



University  
of Glasgow

Policy Scotland

# LOOKING FORWARD TO THE FUTURE: THE GLASGOW CITY-REGION ECONOMY

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Summary Report to The  
Economic Commission for the Glasgow City Region

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## RETROSPECTIVE PREFACE

### ***Wrong Time, Right Place?***

The drafting of this report took place in the late autumn of 2019 as the Coronavirus outbreak began to surface as a problem in Wuhan, China. It was accepted as completed, save for a few minor amendments by the Commission at its meeting of 20<sup>th</sup> January 2020. At that time the UK Foreign Office still regarded the Wuhan outbreak as unlikely to be a major pandemic. As the Commission were anxious not to complicate the concluding processes of the Gateway Review of the Glasgow City Region Deal, it was decided to delay wider circulation of the report until the Gateway results were announced. The favourable results of that Review were intimated to Commissioners on the 20<sup>th</sup> of May 2020 and the long and short versions of this report are now being more widely circulated.

### ***More Uncertain Times, Proliferating Economic Narratives***

The report stressed that the start of the 2020's was a period of rising uncertainty about both near and distant futures, highlighted, respectively, by Brexit and heightened awareness of the challenges of reducing greenhouse gases. A progressively widening and lengthening framing of the socio-economic changes, technological challenges and policy dilemmas confronting both city-regions and nations has been reflected in calls for policies to be seen through the lenses of wellbeing, sustainability and inclusion. The terminologies of these overlapping policy narratives are often left imprecise. They are, nonetheless, seen by many as different, new, better ways of policy thinking that supplants typical concerns for economic policy and established measures of growth and distribution. There is much merit in broader and longer conceptions of what constitutes progress in a polity, but these perspectives must have regard both to economic processes and outcomes as well as how they help or hinder wellbeing.

Economics is essentially concerned about how we use resources to meet competing priorities and how we shape the processes of innovation and creativity that, over time, allows us to do more with less. Economic thinking and policy for the wellbeing economy requires not an abandonment of fundamental economic questions but needs a clear definition of the key goals and measures for wellbeing in the polity and how different choices in key economic magnitudes, and the implied trade-offs in the allocation of resources to different purposes, allowing governments and individuals to maximise their wellbeing. We may gladly agree to replace or supplement narrowly defined GDP as the measure of our progress, but how the metropolitan economy creates jobs and incomes, distributes wages and profits and offers choices for public and private consumption, and how we augment or deplete natural capital, will still shape patterns and changes in wellbeing.

### ***Policy and Planning in Uncertainty: Making Missions***

The review recognises the importance of better-informed tracking of wellbeing in the city and the processes by which it is driven. We focussed on how skills, innovation systems and infrastructure choices creating effective places, for living and working, are key drivers of metropolitan economic change.

Our approach, unfortunately and dramatically affirmed by the post-January spread of the Covid-19 health crisis and the emergence of its significant, negative economic impacts for the city-region and the nation, was sceptical of hard forecasting for the future. We emphasised that city-regions are complex, evolving economic systems. They need to be understood in an evolutionary, complex way rather than through simpler, sectoral linear modelling of the past and past relationships. They need to be managed as complex systems with the interactions of different orders of government recognised and aligned. Locally, change through flexibility and creativity in metropolitan areas requires effective markets, collaborative institutions, open governance and capable leadership.

### ***Rethinking Positive Roles of Metropolitan Governments***

The roles of government need to be seen not as a ‘distortion’, frustrating the private sector, or as only an essential ‘service provider’ holding up an often fraying welfare state, but as an essential integrator, leader and creator for major investment strategies that would lie beyond the coordinating capacities of the most efficient of private businesses. Similarly, the vertical, often still sectorally-siloed, structures and connections between different levels of government seem to serve a past conception of municipal welfare state roles funded within the fiscal primacy of regional and national governments. Scottish to City-region fiscal imbalances cannot be ignored in the potentially bleak fiscal landscape of the next decade. We were much influenced by Mariana Mazzucatto’s notions of governments and their institutions as creative leaders of complex missions to deliver grand challenges. Much change, despite recent re-localising experiences, will flow from global scales, especially trade, innovation and migration, and indeed pandemics, and this is manifested and ‘absorbed’ at local scales, whether metropolitan areas or rural regions. National frameworks must be supportive, but it is primarily within Scotland’s city-regions that firms and citizens and institutions will both adapt to and create Scotland’s place in the new world.

