

Second Submission to the Lyons Inquiry

England's Regional Development Agencies

Executive summary August 2006

Introduction

Sir Michael Lyons during his inquiry into the future role, function and funding of local government agreed that the RDAs would provide a further submission setting out greater detail on the role of the RDAs, areas for change, the future economic development role for local government, as well as providing examples of where RDAs add value in regeneration and creating traction with Local Authorities and other partners.

This summarises the key messages from the RDAs to the Inquiry.

Key messages

- **Regional Economic Strategies provide strong regional prioritisation behind which coalitions of local authorities can be formed** - they provide an effective pivot between national economic objectives and targets and local economic development priorities and actions. The continued future success and delivery of the Regional Economic Strategy is dependent upon greater alignment of public sector investment and activity, particularly of local authorities behind regional economic priorities.
- **The functioning economies and societies of local areas demand that economic development should not be the sole responsibility of a local authority acting alone** - It is vital that all local authorities are given incentives to collaborate and work outside their boundaries and are held to account for the decisions they make that impact on other areas. The development of this role would need to be considered in a focused regional context.
- **There is no one common approach to economic interventions** – primarily due to the different economic, spatial and political geographies of the regions and there will be a role in most policy areas for national, pan-regional, regional and local activity.
- **Local Area Agreements can help to strengthen and improve collaboration between RDAs and local authorities** – they offer a route for RDAs and local authorities to work together to align priorities, targets and funding behind regional priorities. LAAs represent a potential delivery option and help bring a greater spatial dimension to Regional Economic Strategies.

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England's Regional Development Agencies

INTRODUCTION

- 1.1. On 9 May 2006, the Chairs of the English Regional Development Agencies (RDAs) met Sir Michael Lyons to discuss his review of the future role, function and funding of local government. It was agreed that the RDAs would provide a further submission to the Lyons Inquiry setting out:
- The role of the RDAs;
 - Areas for change;
 - The future economic development role for local government;
 - Examples of RDAs adding value in regeneration and creating traction with Local Authorities and other partners (these are attached at Appendix 1).
- 1.2. This second written submission from England's RDAs¹ addresses Sir Michael's request for additional information. Should the Lyons Inquiry Team require any further information, clarification or discussion on any of the points raised in this submission, please contact Alan Clarke, Chief Executive, One NorthEast.

Core RDA Messages

- Regional Economic Strategies provide strong regional prioritisation behind which coalitions of local authorities can be formed and provide an effective pivot between national economic objectives and targets and local economic development priorities and actions;
- The functioning economies and societies of local areas demand that economic development should not be the sole responsibility of one local authority acting alone;
- There is no one common approach to economic interventions due to the different economic, spatial and political geographies of the regions;
- Local Area Agreements can help to strengthen and improve collaboration between RDAs and local authorities.

THE ROLE OF THE RDAS

- 1.3. In 1999, the eight Regional Development Agencies (RDAs) were established under the Regional Development Agencies Act 1998 with direct accountability to the elected Minister of State. For the first time, economic development and regeneration policy was to be developed and co-ordinated strategically at the regional level.

¹ The London Development Agency (LDA), the ninth English RDA, was established under the Greater London Authority (GLA) Act 1999 and is directly accountable to the Mayor of London. The LDA's position will vary in a number of ways due to its differing accountability arrangements, particularly those related to the Mayor's new powers. The Mayor and GLA have provided a separate response to the Lyons Inquiry.

- 1.4. The RDAs provide a framework for the delivery of the Government's national economic regeneration and development policy priorities at the regional level. The statutory purposes of the RDAs can be summarised as driving the sustainable improvement of the national economy through increasing performance and competitiveness and reducing economic disparities within and between regions². A strong relationship and partnership between RDAs and local government is therefore crucial to the successful implementation of this role.

Regional Economic Strategies

- 1.5. The Regional Economic Strategies provide the overarching framework for sustainable economic regeneration and development in the regions. Each Regional Economic Strategy is developed in close partnership, through an iterative process, with a wide range of public, private, voluntary and community sector stakeholders at regional, sub-regional and local levels. Through this process, regions agree both economic priorities and actions to deliver them, underpinned by a common understanding and evidence base. The RES is a document owned by the whole region.
- 1.6. The process of the Regional Economic Strategy helps to develop the ability of the regions to prioritise actions and take difficult decisions with maturity, often overcoming local political difference of opinion. The key priorities of the Regional Economic Strategies reflect the actions needed to maximise economic growth and return on investment. Its continued future success and delivery is dependent upon greater alignment of public sector investment and activity, particularly local authorities, behind regional economic priorities.
- 1.7. Through their local democratic accountability, economic well-being and planning and highways powers, local government is one of the key partners in the development of the Regional Economic Strategy. For example, local authorities bring a wealth of local expertise and knowledge about local issues, economic opportunities and threats and provide a route through which the voice of local communities can be heard. They can play a key role in providing the evidence base underpinning the priorities of the Regional Economic Strategy.
- 1.8. The RDAs recognise that more steps could be taken to develop greater transparency and clarity as regards regional decision-making processes. This is especially true when priorities and investment decisions at the regional (for example in the Regional Economic Strategy) and sub-regional levels have been made in an attempt to balance local needs and wider interests.

