



Centre for Local
Economic Strategies

briefing

Consultation response to 'Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration'

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Introduction

This briefing paper sets out a summary of the response of the Centre for Local Economic Strategies (CLEES) to the Review of Sub-National Economic Development and Regeneration consultation¹. We are in exciting times in the United Kingdom for economic development, and local economic development in particular, and CLEES welcomes the renewed central government commitment to the local authority economic development function.

CLEES supports the Review of Sub-National Economic Development and Regeneration and associated consultation, and in particular proposals at the heart of the review to devolve economic development responsibility towards sub-regions and local government. CLEES are particularly supportive of proposals: to develop an Economic Assessment Duty; to review the accountability and funding arrangements of the Regional Development Agencies with a greater emphasis upon local authority delivery; to foster more robust and understandable strategy through the Integrated Regional Strategy; and to widen collaborative cross authority economic development activity through Multi Area Agreements and other purpose vehicles.

CLEES has broadly shaped its response to the consultation around these areas identified above and have answered the questions which we feel are most relevant to our knowledge and experience of economic development policy and local economic development activity.

Stronger partnerships for regional growth

The Review of Sub-National Economic Development and Regeneration sets out a number of proposals that seek to streamline and coordinate the strategy and delivery role of the regional tier. These include:

¹ HM Government (2008) *Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration*. London: HMSO

- New roles for the Regional Development Agencies including: as the lead developer of regional strategy; as an engager with local stakeholders; and as providing more of a programme based than project based approach to regional funding allocations.
- A strengthened role for the local authority at the regional level including: being partners in the Integrated Regional Strategy; having a role in holding the Regional Development Agency to account; and an opportunity to develop regional Leaders' Forums;
- Renewed scrutiny of Regional Development Agencies at a central level including: performance management based upon their strategic role; and sustained scrutiny from local authorities locally.

The proposals indicate key changes in the functioning and roles of Regional Development Agencies which CLES broadly welcomes. CLES lobbied strongly for the formulation of Regional Development Agencies in the late 1990s based on the premise and rhetoric that they would develop strong strategic and delivery relationships with all the local authorities within their region in the field of local economic development. The reality of many economic programmes of Regional Development Agencies has been that they have been too strongly focused upon larger local authorities and conurbations in particular. The Review and its proposals for new Regional Development Agency roles and accountability arrangements is thus welcome, providing it offers an opportunity for smaller local authorities to flex their voice in regional economic strategy and access delivery opportunities. CLES does however have a number of concerns about the new strategic role of the regional tier, which are addressed in answers to the following consultation questions.

Consultation Q.1 – How should RDAs satisfy themselves that sufficient capacity exists for programme management and delivery at local or sub-regional level?

Regional Development Agencies need to undertake an assessment of their current staffing and in particular their strategic capacity with regard to middle management and the proposed enhanced regional planning function. There needs to be significant capacity building activity at a regional level in terms of both strategic capacity and in terms of capacity to work closely strategically with local authorities.

Develop middle management strategic capacity

Experience suggests that Regional Development Agencies are top-heavy in their decision making processes. Decisions with regard to the Regional Economic Strategy, for example, have largely been directed by the Board, the Chief Executive and Departmental Directors. This means that the strategic responsibility of programme or project managers has been minimal. With a greater emphasis in the new roles of RDAs on strategic activities, RDAs will have to raise their capacity to facilitate regional strategy and decision making at a variety of levels in the organisation.

Increase planning expertise

The skills base of Regional Development Agency staff has not traditionally been associated with planning. The move of planning responsibility to the RDAs is therefore a concern particularly with regard to expertise and capacity of planners. The RDAs will need to work with the Regional Assemblies to transfer existing regional planning knowledge bases. Additionally, there are potential tensions between an RDA responsibility for planning and the existing RDA focus and objectives upon economic development through investment and particularly physical investment.