### ***Changing Perspectives, Policies and Practice***

Within that broad framework of ideas, we explored the content and governance of key dimensions of wellbeing, growth and prosperity, and indeed disadvantage, in the GCR. We commented widely, and hopefully not unfairly, on aspects of policy and practice for skills, innovation and infrastructure in the city-region and on the framework of policies given to the city by the Scottish and UK

governments. Covid-19 has shrunk and frozen the metropolitan economy through the 'emergency' period, as indicated in recent briefing notes for the Commission by Dr David Waite, setting the economy on a course to the deepest recession for a century and more. There can be no doubt from the unduly deep cyclical recessions that the city region incurred from the 1930's until very recent decades that the economy will not only incur deep negative demand shocks, and GCR is already undertaking important work on that topic, but there will also be sustained, negative supply side effects on the economy, such as the corrosive effect of unemployment on human capital, that will last into the long term. These issues need to be much better understood and modelled. The public finance estimates of the ranges of resources available for the city-region, that flowed from the delayed UK budget of March 11<sup>th</sup>, 2020, were shaped to partially cope with pre-January 2020 challenges. We used them in our revised draft report. They are now hopelessly inaccurate estimates of future fiscal resources and the funding demands that Covid-19 will impose on public budgets for income support, services and investment. Recession for two years and resource struggles for a decade are reasonable estimates of how long the effects of the current pandemic will dominate our economic evolution.

### ***Delete and Move on or Build on What we Learned?***

That said, should this report be quietly and quickly deleted? We believe not. The report is primarily concerned with better economic governance for the city-region. Although the economic challenges have heightened, and some changed in character, many of the improvements and institutional changes suggested here are now even more important to implement. The city-region will never go back to pre-2020 'business as usual' and this report suggests some initial pathways or routes to change for the better. And we still look forward to change, working through this strangest of times as we did through the different, deep declines in city-region employment from 1965 to 1995. There are signs that the Glasgow city-region has the resilience and capabilities that can restore prosperity and wellbeing for the long term.

In this short report, and in the full version, the initial texts are supplemented by *comments in italics that indicate what we believe remains relevant and what does not.*

## 1. CHANGES AND CHALLENGES BEFORE COVID-19 AND NOW

- 1.1 The Glasgow City-Region is a renowned example of the changing fortunes of a metropolitan area. A spectacular, early century of growth and industrialisation until the 1950s was followed by half a century of pronounced deindustrialisation with consequences for wider economic decline, physical decay, high levels of multiple deprivation and pronounced, concentrated disadvantage. For instance, in 1984 and 1985 Strathclyde Region had the sixth highest unemployment rate of any county or region in the UK and the average unemployment rate (as measured at that time) was 18.5 pc. (Hansard, June 16<sup>th</sup>, 1986) and it remained as high as 15pc for males until 1991. Yet, since the 1970s – and as a reflection of national and local policies, local political leadership, widespread community efforts and a profusion of partnerships with non-profit and private investors - recent decades have shown some signs of recovery and progress. In broad terms, regional incomes and unemployment rates are closer to national averages than in the past, there have been significant improvements in environmental outcomes e.g. in relation to air and water quality and, in this millennium, social housing quality and housing affordability in the region have improved substantially relative to Scottish and UK outcomes. Prolonged and appropriate policies have had positive outcomes in the metropolitan area.
- 1.2 Despite the progress of some sectors and places in the GCR, the metropolitan area - like so many others in the UK and the older OECD economies - is however still dealing with the difficulties inflicted by post-1970s industrial decline. We are challenged by legacies from the past not just in Glasgow's poorer neighbourhoods, but also in the many older towns and communities, spread across the city-region, that have lost their original economic purpose. The rural areas within the administrative boundaries of the GCR, with villages built to serve long-closed mines or defunct factories, also face the post-Brexit future with sometimes problematic pasts still visibly present. These restless communities need support to become resilient for the future, yet many of them, like the GCR, are struggling to shake-off the effects of a decade of limited UK growth and fiscal austerity that followed the global financial crisis of a decade ago.
- 1.3 Fixing the consequences of the past in the 'left behind places' remains a major concern for the GCR. But, in common with metropolitan areas across the advanced economies, the metropolitan area faces, in Mariana Mazzucato's terms, multiple, emerging, future 'grand challenges'. These include consequences of population ageing and climate change that now demand urgent action, the imperative of dealing with rising inequalities of income and wealth; concern with the employment effects of rapid progress in artificial intelligence; the prospect of faltering growth in global productivity, trade, and migration; and new forces of 'populism' and 'localism' resisting 'globalism'.
- 1.4 This summary report was concluded in the days that the coronavirus-19 epidemic led to both significant falls in all the global stock markets and the cancellation of a major Celtic-Rangers match in Glasgow. CV-19, like these other challenges is globally reaching but locally defining. *By the time it was ready for wider release, in May 2020, the regional economy, in line with the rest of Scotland and the UK, had incurred the sharpest decline in employment since the 1920's and there is now a recognition that there will be a prolonged recession following the initial urgent health emergency that has 'stopped' significant sectors of the metropolitan economy (Commission Briefing Note, May 2020)*
- 1.5 This review, *Looking Forward to the Future: the Glasgow City Region Economy*, highlights the difficulties that face politicians and officials within the GCR at the start of the 2020s, but is fundamentally optimistic about what could be achieved by extending collaboration