Different places require different solutions

- 1.9. Since 1999, the RDAs have worked with local government and other partners within cities, towns and rural areas to build a strengthened evidence base and a deeper understanding of how sub-national economies function and the opportunities and challenges for further growth. The RDAs acknowledge that the technical and analytical capacity

² Regional Economic Performance PSA Target: Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions.

at the sub-regional level needs to be increased and strengthened to improve our understanding of how economies work.

- 1.10. Through the work of pan-regional initiatives, such as the Northern Way³ and the Thames Gateway, each Regional Economic Strategy is increasingly being informed by the functioning economies and societies of local areas, including travel-to-work areas, retail catchments, housing markets, global markets and strategic transport links, which cut cross local administrative boundaries. For example, the economic geography of the City of Manchester extends beyond Manchester and the other 9 Greater Manchester districts into Warrington and the Cheshire districts of Macclesfield, Congleton and Vale Royal and the High Peak District in the East Midlands. When considering the future for Manchester it is therefore important to consider the wider area that Manchester impacts upon.

Due to the different economic, spatial and political geographies of the regions, there is no one common approach to economic interventions. The development of city-regions has become a useful economic geography for analysis in the Northern Regions. The same is not the case elsewhere. The economic success of the Midlands Regions depends on the integration of a number of different spatial drivers, including realising the potential of major cities and taking advantage of the growth in smaller towns and cities that benefit from being close to the South East. The complexities of the interdependence and commonalities of the South Eastern regions, particularly surrounding growth and workforce developments, differ from other areas. On one hand there is the city-region effect of London as a major influence on the adjoining economies. Whilst on another level the economic success of the southern regions could be said to be more dependent upon networks of small or medium sized regional cities and towns.

In the East of England, Regional Cities East (RCE) is an alliance of six cities supported by the East of England RDA and the Government Office. The six cities, Peterborough, Luton, Ipswich, Norwich, Colchester and Southend-on-Sea, believe that by sharing best practice, collaborating on joint ventures and setting clear priorities, they can create more jobs and affordable homes than they could by working alone. They share a common belief - that medium sized cities can deliver economic growth in a sustainable way.

- 1.11. It is clear that economic policy that meets public needs cannot be run from the centre with a one size fits all approach. In order to implement national objectives, specific interventions will be most appropriately funded, managed and evaluated at a range of different levels. This will vary according to the nature of the activity, economic, spatial and political geographies, as well as partnership maturity and institutional capacity. These variations will occur even within regions.

³ The Northern regions consist of the North East, North West and Yorkshire Humber

- 1.12. There is a role for Government in setting strong national plans in some policy areas and strengthening a duty to collaborate at a local level for partners within the Local Strategic Partnership (LSP). As a general principle, intervention should be based on priorities with planning at the most appropriate level. This should be based on the principle of subsidiarity - at the level needed to achieve coherence of policies and make difficult decisions, ability to catalyse partnerships, capacity to deliver, and empower local approaches and people.
- 1.13. There will be a role in most policy areas for national, pan-regional, regional and local activity. For example:
- Transport policy and decision-making needs to be made through a tiered approach. A National Strategic Transport Framework will provide the context for delivering a strategic and integrated national transport network. Regional and sub-regional transport strategies will inform and be informed by the national framework. This tiered approach will enable nationally important transport investments to be prioritised to support regional activities. In addition, streamlining the planning system for schemes of national economic importance will enable more timely delivery to support regeneration and growth activity in the regions;
 - Inward investment by business needs to take place at a number of levels. Local government with its partners through the LSP has to ensure that its policies (such as addressing crime issues and improving the local environment) are informed by local business needs. Inward investment requires a tailored approach to meet market needs, and the roles of RDAs and local authorities can be seen as complementary. For example, emda and Advantage West Midlands work together under the British Midlands banner on inward investment promotion in the Far East and USA – taking advantage of the opportunity that two regions together are able to offer large markets and opportunities to both a UK and International audience. Sub-regional inward investment partners, led by Local Authorities work alongside the two RDAs in a fully collaborative way and do not dissipate energy and resources on competing with each other.

In 2004/05, a total of 174 staff were employed by RDAs and based in the UK to work on inward investment, with an additional 145 people based overseas. As a result, RDAs secured over 1,000 inward investment projects with over 74,000 associated new or safeguarded jobs. This is an exemplary rate of return with a strong multiplier effect.

- 1.14. With the Regional Economic Strategy setting strong priorities and objectives, it can function as a highly successful framework to ensure that a wide range of locally and nationally managed interventions are aligned with national economic objectives and support regional economic drivers. Each Regional Economic Strategy can help to identify the best level of intervention to address market failure. Regional Economic Strategies have become sufficiently specific in their priorities to create the environment for the specific solutions in each region.

RDAs as facilitators of sub-regional working

- 1.15. RDAs have helped to bring together groups of local authorities (including small rural districts and large city councils) and other public and private sector organisations to establish partnerships to exploit economic growth opportunities or to turn around areas in economic decline. Since economies cut across local administrative boundaries, sub-regional partnerships are often the most appropriate level for identifying common issues and channelling and coordinating cross boundary interventions that require cross boundary collaboration.