Review commissioning models and procurement capacity

A key criticism of the delivery aspects of the Regional Development Agencies to date is that they have been disproportionately focused upon cities. In the North West, for example, a disproportionate amount of funding has gone to the cities of Manchester and Liverpool when it is often smaller geographical areas such as Barrow-in-Furness which have struggled to (re)develop their local economies. With the consultation presenting a commissioning model for RDA delivery, it needs to be ensured that commissioning decisions are made on the basis of economic need as presented in Economic Assessment Duties developed by top-tier local authorities. It also needs to consider other local partners that deliver local economic development related activity such as social enterprise and the third sector. The commissioning or delegation of RDA funds will also be critical to the evolving place-shaping agenda and the importance of local place to economic growth.

Consultation Q.2 Do you agree that local authorities should determine how they set up a local authority leaders' forum for their region, and that the Government should only intervene if the required criteria are not met or if it failed to operate effectively?

We agree that local authorities should determine how local authority leaders forums are established for their region, however they should be democratically accountable. The engagement of local authority leaders in regional strategy, delivery, and accountability is key to the functioning and nurturing of relationships and the economies of local places. CLES is, however, not supportive of the current proposals which make for an unaccountable Leaders' Forum. Any Leaders' Forum needs to be both politically and democratically accountable. In any Forum there also needs to be recognition of regional variety and ensure a fair voice in strategy for all local authority leaders.

Leader engagement key to avoiding strategy replication

The decision for a stronger role for local authorities in the development of the Integrated Regional Strategy is important as it should avoid the replication of economic development outcomes and ultimately delivery activities that are already contained in local policy, such as Local Area Agreements and the Sustainable Community Strategy. Local authorities should play a strong role in mapping local priorities and targets and economic development related delivery activity. The Economic Assessment Duty should play a key role in ensuring this. Integrated Regional Strategy should be about policy activities that add real value to local economic policy.

Key requirement to recognising regional economic difference

The local government arrangements in regions are complex. There are a variety of metropolitan, unitary, county and district councils, each with different levels of economic development responsibility. Additionally, the economic development needs of areas of regions also varies. Any suggested Leaders' Forum therefore needs to recognise this economic diversity and engage all leaders in a region democratically, regardless of their make-up boundary wise. It is positive that local authorities are given the responsibility to develop Leaders' Forums as it promotes regional-local accountability. However, again these forums need not to be just about the usual suspects or strongest local authorities with the largest economic clout, but all authorities within a region and also be accountable at the local level. Government should therefore be proactive in keeping an eye upon Leaders' Forum formulation to ensure all authorities are effectively engaged.

Consultation Q.3 Are the proposed regional accountability and scrutiny proposals proportionate and workable?

CLES agree that local authority involvement in the scrutiny of Regional Development Agency proposed strategic and delivery functions is key. We do however believe in an era of cross cutting Public Service Agreement targets, that scrutiny of Regional Development Agencies needs a wider base than just the Department for Business, Enterprise and Regulatory Reform.

Scrutiny needs to be cross-departmental at a central level

There is a concern that holding the scrutiny function of Regional Development Agencies with the Department for Business, Enterprise and Regulatory Reform places significant emphasis upon productivity and output focused delivery and outcomes for the RDAs. The function of RDAs, and indeed the scrutiny, needs to be across central government departments, including: Communities and Local Government for issues relating to planning and housing; Department for Work and Pensions for issues relating to worklessness; and the Department for Innovation, Universities and Skills for skills. This cross-departmental scrutiny and accountability would ensure a wider range of delivery activities at a regional level and greater partnership with regard to economic development at a central level.

Integrating regional strategies to promote growth

The Review of Sub-National Economic Development and Regeneration provides key proposals to bring together under the Regional Integrated Strategy banner the current myriad of disparate regional strategies including the Regional Economic Strategy, the Regional Spatial Strategy, and the Regional housing, transport and planning strategies. As part of this the review sets the context for abolishing non-elected regional assemblies and proposes the following possible contents of an integrated regional strategy:

- An overview of key regional challenges;
- How economic growth can be best delivered;
- A distribution of housing supply figures as well as targets for affordable housing and achieving quality homes for all;
- How the region would manage the risks and opportunities of unavoidable climate change;
- Those areas of the region identified as priorities for regeneration investment and intervention;
- Strategic requirements for transport, waste, water, minerals, energy and environmental infrastructure.