between levels of government and in pursuing associational styles of government in which governments look to communities, business, and non-profits to help share and solve the creative and resource challenges facing the city-region. Like almost all national and local governments, GCR is striving to shape and focus major policies and investments. Developing a vision to guide this is difficult as the future is never known with certainty, and the strategic management of cities, with current decisions having long-lasting and complex effects, always involves addressing probabilities and possibilities for future changes that may be opportunities, threats or both. The new decade begins with particularly acute future uncertainties having to be addressed in an already difficult resource context. Nevertheless, a determination to bring about change was widely shared amongst respondents. *In the new context post January 2020, the uncertainties are greater but the imperatives for change remain.*

- 1.6 Despite these constraints, within the Glasgow city-region there are already significant, continuing efforts to inform and design policy actions that shape investments and services to achieve key future goals. The local authority led City Deal is one of several initiatives that councils are taking both collaboratively, and through individual delivery responsibilities, with metropolitan level decision taking. This represents an important step forward. Collaboration is essential to delivering a shared mission and the Commission regards the establishment of the Regional Economic Partnership - which brings together the eight municipalities involved in the Glasgow City Deal with the Scottish and UK governments and other key agencies - as a step that may hold great potential. This review notes that there have been significant improvements in the governance of economic policy in the GCR since the initiation of the City Deal in 2014 (as the Commission previously acknowledged in its Gateway report in late 2019). Building on this, cross-authority and cross-agency working on improving the quality of data and information, facilitated by the new intelligence hub, on the planning and delivery of infrastructure and on the development of the next regional economic strategy, gives cause for optimism. *The need for both effective economic governance, at metropolitan scales, and for optimism is more pronounced through the current emergency and the planned recovery phases ahead.*
- 1.7 The commission recognises the importance of this progress but has also indicated, looking over future 5- and 25-year periods, that there are opportunities for further improvements in individual and institutional capacities and in developing better policy coordination. These observations are relevant to local authorities within the metropolitan area, Scottish and UK levels of government and to other civic partners represented on the Regional Economic Partnership. Our main conclusions and the recommendations of the full report are outlined below with specific points addressed to the leaders of the GCR, and the Scottish and UK governments. *We believe that many of them are of even greater urgency and salience in the new, more difficult context of 2020.*

## 2. OBJECTIVES

- 2.1 Responding to the grand challenges referred to above involves actions by all levels of government. Achieving national environmental sustainability aims, for instance, requires local governments and communities to use their regulatory autonomies and financial powers, and their leadership and energies, to align their actions with national objectives. There are multiple examples in shaping economic policies to achieve progress in meeting global challenges that require effective integration of policy actions, not just across multiple local authorities, but also between the city-region and wider orders of government

(in this instance, the Scottish and UK governments). Improving the economic governance of the GCR requires changes in capabilities, practice, institutional arrangements and policies at all these levels.

2.2 These pleas take on further urgency when we think about the scope of the city-region to lead transformational change. In this respect, we refer to change associated with two prominent policy themes: inclusive growth and environmental sustainability (as expressed, perhaps, by “net carbon zero”). In considering how organisations and resources may be mobilised to support objectives linked to one or both of these themes, we argue that the mission approach of Mariana Mazzucato has clear merit. **The mission approach is a view of the future that is aspired to by a wide set of stakeholders;** these stakeholders - in this instance within the city-region – need to have both the commitment and the long-term focus to work toward such objectives. Missions are not technical fixes, but **social and political movements that aim to produce transformational change.** Key feature of missions can be set out as follows:

- They require “coalitions of the willing”; not just municipalities, but wider stakeholders committed to, and playing a part in, the achievement of a long-term objective.
- It is policy action not limited to a market failure framework, but which considers how strategic government actions may be needed to create and shape markets in order to achieve desired objectives.
- It seeks change not purely through technological fixes, but through cross-disciplinary insights and approaches.
- It is a long-term policy process underscored by experimentalism, trial and error, and rigorous and continuing monitoring and evaluation.