In April 2003, the North West Regional Development Agency and One NorthEast led a team of consultants in undertaking a major study into Hadrian's Wall. The aim of the study was to assess the potential of Hadrian's Wall to support the regeneration of the North of England through the growth of tourism revenues and to deliver a new Vision for Hadrian's Wall. The development of the Hadrian's Wall project involved 7 district councils, 2 county councils and one city council, alongside a range of other partners across both regions. A new, single body has now been created to manage the World Heritage Site of Hadrian's Wall and has as its core purpose, the management of a major injection of intellectual and financial capital that is intended to bring about a step change in the economic and social contribution the Wall makes to its communities.

In Camp Hill (Nuneaton), West Midlands, Advantage West Midlands (AWM) is active in the most deprived ward in Warwickshire with relatively high unemployment, low quality public housing and a run down environment. AWM is a key partner in this £14 million regeneration scheme that has two phases. The first phase of the new housing development has started on the site on the open land off Tuttle Hill and involves significant construction of properties and a new link road, which will eventually join up with the Village Centre area. The Village Centre development will include a range of community buildings, shops and new homes.

- 1.16. Urban Regeneration Companies (URCs) have generally proved strong at delivering economic regeneration and development in specific places where major change is required to drive economic renewal through major infrastructure interventions. URCs provide high credibility as joint ventures between RDAs, Local Authorities, business and English Partnerships.

The Sheffield URC has delivered the first high quality office market and cultural facilities in the city for a generation. Its £1bn programme has been 85% private investment.

The challenge now is to find similarly effective delivery vehicles that work across boundaries. Other models for collaboration have been built on RDA-led local authority partnerships.

Hastings & Bexhill Renaissance Ltd has brought public sector partners together to agree a five point regeneration plan. In three years, major redevelopment and support for the skills base through the new University Centre has already seen Hasting move from 27th to 39th most deprived area and wage rates rise from 79% to 86% of the national average.

Creating Traction

- 1.17. In April 2002, the RDA Single Pot was introduced which consolidated previously separate economic development funding programmes into one single budget. Accountability was to be measured by outcome targets rather than input funding. The financial flexibility available to RDAs through the Single Pot has been critical to allowing RDAs to apply flexible solutions to regional economic needs and opportunities. This has helped to join up policies, strategies and interventions across departmental, service and institutional boundaries.
- 1.18. The Single Pot is only a fraction of the resources available to a region and so the RDAs ability to leverage and influence other public and private financial resources is essential in meeting the aims of each Regional Economic Strategy.
- 1.19. RDAs have been able to deploy the last round of European Regional Development Fund (ERDF) generally in line with Regional Economic Strategy objectives to bring necessary critical mass to innovative projects, with the involvement of local politicians in programme steering mechanisms to ensure collective understanding and support. For example, Yorkshire has harnessed EU Funding to enhance SME support by utilising Single Pot activity as match for the release of a further £35m Objective 2 EU funding.
- 1.20. RDAs have developed the ability to intervene across local and regional boundaries with sufficient critical mass to secure private sector confidence and financial leverage but also to demonstrate the value of public sector alignment around priorities. This delivers outcomes both in terms of employment rates, re-employment and economically productive physical regeneration. Against the background of long term job losses in the 1980's, RDAs have been able to pre-empt and respond to more recent economic restructuring in a way that has reduced long term impact and shocks.

The flexibility to respond quickly and in an innovative way to crises (e.g. Bunsfield; Foot and Mouth Disease) and major economic shocks (eg. MG Rover) and to apply innovative business solutions has been a major advantage of the Single Pot and the RDAs role as non-political organisations that can pull together partners from different sectors and

geographies. Another has been RDAs' capacity to intervene in longstanding areas of inactivity or dereliction to force change and implement a holistic approach to economic development.

RDAs' work on the aftermath of coalfield closures, where in Selby 1900 of 2000 miners are back in work, and where physical work in the East Midlands and East Kent Coalfields has underpinned social and economic regeneration by providing business locations and new green space for communities.

- 1.21. Through exercises such as the recent Regional Funding Allocations (RFA), RDAs and their partners have been able to further develop their strategic vision and framework over a long-term period of indicative financial allocations for sustainable economic development, housing and transport. The RFA exercise in the future would benefit from greater regional democratic accountability, some options are discussed in the section below.

AREAS FOR CHANGE

Fewer national priorities

- 1.22. RDAs welcome Sir Lyons proposals for a more focused approach to setting national priorities by defining a smaller set of key national objectives and requirements. We are keen that the balance of responsibilities for public services is shifted from the centre to the most appropriate level.
- 1.23. RDAs currently have to demonstrate their contribution to 14 Public Service Agreements (PSA) and related output targets regardless of their regions economic priorities. RDAs are often pulled in different directions to respond to a number of often-conflicting demands, which is confusing to stakeholders – including local government and business.

