

BARRIERS TO EFFECTIVE SUB-NATIONAL DELIVERY – FURTHER INFORMATION FROM THE CHIEF ECONOMIC DEVELOPMENT OFFICERS SOCIETY [CEDOS]

1. The Chief Economic Development Officers Society [CEDOS] brings together senior economic development officers of upper and single tier local authorities in the non-metropolitan areas of England. The membership includes County Councils and Unitary Authorities which together represent over 47% of the population of England and provide services across over 84% of its land area.

2. The report providing the CEDOS input to the Government's review of sub-national economic development and regeneration was sent to the Treasury team leading the review and also to the Lyons Inquiry team in July 2006. Subsequently, during discussions with Ben Day of the Lyons team, we were asked if CEDOS could provide some more detailed information/evidence on the barriers faced by local authorities in promoting the economic development and regeneration of their areas [paragraph 37 of the CEDOS input – see Annex A].

3. The following additional information has been provided by CEDOS members. As far as possible these have been grouped under the individual barriers listed, although some are relevant to more than one of them.

▪ Resource constraints

Stoke on Trent: " Within Stoke on Trent spending on economic development has to be assessed against other City Council priorities as part of the budget setting process. As with all services, the budgets, especially revenue, are under continuing pressure. In Stoke on Trent, as a unitary authority, first priority tends to be given to those departments with high spending requirements especially those obliged to meet recent Government initiatives around old people and children and young people's services for example. As a result we have been obliged, and have been very successful, in securing external funding [EU, NRF, Regeneration Zone etc], which nevertheless is time limited. This situation is likely to continue unless the Government makes a firm commitment to supporting economic development, which is backed up with actual funding.

▪ The way resources are managed and spent by the Regional Development Agencies, often channelled through the equally unaccountable sub-regional partnerships that many RDAs have set up to deliver their agendas, are governed by over-complex bureaucracies and decision making, which handicap progress

Cheshire: Regional Development Agencies explain that the key reason for supporting projects with investment funding is in support of the Regional Economic Strategy [RES] and the outcomes required by the RES. However, in reality many projects gain approvals; because they are seen as worthy or iconic projects. All projects need to be assessed in priority order on the basis of what they will achieve in terms of key output and outcome measures for the economy. Much of this results from the lack of political accountability of the Regional Development Agencies.

One major barrier would be removed if there was an acknowledgement of the level of support that a sub-region will be able to draw down over a longer timescale. There needs to be more certainty of the level of likely support based on a package of major programmes in a sub-regional action plan. This could be based on what likely impact

based on economic forecast modelling the sub-region is likely to be able to generate in GVA terms.

Durham: As part of the new 'business process' introduced for Single Programme projects, One NorthEast has developed a scoring system against which projects will be rated. In essence, those projects that score highly should be those that are taken forward, but One NorthEast also intend to take forward certain projects that might score poorly but they deem to be worthwhile. There are no criteria to determine what projects are worthwhile. This scoring system not only lengthens the process of projects and Sub-Regions obtaining investment, but also makes one wonder whether it actually adds any value to the process.

Cornwall: In the South west region, the RDA and the Countryside Agency established the Market and Coastal Towns Initiative (MCTI) through a South West wide MCTI company, despite advice from sub-regional partnerships and local authorities that this might cut across existing activities and lead to development of unrealisable expectations in towns. Numerous 'visioning' consultancy reports have been prepared with the expectation that District and County councils will help deliver the resources to fulfil them. If it had been organised on a sub regional county basis, expectations and thus potential disappointments in local communities could have been managed and activities which are already being addressed at a county level be incorporated.

Stoke on Trent: Our ability to secure Advantage West Midlands [AWM] funding is constrained by their overly bureaucratic procedures. It can take up to six months to secure project approval. As a consequence there is currently a £15million underspend in the SRB 6 programme, but AWM does not have the procedures in place to fast track schemes that will tackle this underspend unlike some other Regional Development Agencies [e.g. the East Midlands Development Agency].