CLES does agree with the need to reduce the number of disparate economic strategies and in particular the opportunity to reduce the bureaucratic nature of regional strategy, but does have concerns with regard to contents of the Integrated Regional Strategy particularly around the neglect of environmental issues and the opportunity for non-growth policies for particular parts of regions.

Consultation Q.4 Do you agree that the regional strategy needs to cover the elements listed in the consultation document? Are there other matters that should be included in the regional strategy to help in the delivery of key outcomes?

The Integrated Regional Strategy does indeed need to consider and cover the elements listed in the consultation document. Regional Development Agencies and their partners do however need to think wider and consider:

Non-Growth strategy

Regional Development Agencies need to recognise that not all areas will have the potential for future growth and that more imagination needs to be put to thinking about how to manage areas, not simply for economic growth but for steady state economies (non-growth) or even economic decline. There is still much to be done at a regional and local level about how we can continue to have economic growth and at the same time, reduce carbon dioxide emissions. CLES thinks that new tactics are required at a local and regional level in order to manage these seemingly opposing agendas.

Avoiding indicator overload

Local government has fought very hard to reduce the requirements placed upon it in terms of reporting upon indicators. The new National Indicator Set and the streamlined Local Area Agreement process has reduced reporting requirements and presented the opportunity to tailor performance management to key issues of local concern. As a result of the broad range of issues covered, the move to Regional Integrated Strategy is potentially leading to increases in regional indicators, and thus a re-balance of reporting requirements for local government. This will have an impact especially for those local authorities that procure Regional Development Agency delivery activity. RDAs and Integrated Regional Strategies need to avoid overloading the strategy with indicators, to make sure they do not add to the burden that local authorities already have.

The importance of evidence

Integrated Regional Strategy needs to be based upon solid and reliable evidence bases from the local level. The Economic Assessment Duty is a key opportunity for local authorities both individually and collaboratively to detail economic need in their areas and to contribute to the development of the Integrated Regional Strategy. Evidence is a key way of ensuring local accountability in the development and delivery of the strategy.

Regional Development Agency expertise and capacity

Integrated Regional Strategies and their broader remit will require a wider level of expertise and greater expertise within Regional Development Agencies. They will need to work closely with Regional Assemblies in the transfer of staff with particular expertise with regard to, for example, housing and also tap into local authority staff with particular knowledge and expertise. Additionally, with Regional Development Agencies taking a stronger role in relation to leading on sustainable development, more expertise and capacity will be needed to understand how this will work to make sure that it contains concrete proposals rather than just more rhetoric about sustainable development.

Strengthening sub-regional economies – the role of local authorities

The Review of Sub-National Economic Development and Regeneration seems to have finally provided local authorities with the opportunity for greater responsibility in planning and delivery terms for local economic development. The key proposals included the formulation of a Local Authority Economic Assessment Duty and for greater collaboration across sub-regions. The proposal for an Economic Assessment Duty would require all top-tier authorities to undertake an assessment of the economic conditions of their local area, contributing to the analytical underpinning of strategies and targets at local, sub-regional and regional levels. The consultation document of the Review sets out three proposed options for legislating for the duty:

- Option 1 – primary legislation would be introduced that would place a duty on lead authorities to assess the economic conditions of their local areas. There

would be a duty to consult certain named partners including lower tier authorities, and RDAs would be required to have regard for the assessments in the preparation of Integrated Regional Strategies.

- Option 2 – this is as option 1, but there would be no requirement to have regard to non statutory guidance issued by the Secretary of State.
- Option 3 – no new duty would be introduced with local authorities continuing to use their current statutory powers and duties to play a stronger economic development role.

