

# Lessons learnt from the differing investment strategies and enabling contexts of UK city deals

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## Abstract

The UK's City Deals represented a break from the previous approach to regional development, involving direct negotiation by the central government with cities on a range of powers and funding. The advent of deal-making set a precedent across the UK and informed English devolution in the 2010s. The first deals were agreed over ten years ago and the fundamental imbalance in regional economic performance has not been solved.

In the last decade there have been multiple reviews of the City Deals by the UK and Scottish parliaments, which have identified limitations in what is known of the deals and called for lessons to be learned.

This study examines the instrument through interviews with expert participants and uses a six capitals framework to understand how five case study cities from the first round of deals fared in the negotiations. The case study selection of Newcastle, Birmingham, Sheffield, Glasgow and Aberdeen used a variation in financial capital and institutional capital as regional contexts to understand how these crucial circumstances in the four regions may have impacted what was agreed. Much of the differences between the cities, both in scale and what was prioritised, is explicable in reference to the contextual capital presence. The findings suggest that the City Deal approach was a powerful and useful one, that may be beneficial in the future, but that adapting any future policy on regional economic development to the contextual financial and institutional capital presence of the region may end in better and more even outcomes.

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## Introduction

The UK's persistent problem with underproductive regions and cities contributes to what has been called the profound spatial inequalities in the UK (McCann, 2020). Various causes of this underperformance have been put forward, including insufficient skills or sector balance (OECD, 2020) or low regional investment and the UK's hyper-centralisation (McCann, 2021). In an attempt to correct the problem, the 2010 Coalition Government initiated an innovative regional development approach with a new instrument called City Deals. These deals were a break from the previous approach to regional development, as they involved direct negotiation by the central government with cities over a range of powers and funding. The deals were intended to be bespoke to meet the priorities and challenges of each city. As a concept City Deals have had a substantial impact and there are lessons for the UK's rethinking of regional governance and attempts to achieve economic growth in 2025 and beyond. A disruptive team in Whitehall working directly with city regions in a proactive manner during City Deals was a positive step, however, the experience of City Deals suggests that support from institutions at a larger, strategic, regional scale is beneficial.

The two chief political architects of the deal in the Coalition Government were the Deputy Prime Minister, Nick Clegg, and the Minister for Cities, Greg Clark. In a 2011 paper entitled 'Unlocking growth in cities', that set out the City Deal parameters, Nick Clegg stated:

'So we are moving away from a one-size-fits-all model towards individual city deals. We want cities to come to us with ambitious proposals on what they will do to support private sector growth and what powers and freedoms they need to make this happen' (HM Government, 2011, p iii).

By including powers and an explicit appeal to devolution, the new way of approaching economic development for cities was significant for initiating a period of institution building in parts of the UK. Deal-making as a model for public policy related to economic development and decentralisation set the precedent for a mode of direct working between the centre and the local government in many areas of the country (O'Brien and Pike, 2015 p.25).

Despite limited academic literature on City Deals, in the last decade there have been multiple reviews of the City Deals by bodies in the UK and Scottish parliaments, which have identified limitations in what is known about the deals. In 2020, Audit Scotland expressed a concern that there was a lack of transparency in the City Deals workings (Audit Scotland, 2020, p18). A House of Common's 2015 Select Committee inquiry into City Deal's found that 'there is a risk that the potential to learn valuable lessons for further devolved initiatives is undermined by poor record keeping' (Committee of Public Accounts, 2015, p.6). Further research of the novel development instruments helps to expand the understanding of the City Deals. More than a decade after initiation, and with continuing acknowledgement that problematically high centralisation persist in the UK (Ministry of Housing, Communities and Local Government, 2024), there is value in examining City Deals to help understand how innovative and how valuable was this new approach that did a lot to characterise central-local relations thereafter.

In taking a new approach, the first wave of City Deals marked a shift to cities making proposals and striking deals with central government that involved the acquisition of new powers and funding.

By nature of being bespoke deals negotiated with different places, designed to address their particular needs, the City Deals resulted in a patchwork of differing investment decisions and powers being distributed across the UK. City Deals were deliberately not a uniform process, instead

competition and differences were leveraged. Differences existed in the context of a place that is likely to have had an impact upon the negotiations and the decisions made.

An understanding of how the deals differed by place, and mapping that against contextual differences, offers an appreciation of how bespoke deal-making might best be adapted to differing contexts. Alongside analysis of the specific cases, an examination of the overall approach taken in the design and negotiation of the first wave of City Deals offers lessons on how to best enact regional development in the future. Wave 1 City Deals are the best examples to examine as these were able to be more open and ambitious in what they could achieve, being in a pilot stage (O'Brien and Pike, 2018 p.1461).

This study first establishes the background to the cases, outlining how the differences in financial and institutional contextual capital can be understood, as explained below. It then examines the City Deal instrument in terms of origin, innovation, mechanism and impact. The second half of the study examines the City Deal agreed in each case against the presence of each of the six capitals to help understand what influence the contextual capital may have had on the deals.

## Method

In order to understand the innovation and objective of City Deals and to analyse the way in which City Deals unfolded in differing regional contexts, published material, including central government, local government, think tank and academic publications were triangulated with primary data generated through interviews. The focus of the study was on the first wave of City Deals in the respective nations of the UK, and five case study cities were selected to illustrate how the City Deals were implemented at the beginning of the process in that nation.

Examining these cities was a valuable focus as they represent the early phase of deals, when the new way of working was at its most novel. As well as being the earliest, the cases selected are also among the largest cities in the UK, generating a substantial proportion of the UK's GDP, thus are likely to have an impact upon the problem of underperformance in the UK economy.

In analysing the difference in the deals, a six capitals framework<sup>1</sup> is useful, as this framework considers economic disparity as being influenced by the presence of a number of 'capitals': Human, Social, Intangible, Physical, Financial, and Institutional. Although the six capitals framework was not much thought of at the time, the Conservative government would later make it central to their analysis of the UK's economic and social inequalities. In their 2022 Levelling Up White Paper, the Government analysed the presence of the six capitals in the regions of the UK as a fundamental part of understanding the challenges and opportunities for economic development in UK regions (HM Government, 2022).

The presence of financial and institutional capital is noticeably variable across different geographies of the UK and therefore these two may well be an important context of cities. Financial and institutional capitals are also valuable to examine as context for the cities as these two capitals are the ones that are the most systemic, and unlikely for cities to be able to impact without assistance from central government.

Five cities have been selected as cases that vary in these two contextual capitals, to examine whether the differing contexts may have influenced the manner in which City Deals were

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<sup>1</sup> Different arrangements or details of capital framework have been postulated, drawing on the work of Diane Coyle and Professor Sir Partha Dasgupta (Coyle, 2019).

negotiated. The five cities selected, Birmingham, Newcastle, Sheffield, Aberdeen and Glasgow, are all major cities that were early in the process of City Deals in England and Scotland. The variation of the contextual institutional and financial capital presence in the city's respective region is discussed in a below section.

Each city published a City Deal Agreement document, that was signed by the negotiating parties and described what had been agreed in the respective City Deal. The City Deal documents published for each case city were examined and coded against the presence of the different capitals in the deal document (see Table 1).

**Table 1: City Deal Document Six Capitals Coding**

No.	Name	Description (aspects involving)
1	Physical	Tangible items such as machinery or infrastructure
2	Human	Skills, training, employability, worker experience
3	Institutional	Governance arrangements, including public and private institutional arrangements
4	Financial	Access to capital of various forms
5	Social	Connectedness and Social Infrastructure
6	Intangible	Innovation (R&D), ideas, patents

## Interviews

The interviews were conducted through a mixture of online and face-to-face interviews with relevant and knowledgeable participants. These participants are individuals who have been professionally involved in the design and/or negotiation of City Deals in a political or official capacity, and/or who worked in relevant roles at the local government organisations in a case city. Elite interviews enabled the generation of information to offer insights and explanation to supplement the published material. The reliability of interview data gathered was an important consideration, as there are a small number of individuals who were involved in the creation and negotiation of city deals. In addition to knowledge of the City Deal instrument from the perspective of the heart of central government, participants were interviewed who had particular knowledge of each case study area.

To enable them to speak openly about their experiences and perspectives, the participants were assigned a pseudonym consisting of both a number (e.g. 'Participant 3') and a short description of the nature of their work. The interviews were coded and analyses across various coding criteria covering two themes of the study, the City Deal process in general and the City Deal application in the cases. After the coding, the interview notes were prepared detailing the relevant insights from the interviews to build an understanding of the cases and the instrument in general.

## Case selection

A key question for future policymaking is how significant the context of a place is in negotiating a development deal? A way of considering this is whether the presence of greater institutional or financial capital might enable places to acquire more funding or to make more sophisticated and effective investment choices than those with less. The five cities selected, Birmingham, Newcastle, Sheffield, Aberdeen and Glasgow have been selected as cases that vary across these two contextual capitals. These were the lead cities in their respective City Deals, which consisted of: Birmingham and Solihull, Newcastle and Gateshead, Sheffield and the eight other local authorities under the Sheffield City Region Local Enterprise Partnership, Aberdeen City and Aberdeenshire, and finally Glasgow with the seven other councils of the Glasgow City Region. The populations of the city

regions vary from just under half a million for Aberdeen or Newcastle, to almost 2 million for Birmingham and Solihull (see table 3).

In terms of contextual capital, the cities represent four regions, the West Midlands, the North East, Yorkshire and the Humber, and Scotland. Although the context of the cities is nuanced in each case, in general for both financial and institutional capital the two Scottish cases have the higher presence than the three English regions.

## Financial Context

Understanding the financial capital presence of these regions is multidimensional and relative to the others. For example, some regions can have an anomalously good year for investment or can have high investor-investee pairings but relatively low absolute investment levels. However, a clear picture forms when looking across multiple years and across different aspects of financial capital to separate the regions into two categories, with Scotland having a relatively high financial capital and the other regions lagging behind.

A measure of the investment in high-growth companies is a valuable indicator of financial capital and was mapped in a Barclays 2023 report on unlocking investment, providing data from the year after the first City Deal was agreed to beyond the date the last City Deals were agreed. Across the regions of the UK, the trends for announced and unannounced equity investments into high growth companies, as defined by meeting one of Beauhurst's eight criteria (Barclays, 2023, p.26), shows the proportion of equity investment by region between 2013 and the end of the first half of 2023: Scotland: 5.58%, West Midlands: 3.20%, North East: 1.97%, Yorkshire & Humber: 3.00%. These measures indicate that Scotland is the strongest investment hub out of the four regions, with West Midlands and Yorkshire & Humber occupying a middle position, and the North East lagging.