This report does not detail the specifics of a mission for the city-region; that should be the next step to be taken in future strategic and consultative work in which all partners should be engaged. Moreover, further definitional clarity is needed on what a mission for inclusive growth would look like (given its wide scope). However, we point to the mission as a useful approach (or framework) for city-region leaders to drive futures thinking and begin to coalesce other organisations and actors around a common agenda for transformative change. In the points that follow, and as detailed further in the full report, we see evolving governance - and co-ordinated actions in the areas of skills, innovation and infrastructure - as stepping-stones to begin to develop and deliver a coherent city-region mission.

2.3 Furthermore, we suggest that the essential role that Scotland’s larger conurbations play in shaping national progress needs to be given due weight (by both the UK and Scottish Governments) and - whilst not neglecting the role of smaller cities, towns and rural Scotland - their global reach and visibility should be seen as a vital contributing factor to national success. One way in which this might be recognised might be through a reinvigorated assessment of the potential synergies of the Glasgow and Edinburgh city regions.

2.4 *The scale and complexity of the urgent and longer term effects of the CV-19 epidemic are such that the GCR needs to give significant attention not just to getting through the public health crisis and its echoes in the year ahead but to setting out the missions for the next few years that move GCR back closer to achieving its core aims. The resources available to the City-region have changed and the risks that political leaders and senior officials will now have to assess, take and mitigate have been transformed. The comfort zones for local decision taking have completely disappeared.*

### 3. RECOMMENDATIONS

#### *The Glasgow City-Region*

3.1 Three topic areas for intensive review were identified – skills (led by Professor McGregor), innovation (led by Dr Waite) and infrastructure (led by Professor Maclennan) - where many key policy responsibilities and powers reside at a national (Scottish) level but where some elements of choice as well as major roles in action and co-ordination lie the city-region level. We propose specific changes in policy and delivery arrangement consistent with achieving key overarching priorities, such as inclusive growth or net carbon zero, as well as more specific objectives relating to the topic area. Priorities should be set at city-regional rather than just at national level. Recommendations for these themes are as follows:

#### Skills and the labour market:

- 3.2 The Glasgow city-region has, since the 1970s witnessed an array of skills policy innovations on the part of UK, Scottish and local governments. Assessing that experience, the review makes a number of recommendations for the GCR to:
- *Take Greater Control of Skills Investment Planning – we recommend that GCR secures a much greater influence over skills investment, particularly in relation to the mix of apprenticeship, college and university provision to promote higher economic growth, which also delivers greater inclusivity and equality both in relation to access to skills training and in terms of effective outcomes (REC 1).* Reducing, simultaneously, skills shortages and skills underutilisation should be key objectives.
  - *Build Capability to Make More Intelligent Skills Investment Decisions - Effective skills planning needs very detailed intelligence on employer skills needs and a rigorous system for analysing the outcomes achieved by all graduates of the skill system. Systems exist to do these things and to provide this intelligence, but we recommend that they go up several levels in terms of precision and robustness for GCR to gain a significant competitive edge in skills investment planning (REC 2).*
  - *Align skills provision fully and effectively across the city region – we recommend that the lessons from current skills alignment pilots be used to create a skills system characterised by complementarity rather than competition (REC 3).* Better to compete more effectively with the skills systems in other city regions by marshalling internal skills resources more effectively.
  - *Mount major effort around digital and data skills, with a particular focus on increasing female participation - a major constraint on building a more effective supply of labour with good technical digital skills is the low level of participation of girls and women in higher skilled work in these sectors. We recommend that, to reduce the significance of that constraint, a major effort should be launched throughout and across the GCR, building on existing initiatives and action plans and running through the education and skills system from primary schools through to universities (REC 4).*

In response to the labour supply challenge resulting from the ageing structure of the population, GCR needs to build on Scottish Government policy initiatives such as halving the disability employment gap, and the greater alignment of services with employability both to reduce serious inequalities, and to make significant inroads into GCR's high

economic inactivity rate. These responses can simultaneously maintain an effective labour supply to promote economic growth and help deliver this in a more inclusive fashion.