Government will always set a national policy framework for education. However RDAs seek to ensure that Regional Skills Partnership's (RSPs) priorities are set in line with the Regional Economic Strategy, based on detailed sector based analysis of business demand for skills in each region. National plans do not yet formally reflect those priorities and are driven by nationally set targets that do not take account of the regional evidence base. For example, the South West (SW) exhibits high labour utilisation in quantitative terms but is not utilising its skills base to best effect as local skills market reviews have shown. There are important shortages in intermediate skills, but addressing basic skills and boosting the highest skills are perhaps the main priorities for policy intervention. In particular recent SW productivity research has shown that raising basic skills would have a positive impact on productivity in the workforce for a range of firms and sectors. Raising the quantity, quality and use of existing high skill levels would have an even stronger impact. The national target for Level 2 skills does not support one of the priorities of the SW Regional Economic

Strategy, 'to raise demand for, and take up of, higher level skills training (NVQ Level 3 and above)'.

- 1.24. A reduction in national PSAs alone will not deliver maximum improvements in economic growth. The regional tier provides the ideal intermediary level between national and local priorities. It is for this reason that the primacy of the Regional Economic Strategy, as the key strategic framework for regional economic development, is vital to the future economic success of the English regions. It is important that local authorities are able to determine the needs of their areas and set their own targets within the framework provided by the Regional Economic Strategy.
- 1.25. In the collective RDA submission to the Comprehensive Spending Review (CSR) 2007, we will be suggesting that further consideration be given to the development of overarching regional PSAs, to which all public agencies which impact on regional economic growth are held accountable, from DFES, DWP and DFT to local government. This would bring greater synergy and traction to their combined activities. This would facilitate a complementary and non-conflicting approach to economic development and help to avoid unnecessary duplication. This could be achieved by aligning or subsuming existing PSAs with a regional PSA based on the Regional Economic Strategy and fewer local authority indicators and delivered at a local level through Local Area Agreements.
- 1.26. Alternatively, RDAs could have the ability to set which PSA targets are appropriate for their region's priorities. Regions could then choose from a menu of PSAs against which to set output targets dependent on the particular conditions which apply in each region. This could preserve the full range of PSA targets, which currently apply to RDAs but make the way in which they are applied more sensitive to regional needs.

Reduced Performance Management and Stronger Regional Democratic Accountability

- 1.27. With further reductions in the number of national targets, the requirements of inspection and other monitoring mechanisms could also be reduced for local government and the RDAs. The RDAs are supportive of steps to reduce the burden placed on local authorities through the current plethora of inspection regimes. The RDAs welcome steps taken by bodies such as the Audit Commission to develop Area Based Inspections for a more strategic based assessment of an area as a whole. This is important if, as Lyons suggests, local authorities are to effectively fulfil their 'place shaping' role.
- 1.28. The RDAs are similarly subject to many performance monitoring, scrutiny and inspection regimes including scrutiny by the Regional Assemblies, the new Independent Performance Assessment (which is based on the current local government Comprehensive Performance Assessment), six monthly reports to Government Offices, regular reports to their Boards, and the Impact Evaluation Framework as part of CSR. There is value to be gained by rationalising these inspection regimes.
- 1.29. The scrutiny arrangements outlined above provide Government with a high degree of information on RDA performance and probity and a robust

system of performance management. However, as organisations RDAs are strongly accountable to central Government. The Department of Trade and Industry is the sponsor department of RDAs. RDAs recognise that any further strengthening of the role of regions in planning delivery and setting investment priorities will need to be developed alongside new approaches to democratic accountability and scrutiny.

- 1.30. The New Local Government Network (NLGN) report, *'Evolution and Devolution in England: How regions strengthen our towns and cities'* (July 2006) identified that there is not yet a structured, systematic role for a Member of Parliament to hold regional administrative bodies to account. The report proposed a number of options for strengthening regional democratic accountability.
- 1.31. RDAs are currently exploring a number of options in this respect including:
- Proposals for Regional Ministers together with Regional Leadership Executives:
 - a) A Regional Minister: would be responsible for leading a reformed Regional Government Office in co-ordinating the work of key regional and sub-regional stakeholders. The Regional Ministers would be directly accountable to Parliament, providing a direct democratic link between the delivery of regional policy and Central Government;
 - b) A Regional Leadership Executive: This would comprise key representatives from regional spending/policy bodies. A Regional Leadership Executive would improve governance and ensure that the main streams of public investment in the region are working coherently together in pursuit of national and agreed regional priorities.
 - Regional 'Select Committees' which mirror more accurately their accountability to their boards and the DTI Secretary of State but would provide more direct democratic scrutiny. There would be a clearer role for MPs and MEPs in the regions in such structures.
- 1.32. Any new scrutiny structures would need to replace rather than supplement the existing regional scrutiny process. The primary considerations for new accountability mechanisms should be flexibility, effectiveness and efficiency in order that the RDAs can continue to develop timely regional solutions according to regional economic conditions.

Stronger alignment between key regional strategies

- 1.33. The effective alignment of key regional strategies including the Regional Economic Strategy and the Regional Spatial Strategy (RSS) has significant implications for the successful economic development and planning in local areas and the region as a whole. There are many examples of effective joint working between regional organisations to align strategies.