Scotland had a very impressive angel investor network in the years before and during the City Deals (Mason and Pierrakis, 2013, p.1166). Angels represented 23% of Scotland's total number of individual equity deals by type of investor between 2011-2017, against North East 5%, Yorkshire & Humber 2%, and West Midlands 11% (Wilson, Kacer, and Wright, 2019, p.106). Similarly, Scottish Angels as a share of all the UK deals is still high at 30%, compared to London's 31% (Wilson, Kacer, and Wright, 2019, p.106).

Early-stage investment data from the British VC Association describes UK regions across four time periods in the run up to the City Deals, which helps to smooth out year-on-year fluctuations. Three types of data are shown: amount in millions, proportion of UK deals and the Location Quotient (LQ)<sup>2</sup> (Mason and Pierrakis, 2013, p.1164). In these data from Mason and Pierrakis (2013) Scotland is shown to be a strong region, with the highest invested in millions of the four case study regions across the three periods by a large margin. The exception to this is 2005-2007, in which Yorkshire & Humber had a bumper year. Scotland also had the highest proportion of the UK's investment of the four regions in all years except for the Yorkshire and Humber anomaly in 2005-7. In relation to its LQ, Scotland is a strong performer with the highest in 1998, 2001, and the second highest in 2005. Another exception being in the 2008 period when Scotland dropped to the lowest. The graphs below show the three different dimensions of this aspect of financial capital in the period running up to the City Deals.

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<sup>2</sup> Location quotients indicate each region's share of early stage, including start-up, venture capital investments by both the number and amount, as a ratio of that region's share of national business activity as measured by the number of VAT-registered companies.

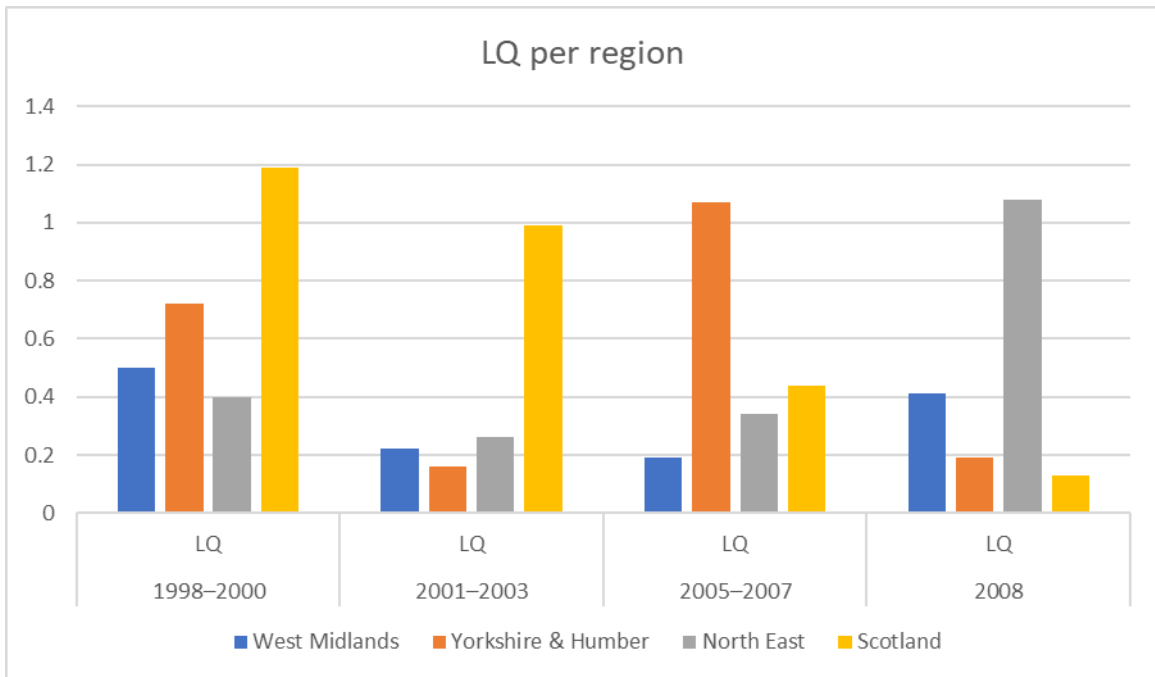


Figure 1: LQ investment share per region

Source: Mason and Pierrakis, 2013.

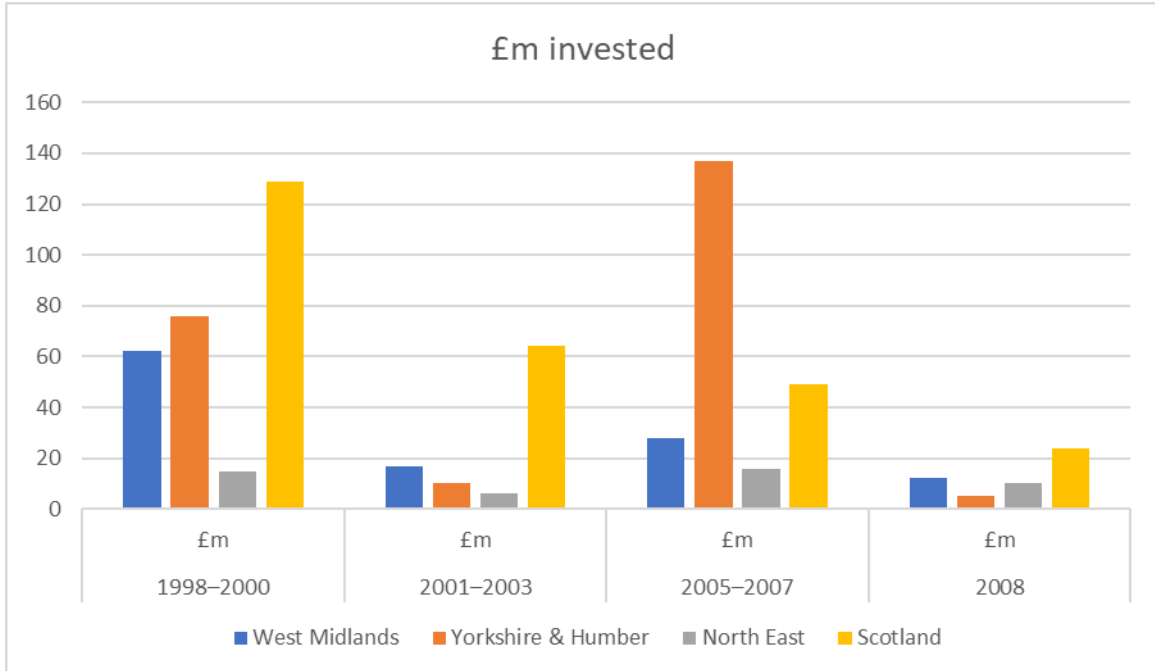


Figure 2: Volume of investment in £m per region

Source: Mason and Pierrakis, 2013.

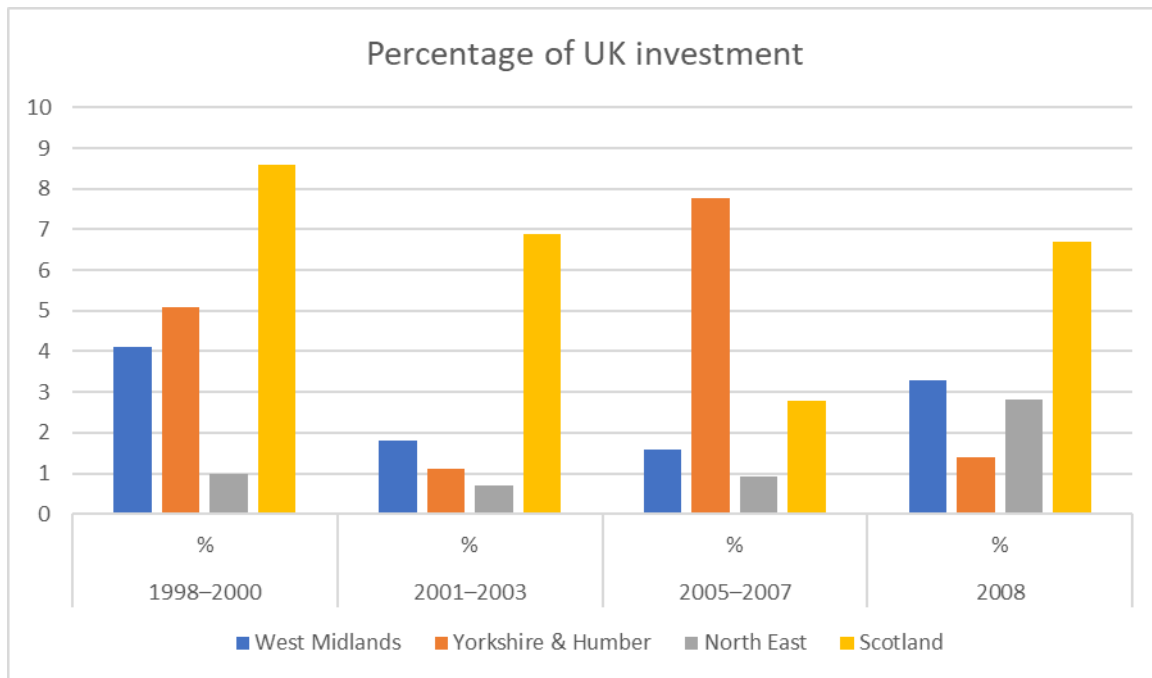


Figure 3: Percentage of total UK investment per region

Source: Mason and Pierrakis, 2013.

The ranking of Scotland having a higher financial capital compared to the other regions is consistent with recent 2022 figures for the financing of smaller businesses. According to this measure Scotland has more than double the equity deals, both in number and in value, than the next highest regions of the four; Yorkshire & Humber and West Midlands (British Business Bank, 2023b). This is despite Scotland having a smaller business population than either region (British Business Bank (2023a). By the small business financing measure, the North East trails behind all three regions.

### Institutional Context

The institutional variation between cities can be seen as both inherent background context and something that was altered by the City Deals. The subcentral level of governance is strong for the cases of Glasgow and Aberdeen but, even after several years of devolution, the devolved administrations in England present a level of regional governance that cannot be rivalled by the most developed of the English city regions (Bates, et al., 2023, p.237). The West Midlands has a complex geography and found partnership working difficult, with multiple Local Enterprise Partnerships being formed to reflect the fractured landscape (Murphie, 2019, pp.98-100). The North East faced challenges in the 2010s with the region lacking an obvious focal point. Sunderland and Newcastle had similar populations at the time, and the structure of the former Tyne and Wear County Council had been abolished in the 1980s. At the time of the City Deal, Sheffield had a contested local politics and identity that limited regional governance and thus institutional capital. Despite the devolution reforms around the turn of the century that transformed the governance of Scotland, Wales and Northern Ireland, England still lacks 'a strong intermediate tier of democratic institutions between the centre of government and local councils' (Paun, Nice and Rycroft, 2022, p.11).

