Katz and Bradley, 2013). The changing shape and role of the local state and its contribution to economic development is therefore best viewed through a lens which examines the broader political and economic processes of decentralisation and state rescaling.

In setting out to examine state rescaling and decentralisation, there are methodological challenges to consider, not least the relationship between the two (Büchs, 2009; CJES). Vertical rescaling can be examined as decentralisation and Lobao et al. (2009: 7) in their article discuss the idea that state rescaling itself can be interpreted as 'cyclical variations in decentralization'. In this chapter they are examined separately to explore the issues at the local level and then in a multi scalar context to look at how they unfold across different places. In analysing changing institutional landscapes in contemporary capitalism the literature on decentralisation and rescaling is fraught with "many open theoretical, interpretive, methodological and empirical questions" (Brenner, 2009). This requires interpretation to take into account contextually specific circumstances as well as a sensitivity for how place is interpreted, in territorial and relational ways.

2.4.1 *State rescaling*

The rescaling of state power refers to the transfer of certain functions and responsibilities between the different territorial levels of state organisation (MacKinnon and Shaw, 2010). Rescaling can occur horizontally – across non-state actors (Büchs, 2009) – as well as vertically, through a more traditional command and control structure. Whilst individual nations determine their state rescaling approach, neoliberal globalisation and world market integration are seen as having a huge influence on global dynamics and the rescaling of economic and political relations (Jessop, 2009; 2001; 2001).

An influential contribution to the state rescaling literature, Brenner's 'New State Spaces' – from a strand of literature on the importance of emerging scale in the global economy (e.g. Cox and Mair, 1991; Harrison, 2007) - shows how under contemporary capitalism the state has reconfigured its spatial and organisation structures to maintain control over urban and regional development (Brenner, 2004; Harrison, 2014). This demonstrated that rescaling of the state signalled a shift from questions of socio-spatial to the promotion of local and regional development (Cox, 2009) and challenged earlier accounts of the demise of the nation state (Jessop, 2002). Whereas the notion of hollowing out explored the erosion of the sovereignty of the nation state, it is argued that the notion of rescaling can be used to extend the insights on hierarchically structured institutional arrangements and provide a counter-narrative to the arguments of state decline or erosion during the 1980s and 90s (Brenner, 2009). Reflecting on his contribution, Brenner (2009) cautioned against overstretching the notion of rescaling to encompass state space as a whole and highlighted state rescaling as "one of the most prominent examples of rescaling - the others being the rescaling of capital accumulation, the rescaling or urbanization processes and the rescaling of contentious politics" (ibid: 125).

There are a number of defining aspects that shape state rescaling and have implications for the local level, notably, determining scale itself, territorial and relational approaches to rescaling, and economic and political rationales for rescaling. Viewing localities as dynamic entities in order to reflect and capture new geographies beyond territorial boundaries, reinvigorates questions of how to study scale itself and determining the right scale for intervention in development (Lobao et al., 2009; Marston et al., 2005; Moore, 2008). A dynamic view of localities, as "multifaceted and contingent entities" (Woods and Jones, 2013) challenges conventional notions of scale (*inter alia* Marston, 2008; Allen and Cochrane) as well as the underpinning assumptions and objectives of decentralisation and

rescaling. To address this, Cox (2009), Keating et al. (2009) and Pike and Tomaney (2009) argue for a greater need to integrate the material or territorial approach with more relational accounts that take into consideration the fluidity of scale and its cultural construction by state actors (Lobao et al., 2009).

The literature on state rescaling has mostly been presented in a context of territorial approaches to local and regional development (Pike and Tomaney, 2009, Brenner, 2004). Because of this, some writers contest the relevance of this approach in a multi-level governance context (inter alia Barnett, 2013; Allen and Cochrane, 2007; Painter, 2006). An example of applying an integrated or 'qualitative state' approach (Pike and Tomaney, 2009) - rather than viewing this in the confines of either territorial or relational approaches - would see the process of "deterritorialization" of geographically bounded entities (scales) resulting in the state losing the power of structuring political action, then allowing new modes of governing to emerge that "reterritorialize" around functional economic spaces (Koch 2013: 400; see also Cox, 2009; Leitner, 2004; MacLeod and Goodwin, 1999). This shows that networks help construct and contest scales and (re)configure scalar relations and in turn, scalar structures construct and contest networks. Interurban networks may help strengthen the power of the local (urban and regional) scale vis a vis the national and supranational scales, thereby contributing to a reconfiguring of scalar relations" (Leitner 2004: 250).

However, an examination of scale on its own may not be enough to explain rescaling outcomes (Jessop, 2009; Jessop, 2004) that are also determined by political struggles, actors and interests (Le Galès 2006: 719;). Le Galès argues that the rescaling paradigm is based on strong economic determinism which leaves hardly any room for political agency, choice and struggles (ibid.). From the perspective of cities and rescaling, Harrison (2015) stresses the need to deepen our understanding of both the economic and political processes underpinning the contemporary urban condition. In the context of the rescaling of capital accumulation he cites the following political factors – centrally orchestrated state strategies to promote transnational investment in major urban regions, governmentalised mapping of state spaces, the political-construction of a hierarchy of cities and urbanised regions within national and international circuits of capital. The result of this is a mismatch of functional and political territories that forms an obstacle for metropolitan governance (Koch, 2013). Political conflict therefore shapes outcomes so that they may become contested and contingent on a number of political interest. When interpreting the politics of governance, in contrast to a *functional* perspective where governance changes appear as uncontested political decisions, an

institutional perspective considers the complex political dynamics (Nicholls, 2005; Koch, 2013) and illustrated in Figure 2.1 below.

Figure 2.4. Theoretical perspectives on Governance Change

Theoretical Perspectives on Governance Change

	Functional Perspective	Institutional Perspective	Constructivist Perspective
Conception of governance	Incentives for collective action with problem solving function	Rules and norms that enable/ constrain political action	Norms and practices of political steering and integration
Mechanism of change	Exogenous shocks that transform actors' interests and system needs	Endogenous incremental change (reactive sequences) shaped by preexisting institutional template	Political dilemmas and new beliefs altering the political opportunities for governance reforms
Key issues	Technological and economical change; the functions a certain governance mode performs	Path dependence; sequentiality of change; deterministic properties of sequences	Discursive construction of crises; narrative conjunction between exogenous and endogenous processes

Source: Koch, 2013, adaptation based on Hay (2006), Mahoney (2000), and Schmidt (2010).

According to Bevir (2004) governance reforms are shaped by the way political institutions interpret exogenous developments in terms of political dilemmas and how they relate them to their institutional context (i.e. traditions) and their beliefs. The relationship between forms of state governance and patterns of uneven development is described as "contentious" (Pike and Tomaney, 2009). However, despite this, there is a growing body of evidence that points to strong institutions at the relevant scale as best placed to address interregional disparities and uneven development (OECD, 2012; Tomaney, 2013). In the wake of the Great Financial Crisis and response by some national governments to implement programmes of austerity there is greater attention devoted to examining the socioeconomic implications of territorial rescaling and state restructuring (Sullivan, 2011; Donald et al., 2014; Peck, 2012).

As mentioned above, state rescaling is influenced by globally specific conditions – a neoliberal framework of growth - as well as national level factors which include political interpretations and constitutional frameworks, but also local factors such as capacity and political will for transformation. Therefore, despite broad trends, there are spatial and scalar

variations in state rescaling across countries and localities. What role does state rescaling play in uneven development? In his critical focus on the state rescaling literature, Cox argues that unlike in the US which is radically more decentralised, the significance of state rescaling in Western Europe has been exaggerated and geographically uneven (2009). Rather than rescaling of the state as a response to globalisation and geographically uneven development, Cox sees a role for a politics and representation that is sensitive to questions of scale in the context of local and regional development. At the urban scale and concerning rescaling of the city, Harrison (2015) draws attention to growth divergence among cities within national urban systems, and the role of states in reconfiguring their institutional form in the face of these global and national challenges that shape these 'new territorial dynamics and politics'. In the context of geographically uneven development, just as Cox asserts the need to engage in the politics of scale; the politics of austerity also need to be negotiated. Austerity is seen as paving the way for new rounds of fiscal discipline, local-government downsizing and privatisation – factors some attribute to 'devolved neoliberalism'. The explicitly spatial rescaling involved in many cities' pursuit of austerity measures raises important questions of place, space and the politics of contraction (Donald et al., 2014).

Lobao and Adua (2011) argue that, based on their empirical research on local government in the US, the austerity impact on the state is that state functions tend to be rescaled territorially with subnational governments "assuming greater roles in economic growth and redistributions", which chimes with Sullivan's (2011) idea of local government continuing to 'govern the mix'. However, closer examination of the effect on cities suggests that "the forces of globalisation and subsequent state rescaling have left many municipal authorities with increasing responsibilities but without fiscal capacity to deliver essential public services" (Donald et al., 2014). To tackle local variation in responses to austerity, empirical research in different types of cities suggests that stronger institutional infrastructure, governance coalitions and community solidarity can position municipal governments to cope better during challenging economic and fiscal times (ibid.).

If we also recognise that contemporary processes of state restructuring were crisis-induced and that the state is therefore a key architect of the process of geoeconomic integration (Harrison, 2015); in order for the state to design effective governance, there is a requirement to "reflect on the nature and multiplicity of relations that compose contemporary political economies and their potential relationship to state rescaling processes" (MacLeavy and Harrison, 2010).

Where does this leave local states and localities in determining and shaping the outcomes of state rescaling? From theoretical and empirical analyses, the process of state rescaling is predominantly centrally determined and instigated (aside from state rescaling motivated by cultural or identify factors i.e. Northern Italy) but can also be influenced and shaped from the bottom up and arise through moments of conflict or crisis. As shown in Brenner's New State Spaces, there is continued significance of the central branches of the state in the politics of geographically uneven development (Cox, 2009) through strategies such as metagovernance and external steering.

Despite extensive research in this area, there remain methodological limitations (Lobao et al., 2009; Brenner, 2009; Cox, 2009; Pike and Tomaney, 2009), perhaps most notably, while the study of state rescaling must be guided by theory, overall it remains a highly empirical question - the meaning and significance of state-rescaling processes are highly contextually dependent, particularly across nations. Understanding the fluidity of state rescaling processes is a key methodological challenge (Pike and Tomaney, 2009). Furthermore, understanding local context and agency is important in order to account for local adaptations and variations within an overarching neoliberal framework (Brenner, 2002; Lobao and Adua, 2011; Leitner, 1990).

2.4.2   *Decentralisation and the local state*

Political and administrative decentralisation to a variety of spatial scales, is one of the most important global trends in government and governance (Tomaney, 2013: 1; Faguet, 2013; see also Rodriguez-Pose; Cox, 2009). Over the last few decades, there has been a transfer of powers and resources from superior to lower tiers of government (Rodríguez-Pose and Gill, 2005; Schneider, 2003; Peck, 2012), which is changing systems of governance that also seek to establish political legitimacy and accountability at the relevant scale.

Using Faguet's definition, "decentralization [is] the devolution by central (i.e. national) government of specific functions, with all of the administrative, political, and economic attributes that these entail, to regional and local (i.e. state/provincial and municipal) governments that are independent of the centre within given geographic and functional domains" (2013: 2). Whilst this is a comprehensive account, it represents an absolute scenario where in fact the reality tends to be more nuanced, contested and contingent.

In contrast to 'top down' approaches to decentralisation which mostly advance efficiency arguments, 'bottom up' motivations for decentralisation are varied and can include the search for self-sustaining systems of improvement based on increased choice for individual service users and increased voice for neighbourhoods and local communities (Bennington, 2006: 8; Newman, 2014). A view criticised as utopian by Harvey (2000). More recently, governance discussions point to an enhanced role for the citizen, thereby requiring new models of governance. In relation to democracy, decentralisation is usually promoted in order to foster more active citizenship, improve the accountability and responsiveness of the ward councillor (Lowndes 1992: 60) and provide new pathways for participation and partnership (Sullivan and Howard, 2005; Newman, 2014)

Decentralisation comes in many forms, has a wide diversity of meanings (see CURDS and LSE, 2011 for an in depth review and analysis). Worth noting here is: that this process is not one-directional and can represent a centralisation of powers and responsibilities as well as decentralization; the three main types of decentralisation are fiscal, administrative and political (Treisman, 2007); and the transfer of responsibility is not always matched with the overall policy responsibility and financial resources (Bennett, 1997). Furthermore, the empirical analysis does not "unambiguously" corroborate the claims of a positive effect of decentralisation on economic performance (Rodríguez-Pose and Ezcurra, 2010). For these reasons, there is little agreement about what constitutes an example of decentralisation, what causes decentralisation, or what effects it is likely to have (Schneider 2003: 32-33; CURDS and LSE, 2011).

Decentralisation directly links state action with spatial scale through the transfer of state activities that contribute to the growth and redistribution functions of the nation state (Lobao, 2009). Questions about decentralisation are therefore situated into broader debates about the relative decline of the nation state, the rise of neoliberal governance, uneven development and variations in the welfare state. Since growth and redistribution are core functions of the nation state, attention also is given to theorising how economic development (Pike and Tomaney, 2009) and social welfare activities (Scarpa, 2009) are reallocated to subnational states (Lobao, 2009). A focus on decentralisation frames central political economic and governance questions in light of spatial scale (ibid).

Despite the shift of powers and responsibilities from the central to local state and in some instances to new scales at the regional or metropolitan level; it is suggested that claims are

exaggerated and evidence is thin (Cox, 2009). As with processes of rescaling, decentralisation is context specific and varies across nations but and also within nations. The decision to decentralise is not a uniform process and, as shown in the previous section, it can also mask aspects of centralising, therefore it can be described as "both a resource and a threat for local government and for the economic performance of the system as a whole" (CURDS and LSE 2011: 25; Rodriguez-Pose and Gill, 2005). Particular states may, for example, give differing weight to specific forms of decentralisation, administrative or political, and design them in particular ways with mechanisms that can encourage or inhibit the capacities of institutional actors (Pike and Tomaney, 2009).

It is suggested that, for the majority of countries, the question is not whether to "decentralise or not", or even opt for a specific decentralisation model, but to look at ways to improve capacity and coordination among public stakeholders at different levels of government to increase efficiency, equity and sustainability of public spending (Charbit, 2011). This question of "multi-level governance", it is argued, is therefore applicable whatever the constitutional framework of countries, for example federal or unitary (Charbit, 2011). However, there are significant variations in the interpretation (form) and process adopted by national contexts and role of different spatial scales (CURDS and LSE, 2011).

For local states, the degree of decentralisation is dependent upon a range of factors, some which need to be externally demonstrated, such as structures for accountability and legitimacy, but also internal factors such as determining capacity and capability, negotiating institutional politics, and building partnership capital. This is particularly so for the more significant fiscal and political types of decentralisation. From the centre, there is greater importance placed on (top down) governance mechanisms and structures of accountability than on (bottom up) issues of capacity and capability, and trust and institutional stability, as witnessed in the variation of institutional and local responses. In an austerity context, Peck (2012) highlights "competitive decentralization and continued institutional attrition at the local scale" as some of the key challenges for the most heavily impacted locations. Furthermore, Peck argues that there is a central state lack of understanding of the impact of decentralised austerity on the functioning and provision of state services overall.

2.4.3 *The state at different scales*

The preceding sections on rescaling and decentralisation have shown how, despite a strong rhetoric on devolving powers and responsibilities to lower levels as a means to improve local

growth outcomes, outcomes are uneven and unclear. As part of a variegated picture of the development of regions and localities, places adopt different approaches to decentralisation and rescaling between nation states and well as within nation states. Furthermore, approaches to decentralisation and rescaling often do not represent a one way shift but instead conceal a reconfiguring that can mean greater centralisation and disempowered local level. In a framework of territorial competition, local states that are able to exercise autonomy and agency may have greater success in influencing outcomes at the expense of other areas. This section examines those important relationships between state actors at different scales and how these relationships can be used to influence decentralisation and rescaling outcomes/capabilities deployed.

Notwithstanding the hegemony of market fundamentalism and neoliberalism (Leitner, 2007), rather than a rolling back of the state, the state – at central and local level - is continuing to exercise control through new governing and governance approaches. The preceding sections have shown that the state at the central and local level continue to have an active and important role in local economic development but through different governance forms and approaches. Examining the processes of rescaling and decentralisation of state powers and responsibilities across nations reveals an uneven picture of multi-level and multi-agent arrangements. In the context of territorial approaches to growth and development there are a number of important scalar relationships that the local state navigates by requirement and selectivity. Examining these relationships can build a better understanding of how rescaling and decentralisation are taking place and what the local response is. These are:

- centre-local – the relationship between the central and local government
- local-local – the relationship between different local governments and local actors that share contiguous political and administrative boundaries
- trans-local – the relationship between local governments and local actors that transcend political and administrative boundaries within (and across) countries, for example, for economic or cultural benefits

On reflection, it becomes increasingly difficult to separate out the actions of state actors in increasingly multi-agency and multi-scale frameworks of government and governance. Unelected and technocratic organisations set the agenda as well in terms of the nature of these relationships, and include hard and soft institutions. A critical axis for local economic development is the relationship between the local state and the nation or federal state. The central state is responsible for setting the policy and funding framework within which the

local state operates and in order to achieve both local and national growth outcomes. Of particular interest here is how well the local state articulates and mobilises its interests relative to the centre to pursue local growth outcomes. Noting also a tendency to assume that the local scale is preferable to other scales – the 'local trap' (Purcell, 2006). Receiving less attention is how to best to analyse interrelations and the contracts between different levels (Mitchell-Weaver, 2000).

Local-local relationships refer to the increasing interactions and collaborations across political and administrative boundaries, mostly driven by urban and metropolitan areas. Of interest here is how well does the local state work with adjacent (contiguous) and sub national scales horizontally. Trans-local relationships refer to the ties that bind local areas at a sub national level and explores how the local state works beyond boundaries and horizontally across the sub national scale. This can include international and cross border collaboration. Examples of ties here include networks of cities and/or policy learning, industry/specialism groupings.When examining collaboration across boundaries it is important to consider the different types and nature of relationships within frameworks of government and governance.

The purpose of this chapter was to ground the study in the literature and explore existing conceptualisations and their limitations in order to develop a theoretical framework for the research. First the chapter explored the contemporary relevance of examining the role and contribution of local institutions in economic development, citing the different growth paradigms that shape theories on the contribution of local institutions to economic development and particularly in the context of addressing uneven development (2.1.1). Within this body of literature there is a gap in understanding – which this study seeks to contribute to – on the qualities and capacities of political institutions in economic development (2.1.2) and understanding the different roles and functions that political institutions perform (2.1.3). The theoretical framework for this study draws on these existing conceptualisations and definitions of the local state across a number of general changes (sections 2.2.1-2.2.4) and in the context of transformations in the local state to date (sections 2.3 and 2.4) to explain how and why changes to sub-national government and governance have unfolded unevenly across scales, places and actors.

2.5 Research framework and questions

The literature review explored conceptualisations and transformations of the local state in order to ground the study and develop a theoretical framework to guide the research. This

showed that, first, there remain limitations in the theory and understanding of institutions and the difference they make (Tomaney, 2013) and particularly at the local level (Pike et al., 2015). Second, a qualitative research approach can help to explain "*which* institutions, *when* they matter, and precisely *how* they shape growth" (Farole et al. 2011: 59, emphasis in original). Third, examining interactions between institutions and economic development requires exploring different geographic scales (Gertler 2010: 5-6). Lastly, a better understanding of the qualities and capacities of local political institutions can provide insight of how political factors shape incentives for economic action (Tomaney, 2013).

The theoretical framework (see table 2.4 below) provides the bridge between the literature review, research gaps identified and resultant research questions, and is summarised in the table below. First, it identifies the main themes from the review of literature on the local state and economic development, which reflect multiple and some opposing arguments. Second, a proposition (or emerging hypothesis) is developed to be explored through the empirical research, to provide insight and explain the differentiated growth of cities and localities. Third, research questions guide the study. A summary of the theme and proposition connecting back to the literature, is discussed below.

The first prominent theme identified from the literature on the local state and economic development, was the autonomy and agency of the local state in relation to approaches to growth and competition. Specifically how, under neoliberalism and variegated capitalism, local states have used their agency and autonomy to influence territorial competition and growth outcomes. The literature discussed a trend for greater autonomy for localities to pursue economic development driven by processes of globalisation, urbanisation and centralisation (Rodríguez-Pose and Palavicini-Corona, 2013) but also with political and economic constraints on local government in a capitalist society (Cockburn, 1977; Amin, 1999; Newman, 2014). As part of these broader trends and processes, place has become pivotal for localities to develop competitive advantage (Harvey, 1989; Gordon and Cheshire, 2001) at the same time as growth divergence is occurring between cities in national systems (Harrison, 2015). However, growth under neoliberalism has increased competition between localities reflecting their subordination to market-driven forces, and with success achieved at the expense of failure elsewhere (Peck and Tickell, 1994). New and dominant approaches to local and regional development such as Urban Economics and New Economic Geography (World Bank, 2009; Glaeser, 2012) have shaped the type of institutions and governance at the city and metropolitan level, and accentuated 'entrepreneurial' paradigms and territorial

competition (Brenner and Wachsmuth, 2012). This has occurred at a time when many municipal authorities have increased responsibility and reduced financial capacity (Donald et al., 2014).

The second theme identified from the literature was on the type and nature of decentralisation being implemented and the political factors that shape this. This referred not only to the type of responsibilities and powers being decentralised, but to also understand how it was implemented in terms of the process and politics and in response to different objectives. The study draws on academic work that has examined the nature of decentralisation and provided a finer-grain account of the different types and forms (*inter alia* CURDS and LSE, 2011; Rodríguez-Pose, 2010) and relationship with state rescaling (Lobao et al., 2009). North's (2005: 57) discussion of the "primacy of politics" in economic decision making provides a lens to examine how and why decentralisation takes place, noting that decentralisation can be designed to encourage or inhibit the capacity of institutional actors (Pike and Tomaney, 2009). Also recognising that power does not necessarily follow responsibility (Peck and Tickell, 2002). The work by Sullivan (2011) and Lobao and Adua (2011) on the role and purpose of local government in a decentralised and austere context provides a broader perspective on what local government is for as powers and responsibilities shift between scales. The research will examine and explain decentralisation changes and their local impact to make explicit political choices that have shaped the outcome for institutional actors in places.

The third theme focuses on horizontal coordination and capacity to examine and explain the interaction and collaboration between different local actors in the city-region for economic development and how this could explain differentiated governance and growth outcomes across places.The literature showed that while the benefits and challenges of coordination versus fragmentation of governance have long been debated (Eisenschitz and Gough, 1998), coordination in a multi-level governance context is generally thought to improve governance outcomes (Hooghe and Marks, 2003; Büchs, 2009) across functional economic areas ((Nelles, 2012; OECD, 2012; Katz and Bradley, 2013; Ahrend et al., 2014). This theme is concerned with the institutional environment and arrangements (Martin, 2000) or institutional regime (Pike et al., 2015) of places in order to explain differentiated growth and governance outcomes. The study focus on local government in the local state draws on discussions of both territorial and relational approaches and the continued importance and relevance of the territorialities of institutions and boundaries in governing economic development (Pike and

Tomaney 2009: 29; McCann and Ward, 2010) and the associated struggles and tensions (Hudson, 2007; Harrison, 2012). This takes the view of Jones and Woods 2013: 39) that localities are "multifaceted, dynamic and contingent entities" and governance reforms therefore interact with the institutional context of localities and in the spatially contingent evolution of governance.

The fourth theme is vertical coordination and centre-local relations in order to examine this the interdependence between levels of government and governance actors at different scales and how centre-local relations have shifted under a vision of decentralisation and localism. The renewed focus on cities and city-regions has seen spatialised social relations shaping the evolution of state spaces (MacKinnon and Shaw, 2010). Local politics must therefore operate in multiple spaces, including supra-local ones - "a politics of place beyond place" (Clarke and Cochrane, 2013: 22). The focus on network governance across different actors has shifted attention away from the role and implications of the state within collaborative arrangements, for example discussions on a qualitative state (O'Neill, 1997), and threatens to dilute the role of democratic institutions within governance systems (Crouch, 2011). The research will draw on the work of Jessop (2002), Goodwin et al., (2005), Shaw and MacKinnon (2011), Jessop (2000) to critically examine whether there is an adjustment between different levels of government or 'filling in' (MacKinnon and Shaw, 2010) and 'steering' (Martin and Guarneros-Meza, 2013: 585), rather than a scaling back or weakening of the nation state.

The next section discusses the methodology for the research.

Table 2.5 Research framework and questions

Theme	Proposition	Research question
Autonomy and agency	*That the local state is shaped by approaches to growth and competition.* Within a system of variegated capitalism and the uneven development of localities, the extent to which the local state is subordinate to growth and competition or is able to exercise agency and autonomy to influence local outcomes, and the processes and relationships which enable it to do so are variable	**What is local state's role in economic development and how is it shaped by new and dominant approaches to local and regional development?**
Type and nature of decentralisation	*That local government still matters to economic development but finds itself in a constrained form.* Within an increasingly decentralised and austere context, what is the shape, form, extent and nature of decentralisation and how does this contribute to addressing local growth outcomes/objectives	**What characterises and explains the government's programme of changes to the sub national governance of economic development?**
Horizontal coordination and capacity	*That governing and governance arrangements can contribute towards a variation in outcomes.* Within a system of variegated capitalism and territorial competition, some local states are moving faster and further are more adept at influencing outcomes	**How and why have changes to powers and resources unfolded differently across and between scales, actors and places?**
Vertical coordination and centre-local relations	*That the local state is profoundly conditioned by its relationship with the central state.* Within multi scalar and multi agent frameworks of government and governance, the extent to which the relationship between central and local state actors determines or influences outcomes from the perspective of local government and in the context of austerity.	**What do these changes mean for the centre-local relations in the sub-national governance of economic development?**

Source: Author's illustration

Chapter 3. Examining local government in the local state: methodology and approach

This chapter explains and justifies the methodological approach for this research and provides the rationale and context on the study focus and case studies, also reflecting on the practical difficulties and how they were managed. The chapter outlines the research design rationale and examines methodological issues relevant to the study. The approach also takes into account methodological critique and limitations in the field of human and economic geography.

3.1 Research design

The aim of the research was to better understand the changing role and structure of local government within new frameworks of government and governance for economic development at the city-region scale, and to examine how this has unfolded across scales, places and actors. The research examines what makes local government unique and distinctive amongst the plethora of actors that make up the local state in economic development and explores whether local government remains a pivotal actor in the local state for economic development.

Situating local government within multi-scalar and multi-actor frameworks of governance for economic development is important to understand its role as a "constituent part of urban governance" (Hendriks 2013: 2). Furthermore, the political rhetoric of decentralisation and devolution of powers and responsibilities does not always translate into greater autonomy and improved outcomes for local areas (as discussed in Section 2.4). Adding to this, at the local level, the effects of austerity are having a variable impact geographically and institutionally on the capacity of local government to deliver statutory functions but also on the capability to take on new functions and responsibilities through devolution. The research design was therefore qualitative and in-depth in order to examine these issues.

3.1.1 *Approach and justification*

Guided by the examination of a central argument – that the political institution of local government is pivotal to the local state in economic development - the research follows a deductive approach by examining a series of research propositions (see table 2.4) that were

drawn from the literature review. The resultant research questions for the study, developed from these propositions, sought to address the gaps in the literature (Table 1) through the empirical research. The research is intensive in scope, to understand the local institutions of a small number of case studies. Contrasting with extensive research which looks for the regularities and common patterns within a representative sample, intensive research is concerned with the causal explanations of events in a case(s) and offers "real explanatory power" on processes or events produced through a combination of necessary and contingent relations (Sayer and Morgan 1985: 150). Further to this, given the contemporary policy relevance of the research, an intensive approach is better for making policy recommendations as it has a "causal grip on the agents of change" (Sayer and Morgan 1985: 154). However intensive research is not without its limitations. The unrepresentativeness of findings obtained through intensive research methods, mean these are unlikely to be generalisable to other contexts (ibid: 145) but can still provide lessons on the context-specificity and applicability of theories. The research therefore focused on examining two case studies plus the national context in-depth and their different historical contexts, to identify "force of example" rather than formal generalization (Flyvbjerg 2006: 227). This approach focused on clarifying the deeper causes behind a given problem and its consequences as opposed to describing the symptoms and frequency of the problem.

3.1.2 *Case study method*

This research used the analysis of in-depth interviews and secondary data to construct case studies of how decentralisation of government and governance for economic development has unfolded, recognising that,

> "the meticulous description of a case can have an impact greater than almost any other form of research report" (Gillham 2000: 101).

The research design was in-depth and qualitative to uncover and explain the complexities of local institutions, for example by recognising that governance is not apolitical (Storper, 2013). The purpose of the case studies – heeding Gerring's (2007) call for the importance of carefully defined case studies – was to provide new insight of the changing role and structure of local government in new frameworks of government and governance for economic development. Of particular relevance to this research was that case studies helped to elicit context-dependent knowledge and aid learning (Gillham, 2000; Flyvbjerg, 2006), to provide lessons for theory and policy. Case studies denote a "spatially delimited phenomenon (a unit)

observed at a single point in time or over a period of time" (Gerring 2007: 19), to explore 'how' and 'why' questions (Yin 2003: 1). They are used to investigate contemporary phenomena and complex social phenomenon (Yin, 2003) and can be flexible where the organizing concepts may change a little or a lot as the study moves on.

The research also considered and addressed the criticisms of the case study method through research design and execution. These included concerns relating to a lack of rigor, bias, and having little basis for scientific generalisation (Flyvbjerg, 2006). This was achieved by corroborating interview data with secondary sources, interviewing a range of local actors in the case study geographies and nationally and establishing cross-case perspectives through a relational comparison approach (Ward, 2010). This was strengthened by using 'extended case methods' to explore and challenge rather than just confirm theory (Burawoy, 1998) and prolonged forms of engagement, which required continuously reflecting on both methods and theory (Putnam, 1993; Barnes et al. 2007: 21). Extended case methods contribute to interpreting continuity and change in institutions by following the evolution of relationships and practices over time (Gertler, 2004) through "sustained collaboration" and "prolonged forms of engagement" with the case studies (Barnes et al. 2007: 20-21). To achieve this, close contact was maintained with the PhD Collaborative Partner (Newcastle City Council) throughout the study to reflect on the approach and emerging insights in order to develop a finer grain understanding and analysis of the issues. Extended case methods thereby complemented the relational comparative approach (Ward, 2010) employed in this research, through an iterative reflection of the theoretical perspective while conducting the empirical research on the ground (Barnes et al. 2007: 143; see also Yin, 2003), and composing the case studies in an engaging way (Yin, 2003).

3.1.3 *Comparative research focus and rationale*

The research is a comparative study to understand the changing role and structure of local government in economic development. The rationale for comparison was to contextualise and interrogate the experience of the core case study (the North East), through a focus on the processes and relationships of institutionally similar cases (Greater Manchester) but with different governance and economic outcomes, within a single national context. The themes for comparison derive from the research propositions which underpin the research questions, (see table 2.4). To address the study aim, the research was particularly interested to explore

the specific and general characteristics of the institutional environment and institutional arrangements (Martin, 2000; Rodriguez-Pose, 2013) – the "institutional regime" (Pike et al. 2015: 5). This was to understand why governance outcomes vary across city-regions and the reasons why difference or similarity persists, in order to identify the distinct patterns of governance (Tilly, 1984; Ward, 2010).

Recognising the different manifestations and configurations of governance for economic development, this research will compare the urban governance arrangements of the local state and local government's role within this. This 'functional equivalence approach moves away from comparing institutions like for like, and instead compares similar sets of modes, patterns and processes of governance (Cox and Mair, 1991; Ward 2010). The approach acknowledges that a range of institutions and agencies are involved in governing cities and is useful for examining governance at different stages of development. In constructing and examining the case studies, through analysis of primary and secondary data, the approach used similar and comparable actors and networks and documents across the cases, where possible. This was to illuminate the case specific context and dynamics which contributed to a variation in governance outcomes for economic development and the role of local government within this.

The research adopted a "relational comparative approach" to scale that recognised both the territorial and relational histories and geographies that are tied in with the production and reproduction of urban governance (Ward 2010: 480). This broadened the interrogation and interpretation of the data through the case studies posing questions of one another (ibid.) and was used as a tool to explore the strengths and limitations of existing conceptual frameworks. To understand and explain how the process for policy learning and transfer – 'policy mobility' (Ward, 2010) - occurs in specific contexts, the research used a 'distended case approach' (Peck and Theodore, 2012). This 'follows the policy' laterally through networks whilst also remaining attentive to hierarchical and nodal sources of power, and asymmetries in capacities and resources. This is critical to examining the evolution of institutions and structures and explaining the uneven governance outcomes of city-regions. The approach also allows for a greater focus on how policies from elsewhere are put to work by local actors, and how they are translated, contextualised and embedded (Peck and Theodore 2012: 25) which was particularly useful in examining how the well-established Greater Manchester model of governance and decentralisation shaped the approach and outcome of the North East. This was combined with an 'incorporated comparison' (McMichael, 1990) perspective which

recognised that interrelated instances are integral to, and define, the general historical process, and this provided for a more dynamic comparison of economic development processes and relationships across city-regions, continuously evolving in and across time.

This study examines decentralisation changes to city-regions and localities as the spatial unit of comparison and preferred scale for sub-national economic development and growth activities (HM Government, 2010b; OECD, 2012) and a relevant scale to examine the implications of austerity (Peck, 2013; Donald et al., 2014). Cities have long been recognised as arenas of policy experimentation and industrial restructuring (Brenner and Theodore, 2002). In developing a comparative urban and regional studies perspective, this research sought to respond to calls for "more rigor, transparency, and dialogue about the relationships between theory, concepts, methods, politics and policy" (Pike et al. 2015b: 124; see also Barnes et al., 2007) and to deepen our understanding of both the economic and political processes underpinning the contemporary urban condition (Harrison, 2015). In taking forward a relational comparative approach (Ward, 2010), as already discussed in this section, to examine the changes across and between city-regions, the research also draws on McMichael's (2000) 'incorporated comparison' to apply "cross-space" and cross-time" comparisons (Pike et al. 2016c: 136) and explain the unfolding of decentralisation processes and politics, at different points in time and space.

3.1.4 *Selection strategy and criteria for the case studies*

To address the study aims and to examine how changes have unfolded across and between different spatial scales and geographic contexts, the research looked beyond the core case study (the North East) to develop a rich and in-depth understanding of the issues as well as a finer grain analysis of the core case study itself. In selecting the comparator cases, the approach was cognisant of the critique of research claiming causation and generalisation, and instead focused on the causal mechanisms at work within comparators, and the relations and processes which make this contingent.

Figure 3.1 below summarises Flyvbjerg's strategies for the selection of samples and cases (2006). Flyvbjerg points out that when the objective is to achieve the greatest possible amount of information on a given problem or phenomenon, a representative sample may not be the most appropriate strategy, because the typical or average case is often not the richest in information. Rather, when the objective is to elicit greater understanding, Flyvbjerg argues

that 'information-oriented strategies' help to clarify the deeper causes behind a given problem and its consequences, moving beyond describing the symptoms of the problem and how frequently they occur. He points to atypical or extreme cases which often reveal more information because they activate more actors and more basic mechanisms in the situation studies. The extreme case can therefore be well-suited for getting the point across in an especially dramatic way (ibid.). Drawing on Flyvbjerg's strategies, the approach used in this research was an 'extreme/deviant' case selection strategy in order to "obtain information on unusual cases, which can be especially problematic or especially good in a more closely defined sense" (Flyvbjerg 2006: 230). According to Gerring (2007) this approach is also suited to examining city-regions that over-perform and underperform relative to a set of expectations. The following section sets out how the case studies were selected using this method.

Figure 3.1: Strategies for the Selection of Samples and Cases

Strategies for the Selection of Samples and Cases

Type of Selection	Purpose
A. Random selection	To avoid systematic biases in the sample. The sample's size is decisive for generalization.
1. Random sample	To achieve a representative sample that allows for generalization for the entire population.
2. Stratified sample	To generalize for specially selected subgroups within the population.
B. Information-oriented selection	To maximize the utility of information from small samples and single cases. Cases are selected on the basis of expectations about their information content.
1. Extreme/deviant cases	To obtain information on unusual cases, which can be especially problematic or especially good in a more closely defined sense.
2. Maximum variation cases	To obtain information about the significance of various circumstances for case process and outcome (e.g., three to four cases that are very different on one dimension: size, form of organization, location, budget).
3. Critical cases	To achieve information that permits logical deductions of the type, "If this is (not) valid for this case, then it applies to all (no) cases."
4. Paradigmatic cases	To develop a metaphor or establish a school for the domain that the case concerns.

