



Centre for Local
Economic Strategies

bulletin

Taking Forward the Review of Sub-National Economic Development and Regeneration

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Introduction

Following the publication of the Sub-National Review of Economic Development and Regeneration¹ in July 2007, the Centre for Local Economic Strategies (CLEES) was excited that Central Government's stranglehold of economic development activity was to be broken with a series of new proposals with the devolution of economic development responsibility at their heart. Proposals included the opportunity for local authorities to shape the economy of their place through the development of evidence focused Economic Development Duty. The accountability arrangements and funding cycles of the Regional Development Agencies were altered to foster not only a more strategic role through Integrated Regional Strategies for the Agencies, but also to ensure greater local authority involvement in regional decision making and local delivery of regionally funded projects. Proposals also widened the opportunity for cross-authority boundary collaboration with the formalisation of the process of Multi Area Agreements and the introduction of new forms of sub-regional, primarily economic development related vehicles.

Since the publishing of the Sub-National Review, there has been much speculation as to how these bold proposals would be implemented at the local, sub-regional and regional levels. This speculation has, however, not been met with concise central guidance or consultation, until the publication of the much delayed 'Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration' document². The lead up to the publication of the Review had been twinned with concerns from CLEES as to how much the new proposals were true devolution or whether it was the continuation of the decentralised approach of the current Government with regard to a range of other thematic agendas.

¹ HM Treasury (2007) Review of Sub-National Economic Development and Regeneration. London:HMSO.

http://www.hm-treasury.gov.uk/media/9/5/subnational_econ_review170707.pdf

² Department for Communities and Local Government and Department for Business, Enterprise and Regulatory Reform (2008) Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration. London:HMSO.

<http://www.communities.gov.uk/publications/citiesandregions/snr>

The purpose of this bulletin is therefore three-fold:

- First, it seeks to reiterate and describe the key proposals outlined in the new consultation document;
- Second, it seeks to critique each of the proposals with regard to the key consultation questions;
- Third, it seeks to enable economic development practitioners within the CLES membership base and wider network to consider what their approach to the consultation may include. CLES will also be putting in a response to the consultation and members may wish to support this response with further comments on the Review.

The Sub-National Review of Economic Development and Regeneration

The Sub-National Review of Economic Development and Regeneration seeks to provide a framework that will enable central and local government and their partners to work together to help maximise prosperity in all parts of England and tackle social deprivation and inequality. The focus is upon different scales of responsibility, primarily national, regional, sub-regional and local, working together to tackle a range of issues in their areas related particularly to economic development and skills. The high level objective of maximised prosperity is matched by reforms that seek to:

- Streamline the regional tier, introducing integrated strategies and giving the Regional Development Agencies lead responsibility for regional planning;
- Strengthen the local authority role in economic development, including a new statutory duty to assess local economic conditions;
- Support collaboration by local authorities across economic areas, through for example, Multi Area Agreements.

Streamlining the Regional Tier

CLES lobbied strongly for the creation of Regional Development Agencies in the late 1990s. This lobbying was based upon the premise that the Agencies would develop strong relationships with all of their regions' local authorities, and that collaborative regional working in the field of local economic development would lead to reductions not only in the regional productivity gap but also the economic gap between localities and neighbourhoods. The reality of many economic programmes of Regional Development Agencies is that the focus has often been upon collaboration of larger authorities, and physical rather than community focused economic development projects. Whilst the output and productivity of regions has improved, there has not necessarily been a narrowing of the output gap and other economic related indicators between the best and worst performing regions. There have also been key concerns with regard to the accountability of Regional Development Agencies to the host of local authorities within their regions.