- **Too much filtering of funding through too many layers of bureaucracy that inhibits the 'local solutions for local problems' approach and runs counter to the principles of localism and Local Area Agreements – something that surely needs investigation by the National Audit Office/Audit Commission**

Hampshire: In the SEEDA region everything it seems has to have a *regional* level of administration e.g. local food initiatives have a regional co-ordinating group (and staffing); "Sustainable Business Partnerships" which are County-based and in part funded by SEEDA, have a SEEDA team co-ordinating them; SEEDA have put £250,000 into setting up a regional creative and media industries group (South East Media Network) which co-ordinates the county-based partnerships (e.g. Wired Sussex and Wired Wessex). In most cases, these co-ordination activities do not improve efficiency - they simply add another layer of bureaucracy and inhibit the local solutions for local problems approach.

Devon: The same is true in the South West region, where regional strategies and coordination are constantly imposed on locally focused initiatives, with a consequent reduction in funding available, and may inhibit the potential for joint funding, added value and partnerships with sub regional agencies such as county councils and other local authorities.

- **Changes in planning legislation and the creation of Regional Spatial Strategies and Local Development Frameworks have the potential to militate against economic development at the sub-national level. With the focus now on LDF's, there is very real potential for a lack of strategic planning in relation to employment and business land allocations in particular, as there may be, inevitably, a reluctance on the part of one authority to plan within its LDF for the requirements to accommodate the needs of another LDF authority**

Durham: The fact that all Regional Spatial Strategies have to be ratified by the Government (e.g. the North East Examination in Public, March-April 2006) means that regions cannot control their own development. Indeed if all of the changes recommended by the Government are made to the RSS, it might serve to restrict the ability of the region to improve its economic performance. For example, the Government recommend that the Heighington Lane West employment site is removed from the RSS, despite the site acting as an extension to the second largest employment estate in the region and has had significant commercial interest from the logistics sector – predicted to be a major growth sector for County Durham and other parts of the region. In addition to this, One NorthEast has already invested £1m of regional funding to prepare the site's infrastructure. If the Regional Economic Strategy is revised in line with the RSS, and/or if One NorthEast investment is made in line with the RSS, as the Government wants, County Durham's economy could be dealt a significant blow.

After a failed attempt to regenerate all major centres in the County, the Durham Economic Partnership needs to focus on improving the prospects of a smaller number of towns. Bishop Auckland has the greatest amount of retail floor space of all towns in County Durham, and has some significant historic and cultural attractions that should be exploited more. Arguably, the town could act as a major service centre in West Durham, serving the Wear Valley, Sedgefield and Teesdale districts. However, because of the way political boundaries are drawn some neighbouring districts are not keen to see Bishop Auckland expand in this type of role, before their own smaller towns are regenerated.

Suffolk: An adequate, long term, safeguarded supply of employment land is a prerequisite for local authorities to carry out their economic development role [and ensure future tranches of LABGI funds]. In Suffolk, the combined effect of PPG3 and the latest Examination in Public panel report on the draft East of England Plan, which has recommended the removal of specific housing allocations for districts in and around Ipswich, has already created additional pressure to allow housing on a sub-regionally important employment site on the outskirts of Ipswich.

- **Too many partnership requirements imposed upon local authorities, leading to an over-complex partnership landscape and, frequently, partnership overload and fatigue**

Derbyshire: A problem we have in Derbyshire is the fact that we have two Strategic Sub-regional Partnerships [SSPs] covering the county set up at the instigation of the Regional Development Agency. The two SSPs have different priorities. This means that for any countywide projects seeking funding, organisations have to complete two application forms and often get different answers. The amount of form filling and bureaucracy is excessive.

Durham: District authorities and other bodies (e.g. local development agencies) tend only to agree with Durham Strategic Partnership decisions when they can see direct benefits for themselves. Much of the time, whether the district or local agency agree or disagree with the Partnership is not important – they just want whatever the issue is to benefit their area. If the project does not benefit their area, districts and local bodies will either object to the idea simply to show they stood up for their area, or agree to the project as long as they have (or have had) a project of equal status in their area.

