



BEYOND BOUNDARIES

Functional urban areas matter

1. There is an increasing mismatch between cities as administrative entities and the reality of modern urban life. Although dominant functionally, the boundaries of our cities rarely cover:
 - The contiguous built up area around a city
 - Job markets, housing markets and catchment areas
 - Business flows (goods, logistics, capital investments, consultancy, sub-contracting and supply) and private (e.g. shopping, leisure) and public (e.g. education, culture, health) services.
 - The city's 'ecosystem' (air, water and energy supply, solid and sewage waste disposal)
 - The city's green-house gas emissions
2. The urban reality is often a much wider functional area defined by different flows of people, goods and services. The scale of wider functional areas is affected by markets, globalization and demographic change, with an impact on natural, human and financial resources.
3. These functional areas contain one or more 'hubs'. They can be around big metropolitan centres, or surround secondary and smaller cities or groups of cities. Sparsely populated areas also have one or more hubs, more often smaller towns.
4. Functional areas are an appropriate spatial level for effective integrated approaches to sustainable development, where cooperation builds on the relative strengths and inherent value of its different constituent parts.
5. They provide a level, bigger than a city, but usually smaller than a region (unless the city is also a region), for integrated planning¹, joint strategies and provision of services that work best across a large area. They provide a partnership framework for hub cities to cooperate with partners and surrounding municipalities.
6. In functional urban areas, cooperation is based on a shared vision, on a win-win basis. This is essential for urban-suburban areas, where a number of surrounding towns may be experiencing specific economic difficulties, and may be dependent on the core city, It is also the case for urban-rural relations. In terms of access to a wide range of resources, local food chains and food production, natural heritage, sports, leisure and recreational facilities, surrounding areas contribute enormously to the sustainability and overall quality of life for everyone. Lower real estate prices outside the city are an important asset for locating functions (serving the whole metropolitan area) that require a lot of space. Similarly, hub cities are often the pulling factor for visitors, who then take in surrounding areas. Due to their size, they provide services of benefit to those living in more rural surrounding areas e.g. hospitals, culture, waste and water management and treatment and connections to major transport systems.

¹ Planning across sectoral and administrative boundaries, and between tiers of government.

7. There is also a stronger case than ever for pooling resources of local authorities. Size is essential for cities and their regions to compete at global level. Functional area cooperation helps establish the critical mass needed. Decisions on land use, congress centres, inward investment agencies, waste management, transport, clusters or research and development make more sense in cooperation with the wider metropolitan area.
8. Services should be joined up, physically and administratively. Avoiding the negative effects of competition between local authorities and of duplicating facilities is crucial when resources - both human and financial - are scarce. Decisions in one municipality can impact positively or negatively on its surroundings. Wider functional area cooperation can prevent the negatives and identify the potential positives in advance.
9. Local government financing is often a challenge to cooperation. Many metropolitan areas face a mismatch between where taxes are levied (on business or households) and where services are used. Often municipalities compete to attract tax-paying residents or businesses, which can lead to urban sprawl and sub-optimal allocation of investments.
10. Functional geography depends on the hubs:
 - The hubs - or the main population and employment centres - are the key pulling factors, the international brands, the main drivers of the regional economy and beyond, of service provision and job creation;
 - They provide the structure for social mobility in the regions, and will continue to be the place that people gravitate towards;
 - They will remain the main places of economic, social and cultural innovation;
 - They are central to the success of the wider region in achieving greater energy efficiency, lower green-house gas emissions and better overall environmental quality.
11. There is no need for a uniform definition of functional areas; a variety of different interpretations exist for this functional area or metropolitan cooperation. Different from country to country, it depends on national constitutional and governance arrangements, on the relative size of the hub, compared to the surroundings area; and whether the system has one centre or several.
12. Neither are new structures and institutions essential for this to work. There are a range of mechanisms and organizational approaches to encourage and develop cooperation in functional urban areas:
 - In some places formal institutions have been created, sometimes even with a political structure. This can be developed on the initiative of the local level (if allowed by law) or can be imposed top-down through administrative reforms.
 - Functional area cooperation can also succeed without heavy formal structures. Indeed voluntary arrangements are often more likely to succeed, as they are usually based on shared trust and joint identification of the needs of a particular areas. In these cases some form of loose organisational structures can help to bring together complex groups of actors. This voluntary approach is important to emphasise at a time when budgets are tight and there is no appetite to create new institutions and structures. It also means that existing administrative regions and local government structures need not be changed, even if they have to adapt to this functional reality, and the principle of subsidiarity is not in danger.
13. Highly performing functional areas are crucial not just for the local, regional and national levels, but also for Europe as a whole. They are essential drivers of national and European economic development. Strengthening the hubs does not come at the expense of everywhere else: it is not a zero sum game. By acknowledging and harnessing the positive force key urban areas can be to the benefit of all, in close partnership with surrounding areas, we can achieve smarter governance, more sustainable policies and more inclusive impacts.
14. Functional areas fit the bill in terms of what is currently being advocated at European level - that is an integrated approach, which for many policies and services makes no sense within

the limits of the core city boundary, and for rural areas makes no sense without taking into account the development strategies of the hub cities.

15. Hub cities are essential. They can provide the political legitimacy and accountability to take on a management or lead role in relation to EU funding programmes, based on a wider partnership with neighbouring authorities and key stakeholders in the functional area.

It would be a missed opportunity if the future EU funding programmes, in particular cohesion policy, did not use and reinforce the dynamic of functional urban areas to support the development of key EU policies and deliver Europe 2020 targets.

We therefore recommend:

- Barriers to effective functional area cooperation in different national contexts should be identified and removed.
- The framework at EU level should make it possible for funds that promote integrated local development to be channeled to functional area cooperation, on the basis of an agreement between the hub city (or cities) and their surrounding areas.
- The development and partnership contracts that will be part of the future cohesion policy architecture should engage hub cities in finding cooperation agreements and building the potential of functional areas.
- The new structural fund regulations should foster and support integrated planning, joint projects, investments and strategies at functional area level.
- Operational programmes should support the appropriate functional partnerships for delivery. These partnerships should be driven by the local level and not imposed by European or national authorities.
- Exchange and networking between cities on functional/metropolitan area cooperation should be supported.
- Further research is needed on current trends and developments in metropolitan areas and how they equip Europe to face global challenges and deliver Europe's 2020 targets.