Source: Flyvbjerg (2006: 230)

3.2 Case selection and rationale

The research developed two comparator case studies selected from within a single national context to elicit greater understanding and insight as part of a relational comparative approach (Ward, 2010), along with analysis and explanation of what was happening in the

national context. The case studies were informed by the PhD Collaborative Partner connection as well as a socio-economic and contextual analysis of city-regions in England. Greater Manchester was identified as the 'extreme' case and the North East as the 'deviant' case study using Flyvbjerg's information-oriented case selection strategy (2006). This represented a comparison of a *shared* economic and institutional context (austerity and decentralisation) but with *different* governance and economic development outcomes (establishment of city-region structures and agreeing Devolution Deals with central government). The rationale for the case study selection is discussed in detail below.

The PhD Collaborative Partner in this project was Newcastle City Council. The decision to focus on the North East city-region rather than on Newcastle was because this scale better reflected the economic geography and policy focus for economic development under decentralisation in England, which was the focus on this study. Using Flyvbjerg's case strategy for 'extreme/deviant' cases, the North East case offered interesting insights as the 'deviant' or problematic case for the following reasons. First, the Coalition government's changes led to a new scale of collaborative working and functional economic area in the North East for the governance of economic development based on a grouping of seven local authorities. This was in contrast to the 12 local authorities which comprised the North East before 2010 and the five local authorities which were formerly known as Tyne and Wear city region. Second, the process for defining and establishing a new functional economic area in the North East was fragmented and contested and resulted in central government steering the final decision. Third, the history of collaboration across local authorities in the North East has been well documented (cf. OECD 2006; OECD 2012), and these assessments point to underlying and unresolved challenges such as a lack of consensus on the urban core and parochialism inhibiting cooperation. These issues continued to face the new arrangements.

From an analysis of the core cities socio-economic indicators and economic performance (see table 3.2) and secondary material, Greater Manchester was selected as the 'extreme' case for comparison for the following reasons. The analysis showed that there was a long and established history of working at the scale of the ten districts which continued under the Coalition government's sub-national arrangements. Second, economic indicators at the time of selecting the case studies showed the GM LEP outperforming other LEPs on growth measured by Gross Value Added (GVA). Third, Greater Manchester was the first city-region to establish a Combined Authority and paved the way for other places to follow this lead. There are many accounts of the history of collaboration in Greater Manchester (cf. Emmerich

et al., 2013; Holden and Harding 2015) which explain how cooperation between the constituent local authorities and other actors has been nurtured over time. This research was interested to explore how these institutional processes and relationships were negotiated in this latest episode of decentralisation under the Coalition. The remainder of this section explains why the UK was chosen as the study context and then introduces the two case studies.

Table 3.2: Core Cities comparison

English Core Cities (LEP)	Population			GVA				Employment	
	LA	LEP	GVA total (2013)	Annual growth in total GVA (2013) by LEP	GVA per head growth rate by LEP (2013 (%)	GVA per head (2013) by LEP (UK = 100)	GVA per head (2013) by LEP	Employment rate (LEP)	Unemployment rate (LEP)
Birmingham (Greater Birminham and Solihull)	1,092,330	1.96m	£41.3bn	4.3%	3.7%	89.6	£20,969	65.3%	11.7%
Bristol (West of England)	437,492	1.1m	£29.3bn	3.5%	2.3%	114.6	£26,820	73.3%	7.2%
Leeds (Leeds City Region)	761,481	>3m	£60.5bn	2.9%	2.4%	86.6	£20,249	70.3%	8.5%
Liverpool (Liverpool City Region)	470,780	1.4m	£27bn	2.6%	2.5%	76.3	£17,852	66.5%	9.5%
Manchester (Greater Manchester)	514,417	2.7m	£56.3bn	4.6% (£2.5bn)	4.1%	88.6	£20,724	67.5%	9.4%
Newcastle (North East)	286, 821	2m	£33.9bn	3.6%	3.3%	74.6	£17,443	67.3%	9.0%
Nottingham (Derby, Derbyshire, Nottingham, Nottinghamshire)	310,837	>£2	£41.3bn	2.7%	2.1%	82.6	£19,329	70.2%	8.0%
Sheffield (Sheffield City Region)	560,085	1.8m	£30.6bn	2.9%	2.5%	71.8	£16,786	68.7%	10.0%

Sources: ONS, Nomis, Ward 2017

3.2.1 *Context selection rationale: Creeping centralisation and uneven localism in England*

Within the UK, the English case presents an advanced example of local state restructuring. It has witnessed a continuing revolution of sub-national governance arrangements in the post-war period, culminating in the abolition of the regional tier by the Coalition government in 2010. Abolition of public bodies charged with helping to spark regeneration across the regions has impacted on the ability of the existing and new structures to retain and build on knowledge and experience over time. Despite the changes introduced by the Coalition to promote growth and make local decisions more accountable, widening spatial inequalities persist and are also compounded by the distribution of austerity cuts to public finances. In examining how new frameworks of government and governance for economic development have unfolded differently across places, scales and actors, the UK presents an interesting case for a number of reasons. First, it has one of the most centralised systems (see figure 3.2 below) of public finance, policy-making and political control among OECD nations (London Finance Commission, 2013; Ahrend and Schumann, 2014) which is recognised by all the main political parties as constraining economic and social development (RSA, 2015).

Figure 3.2 Taxation revenue attributable to sub-national and central/federal government as a percentage of GDP, 2010

	Local government	State/regional government	Local + state/ regional	Central government	Social security	Total
Canada	3.1	12.2	15.3	12.8	2.8	31.0
France	4.6	0	4.6	14.9	23.2	42.8
Germany	2.8	7.6	10.4	11.3	14.0	36.0
Italy	6.5	0	6.5	22.7	13.4	42.9
Spain	3.0	5.8	8.8	11.2	11.9	32.2
Sweden	16.1	0	16.1	23.7	5.5	45.5
United Kingdom	1.7	0	1.7	26.2	6.6	34.8
United States	3.9	5.0	9.1	9.2	6.3	24.8
OECD total (2010)	3.8	5.0	8.8	20.1	8.2	33.7

Source: London Finance Commission (2013: 25) using OECD Stats Index

Second, and in the context of addressing uneven development, this is further compounded by the economic dominance of the global city of London which reinforces spatial imbalances

and regional disparities across the UK (Martin et al., 2015). Economic growth in England is dominated by London in contrast to comparisons between first and second tier cities in other Western European countries (OECD, 2012). England's highly centralised system of government invests heavily in the capital city and has second tier cities that significantly underperform compared to the best performing European cities (Parkinson 2013: 18; see also Overman, 2012; OECD, 2012; OECD, 2014). The debate on the economic contribution of first and second tier cities and whether countries perform better if they concentrate their investment in their national capitals and larger cities is explored in theoretical approaches to growth including New Economic Geography and Urban Economics (e.g. Glaeser, 2012) - or spread investment across a wider set of cities (OECD, 2012; Parkinson, 2013). In England, the second tier cities form part of a Core Cities network comprising Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham, Sheffield. Third, whilst decentralisation of powers and resources below the national level has been a longstanding political debate nationally (and discussed further below), the referendum on Scottish independence accelerated devolution debates in England particularly at the city-region level, and also because of the asymmetrical and uneven governance developments taking place that do not add up to a "systematic, sufficiently-funded or coherent strategy for spatially rebalancing the economy" (RSA 2015: 12).

In order to analyse and interpret contemporary changes it is important to reflect on the historical context of sub-national governance in England to understand where the genesis for localism comes from. The lack of autonomy of local government today is a legacy of the post-war welfare state and creeping centralisation in the post war period. Over time, successive governments have reconfigured and experimented with the sub national or intermediate tier to address economic disparities between regions and to improve local democracy between the state and citizens. This has resulted in an "oscillating pendulum" (Pike at al. 2016: 10) between overlapping forms of decentralisation to regions and the local level (see figure 4 below).

Figure 4: Pendulum swings in economic development governance in England
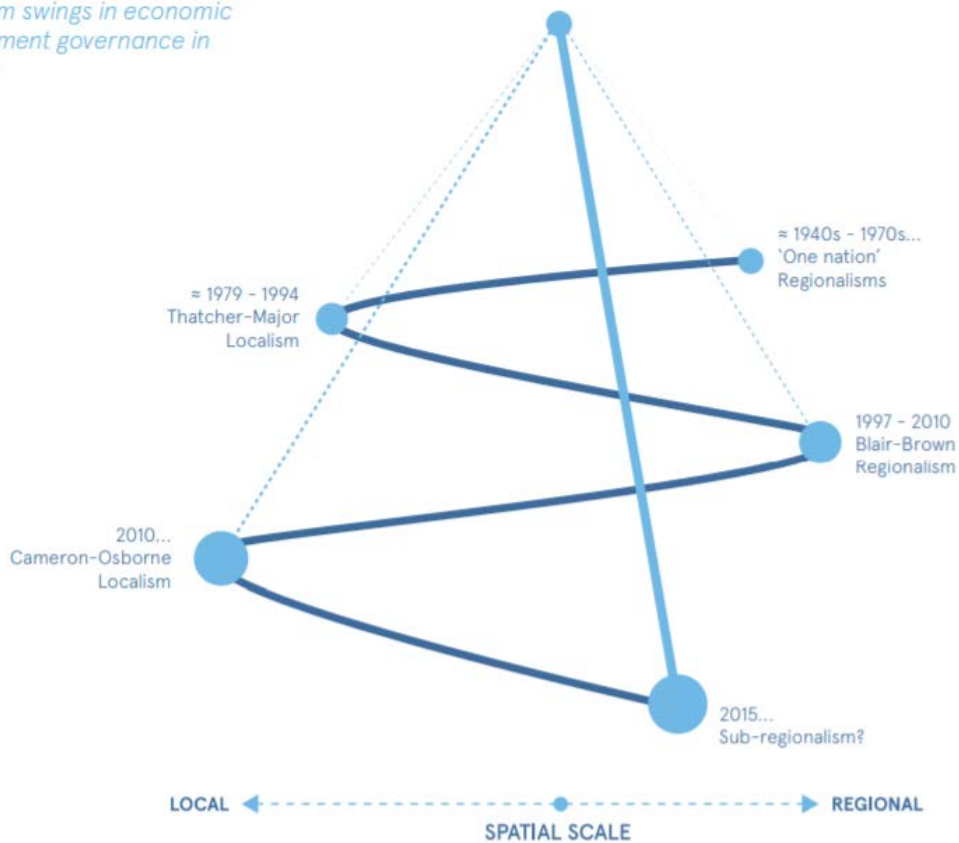
Source: Pike et al. (2016: 10)

Regardless of which political party was in power, the different approaches to governance have not fundamentally addressed the reliance on the distributions of funding from the centre to local government. The ability to raise taxes and decide on shape of local services has become progressively limited. By the 1970s, 60% of local government expenditure was determined by central government and by 2000 the proportion was 85% (Crewe, 2016). This raises questions as to where the genesis for localism comes from if local areas are not able to shape local services and with the necessary resources. Furthermore, overlapping forms of decentralisation have resulted in the upheaval and churn of local institutions, and the knowledge and capacity within them.

In the post war period, local government was increasingly seen as a means to administer central services and serve national goals and centralisation was cultivated and reinforced by a reliance on central funding, made worse according to some, by local authorities demanding more money regardless of freedom (Wills, 2016) but also by people being promised uniform delivery and entitlement across the country. Shaped by the "geography of political power" and "long established tendency to prioritise the national over the local", growth became a

'zero-sum game' as the local state and local charities lost power to the central state (Wills, 2016: 2). Centralisation and reduced autonomy of local government crept in as part of the post-war settlement but prior to this there was example of strong local government at the city/municipal level. Under municipalisation, councils of all political persuasions bought out gas, water, electricity and tramway companies, according to Crewe (2016) on "practical rather than ideological grounds" and reinvesting the income in further improvements. Described as the "golden age" of municipal government and institution building (Wills 2016: 72), an important contrast to the centre-local relationship of today was that the centre acted to increase the role of the local rather than in competition. A victim of their own success, as these experiments by individual authorities were deemed effective they became legally mandated across the country with the transfer of assets and profits under central government control "depriving councils of a huge chunk of independent income" (ibid.). Central government linked funding to the fulfilment of particular policy objectives and reduced local authorities to mere agents of the welfare state.

Metropolitan councils were created in 1974 as a result of a new two-tier system of counties and districts was established across England and Wales. This led to the creation of six upper-tier units known as 'metropolitan counties' to represent the heavily built-up areas outside Greater London, and constituting metropolitan districts. While metropolitan counties covered all areas of local government like non-metropolitan counties, the distribution of responsibilities was different to that of the county/district authority district structure. Metropolitan districts were responsible for a greater number of services than non-metropolitan districts such as education and social services. The metropolitan county councils ran from 1974 to 1986, when they were abolished in the Local Government Act 1985. This followed clashes between the mostly Labour led metropolitan county councils the Thatcher Conservative government due to overspending and high rates charging. Despite being a Conservative government creation, during this period of metropolitan county councils, the Thatcher government "launched a sustained attack on the authority of local government" (Crewe 2016: 6-10) on many fronts. This included: reducing council funding, placing caps on their rates of spending and taxation (ultimately introducing the poll tax); centralising the collection of business rates and redistributing the income according to a formula devised in Whitehall; among other measures weakening local government autonomy and oversight of services, for example education and bus regulation (ibid.).

Over the 2000s, there were a number of reports, including on European comparisons (e.g. Parkinson, 2006; Rodriguez-Pose, 2008; Overman and Rice, 2008), that all made a strong case for devolution to cities and city-regions and supported the view that cities and cross-boundary working across metropolitan areas could lead to greater economic benefits. This research evidence, along with questions on the democratic accountability of regional structures in the wake of a resounding no vote (78% against to 22% in favour) in the 2004 referendum for an Elected Regional Assembly in the North East (BBC, 2004), shaped Labour's emerging city-region agenda. The concept of city-regions was developed further through The Northern Way initiative, a collaboration between the three northern RDAs and the 2007 'Sub-national Review of economic development and regeneration' (HM Treasury, BERR, CLG, 2007). The review concluded that you need greater flexibilities and incentives for local government and support for collaboration at the sub regional level. This referred to strengthening the strategic role of the regional level and with greater accountability, and reforming central government's relations with regions and localities to improve support for regions and localities. It also set out a commitment to "explore the potential for groups of local authorities to establish statutory sub regional bodies for economic development policy areas", through governance proposals set out in Multi Area Agreements (MAAs) (HM Treasury, BERR, CLG 2007: 3). This was seen as an important turning point in Labour's regional project as the minister who commissioned the review, John Healey, "switched at that point from old style regionalist to a more sophisticated model" (Author's interview 46, leader, GM local authority 1, 2016). In the April 2009 Budget, the then Chancellor Alistair Darling announced plans for two "pilot city-region" around Leeds and Greater Manchester, seen as a recognition that the south-east alone cannot provide the stimulus for economic recovery (HM Treasury 2009: 83). New pilots were about pooling resources in areas such as transport, strategic planning, skills and economic development in travel-to-work-areas (TTWAs) that crossed political and administrative boundaries. Proposals were described as "light-touch city-region governance" to avoid the criticism that they were introducing another layer of government into conurbations (ibid.).

3.2.1 *Case study selection rationale*

Based on Flyberg's 'extreme/'deviant' case selection strategy, the case studies of Greater Manchester (extreme) and the North East (deviant) were developed. This section provides an overview as to how they were determined as well as providing some historical context to underpin the empirical analysis.

Manchester is the third largest city in England with a local authority population of 514,417 and the third largest Core City (NOMIS, 2016a). The Local Enterprise Partnership (LEP) area of Greater Manchester has a resident population of 2.7m (NOMIS, 2016a). The Greater Manchester city-region comprises of the ten districts of Bury, Bolton, Manchester City, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan (see figure 3.4 below). The under-bounded nature of the City of Manchester means that it is more dependent on its surrounding areas than other core cities – a factor that underpins its strong collaborative governance (Emmerich et al., 2013). In terms of economic performance, figures at the time of selecting case studies for the research showed that the Greater Manchester had the highest growth rate of all LEPs in England in 2013 (4.6%) (New Economy, 2015), exceeding London and Birmingham. GM also had the highest GVA per head growth rate (4.1% in 2013) of all the Core Cities during 2011/12 (ibid.), and the number of workplace jobs in Greater Manchester grew at a rate of 3.2%, compared to a national average of 0.5% (IPPR North, 2014).

Figure 3.4 Map of Greater Manchester Local Enterprise Partnership geography
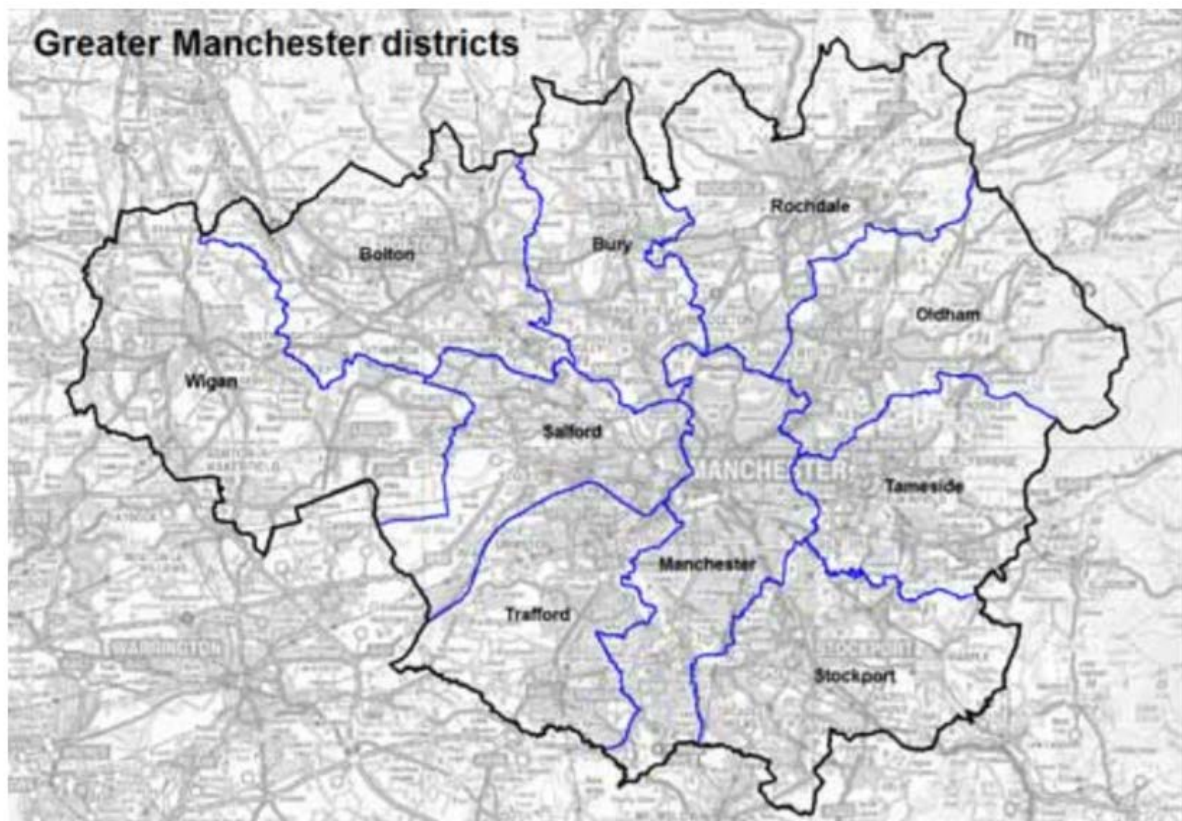
Source: Holding and Harding (2015: 8).

Notwithstanding this positive economic performance, there are also economic challenges across Greater Manchester. From 2010/11 to 2015/16, Manchester City Council experienced a reduction in spending power that equates to >£200 per head of population or an 18% reduction in spending power (Newcastle City Council, 2013) compared to an England average of 13.4% reduction. Further cuts announced in the March 2015 budget were slammed by Council Leader Sir Richard Leese (Cox, 2015). Furthermore, the levels of growth and prosperity are not equally shared across and with the ten districts with entrenched social challenges and inequality within the city-region. Greater Manchester ranked in fifth place for the proportion of neighbourhoods that are in the most deprived 10 per cent of areas nationally using the 2015 Index of Multiple Deprivation (DCLG, 2015).

Following the abolition of six metropolitan councils nationally in 1986, the ten Greater Manchester local authorities established a voluntary body – the Association for Greater Manchester Authorities (AGMA). AGMA was created to provide oversight of GM level bodies and discussion of issues at this scale. The voluntary alliance recognised that working together as a single economic geography could achieve more than individual boroughs and over time further GM-wide institutions joined providing thinking and delivery capacity for the ten local authorities (Holden and Harding, 2015). Manchester was also selected as one of the eight city regions that were announced as part of the Northern Way initiative in 2004, reflecting a strengthening of city-region arrangements within regions.

Under the Coalition government's move towards the further decentralisation of powers and resources to city-regions scale, Manchester was seen as a trailblazer with then Chancellor George Osborne describing Manchester as "a grown-up city, one that has pulled away from regional centres" and one which is competing with Birmingham to become the "second city" to London (Jenkins, 2015). In recent years, Manchester City Council and Greater Manchester had piloted approaches locally to inform national policy in a number of policy areas including apprenticeships and troubled families and in February 2015 announced a further devolution agreement to create a £6m integrated health and social care budget (GMCA, 2015), reinforcing its trailblazer status. Under the public service reform work, to achieve greater flexibility in local services, driven by Greater Manchester and the rest of the England's Core Cities, there was a move towards integrating outcomes across policy area and linking social and economic outcomes. A further development towards integrating city-region powers and resources was the Greater Manchester Spatial Framework which sought to

integrate planning with growth objectives across the ten local authorities (Tomaney and McCarthy, 2015).

City-region collaboration in Greater Manchester follows a long history of local authority cooperation across the ten districts of Greater Manchester through the Association of Greater Manchester Authorities (AGMA) and wider governance mechanisms such as the Business and Leadership Council. In 2011, Greater Manchester was the first city region partnership in England to achieve legal status by becoming a Combined Authority, receiving powers for economic development, transport and housing. The following year, Greater Manchester was one of the first wave of City Deals agreed with HM Treasury, with their innovative 'Earn back' model (GMCA, 2012). A further Devolution Agreement was signed with central government towards the end of 2014, which will give greater powers to the GM Combined Authority working in partnership with a directly-elected mayor in additional policy areas including the Work Programme, public service reform and health and social care. The Greater Manchester agreement was seen as a core part of the government's vision of a 'Northern Powerhouse'.

The process of devolution and decentralisation in Greater Manchester under the Coalition government has been characterised by secret negotiations and bilateral deals between Manchester City Council's leader and chief executive and Chancellor George Osborne and HM Treasury officials (Jenkins, 2015). This has sparked concern from some Greater Manchester Labour MPs that there is no consultation beyond the local authority chief executives on the models of decentralisation (CLG Committee, 2015). Alongside this, there are a number of policy and government links to individuals with Manchester connections who have played important advocacy roles along the way (Jenkins, 2015). The first GM Devolution Agreement in 2014 included the condition of a directly-elected mayor from 2017, which presented an interesting development given that Manchester, along with nine other cities in England, rejected proposals for a city mayor back in 2012.

Newcastle is the largest urban centre and employment centre in the North East with a population of 296,500 (NOMIS, 2016b) and is the eighth largest core city by population in England. Population of the Local Enterprise Partnership geography is just under 2m (1,966,900) (NOMIS, 2016b). The North East city-region comprises the seven local authority districts of Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South

Tyneside and Sunderland (see figure 3.5 below). In 2013, at the time of selecting case studies for the research, the North East LEP GVA total was £33.9bn with annual growth at 3.6%, the third highest performing of the English core cities. The North East was also facing significant economic challenges. Analysis by Newcastle City Council showed that Newcastle experienced the highest overall cuts of £289 per head of population with the North East experiencing £215 per head, equating to a 19.5% reduction in spending power (Newcastle City Council, 2013). Economic and social prosperity is not shared across the city-region, and the North East LEP area is ranked tenth in the proportion of neighbourhoods that are in the most deprived 10 per cent of areas nationally using the 2015 Index of Multiple Deprivation (DCLG, 2015).

Figure 3.5: Map of North East Local Enterprise Partnership geography
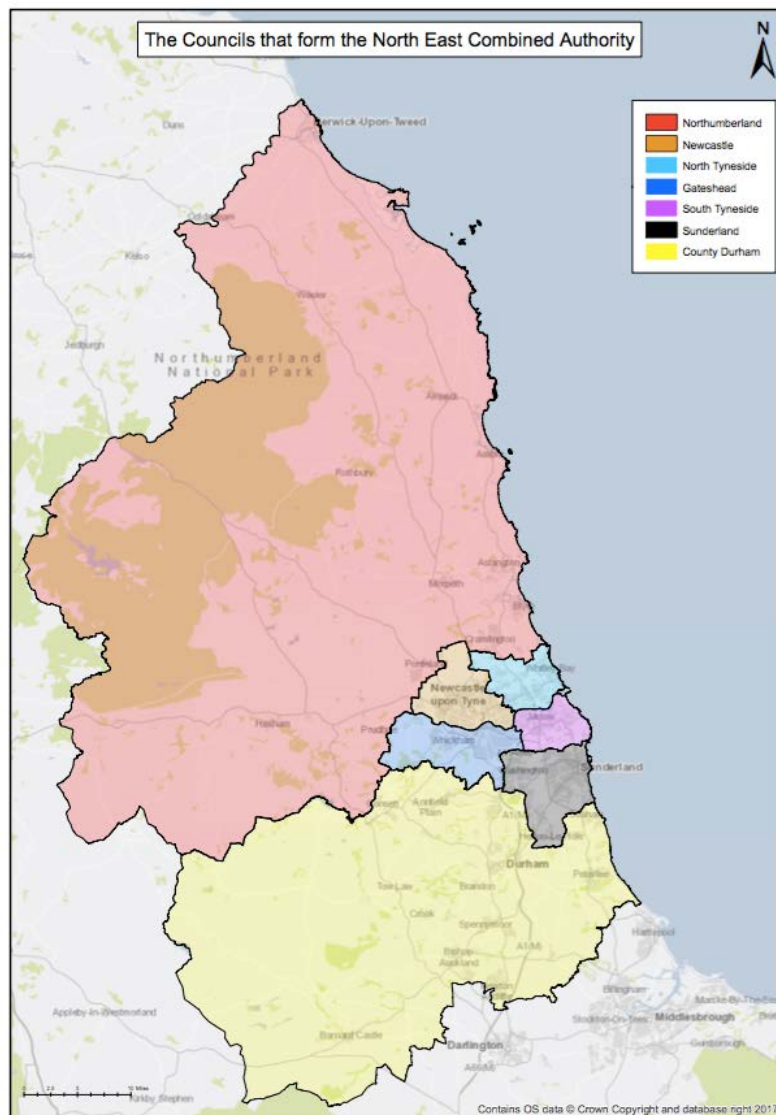
Source: North East Combined Authority

Following the abolition of the Tyne and Wear Metropolitan Council in 1986, the Tyne and Wear Development Company was established to invest in regeneration and development. Despite being a relatively small region, the challenges of collaboration between local authorities in the North East have been well documented. In 2006, the OECD Territorial Review of Newcastle in the North East described regional governance structures as "weak and fragmented" and suggested that "consolidating governance functions of local authorities and strengthening governance capacity at the city-region level may be a good option" (OECD 2006: 7). This report highlighted that,

> "Political fragmentation is not always a problem if there are strong mechanisms of coordination and governance concerning important issues: that is not the case in the North East" (OECD 2006: 209).

Whilst sharing a similar institutional, economic and political context as Newcastle, Manchester's experience of the institutional processes and relationships that have shaped and influenced devolution and decentralisation, have been different. This research project will examine and explain differences in governance and economic development outcomes across and between city-regions. In particular, the research will contrast the particularities of institutions in Greater Manchester and the North East and draw insights from a comparative analysis of frameworks of government and governance for sub-national economic development.

3.3 Data collection

This section explains the approach to collecting data and key considerations.

3.3.1 *Data sources, collection strategies and techniques*

This qualitative, in-depth study of the local state and economic development combined analysis of primary and secondary sources. Primary data was obtained through fieldwork interviews with local and national government officials, city-region governance, representative organisations (e.g. business, trade union, voluntary and community sector), and individuals selected based on their knowledge and expertise relating to the topic and case studies. Secondary sources included academic and policy research, policy documents and reports, corporate documents, minutes of meetings, committee documents and papers and geographical and historical readings to build up a contextual background. The data from the

interviews was analysed and synthesised along with secondary sources in constructing narratives of the two case studies.

Interviewees were selected through a combination of a stakeholder mapping to identify the key actors and networks, consultation with the PhD Collaborative Partner and snowballing recommendations by interviewees. An important consideration in identifying interviewees was their involvement and insight over the relevant study timeframe and of historical events, and the selection included organisation and governance representatives as well as decision-makers, across different scales and actors and those with an understanding of the research topic. Background information on interviewees was identified through internet searches, publications, and governance charts which also provided contextual information to inform the interviews themselves. The PhD Collaborative Partner was consulted on the list of prospective interviewees identified through stakeholder mapping, however the researcher made the final decision.

Secondary sources were reviewed throughout the project and were organised by theme. Given the policy focus of this research, and the timing of the fieldwork which come after the UK General Election in May 2015, there was an abundance of research and policy material to examine and reflect on. The data collection challenges were therefore not related to access of relevant material, but instead to carefully consider and sift through arguments and analyses and to recognise partisan or special interest views and to develop an objective and critical perspective. To address this, secondary sources were drawn from a range of sources and triangulated with academic and independent sources where possible.

3.3.2 *Semi-structured interviews and interviewing elites*

In economic geography, interviews are seen as the method of choice for large parts of the discipline (Barnes et al., 2007) and the open-ended corporate interview as a valuable component of evidentiary strategy (Schoenberger, 1991). Indeed, interviews are one of the most important sources of case study information (Yin, 2003). In weighing up which method to use, Schoenberger argues that "in dealing with historical, institutional and strategic complexity, and particularly during periods of economic and social change, the corporate open-ended interview is deemed more sensitive than survey methods" (1991: 180). In contrast to extensive research methods, Interviews allow nuances of linkages and power relations within networks to be explored (Barnes et al. 2007: 265).

There were a number of considerations to mindful of when doing interviews. Validity of responses was a key consideration and to this end, Schoenberger's (1991) views appear to chime with Flyvbjerg (2006) in terms of defining validity and accuracy in line with learning and contextual discovery. Schoenberger argues that the "open ended interview, when carefully administered, may offer greater accuracy and validity because it allows a more comprehensive and detailed elucidation of the interplay among strategy, history and circumstances" (1991: 184). However, this must be approached with caution as to what information people choose to give in an interview, as these are "verbal reports only" (Yin 2003: 92). Interviewing can therefore also be inherently problematic because the stories people tell about how decisions are made are radically different from the ways those decisions were actually made (Barnes et al 2007: 82).

In total, 50 interviews were conducted for this study to achieve a comprehensive and reflective account of the individual cases in addition to a better understanding of national policy. This consisted of 20 interviews in the North East, 22 in Greater Manchester and 8 interviews comprising central government officials and representatives of national organisations. The aim was to interview 15-20 in each case study in order to capture a range of perspectives across different sectors (i.e. local government, private sector, voluntary and community sector, academia), across the city-region geography, at different scales (i.e. local and city-region) and with different perspectives (i.e. local government officers, politicians, business representatives) (see table 3.3 below).

Prior to commencing fieldwork interviews formally, the researcher conducted three pilot interviews (two North East and one Greater Manchester) to examine and refine the approach, identify interviewees and to generate policy examples to provoke discussion and to use in the distended case examples. Alongside the interviews for each case, there were a small number of interviews with civil servants, national cities organisations and think tanks. The purpose of this was to better understand the role and perspective of central government and to gain an 'outsider' perspective on the processes and relationships of individual cases. Sayer and Morgan (1985: 155) highlight the importance of interviewing "both sides" in order to garner and examine different perceptions and responses. This was achieved in this study by interviewing actors at different sub-national scales (e.g. local, city-regional, national) and trying to capture the different perspectives, including political, where possible by asking interviewees to identify who may have an opposing view (Nelles, 2012).

Table 3.3 Breakdown of interviewees

	North East		Greater Manchester	
	position	**organisation**	**position**	**organisation**
Local government	Head of Team	NE local authority 2	Director	GM local authority 4
	Director	NE local authority 4	Manager	GM local authority 2
	Director	NE local authority 3	Chief Executive	GM local authority 7
	Director	NE local authority 5	Manager	GM local authority 1
	Leader	NE local authority 1	Director	GM local authorty 5
	former director	NE local authority 2	Manager	GM local authority 3
			Manager	GM local authority 6
			Chief Executive	GM local authority 2
			Policy Officer	GM local authority 1
			leader	GM local authority 6
			leader	GM local authority 1
City-region structures	former head	NE organisation 2	head	GM organisation 1
			director	GM organisation 2
			former	GM organisation 2
Politicians	former councillor	NE local authority 2	Member of Parliament	GM constituency
	Member of Parliament	NE constituency		
	Member of Parliament	NE constituency		
Private sector	former director	NE business representative organisation	Associate director	Planning consultancy
	director	NE business representative organisation	Officer	GM business representative body
VCS and trade	regional	trade union	chief	VCS organisation
Universities	Associate	Newcastle University	Academic	Manchester University
	Researcher	Newcastle University	Academic	Manchester University
	Academic	Newcastle University		
	Academic	Newcastle University		
Historical	former chief executive	NE organisation 1	former manager	GM local authority 1
National	chief executive	national cities group 1		
	chief executive	national cities group 2		
	director	think tank 2		
	chief executive	think tank 1		
	civil servant	Department for Business, Environment, Innovation and Skills		
	civil servant	Cities and Local Growth Unit		
	civil servant	Department for Business, Environment, Innovation and Skills		
	officer	CIPFA		

The interviewees were identified through own knowledge of networks and speaking to contacts at the outset. Interviewees were predominantly 'elites' (Woods 1998: 2101-2119), such as politicians, technocrats and businesspeople, representing local actors with a role or interest in economic development governance. It was also important to identify those who could provide local knowledge to develop a "highly contextualised understanding of patterns and processes in particular geographical settings" (Yeung 2007: 289). The interviews were important to build a historical understanding, alongside secondary data, of the intent of local institutions and governance changes (Glasmeier 2007: 218-19). Interviews were semi-structured and open-ended to assume a conversational manner with "guided conversations rather than structured queries" (Yin, 2003) to provide insight to the political institutions of

the city-region. While the interviews were semi-structured, the researcher aimed for 'collaborative dialogue' to engage interviewees in the research aims and questions, allowing them to shape content rather than control it (Schoenberger 1991: 182), an important consideration in interviewing elites (Gillham, 2003). This interaction was also used to "enhance information flow" (Sayer and Morgan 1985: 157). The majority (apart from two) were recorded which enabled active listening and interaction.

The interviews were relatively straightforward to arrange with a largely positive response from interviewees. This was particularly the case in Greater Manchester, and probably reflected their more advanced position having already secured a Devolution Agreement. A couple of people did not respond or acknowledge the request and one person declined to partake. It was not possible to speak directly to business representatives of the Local Enterprise Partnership (LEP) in either case study. In the North East, no one responded to requests for interview and in Greater Manchester the researcher was steered towards the Greater Manchester Integrated Support Team (GMIST) who coordinated the work of the LEP. Three pilot interviews were carried out to refine the questions and to establish and make further contacts, also to consider the sequencing of interviews, where this was possible. The approach to interviews was to meet with officers first to build up background and then to approach politicians for their perspective and reflection, recognising that it could be more challenging to get time in their diaries. The invitation for interviews was framed to highlight the comparative aspect of the research and this was particularly helpful in securing interviews in the North East as there was a lot of interest in how Greater Manchester were progressing with devolution at the time. Invitations were also tailored to the individual and their specific contribution, sometimes mentioning names of other interviewees, when they had given their permission to do so. Five interviews were conducted over the phone due to unavailability to meet.

The power relations between researcher and interviewee varied across interviews with no particular pattern relating to position held, it mostly came down to the individual. Interviews were conducted in a formal manner but once a relationship with the interviewee was established this became more relaxed and informal. There was only one interview where the researcher felt the power dynamics were too pronounced by the interviewee to overcome. In this particular instance, while all the interview topics were covered, there was no offer of follow up or further introductions, as with other interviewees. Having an awareness and understanding of current policy and politics was critical for interviewees to open up and talk

in detail about examples and to elicit insight. The interviews were coded to differentiate between local authorities and positions held.