Institutions in a region being active in economic investment indicate their strength. Similarly, sub-national government investment can be seen as a reflection of the institutional capital present in a place. In the provision of funds, the devolved government in Scotland plays a significant role in investment, one that is not matched by local or regional government in institutions in England. A

way of measuring such activity is through government involvement as an investor within its region. As a proportion of Scotland’s total investment deals, devolved government accounted for only 28%, but it stood out among the other nations and regions accounting for 66% of all devolved government deals across the whole UK (Wilson, Kacer, and Wright, 2019, pp.106-107). However, not all regions have devolved government, and those that do differ. Hence comparison across regions needs to be made with both devolved government and local and regional government. Table 2 shows the difference in the number of local and regional government investment deals between 2011-2017 across the cases, plus London for reference. Scotland’s lead in regional governmental investment is clear.

Table 2: Total number of individual equity investments (deals) by sub-national government investor and region of investee (2011-2017)

	Scotland	West Midlands	Yorkshire & Humber	North East	London
Devolved Gov investment	318	2	0	0	19
Local & regional Gov investment	11	73	78	147	112

Source: Wilson, Kacer, and Wright, 2019, p.106.

The abolition of the Regional Development Agencies, which represented a technocratic institutional layer in English regions, and the retention of such a structure in Scotland, further compounded the difference in institutional capital between Aberdeen and Glasgow and the English cities of Sheffield, Birmingham and Newcastle. The City Deals themselves were partly an attempt to correct this imbalance in institutional capital, but the differing context of the negotiations in the different cases is evident. The strong meso-level government in Scotland, with a range of devolved powers that includes investments, offer institutional capital beyond the regions of England.

## City Deals

City Deals represented a change in relations between central and local governments enabled by the Core Cities Amendment of the Localism Act 2011, which allows local councils to present proposals for being given new powers by Whitehall to promote economic growth in their area (Ward, 2024). The motivation behind City Deals was that drawing on local knowledge and risk management would drive economic growth, thereby increasing tax revenues and reducing welfare spending (Waite, McGregor and McNulty, 2017, p.22).

Between 2012 and 2020 there have been over thirty City Deals agreed across the UK, including cities in every nation of the United Kingdom. City Deals began in England with eight major cities outside of London in a first wave, followed by subsequent waves. Twenty-Six of the City Deals had been completed by August 2014, the same year as the first deal was agreed outside of England with the Glasgow and the Clyde Valley deal. City Deals were subsequently agreed with other major cities of the UK nations, including Cardiff, Belfast, Swansea, Derry and Edinburgh.

## Origin

The City Deals approach originated in the change of government from Labour to a Conservative-Liberal Democrat coalition, which came with a connected change in approach. ‘So it wasn’t just the RDAs that were swept away, it was also the government offices of the regions. Basically, everything that had region in its job title or description was swept away very comprehensively’ – Participant 2.

The interview participants were clear that the City Deals were conceived of to replace the regional economic infrastructure that was being removed and to create something new which could drive economic growth. Cities were seen as the engines of growth and were focused on, rather than wider regions. The government of the time believed that ‘cities always exert a gravitational pull beyond their strict boundaries’ (Harvard, 2021) and that enhancing the economy of the regional hub cities would raise the economic prospects for the towns in the region of that city. The example of the energy of Manchester was prominent in what could be achieved.

Coupled with the economic motive was the perceived need to drive devolution. The Conservatives’ appointed as Minister for Cities Greg Clark, considered to be a thoughtful individual who had done a lot of policy thinking on how to drive decentralisation and economic growth. Additionally, the City Deals instrument was given the backing of the Deputy Prime Minister, Nick Clegg, and a Cabinet Office team to run it. Participant 1 described that the Government perceived the reason for the UK’s provincial cities to be underperforming was because the civic power was so much less than in comparable countries such as France, Germany and Italy.

Prominent in the circumstances of the origin of City Deals was the initial action of the Coalition government, to instigate an emergency budget cut of six billion out of in-year spending, and the consequential need to channel some investment into localities to stimulate economic growth. The Regional Growth Fund, launched in June 2010, was a £3.2 billion competitive government fund operating around England to support businesses of all sizes. The fund was a core element of the Government’s aim to rebalance the economy across sectors and regions (Department for Business, Innovation and Skills, 2014). Participant 2 described how there had been ‘swingeing cuts to capital spending really early on and frankly the Regional Growth Fund was sort of a drop in the ocean in comparison to that’. This is against a backdrop of underinvestment in the UK cities that stretches back several decades. ‘We’ve under invested in all of our cities for 50 years. You know, so there is a kind of investment gap across all forms of capital. And so it becomes a kind of prioritization thing.’ – Participant 7. Ultimately the City Deals would inject £2.3bn of funding in the first wave, some of which it would otherwise have likely paid in grants to councils anyway, but these funds looked to stimulate growth by operating differently to stimulate local decision making.

The first wave of English deals were agreed in 2012 and the Glasgow and Aberdeen deals agreed in 2014 and 2016 respectively. In the extension of City Deals to Scotland, the 2014 Independence Referendum was the overriding motivation. ‘Preserving the union is the deep underlying Agenda.’ – Participant 3. The precedent then led to a total of twelve deals receiving £3.1 billion from the Scottish and UK governments (Audit Scotland, 2023).

## Innovation

City Deals did represent an innovation in the way economic development was done, and it achieved novel outcomes for places. However, perhaps necessarily, progress was limited and the new arrangements were uneven across different places.

The City Deals process aimed to stimulate decentralisation and economic growth through a disruption of the usual centralised way that economic development was approached. Fundamentally the deals were seen as transactional. The theory was that if it could be identified there were powers or resources that central government had that could, if deployed locally, result in both a return for the exchequer and in benefits locally then this should be done, despite the break from orthodoxy. To achieve this, the cities and their regions were brought into direct dialogue and negotiation with the centre of government.

Participant 7 described the change as follows: 'it was different from the model that had been dominating previously, the RDA model, which was a kind of franchised, decentralized, delivery of investment that central government and ministers were relatively arm's length from'. Though it is contrasted with the budget reductions being implemented at the time, the City Deals involved a form of working that was collaborative between the negotiating parties. It was in keeping with the new consultative and collaborative style of working that the coalition government had to engage in, with more cross-ministerial working and a more active role for Cabinet Office than in other years.

Cities were encouraged to approach government with proposals for what they thought would drive economic growth in their area, offering space for creativity as to what could be authorised. This included exceptions to national policy, which was perceived as a crucial new element in the City Deals. Participant 1 described the novelty of this: 'I can't begin to say how much resistance there was in the departments who were being made to create exemptions from their kind of cherished policy. I mean, if there is one thing that Whitehall likes it is consistent national policy'. Some of the facets of City Deals were done in opposition to what the spending department recommended.

The authority of having a team in Whitehall pushing for change was to be quite a change for relations between places and government. As participant 5 put it, 'the Deputy Prime Minister's Office was also involved, so that carried weight, given we were a Cabinet Office unit. Just that e-mail address really gave us a real powerful tool in sort of corralling and coordinating that first wave of City Deals'. The Cities Minister, Greg Clark, also became the Chief Secretary to the Treasury in 2012 and managed to retain his cities remit. The appointment offered an influential champion of the City Deals in arguably the most powerful part of UK Government, a department that could stymie innovation. Given the potential for exceptions to national policy being endorsed by the cabinet, an ally in the Treasury and a team at the heart of government advocating for the deals, the potential for City Deals to be a break from previous methods of working is notable. As a result, it is unsurprising that the City Deal dialogue became a conduit for a controlled form of decentralisation in a highly centralised state that resonates today (O'Brien and Pike, 2015, p.19).

Considering the circumstances in which the City Deals were being negotiated, the opportunity for the development of financial capital locally was high. The cities that secured the agreement to develop financial capital as part of their deals through the Tax Increment Financing (TIFs) measures represent some of the most substantial changes to the traditional approach. This is especially true as in the UK, the financing of TIFs was implicitly underwritten by the British Government (Strickland, 2013, p.390). To enable the TIFs, Nottingham, Newcastle and Sheffield could each retain 100% of the business rates growth generated in designated areas, but there was a limit on the amount agreed with each city (NAO, 2015, p.19). The division of the amount that could be projected and borrowed against was subject to negotiation, with Newcastle winning by far the largest amount (O'Brien and Pike, 2015, p.21).

The fact that Newcastle secured £99m out of the £133m allocation that was awarded by TIFs was attributed by the interview participants to the economic development capacity in the city, including hiring RDA staff. An influential figure was Pat Ritchie, who was the Deputy Chief Executive of the One North East Regional Development Agency based in Newcastle, before she became Chief Executive of Newcastle City Council. The distribution of the capacity that came out of the RDAs, as had occurred in Newcastle, was down to the employment decisions of individuals following the abolition of the RDAs. This unmanaged realignment of capacity added to the existing differences between the cities.

Although the development of the finance instruments that City Deals initiated, such as Manchester's 'earn back' and Greater Cambridge's 'gain share', represented an innovation that drove capability at

the local level, its significance has been questioned. O'Brien and Pike (2018) conducted an in-depth study of the financialisation of urban infrastructure as a result of the City Deals and concluded that it was constrained, instead the traditional forms of borrowing, debt and grants from national government remained central. One interview participant opined that even given the alignment of factors involved in City Deals, it was a 'fantasy' that it would have been possible to substantially reform the over-centralised tax system in the UK. Nevertheless, it set the path for the large, decentralised funding settlements that exist today.

## Mechanism

A direct relationship between the central government and the places was the defining characteristic of the new approach in the deals. The City Deals operated in a manner that actively supported cities to develop proposals. The Whitehall team from the Cities Policy Unit, later the Cities and Local Growth Unit, worked in partnership with cities to develop their asks and help them secure beneficial agreements. As participant 3 put it, 'a tight knit, talented, team in the Cabinet Office, getting on the train and working with the leadership of place was itself a very kind of activist approach.... And the partnership between the Cabinet Office team and the places was very real'.

City officials have attested that having a central point of contact in Government was a key success factor for the City Deals (Committee of Public Accounts, 2015, p.9). However, places did not receive additional support to compensate for contextual weaknesses. That places did vary in their capacities was attested to by interview participants, with the way in which cities managed their economic development staff during heavy budget cuts being an important factor.

The City Deal process was seen as having a competitive dimension, as the government was rationing the powers and funding to the cities from a finite reserve. In some ways the competitive element was leveraged to achieve maximum unity from the places being negotiated with, though measuring the full impact of such competition is very difficult. A Cabinet subcommittee was convened that was used to review and approve the City Deals and was also useful in negotiating the deals. The Cabinet members were used as 'bad cops' to drive the cities to improve proposals and the departments were brought into discussions through the participation of their Secretaries of State. The Central Government team working on City Deals coached cities on the development of their propositions to Government and tested them in what were called 'challenge sessions'.