**We recommend that there is a greater co-ordination of skills strategy and implementation at the level of the city region and that the alignment of national and city-region skills strategies becomes a central concern of the Regional Economic Partnership (REC 5).**

*Covid-19 has shifted both the likely demand for skills and supply arrangements. There is likely to be a reinforced longer-term demand for digital skills, in some instances related to capacities to work at home, but there will be urgent skills needs that are required as unemployment rises for younger, female and unskilled labour are likely to be particularly high. These urgent, growing new demands for training reinforce rather than remove the cases for new policy governance of skills made above.*

#### Innovation system:

3.3 Developing and maintaining an effective *innovation system* is an important concern for policymakers concerned with economic development. They have to identify the wider objectives that regional innovation activities support and how they may be pursued within a mission framework. This review argues that it would be useful to:

- **Make innovation strategy inclusive – we recommend that policymakers in the GCR adopt a new, more inclusive approach to innovation that involves a wider set of actors/stakeholders in policy design and monitoring (REC 6).** *To shape an inclusive innovation approach, two practical steps may be initially taken. A survey of existing innovation initiatives may be useful to develop a sense of what degree inclusive innovation is already taking place (within firms and innovation district proposals etc). Scenarios may also be usefully developed to help policymakers work through some of the (potential) trade-offs involved with directing an inclusive innovation policy (excellence vs equity etc).*
- **Include social enterprise, communities and the Grassroots –** Recognising that economic development organisations within the GCR are already aware of this issue, **we recommend that an inclusive innovation policy should explore what support can be given to alternative business modes - such as social enterprises, as well as grassroots and social innovations - through engagement with representative bodies (REC 7).**
- **Universities should be enrolled to support an ‘inclusive’ innovation approach -** The triple helix of the innovation system may be sustained, but **we recommend that universities reconsider and re-evaluate their roles in shaping and influencing the innovation system and with partners consider what shifts in “direction” are needed to support inclusive innovation (REC 8).**
- **A Significant role for the REP - The Regional Economic Partnership, as a cross-sectoral and strategic body, may usefully take the role of leading on and directing an inclusive innovation approach.**

#### Infrastructure:

3.4 The review found that the Glasgow City Deal has raised capacities for infrastructure policy thinking and planning within the GCR. However, it also found that: present investment intentions and their planning are, primarily, spread across different sectoral interests; there are separations between investment planning and spatial planning; and economic analysis of the impacts of infrastructure investment remains in need of further consideration. In consequence it is important to:

- *Adopt a broad, modern definition of infrastructure* - we recommend that GCR uses an expanded, comprehensive definition and understanding of infrastructure (including digital infrastructure and housing assets) and re-emphasises the roles that infrastructure, in creating and connecting places and people within the city-region, plays in shaping key responses to the grand economic, social and economic challenges facing the GCR (REC 9). The review team would caution the GCR that there are practical difficulties and limitations in the Scottish Infrastructure Commission's (SIC's) inclusion of 'natural' assets as infrastructure, and in their insistence that net zero carbon goals dominate inclusion and growth concerns in all infrastructure decisions.
- *Lead the development of an 'infrastructure in place' approach* - we recommend that GCR develops, within the mission framework, a new approach to creating and connecting places, that integrates thinking, and action, and links planning, land markets and infrastructure. We call this the 'Infrastructure in Place Approach', as infrastructure and spatial planning need to be seen as simultaneous, integrated activities. Also, spatial plans should be presented along with explicit, associated infrastructure investment plans (with intended budgets and identified delivery vehicles) (REC 10).
- *Design and deliver an integrated infrastructure strategy* – we recommend that the GCR should ensure that different infrastructure sectors articulate clear statements of infrastructure provision and needs, over 5 and 25 years, and use them as the basis for developing a coherent integrated infrastructure investment strategy for the GCR (REC 11). We further suggest that the GCR should work in partnership with the SIC to develop the frameworks of metrics and analytics for infrastructure planning that the latter have proposed in their recent review, not least as these capabilities need to be developed at the GCR scale and not simply centralised to the Scottish level.
- *Work towards a sense of the future economic geography of the GCR* - Any infrastructure investment plan also involves spatial choices, and this requires GCR to have a sense of what the future economic geography of the city-region will be (and what geography best serves economic, social and environmental objectives). **We recommend that the GCR, over the next year, work with the Commission, and others, to formulate a clearer sense of the future geography of the city region, and then - through the Regional Economic Partnership - explore priority places for targeted investment aimed at generating growth in the city-region economy in conjunction with the Scottish Government (REC 12).** It was noted above that the SIC review (at least in the material released in January) had not expressly addressed the question of the future location of the Scottish economy. In all sectors of infrastructure provision within the GCR there needs to be a much clearer indication of long-term strategic spatial priorities, and the GCR will need to explore the possibilities with the Scottish Government when both orders of government have made some explicit consideration of places to promote.
- *Match staff capacities to the tasks being undertaken* - we recommend that GCR, working with relevant bodies such as COSLA, the RTPi, the CIH and EDAS, assess the staffing and related capabilities required to design and deliver an appropriate 'infrastructure in place' investment plan (REC 13).
- *Create an innovative GCR vehicle to deliver place creation and renewal* - we recommend that consideration is given to developing a vehicle to co-ordinate infrastructure planning and delivery at the level of the city region