The analysis of interview material was conducted in two ways. First, when typing up the transcripts reoccurring themes were highlighted as well as the range of perspectives on that theme, and grouped these under the respective research question. Throughout the analysis, emerging findings were discussed and reflected upon with the PhD Collaborative Partner and explored further through interviews – with the more controversial points as provocations – to get a deeper understanding of the commonalities and differences in comparing the experiences of the two case studies. In the earlier stages of the analysis, NVIVO was used to classify and retrieve information by themes which were refined and modified on an iterative basis. This helped to confirm the structure of the empirical chapters. To cross-validate the findings in the context of the analytical framework, individual transcripts were revisited and reflected upon as new insights emerged. This parallel approach to data organisation and analysis helped to mitigate the possible limitations and biases of qualitative research.

3.3.3 *Positionality, methodological reflexivity and role of the interviewer*

Within economic geography, it is argued that issues of researcher positionality remain unacknowledged and unexamined (Barnes et al. 2007: 22). Furthermore, personal reflexivity is not being matched by a theoretical reflexivity, a key concept and practice in the identification of standpoints (Ward and Jones 1999: 302) and one which helps to avoid becoming engrossed in a single paradigmatic explanation (Yeung 2007: 289). In turn, methodological reflexivity – 'what I am doing as well as how and why I am doing it' - is seen to "open up and sharpen questions of politics, purpose and priorities" (Barnes et al. 2007: 23).

The collaborative aspect to this study presented its own challenges to consider in terms of co-production, independence and objectivity. Being able to draw on the resources and knowledge base of the PhD Collaborative Partner provided benefits particularly in grounding the study in the policy context and framing ideas and questions to explore in detail through the interviews. This required the researcher to evaluate this contribution in the context of the wider study so not to bias the scope and aims of the study. Politics is inherent in processes of government and governance and to ensure the study reached beyond the dominant views,

interviews were held with different districts within the city-region, and with both executives and politicians.

Further to this, in thinking about the researcher-subject relationship whereby "reflexivity involves a radical consciousness of self in facing the political dimensions of fieldwork and the construction of knowledge" (Barnes et al. 2007: 267 quoting Callaway); the researcher's previous work experience in regional development could shape convictions and analytical or political bias. Reflexivity also considered how this previous affiliation with the regional tier was perceived by interviewees and well as how the findings were interpreted. Being able to discuss the history of regions and city-regions proved useful in interviews to elicit further insight and the ongoing relationship with the PhD Collaborative Partner helped to interpret the local implications of the study.

Finally, being aware of the temporal angle to the research (further discussion in Section 3.3.4), Ward and Jones (1999) advocate an approach sensitive to research "situatedness" (with respect to the politics of time as a 'research moment'), which they argue is essential to avoid over generalising from experiences.

3.3.4 *Researching policy change in real time*

Reflecting on the research, there are a number of issues and challenges that researching moving policies in real time presents. First, in researching an evolving and unfolding policy agenda, it was important to look beyond claims and announcements to evidence of action and impact, where this was available. Second, to also consider the cumulative impact of the different policy changes on local government over time to understand the full extent of changes and the variation in outcomes across different cities. Third, understanding the context was also critical to interpreting the timing and politics of announcements as well as the different stages of decentralisation and devolution of the two case studies, in order to explain findings. Last, having a detailed understanding of developments and building up background knowledge was critical to accessing and conducting interviews in order to develop a finer-grain understanding of changes.

These issues were managed in the research project by undertaking the fieldwork interviews relatively close together to and in the same political context, after the May 2015 General Election. Where possible, the research draws on independent and credible analyses to develop a finer grain and more critical understanding of changes although this was often delayed due to the pace of changes driven by central government. The interdependencies of

local economies and associated policy interventions also became clear through the research which identified the strong links between economic and social policy broadening out the initial research focus on economic development.

3.3.5 *Ethical considerations: Confidentiality, Anonymity and Informed Consent*

For the research interviews, participants received an information sheet with details of the project and supervisors and a broad outline of the themes that would be covered. It was stated in this sheet that the details of interviewees would be anonymised in the report where quotes would be used and a consent form was included for them to read prior to the interview. All participants were happy for the interviews to be recorded and the recordings were stored in a password protected file and by a code rather than a name.

Interviews were coded to differentiate between case studies, positions and organisations and to preserve anonymity. A follow up email was sent after the interview to thank participants and outline next steps for the study, to reiterate confidentiality and to remind them of contact details if they had further queries.

3.3.6 *Substantiation, corroboration and triangulation*

> "Qualitative economic geography research needs a wider array of methods and techniques that allows us to see what people do as well as what they say they do" (Barnes et al. 2007: 82)

A criticism of case study research is that it is hampered by disinclination across the field to invest in corroboration, triangulation and interrogation across comparative sites (Barnes et al. 2007: 22). This study sought to mitigate against these concerns by employing multiple methods in constructing the case studies as this strengthens the validity of interview data (Gillham 2003: 93). The approach used in-depth interviews to build an understanding based on organisational and individual perspectives in addition to pursuing a 'distended case' approach (Peck and Theodore 2012: 25) that 'follows the policy' through networks, and provides a relational account of the decentralisation of economic development. Also from the perspective of the territorial entities of central and local government. As the empirical work progressed and data was collated and analysed, the analytical themes were honed as refined accordingly as new insights emerged from a finer grain analysis of the issues. Using both approaches was useful when interrogating the data to provide a more rounded picture of what was happening in practice. Corroboration and substantiation of the interview data was also achieved by cross-interrogation of data using Ward's (2010) relational comparative approach

to the case studies. This used the case studies to pose questions of each other and the outputs were triangulated through interviews and with an analysis of secondary sources. By analysing and distilling the findings and policy lessons with interviewees and the collaborative partner as part of the 'extended case methods' approach, this enabled context-specific lessons on praxis to be drawn from the research process (Barnes et al., 2007). While the strategy for interviews was to obtain a comprehensive overview that incorporated a range of perspectives, the analysis of interview data had to be mindful of special interests and bias. Seeking out different or opposing perspectives and those at different scales and across actors was important to achieve a cross-section of views where possible.

3.4 Reflections on the PhD Collaborative Studentship

This research was initiated and carried out with Newcastle City Council as the ESRC Studentship PhD Collaborative Partner. The partnership relationship and working arrangements were not prescribed which enabled the researcher to develop a relationship which was conducive to the aims of the research. This was based on some degree of familiarity through personal connections and was flexible and consultative which allowed the researcher space to design and develop the research while situating it within the policy context. Having the PhD Collaborative Partner in the core case study provided opportunities for dynamic knowledge formation, novel forms of exchange and dissemination.

As the research was developed, there were a number of important issues to clarify. First, the focus on economic development at the city-region level meant this was not a review of Newcastle City Council's economic development programme, nor an assessment of the City Council as an organisation. As economic development was increasingly being incentivised by central government to take place at the city-region scale it made sense to focus the research on the (then) emerging North East city-region. Newcastle City Council were interested in the lessons emerging from collaborative working within this city-region partnership. This meant that the role of Newcastle City Council in the research, beyond shaping the initial research objectives and focus, was to assist with access to interviewees and to provide contextual information and reflection throughout. The Assistant Chief Executive acted as the main sponsor with day to day contact provided by the Head of Economic Policy, which was pivotal to accessing people within the Council, in the North East and nationally. Second, the purpose of the research was to provide an in-depth assessment of the changes over the longer term rather than short term commentary and reflection on individual policy and funding announcements along the way.

There were a number of benefits to having Newcastle City Council as a Collaborative Partner which helped to situate the research. As a member of the Core Cities network, this helped to build up knowledge for the comparative aspect of the research with Manchester as well as to develop an understanding of the national position and politics on decentralisation and devolution to city-regions. Also, having a good relationship with people at different levels in the City Council helped build up an understanding of both strategic and operational issues, and to talk through and develop ideas. This also helped when conducting fieldwork to be able to ground ideas and questions in policy terms and examples which resonated with interviewees and helped to elicit insight. There were also some challenges. The affiliation with Newcastle City Council had to be carefully explained to reassure potential interviewees of the independence and objectivity of the research. Also the timing of the fieldwork was delayed slightly as North East councils were engaged in politically sensitive discussions to agree a devolution deal.

In conclusion, to address the aims of the study, the empirical research has investigated whether the role of local government in economic development is being redefined by examining the central argument: to what extent the political institution of local government has a pivotal role in the local state in contributing to economic development, how this is changing and why? In so doing, the empirical analysis has addressed the central argument by examining a series of research propositions and question (see table 2.4). Recognising the interconnected trajectories of different places, the research also used relational comparisons to pose questions of one another (Ward, 2010: 480). This helped to provide critical insight on the core case study as well as offering new frames of reference for interpreting and interrogating the data. Rather than seeking to develop 'ideal types' of governance from findings, the research was guided by "an attendance to the difference the diversity of cities makes to theory" (Robinson 2002: 549; Ward 2010: 482), thereby helping to uncover the context-specificity and evolution of theories (McFarlane, 2008; Ward, 2010), and the distinct patterns of governance for each case that could not be accounted for wholly by external factors (Ward 2010: 478).

Chapters 4-7 introduce and discuss the empirical analysis and address the research questions.

Chapter 4. What is the local state's role in the sub-national governance of economic development and how is it shaped by new and dominant approaches to local and regional development?

This chapter examines the autonomy and agency of the local state in relation to new and dominant approaches to local and regional development. This is to understand how local states shape and are shaped by new approaches to local and regional development and addresses the first research question to understand and explain the local state's changing role in the governance of economic development. This addresses the aim of the research by identifying and explaining how factors of growth and competition shape the governance of uneven development.

The review of literature identified a renewed academic and policy interest in cities as vehicles of growth as well as diverging perspectives on sources of growth and the role of institutions in enabling and facilitating growth. This showed that theories of Urban Economics and agglomeration economies (e.g. World Bank, 2009; Glaeser, 2012) were highly influential and transferring to mainstream thinking and policy practice in relation to concentrating growth in cities. This is in contrast to focusing on local and more diverse sources of place-based approaches to growth (OECD, 2012). The aim of the empirical research here is to examine how in this period of the Coalition government, local states have used their agency and autonomy in response to uneven growth and competition.

The chapter is structured in two sections. First, the chapter examines the main arguments and rationale underpinning the Coalition government's approach to the sub-national governance of economic development and how it was shaped by dominant approaches to local and regional development (Section 4.1). Second, the chapter examines how the approach to growth has been negotiated and implemented locally. This explores how the new institutional framework for the sub-national government and governance of economic development announced by the Coalition was defined and implemented locally (Section 4.2). The experiences of the two case studies are examined under the themes of autonomy and agency to explain how the new approaches to local and regional development were configured, negotiated and implemented.

The chapter makes the case for examining both political and economic arguments in order to explain how and why changes to sub-national governance for economic development have unfolded differently across place, scale and actors.

4.1 A renewed focus on cities and agglomeration economies: implications for scale and governance

This section examines and explains the rationale and arguments for the new territorial focus of sub-national governance of economic development between 2010-15 – functional economic areas and city-regions - and the transitions and implications for local places. The renewed interest in cities as engines of growth, particularly over the last two decades, reflects a growing academic and policy recognition that scale is important to sub-national economic development (see inter alia Parkinson 2006; Katz and Bradley, 2014; Storper et al., 2015). As discussed in Chapter 2, more recently ideas relating to the theories of New Economic Geography (NEG) and Urban Economics have been influential in shaping contemporary policy understanding and approaches to sub-national economic development and particularly growth in cities (World Bank, 2009; Glaeser, 2012). These spatially-blind, or "place-neutral" (Barca et al., 2012) growth perspectives focusing interventions on people, advocate agglomeration economies and densely populated cities that offer advantages for economically connected areas and see a limited role for institutions in coordinating activity (Glaeser, 2012).

The territorial policy focus for the sub-national governance of economic development from 2010 by the Conservative-Liberal Democrat Coalition government can be explained first by examining their critique of the previous Labour administration's policies alongside the rationale and objectives for new policies. It is important to examine the economic arguments on scale alongside the political arguments and rationale for new forms of governance to understand how one has shaped the other. For example, central government's drive towards localism and decentralisation of policy below the regional level must be seen alongside their fundamental critique of regions.

In the lead up to the 2010 General Election, the Conservative government vehemently opposed the regional tier of government and governance describing it as an "artificial construct that serves only to add layers of bureaucracy and complicate the job of local government" (Conservatives 2009: 28). This policy green paper first trialed the idea of replacing the Regional Development Agencies (RDAs) with business-led Local Enterprise Partnerships – comprising groups of local authorities and businesses across the functional

economic area scale. In contrast, the Liberal Democrats proposed a more moderate position initially by refocusing RDAs "solely on economic development, removing duplication with other parts of government and allowing substantial budget reductions" thereby shifting responsibility for economic development to local authorities and allowing RDAs to remain where they had "strong local support" (Liberal Democrats 2010: 26). Despite what were deemed as "circumspect" views by both political parties on regions (Sandford, 2013) leading up to the General Election, the position agreed in the newly formed Conservative and Liberal Democrat's 'Coalition government: A programme for growth' confirmed the intention to dismantle regional planning, reduce the number of quangos, and shift power from Westminster to local councils, communities, neighbourhoods and people (HM Government 2010b: 11). A position which the Coalition presented as being in "direct contrast" to previous arrangements (HM Government 2010a: 13). The table below summarises the critique as set out in the 'The Coalition: our programme for government.

Table 4.1 Summary of Coalition government critique and new proposals for local growth

Coalition critique	Coalition policies
Top down targets and regional planning, artificial administrative boundaries bureaucratic regions	Functional economic areas Decentralisation of powers, resources and responsibility Cities and localities
Unbalanced growth across regions and sectors, failed to 'close the gap' in economic growth dis – failed to 'close the gap' in economic growth disparities between regions	Regional Growth Fund Enterprise Zones Northern Powerhouse
Lack of democratic and accountable decision-making, decisions taken by unelected quangos	Big society Localism Democratically elected mayors

Source: Author's interpretation based on HM Government (2010b)

The new arrangements for promoting local economic development were announced quickly after the General Election with the main proposal being a rescaling of economic development governance as follows,

"We will support the creation of Local Enterprise Partnerships – joint local authority-business bodies brought forward by local authorities themselves to promote local

economic development – to replace Regional Development Agencies (RDAs). These may take the form of the existing RDAs in areas where they are popular." (HM Government 2010a: 10).

The invitation of 29 June 2010 to local authority and business leaders to form new Local Enterprise Partnerships (LEPs) (Cable and Pickles, 2010) provided further detail on the geography central government envisaged for LEPs. There was an expectation that partnerships would include groups of upper tier authorities to be sufficiently strategic, and could match existing regional boundaries if supported by business and civic leaders. However, the letter also noted concerns by the Coalition that RDA boundaries did not reflect the economic reality and recommended that partnerships better reflect the "natural economic geography" and cover functional economic and travel to work areas (DCLG and Cable and Pickles, 2010). This was identified as the most appropriate scale to deliver economic development activities to maximise impact and switch from administrative regions.

In practice, the process of identifying functional economic areas (FEAs) – broadly defined as the area that a local economy and its key markets operate (DCLG, 2010) - as the new scale for economic development was variable and based more on the interpretation of economic flows. The arbitrary nature of defining functional economic areas was highlighted in a report by the Communities and Local Government Committee (DCLG, 2010), citing earlier work by Coombes (2009) and they concluded that there is "no universal approach to defining functional economic market areas" as the patterns of economic flows can be different "depending on which local markets are being considered" (DCLG 2010: 3). This was based on their analysis of the 39 LEPs finally approved. Based on their assessment, the Department for Business, Innovation and Skills judged that for the 39 LEPs approved: seventeen made a strong case that they represented a FEA, sixteen made a plausible case, four made a weak case, and we have no information on two" (NAO 2013: 30).

One aspect of spatial policy already developed under the previous Labour administration and continued by the Coalition government (and subsequent Conservative government from 2015) was the territorial policy focus on the role of cities, city-regions, and agglomeration economies for economic development and growth. Over the study period, cities and city-regions grew in prominence both as an actor engaging and shaping discussions on economic development and as an important scale for interventions, while agglomeration theories have shaped local and national strategies for economic growth. As the focus and political will from central government, particularly from the Chancellor, for decentralisation to cities and city-

regions continued and accelerated under the Coalition and subsequent Conservative government, Labour initiatives for cross-boundary governance were disbanded and Multi-Area Agreements, City-region Pilots, Urban Regeneration Companies and City Development Companies were abolished too (NAO, 2014). A central argument in support of decentralisation to cities was that they are lagging behind their European counterparts on GDP as a measure of economic growth and a range of socio-economic measures (HM Government, 2010a).

A significant step in decentralisation to cities was the Core Cities Amendment to the 2011 Localism Bill which enabled Core Cities to develop 'City Deal' proposals for the transfer of powers and resources. City Deals, introduced in 2012, were designed to represent a "new way of working" (NAO 2015: 6) by providing local places with a chance to set out their own priorities and local leaders to explain their growth priorities and negotiate directly with senior government decision-makers. In response, the Coalition government committed to removing barriers to cities' growth plans by providing funding and devolving specific decisions. In response to this flexibility, the scale of City Deals varied as some were developed for the LEP geography (e.g. Greater Manchester) while others, for a particular urban footprint (e.g. Newcastle and Gateshead).

The growing evidence and arguments on the potential benefits of agglomeration economies and concentrating growth in urban core continued to develop and inform the Coalition's territorial and growth policy focus. The 'Local growth: realising every place's potential' White Paper (HM Government 2010a: 7) referred to the strong focus in recent years on "the role that agglomeration effects - the concentration of people and businesses within a defined area – can have on economic performance", citing London as an example that has benefitted from agglomeration in terms of growth and global standing. Notwithstanding a recognition in the White Paper that some smaller towns had actually grown faster than larger towns, the paper set out measures to support the mutually beneficial economic relationship between larger cities and surrounding urban areas with a focus on the eight English core cities outside London: Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. In articulating what the role of central government would be in growing these economies, investment in infrastructure was cited as one area where it makes sense for government to intervene in market failures, connecting people to opportunities and maximising agglomeration benefits (ibid: 31).

It is important to stress that research evidence on the role and contribution of cities, city-regions and agglomeration economies was also commissioned by the cities themselves and they have a crucial role, particularly through the Core Cities network - an interest group for the eight largest English cities outside London plus Glasgow and Cardiff. The Core Cities network had been making the economic case around devolution to cities based on creating the right policy environment for cities to thrive and seeing cities as opportunities and solutions to economic, social and environmental problems. Interviewees described their contribution as important to shaping the debate, particularly through the RSA City Growth Commission (2014) which also published the DevoMet (RSA City Growth Commission, 2015) report and policy recommendations. In addition to setting out the opportunities for more growth and better outcomes for citizens, the report also identified barriers for cities, including uncertainty in the overall process of devolution and the uneven outcomes and implications for different places. An important aspect of the growth narrative of Core Cities was not advocating growth at the expense of London and the South East, but instead a place-based approach of realising untapped potential across places. In doing so, the Core Cities linked with the London Finance Commission to examine how the recommendations on fiscal decentralisation in the report (London Finance Commission, 2013) could be extended to England's Core Cities.

A clear expression of the Chancellor George Osborne's interest in agglomeration economies was what he termed, the Northern Powerhouse initiative which was focused on increasing economic growth and productivity to rebalance growth in the North, followed by the proposals for a Midland Engine (Bradley-Depani et al., 2016). It was announced by the Chancellor in a speech in Manchester in June 2014 and was based on ideas of agglomeration economies and achieving economic growth by concentrating growth across cities in the North, he argued,

> "The cities of the north are individually strong, but collectively not strong enough.
> The whole is less than the sum of its parts" (Osborne, 2014).

This built on previous concerns that northern cities could function better as a single economic unit due to their size, and economic research on agglomeration had become increasingly influential through the more recent ideas of New Economic Geography and Urban Economics (Lee, 2016). The underpinning argument was that cities and their hinterlands across the North would benefit from greater connectivity between towns and cities and concentration of labour markets. This led Jim O'Neill, chair of the RSA City Growth Commission, to describe a vision of "ManSheffLeedsPool" as region of 7 million people with

the potential to generate "many agglomeration benefits" (RSA City Growth Commission 2014: 9) . However, the ability of different cities and towns in the North to connect with and benefit from concentration of investment, particularly around Manchester, was unclear without investment or interventions across a range of policy areas, including schools and transport. As highlighted by an interviewee,

> "Among the Core Cities there are two types. There is Manchester, Leeds and Birmingham and then there is the rest. There are cities that absolutely dominate their regional economy and then there are cities that are part of their regional economy, so Bristol, Nottingham, Newcastle and Sheffield they don't dominate in the same way. Even though they don't like to put themselves in two leagues there are definitely two leagues in terms of the capability of a Core City to determine the whole level of prosperity around that" (Author's interview 32, director, North East local authority 6, 2015).

Also, despite the Northern Powerhouse being personally championed by the Chancellor and advocated at the centre of government, it was unclear what the financial and political commitment to individual proposals would be, leading some to suggest it was mainly a brand (Lee, 2016). It represented the latest phase in the rebalancing agenda, the debate on city-regions, and the role of cities as the focus for efforts to reduce regional disparities (Lee 2016: 2), but with fewer resources and capacity than Labour's previous Northern Way initiative.

In summary, this section has provided a contextual discussion of the how a focus on cities, city-regions and agglomeration economics has shaped the Coalition government's approaches to growth and competition in England since 2010. The following sub-sections discuss how this has unfolded across the two case studies and draw conclusions in relation to the arguments and aims of the study.

4.1.1 *Greater Manchester: Embedding and unfolding a strategy of agglomeration*

The development of the Greater Manchester (GM) city-region can be viewed as a process of political and economic construction by actors at different levels of government and governance to "build, maintain and nourish a particular set of governing arrangements" (Ward et al. 2016: 417) spanning over at least three decades. Events that have formed part of the historical development of the city-region are discussed in Section 3.3.2. This section examines how economic arguments and rationale for the city-region concept and economic strategy were configured and enacted in GM by local and central government actors, in the

context of an evolving and emergent agenda for economic development at the city-region level.

Fundamentally, the scale of the ten districts of the city-region was already well established in 2010 and with governance mechanisms at this scale, therefore the objective was to continue and grow.. In the mid 2000s, even after almost two decades of economic interdependencies and linkages within GM, there was a sense from local actors that there were gaps in city-region strategy making capability as expressed by this interviewee,

> "[the] area didn't have a strong enough narrative about what its growth aspirations were, it had a decent working relationship with government but not as progressive as now, and we didn't really have answers to some of the difficult economic questions, on disparities and growth between north and south Manchester, and concentration of intergenerational worklessness" (Author's interview 27, director, GM organisation 2, 2015).

As a response to this, the Manchester Independent Economic Review (MIER) was launched in 2008 by then Secretary of State for Communities and Local Government Hazel Blears and Chancellor Alistair Darling and was overseen by an independent Commission for the New Economy. The review cost £1.3 million and was funded by a combination of local and national agencies (North West Development Agency, Nesta, AGMA and the Learning and Skills Council) (Holden and Harding, 2015). The purpose to of the MIER was to inform the development of Manchester city-region. This was cited by central government as a good example nationally and represented the first independent study undertaken by a city-region in Europe that analysed the economy as a cohesive whole (DCLG, 2010). MIER consisted of a commission of prominent economists and business leaders, supported by a Policy Advisory Group and Secretariat, with responsibility for commissioning high quality evidence-based research to inform decision-makers in Manchester. Critical to local buy-in and ownership of the recommendations was having the ten councils contribute funding, thereby tying it back to the Association of Greater Manchester Authorities (AGMA), a voluntary grouping of the ten district councils. Also, the decision to include the national Daresbury Review as part of the local study gave credence and interest from central government for the wider findings from the study, "government saw MIER as something they were anticipating the outcomes of" (Author's interview 27, director, GM organisation 2, 2015).

The case for supporting economies of agglomeration in GM was developed in the MIER. The MIER identified a trend for growth in the city centre and in southern districts of the

conurbation (Trafford, Stockport, Manchester, Salford) and recommended investing in this approach, which if supported, could lead to additional growth. To reinforce the message of concentrating growth in specific locations, the MIER concluded that there was "no rationale for supporting policies which try to redistribute activity in some places at the expense of others which are more productive" (MIER 2009: 20, 'The Case for Agglomeration Economies'). For the remainder of the conurbation outside the growth areas which the MIER referred to as 'Sustainable Communities', the review recommended that the priority should be understanding the characteristics of the most deprived neighbourhoods. This identified education and skills, linkages to the jobs market, and housing tenure as the "main avenues along which policy interventions might be effective" (MIER 2009: 44-45, 'The Review'). The premise underlying these assumptions, as articulated by those overseeing the process, was to go with the grain of the market, as illustrated by this interviewee,

> "in the absence of tangible examples of what we could practically and tangibly do to shift the market that would help to shift the debate" (Author's interview 27, director, GM organisation 2, 2015).

The MIER was therefore used as the primary tool to enact a strategy of agglomeration and concentrated growth in the urban core and key employment sites. It was perhaps no coincidence that the academic and urban economist Ed Glaeser, author of Triumph of the City (Glaeser, 2012) sat on the Commission. The agglomeration approach was also aided and facilitated by the further development of a Single Assessment Framework (SAF), which was used in GM to appraise projects, some deemed politically sensitive, and rank them in terms of their total impact on the GM economy and thereby removing the politics from decision-making (Holden and Harding, 2015). In practice, the SAF appraisal of projects was undertaken by a team who were almost exclusively recruited from the private sector and didn't have a local government background so were seen to avoid any political bias,

> "…they don't care if it's in Bolton or Wigan, but if we lend them £5m will they be able to pay it back, just in a way a bank does…taking local dimension out of it and investments made purely on the benefits they would bring" (Author's interview 17, manager, GM local authority 1, 2015).

To build the understanding of an agglomeration approach to economic development strategy among policy officers, New Economy embedded economic thinking across a whole range of activities in GM, and "created the conditions" (Author's interview 42, former director, GM organisation 2, 2015) as MIER was progressed. This included a programme of

"consciousness building" (Author's interview 27, director, GM organisation 2, 2015) through a non-economist guide to economics, available to local council policy officers, to "change the way people thought" (ibid.). Central to this was articulating a vision of commuter towns and suburbs benefitting from the growth of the city centre and urban core,

> "…can we talk about the notion of [X district] might be a commuter town for Manchester? And some people got it straight away because it already is, but a lot of people were saying we're not having that, and I'd say why not? Because we have a proud tradition…. So if your people can get better paid, better jobs by commuting, you're saying that you are going to put lower pay, inferior quality jobs in [X district] – you want your people to be poor?" (Author's interview 42, former director, GM organisation 2, 2015).

In addition to building up the evidence, GM level organisations were also very effective in communicating the findings of the MIER not only within GM but also to central government to influence GM's position and standing in relation to other cities and thereby shaping national ideas,

> "These rankings point to the potential for Manchester ahead of all other cities outside London (due to Bristol's small size and peripheral location) to take advantage of the benefits of agglomeration and increase its growth" (MIER 2009: 4, 'Case for agglomeration').

While agglomeration became the orthodox approach to growth in Greater Manchester, with the findings from MIER reflected in the 2009 Greater Manchester Strategy (AGMA, 2009), the central tenets and assumptions of this approach to economic development and growth did not go unquestioned. Not least because the growth focus of MIER also represented a continuation of the strategy of investment in city centre development that had spanned a number of decades in Greater Manchester (Author's interview 49, academic, Manchester University, 2015), leading some to suggest the MIER was more of a "reinforcing document" (Author's interview 2, former councillor, NE local authority 2, 2015), and questioning whether the strategy came out of the MIER or MIER came after the strategy and could be justified (Author's interview 4, academic, Manchester University, 2015). Manchester City's approach to commercial development, and the relationship between property developers and investment funds, has contributed to a "narrow rather than rounded approach to economic development" (Author's interview 3, director, GM local authority 4, 2015).

The later decision to identify priority sectors for growth in areas of comparative advantage in the 2013 Greater Manchester Strategy (GMLEP and GMCA, 2013) – from an approach based on key sites and projects and 'trickle down' economics - was seen as a sign that things were beginning to change from a hard-stance on agglomeration economics (Author's interview 3, director, GM local authority 4, 2015). However, it was acknowledged by some of those previously involved in the MIER that it stopped short of setting out "what is the economic future for the north of GM" and addressing unemployment and inequality (Author's interview 27, director, GM organisation 2, 2015; also Author's interview 49, academic, Manchester University, 2016), and reflecting local issues that are being examined more closely now through the Public Service Reform work by central and local government.

While many interviewees in Greater Manchester did not oppose a focus on growth in the city centre, over time some queried who that growth was for and who would benefit (Author's interview 47, chief executive, GM local authority 2, 2016; also Author's interview 31, director, think tank 2, 2015) and whether there could be scope to bend some policies to be more flexible and fair (Author's interview 38, chief executive, think tank 1, 2015). Different levels of inequality across GM suggest there are limitations in understanding how the wider economy functions and the policy measures needed to remove somewhat significant and entrenched barriers to preventing individuals from benefitting from concentrated growth in the urban core. This question can even be applied to the City of Manchester district as articulated by one interviewee, "North Manchester is affected, if you take the figures for Manchester overall and discount the regional centre their performance is not much higher than [X districts]. So agglomeration isn't even working for all bits of Manchester, let alone for all bits of GM" (Author's interview 47, chief executive, GM local authority 2, 2016). Despite questions being asked increasingly by individual districts and other stakeholders on who benefits from growth in GM, there is still a recognition of the benefits of being part of GM, described as "better to be part of a bigger thing" (Author's interview 38, chief executive, think tank 2, 2015).

In summary, the Greater Manchester case study has shown how GM was already configured – spatially and institutionally - at this scale and had developed underpinning evidence on the city-region economy to support new proposals. The analysis has shown how an approach to agglomeration and growth has been actively promoted and embedded in local institutions over time, enabling GM governance organisations to prioritise investment in this way and also to make the case to central government and position GM as a frontrunner for a city-led

approach. However, economic challenges within the conurbation and reduced public resources across districts have led some to question the extent that economic development benefits are being realised across GM and the assumptions underpinning agglomeration, exposing the limitations of this approach.

4.1.2 *North East: Coordinating a city-region with multiple centres*

The new city-region landscape in the North East in 2010 was initially reconfigured by the decision of Tees Valley to depart and to establish its own separate governance arrangements. Over the previous decade there had been a number of studies which examined the economic geography and linkages of the North East region as defined by Government Office boundaries (OECD, 2006; Tyne & Wear City Region Economic Review, 2009; NERIP, 2009; OECD, 2012). These studies showed, as summarised in DCLG report on functional economic areas, that,

> "… there are a number of economic centres within the region, which are to a greater or lesser extent linked with one another. The complexities identified militate against the commonly assumed concept that the North East consists of two city-regions, centred around Tyne and Wear and Tees Valley. Two city-regions were identified, but they did not dominate the region – there are too many other powerful secondary centres in the North East to allow this to be the case" (DCLG 2010: 9)

Building on the findings of two previous independent assessments of the regional economy namely the OECD Territorial Review of Newcastle in the North East (OECD, 2006) and the Tyne and Wear Independent Economic Review (T&WIER, 2009), further analysis by the OECD showed that economic linkages between towns in the Tyne and Wear city-region varied with some strong connections also linking with more rural areas and some more localised housing and labour markets, resulting in a "degree of fragmentation within its functional borders" (OECD 2012:170). The OECD report (2006) also recommended strengthening the role of Newcastle as the urban core which was politically difficult to achieve support for, as described by this interviewee,

> "there was a lot of hang your hat on Newcastle, it was Newcastle offers you the best hope, and that is a really difficult message for the region, something that doesn't always play particularly well, made things awkward at a regional level to what extent do you endorse the OECD review?" (Author's interview 2, former councillor, NE local authority 2, 2015).

The role of the urban core within the city-region has been a contentious topic for many years. This is despite Newcastle being recognised economically for having the largest labour market in the conurbation and growing influence as the economic centre. This is due to being a primary service centre within the city-region and with a larger functional labour market area. Sunderland as the second largest city has a more localised labour market in the south of the city-region (OECD, 2012). As noted by the OECD in their review, there is no consensus on supporting the brand of Newcastle across the city-region, resisting external recommendations as well (OECD, 2006). The Tyne and Wear City Region Economic Review analysis of the city-region economy, also recognised the different economies around Newcastle and Sunderland, was signed off by local authority leaders in 2010, as expressed by one interviewee,

> "there was a beginning of an understanding that there was a complex sort of geography but a role and relationship between the different sorts of areas... But then the LEP stuff came and swept a lot of that aside" (Author's interview 10, associate, Newcastle University, 2015).

Despite the geography of the North East LEP representing a degree of continuity from previous collaborative structures, the OECD case study of Tyne and Wear suggested that the city-region has seen less bottom up organisation of key stakeholders than in other city-regions in the north of the UK to provide ongoing stability during period of institutional change (2012: 171).

For reasons of the geography and politics, the concept of the North East as a well-functioning city-region, that was also redefined in 2010 to include Durham and Northumberland, was less universally understood than in Greater Manchester,

> "that's not the terminology that is used in the North East, other [local authorities] would say we are a three city-region" (Author's interview 20, director, NE local authority 4, 2015).

In contrast to the agglomeration economies strategy pursued in Greater Manchester through the Single Assessment Framework, the approach in the North East whilst also prioritising investment in strategic sites and sectors and identifying opportunities and economic linkages with other parts of the North East, does not offer the same level of spatial prioritisation for economic prioritisation. This is probably a reflection of the geography and politics, but also the economics of polycentric region. Negotiations taken forward under central government's devolution programme talk about proposals that benefit rural and urban areas the same.

Interviewees already described an approach to prioritising investment that takes account of a broader set out outcomes,

> "Something that if landed in Newcastle would have marginal impact but in an outlying areas could have significant and transformative impact on community and economy. If you do purely on an impartial financial approach then everything will be centred into the main areas and it won't give you the regional solution. That is what a broader based approach to this is" (Author's interview 20, director, NE local authority 4, 2015).

In summary, the analysis of this case study shows how a narrow interpretation of agglomeration economies presents challenges for places with diverse economic geographies and structures and a lack of political will to work together.

4.2 Defining and implementing the new institutional framework locally

This section examines how the new institutional framework – of Local Enterprise Partnerships (LEPs) and Combined Authorities (CAs) - for the sub-national government and governance of economic development was defined and implemented locally post 2010, and how different institutional configurations emerged unevenly across places and why. This section examines for, both case studies, the process of establishing the LEP as the principal actor and scale of economic development and local growth policy and the Combined Authority as the statutory and accountable body. This contributes empirically to questions explored in the literature review (Chapter 2) on the "imagined and material coherence" of localities that makes them meaningful (Jones and Wood, 2013), on urban regime formation (Stone, 1987; Harding, 1994; Ward, 1996), and intermunicipal cooperation (Nelles, 2012) and 'institutional variation (Gertler, 2010). Understanding how these institutional processes are defined and implemented locally also provides insight and context to examine the horizontal governance coordination and capacity of local actors in Chapter 6.

The introduction of LEPs as the main sub-national governance arrangement for economic development was a central pillar in the Coalition's programme of decentralisation and part of the new institutional framework. The Coalition framed decentralisation changes in the context of a shift in power away from the centre to the local arguing that centralised and top-down approaches have failed (HM Government, 2010b). The rationale for LEPs was presented by the Coalition as,

"The Government wishes to see partnerships which understand their economy and are directly accountable to local people and local businesses… Previous arrangements also involved significant complexity and duplication of responsibilities, which led to increased costs to the public purse. Our focus should be on giving local areas, councils, communities and businesses the right tools, incentives, freedoms and responsibility to make their own choices" (HM Government 2010a: 12-13).

Alongside the dismantling of the regional tier and invitation by central government for areas to form Local Enterprise Partnerships with voluntary bodies of business and local authority leaders (Cable and Pickles, 2010), the Coalition continued with the policy of Economic Prosperity Boards (EPBs) and Combined Authorities to interested groupings of local authorities. The legislation for establishing EPBs and Combined Authorities was passed under the Labour government (Sandford, 2017).

While LEPs replaces Regional Development Agencies (RDAs), not all of the powers held by RDAs were transferred to LEPs - instead the government opted for a mixture of local and national provision to replace regional provision - and a much smaller proportion of the overall budget. This is shown in the following analysis by the National Audit Office (NAO) which shows a marked dip in government funding (see figure 4.2 below).

The process for defining functional economic areas and implementing Local Enterprise Partnerships across cities and localities was messy and uneven. This uneven process across places was further compounded by the need for new partnerships to embed and mobilise quickly to bid for pots of money through the Regional Growth Fund and to develop evidence-based proposals for Enterprise Zones, based on the newly defined economic geography. Added to this formation of LEPs took place in parallel to the winding down of the Regional Development Agencies, contributing to institutional churn.