'I would say, well, there's no good you sort of proposing this because you haven't advanced evidence that's going to satisfy the Secretary of State for Education that this is, you know, in the national interest... So you know, you need to do better. So these were quite intense and quite sort of candid. But over time, we kind of got them to the point in which they would sort of come one at a time before this Cabinet sub-committee and get approved.'

– Participant 1

It was noted in the interviews that some places were inhibited by internal disputes during the negotiation process. In some cases, the political divisions within and around the City Deal geographies were very evident. The mechanism of bringing the places into negotiations was said to have had a unifying effect to reach agreements.

In Scotland there was substantial institutional capacity that was drawn on in developing the City Deals. Participant 5, a Senior Whitehall Civil Servant, elaborated on the negotiations in Scotland:

'So from the very first moment we went up to begin negotiations, they had formed their sort of city region cabinet, and that was the foundation which they had built. They had used

KPMG, who had advised on a number of the city deals, particularly on the earn back with gain share infrastructure packages...from day one they knew what their strategy was. They knew what their proposed policy interventions were going to look like, and it was about building that up and amplifying that in certain spaces. And that was always a much stronger place to make progress’.

The second Scottish example also achieved impressive results. Even without the side package of funding, Aberdeen received more in funding than any of the three English cities, despite having a smaller population. The Aberdeen City Region was around one and a half million people smaller than the Sheffield or Birmingham deal regions. As the City Deals were negotiations, the institutional capacity to develop the deal is a significant variable and the presence of the sub-central government played a part in assisting the development of the Scottish deals.

‘... you had joint UK Government/Scottish Government teams working at proposals in places... But often it was just a way both governments worked on proposals that one or the other has the nominal responsibility for, I think particularly infrastructure spend and the R&D spend was one where you often got a very helpful overlap.’ – Participant 5

In addition to the Cities and Local Growth team at Westminster and the Scottish Government, in time the Scotland Office also increased its capacity for deals and negotiations, adding further capacity for the cities. The institutional capital in the regions was manifest in the mechanism of the City Deals process and continued to be evident in the governance arrangements for City Deals as they were being executed (Pill and Madeline et al., 2020, p.22).

## Impact

The impact of the early City Deals was not just in capital investment, where the amounts were not of the magnitude even to compensate for earlier cuts. Revenue funding that was associated with the City Deals was only a small proportion compared to the capital investment made in the deals (Committee of Public Accounts, 2015, p.8). That said, the principle of devolving policy areas, such as skills, to cities and regions that was established in City Deals was an inflection point for the UK (Clayton and McGough, 2015).

The most significant impact of City Deals was, arguably, in cohering local actors in places and kickstarting a new phase of local government. Cities at the heart of the deal were encouraged to work together with their wider functional economic areas. The local institution building that the City Deal process initiated was part of the original objective, to facilitate better local strategic investments. Interview Participant 5 echoes the opinions of most of the interview participants that the City Deals cohered local actors for strategic investments.

‘Certainly from my point of view, the city deals and what flowed from that has led to, what I think was a cross party consensus of bringing functional economics units together and creating strong political leadership to drive strategic investment...I don't think that would have happened had the RDAs discontinued and the government office had just continued because it just wasn't on the agenda’ – Participant 5

In England, City Deals initiated a new way of working that applied pressure to local institutions to work together, and to compromise, to achieve the maximum outcome from the negotiations. This process then built the capacity to take on more powers and funding. In some cases, this worked well over the long term. Despite Birmingham achieving a disappointing City Deal in terms of value, the Chairman of the Local Enterprise Partnership who signed the deal, Andy Street, went on to be a key

player in making the West Midlands a trailblazing example devolution in England. As Participant 9 stated: 'You can trace the current institutional environment that we have much more clearly to 2012'.

The focus on the innovative and devolutionary impact of City Deals may partly explain the observed lack of monitoring provisions (Committee of Public Accounts, 2015). Participant 3 described how the absence of scrutiny facilitated devolving competence over policy areas: 'The Perm Sec accountability for every pound, you know, is very corrosive to decentralisation'. In 2015 the then Permanent Secretary for the Department for Communities and Local Government, which was the department that hosted the unit administering City Deals at that time, told the Public Accounts Committee of the first wave of City Deals, 'That is why I judge this a success—because it has catalysed so much further change.' (Public Accounts Committee, 2015). By this standard it is accurate to say that the City Deals were successful, driving institutional development in the UK. However, there were differing outcomes of the City Deals when extended to differing contexts. Scottish devolution meant that the emphasis was not on building the same type of local government institutions as in England, yet the institutions built around City Deals were impactful. Direct dialogue between the UK and Scottish Governments and the city regions was said to have been a valuable addition to Scottish Devolution.

In England, Sheffield's region of what became the South Yorkshire Mayoral Combined Authority took time to develop, though it is one of the more established mayoral combined authorities today. Interview participant 4 stated: 'different places start from a different point in terms of governance and partnership working. And I think with a case study like Sheffield that sort of played out in terms of some of the politics in South Yorkshire'.

The North East is the example of a region where the City Deal may have built capacity in Newcastle but had limited effect on the development of wider regional working. In 2014 the North East Combined Authority was created with the seven local authorities of the region and LEP, but in 2018 the region split along the north and south banks of the Tyne, with Newcastle and Gateshead being on different sides. In the run up to the split the Gateshead Council leader during the City Deal, Mick Henry, stepped down, showing the significance of the division (Hewison, 2016). Opposition to combined working in the North East persisted even when in 2023 another deal was struck for a mayoral combined authority to replace both the splinter combined authorities, with criticism from the leader of Gateshead Council who had himself been part negotiating the deal (Holland, 2023).

The City Deal process was varied and resulted in a patchwork of devolution and governance arrangements across the country. To be disruptive in as centralised a system as the UK it may have been necessary to operate in a manner that did not account for variations in regional contextual capital. Strong divisions and personalities needed to be brought together, for which a competitive and uneven process was thought to be useful. However, despite its instrumental value, the inequality in such an approach should be recognised and managed going forward. A key lesson from the City Deals impact would seem to be that the differing contextual factors in the UK should be understood and compensation for these differences made to ensure that economic development is evenly distributed across the regions. Instead, what was seen in City Deals could be interpreted as the reverse, with places with stronger contextual background receiving more. Perhaps an inevitable result of a competitive process, it may be an aspect for which policymakers should be conscious of in the future.

## Case studies

The case studies examine the way that the allocation of the resources and powers from central government were channelled through the City Deal agreements across the six capitals of Human, Social, Intangible, Physical, Financial and Institutional capital. The analysis of the City Deals against this framework is not intended as an assessment of economic impact, but to understand which of the capitals each deal, agreed by the negotiating parties, focused on. The outcome reflects partly the priorities of the places that were examined and partly the ability of the place to be successful in the negotiation.

The multitude of factors that influence economic performance, including high policy churn in the UK, contribute to make it complicated to determine the economic impact the City Deals. However, attempts at assessments do exist. Alonso and Andrews (2023) detected an overall positive impact of City Deals in England, but only in the first wave of City Deals was the impact measured to be significant, with real GVA in the first wave increasing by roughly 1.4 percentage points and real GDP increasing by around 2.7 percentage points four years after the deal. This assessment does not include the City Deals in Scotland, yet it is clear Aberdeen and Glasgow had successful City Deals, as each represents over one billion pounds of funding in total. Indeed, ten years after its City Deal, the Glasgow City Region economy was reported to have grown by 44% (Invest Glasgow, 2024). The full picture is complicated. The Productivity Institute measured the GVA of Aberdeen City and Aberdeenshire to be high but to be falling behind the UK and the Scottish region, based on its change in growth in real terms between 2008-22. Glasgow City's GVA was lower but was catching up with both the UK and Scottish average (van Ark et al., 2025).

As an indicator of the economic performance of the cities after their deals, measures of the productivity change of the five case cities over nine years since the first deals were agreed (2012-2021) is plotted in Figure 1, along with midpoint figures of 2016 and 2017. The productivity data is an approximate indicator only since it is measured by the Centre for Cities with the geographical boundaries differing somewhat from those of the administrative boundaries of cities themselves, and the City Deals representing different boundaries than either. Sheffield, Newcastle and Birmingham agreed their deals in 2012, Glasgow's Deal was agreed in 2014 and Aberdeen's deal was agreed in 2016. All five cities, with the exception of Aberdeen have seen positive change, Aberdeen's dip between 2016-17 is likely to have been the result of a drop in oil prices in the mid-2010s and to a low of below \$30 per barrel in early 2016 (EIA, 2024). Newcastle, Sheffield and Glasgow have shown noticeable upturns in productivity since the City Deal, with Newcastle showing the largest increase of £3.74 per hour versus an average across the five cities of £1.70. As with Aberdeen's drop, it must be kept in mind that other factors contributed to Newcastle's and others performance than just the City Deal. It is notable that all five cities ended the period below the UK average productivity, indicating that more needs to be done.

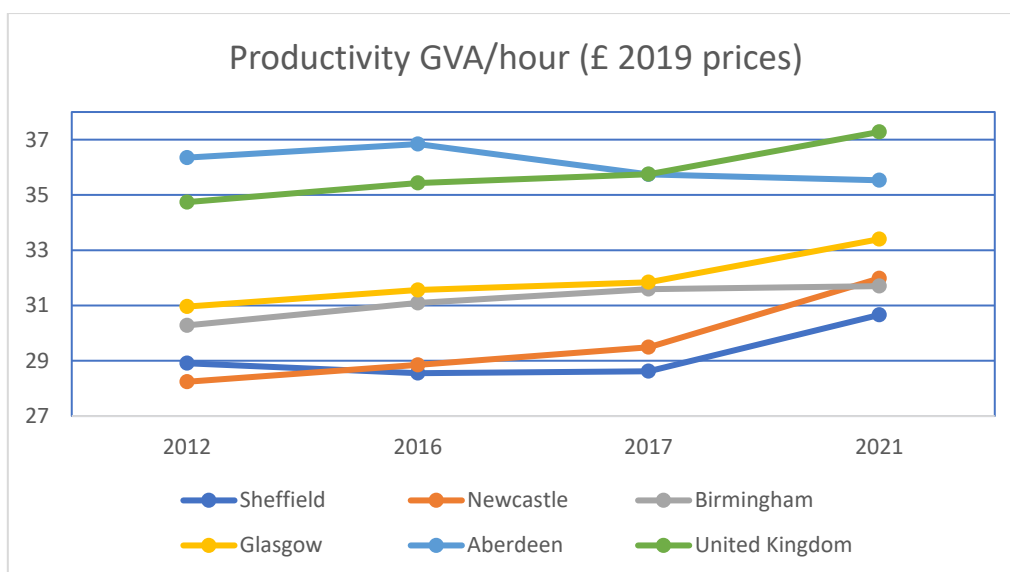


Figure 4: Productivity of the case study cities since City Deals

Source: Centre for cities (2025a)

The City Deal documents were each analysed for their focus on the six capitals, with focus equating to the funding secured from the UK and Scottish governments. The City Deal documents discuss the central government funding that has been agreed from the negotiation as well as the funding that has been offered to be contributed by the local authorities that are party to the deal, along with those of other stakeholders. Local government funds are less relevant as these local resources would have been available without the City Deal. The total value of the funds secured from the UK and/or Scottish governments in the five City Deal cases is shown in table 3 below.