and link it to land market activity in order to deliver effective, integrated 'infrastructure in place' strategies. A city-region vehicle of this type could be deployed to develop expertise in infrastructure planning and in capturing infrastructure and planning gains in urban development processes (REC 14).

- *Put Planning, Infrastructure and Place issues at core of REP - we further recommend that the GCR lead a step change in local economic development practice by placing the economic drivers and consequences of infrastructure, planning and land market outcomes at the core of policy making in the GCR (REC 15).*

*COVID-19 has significant short-run effects on the ability and willingness of households to travel, the incidence of the epidemic and its effects on household incomes through differential possibilities for working at home, for example, which mean that new approaches to infrastructure that links homes and jobs are required. More active travel opportunities, more space for work within homes and enhanced digital connections and services may all be new priorities. Attitudes towards residential density and well as travel to work may change. Recognising the risks of future pandemics transmitted by human contact will probably change household activity patterns permanently and the housing, transport and other infrastructure investments to create the places that best promote wellbeing need to be revisited and urgently. Stimulus funds may be limited so effective decisions are required and this may involve difficult place prioritisations that balance wellbeing and sustainability goals. We do not concur with the SIC's view that carbon reduction dominates all other considerations in all instances. Other existential threats exist to the lives of individuals and the continuation of communities. The need for new approaches to decision-taking for infrastructure, including housing, is again reinforced by the Covid crisis.*

#### Governance:

- 3.5 The review highlighted the growing number of important economic collaborations emerging across all orders of government to address 'grand challenges', and concluded that the establishment of the Regional Economic Partnership - which brings together the eight municipalities involved in the Glasgow city-region deal with the Scottish and UK governments and other key agencies - is a major step forward in collaborative economic governance which has considerable transformative potential. **We recommend that the Regional Economic Partnership becomes the key deliberative and co-ordinating forum for those matters which are best dealt with at a regional level, including core objectives of raising productivity, developing digital technologies, promoting inclusion, and achieving net zero carbon (REC 16).**
- 3.6 The review explored whether the GCR has the culture, knowledge, capabilities and governance arrangements in place to undertake futures thinking to underpin effective economic, planning and infrastructure decisions. We concluded that present approaches do not 'add-up' to a strong enough basis for exploring the likely effects of trends, shocks and policy impacts and designing strategies for change. If sectoral investments are, in the future, to be linked to create better places and better services, then the opportunity should be taken to develop more coherent cross-sectoral approaches to thinking about future infrastructure investment and economic strategy. **We recommend that the Regional Economic Partnership adopts Mazzucato's framework, and that by connecting action to strategy and delivery across the city region - combining strategic spatial**

**planning of economic change, with effective co-ordination of infrastructure investments - objectives central to the mission may be moved towards. Such an approach will help the partners make better informed and more coherent decisions about where and how resources might best be applied in the context of competing demands and priorities (REC 17).**