<p>RFAs: Regions successfully delivered the recent Regional Funding Allocations (RFA) exercise, without seeking additional funding or providing "shopping lists" of all activities they want to take on.</p>
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CSR: The development of regional CSR advice on which RDAs and Regional Assemblies are collaborating is drawing heavily upon shared evidence bases.

- 1.34. However the potential for conflict between the Regional Economic Strategy and the RSS remains. For example, the timetables for reviewing the Regional Economic Strategy and RSS are not always aligned. This hampers the extent to which greater alignment, through use of a shared evidence base, can be made. To achieve this would require a reduction in the time taken to review the RSS, which typically takes well over a year longer than a Regional Economic Strategy review.
- 1.35. Generally, there are too many regional and sub-regional bodies and strategies, which results in a lack of coordination, overlap and often contradictory aims which makes local delivery and driving economic development and change difficult and inefficient. Current regional structures are complex, with too many bodies involved. These structures reflect the multiplicity of programmes and initiatives that have grown up over the years, often dealing with the same or at least similar issues.
- 1.36. The RDAs would welcome a significantly more formalised relationship between regional strategies and priorities and local delivery which would help to clarify relationships and partnership working on the ground. It would strengthen delivery of economic objectives if the region's economic activity could be geared towards the delivery of one overall strategy.
- 1.37. An additional means of achieving greater impact and alignment at the regional level would be to broaden the scope of the Regional Funding Allocations (RFA) to allow flexibility to transfer resources (within the overall envelope) based on regional economic priorities. The initial RFA exercise has been a good starting point in joining up three forms of funding (economic development, housing and transport), but it has excluded other key elements of long-term funding needed to deliver enhanced economic performance, especially in relation to skills.

THE FUTURE ECONOMIC DEVELOPMENT ROLE FOR LOCAL GOVERNMENT

- 1.38. The RDAs support Lyons' proposals for a stronger economic and place-shaping role for local government. Clearly the development of economic well-being is an important role for all local authorities, including those in cities and rural areas. However it is often urban areas that have the biggest potential to maximise economic growth and have a wider impact on their surrounding areas. It is vital that all local authorities are incentivised to work outside their boundaries and are held to account for the decisions they make that impact on other areas. The development of this role would need to be considered in the context of clearly focused regional co-ordination and scrutiny.

Greater collaboration through Local Area Agreements

- 1.39. As noted by Lyons, a greater degree of collaboration between neighbouring authorities and between authorities and RDAs will be needed and encouraged in the future in order to promote the conditions for effective economic growth. The RDAs have long recognised the need to work closely with local authorities. This paper highlights many examples of successful partnership working between RDAs and all types of rural and urban local authorities. The RDAs are eager to further develop the relationship between the RDAs and local government and build a more iterative relationship whereby the Regional Economic Strategy is strongly informed by local authority plans and vice-versa. The development of Local Area Agreements presents an opportunity for RDAs and local authorities to strengthen and improve collaboration.
- 1.40. The introduction of the economic fourth block of Local Area Agreements (LAAs) has helped to both encourage and incentivise local authorities to see economic development as a key part of their role as community leaders. Through their development and implementation, LAAs offer a route for RDAs and local authorities to work together to align priorities, targets and funding behind the Regional Economic Strategy. LAAs represent a potential delivery option for the Regional Economic Strategy and could bring about a greater spatial dimension.
- 1.41. Whilst the fourth block of LAAs provides an economic focus, the RDAs recognise that economic development can and does apply to all blocks of the LAA. The thematic block approach of LAAs is perhaps at odds with a truly spatial approach to place making in a local area. Moving to a single block structure for all LAAs should therefore be considered to ensure that all activities are joined up in a local area. For example, the Children and Young People's block often contains priorities related to skills and employment issues which are outside of the economic fourth block. One of the RDA's statutory purposes is to enhance the development and application of skills relevant to employment in the region and skills is one of five productivity drivers identified by DTI. RDAs currently provide a strong strategic role in driving the Regional Skills Partnership (RSP) to ensure its priorities are in line with the delivery of the Regional Economic Strategy. Through LAAs, local authorities and their partners have a responsibility to ensure that local skills agendas are aligned with priorities set within the framework provided by the RSP.
- 1.42. There are many benefits to be had through greater alignment of activity and resources between the regional and local levels through LAAs. For example:
- Increased efficiency savings: derived from joint working on common problems between local areas;
 - Reduced duplication: despite the recent moves to rationalise business support in the regions there are still too many delivery vehicles including some recently funded at the local level through LEGI, and some departments continue to set up their own business support products, which leads to duplication and a confused picture for the customer. It is crucial that any local authority business

support activity is brought together under the regional Business Links;

- Achievement of LAA stretch targets: The RDAs are keen to examine how alignment can better enable LAA stretch targets, particularly those with an economic focus, to be achieved whilst also delivering the Regional Economic Strategy.

1.43. To date, most LAAs have been developed within a local area's administrative boundaries. The RDAs are keen to take forward the development of wider Local Area Agreements (i.e. Multi Area Agreements MAAs) concerning economic and other cross boundary issues where appropriate. This could include cross boundary collaboration between two or more neighbouring local authorities, a metropolitan area or city region.