Table 3: Total UK and Scottish Government funding agreed per City Deal

City	Sheffield	Birmingham	Newcastle	Glasgow	Aberdeen
<b>Government funds agreed</b>	£193m	£16m	£99m	£1,000m	£250m*
<b>Population</b>	1,823,100	1,970,800	486,800	1,750,000	465,000

\*Aberdeen agreed a side package of funding to the City Deal of an additional £254 million from Scottish Government, including which would make a grand total of £504m.

Source: Authors research, taken from: NAO, 2015; O'Brien and Pike 2015; and City Deal Documents

In addition to the July 2012 City Deal documents examined, the Cabinet Office press releases for each English case study city of September 2012 provided additional information, as did a National Audit Office report of 2015 on the first wave. For the Scottish cases of Glasgow and Aberdeen, the City Deal documents of 2014 and 2016 respectively were examined, with additional information from two Audit Scotland reports on City Deals from 2020 and 2023. In general, the supplementary documentation around the Scottish cases was notably more numerous and detailed than in the English cases, presumably influenced by the successive deals in the English cases, such as Devolution Deals, that complicated the focus on the first wave deals of 2012. The stability in Scotland since their deals contrasts with the institutional churn seen in England's major cities (Pike et al., 2016, p.21).

In the analysis of the six capitals in each City Deal case, it became apparent that there was an absence of social capital across all the City Deals. Social capital, relating to the connectedness and social infrastructure of an individual or community can be variously measured, impacted by the

presence of trust and some socially focused amenities such as health care and education. Although it is an important variable for income inequality and economic opportunity, it has suffered from an absence of data and subsequently understanding (Chetty et al., 2022, p.108). It is perhaps unsurprising therefore that social capital was not represented in the City Deals, none of the City Deals include any aspects that have been coded as social capital. Interview participants confirmed that social capital perse was not a consideration in the City Deals.

Some aspects of the City Deals could be seen to enhance the presence of social capital, for example Sheffield's plans for digitising the health service (Cabinet Office, 2012c, p.27). Similarly, in Birmingham the Green Deal Accelerator plans could partly be interpreted as social capital for the attempt to introduce amenity in a just manner, which would potentially stimulate trust and connectedness in the community (Cabinet Office, 2012a, p.24). It has been argued that the institutional performance of regional government is in itself a variable for social capital (Helliwell and Putnam, 1995, p.297), and therefore the institutional capital aspects of each of the city deals could be considered as social capital development.

Financial capital in these case studies does not simply refer to the volume of cash in the deal, this would be a simplistic way of interpreting the capital. Instead, financial capital as coded in the case studies refers to the focus on more sophisticated attempts to access capital than the traditional funds granted by the governments. It is possible that the two sides of access to capital are inversely linked, with an absence of funding being attempted to be made up through attempts to access finance (O'Brien and Pike, 2015).

## Sheffield

The Sheffield City Deal was agreed in July 2012 between the government and the Sheffield City Council and the Sheffield City Region Local Enterprise Partnership. The City Deal was estimated by the Cities and Local Growth Unit to represent approximately £193m of funding from various government departments (NAO, 2015, p.18) across four programmes of Skills, Financial Tools, Transport, Advanced procurement/manufacturing. Though financial and intangible capitals are discussed in the deal, in substance the Sheffield City Deal has the most focus on physical capital and human capital.

### Physical

The transport aspect of the City Deal was a strong focus, accounting for an estimated £114m of government funding (NAO, 2015, p.18). The City Deal expressed the ambition of devolving transport funding and commissioning for buses. The ambition of introducing smart ticketing was discussed in the City Deal, but developments in that direction seem to have been frustrated. Participant 9: 'So major transport capital funds pushed for integrated ticketing and so on. That's all exactly what a wish list now would look like if you wrote it.'

The High Speed Rail 2 project was referred to as an opportunity in the City Deal document. However, participant 9 discussed the disruption that HS2 had on the local institution building: 'It had caused such acrimony...that was the reason why South Yorkshire couldn't agree a Metro Mayor deal in 2017, at the same time as everywhere else'.

### Human

Skills was a prominent focus for Sheffield's City Deal, making it the city most focused on human capital out of the five. The City Deal aimed to generate 4,000 apprenticeships with their Made in Sheffield programme, which was also used as the title of the City Deal Document. To achieve this the

UK Government agreed to devolved £23.8m of education funding, plus an additional £4m from Government, from the Apprenticeship Grant for Employers over three years (Cabinet Office, 2012c, pp.10-11). Participant 4 stated about the enduring focus on human capital in the city:

‘They wanted to establish what was called a Skills Bank for Sheffield and that was one of their, politically, a big focus around giving the city region more of a say on how FE colleges were able to sort of deliver against a set of local priorities...employees and organisations are using that to fund different interventions [in 2025]. So I think that's quite a good example of the longevity of some of this stuff.’

Within three years of the deal, Sheffield’s skills development programme had reportedly created 1,600 apprenticeships and upskilled 1,300 people with the programme (NAO, 2015, p.32).

### Institutional

The City Deal was part of an opportunity to drive the formation of a combined authority in Sheffield’s region. The City Deal document states that the local authorities ‘would engage Government to legislate in order to establish a legally recognised Combined Authority for the whole of Sheffield City Region’. (Cabinet Office, 2012c, p.7). Through the Local Enterprise Partnership the City Deal involved nine local authorities, Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, North East Derbyshire, Rotherham and Sheffield (NAO,2015, p.43). The City Deal document articulated the intention to form a combined authority for the city region. A two-tier governmental system was an issue with four District Councils in Derbyshire and Nottinghamshire, namely Bassetlaw, Bolsover, Chesterfield and North East Derbyshire, being beyond the Combined Authority reach.

The City Deal document states, ‘we are clear that these areas are a crucial part of the SCR functioning economic area but legislation restricts a legal resolution at present.’ (Cabinet Office, 2012c, p.6) Though parties to the deal, the involvement of some of these councils is questionable. Participant 9 stated: ‘They were invited as observers rather than core members. And therefore, often didn't go. You know, they got the slide deck in in their inbox but weren't a player.’ When it was formed, the combined authority equated to the area of the former metropolitan unitary authority area including Sheffield, Rotheram, Barnsley and Doncaster, rather than the footprint of the City Deal.

### Financial

The Sheffield City Deal document stated the ambition ‘to have freedom to use innovative financial tools to borrow against our future growth potential’, developing a fund (Cabinet Office, 2012c p.13). Tax Increment Financing was cited as a financial tool that would be used for city centre redevelopment, in the form of the £32.8m city centre New Development Deal (Cabinet Office, 2012c, pp.13-14). Sheffield was one of the four councils, along with Nottingham, Bristol and Newcastle, to be given the power for such financing by central government to be able to retain business rates growth generated in specific areas that could be reinvested (NAO, 2015, p.19).

An ambitious bundle of financial tools were described in the City Deal, with government agreeing to support the Sheffield City Region Investment Framework (SCRIF) a shared investment programme representing over £700m. Sheffield Council established a JESSICA recyclable urban development investment fund with £20m of its funding from outside the City Deal, including £13m of ERDF money. The City Deal sought from Government the provision of a single unringfenced capital pot to SCRIF as an annual allocation at some point in the future (Cabinet Office, 2012c p.13).

## Intangible

The fourth proposal of Sheffield's City Deal was related to intangible aspects of research and development, though it did not involve any funds beyond the recognition of a commitment by the government to provide £15m for research and development bids from SMEs (Cabinet Office, 2012c p.24). The centre for procurement of nuclear and advanced manufacturing referred to in the deal document involves research and innovative manufacturing in the region. Without financial asks it is only agreed that the government 'endorse and engage' with the Advanced Manufacturing and Research Centre and also with the Nuclear Advanced Manufacturing and Research Centre (AMRC) and the Nuclear AMCR (Cabinet Office, 2012c p.23-25). The AMCR having been established prior to the City Deal by the University of Sheffield and the RDA in the early 2000s. Finally, the City Deal included asks to engage with government on two future initiatives under cloud computing and developing data centre infrastructure, but no specific actions by central government were agreed.

## Newcastle

The Newcastle City Deal was agreed between the UK Government, Newcastle City Council and the North East Local Enterprise Partnership that covered the local authority areas of County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. Although Gateshead was referenced prominently in the agreement, Newcastle took the lead role in the deal. The deal covered: the creation of an Accelerated Development Zone, Employment & Skills, Housing, Connectivity & Transport and an Energy, Marine and Low Carbon cluster ambition.

## Physical

The housing initiative in the City Deal aimed for the Newcastle Council to obtain joint control of the Housing and Communities Agency assets in the city, through the creation of a joint investment board, in order to generate 15,000 houses. This proposal is focused on Newcastle and only includes consultation with Gateshead.

The connectivity programme includes the ask for DfT to work with the councils on a bypass for a strategic and congested route to Team Valley business park. Though not part of the City Deal, the joint working started in the City Deal was attributed by Newcastle to have resulted in the allocation of £64m of funding for a transport project in the 2012 Autumn Statement (NAO, 2015, p.19). The City Deal also stated that £4-6m was to be spent from the Urban Broadband Fund on superfast broadband in the city, in addition to £2.5m of Newcastle City Council funds to be invested in a traffic management system (Cabinet Office, 2012b, pp.13-14). Ultimately the Treasury would fund over 500 sensors for a smart data capture system that the University would own and operate (McCann, Hutchison and Adair, 2023, p.10).

## Human

The City Deal refers to the direct creation of 30,000 full time construction jobs and training opportunities as a result of the deal. Human capital was also considered in Newcastle's commitment to work on a joint employment-support venture with Jobcentre Plus, entitled NewcastleFutures, and the request for government funding of £1.7m over three years to support a Youth Contract Pathfinder initiative for NEETs in Newcastle and Gateshead (Cabinet Office, 2012b, p.10). As part the City Deal, Newcastle and Gateshead had the freedom to design the initiative and set criteria for eligibility (Clayton and McGough, 2015, p.9).