Figure 4.2 Government spending on Regional Development Agencies and new local growth funds and structures, 2005-06 to 2014-15 – payments by departments.
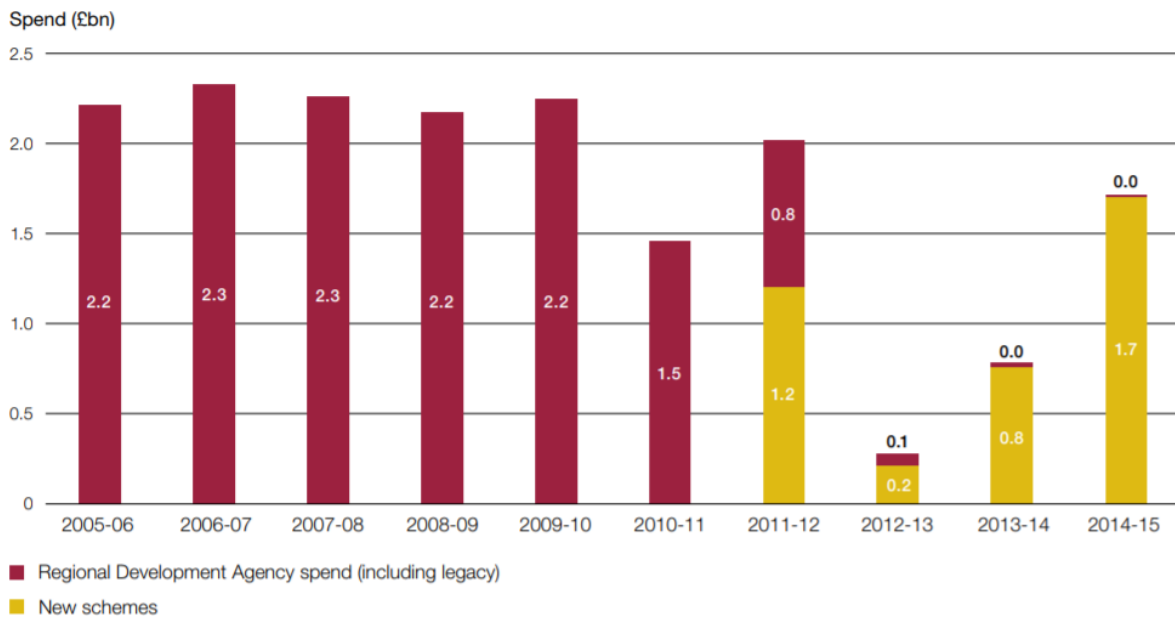
Source: National Audit Office (2013: 20)

4.2.1 Greater Manchester: Continuation and consolidation of existing structures

Table 4.2 Institutional changes in GM

2000 – 2010	2010-
North West Development Agency Greater Manchester sub-regional partnership Manchester City Region	Greater Manchester Local Enterprise Partnership (GM LEP) established 2014 (Winding down of NWDA until Apr 2012)
Multi-Area Agreement. Combined Authority in principle in 2009.	Greater Manchester Combined Authority (GMCA) established April 2011
Greater Manchester 'family' (Commission for New Economy, Midas, Marketing Manchester)	Greater Manchester Growth Company

Source: Author's adaptation from HM Government (2010a)

The process for defining and implementing the new institutional framework for economic development in Greater Manchester post 2010 was seen as a smooth transition,

> "We had the institutions to say that's [North West RDA] gone, now we can coalesce around this. It was a seamless process" (Author's interview, director, GM local authority 2015)

It is argued that Manchester's unique economic geography is conducive to collaborating across local authority boundaries as Greater Manchester's local authorities have a "more economically interdependent and complimentary relationship" than other groups of local authorities in UK city-regions (Emmerich et al. 2013: 12). The important characteristics of GM collaborating across this geography, as cited by other areas, include the ten local authority districts have equal status and powers as metropolitan districts, cover a relatively small area and have one 'core city' as their major economic driver (South East England Council evidence to CLG Committee 2016: 14). Also with clear agglomeration effects in the city-region's urban core because of an usually coherent geography, and a very cohesive political culture (NLGN, evidence to CLG Committee 2016: 14, 2016 Jan).

The history of working together at the scale of the ten districts has been critical to transitioning to new arrangements as has the recognition by all ten districts that if marketing this area on international basis, the brand was Manchester. The establishment of the Association of Greater Manchester Authorities (AGMA) as a voluntary body of the ten districts following the abolition of the six metropolitan counties in 1986 demonstrated that by working together more could be achieved than as individual boroughs,

> "very early recognition that economically we were one place and that place in global terms was Manchester, and that didn't impinge on identity and autonomy of the areas that make that up" (Author's interview 46, leader, GM local authority 1, 2016).

Over time, AGMA has been joined by other GM-wide institutions that provide thinking and delivery capacity for actions agreed by the ten authorities (Holden and Harding, 2015). Policy initiatives which also helped to cement the understanding that the city centre spread beyond the boundaries of the city included the 1993 City Pride Prospectus for Manchester. Some of the organisations in existence today were formed as part of City Pride - Marketing Manchester and Midas.

GM local authorities were already actively lobbying for powers from the regional level before 2010. They argued with the North West Development Agency that economic powers should be devolved and delivered at a city-regional level and the agency should be a strategic body but not a delivery body – which they "agreed in principle but didn't get round to do", and this led to the development of Greater Manchester strategy and economic development institutions and increasingly engaging with government about devolution to GM, particularly for business support, skills, inward investment." (Author's interview 46, leader, GM local authority 1, 2016).

The Greater Manchester Local Enterprise Partnership (GM LEP) was established alongside the GMCA in April 2011 and it facilitated the continuation of business involvement with the appointment of Board members who had previously sat on the Board for the Commission for New Economy, and were familiar with the economic strategy. In contrast to other places (see Pike et al., 2015), in GM the Combined Authority and AGMA are widely recognised as the foremost decision-makers, with the LEP providing advice (Author's interview 26, officer, GM business representative body, 2015). The all-party basis of support for the GM Combined Authority proposal – both leading up to and after the 2010 General Election was also deemed particularly important. Following the Election the two local authorities in GM who were Conservative and Liberal Democrat lobbied the Coalition Government that they wanted a Combined Authority order for Greater Manchester to be confirmed.

The research interviews also uncovered the importance of the new institutional framework being seen to stem from GM as another reason it was implemented successfully. In contrast to new governance arrangements being seen as an imposition by central government or a necessary condition of decentralisation, the Greater Manchester Local Enterprise Partnership (GM LEP) and Combined Authority (GMCA) were seen by the constituent authorities as emanating from GM,

> "the origins of the Combined Authority came out of local government not central government… Structure of GM was designed in GM for GM. In our devo agreement every single element of it came from asks from GM not from Government" (Author's interview 46, leader, GM local authority, 2016).

Originating as a governance model in GM, the GMCA was seen as the next logical step for the ten districts who had been collaborating together and the conditions precedent for it to be a success were already in place, in particular,

> '… GM saw itself as a place, the ten leaders were quite familiar with the limitation of what they could do with ten leaders. All the economics had been done" (Author's interview 42, former director, GM organisation 2, 2015).

The next step for city-region governance in GM was the decision by the ten local authority leaders and members of the GM Combined Authority to agree to the condition of a directly-elected metro mayor from April 2017 to secure a second iteration of the devolution deal. This decision was heavily criticised by local stakeholders who argued that there should have been consultation and engagement on the proposals for a mayor and on the devolution agreement, particularly as the powers of the mayor and governance model were still to be decided and in

a climate of further reductions to local government funding. In contrast to previous decisions on decentralisation and governance changes, this decision proved divisive with different perspectives emerging across the districts. The response from some of those in power has been to stress that the mayor will be embedded within the exiting Combined Authority model and on the issue of engagement, that the 'real' debate on decisions of e.g. bus routes, the adult skills budget will happen when the mayor is in place (Author's interview 42, former director, GM level organisation 2, 2015; Author's interview 42, leader, GM local authority 1, 2016). However, this not a unified view across political leadership in GM (e.g. McMahon (2016).

4.2.2   North East: Central steer and institutional upheaval

Table 4.3 Institutional changes in the North East

2000 – 2010	2010-
North East Regional Development Agency Sub regional partnerships (Tyne & Wear, Northumberland, County Durham, Tees Valley) Tyne and Wear City Region, Tees Valley City Region	North East Local Enterprise Partnership (NE LEP) established 2014 (Winding down of RDA until Apr 2012)
North East Leaders' Board; Economic Prosperity Board; Integrated transport Authority (Tyne & Wear) Multi-Area Agreement.	Combined Authority established April 2011

Source: Author's adaptation from HM Government (2010a)

The process for defining and implementing the new institutional framework in the North East can be explained by institutional upheaval, with local institutions needing to negotiate and coalesce around a new geography determined by steer from central government, and a process marked by political and parochial interests, rather than evidence,

> "What happened straight after the election is very very important and far more so than people have given credit, because the government then moved to an almost, letting a thousand flowers bloom, do what you want to do, and what has then happened is that geographies have emerged around natural groupings, where they already existed, like in Manchester" (Author's interview 14, leader, NE local authority 1, 2015).

There was an initial uncertainty in announcing the fate of RDAs in the North following the General Election in 2010 which did not help the transition to new arrangements. Then Secretary of State for Business, Innovation and Skills, Vince Cable, had expressed initially that these may take the form of existing RDAs in areas where they are popular (HM Government, 2010b). This led to protracted negotiations on the new institutional arrangements in the North East where was largely support from businesses for economic development leadership at the regional scale and then a few iterations of fragmented geography proposals based on local alliances rather than economic geography (Author's interview 50, former director, business representative organisation, 2016).

Following the invitation by Government in June 2010 to establish LEPs, the most significant initial shift was the decision by the five local authorities in the Tees Valley to create a separate entity, having worked collectively as twelve local authorities under the Regional Development Agency for the North East and the Association for North East Councils, for eleven years. The decision by Tees Valley was deemed by some interviewees to be politically motivated,

> "Tees Valley were so determined to be separate from the region and were encouraged politically by Greg Clark and James Wharton to do so, come hell or high water they would want to see the Tees Valley succeed. They already had an amount of money they were already spending on Tees Valley initiatives" (Author's interview 12, former chief executive, NE level organisation 2, 2015).

Described as an "imposed break" (Author's interview 20, director, NE local authority 4, 2015) the transition was seen as starting again and stemming from a new beginning in 2010. Prior to 2010 the North East administrative region, based on Government Office region definitions, comprised twelve local authorities, four sub-regional partnerships, and two city-regions (Tyne and Wear and Tees Valley). Whilst the regional tier was not without criticism in the North East (political accountability and mission creep), views held among some of the business community were that the "regional scale worked, for reasons of scale, shared labour market, shared infrastructure, commonality of interests, and a need to do things on a scale that matched Greater Manchester or West Yorkshire" (Author's interview 12, director, NE business representative body, 2015). It is suggested that there was a shared understanding of the priorities for the North East built up prior to 2010,

> "They are more in terms of sectoral priorities in terms of the sorts of things the North East should be concentrating on in terms of mix of industries, technologies,

renewables, rather than geographical. Obviously the geographical thing is still a touchy thing and that is one of the things being discussed at the moment to an extent. But nevertheless I do think that emerging agenda was very important at the end. Despite the fact it emerged in a period that I think was difficult because there was no political accountability" (Author's interview 14, leader, NE local authority 1, 2015).

The seven local authority leaders in Tyne and Wear could have proposed a LEP for this structure, building on existing Passenger Transport Authority and Integrated Transport Authority arrangements. Instead there were a myriad of joint proposals from the seven local authorities reflecting a "separation of the Tyne and Wear Independent Economic Review and political discussions" (Author's interview 10, associate, Newcastle University, 2015). This process resulted in the Regional Director of the Government Office for the North East stipulating the composition of the final bid and in a "tortuous discussion with [local authority] leaders", with them already having pursued individual proposals (Author's interview 10, associate, Newcastle University, 2015). The decision to broaden the LEP geography to include Northumberland and Durham created a more mixed urban/rural geography in the city-region, for some, questions the extent to which you can call the LEP geography a 'city-region' and functional economic area, possibly adding to the challenge to get behind the urban centres (Author's interview 10, associate, Newcastle University, 2015; Author's interview 48, academic, Newcastle University 2016). An issue any future mayor for the city-region would also need to consider to represent the geographically diverse interests and needs of the whole region (Author's interview 19, director, NE local authority 3, 2015).

The North East Independent Economic Review (NEIER) was commissioned in April 2013 once the NE LEP was formed. "I remember at the time, a couple of people saying, we know all this and we've done all this before, but like I've said, 2010 was a thing coming down, so even though we'd had the Regional Spatial Strategy and everything else that went with ONE, we were in a new era so we badly needed that Adonis Review that took place, and it was one of the best things that happened because we didn't have that history we can talk for ages about why not, the closeness of GM joint working, because that wasn't there to that extent, we needed something to become that focus and the NEIER became that starting point and focus given that, my view is that, a wall had come down after 2010, so it was a stimulus to everything that has followed since then" (Author's interview 14, leader, NE local authority 1, 2015). However, commissioning the North East Independent Economic Review (NEIER) to provide an assessment of the economy after the formation of the LEP meant sorting the

economics - alongside creating the institutions, which is suggested has added to the political difficulties (Author's interview 42, former director, GM level organisation 2, 2015). Added to this, there was a sense that issues highlighted in the OECD Territorial Review of Newcastle in the North East (2006) on the role and brand of Newcastle in the region hadn't been addressed. At the time of the research, the North East was pursuing discussions with central government over having a democratically elected mayor for the functional economic area. Some view it as an opportunity for leadership to counter the political and parochial interests which routinely mar the area as public disputes are featured in the regional media, and do not build credibility of the area with central government. Others suggest it would be a challenge akin to having a mayor for the North West "I'm not saying that couldn't happen for the north east but it's a tricky one" (Author's interview 6, chief executive, national cities group 1, 2015).

Drawing on empirical analysis from the case studies, this section examines the process for defining and implementing the new institutional framework in the two case studies. First, it examines the transition to new institutional arrangements in Greater Manchester that most interviewees described as a continuation and extension of existing governance arrangements and economic development strategy, which in turn were devised locally and consolidated through the 2009 Manchester Independent Economic Review (MIER) - independent research drawing explicitly upon the city-region and agglomeration arguments. Next, this section examines the process in the North East and how these changes unfolded. In contrast, interviewees here described this as a "break" (Author's interview 11, leader, NE local authority 1, 2015), an interruption in institutional stability, and marked by political and parochial interests, rather than evidence, and with central steer.

In conclusion, this chapter sought to examine how new and dominant approaches to local and regional development had shaped the local state and autonomy and agency and exploring themes of geography, scale, history and understanding at this level. This Chapter examined the autonomy and agency of the local state in relation to new and dominant approaches to local and regional development. The main findings were as follows. First, that theories of Urban Economics and agglomeration economies had influenced the Coalition government's approach to the sub-national government and governance of economic development and renewed focus on cities. There were clear expressions of this in the notion of a 'Northern Powerhouse', City Deals and presenting the benefits of London as the model for other places. Second, that cities and agglomeration were both an economic and political decision by the

Coalition government who were vehemently – and ideologically - opposed to regions. Third, the prioritisation of investment and policies to support an agglomeration approach has shaped the autonomy and agency of different city-region governance to respond. This worked favourably in Greater Manchester which had the prerequisites (monocentric economic structure, long history of collaboration at the scale, institutional capacity to respond to this agenda) but this started to unravel within Greater Manchester under a challenging economic context. It was more challenging in the North East with multiple economic centres and local leaders had to reconfigure the scale of governance and build evidence and collaboration at a new scale. Fourth, under this neoliberal agenda of creating competition between places for powers and resources, examples of agency and autonomy from cities include the interurban network of the Core Cities creating an Amendment to City Deals to be able to set their own priorities with government, albeit with central government making the final decision. Also, the Core Cities seeking to soften the impact of growth dominated by London and the South East by advocating a place-based approach that realises untapped potential across all cities and not at the expense of London. The next chapter will explore the type and nature of decentralisation under the Coalition government to examine and explain the different governance outcomes for places in the context of austerity.

Chapter 5. What characterises and explains the government's programme of changes to the sub national governance of economic development?

This chapter examines how the global trend of political and administrative decentralisation to cities and city-regions was interpreted and implemented by the Coalition government and in turn, informed new frameworks of government and governance for economic development. This is to understand and explain how the decentralisation process unfolded differently across scales, places, and actors. This contributes to the aim of the research by exploring the objectives and constraints and that have shaped the decentralisation outcomes of local states and what this means for the role and contribution of local government in economic development.

The literature review explored the global trend of governance decentralisation (Faguet, 2013) in addition to the different types of decentralisation (CURDS and LSE, 2011) and the political factors that shape it. This showed that decentralisation is bound up in processes of state rescaling that can be vertical as well as horizontal (MacKinnon and Shaw, 2010) and can have multiple (and conflicting) objectives (Le Gales, 2006; Jessop, 2009. Powers and resources can also be centralised as well as decentralised with new organisational forms emerging through the process of 'filling in' (Shaw and MacKinnon, 2011) therefore it is important to examine both government and governance. The literature points to broader questions on what is the local state's role, drawing on O'Neill's (1997) work on a 'qualitative state', and on what is local government for (Sullivan, 2011; Lobao and Adua, 2011), particularly in a challenging context of austerity.

The chapter is structured in two sections. First the chapter examines how the approach to decentralisation was configured and implemented by examining the different objectives and approach by central government (Section 5.1). Second, the chapter examines the reassertion of local government in the new framework of government and governance for economic development (Section 5.2). The two case studies provide empirical insight and explanation of how and why these processes have unfolded unevenly by examining how local government and governance in different places have navigated and negotiated changes and outcomes.

5.1 'Crisis', deficit reduction and restructuring the state
The forming of the Conservative Liberal-Democrat Coalition Government (the 'Coalition government') in 2010 occurred in the wake of the 2007-08 global financial crisis and ensuing

period of recession for the UK economy (2008-09). This section examines how the 'crisis' narrative was constructed by the Coalition government and then Chancellor George Osborne, and how the government responded through a programme of deficit-reduction, austerity politics and restructuring the state, as illustrated by this quote,

> "Five years ago, when I presented our first Spending Review, our economy was in crisis and there was no money left" (Osborne, 2015 'Spending Review and Autumn Statement speech').

When the Coalition government entered office in 2010 the UK economy had emerged from five consecutive quarters of negative growth over 2008-09, and the greatest recession since the 1930s. In developing their policy response, the Coalition government used the underlying or 'structural' deficit – the part of the deficit which is not related to the state of the economy and remains even when the economy recovers (Keep, 2016) - as a measure of the impact of the financial crisis on the economy. Tackling the financial crisis by reducing the structural deficit became the overriding objective and rationale of the Coalition government for implementing the policy response and resulted in one of the biggest deficit reduction programmes seen in any advanced economy since World War II (Riley and Chote 2014: 1). To achieve the Chancellor's target of a budget surplus by the end of the 2010-15 parliament, the main burden of deficit reduction was to be achieved by reducing spending rather than increased taxes (HM Government 2010: 15). This marked a shift from the previous Labour administration's interventionist and demand stimulus approach of 'industrial activism' – government in partnership with the private sector – and fiscal stimulus package for housing, education, transport and construction (Rhodes, 2015), in the immediate aftermath of the financial crisis.

The scale and scope of spending reductions were configured in response to, "an emergency we face…. [in addressing] the largest budget deficit in Europe" (HM Treasury and Osborne, 2010; see also NAO, 2014b), which Chancellor George Osborne attributed to Labour's overspend rather than the banking crisis (The Guardian 2015, 3 May). Reflecting back on his period, Vince Cable MP, then Secretary of State for Business, Innovation and Skills in the Coalition government, suggested that "the legitimacy of the Coalition rested on the fact that there was a sense of an emergency" (Cable, 2015). This imperative - presented in the 2010 Emergency Budget statement, which was itself described as an "unavoidable budget" (HM Treasury and Osborne, 2010a), and reaffirmed in subsequent budgets and speeches (e.g. HM Treasury and Osborne, 2015b) – was used to present a financial and economic imperative to

restore the nation's finances and credibility with international markets (Osborne, 2015a). The goal was to "achieve a cyclically-adjusted current balance by the end of the rolling, five-year forecast period" (Osborne 2011, 'Budget speech', 23 May). This relentless pursuit by the Chancellor to reduce the structural deficit was unwavering throughout successive budgets despite downwards revisions of the growth forecasts that underpinned reduction targets, failure to meet repayment targets, and concerns from independent analysts on the impact of deficit-reduction on growth and the ability of local councils to continue to deliver public services. The plans to scale back public spending through an 'age of austerity' were proposed by the Conservatives prior to the 2010 General Election and forming the Coalition government,

> "In this new world comes the reckoning for Labour's economic incompetence. The age of irresponsibility is giving way to the age of austerity" (David Cameron, 2009, April 26 Prime Minister's speech to Conservative Party conference).

The 2010 Conservative election manifesto pledged to reduce the deficit through state restructuring and a programme of public expenditure reductions (80%) and tax increases (20%), and the 2010 Emergency Budget provided the mandate to take this forward (Tetlow, 2010; IFS, 2013; see also Pike et al., 2016). The decision by the Chancellor George Osborne, to cut public spending in order to meet his deficit-reduction and surplus target by 2020 resulted in a significant restructuring of primarily the local but also the central state. The cuts to local government grant funding and Labour-approved revenue streams resulted in a rescaling of the crisis to the urban and local level (e.g. Peck, 2012; NAO, 2013; Donald et al., 2014). Over the course of the 2010-15 parliament, 'unprotected' government departments (defence, justice, home office, local government, and business) were asked to identify and implement 30 per cent cuts to their budgets. As the Coalition government was being formed in 2010, ministers responsible for central government departments were incentivised to settle their departmental budgets early because it would entitle them to join a 'star chamber' with the power to cross-examine the spending plans of remaining departments (FT, 2010; FT, 2013). Eric Pickles MP, then Secretary of State for Communities and Local Government, was the first Minister to join the star chamber having offered to HM Treasury the largest cut of any government department - £33.6bn to meet a 25% savings target (BBC, 2010) - in the 2010 Comprehensive Spending Review. Agreeing to a significant reduction with the Treasury, and reportedly before 2010 Comprehensive Spending Review was even published, was seen an attempt to transfer blame for cuts from the Coalition to councils. This alongside Secretary of State Eric Pickles' desire to micro-manage certain local government issues

through his "guided localism" approach (Illman 2010: 1) and openly criticising local government practices was seen as particularly divisive at a time when local authorities were planning and implementing cuts to public services (Betts, 2011). Over the period 2010-11 to 2015-16 local authorities experienced a 37% estimated real-terms reduction in funding from central government and a 25% estimated real-terms reduction in income (including council tax) (NAO, 2014). Different types of local authority experienced different rates of reductions, with metropolitan district councils on average more greatly affected than county councils (29.7% to 22.6%, respectively) (NAO 2014: 13), which pointed to "…a very strong correlation between the cuts and levels of deprivation" (Author's interview 5, chief executive, national cities group 1, 2015). The following chart demonstrates that metropolitan areas experienced the most significant cuts.

Figure 5.1 'Change in spending power by local authority type, 2010-11 to 2015-16'

Percentage change in revenue spending power 2010-11 to 2015-16 (2012-13 prices)
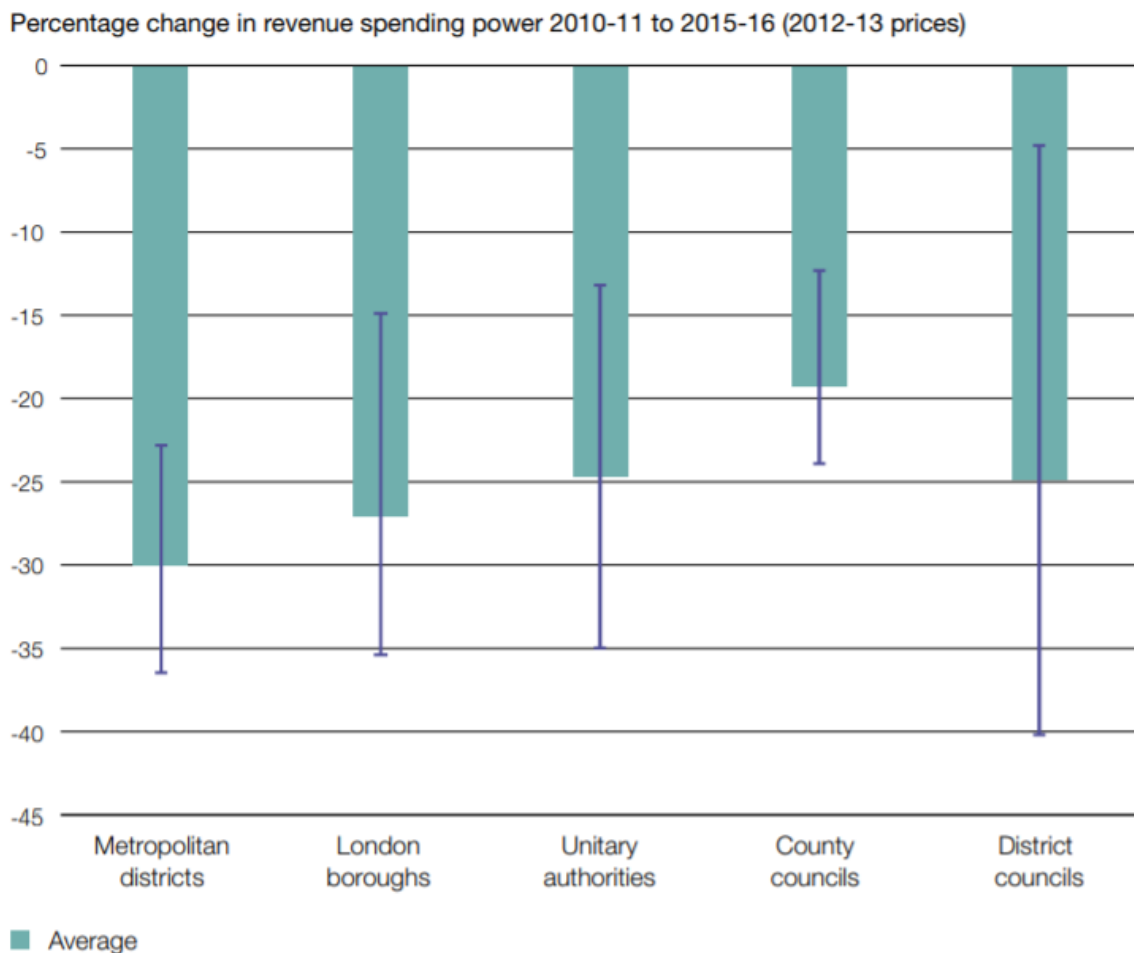
Source: NAO (2014: 14).

The cuts imposed were not sensitive to variations in regional economic performance, the sectoral composition of local economies and proportion of total public sector employment,

demographic profile and the uneven and growing demand on public services. The lack of understanding of the impact of cuts on public services in different parts of the country – the income-based distributional analysis was eventually removed from budget documentation in summer Budget 2015 (HM Treasury Select Committee, 2015) - has led some critics to suggest that Osborne had a "clear political framework rather than an economic framework … to reduce the size of the state", and "using deficit reduction as a means to that end" (Wren-Lewis, 2014). The Conservative Party's traditional political base is predominantly from rural areas and southern counties, and they have struggled to make political gains in urban areas, including the North of England, for some, leading some to question their sensitivity to urban deprivation (Bogdanor 2015: 34).

The reduction in spending on public services was also presented as a core component of addressing the imbalance in economic growth between different parts of the country and achieving more sustainable growth (HM Government, 2010a). The cause of the deficit was also attributed to the structure of the economy, the sectoral composition and response to the crisis by the previous Labour government,

> "But if you look behind the headline figures, you see why we face such a massive deficit crisis today: because while the private sector of the economy was shrinking, the public sector was continuing its inexorable expansion. While everyday life was tough for people who didn't work in the public sector with job losses, pay cuts, reduced working hours, falling profits, for those in the public sector, life went on much as before" (Cameron, 2010).

This critique shaped how the sub national governance of economic development was reconfigured in order to reduce the deficit, rebalance growth sectorally and geographically, and return powers to communities through a localism (HM Government, 2010). According to the Coalition government, this would entail moving from "big government [to] big society" with the 2011 Localism Act marking, "the beginning of a power shift away from central government to the people, families and communities of Britain" (HM Government 2010b: 1). However, policies to rebalance growth, including a Regional Growth Fund, and to devolve powers to the local level were implemented alongside a reduction in local government grant funding, top slicing departmental budgets, and changes to how local government is financed in future, through business rates and council tax.

The overriding focus on cuts was also acknowledged by those working in central government at the time,

"…decentralisation is the primary vehicle to deliver the cuts" (Author's interview 35, civil servant, BIS, 2015).

The Secretary of State for Business, Innovation and Skills Vince Cable also stated – after the Coalition's term – that "Osborne is trying to do all this stuff with city government which is actually mainly a way of cutting funding" (Cable, 2015). However, central government repeatedly argued that their funding decisions were underpinned by fairness, which has been contested by a number of independent organisations (e.g. National Audit Office, 2014) and local authorities The extent to which senior government ministers understood the situation faced by local authorities in trying to maintain service provision in the face of cuts was unclear. This was illustrated by the correspondence between Prime Minister David Cameron and Oxfordshire County Council in his constituency in which he questioned the cuts being implemented. The response from the Liberal Democrat leader Cllr Richard Webber noted "It is staggering that the prime minister knows so little of the impact of his government's cuts in his own backyard" (Oxford Mail, 2015). In other instances, the politicking by Conservative ministers was more explicit in appeasing Conservative backbenchers and progressing the programme of spending cuts to local government. The introduction of a £300m transitional relief fund in 2016, which disproportionately benefitted Conservative-run councils, was calculated based on future reductions to the 2015-16 local government finance settlement and ignored those cuts that had already taken place since 2010 (The Guardian, 2016). The following empirical analyses of Greater Manchester and the North East examines how issues of 'crisis', deficit-reduction and restructuring the state have unfolded sub nationally.

5.1.1 *Greater Manchester: Political pragmatism, a coherent argument and credibility*

Faced with some of the most severe cuts to local government funding across the country (Newcastle City Council, 2013 see 'heat maps') the ten Greater Manchester (GM) local authorities, through the GM Combined Authority and GM Local Enterprise Partnership, managed to maintain a constructive dialogue with central government through successive waves of funding cuts, phased grant reduction and restructuring of public services through austerity measures. In turn, Greater Manchester was rewarded with several iterations of devolution deals.

The response by local council and business leaders to the 'crisis' constructed by central government and the imperative for deficit reduction was to develop a coherent economic argument and narrative for greater decentralisation of powers and resources to counter the austerity measures and to improve outcomes for public services locally. Building on the

economic arguments in the Manchester Independent Economic Review (MIER) (Commission for the New Economy, 2009) the argument by the ten local authorities was that in order to grow the economy you also have to reform public services in order to reduce the overall deficit and to enable all parts of the population to take advantage of and benefit from policy interventions (Greater Manchester Strategy, 2010). This case was also made by the Core Cities network and extended the focus of local growth policy beyond a narrow economic agenda to also address social objectives through reform and looking at the linkages between the two. This was argued as critical to the financial survival of the local state, and mentioned in interviews, "the survival of local authorities is based on the integration of health and social care" (Author's interview 3, director, GM local authority 4, 2015). Also by looking at which policy areas could be delivered at scale on a larger Greater Manchester footprint, as illustrated,

> "If you look at health and social care which has attracted a lot of attention. Integration of health and social care is probably a good thing in its own right, but the interest of the local authorities, there isn't any desire to run health services it is to get health as an integrated part of how we tackle other issues particularly worklessness" (Author's interview 46, leader, GM local authority 1, 2016).

Since 2014, the focus in GM has been on constructing a narrative around "closing the gap" and Greater Manchester becoming a "net contributor to the national economy", which chimes with central government's priority of financial savings and reducing the deficit (Author's interview 3, director, GM level organisation, 2015). This narrative and supporting evidence, including the MIER, along with a business planning and financial modelling approach, has been critical in presenting the case for devolving further powers and resources to Greater Manchester and building credibility with government ministers,

> "…ultimately if you want government to give powers and resources back, not only have an evidence base that says it is a good thing to do. You also need to have a business plan and financial model as to how you are going to do it" (Author's interview 46, leader, GM local authority 1, 2016).

The approach of Greater Manchester's mostly Labour local authority leaders to work with the Coalition and Conservative government, while not without its tensions, "there was a lot of unhappiness in the Labour party that effectively eight Labour leaders did a [devolution] deal with a Conservative Liberal-Democrat government in its dying days" – underlies the much cited pragmatism and that "Howard and Richard will do business with anybody that is of

benefit to Manchester and Greater Manchester" (Author's interview 47, chief executive, GM local authority 2, 2016).

The response of the local leaders in Greater Manchester to central government's austerity measures has been one of opportunism, using it to make the case for greater freedoms and flexibilities through devolution. However, GM Members of Parliament (MPs) and some local stakeholders have voiced concerns about taking on powers and responsibilities of policy functions when the overall budget is being cut centrally (e.g. HoC debate, 3 Mar 2015). Also the leader of Manchester City Council wrote to the Chancellor to criticise the cuts which had fallen disproportionately on deprived areas (Leese, 2015). There are, unsurprisingly, different views of the government's austerity measures across the political spectrum in local government in Greater Manchester. These range from a "huge abhorrence to the term austerity… it is a very London centric label… very clever of the government getting us to use it like we agree with it" (Author's interview 27, chief executive, GM local authority 2, 2016). To those who view it more opportunistically by "creating a fiscal imperative to do things a bit differently, enforcing and embedding change across the city" (Author's interview 44, leader, GM local authority 6, 2016). To respond to central government's austerity measures, GM local authorities presented a compelling economic case to HM Treasury based on the following argument,

> "The hard headed fiscal view is that 5 years of austerity has resulted in negligible savings on public sector expenditure in Manchester….. as local authorities, we've had billions of pounds taken out of us [and] all we have done is shunt spend from one area of the public sector to somewhere else" (Author's interview 46, leader, GM local authority 1, 2016).

Furthermore, with spend on public services across the city at £27bn, and £20bn generated in tax receipts, GM is a "drain on the public purse" and a £7bn gap has to be eliminated, "if you raise GM productivity to national average you'd generate an additional £8bn a year – so eliminate that gap" (Author's interview 44, leader, GM local authority 6, 2016).

> "we are the second city of this country and we are £5bn[sic] a year in debt, that is unacceptable to us, is that acceptable to you? No, right then what are we going to do about, better run things differently - it's an unstoppable argument" (Author's interview 42, former director, GM level organisation 2, 2016).

Critical to this was developing a "credible proposition" with "key people", such as Mike Emmerich (former chief Executive of New Economy) with his HM Treasury background and

Sir Howard Bernstein with a longstanding reputation in Manchester and also crucially in central government (Author's interview 46, leader, GM local authority 1, 2016; Author's interview 3, director, GM local authority 4, 2015).

The risks associated with decentralising powers and resources at the same time as implementing cuts and restructuring the state, are understood differently across the ten districts and among local actors. However most agree that by taking decisions locally you have a better understanding of the consequences of those decisions and the resources to take advantage of policy interventions – central government is "too detached and far away" to achieve greater value from spend and better services (Author's interview 46, leader, GM local authority 1, 2016). However, the prospect of the retention of business rates locally along with the phased reduction in local government grant funding would create additional challenges for less economically prosperous districts such as Oldham. This led to more divergent views on the GM approach and concentrating growth in the urban core (McMahon, 2016; Author's interviews: 15, 28, 29, 38, 37). While a number of local groups and stakeholders in Greater Manchester had been vocal in opposing austerity measures over the course of the 2010-15 parliament, this did not appear to have influenced the pace and scale of devolution developments for Greater Manchester. The further cuts to local government funding, transition to business rate retention, and the planned phasing out of local government grant by 2020 had the potential to lead to different outcomes for different districts, depending on how resources are pooled and whether equalisation measures would be introduced (Author's interview 47, chief executive, GM local authority 2, 2016; Author's interview 29, officer, GM local authority 3, 2016).

In summary, GM approach to the Coalition's approach reflects one of pragmatism rather than stemming from the politics of austerity, and opportunism by adopting the crisis and economic narrative to its advantage to reflect local objectives. But a financial context of continuing austerity and changing nature of local government finance and unclear local distribution mechanisms has led to diverging views on growth from individual districts.

5.1.2 *North East: Party politics, fairness and discord*
In the North East, opposition from Labour council leaders to the extent of the cuts proposed and implemented characterised particularly earlier discussions with central government on the devolution of powers and resources. The Coalition government prioritised deficit-reduction by reducing public spending across the country at a time when English regions

were emerging from the economic recession and the North East had the highest levels of unemployment across England (Centre for Cities, 2011). The employment gap between the North East and the UK average, which had begun to narrow in the years prior to the recession, had started to widen again reflecting the recession impact on less buoyant parts of the economy (ibid.). This opposition created tensions between local authority leaders and the business representatives on the NE LEP who acknowledged the challenge of reduced resources but at the same time were also trying to set out an ambition and vision of growth for the North East.

