



Spatial Economics Research Centre

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City Deals Mark II

I was pleased to see that the government is going to talk to 'fast growing' cities as part of the [new city deals process](#). I think this makes sense, as I [argued at the end of the last round of negotiations](#): "The final question concerns next steps. The government has committed itself to continued negotiations with the bigger cities. That's clearly welcome. The trickier thing is which new deals to start negotiating. I can imagine the temptation is to go for the next biggest cities in terms of population size. I think this would be a mistake if it excluded smaller cities that have, arguably, the biggest growth *potential* (to use the CfC e.g.: Cambridge, Milton Keynes). In the current economic climate, striking deals with some of these cities must be a top priority

Other points from [that post](#), remain relevant for the next round of negotiations:

"I am broadly sympathetic to the outcome that this process is trying to achieve. British government is very centralised and more localisation is, on balance, a good thing. That said the process does feel a little odd with powers being granted in one area in exchange for commitments in other unconnected policy areas (e.g. power over some transport spending in exchange for a commitment on youth employment and training). Not much point dwelling on it - the process is achieving something - but you'd hope that in the longer run government will be looking to learn lessons on what works with a view to localising in those areas across the board.

In addition to supporting the ultimate objective, there are specific things agreed in the latest round that I'd certainly support. The end of RDAs left a vacuum in terms of sub-national strategy on transport (at least for some cities). The deals generally look to fix this. Likewise in the broad area of business support - investment funds, support for enterprise, inward investment etc - although I confess to remaining sceptical on whether these policies are cost-effective. I'm also pleased to see local experimentation around skills and training - not least because national policy in this area is in a state of flux (or in a mess, depending on your perspective).

One thing that I don't yet understand is what happens if cities cannot deliver on their commitments as part of the deal? For example, people are talking about Leeds Deal as involving a commitment to achieving a NEET free city (so all young people will be in education, employment or training). That seems ambitious. What happens if they don't achieve it? Even more extreme, what happens if outcome measures in some of these employment and areas worsen (with significant budgetary implications)? But true experimentation at the local level must allow for the possibility that policy changes will make things worse, not better, and I don't understand how the latter is going to be managed."

I get the impression the government is sympathetic to the argument for some 'core component' to the next round of deals, so it will be interesting to see how that develops. Finally, I'm still not sure what will happen if a city fails to meet its objectives - I guess we will see!

[NB I am not sure the BBC is right to say "The government earlier this year gave Birmingham, Manchester, Sheffield and five other authorities the right to spend tax receipts from local firms." I thought the earnback deal was limited to Manchester on the first round]

Posted by [Prof Henry G. Overman](#) on [Tuesday, October 30, 2012](#)



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