Proposals for enhanced sub-regional working for economic development included: Multi Area Agreements; Integrated Transport authorities; and statutory arrangements for sub-regional collaboration on economic development issues.

Consultation Q.7 Which of these options (or any other options) is most appropriate?

CLES is a key supporter of the proposals for an Economic Assessment Duty and feel that option 1, providing statutory guidance, is most appropriate. However, any guidance issued by central government should be advisory and should give local areas the autonomy to tailor the assessment so that it links with local context, conditions and scale. It should also seek to complement rather than duplicate existing work that is ongoing within local authorities to assess local economic conditions. We would suggest that it should primarily contain advice on the types of data sets that should be gathered as part of the duty. Additionally, the list of partners consulted on the duty should be widened to include neighbourhood level economic development organisations and social enterprise infrastructure bodies. It should also identify key risks and opportunities from the threat of climate change as a major potential influence on local economic development. It is important that the duty is applicable to all top-tier authorities in order to ensure fairness of engagement in regional decision making and that the role of district councils is far greater than has been the case with Local Area Agreements. Ultimately, local authorities need autonomy in order to make decisions about their economy based on the evidence that they gather and on the local context in which they operate. The Economic Assessment Duty is a key way to ensure this. Option 1 and legislating for a statutory Economic Assessment Duty also ups the political ante when it comes to the economic development function of the local authority. Having a statutory duty means that the function needs to become core local authority business.

Option 3 is not an option

It is important that the Economic Assessment Duty is taken forward in some capacity. Local authorities increasingly need to further understand the functioning of their local economy, and the development of a solid evidence base with regard to local economic development will be required to ensure local engagement with the development of the Integrated Regional Strategy and to access funding through the commissioning of Regional Development Agency delivery projects.

Consultation Q.8 What additional information or support do local authorities consider valuable for the purpose of preparing assessments?

CLES, having delivered the North West pilot of the Neighbourhood Renewal Unit sponsored Supporting Evidence for Local Delivery (SELD) project and two further rounds of activities on the evidence requirements for Local Area Agreements, believe data and evidence to be two core requirements in the development of an Economic Development Duty.

Data channels need to be opened up

It was mentioned earlier in this consultation response the importance of scrutiny arrangements for Regional Development Agencies being across central government. This cross-department collaboration is equally important for the Economic Assessment Duty, particularly with regard to data sharing. In order for effective Economic Assessment Duties, local authorities will require access to a broad range of data. Departments will need to work with agencies such as Job Centre Plus to ensure data is available. Local authorities should have access to more government and regional partner data, with an emphasis upon up to date and relevant data. Assessments should be based on a broad interpretation of economic development which includes data around the environment, well-being and social considerations.

Consultation Q.9 How should lead authorities engage partners, including district councils, in the preparation of the assessment?

CLES believes that it is important that district councils are far more engaged in the preparation of the Economic Assessment Duty than they have been in the Local Area Agreement process. Districts have a key role in demonstrating to top tier councils the key economic variety of a sub-region and the varying economic needs of different places. District councils should also be engaged for the purpose of benchmarking economic performance and economic prosperity and economic assessments should be shared across neighbouring authorities, sub-regions and regionally as well as being used for benchmarking against similar authorities outside of the region.

Consultation Q.10 Which partner bodies should be consulted in the preparation of the assessment?

CLES feel that there should not be an overemphasis upon consultation in the Economic Assessment Duty and that in their role as economic place shapers local authorities should lead the process and be the accountable body. Some key partners do however need to be engaged particularly for data purposes, including:

- Regional Development Agency;
- The economic block of the Local Strategic Partnership;
- Sub Regional Economic Partnerships;
- Private sector support bodies;
- Job Centre Plus;
- Third sector organisations who have regional representation.

Briefing is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is a not-for-profit think-doing organisation, consultancy and network of subscribing organisations specialising in regeneration, economic development and local governance. CLES also publishes Bulletin, Local Work, and Rapid Research on a range of issues.

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