- 3.7 There is a recognition amongst politicians and senior officials that new digital technologies and the use of sophisticated data analytics to inform policies and implementation have the potential to significantly change economic management and governance in the city-region for the better. There is also an awareness that while there are excellent staff employed by Councils who do have relevant skills, there are not enough of them and there is a need to draw on the capabilities in other organisations. **It is recommended that the GCR, drawing on private, public and university expertise, should consider establishing a partnership based, city-region Data and Digital Technology Strategy Board, with a requirement to report promptly on key system gaps and develop feasible plans to close them (REC 18).**
- 3.8 There is much scope for the universities and colleges in the GCR to embrace, both individually and collectively, their civic roles more explicitly and in a more coordinated way to create and facilitate change. There is a significant undercurrent of criticism within the city-region of the perceived collaboration failures between the two major universities. **We recommend bringing together expertise from universities and the colleges in the GCR. Support should be sought from the Scottish Funding Council and Scottish Government for establishing a metropolitan HE/FE knowledge and co-production consortium (REC 19).** As an early action, GCR could build a partnership focused on collaboration between the Commission for Economic Growth and the Intelligence Hub to develop collaborative arrangements with key economic, urban and big data researchers in the city-region. This could take the form of an innovative 'living laboratory for the metropolitan economy'.
- 3.9 **Over the longer term, the GCR should look at, and potentially make cases for, new, more diverse sources of funding for GCR services and investments, including new taxes that both provide revenue and deter rising environmental and congestion costs. Capacities may also be usefully developed in identifying and extracting land value uplifts following planning rezoning and infrastructure provisions (REC 20).**
- 3.10 The level of collaboration being generated through the city deal and the Regional Economic Partnership creates new opportunities for co-operation in the delivery of services. This review makes it clear that a major re-organisation of local government is unlikely and unwanted by respondents within the GCR. However, this should not rule out consideration of future regional level co-ordination of some services and activities in the economic sphere where co-operation and relationships of trust between local authorities has been generated and where service efficiency gains can be achieved without loss of local accountability. **We recommend that GCR through the City Deal Cabinet and the Regional Economic Partnership, supported by the Commission, develop intelligence together on service co-ordination where that might contribute to the achievement of mission objectives (REC 21).**
- 3.11 Multi-city, sub-national entities now play key roles in economic policy and infrastructure thinking for major English Regions, for instance the Northern Powerhouse and the Oxford-Cambridge Arc. There is a growing interest in whether 'combined city-regions' are better able to provide some needed critical mass and scale economies, and this is reflected in some of the thinking being developed around the notion of the 'MIT of the North', which, if it were to be created, would pose a significant challenge to the two major cities in the central belt of Scotland. **We recommend that GCR should consider whether a new**

**forward looking GCR-ECR partnership, that focuses on the linked futures of the Glasgow and Edinburgh city regions, would represent a significant enhancement of what has already been catalysed by City Deals. (REC 22).**

*None of these governance recommendations are made redundant by the current crisis and the need for coordinated actions across areas and sectors and for collaborations within and across all sectors of the economy will now become more rather than less important as central fiscal resources become constrained. The limits to Scottish Government borrowing capacities whilst record low (even negative) interest rates prevail make little sense when set beside major infrastructure demands and needs and the potential of infrastructure investment (including housing) to generate jobs now and potential productivity increases in the future. The City-Region should have the powers and staffing capabilities to quickly raise major tranches of bond finance to fund a new infrastructure for the City-Region. City-region assets rather than Scottish government grants may be the more likely funding route to remaking the city region economy and attaining zero-carbon.*

### **The Scottish Government**

- 3.12 The Scottish Government, who are to be commended for having a national spatial strategy, require a firmer spatial framework for the planning of economic change in Scotland. There can be little coherent spatial and infrastructure planning without a clear and committed economic geography for future action. This issue was unrecognised in NPF3, and the Scottish Infrastructure Commission, in setting out the infrastructure challenges for Scotland to 2050, have yet to respond to this concern. This is not a plea for a rigid, fixed infrastructure plan for the future, however. **We recommend that the Scottish Government urgently envisions and articulates what it regards as the ‘best first moves’ in selecting infrastructure investment locations between and within Scottish city-regions (REC 23).**
- 3.13 Pressures on budgets over the last decade have led to a downward shift in staffing and spending on non-statutory services such as local economic development and planning. Analytical and planning capacities within Scottish local governments appear to have reduced significantly. At the same time UK and Scottish governments have emphasised the importance of local authorities making better informed, strategic decisions. Intelligent decision taking in the GCR needs a step change in capacity for economic analysis and infrastructure planning. **We recommend that the Scottish Government should address these capacity deficits either by shaping dedicated regional teams in their own analytical services or by considering resource support for the creation of the capabilities required within the GCR (REC 24).**
- 3.14 Whilst the importance of the challenges facing cities is recognised by the Scottish Government, and strong national goals in relation to inclusive growth and net zero carbon have been set, the local authority finance system in Scotland, and the wider UK, remains extremely centralised by advanced economy standards. Tax revenues from city-region growth mostly leak away to Scottish and UK levels whilst the congestion effects and shortages, associated with transport and affordable housing, for example, remain in the GCR. **We recommend that the Scottish Government, in support of a city-region mission, may usefully consider how these growing fiscal imbalances can be appropriately addressed (REC 25).**