Oxfordshire: There are situations where the refusal of town, district and county tiers to work together is a major barrier and in some cases SEEDA funding has been useful in insisting that partners work together to address the systemic issues that prevent meeting the needs of different communities effectively. However, this does not alter the fact that at other times their single-track pursuit of economic development is inconsistent with both local democracy and with other aspects of central government's approach to sustainable development.

- **Too many staff resources taken up by time consuming and uncertain competitive and other bidding processes;**
- **Having to 'jump through too many different hoops' to gain access to different funding streams with different application processes, criteria and performance monitoring arrangements**

Northumberland: We are particularly concerned about the extra work arising from multiple funding streams. Government requirements [e.g. for EU funding] have proved to be a sticking point in rationalising application and reporting procedures locally.

Too often, RDA and other externally funded programmes are output driven to match the funder's own targets at the expense of other outcomes that could be more worthwhile

Cheshire: The Regional Development Agencies still seem confused between their aim of closing the output and productivity gap and the aim of tackling social exclusion. Even if the investment required is small and the leverage enormous in terms of private investment it will generate, there is still no guarantee of RDA support.

Northumberland: The Northumberland Strategic Partnership [NSP] was set up by the local partners rather than imposed on us by the Regional Development Agency [One NorthEast] and has helped us reduce the impact of some of the barriers identified. However, the NSP is largely funded by One NorthEast and its effectiveness in responding to local rather than national/regional needs is constrained.

Decision-making on many strategic issues is too remote and may not take into account the special circumstances that apply to a locality

Cheshire: We are seeing the gradual centralisation of more and more decision-making both centrally in Government and within RDAs. This is not contributing to more rapid delivery of schemes. If anything it seems to be delaying projects.

There is still a lack of flexibility within many Government departments in terms of how programmes and funding can be used in local areas. There is welcome emphasis from Central government asking local government what new freedoms we need but no related freedom available to e.g. DWP, DFES and Job Centre Plus to use their funding support packages in different, more useful, ways to tackle local problems.

The over-prescriptive use of the state aid rules has in many cases hampered more private company based regeneration or economic development even though they would be more cost effective. Sometimes regional and national bodies seem to be overly risk averse and lack a 'can do' mentality to make things happen.

Cornwall: A substantial amount of money [a further £3 million has just been announced] has been spent at South West regional level to try and build a South West brand, which has little resonance with either tourists or the business community. The individual strong brands within the region include cities such as Bristol, Bournemouth, Exeter and Plymouth and some very strong sub regional county brands such as Dorset, Devon, Cornwall and Somerset. These strong brand identities have not been able to persuade the RDA to assist in developing them further, and no regional resource has been allocated locally.

Stoke on Trent: The context for economic development in Stoke on Trent is set by the Regional Economic Strategy [RES] produced by Advantage West Midlands. The current strategy, as with many others, is very broad brush setting out general policies and priorities, which do not reflect the diversity of the region or ongoing initiatives such as the North Staffs Integrated Economic Development Strategy. As a result programmes and projects have to be skewed to fit in with the pre-determined priorities of the RES in order to attract funding. The City Council is currently closely involved in the review of the RES to ensure that it reflects the diversity of the region and in particular the needs of North Staffordshire, but this is not expected to be completed until Sept 2007.

West Sussex: There is particular concern at the seemingly arbitrary nature of the method for distributing Business Resource Efficiency and Waste [BREW] funding for sustainable business purposes. Decisions over major funding allocations are made with little or no reference to local requirements or support for existing delivery mechanisms. Much money has been spent on large organisations and programmes such as the National Industrial Symbiosis Programme [NISP], which have achieved little on the ground and which are unrelated to local schemes, often duplicating and undermining those efforts, by reducing longer term funding availability. The short termism of many funding programmes is a cause of great concern and difficulty in recruitment and retention of qualified staff. This point has been recognised by consultants Jacobs Babtie, who have recently undertaken a study of sustainable business support for SEEDA. Consolidation of performance criteria would avoid the proliferation of measurements and also give a better national picture by achieving a standardised baseline and performance measurement regime.