## Institutional

The City Deal is primarily with Newcastle City Council, despite Gateshead featuring in initiatives. Governance is by the Gateshead/Newcastle Partnership, which is a Joint Committee. There is a section of the deal that mentions the possibility of a combined authority, but the document notes that a democratic mandate not to have a mayor is referenced and there are no concrete actions to form a combined authority. 'Government recognises that the option of an elected Mayor was rejected by the people of Newcastle, who instead voted by a large majority to maintain the existing leadership arrangements for the city.' (Cabinet Office, 2012b, p.15) This is suggestive of the difficulties in forming a combined authority for the North East in the coming years. The non-mayoral NECA was inaugurated in 2014, 2 years after the deal, but Newcastle and Gateshead split in 2018.

## Financial

The NewcastleGateshead Accelerated Development Zone agreed in the deal was a significant expansion of financial capital. The deal represented £92m worth of TIF financing for the development of four areas of Newcastle, where the Government was asked to: 'Agree to the retention of all business rate growth for 25 years in the 80 hectares outlined above' (Cabinet Office, 2012b, p.6). The Newcastle and Gateshead councils also committed to investing a further £100m in these sites. Although the TIF boosted Science City, or Newcastle Helix as it would become known, which attracted £1bn in investment from various sources, the project was originally funded by the RDA (McCann, Hutchinson and Adair, 2023, p.10), and first announced in 2004 (Newcastle Helix, undated).

The TIF involves no cash from government and only allows the retention of business rates in the zone, with up to £21m annual increment projected in the sites until 2038 (Cabinet Office, 2012b, p.5). Notably this has the potential to raise the financial competence of Newcastle as the TIFs include no funding so finance would need to be raised from the prospect of the projected tax increment over 25 years (Tura, 2012).

The advancement of tools to help the access to capital in the region is notable. Interview participant 8 described the limited access to capital in the North East region, '...some of our major developments that have taken place have relied on capital from London and the Southeast or further afield, and actually there's a limited supply. I would say of, you know, financial sort of assets or opportunities within the region, it's, it is quite, quite hard'.

## Intangible

The Energy Marine and Low Carbon programme in the City Deal did not make asks for funding and only outlines the central government working with the city on the ambition to develop a sector cluster. The presence of research institutions in the city centre were relevant, and Newcastle was to be established as a low carbon 'Pioneer City'. Although collaborative working with Government had the ambition to create 8,000 jobs and attract £500m of private sector investment, the actions were not detailed (Cabinet Office, 2012b, p.8). Ultimately the ambition did not work out as proposed (McCann, Hutchinson and Adair, 2023, p.10), which interview participants stated was a tendency with City Deal elements that did not include hard asks from Government.

## **Birmingham**

The Birmingham and Solihull City Deal was agreed in July 2012 between the UK Government, Birmingham City Council and the Greater Birmingham and Solihull Local Enterprise Partnership. The largest city of the five cases selected, Birmingham's City Deal was by far the smallest at only £16m.

This was attributed by the LEP to the local negotiators not submitting a proposal around transport due to the deal geography not matching that of the ITA, thus the deal was lacking a 10-year transport allocation (Public Accounts Committee, 2015), however, of the eight first wave cities Nottingham, Liverpool and Newcastle did not have a transport allocation and their average deal value was £72.6m (NAO, 2015, p.19). Therefore this is unlikely to be the full explanation. 'I think it was disappointing, obviously one would expect Britain's second city to have a more substantial deal. I think it has reflected a kind of ongoing difficulties in Birmingham ... And that's not because of the ambition of some of the leaders, you know, Albert Bore was the leader at that time and I think, actually, he was very creative and had a strong vision' - Participant 1.

### Physical

The desire to build housing, circa 2,800 units, was articulated in the programme under the title Development of Public Assets Accelerator. It was intended to work with the then Housing and Communities Agency to unlock housing funds and land, in order to deal with a projected 11% increase in Birmingham's population and attract developers to the brownfield sites in the city.

A proportion of the £3m Green Deal Accelerator funding should be considered as providing physical capital, as it was intended for investment in housing improvements and an attempt to stimulate house building.

### Human

The skills ask in the City Deal included a Skills for Growth Programme with a half a million ask from the UK Government (Cabinet Office, 2012a, p.16). This funding was to have match funding from the local authorities also proposed business engagement and an industry led Employment and Skills Board that would contribute almost a quarter of a million pounds in funds (Clayton and McGough, 2015, p.8). There was no substantial ask from government, with only £1m of capital funding, the main ask was to work with the programme. Specifically, there was a request for secondments from departments, to ensure that the programme had legitimacy and could provide accreditation (Cabinet Office, 2012a, pp.14-15).

Part of the £3m contributed by Government for the Green Deal Accelerator should be considered as provision of human capital since the initiative was due to create 8,000 jobs.

### Institutional

The City Deal document does not contain any proposals on institutional developments that will occur as a result of the deal. The LEP and Birmingham City Council were the leads on the deal and the LEP was the managing organisation for administering the deal, with the monitoring of deal outcomes at the LEP board level. As the LEP was one of the largest partnerships in the country, covering nine councils, the deal nominally involved: Bromsgrove District Council, Cannock Chase District Council, East Staffordshire Borough Council, Lichfield District Council, Redditch Borough Council, Solihull Metropolitan Borough Council, Tamworth Borough Council and Wyre Forest District Council (NAO, 2015, p.42). It is perhaps unsurprising that the other seven councils are not mentioned by name in the deal, since the Greater Birmingham and Solihull LEP was only formed a few months before the City Deal was negotiated, and given that Solihull and Birmingham were the only metropolitan councils in the LEP (Public Accounts Committee, 2015).

The deal document does refer to bi-monthly meetings by the nine local authorities to discuss issues, meaning the City Deal will have likely strengthen joint working across the LEP area (Cabinet Office, 2012a, p.6). The chair of the LEP, who was a signatory to the City Deal, Andy Street, was a key figure

in building the West Midlands Combined Authority that is a leading example of English devolution. By empowering the chair of the LEP, it is likely that the City Deal contributed to the progress of the devolved competence of the West Midlands. As interview participant 3 stated, 'Andy Street was the chair of the Local Enterprise Partnership and he is a formidable man, very close to ministers, extremely efficient administrator, deeply committed to his place.' A further complicating element was that the Black Country were not included and negotiated their own City Deal before ultimately becoming part of the West Midlands Combined Authority.

### Financial

The GBS (Greater Birmingham and Solihull) Finance initiative proposed the creation of a £1.5 billion fund to allow the region to recycle investment, by using the money they hand out in the form of grants to be commercialised with a return. The document also proposed that it would work as the lender for TIF developments, but Birmingham was not one of the four cities in the first wave to be given authority to retain more of their business rates that facilitated TIF (NAO, 2015, p.19). Possibly related to there being no asks from government in the form of funding, the proposals for GBS finance were not much discussed after the deal.

### Intangible

The main element of the City Deal is the proposal for a Life Sciences Accelerator based around an Institute of Translational Medicine. The initiative is relevant to the provision of intangible capital as it was aimed at creating a world class clinical research facility (Cabinet Office, 2012a, p.20). A £12m contribution was sought from Government to support the Life Sciences Accelerator, making it the vast majority of the deal funding agreed.

The choice of life sciences as the focus of the City Deal was a deliberate decision that was reached by Birmingham after reviewing inward investment opportunities in consultation with IBM Consulting Speaking in 2015, the Leader of Birmingham City Council who signed the City Deal, Sir Albert Bore, discussed the choice of the Life Sciences Accelerator for the City Deal: 'A number of years before the city deal we—Birmingham, in this case—had taken a view about where the growth sectors were likely to be. I mean by that growth sectors as far as economy and wealth were concerned, not just jobs... I have to say we were right in that. What has happened is that we now have a very fast growing life sciences and medical technology sector.' (Public Accounts Committee, 2015).

## Glasgow

The first of the Scottish City Deals to be negotiated, the Glasgow City Deal was signed in the August of 2014, two years after the first wave of city deals. The deal was between the UK Government, the Scottish Government and locally with an entity known as the Glasgow and Clyde Valley, which consisted of eight local authorities: East Dunbartonshire Council, East Renfrewshire Council, Glasgow City Council, Inverclyde Council, North Lanarkshire Council, Renfrewshire Council, South Lanarkshire Council, and West Dunbartonshire Council.

Glasgow City Council took the lead in negotiating and administering the deal. As Participant 5 described, 'So for Glasgow, the infrastructure package was very much led then by Richard Brown, who was the exec director for Glasgow City and he was, on the behalf of the City Region, empowered to negotiate that piece.'. At a total value of £1.3bn the Glasgow City Deal is one of the largest, with £500m each being contributed by the UK Government and the Scottish Government. The Deal centres on a large infrastructure fund, but this is 'complemented by a range of life science, business

support and labour market schemes' to make a comprehensive programme of investments (Deputy Prime Minister's Office, 2014, p.6).

### Physical

Much of the £1bn contributed by the Westminster and Holyrood governments to the Glasgow and Clyde Valley Infrastructure Fund were related to physical capital. The £1.13 billion fund was intended for up to 20 infrastructure projects to be taken forward across the region (Deputy Prime Minister's Office, 2014, p.8). As of 2023 the City Deal involves a programme of 21 infrastructure projects that are detailed in comprehensive annual reports (Glasgow City Region, 2023). Though the City Deal document did not detail the projects, included in this bundle are project such as the Govan to Partick bridge as part of the Clyde Waterfront and West End Innovation Quarter, at a cost of £29.5million and opened in September 2024. Another example project in the city region is £10m for the Inverclyde visitor centre and Ocean Terminal quayside expansion for receiving cruise ships.

The Glasgow fund is more discretionary than other regions as they can make more decisions. Participant 6 elaborated:

'it's for the region to assess, whereas every other of the eleven other deals in Scotland, the proposal, so the business cases, still come to government to review after deal signing... everybody still has to do Greenbook compliant cases, but Glasgow also then have 5 yearly Gateway reviews, which none of the rest of them do, and that's a further layer of interrogation, so it's an extremely intensive amount of evaluation work that's done.'

### Human

In the Glasgow City Deal human capital was reduced in significance due to devolved national competence. Participant 5 – 'the Scottish Government was never particularly interested in pursuing that or skills'. Of the many projects ongoing as part of the Glasgow City Deal, three can be considered to relate directly to human capital. These labour market projects that are intended to help address local employment challenges are: Working Matters, In-work Progression, and Youth Gateway. Participant 6 described that human capital was not the focus, 'Now even the Glasgow deal actually had some skills money... but it was a couple of million to do pilot skills activity'.

£9 million of funding for an Employment Support Allowance scheme was targeted to help 4,000 claimants (Deputy Prime Minister's Office, 2014, p.6). The Working Matters programme provided a dedicated adviser to those participating in order to help them into employment (Glasgow City Region, Undated). The £15m Youth Gateway aimed to work with 15,000 16–24-year-olds with a target of getting a third of them into sustained employment (Deputy Prime Minister's Office, 2014, p.6).