The restriction on and scaling back of public spending on economic development with immediate effect following the formation of the Coalition government had a number of implications for the North East. First, one of the initial measures taken by the Coalition government in 2010 was to stop special funding that was previously allocated to deprived areas for neighbourhood renewal. This meant that many programmes that were providing additional funding to specific local areas and voluntary groups in the North East for regeneration just disappeared overnight,

> "… it had a much more disproportionate impact on the deprived areas of the North East and North West... what was seen by the Conservative government as 'Labour money for Labour authorities'" (Author's interview 43, former director, NE local authority 2, 2016).

Second, policies to 'rebalance' growth across sectors, while positive for the manufacturing sector and export potential of the North East, sought to also address what was deemed by the Coalition government as public sector dominance in certain areas which crowded out the private sector. This also had a disproportionate impact on the North East, given the region's sectoral composition and greater representation of public sector employment as a total proportion of employment. Third, exemption from in-year budget cuts for the Devolved Administrations meant that, at a time when the North East had restrictions placed on public spending for economic development, Scotland bordering with the North East was able to continue spending money on foreign direct investment, business grants and tourism promotion among other areas, as noted by the then chief executive of the Regional Development Agency, One North East,

> "We certainly cannot commit any money beyond March 2011, so Scotland already has a relative advantage" (Clarke, 2010)

The uneven implications of cuts to local government funding over the period 2010-15 combined with the changing nature of local government finance as local government grant funding was being phased out toward 2020 and replaced with revenue collected locally through business rates and council tax, continued to shape the restructuring of the local state. In the North East this led to questions of fairness in the distribution of funding as well on constraints within the local government funding system.

> "So Westminster will generate £1.8bn of business rates, South Tyneside will generate £30-40m….. Needs to be an understanding that you cannot have a system that has council tax and business rates alone funding statutory services" (Author's interview 43, former director, NE local authority 2, 2016).

Discussions between local and central government on whether local government grant funding allocations represent fair settlements have been an ongoing and characteristic part of the North East's devolution negotiations with government. Issues faced by North East local authorities included uneven spending power following budget cuts, a grant funding formula which no longer took account of need, the uneven landscape of councils to raise income through local taxes, in addition to the increasing demand and cost pressures for some statutory services in particular areas,

> "It comes to a very simple view amongst certain politicians that if someone is getting more it is wrong without an understanding that what the grant was supposed to do was to recognise differences in need and recognise difference in resource" (Author's interview 43, former director, NE local authority 2, 2016).

Analysis by Newcastle City Council (2015) showed how local government funding cuts had disproportionately impacted on poorer parts of the country over the funding period 2010/11 – 2015/16, like the North East. The findings chimed with research by the National Audit Office (2014). Nick Forbes, Labour leader of Newcastle City Council said this showed that the Government's claim to be fair was wrong,

> "The heat maps we produce uncannily resemble the political map of the country showing that the Government is presiding over a wholesale shift of resources predominantly from the north to the south of England. This undermines our efforts to grow the North East's economy and will accelerate the point at which councils fail to fund statutory services." (The Chronicle, 2015)

In addition to the overall amount of funding available to local government being impacted by funding cuts, the way money is allocated for economic development has also changed. This resulted in a reduction in revenue used to fund economic development but an increase in

capital funding over the period through schemes such as the Regional Growth Fund, subsequently constraining what can be done to support economic development.

> "So you have got this immediate cut in resource which has an immediate impact and an increase in capital resource which has a medium and long term benefit. So you are seeing and have seen a real problem with financing of economic activity since 2010 and to date" (Author's interview 43, former director, NE local authority 2, 2016).

Given these funding system constraints, the benefits of devolution would be having a flexible investment fund, moving away from separate central government departmental funding streams determined by HM Treasury, and being able to plan over the medium to longer term and deploy resources to the most pressing needs to achieve the greatest growth,

> "Even if you got no more money, having the flexibility and confidence of having certainty about the money you have been allocated over a period is a very positive thing" (Author's interview 43, former director, NE local authority 2, 2016).

However, even with the allocation of Local Growth Funds, the lack of certainty provided by central government on future funding made available in Spending Reviews has undermined confidence locally to proceed with projects and issue tenders. This places the associated risk on local authorities,

> "So the Treasury are very positive about growth, their accounting systems, the bureaucracy doesn't facilitate giving confidence to local authorities to proceed, at a time when the revenue budget constraints are stripping resources out of local authorities and therefore they are more risk averse in terms of taking risks. It's a broken system of funding economic development and local government in that way" (Author's interview 43, former director, NE local authority 2, 2016).

In summary, the North East experience of transitioning to the Coalition's programme of deficit reduction and restructuring the state has been characterised by party politics, debates on what constitutes fairness and internal divisions and disagreements on how to respond to government's agenda.

5.2   A reassertion of the role of local government in economic development

Changes to the sub national governance of economic development and local growth policy - introduced by the Conservative and Liberal-Democrat Coalition government in 2010 and continued by the subsequent Conservative government in 2015 - ascribed new roles and responsibilities for local authorities within a new economic and political context. The previous section (5.1) discussed how these changes were framed and guided by a series of (partly-defined) political objectives – decentralisation, rebalancing, and localism – which also

formed the arguments and rationale for changes. Critically, the changes to governance giving local authorities an enhanced role in economic development with financial incentives for generating local growth were introduced at the same time as measures to reduce the budget deficit and scale back public spending through the government's austerity approach. This section critically examines how and why this reassertion of local government in economic development has occurred through changes to powers and governance and the factors that have shaped this process and outcomes locally.

The Heseltine report set out a case for reconfiguring responsibilities for economic development between central and local government, and between government and the private sector (Heseltine, 2012). This called for "effective and empowered local authorities" (ibid: 50) to collaborate at the 'functional economic market area' and be the accountable bodies for Local Enterprise Partnerships (LEPs), with two obstacles to this: no legal duty on local authorities to undertake economic development, unlike social functions and services, resulting in local economic development being vulnerable to increasing pressures on statutory services and cost savings; and local authority boundaries not reflecting functional economic market areas. The recommendation in the report for local authorities to have an overarching legal duty to have regard for economic development in the exercise of all their functions was 'accepted in part' by central government (HM Treasury / DBIS, 2013). Heseltine estimated the proposal would require a regional funding pot worth £12.25bn per annum over four years and subsequently Chancellor George Osborne allocated £2-3bn over the same period instead. As part of the Coalition approach to localism and decentralisation, the 2012 Local Government Finance Act sought to redress this imbalance by introducing a Business Rates Retention Scheme to enable councils to keep a proportion of the business rates generated in their areas thereby giving them a financial incentive to promote local economic growth and providing them with more control over their own funding streams (Heseltine, 2012), and allowing local authorities to keep 100% of the income they collect by 2020 (DCLG, 2016). However, as highlighted in a number of analyses (e.g. Centre for Cities, 2012) issues of how revenue will be pooled within larger economic and governance geographies, and balancing a safety net with incentives for growth, need to be resolved.

The reassertion of local government has taken place at different scales and in different forms. For England's Core Cities and city-regions, this has primarily emerged for some areas in the form of Combined Authorities at the functional economic area, with varying powers across different policy areas coordinated and relinquished to this scale. Besides the economic

arguments for doing economic development at that scale, there are perceived incentives to this approach in an austerity context,

> "you might not have the statutory duty to concentrate on growth at the local authority level, but actually pool a small amount of resource at a Combined Authority level working with your LEP [and you] can then take the decision at that level instead…and have a wider economic area and release the local authority area to focus on the statutory duty and obviously there are many links between the two" (Author's interview 40, civil servant, DCLG, 2016).

Following the abolition of Regional Development Agencies and the emergence of Local Enterprise Partnerships, over the course of the 2010-15 parliament discussions on the role of local government in economic development and local growth policy were further shaped and influenced to varying degrees by a number of policy studies, independent commissions and also by civic leaders. First, the aforementioned Heseltine report 'No Stone Unturned: in Pursuit of Growth' (Heseltine, 2012) recommended the merging of various funding streams to provide much greater local responsibility for economic development. Second, the referendum on Scottish independence in 2014 accelerated discussions between government and cities and city-regions on the additional powers that would be made available for cities in England in line with a new settlement for Scotland post the referendum. Third, following the publication of the London Finance Commission report 'Raising the Capital' (2013) which recommended a package of measures to give Londoners a more direct say over a greater proportion of taxes raised in their city, the Core Cities network joined forces with the London mayor to push government to apply these measures to support the growth in other cities too (Core Cities, 2013). The RSA Independent Growth Commission (RSA, 2014) which also involved the Core Cities made recommendations to central government for a greater transfer of powers to metro leaders to coordinate resources across the city-region, agree multi-year finance settlements with government and have flexibility to set and retain taxes and do place-based budgeting. These events and publications contributed to strengthening the case for greater powers and responsibilities to be transferred to local authorities, particularly in metropolitan areas.

The reassertion of local government in economic development and local growth policy therefore reflects both local and national efforts to bring decision making closer to local people and is examined here across four themes: reconfiguring city-region governance; new

powers for economic development and local growth; local government funding; and the process of devolving powers and resources.

First, the reconfiguration of sub national governance arrangements for economic development – with the abolition of Regional Development Agencies (RDAs) and invitation to civic and business leaders to form *voluntary* Local Enterprise Partnerships (LEPs) - gave local authorities an enhanced role alongside other local actors in determining priorities and spending decisions at the functional economic area, or city-region scale. Further to this, the formation of Combined Authorities by groups of local authorities, initially in metropolitan areas – an approach developed by and implemented first in Greater Manchester - provided the *legal* mechanism to combine the powers and functions of constituent authorities in recognition of the strong links between economic development, regeneration and transport provision (Sandford, 2016).

> "Combined Authority concept is a very important stepping stone along the way to running a city in a better, more economically sensible, grown-up way that answers that question that Whitehall used to ask. Who is in charge?" (Author's interview 46, former director, GM organisation 2, 2016).

Establishing these new governance structures has been an uneven process for local leadership teams across England (see chapter 4.2) at a time when local government has had to implement funding cuts and efficiency savings and manage a reduction in capacity through a reduced workforce. Further to this, the role of LEPs evolved and they were given greater responsibilities and money to spend through a Local Growth Fund, and local authorities were the accountable body for this. The reconfiguring of governance arrangements meant the reassertion of local government took place through new institutional forms (LEPs, CAs), at new scales (functional economic area) and through new institutional processes and ways of working with central government (e.g. City Deals, Local Growth Deals, Devolution Deals). This placed a greater emphasis on those local authorities that could work effectively across administrative boundaries, a factor deemed critical to governance success (e.g. OECD, 2012; Nelles, 2012). Given the joint responsibilities and collaborative working between the LEPs and Combined Authorities in new economic geographies, the interdependencies between local authorities and the new institutional arrangements - and in turn their vulnerability - has materialised over time, with the NAO noting that "LEPs are highly dependent on local authorities, and the sustainability of this support is uncertain" (NAO 2016). As expressed by one interviewee,

"For LEPs to function well they need to have a good, strong local authority partner….
To deliver the leadership that a place needs in terms of its economic focus, strategy
and so on, it's got a democratic mandate that has got statutory functions that it can put
at the disposal of the LEP" (Author's interview 5, chief executive, national cities
group 1, 2015).

The Coalition government's criteria and condition of the new groupings of local authorities,
particularly around cities, having a directly-elected mayor, stipulated by the Chancellor
George Osborne, sought to address the democratic deficit of governance structures formed at
the sub-national scale. The introduction of directly-elected mayors in some areas will prove a
further test of the ability of individual local authorities to accept and adapt to new decision-
making arrangements, within a mayoral model. The emergence of 'meta-narratives' of pan-
regional initiatives such as the 'Northern Powerhouse' and the lesser-established 'Midlands
Engine' also raised questions of governance. The most developed governance example to
date is Transport for the North (TfN) which comprises local transport authorities, Combined
Authorities and Local Enterprise Partnerships from the whole of the North of England to
speak with a single voice to central government. However, the tension that emerges from
these new forms of governance based on larger geographies is that individual members are
not elected to take decisions for a larger geography, which is why central government and
particularly Chancellor George Osborne have pushed the idea of metro mayors.

Second, the Localism Act (2011) provided the legislation to devolve greater freedoms to
local authorities and communities, and cities in particular through an amendment to the Act
proposed by the Core Cities, however the ongoing transfer of powers is generally seen as
incremental, centrally determined, with no indication of pathways and timescales (CURDS,
2016; NAO, 2016; CLG Select Committee, 2016). The Core Cities Amendment to the Act
enabled local councils to make the case for further transfer of power between local authorities
and central government, without the need for primary legislation. An important pillar of this
being a 'general power of competence' for local authorities to do "anything that individuals
generally may do" (Sandford 2016: 8), beyond their specific statutory powers in the interests
of their electorate. Examples include special purpose vehicles to promote regeneration and
establishing funds to provide loans to businesses with growth potential (LGA, 2013). To date
the power has been taken up by local authorities to varying degrees (Sandford, 2016) - and
while recognised as an improvement, is still constrained by the command and control
structures of central government (LGA, 2013).

The push towards rebalancing power between central and local government and to address the interconnected challenges of economic growth and societal challenges through public service reform, resulted in a widening scope of the government's devolution programme to include health and social care. This resulted in a shift from a devolution process to date that has been a relatively narrow process of devolution focused on economic objectives to one that was starting to include social or democratic transformation (Author's interview 31, chief executive, think tank 2, 2015). The powers and responsibilities made available to local authorities has enhanced their role in economic development, but with limited or variable scope across local areas to influence the types of powers made available, and still managed within an overall centralised system.

Third, changes to the way local government is funded, alongside local authorities implementing the most significant cuts across all government departments, is shaping the financial sustainability and type of role that local government can perform. Taken together, the reduction in funding since 2010 and the changing nature of funding that provides incentives for local growth has, according to the NAO, "created financial opportunities for local authorities, but also increased financial risks and uncertainty" (2014: 5). The Chancellor George Osborne's plan is that by 2020, local councils will be 100% funded by council tax, business rates and other local revenues, compared to in 2010 when councils were 80% dependent on central government grants (Clark, 2015b). Furthermore, there are local government finance system constraints which don't recognise: the impact of a shift towards capital and a reduction in revenue on poorer local authorities where financial benefits and savings from local government spending are captured outside of local government,

> "Huge fiscal fracture between investment and the proceeds of success and a public spending fracture between intervention and the savings from these interventions" (Author's interview 5, chief executive, national cities groups 1, 2015).

Furthermore, the need for certainty from HM Treasury for long term investments is at odds with the annual approval of the local government funding settlement (Author's interview, former director 43, NE local authority 2, 2016). The cumulative effect of these changes, in addition to increased costs of statutory services for some local authorities, are presenting greater challenges for local government (NAO, 2013; NAO, 2014), even with efficiency savings and innovative initiatives.

Fourth, as new structures have emerged and evolved, so has the process for negotiating new powers and responsibilities with central government and individual local authorities and/or city-regions working bilaterally with government departments and HM Treasury. Given the iterative nature of how decentralisation has unfolded, questions of parity of outcomes (CURDS, 2016) across place settlements and policies also emerge, particularly with a "spectrum of leeway" available to more ambitious places (Author's interview 35, civil servant BIS, 2015). Likewise, where central government appears willing to bend the rules for some places on conditions which were essential requirements for others, this adds to the confusion, as seen with the West Midlands Combined Authority departing from guidance convention on election of a Mayor and proposing it would be via local government electors rather than the electorate (Alldritt, 2015).

The process of devolving powers and resources has been led by HM Treasury and championed by the Chancellor. However proposals are not equally supported and balanced across other central government departments relevant to the economic development and local growth agenda. The Department for Education (DfE) and Department for Work and Pensions (DWP) were cited as those which take longer to convince that some policies can be devolved, "that is partly the department needing convincing and area needing to put forward a strong case" (Author's interview 40, civil servant, CLG, 2016). The experience of this interviewee illustrates this,

> "the Chancellor has approved all this but cross-working at Whitehall can really slow down the speed and the timescales we are working to that involve government departments, when we say Jan 2016 they will be thinking Jan 2018…… That scuppers the whole thing. We've had problems like that. Things that we believed we agreed under devolution agreement, hurdles were then put in the way afterwards" (Author's interview 29, officer, GM local authority 3, 2016).

The NAO's (2013: 8-9) analysis of changes to funding for local economic growth, shows how since 2010 there has been a shift from initial fund allocations with bidding rounds and competitive selection determined centrally (Regional Growth Fund, Enterprise Zones) to bilateral negotiation between local actors and central government and multi-year settlements available to all places with certain governance conditions attached (City Deals, Growth Deals, Devolution Deals). While the latter approach represents a more significant transfer of powers and responsibilities (but not yet wholly evidenced in implementation and statute, local actors describe a centralist approach in determining what is available in negotiations

(CURDS, 2016). This reflected a mismatch in the aspiration for devolved powers from localities and the forms and types offered by central government, most notably relating to devolution of fiscal resources locally and the flexibility to generate revenue through the local tax base.

5.2.1 *Greater Manchester: Power, relationships and influencing the agenda*

The reassertion of local government in economic development in Greater Manchester can be described as the consolidation of well-established cross-boundary local authority relationships at the Greater Manchester scale. An approach that has adapted to and shaped a new institutional context for the governance of economic development.

For the ten local authorities in Greater Manchester (GM), the enhanced role for local government in economic development and local growth policy from 2010 occurred at a time when the local authorities were already seeking to consolidate and formalise their voluntary governance arrangements and decision-making capability of the Association of Greater Manchester Authorities (AGMA) with a statutory Combined Authority. Before 2010, local authorities had been arguing for economic powers to be devolved and delivered at a city-region (GM) level and for North West Regional Development Agency to be a strategic body but not a delivery body,

> "We were lobbying the RDA for devolution to the city-region level and increasingly engaging with government about devolution to GM" (Author's interview 46, leader, GM local authority 1, 2016).

The case for formalising city-region governance arrangements through statute was based on the argument that you couldn't achieve the things Greater Manchester wanted to do on a voluntary basis,

> "You couldn't do long term planning and devolved arrangements when any one of the partners could walk away, needed statutory arrangement to tie people in" (Author's interview 46, leader 1, GM local authority, 2016).

The announcement of a city-region pilot for Greater Manchester in the 2009 UK Budget (HM Treasury 2009: 83) and legislation for establishing Combined Authorities enacted by the 2009 *Local Democracy, Economic Development and Construction Act* enabled GM local authorities to propose a Combined Authority in 2009 but which was not implemented then because of the 2010 General Election. The all-party basis of this proposal is cited as "important" as following the General Election, it was the Liberal Democrat and Conservative led Councils – Stockport and Trafford respectively – that lobbied the new Coalition

government for the Combined Authority order to be confirmed (Author's interview 46, leader, GM local authority 1, 2016). The first Combined Authority was agreed for Greater Manchester and signed November 2011.

This local authority-led approach to the devolution of powers and resources to GM, while not without criticism particularly for its lack of engagement with local actors (see section 5.2.2), has largely been supported across sectors and local authority districts in Greater Manchester. Mainly because the benefits of being associated with the Manchester brand are understood and accepted,

> "the overall benefit is greater than sitting outside of it…. also our relationship with centre of Manchester is better than with Whitehall" (Author's interview 28, director, GM local authority 5, 2015).

Also because the approach taken is seen as progressing an agenda devised *in* and *for* Greater Manchester – "In our devolution agreement, every single element of it came from asks from GM, not [central] government" (Author's interview 46, leader, GM local authority 1, 2016) - and raising the profile of the city-region with central government ministers and international investors. However, it is also seen to reflect a "culture of conformity" (Author's interview 4, academic, University of Manchester, 2015), preserving an existing way of working – first established through the Association of Greater Manchester Authorities (AGMA) - and an approach to economic development and local growth which, at times, offers limited scope for local variation and prioritisation (Author's interview 47, chief executive, GM local authority 2, 2016; Author's interview 28, officer, GM local authority 5, 2015). The challenge, described by interviewees, for the local authority districts outside of Manchester City and for partners in other sectors is how to participate in, and inform an established way of working to widen benefits across Greater Manchester, particularly with fewer public sector resources and an increased scrutiny of functions, as illustrated by this interviewee,

> "I could spend 2/3 days a week in Manchester/Trafford just dealing with the GM programmes. But if we are not there round the table, if we don't get to a meeting, read the papers and submit comments by email, if you aren't participating in that sort of way our needs won't be heard" (Author's interview 28, officer, GM local authority 5, 2015).

In GM's local authority-led approach to devolution, the GM LEP - which comprises business and civic leaders - is described by local actors as being on the periphery, as a subset to decision-making or more of a private sector sounding board to the Combined Authority (Author's interview 26, officer, GM business lobby group, 2015). The GM LEP is however,

credited with progressing devolution negotiations with central government (Author's interview 46, former chief executive, GM level organisation 2, 2015). In contrast to the North East LEP, the GM LEP has to date maintained an outwardly mutually reinforcing relationship with the Combined Authority, perhaps a reflection of its origins and continuation from the Board for the Commission for the New Economy. Also, access to the GM LEP is seen as "tightly controlled" through the Greater Manchester Integrated Support Team (GMIST) and through Sir Howard Bernstein as lead chief executive for economic strategy in GM. As in other places, questions have been raised on how representative the business members of the LEP Board are of sectors across GM, as at one stage there were no manufacturers and mainly big employers represented, perhaps also a reflection of who has time to participate (Author's interview 28, officer, GM local authority 5, 2016).

There is a sense among some local actors outside local government, that the local authorities themselves are too dominant and not prepared to reassess their roles in relation to other public and voluntary sector bodies, particularly in light of challenging financial times ahead,

> "But what I am getting at is that these are all the same clique of people who work like a little group, behind the scenes and they won't relinquish power. So the huge issue that we have got… massive cuts to public money, and some of the smaller authorities have been very, very badly cut are trying to do quite radical things and put more money out into community investment and that kind of stuff and cut some of their own work. But most of them are trying to hang onto their own power base, keep providing everything themselves, keep as may staff as they can even when their funds have gone, and cut, cut, cut" (Author's interview 38, chief executive, voluntary and community sector organisation in GM, 2016.

In the second iteration of the GM Devolution Agreement (GMCA, 2014), local authorities agreed to a democratically-elected mayor for GM, in return for additional tax revenue raising powers. This raised questions locally as to whether the local authorities – and Manchester City Council in particular - would retain their dominance in decision-making with the incoming elected mayor from May 2017. The intention is, at least initially, this will be a one-tier and "embedded" model with decisions made by majority consensus. Some districts outside Manchester City, and other public sector representatives suggest the mayor will be an opportunity to break up Manchester's dominance, over time,

> "I've always thought the mayoral system will get [X local authority] a much greater set of opportunities. Because whilst we sit around all happily, Manchester are very

much in control. Everything is happening at the behest of Manchester and we just have to try and influence around the edges" (Author's interview 29, director, GM local authority 5, 2015).

5.2.2 *North East: Contestations, deliberations and a lack of clarity*

The reassertion of local government in economic development and local growth policy in the North East has been an protracted and, at times, turbulent process, with local authorities navigating both local and national challenges in defining and clarifying their emergent role while also implementing significant cuts to their budgets. These challenges can be summarised as: a lack of clarity on the responsibilities and relationship between the Combined Authority and the Local Enterprise Partnership in providing regional leadership; time taken to build credibility with central government to secure the transfer of significant powers and resources and support from local actors during periods of disagreement and infighting; and a strong opposition by Labour civic leaders towards a Conservative government's proposals for a directly-elected metro mayor to provide regional leadership and accountability.

Central government's push to establish Local Enterprise Partnerships and Combined Authorities moved at pace, and their functions and responsibilities have continued to evolve over time. This exposed tensions among local actors in the North East where new governance partnerships based on newly configured economic geographies, had not built up a shared understanding of the evidence base and maturity to prioritise and take difficult decisions collectively. In the North East, these challenges became evident in both the politics and process of governance changes. In terms of the process of transitioning to and establishing the new governance arrangements for economic development and local growth policy, the chronology of forming the Combined Authority *after* the LEP was established in the North East, didn't help to clarify the individual roles and accountability arrangements as new powers and responsibilities were devolved,

> "… there's been tensions between the LEP and the Combined Authority in terms of who is responsible for what, and various governance arrangements. Taken a long time to get to where we are, a joint chief executive would be in my view, be a real bonus in taking the relationships and actions forward" (Author's interview 20, director, NE local authority 3, 2015).

As questions were raised by independent analysts of whether appropriate accountability mechanisms were in place to take into account the expanded delivery role of LEPs alongside strategic responsibilities (NAO, 2014), and Combined Authorities were confirmed as the accountable body for LEPS, this also created some tension locally,

> "From a LEP perspective, I think that people that got involved in the LEP expected it to have a lot more autonomy, be better resourced, for it to make its own decisions, and not for those to be contested too much" (Author's interview 2, former councillor, NE local authority 2, 2015).

The North East LEP is also unique in that all local authority leaders within the geography are represented on the NE LEP Board unlike in Greater Manchester, which some interviewees suggested will make it more difficult for the NE LEP to get things done. The North East local authorities carried out a governance review which determined that a Combined Authority – as already established in GM - was the most appropriate governance structure for the new city-region arrangements. As highlighted by one interviewee,

> "the problem is that a Combined Authority is not the answer to all problems, it is part of the next phase and I think one of the problems is, and we have seen this, that there is lots of hard work to do across an emerging polity, that's really going on here" (Author's interview 46, former chief executive, GM body 2, 2016).

Bilateral negotiations between local government and central government became the main mechanism for agreeing the transfer of powers and resources, and that this was mainly done with HM Treasury, therefore evidence-based proposals and the credibility of local actors were critical. The North East Independent Economic Review (NEIER) (instigated by an HM Treasury employee who had been seconded to lead the NE LEP) was seen locally and by central government as a step in the right direction in providing a shared and common understanding of the issues at the NE scale. Also, the decision to form a Combined Authority as a legal entity to pool resources for economic development, skills, and transport. However, particularly in the earlier days, local civic and business leaders were unable to agree collectively on priorities for economic growth (see chapter 5.1.2) despite having the NEIER. Disagreements surfaced between local authority and business leaders on the LEP over individual roles, and these disagreements were aired publicly in meetings and in regional newspapers, which negatively overshadowed some of the good examples of collaborative working. This picture was also complicated by the Combined Authority having economic development powers *alongside* the local authorities whereas transport powers have moved to the Combined Authority (Author's interview 43, former director, NE local authority 2, 2016).

This created a negative perception of leadership in the North East in the eyes of civil servants and ministers,

> "[central government] are taking an approach with the NE Deal which is about we need to see stronger leadership as evidenced through a mayor. Why? Because genuine belief in government that the political leadership is just a bunch of clowns and frankly who would argue with them" (Author's interview 39, civil servant, BIS, 2015).

Local government officers in the North East who had also spend time working in central government were seen as important to building credibility in the negotiation process (Author's interview 46, former chief executive, GM level organisation 2, 2016). The Combined Authority also enlisted a central figure in the GM devolution negotiations with central government to advise on the North East's deal and be present in negotiations, demonstrating the strength of GM as a model for other places (Author's interview 10, head of department, NE local authority 2, 2015).

Politically, the challenge has been for the Labour local authority leaders to do deals with a Conservative government that has implemented cuts that have disproportionately impacted on poorer areas and Labour authorities.

> "I think a large part of it in early days of the LEP is the political view that, do you know what, a lot of the things the LEP are charged with doing we would see more comfortably sits within a local authority environment. My view is that it is a purely political viewpoint that Labour politicians do not stick their hand up very easily for significant parts of the economic growth agenda to be driven by the private sector in a governance scenario, and that was there before the Combined Authority, a bit of tension before the Combined Authority came in" (Author's interview 19, director, NE local authority 3, 2015).

Also, the condition of a directly-elected mayor attached to the transfer of powers and resources through devolution, is also viewed by some as a Conservative strategy to break up Labour dominance in the North and to take powers of decision-making away from the individual local authorities. These political issues have contributed to disagreements between local authority leaders and some business representatives on the NE LEP who have expressed their frustration at the lack of progress and approach to negotiation with government (Chronicle, 2015).

In conclusion, the chapter shows that the Coalition government had configured and implemented their approach by orchestrating a crisis narrative to take forward a programme

of deficit reduction and restructuring the local state at the same time as reasserting the role and responsibilities of local government in the governance of economic development. There are a number of findings discerned from the analysis in this chapter. First, the type and nature of decentralisation and devolution that shaped new frameworks of government and governance for economic development was the outcome of political choices and central imposition of changes with complicit local actors. Second, there were contradictions in the Coalition's localist approach which instead showed certain decisions were centrally-prescribed. Third, the reassertion of local government as a local state actor in economic development took place in the context of local government as a sector absorbing a significant proportion of overall departmental savings, thereby reducing the agency and autonomy of local governments through a centrally determined approach. The empirical analysis of the two case studies shows how and why some places were better able than others to move further and faster towards decentralisation to city regions because of how decentralisation and devolution were configured. The next chapter continues to explore why some places are better able to adapt than others by examining horizontal coordination and capacity within city-regions.

Chapter 6: How and why have changes to powers and resources unfolded differently across and between actors, scales and places?

This chapter examines the roles and relationships between institutions and governance at the city-region level, and how changes to powers and resources have been mediated, negotiated and implemented locally by actors over this period. This is to understand why some local states are moving further and faster to decentralisation of powers and resources by examining whether this can be explained by horizontal coordination and capacity. The chapter contributes to the overall thesis argument by critically examining the institutional processes and relationships that enable or constrain collaboration in a multi-level and multi-actor context and how this has shaped governance and economic development outcomes at the city-region scale.

As discussed in the literature review, uneven local governance and growth outcomes can be explored through the notion of an 'institutional regime' (Pike et al., 2015), drawing on Martin's (2000) institutional environment and institutional arrangements. To address the third research question, this chapter examines how local institutions and city-region collaboration are constructed over time (McMichael, 2000), their ability to coordinate horizontal collaboration in new frameworks of government and governance (Nelles, 2012), develop and adapt their institutional capacity in a context of instability and churn, and negotiate the politics of local growth. An institutional perspective (Nicholls, 2005; Koch, 2013) is applied to the analysis which considers the complex political dynamics of governance changes. This allows for an analysis of governance reforms that is sensitive to the way political institutions interpret exogenous developments and relate then to the institutional context (Bevir and Rhodes, 2004).

This chapter is organised into two sections. First the chapter examines how local government and governance actors have configured city-region governance arrangements for the transfer of powers and resources (Section 6.1). Second, the chapter explores the politics of local growth to consider the types of institutions that enable or facilitate city-region collaboration (Section 6.2). The empirical analysis of the two case studies offer insights on how local places have reconfigured institutions and governance over time and negotiated local politics to respond to these changes.

6.1 Building governance coordination and capacity across scales and actors

This section examines how local areas have sought to (re)configure city-region governance and institutions for economic development in response to the proposed and actual transfer of powers and resources under decentralisation. In doing so, it considers how local institutions – formal and informal (see Section 2.1.1) – have shaped the coordination and capacity of civic actors at the city-region scale to explain uneven outcomes.

In both theory and policy practice, horizontal as well as vertical governance coordination across functional economic areas and policy areas is recognised as being important to clear and effective decision-making at the relevant scale (e.g. Nelles, 2012, Charbit, 2011; OECD, 2012). Conversely, poor performing institutions can have a negative effect on economic growth (Tomaney, 2013). Local Enterprise Partnerships were formulated by Coalition to lead and coordinate economic development activity in functional economic areas. In November 2010, six months after the invitation to local areas to form Local Enterprise Partnerships (LEPs), the Business, Innovation and Skills Committee published its first report on LEPs where they gave their "broad support" for their creation as a way of addressing local growth and build on the affinity between business, local government and other partners at a local level (BIS Committee 2010: 3). The Committee also noted the potential for improved co-operation between local businesses and local government, more so than RDAs (Ward 2017: 15). There were a number of challenges for local areas in responding to the Coalition government's invitation to create LEPs and to access further proposals for decentralisation to the functional economic area scale. First, the different geography of places, economic structure and whether places had one or multiple economic centres influenced the case for collaboration. Also, overlapping geographies for existing structures might influence the ability to coalesce at that scale. Second, the centrally-prescribed approach to establishing new governance arrangements while providing uniformity across the country did not take into account the diverse needs of local places and scope for variation to suit local circumstances, particularly where there was not a history of collaborating at this scale. Third, this episode of decentralisation has taken place in the context of a longer history of disruption, churn and hiatus in economic development and local growth policy in England (Pike et al., 2016), which included the dismantling of local institutions and capacity following the closure of Regional Development Agencies (RDAs). Furthermore, the pace of the Coalition's changes to powers and funding did not give local teams time to form new relationships and crucially build trust. Fourth, local actors to varying degrees had to balance collaboration and competition between places and in new and larger geographies. Finally, the significant cuts to

local government funding presented a dilemma for those local authorities facing the most extreme cuts when negotiating with an opposition political party implementing the cuts, and achieving consensus on a position locally across the different civic actors.

Analyses of the Coalition government's episode of decentralisation and state restructuring in England have mostly focused on the relationship between central and local government and how effective local areas have been in establishing new governance arrangements and negotiating the transfer of powers and resources within a competitive framework for places. This is reflective of a centrally orchestrated – and, at times, fast-paced - process that has provided local areas with limited opportunities to consult widely on changes to powers and resources and on the range of implications. This process was framed by the Coalition government as a localist approach with the emphasis on local areas to define and determine the scale of governance arrangements based on functional economic areas (HM Government, 2010). This focus and rhetoric on locally-driven or 'bottom-up' empowerment sought to present a level playing field for places to come forward with proposals. The previous chapter showed that the design and implementation of changes to powers and resources under decentralisation – as well as lack of – has shaped how this process has unfolded differently for places and resulted in uneven outcomes.

Local leadership teams had to decide how LEPs would be resourced in terms of finance and people to facilitate the coordination required, resulting in a range of constitutions and configurations across the 39 LEP areas (Pike et al., 2015a). For LEPs negotiating Growth Deals and Combined Authorities negotiating Devolution Deals, the challenge was addressing the coordination of different policy and investment activities - for economic development, housing, transport, skills, innovation and planning – and across different public agencies and urban/rural geographies. The critical challenge for horizontal coordination was different economic development actors being willing not only to adapt to city-region governance arrangements but also to invest time, commitment and resources to strengthen arrangements at this scale,

> "Whatever arrangement you come up with as local authorities…. the more you get other agencies to align with that arrangement the stronger that will make your governance" (Author's interview 8, chief executive, national cities group 2, 2015).

6.1.1 *Greater Manchester: Established footprint and governing capacity through leadership*

The starting point for Greater Manchester local authorities, in establishing the new city-region governance arrangements following the 2010 General Election, was formalising a series of institutions and programmes already based on a coherent, co-terminous and stable boundary and a long history of joint working at this scale, as illustrated by this quote,

> "We understand how our local areas tick, we understand the personalities, we understand the strengths and weaknesses at a local authority level, neighbourhood level and at a GM level, and all of that informs our place-based plan" (Author's interview 24, director, GM level organisation 1, 2015).

Compared with other cities in England, other than in London, this was unique. The decision to become a formal city-region body was agreed by all ten districts under the previous Labour government reflecting the progress that had already been made as a city region development pilot, and the move to constitute the Combined Authority was approved by the Coalition following the change of government in the election (Williams, 2010).

Throughout different reorganisations to sub national governance structures in England over the last 30 years, Greater Manchester has held on to governance capacity at the city-region level. First informally through the Association of Greater Manchester Councils established in 1986 following the abolition of metropolitan councils. Then building collaboration and integration as a Manchester city region development pilot in 2004 under the Northern Way initiative (SQW, 2011). Finally, with formal statutory powers through the Greater Manchester Combined Authority established in 2011 and through the first Greater Manchester Devolution Agreement signed in 2014. This history and evolution of governance at the scale of the ten GM districts is seen to provide a "source of strength for new institutional arrangements" (Cowie et al., 2013). Also for a number of GM interviewees in this research, the transition in 2010 was viewed as just formalising what was already in place. At the heart of this is a widely-held belief of unity across the ten districts as illustrated by this quote,

> "… we are absolutely as one, really strong public face, genuinely, genuinely believe this is a collective endeavour and we wouldn't have got as far as we did" (Author's interview 47, chief executive, GM local authority 2, 2016).