In the East Midlands, the East Midlands Development Agency (EMDA) has taken a leading role in facilitating the development of the Conurbation Area Agreement (CAA) between the six local authorities, which comprise the Greater Nottingham conurbation. It is intended that the CAA will serve as the delivery vehicle for the economic development fourth block of LAAs in the conurbation. EMDA's Sub-Regional Strategic Partnership, the Greater Nottingham Partnership, is leading the development of the CAA.

1.44. For Multi Area Agreements to be effective, local authorities, particularly in urban areas, will need to be incentivised to work together to bring their activities and resources behind common aims. They also need to be able to make prioritisation choices and make decisions in synergy for the wider good rather than simply responding to their own areas. This can be brought about in a number of ways:

- A formal role for RDAs: As the drivers of strategic economic growth in the regions, the RDAs need to have a role in the final approval of the economic block of LAAs;
- A key part of the delivery of the Regional Economic Strategy: LAAs and MAAs can become one of the prime delivery and strategic planning units which would facilitate a greater degree of collaboration between the RDAs and local authorities;
- Stronger evidence base: decisions should be based on robust evidence which prioritises those actions likely to bring the greatest economic impact i.e. those identified in the Regional Economic Strategy;
- Greater public and community engagement and trust: local authorities need to engage and understand the needs and aspirations of local people. They also need to ensure trust and understanding among local communities so that they can make and communicate the difficult and sometimes contentious decisions that are inevitable given limited resources;
- Place-shaping in a wider context: particularly by developing the economic well being powers of local authorities.

- 1.45. The Single Pot approach of LAAs (currently being piloted by a small number of areas) has the potential to provide significantly greater financial flexibility to local government and their partners. Single Pot LAA areas are not restricted by the existing four-block structure of LAAs which enables the area to respond to local needs and opportunities and join up policies and interventions across service and institutional areas. Further analysis and evidence of the benefits and feasibility of the LAA Single Pot is therefore needed and should be considered in future proposals for multi area agreements. This has the potential to significantly improve the way in which local resources are targeted to economic priorities.
- 1.46. All of the RDAs are currently engaged in the development of LAAs. However, we believe that a more formal role in the approval of the economic block of LAAs would further endorse the role of the Regional Economic Strategy and facilitate a greater degree of collaboration between the RDAs and local authorities.

Place-shaping in a wider context

- 1.47. The Lyons Inquiry report, *'National prosperity, local choice and civic engagement'* published in May 2006 recognised that "local authorities already have substantial powers to undertake place shaping". The report noted that local authorities' economic well-being powers have been used relatively little to date partly as a result of being distracted from pursuing local agendas by the weight of central government expectations and targets. The RDAs are keen that the reasons for the under-use of existing powers are thoroughly explored and obstacles removed.
- 1.48. Local authorities have the ability to intervene in local economic markets and have the democratic mandate to deliver. However, this economic role needs to be developed in the wider geographical, economic, political, environmental and social context.
- 1.49. The Local Government Act 2000 provides local authorities with a discretionary well-being power that can be exercised outside the local area if the local authority considers that it is likely to improve the economic, social or environmental well-being of their area. The DCLG 2006 Annual Report, *'Formative Evaluation of the Take-Up and Implementation of the Well Being Power'* concluded that "the most important role for central government is to enable greater use of the Well Being Power by clarifying its relevance in relation to other central government initiatives...including Local Area Agreements".
- 1.50. The Local Government Association (LGA) recently advocated in their report, *'Closer to people and places: a new vision for local government'* that the local government well-being power be turned into a duty, providing that councils are given the powers and resources needed to do this.
- 1.51. Whilst the fundamental issues concerning local government are inherently local, the concept of local is changing and expanding to reflect travel to work areas and functioning economies and communities across a larger area. The RDAs are therefore keen that Sustainable Community Strategies and LAAs are developed in a wider area context with the well

being power being instrumental in achieving this. Additional measures would also be needed to make local government accountable for the decisions they make outside their areas.

- 1.52. The place-shaping role of local authorities needs to reflect the economic issues facing both the locality and wider area. There will never be sufficient funding for all economic development schemes to be realised and therefore collaboration across boundaries and prioritisation is crucial.

The RFA exercise in the South West revealed that the region's transport aspirations added up to three times the indicative budget demonstrating the need for a mechanism for prioritising activities.

- 1.55. The Regional Economic Strategy and the RFA processes have provided an effective way of achieving this and ensuring that local government is able to play a full role in the development of the Regional Economic Strategy and subsequent sub-regional economic development planning and activity.
- 1.56 More effective use of the local government well-being power could be instrumental in bringing about cross boundary collaboration including the pooling of resources and activity behind common aims – new mechanisms to challenge and incentivise local authorities to do this and to hold them to account for their actions would be welcome.