The Sub-National Review consultation therefore recognises these local accountability and local economic development delivery issues, and in particular the importance of both business-led RDAs and democratically mandated local authorities in achieving economic outcomes. The consultation proposals for a streamlined regional tier are as follows:

Sub-National Review Consultation Proposal 1 – New RDA Roles

The consultation sets out a number of new roles for Regional Development Agencies related primarily to their strategic rather than delivery role and their relations with local authorities. There will be a significant change in what RDAs do and how they operate including:

- More strategic in their leadership of the sustainable economic growth agenda;
- More programme than project based approach to regional funding allocations;
- Lead on development of regional strategy;
- Responsible for regional planning;
- More of an engagement role with key stakeholders;
- Continuation of business led approach;
- Commissioning of delivery activities for economic outcomes to partners including local authorities.

Q1. How should RDAs satisfy themselves that sufficient capacity exists for programme management and delivery at local or sub-regional level?

Whilst CLES cautiously welcomes the new roles of Regional Development Agencies outlined in the consultation, particularly the opportunity to commission economic development related programmes towards the sub-regional and local level, there are a number of core concerns and questions remaining:

Strategic capacity lies at the top

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.

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.

Hard outcomes at the expense of soft outcomes

The consultation states that RDAs will continue to be business led. This is a concern in both delivery and outcome terms. Many of the issues facing local economic development relating to worklessness and skills have resonance at the local community or neighbourhood level, as well as the productivity focus of the regional level. The RDAs should therefore not be totally business led but also engage with wider stakeholders, particularly in deprived communities at the local level. They should also ensure that Integrated Regional Strategies should move away from the harder outcomes of Regional Economic Strategies to be softer, particularly with regard to employment.

Commissioning should not just be to the usual suspects

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 Development 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.

Sub-National Review Consultation Proposal 2 – Strengthened Local Authority Role at Regional Level

The consultation sets out a number of ways of strengthening the role of local authorities in regional decision making and delivery:

- Partners in the development of the Integrated Regional Strategy;
- Role in holding to account the RDA and its' regional delivery partners;
- Development of local authority leaders' forum in each region;

Q2. 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?

Important not to replicate local strategy

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 Development 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.

A need to recognise 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, 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.

Sub-National Review Consultation Proposal 3 – Scrutiny of Regional Development Agencies Centrally

The Review, together with the Governance of Britain Green Paper, proposes new scrutiny mechanisms for Regional Development Agencies, notably:

- RDAs will continue to be accountable to Parliament through the Secretary of State for Business, Enterprise and Regulatory Reform;
- Performance management of RDAs will be focused upon how well they are performing in their strategic role;
- Local authorities will be able to continue exercising their scrutiny roles of RDAs and other Government Agencies at the local level.

Q3. Are the proposed regional accountability and scrutiny proposals proportionate and workable?

A need for cross-department scrutiny

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.

Integrated Regional Strategies

The development of regional strategy in recent years has been complex in terms of the thematic focus of strategy, who develops strategy, and the governance arrangements for delivering the strategy. Regional Economic Strategies have been developed by the Regional Development Agencies, whilst responsibility for Regional Housing, Transport, Planning and Spatial Strategy has been held by the unelected Regional Assemblies and their various thematic boards such as the Regional Housing Board. This mixture of development and strategic governance has led often to a lack of coordination between the various strategies. The Review of Sub-National Economic Development and Regeneration promotes a solution to this through the abolition of Regional Assemblies and the passing of responsibility for Regional Development Agencies to produce Integrated Regional Strategies.

Sub-National Review Consultation Proposal 4 – Integrated Regional Strategies to Promote Growth

The Comprehensive Spending Review 2007 introduced a new Public Service Agreement (PSA) for regional economic performance to 'improve the economic performance of all English Regions and reduce the gap in economic growth rates between regions'. Integrating regional strategy and in particular the link between economic strategy and spatial strategy is seen as key to sustainable economic growth. The Integrated Regional Strategy is therefore proposed to contain the following:

- 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.

Q4. 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?

CLES welcomes the move towards Integrated Regional Strategies, particularly as they will result in greater understanding of what regional government does, it will provide a more rounded picture of regional strategic considerations, and it will lead to efficiency and reductions in bureaucracy with regard to how regional strategy is produced. There are however a number of key concerns with regard to:

What about 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.