From the research interviews and secondary analysis, there are two themes which have characterised governance coordination and capacity in Greater Manchester over this latest episode of decentralisation. First, the existing institutional footprint of public bodies already operating at the GM scale in 2010 which enabled a greater number of local actors to come together and take collective decisions at this scale and based on a widely-held understanding of the local economy through the Manchester Independent Economic Review (see Section 4.1.1). The economic development agencies in GM at the city-region scale are known as the 'Greater Manchester Family' and included New Economy (economic intelligence and analysis) and Midas (inward investment). As the individual agencies grew in number and complexity they were consolidated under the Growth Company. The ability to grow this institutional coordination and capacity at this scale was further demonstrated through the GM Growth and Reform Plan (GMCA, GMLEP and AGMA, 2014) and integration of economic and social policy through subsequent devolution deals agreed between GM local authorities and central government. This resulted in a greater integration with a number of institutions at the GM scale including the Greater Manchester Police.

As a sign of the commitment by individual districts to city-regional working, GM structures and partnership arrangements have been mirrored within local authority districts to improve coordination. For example, growth and reform boards at both GM and district levels to improve alignment of activities. Second, interviewees referred to *how* capacity was governed rather than the design of the structures themselves as a critical factor. There were two aspects to this: having a clear sense of a plan and leadership. The Manchester Independent Economic Review (Commission for the New Economy, 2009) and ensuing Greater Manchester Strategy (GMCA and AGMA, 2013) provided a sense of purpose and priorities for institutions at the GM scale to get behind. This 'clarity of plan' was seen as a differentiating factor between Greater Manchester and other places,

> "I think at the root of, and I think that is where we differ from a lot of other places, because they will go straight to establishing governance, without actually having a […] true place-based plan. Actually, that is the wrong way round, form follows function and your governance needs to be appropriate for what you are trying to do" (Author's interview 24, chief executive, GM level organisation 1, 2015).

The plan – set out in the GM strategy, then the Growth and Reform Plan - was based on setting and delivering economic priorities at the GM scale rather a flexible approach which could be adapted to local circumstance and priorities. It guided activity and governance

across actors and scales, "people are bought into a set of principles and priorities" and with a "sensible approach" as to what should be done at a GM level compared with a local authority level, and "respecting that difference" (Author's interview 24, director, GM level organisation 1, 2015). This approach, consolidating economic development activity at the GM level, has been developed over time and required,

> "building trust with districts over time, working through scepticism around the GM level service and demonstrating this with actions" (Author's interview 17, officer, GM local authority 1, 2015).

The second aspect to explaining effective institutional coordination and capacity in GM is leadership. A consistent theme to emerge from the interviews in this context was the strong managerial and technocratic leadership provided by Sir Howard Bernstein, Chief Executive of Manchester City Council, in coalescing local actors at the GM scale,

> "…an absolutely critical difference between the North East, particularly Tyne & Wear and Manchester is that Howard partly on the grounds of longevity, and seniority therefore, partly on the grounds of Manchester simply being much bigger than anywhere else and economically more important, is able to sit at the centre of a structure and not direct it but lead it…with absolute authority. …He doesn't do that on a command and control basis, he does it on the basis of being very well connected, very able, and coming forward with propositions people are then keen to take forward" (Author's interview 3, director, GM local authority 4, 2015).

Described as more akin to a city-region chief executive because of the proportion of his time spent on city-region matters, which some put at 75% of total time (Author's interview 3, director, GM local authority 4, 2015) interviewees point out, both advantages and challenges in the power of the individual behind the changes. While being described as inclusive and collaborative, the leadership style was seen as being very strong and directional,

> "people are given a job, that is outside their job, goes across GM, good way of giving ownership to people, and politicians have that as well…. It's a very very useful way of getting to know how another Council operates" (Author's interview 15, chief executive, GM local authority 7, 2015).

Individual portfolio areas for each chief executive identified by Sir Howard Bernstein are linked to skills, knowledge and interest. There was also decision to bolster political not just officer capacity through the portfolio arrangements both within individual local authorities, with lead members supporting leaders, but also across districts with leaders from other local

authorities supporting chief executives. For districts, the lead themes allocated to individual districts were seen as an opportunity to influence the agenda in that area,

> "… this is the year for us to influence things" (Author's interview 29, manager, GM local authority 3, 2016).

As responsibilities grew in GM, the Wider Leadership Team – comprising the ten district council chief executives plus the chief executives of Greater Manchester family agencies and chaired by Sir Howard Bernstein (as the Head of Paid Service for the GMCA) – was critical to supporting the GM Combined Authority in its work programme at a leader and chief executive level and alongside the executive GM Integrated Support Team. This was the mechanism for commissioning work to inform 'forward plans' and supporting institutional coordination and capacity at the GM scale.

Third, the expansion of powers and responsibilities to GM under decentralisation and devolution also presented challenges in managing the complexity of overlapping structures and adapting city-region governance arrangements to ensure they remained fit for purpose, particularly in the context of cuts to local authority funding. In 2014, a governance review commissioned by GM districts resulted in rationalising economic development structures which led to the creation of the Greater Manchester Growth Company, as an umbrella organisation with New Economy and Midas, Marketing Manchester, the AGMA infrastructure and Chief Executive structure. Rationalising structures and streamlining decision-making was deemed important to demonstrating transparency to the public across the different GM organisations. However some interviewees believed that the complex structures were deliberate to support the hegemonic approach to governance.

The institutional capacity of GM level governance, built up over 30 years, is credited by those both in GM and outside (e.g. Commission for the New Economy, 2009; OECD, 2015) as one of its main strengths in city-region governance. A less explored theme that emerged through the interviews is the extent to which this carefully configured institutional coordination and capacity locked-in a particular economic agenda in GM, one based on agglomeration economics and concentrating growth in the urban core. Also, how the governance approach was resistant to calls within GM for local variation and flexibility in policies and economic priorities, particularly with the unfolding reduction of local government funding and changes to local government finance. Examples of how this dominant and narrow approach to governing economic development at the city-region scale was implemented included the development of a spatially-blind GM Single Investment

Framework (GMCA, 2012) to remove the politics of place out of decision-making. Also, Manchester City Council's involvement in pilot activity was seen by them as important and an opportunity to influence the overall approach by being involved from the outset (Author's interview 18, policy officer, GM local authority, 2015). Furthermore, the diminishing resources and capacity across individual local authorities was seen as an opportunity to centralise decision-making at the GM scale, as expressed by this interviewee,

> "Where you can have resistance [to GM decisions], is where [local authorities] have their own provision…. discussion becomes more imperative when you don't have people in the districts working on this. Attrition on budgets mean that they rely on the central service" (Author's interview 17, manager, GM local authority 1, 2015).

For districts less economically connected to the growth areas, it was deemed critical to be able to influence the outcome at the GM level and at the right stage in the decision-making process. This required retaining officers who could work across GM scrutinising, inputting, offering resources or ideas, to prevent the core from dominating, as once proposals were submitted to leaders and chief executives, there was no room for debate or discussion,

> "Danger is if there isn't resource within the districts that will then go forward and they will make assumptions about what GM needs and go back to the one size fits all, which isn't needed" (Author's interview 29, manager, GM local authority 3, 2016).

As a response to this, more recently the north-eastern districts of Oldham, Rochdale and Tameside developed an "informal arrangement" of local authorities who,

> "have things in common with each other, older industrial… building alliances across authorities so that we can strengthen our position and voice in GM" (Author's interview 29, policy officer, GM local authority 3, 2016).

One of the proposals was for a North East Productivity Commission to examine the North Eastern economy of GM. However, this was seen by some local leaders as an "attempt to exit" GM, despite the shared aims of addressing low productivity areas and improving economic links in GM (Author's interview 47, chief executive, GM local authority 2, 2016).

> "If I'm being completely candid it is quite frustrating, there is quite a strong attempt to close you down […] in my view you cannot argue for differential devolution in England and then say one size fits all in GM" (Author's interview 47, chief executive, GM local authority 2, 2016).

In summary, the Greater Manchester case analysis illustrates how having institutional coordination and capacity at a city-region scale has enabled local authorities to consolidate

and strengthen governance arrangements and achieve further powers at responsibilities to this scale. However, the analysis also shows that a strengthened GM has been achieved by weakening local autonomy and resisting further devolution and local variation. The approach, however, has demonstrated that dominant ways of working advocated by certain actors are not open to local flexibility and variation where this goes against economic objectives as set out in the main strategies, leading to any challenge to the GM approach being seen as a risk.

6.1.2 *North East: Disruption, upheaval and lack of learning*

The institutional landscape for economic development in the North East in 2010 consisted of an already-weakened regional tier and emerging voluntary city-regional governance around a smaller Tyne and Wear geography. Through the Tyne and Wear city region development pilot from 2005, there had also been some pooling of resources and investment at this scale. City-region collaboration had been reignited in the mid 2000s under the Northern Way initiative following the abolition of the Tyne and Wear metropolitan authority in 1986. Notwithstanding the steps taken to strengthen city-region governance, including a commissioned Tyne and Wear City Region Economic Review in 2009, the OECD (2012: 173) pointed to the city region having seen "less bottom-up organisation of key stakeholders than in other city regions in the north of the UK to provide ongoing stability during the period of institutional change".

The establishment of the North East Local Enterprise Partnership (NELEP) in 2011 and, following this, the North East Combined Authority in 2014 while based on a newly defined economic geography were both based on the same coterminous geography of seven local authorities and this was seen as an advantage over other places which had overlapping institutional boundaries. There are a number of themes which characterise how institutional coordination and capacity at the city-region level have unfolded in the North East and under a new framework of government and governance for economic development, and contrasting this with Greater Manchester. First, developing institutional coordination horizontally between constituent local authorities and other city-region actors was described by interviewees as mostly driven by external incentives and imperatives, and mainly attached to the amount of funding available, rather than a commonly shared internal rationale and motivation (Author's interview 1, former head, NE organisation 2, 2015). Second, there has been a hesitance – and at times resistance – to shared powers and pooled resources at the city-region level, relinquishing individual sovereignty for some policy areas other than transport, thereby not investing and building capacity at this newly formed scale over the longer term.

Third, some interviewees cited the urban-rural geography of the North East which made it more difficult to develop a city-region case and common understanding of the economic benefits to different parts of the city-region from joint investments and prioritisation. For example investing joint resources in the urban Metro system which did not provide clear benefits for rural areas provided a challenge for individual authorities to fund and finance city-region priorities. Fourth, the latest churn of institutional arrangements in the North East which saw Tees Valley leave the North East region in 2010 and has resulted in fragmentation and disagreement between local authorities and business leaders on the NE LEP has presented an additional challenge of building coordination across and between scales in addition to across actors. This was not helped by the chronology of the North East Local Enterprise Partnership (NELEP) being established first followed by the North East Combined Authority two years later. This resulted in an economic plan at the city-region level set by the LEP and in place beneath that, seven local authority plans in different states and no connection between the two (Author's interview 19, director, NE local authority 3, 2015). A consistent theme to emerge from interviews was in relation to who provides the leadership for coordinating joint-working, in a city-region with multiple economic centres. The lack of agreement and clarity on who speaks on behalf of the new governance structures has led to a "deliberate decision by some to fragment [joint-working]" (Author's interview 10, associate, Newcastle University, 2015).

> "We don't have a high profile person across the region […] Who represents the North East?" (Author's interview 10, associate, Newcastle University, 2015).

In terms of the institutional capacity to deliver this, the Total Place initiative under Labour started to align significant spending across statutory functions including transport, health, education, welfare, and the different organisations and agencies and look at things from a place-based perspective.

> "There was a way of identifying who to speak to. Now it feels like that infrastructure is missing a bit and is more difficult to make the links" (Author's interview 2, former councillor, NE local authority 1, 2015).

This raises questions on the role of both central government and local actors in understanding and developing the institutional capacity required to transition to new governance arrangements and implement new powers and responsibilities and whether certain actions or inactions undermined local efforts. From a central government perspective, any decentralisation of powers and responsibilities were rarely matched with the administrative

capacity to deliver it, in the same way that administrative capacity followed the centralisation of policies upwards following the dismantling of RDAs, as illustrated in this quote,

> "If you try and do some of these things with existing capacity you can't do it, and if you are going to devolve some of the powers you need to devolve some of the capacity as well" (Author's interview 12, director, NE business representative organisation, 2015).

The evolution of governance arrangements and joint-working across different public agencies has not kept pace with decentralisation and devolution – the powers and resources available span a number of different agencies at different scales, such as fire and police services in the North East. One of the main lessons from Greater Manchester and what has been achieved there is that institutional capacity is crucial and it is built up over time (Holden and Harding, 2015). How it is constructed is dependent upon a number of aspects such as being able to resource the capacity financially and administratively, but also to have a sense of purpose and incentive.

> "The LEP and Combined Authority hasn't got levers or big things on the agenda to create a life of its own - challenge and predicament for newly formed structures where you need to establish the structures to take on the policy levers, but that you also need to have worked with the policy levers at that scale to create that capacity in the structures in the first place" (Author's interview 9, head, NE local authority 2, 2015)

Within the North East, some of the challenges to building capacity have stemmed from a lack of trust between individual organisations in the new framework of governance for economic development and local growth and investing in building city-region capacity, in a climate of reduced resources for local government, as illustrated:

> "LEPs could bid for various funding rounds, but there was no funding to have a base of people. I thought the low point at a LEP meeting was when [a local authority leader] had to go out and do the photocopying because there was no one to do it. That was the level to which the administration, there was no money to do anything, because it came from nothing" (Author's interview 14, leader, NE local authority 1, 2015).

Also, as the role of Local Enterprise Partnerships evolved and the NE LEP in line with other places was given additional powers and resources, some questioned the representativeness of LEP Board Members to make these decisions and on the links back into the wider community (Author's interview 12, director, NE business representative organisation, 2015).

In thinking about how crises can galvanise collaborative working as happened in Greater Manchester following the 1996 bomb attack in the heart of Manchester, one interviewee reflected that, "Interestingly, I'm, not quite sure the shock that the region had here, the 2004 Referendum, had the same catalytic effect" (Author's interview 10, associate, University in the NE, 2015). This raises issues of institutional capacity to learn from what works in the NE and interviewees suggested there is not a clear understanding of what works that could lead to successful to long-term successful restructuring of the economy and the businesses in the area (Author's interview 10, associate, University in the NE, 2015; Author's interview 11, former chief executive, NE organisation 1, 2015).

In conclusion, the lack of institutional coordination and capacity in the North East has been well documented and discussed both internally and externally to the region. The challenges can be explained by the geography of the city-region and disagreement over the role and contribution of different parts of the geography. This has led to a lack of trust between actors and inhibits effective joint-working at this scale. The multiplicity of voices and lack of leadership has ensured that no voice or interests between local authorities and business is dominant – although the establishment of the Combined Authority as the accountable body of the LEP clarified the position in some respects - however this does not appear to have led to improved or more inclusive decision-making between civic actors.

6.2 Negotiating the politics of local growth

This section examines how local politics shaped city-region collaboration in terms of establishing and embedding the new frameworks of government and governance for economic development and in negotiating powers and resources for economic development under decentralisation. In particular, by examining the political institutions that enable and facilitate city-region collaboration and what constrains it.

There are two dimensions to this analysis: first the *inter-local authority* political dynamics and interactions within the city-region; then looking at the *city-region scale* and how that relationship has been brokered with external actors and particularly central government. The starting point for this analysis is the Coalition government's critique of local political involvement in sub national structures for economic development arguing that they lacked democratic accountability, with decisions made by unelected officials at an artificial scale, adding,

"The secret to success is natural local economies - not artificial political regions - that better reflect the natural economic geography of the areas they serve. This is an economic problem that needs an economic solution, not a political one" (Eric Pickles MP, 2010).

Removing regional structures to replace with 'localism' was intended to give new powers to local councils and businesses through the business-led Local Enterprise Partnerships, but also through decentralisation to communities, neighbourhoods and individuals (HM Government 2010). The newly formed Local Enterprise Partnerships were deemed at the time by the BIS Committee (2010: 4) to offer both advantages and disadvantages as they might offer more cohesion, but also run the risk of being undermined by political instability as they were "creatures of local political persuasion". According to the BIS Committee, a measure of success of the new LEP project would be,

> "the extent to which central and local government, business, and other sectors can offer stability alongside local diversity… it would be a retrograde step were the RDAs' successes in overcoming unfruitful local rivalries to be lost in a disorderly competitive scramble" (ibid: 3).

The remainder of this section examines how the politics of growth and shaped governance outcomes in the two case studies.

6.2.1 *Greater Manchester: Politics of technocracy, power and persuasion*

In examining and explaining the politics of economic development and local growth in Greater Manchester over the period 2010-2015, two particular aspects emerge: where political leadership and power was concentrated in GM and how it was enacted over time to support a strategy of economic growth largely in, and benefitting, Manchester City and the urban core.

A notable feature of party politics across Greater Manchester local authorities is that apart from Trafford and Stockport, the remaining districts have been under Labour control for a number of years. Further to this, within some individual districts, Labour members dominate local council seats with relatively little opposition – Manchester City Council Labour seats comprise 98% of overall seats. The implications of this, according to some, are a "culture of conformity" (Author's interview 4, professor, University of Manchester, 2015) resulting from a lack of political challenge from other political parties and from local actors, and preserving a status quo. Despite the strong Labour representation across some districts across GM, there

are still disagreements about place policy between local authorities in city-region development,

> "… the bulk of the disputes are between Labour Councillors, they are not with the other parties… it's more about the differences of what will benefit each place" (Author's interview 15, chief executive, GM local authority 7, 2015).

In contrast to the North East, the disagreements between local actors rarely surface publicly and local authorities appear to have collaborated well across the different political parties with Trafford's Conservative-led and Stockport's, Liberal Democrat leadership, initially within the voluntary Association of Greater Manchester Authorities and now under a formal GM Combined Authority. There are a number of number of issues that help to explain how collaboration takes place in GM. First, Manchester City Council's role in galvanising and coalescing the other districts around particular set of growth objectives is central to local politics in GM. In particular it has been the role of Sir Richard Leese and Sir Howard Bernstein, as the long-standing leader and chief executive, in bringing everyone along,

> "It is done very smoothly, it is to do with managerial leadership, Howard's leadership is very inclusive, collaborative" (Author's interview 15, chief executive, local authority 7, 2015).

As political and executive leadership within other district councils has changed over the years, the stability of political and executive leadership at Manchester City Council has contributed to strengthening and consolidating Manchester City Council's position and decision-making influence within GM. The established ways of working through political leadership in GM have therefore been entrenched over a number of decades. It is perhaps for these reasons that moves by individual districts to question this dominant Manchester City way of working is seen as a threat by those who stand to benefit greatest from a concentration of investment and growth in the urban core.

> "…the first thing I was asked when I took leadership here, what is your view of the GMCA? Are you going to be a maverick leader in [district X] that doesn't give a toss?" (Author's interview 44, leader, GM local authority 6, 2016).

Second, Manchester City Council's under-bounded geography provided the motivation and incentive for collaboration and reinforced the economic interdependencies across the administrative and political boundaries of districts. Economic reviews and analyses such as the Manchester Independent Economic Review (MIER) described how other districts would benefit from being part of the Manchester city-region as part of building the narrative.

However, less explored and discussed was how and to what extent Manchester City benefitted over other districts from the design of growth priorities and objectives and how it relied on other districts for issues such as greenbelt, property development and scale (Author's interview 3, director, GM local authority 4, 2015) – and the costs or risk to other districts of this approach, particularly when confronted with reduced levels of public sector spending and the phasing out of local government grant.

Third, a notable feature is how local actors refer to the way city-region propositions are carefully crafted and how the political differences on place priorities are resolved. According to those involved, lessons were learned from the failed congestion charge referendum in 2009 which was seen as "divisive… a city centre focused policy" which was to the advantage of some and perceived disadvantage of others,

> "… there's a little of bit of everybody has to be seen to be, be getting something and there's also an almost unwritten assumption that you can't have pain for someone else's gain. There is a degree of understanding that don't put [forward] propositions that are politically intolerable" (Author's interview 3, director, GM local authority 4).

Manchester City Council have achieved this with what some describe as "neo-colonial and imperialist tendencies…by telling a story beyond the boundaries" and sharing in successes (Author's interview 4, academic, University of Manchester, 2015). Also by Manchester City Council positioning itself to lead on the "interesting work" (Author's interview 50, academic, University of Manchester, 2015). There is a sense from some that over time, the interesting work has been "stripped back and centralised" (Author's interview 4, academic, University of Manchester, 2015). Some, however, question whether the shared economic narrative and responsibility extends beyond the successes and strengths in GM, to the challenges,

> "Manchester City Council is not worried about dealing with the cuts in Stockport, Oldham or Rochdale, but it would like to be able to tell a story that draws upon their successes" (Author's interview 4, academic, University of Manchester, 2015).

For the districts outside of Manchester City, the political challenge is balancing both the benefits of being part of the city-region with having a local identity,

> "I want the benefits of being in GM, contributing to growth in GM, but retain some sort of identity" (Author's interview 29, manager, GM local authority 3, 2016).

Where some of the tensions emerged with the MIER and the Greater Manchester Strategy was in failing to recognise the local aspirations of individual districts by being locked in to a fixed view of what the north and south of GM could achieve economically, based on the

economic evidence. Particularly given the limited opportunity for political discussions in the GM decision-making process that specifically sought to "negate the politics" (Author's interview 44, leader, GM local authority 6, 2016). This tension arose from districts wanting to positively contribute and not just benefit from growth and productivity in other parts of GM,

> "What we feel is that the whole narrative, doesn't properly identify a role for particularly the north east boroughs and it doesn't properly identify which measures or interventions are needed to make us a more positive contribution to that gap" (Author's interview 28, director, GM local authority 5, 2015).

The local politics and established ways of working are deeply entrenched in Greater Manchester to the point where some see the challenge for incoming directly elected mayor is to break open what some describe as a Labour cartel for over a decade. The MIER and GMS have been important in defining the relationship and independencies between different parts of the GM conurbation that has formed the economic evidence base. Unsurprisingly, this is sometimes in conflict with local priorities and aspirations and also, becoming increasingly important, doesn't take into account current and planned changes to local government finance. A counter-narrative is therefore emerging in a changing context, in response to a "limited view", where changes that solely address economic and efficiency outcomes are deemed not enough (Author's interview 47, chief executive, GM local authority 2, 2016),

> "Our boroughs need to be, not just net equal, but absolutely positive contributing to the gap. And whilst I think that everybody accepts that there is need for a highly productive economy in the centre of GM and the core, everyone gets that. What we feel is that the whole narrative, doesn't properly identify a role for particularly the north east boroughs and it doesn't properly identify which measures or interventions are needed to make us more positive contribution to that gap" (Author's interview 29, director, GM local authority 5, 2015).

Another example of where tensions are evident is when locations in GM are prioritised for development to further city- priorities and this might be in conflict with local aspirations for that site to grow and become sustainable in the local context,

> "I wouldn't call it a prejudice, but it is almost prejudice, or misguided perception, slightly unwillingness to agree with us what our ambitions are for that area' (Author's interview 29, Manager, GM local authority 3, 2016).

In summary this section has shown that collaborative working in GM is influenced formally through systems and processes to coordinate and coalesce, but also informally through established conventions and ways of working. What begins to emerge is that what is often presented as an economic case or argument, a technocratic approach and solution, is informed by a series of political choices that are benefit some places or actors more than others but discussions of whether this is the right approach are not open or encouraged.

6.2.2 *North East: Territorial politics, leadership and evidence*

The politics of local growth in the North East during the period of transition and in the aftermath of the incoming Coalition government can be examined in the context of historic rivalries and new and emergent interests across local actors, all within the re-configured framework of governance for economic development and local growth. As with Greater Manchester, the changes have unfolded during a period of contraction of public spending which has shaped governance outcomes.

> "I still wrestle with this issue, is there a perculiarity to Tyne and Wear, the North East, that means that this will forever be the case, or is it about leadership, institutional inertia, failure, culture. You can layer up all these things…" (Author's interview, researcher, Newcastle University, 2015).

As discussed in chapter 4, territorial politics in the North East also existed under the previous regional structure and between civic actors representing different economic centres. This manifested particularly in determining where investment would be prioritised. While there was not wholly unanimous support for everything that One North East (the Regional Development Agency) did, in particular some felt it had become a victim of mission creep, it provided an institutional mechanism to cut through local politics, albeit with a perceived achilles heel of limited accountability itself, as illustrated in this quote,

> "…that is the advantage of having a regional organisation with light touch democratic accountability that can take a tougher line and make a decision, and then people realise, and oddly enough sometimes people prefer that… they prefer that someone else in the end has been able to make a decision rather than the issue just rattles around forever" (Author's interview 11, former chief executive, NE regional organisation 1, 2015).

The Coalition's decision to abolish regional structures initially united most actors across local government and business in the North East against this decision and in support for continuing collaboration at this scale. This was despite the decision by Tees Valley to separate from the former North East geography and to pursue their own proposals and structures. However, the

invitation by central government to form Local Enterprise Partnerships based on functional economic areas, and steering away from administrative geographies, resulted in a fragmentation of this unity as local authorities scrambled to develop joint and competing proposals around individual and shared interests, resulting in smaller scale proposals. In response to multiple bids from the North East (Author's interview 50, former director, NE business representative body, 2016) then Secretary of State for Communities and Local Government, Eric Pickles, through the Government Office for the North East, instructed local authorities to form a joint North East proposal (ibid.). This political act of fragmentation contributed to factors that undermined joint-working and transition to a North East Local Enterprise Partnership from the outset.

In trying to understand and explain why disagreements have emerged between the main actors in a new framework of government and governance for economic development and local growth, interviewees point to a number of different factors. Given issues of fragmentation over a number of years, of interest here is the extent to which new governance arrangements could negotiate local institutions and politics more or less so, than previous arrangements. Despite a political homogeneity across the leadership of local councils - since 2010, all seven local authorities in the North East have been Labour-led - this hasn't made the process of city-region collaboration within and across the Local Enterprise Partnership and Combined Authority any smoother. Some attribute this turmoil to territorial politics rather than party politics (Author's interview 2, former councillor, NE local authority 2, 2015), with individual centres in the North East competing with each other for resources and an apparent lack of a shared view and commitment to prioritisation of investment beyond strategies and economic analyses of the role of different parts of the North East (Author's interview 46, former chief executive, GM level organisation 2, 2015). Local council officers describe effective joint-working at the officer and director level, one that is based around an understanding of the economic evidence, but that discussions can become more difficult between chief executives and leaders where political choices need to be made (Author's interview 10, head of team, NE local authority 2, 2015), which suggests a lack of common understanding of the basis for decision-making and prioritisation at a political level.

The process of initially forming and establishing the new LEP exposed the leadership challenge in the absence of a regional tier of coordination, despite joint-working at the sub-regional tier on areas such as transport, skills and economic development. The reality of localism and a centrally-prescribed 'bottom up' approach to forming new governance

arrangements without strong support for collaboration across constituent local authorities and sufficient incentives in terms of what powers and resources will be devolved, was seen as a challenge for the North East,

> "problem when things are bottom up, which in some sense it is a good thing to design own arrangements, but then that is going to bring those tensions to the fore, when actually top down arrangements are a good way of dealing with those tensions when things are effectively imposed. (Author's interview 14, leader, NE local authority 1, 2015).

Once formed, it was suggested that at least initially, there was a different focus by the civic and business leaders on the LEP, where the business leaders focused on innovation and higher level skills and the local councils on the Combined Authority more at basic skills and social inclusion, which reflected different priorities,

> "… I think they [Combined Authority] could maybe look a bit more at future proofing thinking about excelling in future rather than just keeping our heads about water"
> (Author's interview 1, former officer, NE LEP, 2015).

The new structures and governance arrangements for economic development and local growth in the North East have not helped to mediate the tensions arising from territorial politics in decision-making and new tensions have surfaced and provided a challenge to city-region collaboration. One example of this was funding made available to Core Cities for investing in the skills of young people which was then offered by Newcastle as the Core City to other local authorities in the North East and was not taken up by some, according to sources, because it was made available through the Core City. Further to this, the invitation by central government for places to bid to host the Green Investment Bank in 2012 resulted in both Newcastle and Sunderland both submitting bids, despite their close proximity and also being within the same Local Enterprise Partnership area. This presented a dilemma for bidding local authorities in the North East on having a shared view of the "best offer" to central government and wanting to present a "united front, with the hope that if it is in the North East it doesn't matter where " (Author's interview 9, head of team, NE local authority 2, 2015).

A new aspect to the politics of local growth between city-region actors since 2010 has been the level and tone of public disagreements between local authorities and some of the business representatives on the Local Enterprise Partnership. These disagreements and fall-outs between council leaders and some LEP business representatives have been a central feature of how intra-regional discussions have unfolded particularly in relation to establishing

leadership and decision-making responsibilities in the newly formed sub-national governance arrangements and in response to negotiating with central government. Leadership has been at the heart of these tensions,

> "This is the debate between the LEP and combined authority. One sees the other as being more preeminent so the Combined Authority wants the LEP to be part of the Combined Authority, whilst the LEP doesn't want to be part of traditional council apparatus" (Author's interview 10, associate, Newcastle University, 2015).

Conflicting positions have been adopted between local councils and business representatives on a number of different issues, ranging from bigger national issues such as reacting to and engaging with the politics of consolidation and austerity and principally on whether to agree to a directly-elected mayor, to very specific and local issues such as the salary for the position of Chief Executive at the Combined Authority. In the context of discussions of post-democracy (Crouch, 2004), where technocratic solutions based primarily on economic evidence are deemed by central government to be more robust, how decisions on investment are made and on what basis, continues to be a very live and contested discussion. In the case of Greater Manchester's Investment Framework, local governance sought to remove territorial politics and the place dimension (see 5.1.1). In the North East, the business community and politicians on the LEP disagreements were often openly expressed in the local newspaper, as discussed by this interviewee,

> "Ultimately it depends whether the outlook of the business community is that it wants to work with the public agencies or against them. The open letter from the weekend suggests to me that businesses are losing patience with the current structures and that actually they want greater autonomy and do their own thing and they are a bit concerned about being further constrained by another organisation" (Author's interview 2, former councillor, NE local authority 2, 2015).

This disagreement only served to further alienate people in the North East from discussions on democratic decision-making and impacted negatively on the new structures building credibility with central government for the transfer of powers and resources.

In summary, the new structures and governance arrangements in the North East have not to date provided a mechanism to resolve the politics of local growth and instead have contributed to further fragmentation. In conclusion, this chapter has shown that when presented with a version of localism and decentralisation by central government, the response by local areas is shaped by their ability to coordinate horizontally across city-region actors as

well as vertically with central government. Also by the institutional capacity developed at that scale and the ability of local governance to negotiate both party politics and the politics of place. The notion of an 'institutional regime' (Pike et al., 2015) is a useful framework to examine in depth the institutional processes and relationships within the city-region that enable or constrain collaboration across boundaries. This finds that territorial and relational struggles and tensions remain at the fore and manifest in different ways as part of the territorial politics of uneven development. Using Jones and Wood's (2011) notion of imagined and material coherence, an important differentiation in the two case studies is the extent to which Greater Manchester has consolidated and invested in city-region coordination and capacity (material coherence) while the North East, due to the new scale of collaboration from 2010, was starting again to create a shared vision and approach with local partners (imagined coherence). Recognising that institutions can have both a positive and negative effect on economic performance and growth depending on the quality of institutions (OECD, 2012), analysis of the two case studies shows that coordination and capacity at scale while critical to effective city-regional governance, can also lead to 'political lock in' (Hassink, 2010) of established and preferred ways of working. In the North East city-region governance coordination and institutional capacity has suffered from a lack of clarity of leadership stemming from a lack of a shared understanding of the role of individual places and resistance to implementing the Coalition's funding cuts – neither the financial incentives nor the interdependencies between places were sufficiently understood to engender collaboration. In Greater Manchester, coordination and capacity was configured to execute a particular form of city-regional governance and political leadership which some argue hasn't been open to adapting to local circumstances as well as a changing context for local government finance. The outcomes are further shaped by the politics of local areas which as the cases reveal, can be played out explicitly, like in the North East, or more implicitly, in how governance and decision-making is designed in GM.

The next chapter will examine the development of city-region governance in the context of multi-level governance and accountability to understand and explain the relationship between central and local government over this period how it changed.

Chapter 7. What do these changes mean for centre-local relations in the sub-national governance of economic development?

This chapter examines how centre-local relations for economic development were reconfigured in this latest episode of decentralisation and the implications for accountability, scrutiny and transparency. This develops the argument that, in the context of a centrally-prescribed localism, the Coalition's episode of decentralisation and devolution has witnessed a more assertive centre with a key governance relationship with the local level as regions were abolished and new sub-national arrangements were formed. This new sub-national framework of government and governance has provided some new opportunities for local decision-making but within a constrained context of a reduction in funding and shaped by the changing nature of local government finance. This demonstrates the enduring influence of the centre on local state actors in the context of decentralisation to subnational tiers of government and governance.

The chapter is structured in two parts. First it examines the (re)configuration of centre-local relations under the Coalition's episode of decentralisation and localism (7.1). Second, the chapter explores the implications for accountability, scrutiny and transparency of the sub-national changes (7.2). This chapter explores the research proposition, based on the review of literature, that the local state is profoundly conditioned by its relationship with the central state.

7.1 Centrally prescribed and orchestrated decentralisation and deal-making

This section examines centre-local relations in this latest episode of decentralisation and devolution and how and why they have been reconfigured. This takes place in the context of a global shift towards decentralising powers and responsibilities sub-nationally and particularly to cities (Katz and Bradley, 2012; Glaeser, 2012; Faguet, 2013; Ahrend and Schumann, 2014). Despite this trend, there is also no single approach to decentralisation, and there are significant variations in the interpretation, form and processes adopted by national governments (CURDS and LSE., 2011).

The UK has a highly centralised system of government mainly because of how tax is collected and redistributed, and which no political party has sought to fundamentally redress (see section 3.2.1). Despite a trend of moving from government to a variety of governance mechanism and vehicles in recent years, the recent transfer of more substantial powers and

resources in England to sub-national governance arrangements has exposed the limitations of voluntary and informal arrangements. This latest reconfiguring of centre-local relations has been shaped by the Coalition government's vision for localism and Big Society (HM Government, 2010a) alongside the government's fiscal consolidation and austerity response to the global financial crisis. The condition of a directly-elected mayor and Devolution Deals as the mechanism to negotiate and transfer resources from the centre to sub-nation differentiate the Coalition's city-region focus from the previous Labour governments.

There are a number of themes which help to explain the context and interpret the reconfiguration of centre-local government relations in England since 2010 by examining who was orchestrating these changes and why, and how these changes to centre-local relations were implemented. In the Coalition's early days, it was Eric Pickles MP, then Secretary of State for the Department for Communities and Local Government, who shaped relations between central and local government and set the tone of discussions. He launched an attack on local authorities based on his views of the profligacy of the sector – which led him to agree to the most significant budget reductions of any central government department (see section 4.1) - and for acting as a barrier to devolution to communities. The Coalition's vision was to move from Big Government to Big Society by decentralising powers to communities (HM Government, 2010). In the aftermath of the 2008-09 recession, the focus on economic growth became more pronounced under the Coalition and HM Treasury worked bilaterally with groups of local authorities, brokering and influencing discussions with other departments, and became instrumental in shaping centre-local relations. While exerting power over other departments to get deals announced, HM Treasury were not always so successful in getting the content of the deals implemented with individual departments or ministers who were resistant to changes. Furthermore, the new way of working being implemented by the Coalition – the process of submitting a proposal or bid for central approval - reinforced the client status of local government. Despite knowledge of being worse off through cuts, local councils maintained the view that it was better to have greater responsibility through devolution, as local areas are better placed to determine needs and set priorities.

There were a number of issues discerned from an analysis of changes to centre-local relations. First the multiple and overlapping objectives for decentralisation and devolution provided an unclear framework for local actors to respond and negotiate. Was decentralisation about growth, rebalancing, austerity, shrinking the state, meeting societal challenges, was it to provide a safety net for the disadvantaged? (CURDS, 2016). The

clearest expression of this contradiction being a commitment set out by the Prime Minister and Deputy Prime Minister in 2010 to "rebalance growth across all regions and sectors" (HM Government, 2010) yet the funding cuts impacted most severely on the local authorities in areas that were underperforming economically in the national context (NAO, 2012). This left local councils to balance the politics of funding cuts alongside the prospect of future funding to support growth, in more of a chaotic rather than coordinated approach.

Second, there was a lack of recognition, at least initially, by central government of the uneven starting point and variable institutional capacity of different places to respond to bidding rounds for competitively allocating resources, for example the Regional Growth Fund and Growth Fund Deals. The readiness of local areas to respond was influenced by how long the LEP had been in place and the evidence they had available at that scale to underpin proposals. The Coalition government began to recognise and respond to this uneven institutional capacity later on with a LEP Capacity Fund, BIS Local Teams to provide capacity, and central government support to local areas through the Cities and Local Growth Unit. The slow response to this suggested either an initial lack of awareness or a belief that announcements for funding would provide sufficient incentives to mobilise local actors to respond through new arrangements.