## **The UK Government and the Scottish Government**

- 3.15 More effective economic governance of the GCR requires a more coherent approach to the overall spatial economic future of the UK, and the rebalancing of Britain, that has to look beyond the cities and regions of the north of England<sup>1</sup>. As long as Scotland remains within the UK, the Westminster government has to have regard to the consequences for Scotland of the spending, infrastructure, regional policy and devolved governance structures it develops for the city-regions of England. **We recommend that the two Governments implement the spirit of the Smith Commission's desire for better intergovernmental collaboration on city-region policy issues between Westminster and Holyrood. (REC 26)**
- 3.16 **We further recommend a better collaborative discussion between the city-region and the two other orders of government in relation to the future of air and rail transport links between the GCR, the rest of the UK and the wider world. (REC 27)**
- 3.17 **We recommend that developments in England related to local industrial strategies and possible decentralisation and devolution frameworks are clearly articulated in terms of the implications and opportunities for city-regions in Scotland (REC 28).**  
*UK and Scottish Government funding to support incomes, businesses and services through the emergency, until now, have been of fundamental importance to the GCR. It is crucial that withdrawal of such additional supports is tied to the pattern of epidemics and their economic consequences at regional-metropolitan scales and are not simultaneously ended over the different regions of the UK. The scale of UK government debt and deficit being incurred in meeting the needs of the emergency are likely to re-emphasise the vertical fiscal imbalances within Britain and Scotland. Whilst much energy has gone into rethinking the fiscal arrangements prevailing between Westminster and Holyrood there has been little reform of the very centralised fiscal arrangements within Scotland that leave few resource choices at the city and city-region scales.*

## **4. The Review Process**

4.1 The Review was led by Professor Duncan MacLennan and also involved Professor Alan McGregor and Dr David Waite. They received support, in developing governance conclusions (Dr Des McNulty), in undertaking interviews on city deals, smart cities and urban strategies in other Scottish cities and overseas (Dr Julie Miao and Alison Muckersie) and in assessing public finance prospects (Professor John McLaren).

4.2 The Commission asked the team to undertake a forward-looking review involving periods of 5 (when probable outcomes might be discussed) and 25 years (when a sense of possibilities might be credible maintained). The Review Team took the existing boundaries of the GCR as fixed, whilst recognising they might change in the long-term.

4.3 The Review recognised that there was much substantial work on future strategy already ongoing within the GCR by a wide range of key investors and that much productive forward thinking on business development and leadership already existed. In

consequence, the Review team focussed on the city-region growth system influences of skills, the innovation system and infrastructure (including housing) as well as the wider context of governance change in the context of emerging 'smart' technologies.

4.4 Before commencing work on these priority systems the Review Team spent time looking at how the UK and Scottish Governments, and others identified major challenges for the future and the ways in which future thinking and modelling was deployed in current approaches within the GCR. It was quickly identified that different approaches might prove useful within the GCR and the 'Grand Challenges and Missions' approach was deployed to frame analysis and suggestions for change.

4.5 The research methods used in the Review included reviews of key, relevant literature, perusal of GCR strategy and policy papers, absorbing the emerging Regional Strategic Assessment and referring to GCR statistical data wherever possible and relevant. A key element in establishing a GCR perspective was based on interviewing close to 100 officials (individually and in small-discussion groups) concerned with the GCR, mainly council employees within the GCR but also other government and agency officials engaged in GCR relevant work. Outside of the GCR we interviewed senior, relevant officials in Scotland (Edinburgh, Perth, Inverness, Dundee and Aberdeen), the rest of the UK (Manchester, Cardiff, Bristol) and (as other non-Review research was being undertaken in Canadian and Australian metropolitan areas, thus allowing 'free' access to senior metropolitan officials), namely Toronto, Vancouver, Halifax, Melbourne, Sydney and Adelaide. The overseas research was limited to questions of infrastructure and spatial planning and metropolitan strategy development. The non-GCR interviews and discussions involved close to 50 senior officials.

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