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 Development 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

Local authorities have long been crying out for greater responsibility and delivery opportunity with regard to local economic development both individually and in collaboration with neighbouring local authorities. Local Economic Development has, as a result of the Sub-National Review, moved higher up the local government modernisation agenda which is welcomed by CLES. There are a number of proposals in the Review which strengthen the role of local authorities in economic development:

Sub-National Review Consultation Proposal 5 – Local Authority Economic Assessment Duty

The Sub-National Review included the commitment to consult on a focused statutory economic assessment duty for local authorities that would require top-tier authorities to carry out 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 for the Review sets out three core options for the coordination of 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. The lead authority would be required to have regard to any guidance issued by central government.
- Option 2 – this is as option 1, but there would be no requirement to have regard to 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.

Q7. Which of these options (or any other proposals) is most appropriate?

Q8. What additional information or support do local authorities consider valuable for the purpose of preparing assessments?

Option 3 is not an option

It is important that the Economic Development 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. Option 1 therefore appears to be the best option, but any guidance issued by central government should be advisory rather than compulsory. 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 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 local context in which they operate. The Economic Development Duty is a key way to ensure this.

Data channels need to be opened up

It was mentioned earlier in this bulletin the importance of scrutiny arrangements for Regional Development Agencies being across central government. This cross-department collaboration is equally important for the Economic Development Duty, particularly with regard to data sharing. In order for effective Economic Development 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.

Link to the Local Area Agreement

It is important that the Economic Development Duty is intrinsically linked to the Local Area Agreement. Local authorities and their partners will be able to use the Duty to evidence and monitor the performance of economic development related targets in their Local Area Agreement.

Sub-National Review Consultation Proposal 6 – Collaboration across Sub-Regions

The consultation builds upon the review and activities already being undertaken across England with regard to collaboration between local authorities within sub-regions for economic development purposes. Collaborative models presented in the review include:

- Multi-Area Agreements;
- Integrated Transport Authorities;
- Statutory arrangements for sub-regional collaboration on economic development issues.

Q12. Do you agree that there is value in creating statutory arrangements for sub-regional collaboration on economic development issues beyond MAAs?

Statutory sub-regional arrangements key for the road to devolution

There has been a lot of research and policy activity around the processes of city regions and sub-regions and cross-authority collaboration in recent years. The consultation proposes the establishment of sub-regional arrangements for economic development activity beyond transport and beyond the remit of Multi Area Agreements. It is important that local authorities take up the opportunity for strengthened sub-regional economic development responsibility as it will be key to moving towards devolution, with regard to economic development. The consultation highlights potential projects for collaborative vehicles including:

- Delivering relevant parts of the regional strategy;
- Preparing a joint local development framework;
- Implementing any business rate supplement.

Conclusion

The field of economic development is in a period of excitement. The Sub-National Review of Economic Development and Regeneration, could if given the opportunity, become one of the most important policy documents of the last 11 years, particularly with regard to the devolution of powers to regions and localities. The Review consultation provides a wide array of new proposals and implementation will require significant investment in time and capacity of local authority officers. Additionally, Regional Development Agencies will be required to up-skill in order to ensure they have the skills base to take on new strategic responsibilities. This bulletin has provided an overview of the proposals of the Sub-National Review together with some indirect thoughts about the consultation questions. CLES will be submitting a formal response to the consultation which closes on 20th June 2008. If you would like to contribute to our response or have

any thoughts please contact Matthew Jackson, 0161 233 1928,
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Government Office North West, like other Government Offices across England, are holding a consultation event on the Sub-National Review on 12th May 2008 and CLES are currently planning a seminar on the Review to be held in June, details of which will appear shortly on our website www.cles.org.uk

Bulletin 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 Local Work, Rapid Research and bespoke Briefings on a range of issues.

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