Third, along with the local state, the central state also had to adapt to more centralised modes of working. This required central government departments to not view the transfer of powers and responsibilities sub-nationally as a threat but rather as an opportunity to do, for example,

> "…relevant things in people's lives that national governments can't do" (Author's interview 47, chief executive, GM local authority 2, 2016).

Despite national and local calls for place-based settlements over the longer term (see *inter alia* HOC Political and Constitutional Reform Committee, 2013; CLG Committee, 2014; Core Cities, 2015) progress is piecemeal (Pike et al., 2016b). Further to this, while allowing the space and flexibility for some places to do better than others as has happened with deals and deal-making, it is unclear what the commitment is by central government to make sure that those who fall behind don't fall too far.

> "Nationally-led economic development policy and implementation should be able to demonstrate fair consideration and treatment of all areas" (HM Government, 2010a)

Finally, changes to centre-local relations have also been shaped and moulded by the emergence of informal governance and bilateral deals and deal-making between central and

local government. This became the preferred method by central government of negotiating the transfer of more complex and significant powers and resources for economic development and local growth. The Core Cities amendment to the 2011 Localism Act created the mechanism for councils to submit plans on how they planned to promote local economic growth which if successful they would be invited to negotiate deals with central government for greater autonomy of financial and planning matters (Ward, 2017). These bilateral and bespoke arrangements paved the way for deal-making and became the Coalition's – and particularly HM Treasury's - preferred method of negotiating the transfer of powers between central and local government. This approach was expanded in the 'Unlocking Growth in Cities' document (HM Government, 2011) and the first wave of City Deals were agreed between the Cities Policy Unit and England's eight largest core cities outside London, with government departments committing up to £2.3 billion to the deals spread over 30 years (NAO, 2015). At the time, City Deals were seen to,

> "… signify the direction of travel of central and local government relations and the changing nature of economic development activity in England…. This means a move away from large nationally funded programmes of regeneration towards funding economic growth and regeneration via investment finance tools, such as Tax Increment Financing" (CLES, 2011).

The advantages of City Deals were described as raising ambitions within cities by allowing partners to experiment with policy ideas and giving cities more flexibility to respond to local priorities and challenges (Centre for Cities, 2013). However, there has been some criticism over the impact of the Wave 1 City Deals, particularly for the more ambitious and innovative programmes, and over a lack of shared approach to evaluating the impacts of programmes (NAO, 2015). Also, a lack of consultation with relevant departments and officials on cities' commitments meant that some of the specific issues around funding were not considered until after the deals had been signed (ibid.). The deals were presented by central government as a step in a longer-term dialogue between local leaders and central government about devolution and growth. After City Deals, all 39 Local Enterprise Partnerships were invited to submit proposals for Growth Deals. Following Greater Manchester's devolution agreement signed in November 2014, other cities were invited to follow their lead.

There are a number of implications for deals and deal-making on reconfiguring relations. First, the lack of clarity on the overall framework including timetable and criteria for deals and deal-making has enabled central government to set the pace and terms on who to strike deals with. The secretive process has also enabled central government to flex the terms to fit

different political objectives, so that Cornwall was awarded the first non-metropolitan devolution deal without being required to sign up to have a directly-elected mayor. Third, there was no mechanism established for working out the implications of deals consisting of fiscal agreements on the resilience of the overall national system and for those places left behind. Added to this an uneven institutional landscape that is being made more uneven by the fact that certain city-regions are getting first mover advantage. With so much focus on securing the deal itself and the announcement seen as an outward sign of confidence in an area, the implementation and individual responsibilities in making it happen was harder to pin down, away from the public gaze,

> "Once that's done [deal making] the role of government is to get behind it and make it happen and not to keep questioning it and undermining it as has happened in some of the devolution deals that have taken a long time to get going after they have been decided" (Author's interview 47, chief executive, GM local authority 2, 2016).

This variable support from individual departments and ministers reflected a challenge as to the extent devolution to cities is seen as a priority across Whitehall. Greg Clark, Minister for Cities at the time, was a proponent of deals, as was then Chancellor George Osborne. Deal-making is not new, previous governments have had bilateral discussions with local teams but more than often as part of schemes or programmes available to all places. The process of the deals themselves and how they were progressed by both central and local government teams is therefore significant. In summary, despite a commitment to decentralisation and localism the centre still maintains a close role in local decisions on government and economic development activities.

7.1.1. *Greater Manchester: Shaping the approach to deals and deal-making*

This section critically examines how centre-local relations were constituted and brokered in GM during this period, examining both formal and informal interaction to understand more about the importance and influence of this relationship, and whether it differs to the experience of other city-regions. Building credibility and convincing government has been a central theme. Receiving less attention, has been how changes to sub-national and economic and political outcomes have been negotiated informally and behind the scenes, how relationships have been nurtured across GM councils and civic actors and with central government and how this has been managed across the ten councils to achieve a coherent voice with central government.

The relationship between Greater Manchester local authorities and central government officials and ministers has been developed and nurtured over a number of years and spanning different political allegiances. Building on city region deals and developments made under the previous Labour government, from 2010, the dismantling of administrative regions consolidated Greater Manchester's decision-making powers formally at this city-region scale (see section 4.1). These relationships have been instrumental to GM achieving its ambitions for decentralisation under the Coalition government. It has also been influential in shaping the Coalition government's overall approach to negotiating decentralisation and devolution with other cities based on Greater Manchester trailblazer status (see section 5.2).

First, there have been several accounts written of how GM governance has achieved successful negotiation of powers and responsibilities from central to GM level (see inter alia Emmerich, 2017; Holden and Harding, 2015; OECD, 2015). A common thread running through these is that they describe a largely uncontested and unchallenged version of events (apart from reference to the 2009 congestion charge referendum); stable institutions and leadership, strong and credible governance, and an evidence based approach to economic development. The accounts of GM's success in collaboration and in securing investment is often told from the perspective of those places in GM that have benefited most economically from this model of growth, mainly the larger urban centres (Author's interview 3, director, GM local authority 4, 2015).

Second, is a concern amongst some local councils in the districts surrounding Manchester City that rather than decentralise to the lowest level possible, the approach in GM to date has been to devolve to the city-region level, consolidating powers at the GM level, at the expense of localism – referred to by some as "metro-centralisation" (Author's interview 13, officer, GM local authority 2, 2015) and argued as follows,

> "…in my view you cannot argue for differential devolution in England and then say one size fits all in GM… How is devolution about localism and not just about centralising at GM – if we are just going to recreate a county council then we have failed" (Author's interview 47, chief executive, GM local authority 2, 2016).

These tension and concerns have emerged despite the all work that has gone on in GM in terms of governance reviews, distributed leadership and cross-boundary working, all which is deemed essential to the collaborative approach and a "true place-based plan" in the Greater Manchester Strategy (Author's interview 24, lead, GM level organisation 1, 2015).

Third, the decision to opt for a directly-elected metro mayor as a condition of the devolution agreement fuelled these concerns. The concern by districts was that there would be limited scope and flexibility to do things differently within GM, particularly in response to the local government cuts and funding outlook, and reduced capacity (see chapter 5.1.1). The GM level was not only positioned as the dominant scale by GM governance, it also become the preferred scale by central government with some departments insisting on dealing with GM exclusively, rather than with smaller alliances of local districts, for example those facing similar economic challenges and who wanted to tackle issues at a sub city-regional level (Author's interview 29, manager, GM local authority 3, 2015). This was helped along by the analytical contribution of New Economy which built credibility with HM Treasury by developing the narrative around addressing both growth and reform in order to address the £6bn gap in the public finances in GM.

Fourth, as the remit of New Economy has grown, some local council officials mentioned they were concerned that in their centrally orchestrating analytical role, they were setting assumptions despite being further away from delivery and there were not always the opportunities or forums to address areas where there was deemed insufficient evidence at a district level (Author's interview 29, policy officer, GM local authority 3, 2015). The reach of the different activities carried out by New Economy was also raising questions by some as to whether there was a conflict of interest in their different roles and capacities,

> "You might be aware that there has been a bit of thinking about what New Economy's role should be, because they are acting as evaluators, researchers, they do also programme management, also programme commissioners, and it doesn't quite work…. because the reality being local authorities inevitably know what is going on the ground" (ibid.)

Despite their progress, GM local leaders, like other city-regions, have had to contend with central government moving from a history of centralised policy driven government intervention to more enabling, creating, place-shaping type approaches and to let go, and adapt to a localised way of thinking. In relation to deal-making, the emergent form of deal-making and negotiation between local and central government under the Coalition and subsequent Conservative government has become synonymous with Greater Manchester. Not only have Greater Manchester local authority leaders negotiated the most significant devolution deal - in terms of both value at £6bn and significant responsibilities that include provisions to integrate health and social care, in addition to agreeing further iterations of

deals – they have also shaped the overall devolution process and terms, by which other places follow and are assessed by. This trailblazing position has led to Greater Manchester governance architects/officials also having an informal advisory role in devolution discussions between central government and other city-regions, including the North East (Author's interview 42, former chief executive, GM body, 2016). The first mover advantage in devolution discussions has been particularly important given that the central pot of investment available for all places is undefined by central government and given the ongoing commitment to reducing the deficit, it is unlikely to be limitless.

The culture of deal-making in Greater Manchester has spanned a longer period than the recent episode with the Coalition government and is reflective of longstanding bilateral relationships across political divides (see section 5.2.1). Under the Coalition's episode of decentralisation, Greater Manchester has both on its own and with the other Core Cities sought to redress the imbalance of power between national and local government. The GM case can be examined in terms of the case for devolution, the process followed and implementing the deals. In this latest episode of decentralisation, GM presented a compelling economic case to HM Treasury in order to secure deals. This consisted of an "unstoppable argument" based on the £6bn funding gap between tax receipts and what GM spends (Author's interview 42, former chief executive, GM body) along with the intention to make a positive net fiscal contribution to the HM Treasury. Further to this, the ability of local leaders to communicate big ideas and scale for projects and investment has been important for negotiations led by HM Treasury and focused on economic growth and built credibility in delivering large scale projects,

> "Manchester and GM pitches up [in central government] and it's got the schemes and you know what the priorities are and they are big scheme. And they know if Eammon or Howard stands up and says these are our schemes and if you invest in them we will deliver and we have a track record that we do deliver. And that track record is not one just known by UK investors, it's now known by Abu Dhabi, China, Singapore, US investors" (Author's interview 42, former chief executive, GM level organisation 2, 2016).

The process for how deals have been developed and extent to which local stakeholders have been consulted has received increasing attention by civic actors and citizens, particularly on the decision by the GM Combined Authority to have a directly elected mayor. The article by Simon Jenkins (Jenkins, 2015) describing the secretive nature of deal-making was, according to some local authority officers, an accurate depiction. The announcement of the first

devolution deal for GM on 23 November 2014 came as a surprise to other Core Cities, who also happened to be meeting on that day, without Manchester. Even within GM, the announcement of the health and social care integration deal in 2015 only became known to senior level officers in Manchester as it was being confirmed. However, as with other places, the implementation of devolution deals has been more difficult to across different government departments, despite GM being the devolution trailblazer and with personal advocacy from the Chancellor. This is partly explained by the limited detail on how devolution deals would be implemented. This meant that they were "constructively ambiguous" to get them agreed by local leaders and government departments but this also led to delays once they were agreed,

> "…if they are not sufficiently clear they are destructive when you come to implement them because you have that debate about what does it mean" (Author's interview 44, leader, GM local authority 6, 2016).

The ambiguity in the deals required ongoing dialogue with government departments and led to some trying to go back on conditions. The advantage of devolution to cities being led by HM Treasury was that you needed Treasury backed proposals but then you had to bring the rest of government with you. GM had the political advantage by having a Conservative led council and therefore had the political leverage to call upon if required. More often than not, in the event of delay or retraction by government departments, Sir Howard Bernstein would call Chancellor George Osborne direct.

> "… we have a range of tools at our disposal which include really strong links with civil servants, some great chief executives across GM, political influence if we need it, all based on this common purpose of what we are trying to achieve" (Author's interview 44, leader, GM local authority 6, 2016).

The challenge for central government is to move from a history of centralised policy-driven government intervention to more enabling and place-shaping type approaches. To hold government to account to implement the terms of agreed devolution deals, Greater Manchester Combined Authority – along with other cities through the Core Cities network – asked central government for a place-based settlement for GM in the 2015 Comprehensive Spending Review to include multi-year budgets and alignment across all relevant departments, rather than,

> "..just a war between departments about who gets what" (Author's interview 47, chief executive, GM local authority 2, 2016).

In summary, centre-local relations in GM have been developed and nurtured over a long time with personal relationships with key individuals providing important connections. Though, beyond securing deals and announcements, it appears that GM faces the same barriers as other local authorities in trying to implement activity across government, which highlights the challenge to adapt as well. Those outside of local government in GM see the secretive and informal relationships as problematic and opaque, particularly given that for a number of stakeholders that is the approach of leaders in GM as well.

7.1.2 North East: Moving from individual to collective negotiation

This section examines how centre-local relations have unfolded in the North East over this period. Local councils and business leaders in the North East have, together with Greater Manchester and the other largest cities and city regions in England, long campaigned for greater decentralisation of powers and resources for economic development and local growth. In contrast to Greater Manchester, local councils were largely supportive of the regional tier as a way of coordinating and prioritising economic development activity (see chapter 4.1.1). The main governance arrangement for these discussions following the demise of the Regional Development Agency and before the LEP and Combined Authority was the LA7 - the seven local authority leaders that formed the Leaders' Board and precursor to the Combined Authority. Also, the Core Cities network through Newcastle City Council and Key Cities network through Sunderland City Council.

The localist or bottom-up approach to determining new structures and powers at a subnational level created additional challenges for local leaders in the North East following the dismantling of previous regional structures and the fragmentation of local partners in establishing the North East Local Enterprise Partnership (see chapter 4.2.1). It also brought tensions around leadership and decision-making between local and business leaders to the fore where the evidence for investment priorities was "geographically light … and the seven individual plans were not joined up" (Author's interview 32, director, NE local authority 6, 2015) where for some,

> "… top down arrangements are a good way of dealing with those tensions, when things are effectively imposed" (Author's interview 14, leader, NE local authority 1, 2015)

There are a number of themes which help to explain how multi-level governance has unfolded in the North East since 2010 and shaped centre-local relations. Central-local

relations in the North East over the Coalition government period were highly politically-driven and framed by the significant cuts to funding overall in the North East and what was seen by some as a political decision to fragment the region (see chapter 6.2.2). At the same time this was countered by individual local council relationships with Ministers and departments which enabled the agreement of the Newcastle Gateshead City Deal in 2012 and the Sunderland City Deal in 2014, in addition to pilot programmes. The North East seven authorities commissioned a governance review in 2013 and decided to formalise and constitute their partnership as a Combined Authority in order to take on additional powers and responsibilities for areas including transport and economic development. Despite this decision, there was deep mistrust among politicians and underlying suspicion of the medium and long term objectives of central government for decentralisation and whether it would lead to a reorganisation and consolidation of local councils.

Partnership working was already held back by a fear of losing sovereignty by individual councils before the LEP and Combined Authority were established (see OECD, 2006). Devolution of joint funding pots and shared responsibilities combined with the phasing out of local government funding grant by 2020 and new forms of local government finance – i.e. business rates and council tax - tested the commitment to joint working under the new structures. The NE's relationship with central government for decentralisation discussions improved over time. The brokering role of senior officers with experience of working in central government – such as Pat Ritchie and Andrew Lewis, Chief Executive and Assistant Chief Executive of Newcastle City Council, respectively – was seen as critical to building trust and credibility with Ministers and civil servants in devolution negotiations (Author's interview 42, former director, GM organisation 2, 2015). This was important given the public disagreements and fallouts between some local politicians and business leaders on the NELEP. Also critical to negotiating the transfer of powers and resources was developing the narrative and economic case for devolution with central government.

> "When we started off it [statement of intent] didn't have enough of the NE strengths in, just give us this money. The argument is in some respect, we realise that we are a problem. We cost a lot of money to central coffers, and we want to be out of that position, this is our way out, we will trade our way out, give us these responsibilities…it is still more important to be in charge of your own destiny, even if that means fewer resources…" (Author's interview 32, director, NE local authority 6, 2015).

The limited scope to shape decentralisation outcomes was raised by interviews who described the steps taken to date as part of a journey towards greater control of the tax base as there is "no representation without taxation" (ibid.).

The issue of metro mayors was a particularly contentious one in the NE with diverging views between local authorities and business leaders. The politics of having a mayor in the NE were seen as significant partly because some in local government suspected it may lead onto further local government restructuring in five years' time, and begin a process of taking powers away from local authorities to transfer to the mayor (Author's interview 19, director, local authority 3, 2015). In the context of the changing nature of local government finance, the economic development challenge for some local authorities when faced with trying to deliver essential services and transform the city economically, was that they were more reliant on other funding streams at the city-region scale particularly if they were not going to generate significant returns through council and business rates. While the GM model of governance and devolution has acted as the trailblazer and paved the way for other city-regions, it also creates challenges for other places when the roadmap for devolution is based on how GM is configured geographically and institutionally,

> "The implications of following a Manchester model for the North East was that you could not use the Association of North East Councils as a statutory body to devolve powers in the same way as the constituted Association of Greater Manchester Councils (AGMA), as it was an association of local authorities… the NE was actually working very nicely along those standard regional lines and all that went with it and I think we have struggled to cope as an outcome of that" (Author's interview 32, director, North East local authority 6, 2015).

In summary, this chapter has shown how the process and nature of centre-local relations in the context of decentralisation and localism to sub-national tiers and particularly cities, has changed in two prominent ways. First, the onus has been placed by central government on local areas to present a case (primarily economic) for the transfer of powers and resources based on criteria established and assessed by central government. Second, the process for doing this has been characterised by bilateral and secretive discussions which have enabled central government to retain control of the overall process and has increased competition between localities. The implications of this for individual places depends on the strength of existing and personal relationships and institutional capacity in places rather than creating a level playing field for all. Individual experiences of both GM and the NE both demonstrate

the limited knowledge, understanding and capacity within government to respond to and administer changes.

7.2 Centre-local relations: Limited accountability, scrutiny and transparency

The shifting landscape of sub national government and governance for economic development between 2010-2015 resulted in powers and resources both (re)centralised as well as decentralised to new local structures. This process of reconfiguring governance, powers and resources at the sub national level alongside the emergence of informal governance and deal-making created new challenges and a struggle for ensuring democratic accountability, scrutiny and transparency in decision-making. This unfolding and emerging picture led to credible, independent sources voicing concerns at both a local and national level on the transition (see *inter alia*: NAO, 2016; CLG Select Committee (2016); Committee of Public Accounts (2016); This section examines how these issues of accountability, scrutiny and transparency have emerged and been negotiated by central and local government teams and the implication for centre-local relations.

A lack of democratic accountability was one of the main criticisms levelled at Regional Development Agencies by the Conservative government in the lead up to the 2010 General Election and formed part of the rationale for their abolition. As a quango, RDAs were vulnerable to criticism because of their unelected status and for the growing number of responsibilities and resources for economic development. despite having a constituted board with broad representation from trade unions, higher and further education, business and local government, to oversee decisions. Localism was presented by the Coalition government as the solution to this by decentralising powers to the local level, to neighbourhoods and local authorities.

There are a number of issues to emerge from this to explore why this might be the case. First, the pace and design of the Coalition government's decentralisation process for economic development has provided limited scope for reflection and debate and reinforced a centrally-prescribed version of localism (see chapter 5). The Coalition government oversaw a process and timescale that left local teams both scrambling around to form new governance arrangements and respond to new funding calls while local authorities were also interpreting and implementing the reduced financial landscape. Across government, despite HM Treasury leading discussions and consulting with other departments, local teams in both the North East and Greater Manchester had experience of some departments unfulfilling or delaying implementation following the announcements.

However, as concluded by independent sources (e.g. Pike et al., 2016a; NAO, 2014), the hive of activity and announcements that unfolded particularly in the first few years of the Coalition's administration, did not provide an overall framework and direction for decentralisation and devolution changes thereby providing limited scope for planning, monitoring and learning for individual places. Funding announcements were drip-fed and local teams were unable to discern how much funding was available overall and whether there would be further rounds. The implication of this is has been a centrally determined process which has not actively encouraged or created spaces for scrutiny and debate. The focus by the Coalition government has been on securing an announcement with limited time to reflect and to question as decisions are passed quickly with the detail to be developed later on. This has resulted in an accountability and scrutiny process for decisions and announcements that considers due diligence but does not create the space for wider and more inclusive discussion, particularly on the significant and variable implications of changes for local authorities, particularly as the risk is mainly transferred to local areas.

For local authorities who already operate a scrutiny function as part of their democratic services, scrutiny of Combined Authorities become an extension of their local government scrutiny function but at the larger scale for the new responsibilities held. For the business representatives on the Local Enterprise Partnerships, public sector scrutiny was less familiar to them and required them to adapt to public sector practices placing individuals under greater scrutiny and exposure over collective decisions and personal interests. For local councils, the approach by central government did not reflect an appreciation for how local democracy works and the systems in place at the local government level for considering and implementing changes. A centrally-prescribed localism that expects local implementation of centrally-determined cuts with far-reaching implications by central government does not take into account that – in contrast to the parliamentary system of how central government is configured - local government is part of a local democracy and therefore not able to implement significant decisions in an executive fashion.

As well as strengthening democratic decision-making, why this was important for local areas is because there were often several related changes taking place at once – reconfiguring powers and governance at the same time as implementing austerity with funding cuts to local government, and changing the nature of local government finance – which required developing an understanding of the totality of changes and scrutinising the implications for different places, often within short timeframe to respond. An example of this is the transfer of responsibility of funding cuts from national to the local level by HM Treasury stipulating that

proposals needed to have "fiscal neutrality", so delivering services with less money and covering the costs of increased demands on services would be the task of local areas. As the then chancellor George Osborne set out:

> "These new powers must come with new responsibilities, as well as phasing out the main grant from Whitehall, to ensure the reforms are fiscally neutral." (HM Treasury and The Rt Hon George Osborne, 2015, October 5).

The centrally-determined approach to decentralisation process was seen as a technocratic and narrow process of reconfiguring powers and resources rather than mobilising local people. The pressure for greater democratic, local accountability has mostly come from citizens and civic actors and MPs who haven't had a clear role in the deal-making process.

> "…if there is a deal to be struck they will strike it and they [local and central government] worry about the democratic process and consequences later" (Author's interview 31, chief executive, think tank 2, 2015).

An example of the lack of oversight by central government of the democratic accountability of new sub national governance arrangements is evident by concerns being raised by the National Audit Office (2016) on issues of transparency and LEP accountability as the LEPs took on greater responsibilities over economic priorities and investment including responsibility for the Local Growth Fund (Ward, 2016). The subsequent decision to make Combined Authorities the accountable bodies for LEPs as an afterthought, where they were in place, demonstrated the lack of planning and awareness of transferring accountability, as illustrated by

> "Broadly speaking at the moment, we are talking about a fairly technocratic process of devolution that doesn't worry about the democratic side of things" (Author's interview 11, leader, NE local authority 1, 2015).

The devolved accountability system for capital provided authorities with substantial autonomy to develop investment strategies in line with local priorities and circumstances. However, this also meant that there was less understanding in central government of capital issues, trends and challenges across the local authority sector.

Third, the main mechanism for ensuring there would be democratic accountability from new sub national arrangements would be through a democratically elected metro mayor. The mostly negative outcome and low turnout in the 2012 city mayor referendum left a vacuum in the Coalition government's plans for accountability.

The analysis of the two case studies in previous chapters and sections has shown that the absence of this function/critique has enabled Greater Manchester to move further and faster towards decentralisation while for the North East, this lack of clarity has slowed progress down, at least that is what it has been publicly attributed has also shown the lack of civic infrastructure at a sub national and local scale to provide this function.

7.2.1 *Greater Manchester: The politics of technocracy*

With its trailblazer status in devolution based on securing the first and subsequent devolution deals (see chapter 6.1.1), Greater Manchester local council leaders were the first to adapt and evolve accountability and scrutiny arrangements in line with new and shared responsibilities across public agencies, thereby also setting a precedence for other places. The advantage for GM as discussed in earlier chapters, was being able to configure new governance arrangements building on existing relationships through the GM Combined Authority and AGMA. However, as highlighted in the previous section the unfolding nature of decentralisation and devolution has also brought complexity to GM governance and communicating accountable and transparent decision-making to the public.

With the stated ambition to 'close the gap… and bring GM back to GM' (Author's interview 46, leader, GM local authority 1, 2016) there has been significant effort invested in making the case to central government on the economic case and strong governance in place for transferring powers and resources to the GM level. GM has moved further and faster than anywhere else - agreeing four iterations of devolution deals, and the most significant powers with health and social care integration. While some senior officers in GM see benefits in a fast paced approach others working on devolution delivery see real challenges in implementing the vision within the timescales and question the reason for setting such a tight timeframe, with examples of pressured inclusion,

> "I genuinely think there is a positive about pace and momentum but it also means you don't get the time to think it through. …Sign now or the whole deal falls over and you will be the one that costs GM the deal – that narrative has played out several times" (Author's interview 47, chief executivem GM local authority 2, 2016).

Part of the challenge in moving to a more inclusive and democratic process for devolution in GM has been a difference of opinion among local council leaders and chief executives as to what a democratic process consists of and the role of the public in the devolution process. Is it to secure a devolution deal on behalf of the people of Greater Manchester and engage them

instead on the detail of how it will be implemented, or should it be more inclusive giving GM residents the opportunity to vote on the content of the deal itself, particularly in the context of austerity and cuts to public services.

> "In calling for a referendum, "[it was] hard to fathom how something which is supposed to empower the people shouldn't involve them. People should be involved in a discussion about what devolution should look like, rather than being told 'This is what you're having, whether you like it or not" (BBC, 2015, quote by Stephen Hall, president of the Association of Greater Manchester Trade Unions Councils, and from the WUW campaign).

Agreeing devolution deals with central government is not difficult, however holding them to account for implementing the deals has been more challenging. For a deal to be agreed it had to be backed by HM Treasury, but this also required bringing the rest of government along,

> "…so BIS, DWP, DFE in particular are difficult, DWP is horrific – I suppose getting the deal is not the hard bit, it is implementing it. Because in order to get the deal, George [Osborne] rocks up [and says] you're going to do this. Then the ongoing dialogue is more difficult. But we are making progress" (Author's interview 44, leader, GM local authority 6, 2016).

With further iterations of devolution deals there has been increased public interest and discussion among civic organisations and citizens of GM of the powers and resources being negotiated, on who the decision-makers are, and on the implications of proposals. Most significantly, public attention has focused upon the decision taken by the ten local council leaders to have a directly elected Mayor for the city-region in exchange for the transfer of powers. The devolution agreement signed by the Chancellor and leaders of Greater Manchester Combined Authority on 3 November 2014 was for a directly elected city wide mayor with powers over transport, housing, planning and policing (HM Government, 'Manchester to get directly elected Mayor', 3 November 2014). Among the further powers that were proposed included an invitation to develop a business plan for the integration of health and social care across Greater Manchester, based on control of existing health and social care budgets (ibid.).

The decision by local council leaders to agree to a directly elected mayor in exchange for powers was picked up by civic actors in Greater Manchester and resulted in petition for a referendum to discuss the detail of the deal. This was particularly given the 2012 city mayor referendum in Manchester (along with the other nine largest cities in England) which saw the

electorate in Manchester voting against the proposal 53.2% to 46.8%, based on 24% turnout (BBC, 2012 'Nine cities reject elected mayors'). Some local actors and citizens criticised this unilateral decision by local leaders and argued that it should have had public consultation and scrutiny and be put to a "Greater Manchester wide referendum, before it or further devolution is implemented" adding,

> "Ordinary people must surely have the basic democratic right to be consulted, scrutinise, and have a say in ANY changes, welcome or otherwise, to the way they are governed, including on any regional 'devolution' proposal affecting them. This would include whether they actually want it or not, and if they do, such things as what region they might be part of, and what any "devolved" decision making powers and financial settlement might go with it" (Hall, 'The People of Greater Manchester must have right to a say and vote on Devo Manc').

Local leaders who defended the decision suggested that devolution was in the interests of the people of Greater Manchester who would now be able to comment on the detail which would be of more relevance and interest to them, such as plans for school and bus routes rather than governance structures,

> "If you ask people about devolution – might have heard of it, might not. If you say do you want decisions to be made locally or made in Westminster, they want decisions to be made locally. I think the job of local politicians is to take those things that people say and turn them into the practicalities of it" (Author's interview 46, leader, GM local authority 1, 2016).

As the decision to have a directly-elected mayor was borne out of necessity to secure a deal, the proposed mayoral model by local leaders was a constrained model with the primary purpose to embed this position within existing decision-making structures to maintain the status quo,

> "…maintaining a one tier model is absolutely vital. It gives us a full-time pair of hands at GM level, we need that for all the things we are trying to do. But not in a way that is separated off from the 10 councils that are the other members of the CA" (Author's interview 46, leader, GM local authority 1, 2016).

Some local council senior officers and policy officers expressed a different view on the prospect of a mayor, than the approach that was put forward by the GM Combined Authority. Some districts, particularly those with greater underlying economic challenges, saw the mayoral role as an opportunity to disrupt the dominant political voices and agglomeration economics view in decision-making for GM. The alternative view expressed by some local

council representatives - confidentially in the author's interviews - was that a mayor may, over time, offer an opportunity to break with the established ways of working and political leadership that have dominated in GM by those places with greater economic performance. Officers suggested that a metro mayor could offer an opportunity to do something different in GM but that this would probably only be realised in the second or third mayoral term (Author's interview 28, director, GM local authority 5, 2015; Author's interview 29, manager, GM local authority 3, 2015). The Interim Mayor, Tony Lloyd, who was previously the Police and Crime Commissioner, was voted in in June 2015 and operated in this embedded model. The devolution of responsibility for certain powers and resources at the GM level, particularly for health and social care, will present new challenges on who should be taking decisions, for example over a hospital, and who is accountable? (Author's interview 6, academic, London university, 2015).

Of growing interest by local councils, voluntary and community organisations and citizens of Greater Manchester is understanding what the risks of devolution could be and how growth will be realised for different places across GM, particularly with the changes to local government finance. Some local council officials expressed concern over the lack of debate around the "real unintended consequences" from devolution on different groups of the population in GM as further responsibilities over a wider number of policy areas, such as health and social care integration and adult skills from 2019 are devolved to the GMCA and Elected Mayor (Author's interview 47, chief executive, GM local authority 2, 2016). According to some local council officials, there is a real cocktail of challenge and opportunity at stake with potential school and hospital closures. This reflects a tension between different views that it is better to Centre of Excellence dotted around GM while districts have evidence showing that the ability and propensity of local people to travel, for example to work, is limited.

> "I think the trajectory of Greater Manchester will be one of disillusioned on the North trench, more of the same in the centre and the south and tensions building up between the advantaged and the disadvantaged regions of Greater Manchester" (Author's interview 49, academic, University of Manchester, 2016).

7.2.2   *North East: The politics of accountability*

In contrast to Greater Manchester, the North East Combined Authority comprising the seven local councils has not to date (as of September 2017) agreed a devolution deal with central government despite various attempts (see chapter 6.2.1). Arguments over democratic

accountability and trust have dominated devolution negotiations in the North East between local councils and business leaders and with central government, and internal disagreements and infighting have contributed to proposals being abandoned on more than one occasion. Recent political history in the North East suggests these issues are challenging and contested at this intermediate scale, which has seen a number of spatial imaginaries emerge over time. Following the resounding no vote in the 2004 Elected Regional Assembly, political accountability has been the "elephant in the room" (Author's interview 14, leader, NE local authority 1, 2015), with little consensus on who should provide that leadership and where it can come from.

What is interesting about issues of accountability, scrutiny and transparency under this recent episode of decentralisation and devolution is how they became tensions between local council and business leaders in the North East, as well as a point of contention in negotiations with central government. Learning from previous regional structures, the prioritisation of democratic accountability in joint decision-making depends on what else is happening in the economy,

> "You'll get periods where democratic accountability is uppermost and crucially important and if it's not democratically accountable through either MPs or local Councillors then it's not worth doing. To almost a reaction to that saying we really need to choose some priorities here we need to get on with some action, unemployment is now 24%, in parts of the area and this is all taking too long and we need a development corporation with its own board who can cut through all this bureaucracy" (Author's interview 11, former chief executive, NE level organisation 1, 2015).

In terms of business stakeholders, they were less interested in discussions on structures,

> "Sounds a bit brutal, but if you talk to our members they say we don't really care, we want to get something done and we want to have someone who we know who to speak to who can explain the impacts on business are. They want that level of accountability or consultation with the business community but they are not really concerned about what the structure is behind that" (Author's interview 12, director, NE business representative organisation, 2015).

The issues for the North East can be summarised as follows. First, the shift in scale from twelve local councils in the administrative geography of the North East to seven resulted in established scrutiny arrangements in the North East also being dismantled along with regional structures. The Regional Select Committee – a parliamentary committee of MPs

chaired by then Regional Minister for the North East, Nick Brown MP, had been established and was deemed to be effective, more so than other places (Author's interview 14, leader, NE local authority 1, 2015). Below the regional level, there were Area Partnerships which included a range of stakeholders e.g. health, police and fire on decision-making boards, bringing together a range of public agencies to debate and scrutinise placed-based decisions. Instead of learning from and building on existing partnership formats the shift to a new North East administrative geography also resulted in rebuilding new sub national and local arrangements for scrutiny.

> "A lot of it is about that, if people have the ability to ask difficult questions it gives confidence to a wider group of people" (Author's interview 32, director, NE local authority 6, 2015).

Second, it can be argued that, the politics and, at times, hostile exchanges between civic leaders and some business leaders on the Local Enterprise Partnership over the content and process of devolution deals was a distraction from ensuring effective scrutiny and critical inquiry of the content, detail and implications of proposals. This was exacerbated by the tone of reporting in the local press. Scrutiny of the devolution proposals which led to a loss of momentum in the process or the abandoning of proposals was heavily criticised and viewed by certain business leaders as a deliberate intention to derail negotiations and reluctance to work with the Conservative Party, despite an uncertain context for the many contingent factors that deals were based on. As a result, local newspaper reporting was predominantly focused on the infighting between local actors rather than scrutinising proposals on critical issues to the North East such as cuts to resource equalisation as grant funding is phased out

> "There will be a net cut in social care funding next year. Where was this issue raised and debated? None of it was obvious…" (Author's interview 43, former director, NE local authority 2, 2016).

Third, the lack of clarity on the interrelationship between a LEP with growing responsibilities and the Combined Authority introduced later on, followed by the subsequent decision to make the LEPs accountable to Combined Authorities added to tensions in an already fraught relationship between local authorities and business leaders (see chapter 6.2.2),

> "So they [NE Combined Authority] say to the LEP, we'd like to make sure that you are doing things properly. Well what's that got to do with you? We are the accountable body… so lots of tension in the past, but I do think that we are moving on in that" (Author's interview 19, director, NE local authority 3, 2015).

The lack of trust between local councils and business leaders on matters of political leadership and collaboration along with limited consensus on the evidence on place priorities underpinning investment decisions (see chapter 5), presents challenges for any prospective mayor,

> "…how on earth can you get a mayor who legitimately has the interests of the whole region [urban and rural]? It's a huge place" (Author's interview 19, director, NE local authority 3, 2015).

Furthermore, while local councils were familiar with establishing structures for public accountability the private sector are less so, so at first LEP structures did not follow this and meetings were often held in private, decisions were made outside of meetings and the level of scrutiny, accountability and transparency of decision-making wasn't as high. The decision to make the LEP accountable to the NECA exacerbated an already difficult relationship.

Fourth, the defining issue in North East devolution discussions has been the issue of whether to adopt a metro mayor as a condition of new powers and responsibilities. It became a divisive issue between local authorities as well as with business members on the NE LEP, and between local councils as well as time moved on.

> "I don't think this is right that decision should come down to individual council leaders, and this looks like what happened in Manchester, I don't think this is right, for individual council leaders to make a decision that is as far reaching as that on political structure…. For me there needs to be a mid-point somewhere or at least we involve the public and the advantage of that is that you can then explain things that are happening, why we are going in the direction we are, what things we are talking about, what functions, what powers." (Author's interview 14, leader, NE local authority 1, 2015).

In conclusion, this chapter has shown how under the Coalition's episode of decentralisation, the centre-local relationship became more pronounced following the dismantling of regions, the reductions to local government funding and rise of informal governance. The decentralisation process has also revealed variable support across government departments and ministers for devolving powers and local decision-making, with the challenge and associated risk of not implementing proposals passed on to local areas to work through. Deals and deal-making are characteristic of this episode of decentralisation which has led to uneven and decentralisation and devolution. It has also shaped informal governance. Another characteristic feature of this episode of decentralisation is that accountability and scrutiny of

changes to powers have struggled to keep pace with the unfolding of changes at times. At a national level this has manifested as retrospective assessments and independent assessments of impact after implementation, particularly of reductions to local government spend rather than upfront impact assessments. At a sub national level, the focus has been on a technocratic approach to accountability that addresses compliance and due diligence more so than civic engagement in democratic decision-making. This varies across places with the North East taking further steps to consult with the public on proposals while in GM it has been more closed.