The powers and resources to undertake place-shaping

- 1.57 Local authorities have an important role to play in supporting the growth of the local economy. The RDAs welcome steps to incentivise local government to invest and play a greater role in economic development through for example, building on existing financial incentive schemes such as the Local Authority Business Growth Incentive (LABGI) and Business Improvement Districts (BIDs). As a general principle, it is important that any changes in the amount of local government funding match the levels needed for local authorities to effectively and efficiently carry out their future roles and responsibilities.
- 1.58 As already outlined in the previous section, there is significant potential to provide local authorities and their partners within the LSP with greater financial flexibility through the Single Pot approach of LAAs.
- 1.59 The following areas have been identified as future potential resources for local government:
- Planning Gains Supplement: If the proposed local retention of a significant majority of the revenues from the Planning Gains Supplement (PGS) is agreed by central government, then this could be ring-fenced for reinvestment in the region and/or local area. For example, in the South East, SEEDA is seeking to encourage local authorities to contribute to a revolving loan fund, using (a proportion of) PGS to “grow the pot”, and in due course look for private sector investment. The principle of establishing a public-

sector generated loan fund has been agreed by partners in the region;

- Property: local authorities are significant land owners. There is potential for generating additional value and improving the delivery of services by rationalising and combining the management of public sector assets. For example, the asset base could be used to lever additional funds and better integrate property management strategies with economic regeneration programmes.

1.60 Strategic transport investments outside local and/or regional boundaries can have a significant impact on the economic fortunes of dependent areas. The RDAs are developing innovative approaches for funding infrastructure projects in the regions. Both SWRDA and SEEDA are developing Regional Infrastructure Funds.

The South West Regional Development Agency (SWRDA) has pioneered an innovative approach to funding infrastructure through its Sustainable Communities Plan - The Way Ahead. The South West's advice on Regional Funding Allocations includes a top slice of capital funds for a Regional Infrastructure Fund. The Regional Infrastructure Fund involves pump priming necessary infrastructure work and agreeing that developers will repay initial investment once profits or incomes start to flow from the development.

The fund would bridge the timing gap commonly encountered in delivering the required infrastructure for large areas of growth. Funds would be provided from the private sector, but supported in the early stages by the public sector contributing to up-front infrastructure needs. Once the developer begins to see income from its own investment, it then contributes to the cost of the infrastructure. In this way, a project that had previously been unattractive to developers due to the scale of its up-front infrastructure costs becomes viable. It would also be possible to recycle the funds between successive development sites, re-investing them in further projects. The RIF may also be able to share in development profits increasing the total overall sum available for re-investment.

Appendix 1

Examples of RDAs adding value in regeneration and creating traction with Local Authorities and other partners

- **Regional Cities East** - an alliance of six cities in the East of England in Peterborough, Luton, Ipswich, Norwich, Colchester and Southend-on-Sea, is supported by the East of England Regional Development Agency to share best practice, collaborate on joint ventures to create more jobs and affordable homes than they could by working alone. Medium sized cities can deliver economic growth in a sustainable way by improving infrastructure and skill levels and aim to add £10 billion to the UK economy and create 140,000 new jobs by 2021.
- **Eastside of Birmingham** – a major regeneration scheme in partnership with Birmingham City Council and Government Office for the West Midlands. Birmingham’s Eastside is rich in industrial heritage and is estimated to have the huge development potential of £6 billion over the next decade. Sustainability is key as the 18 partners, including Groundwork Birmingham, Friends of the Earth and the Environment Agency, produce a holistic and environmentally friendly plan for this quarter of the city.
- **Urban Regeneration Companies** - URCs are independent companies established by the relevant Local Authority and Regional Development Agency, working alongside English Partnerships and other local stakeholders including employers, groups and community representatives. Their aim is to engage the private sector in a sustainable regeneration strategy, working within the context of a wider Strategic Regeneration Framework or master plan. URCs have now been established in 22 locations across England. In addition, a number of other areas are currently working on plans for a URC. They are contributing to the creation of 163,000 jobs over their lifetime; they anticipate creating an additional 69,000 new housing units; they have the potential to attract £14.2bn of private sector investment. RDAs provide major support to many of the projects and strategic sites. For example, the Leicester Master plan - the RDA investment in the public realm relates directly to the wider economic and physical regeneration of the city centre, including the development of a new business quarter, Science and Technology Park, retail, and residential. Partners include the City Council, the Local Transport Partnership, and private sector via Section 106 agreements. RDA funding is a relatively small proportion of the total project cost, but is essential to not weaken the wider Master plan by poor public spaces and the connectivity between existing and new development.
- **Building for Business in the North East** – this is a highly innovative and successful partnership between One NorthEast and UK Land Estates in a Public Private Partnership, established in 2004 it is the first of its kind. One NorthEast’s property portfolio is utilised to address failures in the property market and generates a return to the Agency that can be reinvested in regional priorities.
- **Selby Coalfield Taskforce**- this Taskforce of many partners was established by Yorkshire Forward to address key issues surrounding the

closure including the training and re-skilling needs of miners and their families, mitigate the effects of the closure and consider the longer-term regeneration issues.