A FURTHER EXAMPLE OF BARRIERS

4. In addition to the examples set out above, Suffolk County Council has provided the following example relating to the Haven Gateway Partnership, which illustrates a number of barriers, including filtering of funding through layers of bureaucracy, complex partnership landscapes, having to access different funding streams, the way

resources are managed and spent by the RDA's and strategic rather than local decision making:

Haven Gateway Partnership

The five Haven ports of Felixstowe, Harwich International, Harwich Navyard, Ipswich and Mistley represent the single most important cluster of ports in the UK. Based on their central role as hubs and generators of economic activity, the Haven Gateway Partnership (HGP) was set up to provide a framework within which its partner organisations - from the private and public sectors - can work together to promote economic opportunities and secure the future prosperity of the region. The partnership is a recognised sub-region within the draft Regional Spatial Strategy and receives operational funding as a Sub-Regional Economic Partnership through the RDA.

As a result of the geographical spread of HGP there are 7 local authority partners involved, 2 county councils and 5 district/borough councils. It also overlaps the areas covered by the Suffolk and Essex Sub Regional Economic Partnerships (which also receive operational funding from the RDA), and there are 2 separate LAA's covering the area. The two LAA's and their respective Economic Block 4's have been produced independently of each other and the Suffolk LAA is a round one pilot whilst Essex is round 2.

HGP has applied for New Growth Point (NGP) status and is awaiting a decision on this from DCLG. Grants for infrastructure improvements approved through the NGP bid are likely to be channelled through the LAA process but it is not yet clear whether this will be through just one of the county wide LAA's operating in the HGP area or through both, depending on the location of the project receiving support. Monies will then need to be "passport" through the appropriate LAA to the actual organisation responsible for delivery.

In addition, two of the key partners in HGP, Colchester and Ipswich Borough Council's, are part of a partnership of 6 medium sized towns/cities in the Eastern region pursuing the Regional Cities East (RCE) initiative. The RCE towns/cities are seeking to collaborate rather than compete to deliver a step change in economic and housing growth. In order to achieve this they are proposing to agree, with Government, a Multi Area Agreement that would link freedoms and flexibilities to collective targets. The relationship of the MAA to the existing LAA's is not yet clear nor is the way in which the responsibilities/flexibilities sought by RCE towns/cities with regards to planning and transport matters will relate to the existing responsibilities and powers of contiguous districts, county councils and regional bodies.

ANNEX A: BARRIERS TO EFFECTIVE SUB-NATIONAL DELIVERY – EXTRACT FROM ORIGINAL CEDOS PAPER

37. Barriers, which impede the effectiveness of local authorities in delivering sub-national economic development and regeneration, include:

- resource constraints
- the way resources are managed and spent by the Regional Development Agencies, often channelled through the equally unaccountable sub-regional partnerships that many RDAs have set up to deliver their agendas, are governed by over-complex bureaucracies and decision making which handicap progress;
- too much filtering of funding through too many layers of bureaucracy that inhibits the 'local solutions for local problems' approach and runs counter to the principles of localism and Local Area Agreements – something that surely needs investigation by the National Audit Office/Audit Commission;
- changes in planning legislation and the creation of Regional Spatial Strategies and Local Development Frameworks have the potential to militate against economic development at the sub-national level. With the focus now on LDF's, there is very real potential for a lack of strategic planning in relation to employment and business land allocations in particular, as there may be, inevitably, a reluctance on the part of one authority to plan within its LDF for the requirements to accommodate the needs of another LDF authority.
- too many partnership requirements imposed upon local authorities, leading to an over-complex partnership landscape and, frequently, partnership overload and fatigue;
- too many staff resources taken up by time consuming and uncertain competitive and other bidding processes;
- having to 'jump through too many different hoops' to gain access to different funding streams with different application processes, criteria and performance monitoring arrangements;
- too often, RDA and other externally funded programmes are output driven to match the funder's own targets at the expense of other outcomes that could be more worthwhile;
- decision-making on many strategic issues is too remote and may not take into account the special circumstances that apply to a locality;
- too much emphasis on meeting national priorities and targets in Local Area Agreements and not enough progress on securing real freedoms and flexibilities.