The main findings from this chapter are as follows. First, neither the local nor central state can be viewed as a single-minded entity and instead reflecting a myriad of different relationships and competing interests, which can enable or constrain progress. Second, the proliferation of bilateral deals and deal making between central and local government as the mechanism for transitioning powers and responsibilities became characteristic of this episode of decentralisation. While this represented a more significant downwards transfer of powers than under the previous Labour government, it needs to be viewed in the context of less funding overall and a lack of transparency overall in terms of how deals are negotiated. Third, accountability and scrutiny arrangements for new powers and responsibilities have struggled to keep pace with the shifting and uneven landscape of decentralisation and have focused on due diligence rather than creating opportunities for critical inquiry.

In summary, despite steps towards greater localism in decision-making for city-regions, centrally prescribed localism and informal governance has continued to constrain the agency of local areas and has maintained a dependency on central government for decisions and accountability.

Chapter 8. The changing role and structure of the local state in economic development: conclusions and reflections

This chapter synthesises the findings from this research, presents the theoretical and conceptual contributions the thesis is making, and offers reflections and limitations of the study to inform future research.

The overall aim of the research was to examine the changing role and structure of the local state in new frameworks of government and governance for economic development and how this has unfolded differently across scales, places and actors. The main argument of the research – and its contemporary theoretical and policy relevance – is that local government remains a pivotal actor in the sub-national governance of economic development. In the context of what appears to be constant restructure and upheaval of the local state; local government, as suggested (Barnett, 2013), maintains a degree of permanence despite constant talk of its demise. This research demonstrates how local government has become more important in the context of decentralisation and austerity, but in new and changed forms.

Attention to the different manifestations and configurations of the local state have grown with the burgeoning interest in city-regions and metropolitan forms of governance (e.g. Glaeser, 2012; Nelles, 2012; OECD, 2012; Katz and Bradley, 2013; Ward, 2017), organised around functional economic areas and more relational understandings of space. This academic and policy literature also reflects diverging perspectives on sources and approaches to economic development and growth and the role and contribution of local institutions and forms of governance. The research was interested to explore territorial and relational perspectives of the local state to develop a better understanding of multi-level and multi-actor forms of government and governance for economic development.

This study sought to make distinctive conceptual and theoretical contributions to both academic and policy understanding in a number of ways. First, to develop new insight on *why* institutions matter and *how* they influence the governance of economic development (Rafiqui, 2009; Farole, 2011; Pike et al., 2015) through a comparative study of how local states have adapted to new frameworks of government and government. Second, to provide a "richer account" (Rodrik 2003: 12) and more detailed understanding of local government in the local state in order to understand its unique role as a political institution and the political factors that "shape incentives for economic action" (Tomaney 2015: 6). Third, to draw on

empirical research to understand how new frameworks of government and governance have unfolded differently for city-regions in England to understand and explain the variation in governance and decentralisation outcomes (Gertler, 2010). Fourth, through a relational comparative approach to the analysis of cities (Ward, 2010), reveal the uneven ways in which the broader processes (e.g. of state rescaling) are mediated in particular city and city-regional contexts, drawing out the similarities and differences. Also, to provide a critical and in-depth analysis of the Greater Manchester model of governance that has shaped the Coalition government's approach to decentralisation and devolution to cities - building on critical accounts including Ward et al. (2015) and Haughton et al. (2016), and of to sit alongside the many normative accounts of its success (cf. Emmerich et al., 2013; Holden and Harding, 2015; OECD, 2015). The analysis of Greater Manchester together with a less successful example from the North East. Finally, to provide lessons on collaboration across the local state and relationship with the centre for future local governance experiments.

8.1   Addressing the research questions: a summary of findings

A number of research propositions were developed from the literature in order to inform the research questions and guide the study (see Section 2.5 'Research framework and questions'). The research propositions were important themes and arguments that were drawn from the review of the literature on local institutions, the local state and economic development and provided a conceptual framework to explore the role of local government in the local state.

The review showed there were gaps in the literature in the following areas. First, despite a greater recognition of the role and contribution of local institutions to economic development and growth – and particularly to addressing uneven development - precisely *why* and *how* this happens is less understood (Martin, 2000; Rafiqui, 2009; Pike at al., 2015). Second, that there are important insights to be made on the role of political institutions in this development process (Helpman, 2004; Tomaney, 2013) because of how their qualities and capacities shape the activity of other actors and economic outcomes. Third, the local state is increasingly drawing in and upon a range of different civic actors and interests engaged in urban governance (Ward et al., 2015; Wills, 2016) but that local government is a unique and distinctive actor among local actors (Kateb, 1981; Musson, 2010; Lobao and Adua, 2011; Sullivan, 2011). The remainder of this section addresses the research questions and summarises the findings of the study.

8.1.1 Question 1: What is the local state's role in the sub-national governance of economic development and how is it shaped by new and dominant approaches to local and regional development?

The first research question sought to understand and explain the local state's changing role in the governance of economic development in relation to new and dominant approaches to local and regional development and how these exogenous forces were negotiated and implemented locally. The aim was to explore the autonomy and agency of the local state and the extent that it is shaped by approaches to growth and territorial competition.

The analysis identified the renewed international academic and policy interest in cities as vehicles of growth as well as the diverging perspective on sources of growth and the role of institutions in enabling and facilitating growth (Pike and Tomaney, 2009). This showed that theories of Urban Economics and agglomeration economies (e.g. World Bank, 2009; Glaeser, 2012), that concentrate growth activity in urban cores and focus policy interventions on supply-side measures to connect people to this growth, dominated cities thinking by national governments. This was in contrast to more place-based approaches to growth that focused on measures to unlock and harness growth in all regions (OECD, 2012). The analysis showed that these were not only exogenous forces and trends shaping and imposing these approaches to growth and development on localities, but that the narrative and discourse was also being developed by the cities themselves to make a stronger case for greater autonomy in a national context, given its traction with central governments. These findings chimed with the aforementioned works of Brenner and Wachsmuth (2012) and Newman (2014) who discuss the more successful places as those who build alliances and linkages across space in such a way as to mitigate if not challenge hegemonic dynamics of neoliberalism and inter-local competition. This challenge was exercised through the Core Cities network, providing a counter balance to growth and investment in London and the South East, which both Manchester and Newcastle were part of and highlighting the power of interurban networks (Leitner, 2004).

The empirical research of the English context showed how a renewed policy focus on cities and city-regions as the preferred sub-national scale of governance for economic development based on external economies of agglomeration had been enacted and mobilised by local and central government actors and, in turn, this has shaped an unfolding geography of institutional variation in England. Manifestations of this included the Northern Powerhouse

initiative seeking to connect cities and labour markets in the North and the decision by some city-regions to opt for a directly-elected metro mayor governance at this scale. Under the Coalition government, the local state for economic development consisted of business-led Local Enterprise Partnerships across the whole country and for some city-regions, Combined Authorities reflecting groupings of local authorities with statutory responsibilities.

The analysis of the two case studies provided detailed understanding of how this process and transition to new arrangements had unfolded unevenly in city-regions with different economic geographies and structure and with varied experience and history of collaborating at the city-region scale. The analysis revealed a number of findings. First, rather than a fundamental shift in rescaling powers to cities and the local level, the changes represented a continuation of the transfer of powers to cities seen under the Labour administration, with increased bilateral deal-making, and an acceleration of concentrating growth around particular urban cores. While both case studies were previously City Regional Development Pilots, Greater Manchester had also invested in building up evidence on how the GM economy functioned as an agglomeration economy through the Manchester Independent Economic Review, based on the economy of the ten districts who also had a long history of working together. The spatial policy focus on agglomeration economies as the preferred model of development and associated governance at this scale enabled those city-regions already configured in this way, like GM, to capitalise on this and create a saleable proposition to government for the devolution of greater powers. For the NE with multiple and competing economic centres and a more diverse mix of urban and rural areas in the newly formed city-region, it was more challenging to prioritise the location of economic activity and develop city-region governance accordingly. This was revealed by the tensions between local authorities as well as with some business representatives in the NE Local Enterprise Partnership.

Second, the focus on functional economic areas as the preferred scale to organise economic development and growth activity created some confusion and conflict between the centre and local levels in the centrally-determined process to define and approve new geographies. This resulted in uneven transitions for city-regions to establish Local Enterprise Partnerships based on their history of collaborating at this level. A more critical take on the approach to growth in the two case studies showed how this was being challenged. In GM, despite individual districts recognising the wider economic benefits of investing in the urban core of GM, there was mounting evidence to question and challenge the assumptions on how those benefits would be realised outside of the growth centres. In the NE, there was deep suspicion from

some local authorities within the Combined Authority that investing in a city-region approach and model would result in additional benefits to Newcastle at the expense of other localities. In contrast to GM, the economic linkages and interdependencies were less understood and accepted in the North East.

Third, the interviews in GM uncovered concerns about the economic strategy and approach to growth being pursued and the extent to which expected benefits were being realised outside of the core areas of investment. The challenging financial outlook and impact on a wider range of services for local authorities in outlying districts was leading some to question the assumptions underpinning this model. With the focus on creating a technocratic process for determining activity and investment in GM, the political objectives behind economic arguments were less clear. In summary, the analysis showed the importance of examining political and economic arguments together to understand and explain how changes to the local state have unfolded.

8.1.2   Question 2: 'What characterises and explains the government's programme of changes to the sub-national governance of economic development?'

The second research question examined how the global trend of political and administrative decentralisation to cities and city-regions was interpreted and implemented by the Coalition government and how it informed new frameworks of government and governance for economic development. This was to understand and explain how the process of decentralisation unfolded differently across scales, places and actors.

The analysis showed that the Coalition government had configured and implemented their approach by orchestrating a crisis narrative to take forward a programme of deficit reduction and restructuring of the local state, at the same time as reasserting the role and responsibilities of local government in the governance of economic development. This formed part of their localist vision following the dismantling of regions and would be realised through new institutional forms and based on grouping of local authorities and businesses and the shift from local government grant funding to growth-incentivised funding mechanisms.

There were a number of findings to emerge from this analysis. First, the type and nature of decentralisation and devolution that shaped new frameworks of government and governance for economic development was the outcome of political choices and central imposition of changes with complicit local actors. The political choices that framed changes to sub-national governance included an ideological shift away from regions as a focus for economic

development policy, a decision to reduce the deficit through spending cuts rather than tax rises, and that these cuts would be front-loaded, rather than gradual thereby creating an austerity state (Blyth, 2011; Schäfer and Streeck 2013) and reinforcing neoliberal tendencies of helping the strongest first (Peck, 2012). These decisions were deeply political. As demonstrated in independent analyses (e.g. NAO, 2012), cuts to local government fell disproportionately on metropolitan areas which were mostly Labour-led, and in parallel the Coalition immediately removed legacy funding for urban regeneration targeted at the most deprived areas, described by one interviewee as "Labour money for Labour areas" (Author's interview 43, former director, NE local authority 2, 2016). At one point, the Coalition government made additional funding available to local authorities based on a formula that benefitted the lesser-hit Conservative local authorities. This accords with Pike and Tomaney's (2009) finding that particular states may give a different weight to specific forms of decentralisation and design them in ways which encourage or inhibit the capacities of institutional actors, making "profoundly political choices" about the future character of the state (McCarthy et al. 2012:127). This question was concerned with making explicit the way political institutions interpret exogenous developments in terms of political dilemmas, and that lead to governance reforms (Bevir, 2004)

Second, there were a number of contradictions in the Coalition's localist approach reminiscent of what Brenner and Theodore (2002) referred to as "a revival of the local" as intergovernmental relations were reconfigured in the context of localism. Examples from the research showed that Coalition ministers directly intervened in the decision of local areas to form functional economic areas, in the aftermath of abolishing regions they recentralised a number of functions, and the centre maintained a role approving local projects despite devolved funding such as the Regional Growth Fund. Third, the reassertion of local government in economic development took place in the context of local government as a sector absorbing a significant proportion of overall departmental savings. Therefore, the enhanced responsibilities in economic development as a non-statutory function of local government took place at the same time as the capacity and capability of local authorities to deliver their statutory functions was being tested, illustrating how austerity has reduced the agency and autonomy of local government (Meegan et al., 2014).

Analysis of the two case studies showed that while they were both disproportionately affected by the funding cuts, Greater Manchester responded opportunistically to these changes and consolidated collaboration at the GM scale. Conversely, the North East initially had a tendency to retrench and focused more on self-preservation than collaboration at the new

scale because of the national politics of cuts and a resistance among politicians to work with the Conservative government. Also because of the lack of clarity and consensus on leadership and who was taking decisions in the newly formed Local Enterprise Partnership. Greater Manchester local authorities used the crisis narrative and economic focus of the Coalition government to create a fiscal imperative to do things differently in order to reduce the deficit to the public finances in GM, by reforming public services and reducing expenditure alongside the focus on economic growth to boost local tax revenues. Presenting the case in the Coalition's terms and language helped GM to build up credibility with ministers. Local authorities in the NE were more political in their response to the changes, highlighting how the reduced resources undermined efforts to grow the economy. This created tensions between local authority leaders and the business representatives on the NE LEP who acknowledged the challenge of reduced resources but at the same time were also trying to set out an ambition and vision of growth for the North East. Critical to developing a finer-grain understanding and explaining the different governance outcomes for the two case studies was adopting an institutional perspective that considers complex political dynamics (Nicholls, 2005; Koch, 2013) and looking beyond "the economic determinism of state rescaling" to examine the political struggles, actors and interests (Le Galès, 2006). This helped to uncover and explain the spatial, scalar and temporal implications of rescaling (Donald et al., 2014; Meegan et al., 2014).

In summary, these findings highlight the conflicting perspectives held by the Coalition on role and purpose of local government and how it should be resourced in new frameworks of government and governance for economic development. This was particularly the case given the variable capacity, resources and mandate of some local state actors, for example the LEPs, to take on and be accountable for powers and resources.

8.1.3   Question 3: 'How and why have changes to powers and resources unfolded differently across and between scales, actors and places?'

The third research question sought to examine and explain how local institutions and city-region collaboration are constructed over time and how these processes are reconfigured and negotiated in new frameworks of government and governance for economic development. Lowndes (2009) had previously described there being no necessary association between the emergence of local governance and any increase in local autonomy. This was how it unfolded in the English context, with the establishment of new governance structures for economic

development not necessarily leading to increased political or financial autonomy, and this decision being at the discretion of central government in what was an opaque and unclear process.

The research showed that coordination and alignment were important to configuring and implementing new frameworks of government and governance for economic development across city-region scales and by the actors involved reinforcing findings by *inter alia* Hooghe and Marks (2003); Büchs (2009); Nelles (2012); OECD (2012); Ahrend (2014). However, effective coordination and alignment were not sufficient to counter the politics of local growth within the new local authority groupings where the individual benefits of being part of a larger geography were less understood and thereby affected the level of support for and investment in new scales.

Addressing this research question led to a number of findings. Applying North's distinction (North, 2005) of institutions (rules of the game) and organisations (players of the game) to examine the interaction between the two, showed that the scope of interaction between institutions and organisations in GM was narrow and based around a small number of elite local actors with a fixed interpretation of economic development and growth objectives. This reflected path dependency of existing collaborations and ways of working in GM and contributed to 'political lock-in' (Hassink, 2007) of a particular approach that was resistant to adaptation and different interpretations of the approach to growth. Conversely, in the NE, the scope of interaction between institutions and organisations was less organised between a contested set of formal institutions with limited history and success of building informal institutions – relationships, informal networks – at this scale, and a disparate group of local economic actors with diverse and competing interests and no leadership or consensus to progress. The notion of 'institutional regimes' (Pike et al., 2015) of the two cases provided a useful conceptual framework to examine how economic behaviours and outcomes are shaped.

For GM the analysis showed that their former structures and informal practices were more akin to these new institutions and were therefore more recognised and owned by local actors requiring less of an institutional shift. The informal institutions – the norms, relationships and informal networks – were therefore still relevant and could be built upon which was essential for trust between actors as well (Fukuyama, 2000). For the North East, local actors saw the formal institutions as something that was imposed (LEP) and developed elsewhere (Combined Authority model). Without a commitment to translate "imagined coherence", for

example understanding the new economic geography in the North East Independent Economic Review, into "material coherence", for example GM embedding the plan in districts and mirroring GM structures locally, there was limited interaction in the NE between formal and informal institutions to make the new scale meaningful (Jones and Woods 2013: 39). This episode under the Coalition government saw an accelerated de-territorialisation of geographically bounded scales and re-territorialisation around functional economic areas (Koch, 2013).

In practice, informal institutions can also be negative reinforcement of formal institutions. Both case studies illustrate "political lock-in (Hassink, 2007) with resistance from dominant actors to new ways of working and alternative approaches to growth (GM) and preserving existing traditional structures and sovereignty to slow down or prevent governance restructuring (NE).

In summary, the analysis showed that in practice, institutional and governance coordination and capacity are (continuously) attempted by the actors involved through power, politics and funding mechanisms and incentives. Local historical and political legacies play a crucial role in shaping these processes and this research shows that the nature of conflicts can also be explained by historical geographical factors.

8.1.4   Question 4: 'What do these changes mean for centre-local relations in the sub-national governance of economic development?'

This final research question critically reflected on how centre-local relationships have been reconfigured in this latest episode of decentralisation and localism and on the implications for sub-national governance and the local state.

The analysis showed that, in the context of what can be interpreted as a 'centrally-prescribed localism', the Coalition's episode of decentralisation and devolution has witnessed a more assertive centre with a key governance relationship with the local level as regions were abolished and new sub-national relationships were formed. This reflects a readjustment between different levels of government rather than a scaling back or weakening of, particularly, the nation state's powers (Shaw and MacKinnon 2011: 28; Jessop, 2002; Goodwin et al., 2005; Jessop, 2000).

This new sub-national framework of government and governance has provided some new opportunities for local decision-making but within a constrained context of a reduction in

funding and the changing nature of local government finance. The UK's centralised system for local government finance limits and constrains the scope for real localism and significant decentralisation as it results in powers without resources and reinforces the subordinate status of local government. The notion of 'filling in' governance with new organisational forms (Shaw and MacKinnon, 2011) – alongside the more familiar idea of 'hollowing out' – can reflect both the central state's continued involvement in local decisions as well as relations between scales and practicing informal governance, known as "relational filling in" (ibid; see also Clifford and Morphet, 2014). This episode of decentralisation witnessed both 'hard' and 'soft' steering (Martin and Guarneros-Meza 2013: 585) of city-region governance by central government in both explicit (e.g. City Deal awards) and implicit (e.g. funding formulas and criteria for additional funding) ways. Despite responsibilities handed over with reduced or no resources thereby transferring the risk of delivering services to local authorities and the Combined Authorities, most of those interviewed maintained the view that it was better to have greater responsibility through devolution, as local areas were better placed to determine needs and set priorities. Some incremental and modest reforms have been put in place e.g. Business Rates Retention scheme, and precepts on Council Tax for Infrastructure investment and social care.

This question uncovered a number of issues. First, neither the local nor central state can be viewed as a single-minded entity and resulting in a myriad of different relationships and competing interests between ministers, central departments and local actors (Pike and Tomaney, 2009). The strength of these individual and personal relationships and connections can enable or constrain progress and opportunities, but for local areas with limited connections and political capital it is much more difficult to navigate and influence the process. Greater Manchester's personal connections in government helped the city-region to build credibility and facilitated dialogue particularly with the Chancellor and HM Treasury. But they were not always as successful in influencing other departments particularly when it came to implementation. Second, bilateral deals and deal-making between central and local government and city-region teams to negotiate new powers and responsibilities are particularly characteristic of this episode of decentralisation. While this has resulted in a more significant transfer of powers and responsibilities to cities and city-region than under the previous Labour administration, there is less funding overall as well as declining capacity in local government. The lack of transparency in the Coalition's approach to decentralisation and devolution has reinforced informal governance practices through secretive negotiations. Third, accountability and scrutiny arrangements for new powers and responsibilities have

struggled to keep pace with the shifting and uneven landscape of decentralisation. This has led to a scrutiny focus on due diligence but less opportunity for wider discussion with civic actors on choices and implications, which may change with metro-mayors. In summary, despite steps towards greater localism in decision-making for city-regions, centrally-prescribed localism and informal governance has continued to constrain the agency of local areas and maintained a dependency on central government for decisions and accountability.

In conclusion, the findings from the research questions show that despite a restructuring of responsibilities from the local to the sub-national and central state, and a rescaling of austerity to the local state; local government remains a pivotal actor in economic development but in new and changed institutional forms, which is discussed further below.

8.2   The local state and economic development: conceptual and theoretical contributions

The findings discussed in the section above point to number of theoretical and conceptual contributions the thesis can make based on the research. These contributions draw on the underpinning literature in this research (8.2.1 and 8.2.2) as well as those relating to the UK context (8.2.3 and 8.2.4).

8.2.1   Local government remains a pivotal actor in the local state in the governance of economic development but in new and changed forms

This first contribution argues that despite a renewed rescaling of economic development responsibilities from the local and regional level to city-region or metropolitan scales (OECD, 2012; Katz and Bradley, 2013; Ahrend et al., 2014), and an increasing number of local state actors involved in the governance of economic development (Nelles, 2012); local government remains a pivotal actor in new frameworks of government and government for economic development and changed forms of local government finance.

This claim builds on the work of Koch (2013) who observes a shift in metropolitan governance, from governance to government, as the importance of formal rules to interact, make decisions and offer reliability, become clear. But the claim does not share Koch's view that the return to government is a conscious move by the state to extend the 'shadow of

hierarchy' in governance mechanism. Instead, the empirical research showed in this case that the establishment of business-led LEPs by central government was seen as a step to scale back central government's control, along with proposals for a mayor. The research supports the argument for a qualitative perspective of the state that considers multiplicity of state structures and practices (MacKinnon and Shaw, 2010) in the context of uneven development (Pike and Tomaney, 2009), rather than fixating on the scale or extent of intervention. The review of the literature showed that analyses of urban governance can overlook the role and contribution of local government as an economic actor in local state configurations.

The analysis supports this contribution in a number of ways. First, the empirical research confirmed the importance of democratic accountability and transparency for governance mechanisms particularly as powers, responsibilities and funding for economic development became multiple and complex across scales and actors. Specifically, local government is a key institution in representative democracy through which many channels of accountability flow. In networked accountability, this is less clear (Aars and Fimreite, 2005). Second, analysis of the two case studies shows how local authorities in city-region governance arrangements can both enable partnership and effective governance (Greater Manchester) as well as disrupt and disable collaborative working (North East). Despite achieving effective outcomes in terms of strengthening credibility and responsibilities of the main governance mechanisms for economic development, the Greater Manchester case shows the power of local authorities to dominate multi-actor and multi-level governance leading to 'political lock-in' (Hassink, 2007) based on a particular set of ideas and approaches. The North East case study shows how a lack of understanding and appreciation of the respective roles, objectives and responsibilities of state and non-state actors and an agreed approach to governing can result in conflict. Third, and more practically, in both cases the governance partnerships relied on the capacity of local authorities and their funding to coordinate activity and collaboration, undertake analysis, to bring other partners around the table and to manage the relationship with the centre. The continuing declining capacity of the state however means that this is not necessarily sustainable, as discussed by Meegan et al. (2014). The analysis showed that state rescaling is occurring horizontally at the city-regional scale and vertically in city-region deals with the national level.

Examining the unique features of local government as discussed in Section 2.2.1 and exploring these in the research interviews provided further insight, also on the qualities and capacities of political institutions in economic development (Tomaney, 2013). The unique

features of local government were seen as both opportunities and challenges. First it highlighted how the public missions of justice and equality were being overlooked and eroded by the central state in favour of pursuing economic growth. A challenge for local government is managing the dual objectives of democratic representation and administration in implementing local and central objectives. Second, that in 'governing the mix' (Sullivan, 2011) local government is able to control who is involved and how, rather than moving towards and enabling, facilitating role of local actors. Third, as with earlier conceptualisation of urban governance and regime theory (Stone, 1987; Harding, 1994; Ward, 1996), the role of power and individuals in urban coalitions is also relevant in the analysis of groupings of local authorities in the local state. The criticisms of accountability and unrepresentativeness of LEPs from with city-regions as well as independent sources, reinforced the position of elected and accountable actors in local government to take decisions on spending and powers. Finally, the way local government is funded longer term will have implications for these unique roles.

8.2.2 Local government and centre-local relations remain critical to multi-actor and multi-level governance arrangements

This thesis contribution states that multi-level and multi-actor conceptualisations of the local state are critical to explain local government's role in contemporary sub-national governance and in relation to other actors operating across and between different scales. This is in order to examine how and why the autonomy and agency of the local state to pursue economic development powers and resources is contingent upon the roles of local and central government and their interrelations. Even in a centralised state like the UK, the practice of informal governance and the greater involvement of a range of local actors in city-region governance and with democratic demands to connect with citizens, requires a more pluralistic approach to the analysis of the local state.

This contributes to the growing literature on intermunicipal cooperation (cf. Nelles, 2012; Ahrend and Schumann, 2014) by recommending that examining frameworks of both government and governance simultaneously recognises the role that local government plays within a broader multi-level and multi-actor context. This case for analysing multi-level and multi-actor frameworks is further reinforced by examining the relational geography of cities and how they are implicated in each other's development (Ward, 2010), as demonstrated by the influence of the GM model of governance and economic decentralisation on other cities. Also by examining central government in these frameworks it is possible to understand the

role of the centre in shaping the outcomes of different cities through vertical autonomy that facilitates and constrains political action (Pierre, 2014) and through spatial selectivity, such as the preferred GM model of governance and devolution.

There are two findings, in particular, this research makes which supports this claim. First, in conceptualising the local state for economic development governance – that is those actors represented on decision-making structures - the role and responsibilities of the central state are often largely undefined and unaccounted for, despite being critical to the agency and autonomy of the local state. This research has found that by not making transparent the contingencies of the local state on the central state this can undermine local agency and autonomy as well preventing the centre being held to account for implementing commitments to resources and implementation. Further to this, without a clear framework for central involvement it is difficult to understand the impact of individual changes on the whole system and achieving parity of outcomes across different city-regions, responding to arguments on what constitutes fairness. Second, the trend is for more integrated approaches to economic development across different policy areas and geographies (see 8.2.4) and more open and 'bottom up' approaches to collaboration and governance giving a greater number of local actors a stake in determining priorities and investment. This places increased demands on multi-actor governance approaches to represent and negotiate a more diverse range of interests, determine how this will be coordinated and by whom, and link back to democratic representation. In summary, the research has shown how a lack of clarity and uncertainty on the terms of decentralisation and associated funding streams can act a barrier to local areas. Making these conditions and underpinning assumptions more open and explicit would enable local areas to better assess the opportunities and potential risks.

8.2.3   A centrally-prescribed version of localism has constrained the agency of the local state to deliver governance and development outcomes

Third, the commitment to decentralisation and localism was not shared or implemented across all central government departments. This contribution refers to the need to closely scrutinise claims about decentralisation and the powers and resources involved as elements of both centralisation and decentralisation are typically evident, especially in highly centralised systems like the UK and England. This is to understand and explain the uneven outcomes of localities through this process.

The analysis of the literature showed that localism is narrowly defined and comes in different forms and with variegations – including different objectives and how it is implemented – which is not sufficiently examined. There is a long and varied history of localism in England which has seen powers and resources shift between scales and particularly to cities. Despite incremental shifts and various sub-national experiments and imaginaries (see Section 3.2.1), the post-war trend overall has been creeping centralisation (Travers and Esposito, 2003; Jerry White, 2005: Pike et al. 2012; Wills, 2016). The Coalition's decision to rebalance powers away from central government to local areas was a central pillar of their decentralisation approach, yet their approach to localism was centrally-prescribed and contradictory. In practice, the design and implementation of changes to powers and resources under decentralisation – as well as lack of – has shaped how this process has unfolded differently for places and resulted in uneven governance outcomes.

The analysis showed that local states were not only shaped by the type and nature of decentralisation and localism on offer, but also *how* these changes were implemented. The overriding objective shaping decentralisation and localism changes was reducing the deficit and austerity. In particular, a process and form of politics which resulted in deep and rapid reductions to local government funding, and the rescaling the financial crisis to the urban scale in relation to cuts to local government funding. This builds on Peck (2012) and Meegan et al.'s (2014) analysis of austerity urbanism and urban politics and chimes with Will's (2016) top-down notion of localism, where central government devolves power, authority and responsibility to lower-level institutions.

First, local areas were to define and determine the scale of the new Local Enterprise Partnerships based on functional economic areas yet the empirical research showed that Coalition ministers intervened in determining the scale of the new LEP in the North East. Second, the Coalition argued to rebalance away from 'big government' to 'big society' as part of their critique and cutbacks of local government without having an understanding of the variable landscape and capacity of civic actors and communities across the country (Section 5.1). Third, in addition to offering a centrally-prescribed version of localism, by reducing funding to local authorities and changing the nature of local government finance going forward, this has placed further restrictions and constraints on local areas. In the North East, the insistence on a metro-mayor as part of devolution deals has prevented local leaders in progressing a deal to unlock powers and resources. In contrast, being the trailblazer and example of the preferred model of devolution has enabled GM to secure an initial plus three

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subsequent Devolution Deals. However, it has also prevented district-led intra-GM coalitions from negotiating direct with government who insisted on working with the GM scale. In a centralised economy such as the UK where there is no sub-national constitutional framework or settlement; the ability of the local government to influence and resist the changes implemented by the national government is minimal. Without a clear framework or indication of what the overall settlement would look like it was challenging for places to participate and for outcomes to be evaluated.

8.2.4 Economic development has become further integrated with social policy through austerity and funding cuts

This emerging contribution finds that a more explicit link between economic and social policy has emerged under decentralisation to city-regions and encourages conceptualisation of connecting and overlapping of formerly separate economic and social spheres of state activity. The analysis of the literature showed a broadening field of economic development policy in the context of urban governance and the empirical work showed that there was greater awareness and experimentation of integration at the local rather than national level.

This dimension of the process has had surprisingly little attention in the literature but it has emerged as a distinctive feature of the UK context under decentralisation and devolution. In this case, integration has primarily occurred as a product of the centralised nature of central government funding and focus on economic growth objectives. The transition to a Schumpeterian Workfare State (Section 2.3) which has focused on the promotion of innovation and competitiveness, has witnessed social policy now more geared and linked to economic policy and its focus upon economic competitiveness and growth. The analysis demonstrates how this has manifest sub-nationally, at the city-region level.

Changes to local government finance under this latest episode of decentralisation now require local authorities to generate growth locally to pay for their statutory social services. Given the uneven growth prospects and varying levels of demand on services, this raises profound questions of redistribution and fairness that need further attention.

The empirical analysis has shown that the greater integration of economic development and social policy occurred in two ways. First, this integration was developed through the primacy of economic objectives. GM was central to developing this new narrative around addressing

growth and public service reform in tandem in order to tackle the deficit in public finances and become a 'surplus city' making a positive contribution to the national exchequer. GM's analysis showed that despite savings through funding cuts the overall public sector cost had not reduced. Second, this integration has been shaped through the shifting nature of local government finance. The reduction in grant funding along with a move toward growth-incentivised funding combined with increased pressure on funding statutory social services created a dependency for local authorities to fulfil their statutory duties through economic growth. This was part of central government's fiscal localisation and devolution plan.

There are a number of implications to highlight from this greater integration between economic and social objectives. The integration of economic and social policy through a growth and reform approach to decentralisation in England has made local government's role in the local state more important, as a local institution with both economic and social responsibilities and levers. The shift to growth funding as the main source of revenue for local authorities along with local government represented on LEPs and comprising Combined Authorities has confirmed local government's role and responsibilities as an economic actor. The case for investment in social objectives is increasingly made in economic terms rather than as a welfare state provision. Under the public service reform agenda, social objectives are argued on basis of economic returns and efficiency rather than automatic provision of welfare. Social reform becomes driven by efficiency and cost savings.

8.3   Reflections and limitations

This thesis has examined the changing role and structure of the local state in new frameworks of government and governance for economic development. The research began in October 2011, 16 months into the Coalition government's administration and examined a five-year period from the General Election in 2010. This was a dynamic period which saw the unfolding and reconfiguring of policies for the governance and finance of economic development at different scales. Policies for economic development and the shift the from regions to sub-national arrangements were announced at the same time as extensive reductions to local government budgets and while questions on the overall impact of these changes were raised it was very difficult to assess and understand the cumulative effect of the changes and how they might impact differently on places within an unfolding context. Over the course of the administration more substantive and independent inquiries were established to examine these changes but despite concerns raise, including on the future viability of local government, there was limited disruption to the government's intended course of action, to

reduce the deficit. This research adds to this body of critique by providing a detailed and critical account of changes to the governance of economic development, not just on the decisions and policies but also on the process and way these were implemented, from the local perspective. Following all of this through to assessment and evaluation of its outputs, outcomes and impacts has not been possible in the timescale for the study.

Reflecting on the research, there are a number of aspects of the study which worked well. First, the good relationship with the core case study and collaborative partner, Newcastle City Council, was helpful to refine the research aims, objectives and questions and to iteratively reflect on what was emerging from the interviews as part of the 'extended methods' (Barnes et al., 2007) approach, and to keep the research policy-relevant. Second, the comparative approach was critical to reflecting on the experience and approach of both case studies in addition to how the overall process was configured by central government. Third, detailed insights captured through the in-depth interviews validated the research design and approach taken, through a relational comparative approach (Ward, 2010). This was particularly the case in Greater Manchester which is most likely due to the city-region being further ahead in the decentralisation and devolution process (they have secured initial and further devolution deals whereas the North East is yet to secure one), also having a longer history of collaboration at this scale to reflect on whereas the North East was in the – at times, politically sensitive - process of forming and embedding new arrangements. Third, the timing of the research, while challenging to maintain both a watching brief of unfolding events and strategic overview of the direction of changes, proved to be critical to understanding and challenging both cases.

There were also a number of challenging aspects to delivering the research. The broadening definition of economic development under decentralisation and devolution and integration with social objectives and other growth area policies for urban governance such as planning, made it difficult to set parametres around the economic development focus of the study which could have adopted a broader definition to 'local growth' policies. More practically, maintaining momentum in the research over a period of maternity leave and part-time study was challenging but this was also an opportunity for the 'extended case methods' approach to the research of continuous reflection on theory and methods with the Collaborative Partner. While this study focused on the role and contribution of local government it would be useful to explore the role of other public bodies increasingly engaged in the local state for economic development and growth. Also to explore the role and responsibilities of local government to

enable and facilitate the increased participation of civics actors in more participatory forms of local governance. Additional case studies within the English context could have provided further insight on the variation in approach and outcomes as well as reflection on the two case studies. But these would not have achieved the same level and depth of insight as to what achieved here. It may have been challenging to achieve the same level and depth of insight across a greater number of case studies in addition to the time and cost implications of this. Furthermore, while international case studies could have provided insight on different approaches and interpretations of an economic development and growth agenda, the highly centralised English context would be a challenge for comparative research.

In terms of reflecting on the methods used, the research propositions and analytical framework were useful to bridge the important themes of the literature with the empirical research. These themes were broad and distinct which helped when organising the analysis in addition to acting as prompts in the interviews. The case studies were illuminations of what the themes meant to interviews based on what they thought was important, with some cross-case comparison, rather than a structured and exact comparison. This also reflected the case study extreme/deviant strategy and the different stages the case studies were at.

8.3.1 *Future research agenda*

Even since this research was completed, events have moved on and in a sense, a number of the tensions which I identified through the research has become more manifest since the research was completed. Following the initial signing of the North East devolution proposal by constituent authorities in 2015, this was finally rejected by 4 local authorities to 3 in 2016 leading to the proposed disbandment of the North East Combined Authority. In Greater Manchester, the Greater Manchester Spatial Framework has exposed tensions on the location of investments and housing and the changed governance arrangements with the newly directly-elected mayor is starting to disrupt established ways of working and decision-making between political leaders in GM.

For future research, there are some areas that could be developed. First, drawing on Jane Wills' (2016) work to examine more 'bottom up' and participatory forms of governance and why the local state is bad at adapting to this. Second, examining the financial collapse and demise of local government under fiscal stress and austerity to understand whether local governments can fail and what the implications would be. Third, by pursuing international

comparative studies to understand how decentralisation, austerity and the changing role of local government in the local state has unfolded in different political economies and variegations of capitalism. Fourth, to explore economic development as a function of local government if localisation continues and local authorities becoming financially independent.

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