The Glasgow Grow-on Centre for Business Incubation and Development is partly relevant to human capital, as it impacts employment prospects of the population. The centre was allocated £1.64m of UK Government funding, as well as local funding, aiming to create 600 jobs over a five year period. The joint In-work Progression prototype sought to boost earnings through training, with £600k of funds.

### Institutional

The City Deal contained no intention of city region devolution, such as that seen in the English Deals, partly due to the large size of the city region as a proportion of Scotland. The Scottish Government, in providing half of the infrastructure funding, demonstrated the strength of the sub-central regional

governance that Scotland has and how this can be leveraged by a city negotiating with central government.

The governance features of the deal did develop the institutional capital in the city region. The Glasgow and Clyde Valley Governance section of the deal proposed a number of new entities to drive decision making. Among these was the Glasgow and Clyde Valley Cabinet and the Independent Commission on Urban Growth. Under the new governance structure, the cabinet coordinated the City Deal projects, with a one local authority - one vote system, and the leader of Glasgow City Council acting as the chair (Deputy Prime Minister's Office, 2014, p.17). The Chief Executives' Group that sits beneath the Cabinet takes operational responsibility individually for activity within their local authority area and, in that structure, this group acts as an agenda setting entity for the cabinet.

The institutional capacity that developed since the deal in Glasgow is significant, participant 6 described the interworking of the different council teams and the creation of a central Project Management Office and Intelligence Hub team, required due to the scale of the deal. The City Deal facilitated the high-level working of different stakeholders, especially the leaders of the city's two most prominent Universities. The Glasgow Commission for Economic Growth, which provides strategic advice to the Glasgow City Region on its City Deal, was chaired by Anton Muscatelli, the Principal and Vice Chancellor of the Glasgow University.

The development of institutional capital in the Glasgow City Deal built on the history of partnership working in the region. Participant 6 – 'So in Glasgow it worked because they worked together anyway. They worked together in a planning sense. They worked together quite closely in a skill sense and in a housing sense... as a planning authority it doesn't make sense for the eight councils, for example, in Glasgow, to do things in isolation.' Possibly a legacy of previous partnership working in the Strathclyde Regional Council, the Glasgow City Deal partners demonstrated a unity of purpose from the start. Participant 5 elaborated: 'For Glasgow, I mean, it started off with all the leaders and chief execs in force, you know, giving a sense, showing that sense of unity and strength of purpose and strength, of commitment to the proposition'.

#### Financial

The Glasgow City Deal did not contain any aspects that would have developed financial capital, beyond the additional funding that was available and the capacity building that would have come from the 20-year funding timeline with tasking Gateway Reviews.

#### Intangible

Several of the infrastructure projects relate to the provision of intangible capital, for example the City Deal infrastructure supports the Advanced Manufacturing Innovation District Scotland, even though AMIDS was a separate deal. In the City Deal itself only two projects are squarely related to intangible capital, MediCity Scotland and the Imaging Centre of Excellence (ICE).

The ICE is run by University of Glasgow and is a research and tech business hub for health innovations (University of Glasgow, undated). The City Deal states that ICE will create 396 high value jobs and generate £88m for the local economy (Deputy Prime Minister's Office, 2014, p.12). To achieve this the UK Government was to provide £16 million of funding to add to £48m of funding from other sources including NHS Scotland and the University of Glasgow, and £20m from Scottish Government (Deputy Prime Minister's Office, 2014, p.21).

The City Deal agreed the development of a new facility to help grow the healthcare sector in the region by bring together the otherwise poorly connected academics, clinicians and business people.

MediCity Scotland was set to cost the UK Government £1.2m, to be matched with £2.79m from other sources (Deputy Prime Minister's Office, 2014, p.12-13). It was believed this scheme would create 50 new healthcare businesses and 350 new jobs over seven years.

A proportion of the total £4m from the UK government and from local sources to fund the Glasgow Grow-on Centre for Business Incubation and Development is partly intangible capital, as it provides support for businesses and develops firms processes and practices (HM Government, 2022, p.84).

## Aberdeen

The Aberdeen City Region Deal was the second of the Scottish City Deals and was signed in November of 2016. The City Deal was agreed between the UK and Scottish Governments in conjunction with Aberdeen City Council, Aberdeenshire Council and Opportunity North East (ONE), a private sector body which worked as an economic development agency for North East Scotland. The deal was worth £250m in total, with the UK and Scottish Governments each providing half of the investment. Impressively the Aberdeen City Deal managed to attract a very high amount, at £743m, of private sector investment which, with £20m from the councils, increased the city deal to a total value of £1,013bn (Aberdeen City Council, 2024, p.10). That figure is not including a side package that the Scottish Government signed with Aberdeen at the time of the deal to fund a further £254m of infrastructure investment. Some details of investment from sources other than the UK and Scottish governments are noteworthy for Aberdeen, due to the volume in this case.

### Physical

In the strictest sense the Aberdeen City Deal only resulted in the UK and Scottish Governments contributing £40m in total for physical infrastructure, though lots of additional funds were crowded in. The City Deal proposal included a plan to establish a digital infrastructure fund to deliver ultrafast connectivity in the region, as well as sensors that can collate data on traffic flows, people flows, environmental information and other applications. The digital fund was worth £5m from UK Government and £5m from Scottish Government, which was projected to attract £15m from the private sector alongside a £7m contribution from Aberdeen City Council and Aberdeenshire Council (Office of the Secretary of State for Scotland, 2016, p.7). In the end the fund attracted £59m of private sector investment.

A £5m transport infrastructure package, split between the UK and Scottish Governments, was agreed. Known as the 'strategic transport appraisal' it covered road and rail enhancements, with a £2m contribution from the councils (Office of the Secretary of State for Scotland, 2016, p.7). To boost the development of the Aberdeen harbour facility southward into Nigg bay, that was projected to cost £350m-£375m for private sector investors, £25m (£12.5m from UK Government and £12.5m from Scottish Government) was offered to develop transport links into the harbour. The councils themselves injected £11m into the harbour development as part of the deal. In the end the private sector investment that was attracted for the harbour development was £409.1m (Aberdeen City Council, 2024, p. 10).

For housing, £20m was allocated to release sites of strategic importance and provide certainty over the £130m affordable housing supply grant. The Digital Theme received only £10m from the governments but attracted £59m from private sector investors (Aberdeen City Council, 2024, p. 11).

The additional side package to the deal from the Scottish government related to physical capital investment, though this should not be considered as strictly part of the deal. The £254m of funding

in the side package was in addition to the £125m that each of the two governments provided, and mainly went towards a transport within North East Scotland.

### Human

No specific investment was channelled into skills development in the Aberdeen City Deal. The closest contribution to this capital was that the deal undertook to develop a 'positive procurement' approach through the City Deal programmes, targeted at disadvantaged people and local businesses. In this manner the local partners to the City Deal engaged in activities such as targeted recruitment and training courses, aligned to the Regional Skills Strategy.

### Institutional

The Aberdeen City Deal set up a joint committee to monitor the City Deal impact, with the UK and Scottish Governments sharing expertise to help support its work (Office of the Secretary of State for Scotland, 2016, p.8). The membership of the committee consisted of three councillors from Aberdeen City and Aberdeenshire, with three Board members from ONE North East (Aberdeen City Council, 2024, p.13). In terms of the development of institutional capital, joint committees or economic boards, were seen as having less institutional strength than combined authorities (Alonso and Andrews, 2023, p.844).

### Financial

There were no initiatives that could be seen as developing the presence of financial capital in the City Deal, beyond the handling of the funds that the deal attracted.

### Intangible

The Aberdeen City Deal's primary ask from the UK and Scottish Governments was in the area of intangible capital, with three innovation centres at a total of £210m. The proposal for an Oil & Gas Technology Centre was aimed at advancing the city's global expertise in mature basin and decommissioning work. The centre changed its name to the NetZero Technology Centre in 2021. The project received £90m from the UK Government and £90m from the Scottish Government for a total amount of up to £180m. The deal projected an investment of £175m for the centre from the private sector, universities and others (Office of the Secretary of State for Scotland, 2016, p.9-11), but the total investment from other sources in the centre would reach £238m, making a total of over £418m.

The City Deal agreed £30m for new Hubs for innovation in the sectors of food & drink and life sciences, £15m from the UK Government and £15m from the Scottish Government, with a matching £15m from the private sector and a further £13m from other partners (Office of the Secretary of State for Scotland, 2016, pp.11-13). The £30m total consisted of a £20m total for the Bio-Therapeutic Hub for Innovation, and a £10m total for the Agri-Food and Nutrition Hub for Innovation. Both of these hubs were intended to conduct R&D and to incubate spin-out commercial activity. BioHub opened in August 2023, providing laboratory, office, and collaboration spaces, whereas ONE SeedPod was due to open with its commercial manufacturing and innovation space, in 2025. (Aberdeen City Council, 2024, p.5).

## Analysis

The City Deals were bespoke, and it should be kept in mind that each city has its own particular circumstances and considerations. Many factors influenced the different investment and priority decisions reached during the deals, however, some of the variation between the City Deals aligns with variation in contextual capitals in a way that offers insights for the design of policy in the future.

For the purposes of comparison, an attempt has been made to assess the relative focus of the capitals for each of the five cities. In Table 4 the assessment of the capital focus is measured with a score between 1-5, with 1 being very weak, 3 being moderate and 5 being very strong. Due to the complicated nature of the City Deals, the assessment is necessarily an approximation. The score reflects the value invested by the parliamentary negotiating party, UK and Scottish Government, as this should ultimately be a core aim for a local party negotiating with an opposite that can bestow resources and power. The assessment sought to capture relative priority both within a single City Deal as well as across the five cities.

The scores in the table below reflect the significance of each type of capital in relation to value of the investment by the parliamentary negotiating party, or the significance of the development in relation to institutional capital as this cannot be measured in currency. This assessment is both within the deal, relative to the other capitals, and relative to the investment in that type capitals for other cities. By nature of the comparison being both within and across the cases it is not possible to place an investment range on the scores. The difference in what the cities managed to achieve in terms of scale makes it difficult to make comparisons of priority based on differing investment values, clearly £1m from Birmingham’s £16m should not equate to the same priority as £1m amongst Glasgow’s £1bn deal. The scores are as below:

- 1 = very weak
- 2 = weak
- 3 = moderate
- 4 = strong
- 5 = very strong

**Table 4: Six Capital Presence in City Deals Cases**

	<b>Physical</b>	<b>Intangible</b>	<b>Human</b>	<b>Social</b>	<b>Financial</b>	<b>Institutional</b>
<b>Sheffield</b>	4	2	4	-	3	4
<b>Newcastle</b>	2	2	2	-	5	2
<b>Birmingham</b>	1	4	2	-	2	2
<b>Aberdeen</b>	3	5	1	-	1	1
<b>Glasgow</b>	5	4	3	-	1	3

Source: authors determination from case studies analysis

The five cases of City Deals examined against the six capitals framework do represent a range of emphasis from the investment and powers central government could offer. There was a diversity in the focus on intangibles, with the cities having differing priority for that investment choice. Aberdeen and Birmingham placed the substantial focus on intangibles, with the City Deal content directly addressing projects that related to innovation and research & development. Glasgow also had an emphasis on intangible capital investments, and much of the physical capital investment was in support of intangible focused projects.

Although the vast majority of Newcastle’s City Deal was to empower tax increment financing that, along with three other more traditional sites, was related to the knowledge economy via the development of the Science Central/Helix, this was primarily financial capital and so was not directly intangible. The Science Central/Helix site was a previous investment during the RDA period, and thus the City Deal powers enhanced it rather than created it. By comparison, the Birmingham and Aberdeen City Deals were explicitly focused on intangible investments to develop innovative knowledge economy assets. Similar to Newcastle, Sheffield referred to its strategy around intangible capital, but there were few specifics as the City Deal’s focus lay elsewhere in human and physical

capital. In the case of Glasgow, the massive infrastructure investment secured in the deal supported the ambitious innovation sites in the city region, but the explicit focus on intangible capital was relatively minor. Though the value of its intangibles wasn't as large as a proportion of Glasgow's total deal, the sheer scale of the deal meant that the more than £37m of direct intangible investments in Glasgow's deal is still significant compared to the other deals. It was more than triple the investment secured by Birmingham in the Life Sciences Accelerator.

The most significant divide that aligns with the difference in the contextual capital is the focus on financial capital. The Scottish examples had no focus on financial capital development, unlike the English cities that all attempted to increase the financial capital in their City Deals. Newcastle especially sought to develop its financial capital, which is notable given that Newcastle was in the weakest of the regions for contextual financial capital. Of the three English cases, Newcastle was also most successful in securing the financial capital aspect of their deal, attributed in part to the presence of the residual RDA competence.

It is understandable that the Scottish examples had less need for the development of financial capital given the strength of contextual capital. Contextual financial capital clearly played a part in Aberdeen's case, where the private sector funding secured was striking. At £743m it was almost triple the funding secured from government.

In relation to physical capital there is a surprising variation in the priorities and achievements between the five. Glasgow and Sheffield had a high prioritisation of physical capital. Although Aberdeen's Deal strictly only allocated 16% of its government funding to physical capital, the side package from the Scottish government effectively made this allocation more than 58%. Of the English cases only Sheffield had such a focus. The cases which had a limited focus on physical capital, Birmingham and Newcastle, were negotiated by places that only represented a small section of their wider regional geography, which may have limited the options for transport investment.

Despite human capital being an aspect of difference across the City Deals, there seemed to be no alignment with contextual capitals. Sheffield and Glasgow had the strongest focus on skills, though in both cases was it a minor investment compared to other capitals. Historically it was also not high, given that the RDAs, prior to their abolition, spent £224 million annually on Human Capital (Clayton and McGough, 2015, p.6). Skills being a policy area that is usually done at the UK and Scottish Government levels perhaps made developing human capital harder to realise. As Participant 4 describes: 'I mean, just because you establish a team in the central government to bang heads together doesn't mean to say there's huge shifts in how central government, you know, delivers some of its policies, and it's right to say that the city deals were more characterized by sort of like infrastructure than they were like human capital policies'. Nevertheless, leading examples of skills programmes in City Deals, such as in Sheffield, did help to advance devolution.

Institutional capital developed in the City Deals is a difficult thing to assess as it is not related to actions that are easy to measure. It is detectable from the City Deal agreements that a difference existed between the cases, with Aberdeen, Newcastle and Birmingham saying little of how their regional institutions would develop and Sheffield and Glasgow laying out somewhat more intention of integrated working going forward. The outcomes of the institutional development into the future would roughly reflect this emphasis, though the LEP signatory to the Birmingham City Deal, Andy Street, would go on to play a leading role in the regional institution building in the West Midlands.

Finally, the contextual conditions of institutional capital and financial capital align with a difference of scale. In terms of the volume of funds secured by the cities in the negotiation with central

government, the variation is quite profound. Glasgow City Region managed to negotiate a deal for more than five times the funding than the Sheffield region had, despite having less population (see table 3). O'Brien and Pike's (2018) calculations demonstrate that Glasgow received far more in new funding per capita from the City Deal (at £556) than either Newcastle (£60), Birmingham (£53) or Sheffield (£34). This is not just due to the fortuitous timing of the deal being prior to the Scottish Independence referendum, which was noted by interview participants to have been an important consideration. Institutional capital in the region was also a decisive factor, it enabled Glasgow to have a well-prepared position from which to negotiate.

The first wave English cities had to put forward proposals and negotiate directly with the Westminster actors. Although support was offered through the working relationships of the Cities and Local Growth Unit, no compensation was made between cities, either within England or across the UK, for any deficiencies in capacity when working to reach a City Deal. If a place struggled then it lost out in what was admitted to be a competitive process, akin to Dragons Den. To some extent the competitive element to the process was intended to bring disputatious local factions together to pull in the same direction, but the example of Scotland would suggest that a strong regional capacity supporting the cities in negotiations with the centre produced favourable results.

## Discussion

Interview insights were valuable in complementing the City Deal documentation, offering a detailed understanding in general and of the cases. City Deals were in origin a new approach to regional economic development, focused on cities involving direct negotiations and the attempt to harness decentralisation. It was the approach that was innovative rather than the amounts involved, which were relatively modest for economic development. The deliberately subversive team at the heart of the UK Government, rolling up its sleeves and working with cities, gave City Deals a high potential. The mechanism of the deal process supported, and in some ways cajoled, the places to come together to submit proposals. However, the variation in the institutional or financial capacity of the places was not compensated for, and this showed in the ability of the places to secure the best deal. The uneven outcomes of the City Deals reflects the competitive aspect of the deals. Despite the instrumental value of using rationed resources to bring actors together, it should be recognised that it results in inequality of investment.

Evidencing this, there are indications that the contextual institutional capital and financial capital present in the region of Scotland contributed to the two cases of Glasgow and Aberdeen obtaining beneficial City Deals in comparison the English cases. In both cases the amount of funding secured overall was very substantial, resulting in both having City Deals worth over one billion pounds. Both Glasgow and Aberdeen secured strong intangible capital focused investments, with innovation and R&D programmes. The strong financial capital context of these cities allowed them to focus on physical and intangible capital development.

The English cases experienced mixed outcomes from their City Deal negotiations, which aligns with the reduced institutional and financial contexts that the cities were in during their 2012 negotiations. In terms of the quantity of funds the English cases do not compare as well with the Scottish cases. Newcastle did well in the deal it agreed and the productivity performance that it saw after the deal, however, it was quite imbalanced across the capitals. In achieving its success, the city benefited from the past regional institutions in the North East of England. Newcastle had momentum from the investment of the North East RDA in the Science Central/Helix project, which

the City Deal could build on. Newcastle also secured capacity from the capable, redundant, RDA personal, who were able to help them negotiate substantial and sophisticated financial capital development in their City Deal. By comparison, Newcastle's rate of productivity growth between 2012 and 2021 far outstripped that of its regional neighbour Sunderland, which agreed a City Deal in June 2014. The regional institutional development after the deal in Newcastle's region was slow, only being resolved in 2023.

Birmingham was only able to agree a disappointingly small deal in 2012, though institutionally the city and region built on the deal making epoch to forge a devolved governance that is a trailblazer for England. With the small investment total it had, Birmingham focused on intangible capital, but to the detriment of the other capitals. Sheffield agreed an ostensibly impressive deal with a stated value that was around 12 times larger, at £187m more, than Birmingham's, yet considering the populations involved the totals were low. Institutional weakness in Sheffield's region impacted the formation of a regional government after the deal. Local political fissures persisted and prevented the leveraging of a unified position. The plurality of capitals present in Sheffield's deal was impressive, with the strongest Human Capital element of all the cases and some financial capital element. However, the intangible capital aspect of the deal was weaker, with some suggestion that this was impacted by the weaker institutional arrangements.

Though the Scottish cases achieved impressive City Deals compared to the English cases, the impact of the City Deal investments themselves should be kept in perspective. Despite Scotland's productivity outperforming other regions of the UK between 2008-2023, it has lagged the UK on key innovation metrics (van Ark et al., 2025 pg.23). Similarly, the downturn in productivity performance in Aberdeen that coincided with the deal emphasises the relatively small scale of the City Deal investment in comparison to the vicissitudes of market movements when a place is dependent on an industry.

This study has been an examination of only five case study cities from the handful of early cases, and from the more than thirty City Deals in total that have been agreed across the UK. This means there is scope for further investigation and reinforcement of these findings. Similarly, the cities were representative of four of the regions and nations of the UK. The indication of the significance of contextual capital to the outcome of deals might offer a fruitful area for further research to examine a larger number of cases across different cities and region variations. This study only examined the earlier wave of deals. Consideration would need to be maintained for the distinction between the earlier and later deals, as there were clearly differences between the waves of deals. Useful insights for policymakers could be generated through a similar application of the six capitals lens used in this study to analyse the current devolution framework in the UK.

## Conclusion

City Deals were a significant inflection point in the UK's approach to economic development and devolution, with unusually strong actors at the centre of Government working with major cities. By examining an important policy instrument that has been seen as lacking transparency and meticulous recordkeeping, this study has offered further details on aspects of City Deals, including origin, innovation, mechanism and impact. Cities were empowered to use their local knowledge to leverage the best investment strategies. When at the height of its potential, in the first wave, the City Deals agreed are associated with increased economic performance.

City Deals were a potentially powerful process that set the landscape of metropolitan devolution, enabled the cohering of local actors and set up investment projects that attracted impressive private

investment. However, the competition inherent in the way of working resulted in uneven outcomes. By examining five case studies of major City Deals, the priorities and outcomes in relation to the six capitals framework has offered insights into the way these cities approached the opportunity to negotiate directly with Government. The context of financial and institutional capital of the cities aligns with significant differences in outcomes, that suggests a future application of direct negotiation should take into that context into account. The findings of this study suggest that one way this could be achieved is by strengthening institutions at the subnational, or larger regional, level for places with a weak institutional context.

The place-based institutional development which partly resulted from City Deals was a core objective of the UK Government in introducing them. City Deals have been successful both helping to create mayoral combined authorities in England and in stimulating formal partnership working in Scotland. To achieve that may have necessitated some instrumental competition. Now that institutional strength around city regions has been developed, the evidence from the case studies suggests that future negotiations may reach better outcomes with compensation being provided for deficiencies in the contextual presence of institutional or financial capital in the negotiating city.

There is a clear policy implication for UK government in this experience. Empowering places setting up a capable and active team at the centre of Whitehall to work with them, while at the same time providing additional support for those places with a deficit in contextual capital, could be a way to achieve meaningful regional development outcomes.

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