- **Partnership for Urban South Hampshire (PUSH)** - SEEDA is actively working with PUSH, an inclusive partnership of 11 local authorities, including the cities of Portsmouth and Southampton, established to take action to improve economic growth performance in South Hampshire (notably an increase in Gross Value Added from 2.75% to 3.5% by 2026 and productivity increase at an average annual rate of 2.4%). PUSH's strategy plans for sustainable development (in line with the Regional Economic Strategy) and the regeneration and renaissance of the cities and other older urban areas. It is also dependent on investment in infrastructure and employment land. SEEDA is providing major support in key physical regeneration projects at Woolston Riverside (Southampton), Tipner (Portsmouth), Daedulus (Gosport) and Chickenhall Lane Link Road (Eastleigh strategic employment site).

SEEDA has also influenced the two Area Investment Framework (AIF) Partnerships for the PUSH sub-region (Portsmouth & SE Hampshire and Southampton) to work up joint AIF proposals which support the aims of PUSH - i.e. interventions aimed at fostering the knowledge-based economy (e.g. Solent Synergy); tackling the economically inactive and raising skills.

- **Enterprise Hub** -SEEDA pioneered the Enterprise Hub concept in the South East focused on nurturing and supporting high tech, knowledge based businesses, has 22 locations across the South East of England. They are focused on engaging with early stage companies with pioneering business ideas and the drive to make them happen. The Network specialises in working with knowledge-based and/or technology companies that have the potential for significant global growth. The programme has achieved significant early progress- the establishment of University Centre Hastings - now with 700 students; the creation of two small business incubation facilities; the establishment of an Enterprise Hub; and provisional government approval for a new link road between the towns. Focus is now shifting to the creation of larger business premises and an associated inward investment programme to boost the local economy and generate well-paid local jobs.
- **Exeter International Airport** – SWRDA has invested just under £1m into £3.5m expansion of Exeter International Airport. The expansion involves building a £2.5m new aircraft maintenance hangar funded by the private sector, and improvements to the airport's infrastructure. The new hangar will enable flyBE to expand its maintenance operations, creating 96 new full time jobs over the next 5 years. The RDAs intervention was instrumental in leveraging in the private sector investment in this project.
- **Avenue Coking** - EMDA is taking forward the Avenue project aims to regenerate the site of the former Avenue Coking Works following decades of mining activity and lime, iron and coke production. The £104.5 million project to transform one of the most contaminated sites in Europe into an area for housing, employment, leisure and wildlife is being managed by

site owners EMDA and funded through English Partnerships National Coalfield Programme.

- **Science Growth** - The Northwest was the first region to recognise the importance of science as a driver for economic growth. Increased collaboration between academia, industry and funding bodies seeks to translate more scientific discoveries into commercial opportunities and the Northwest is increasingly recognised as a centre of excellence for scientific and medical research. The NWDA has played a key role in this success. In 2001, the Agency established the Northwest Science Council. Publication of the first regional science strategy in 2002 has been followed by innovative NWDA projects including the launch of the £15 million North West Science Fund to develop science and technology projects in the region.
- **Business Competitiveness and support** – EEDA held “Running the Gauntlet” a high profile business competition, which highlighted business support, and investment readiness services across the region. The winning ideas were showcased at regional business conference as a stimulus for ideas and innovation.
- **Marketing and promoting London** – LDA is focused on the value of a coherent London brand in attracting business and leisure tourism, inward investment, researchers and students, and maintaining our positioning against other cities as a global city. It focuses on the international promotion opportunities presented by the Olympics.
- **Renaissance Cities, Towns and Market Towns Programme:** The Regional Economic Strategy for Yorkshire & Humber identifies Great Places as core to the region’s economic development and growth. The RDA’s Renaissance programme is supported by a £300m - £400m single pot investment programme over 5 years and covers more than 35 towns and cities – for example, Barnsley, Doncaster, Scarborough, Rotherham, Scunthorpe. The programme’s initial focus is on physical ‘renaissance of place’ and the RDA, using its own skills and the skills of professional teams works alongside the local authority and the local community (through the establishment of town teams which include local businesses) to develop Renaissance Charters, Masterplans, Local Development Frameworks and Supplemental Planning Guidance documents to embed the masterplans into the planning framework. Priority land and property interventions are identified together with phased implementation plans. The Programme is supported by a partnership skills programme that helps local authorities and their communities gain better understandings of how places work; how quality public realm contributes to economic growth; the benefits of quality design; the planning process and so on, and that helps to re-establish civic pride. A subsequent phase of the programme is Economic Masterplanning which brings spatial, sectoral and social issues together.
- **Good Practice Guides and Tools:** The LDA has developed a number of Good Practice Guides and Tools to assist Local Authorities, including those involved in pan-borough activities associated with key developments including Olympic, Crystal Palace and National Stadium schemes. For example, the London Thames Gateway Social Infrastructure Framework (SIF) is a series of tools designed to link and assist local and regional

authorities in the provision of social infrastructure as a key to development planning and as an essential part of healthy, successful and sustainable communities. It promotes a dynamic and interactive method to infrastructure planning which challenges the 'silo mentality' which has held back integrated approaches. The services covered by SIF include: Education; Health; Community services; Leisure and Recreation; and Emergency Services. The tools allow a structured dialogue to take place between different social infrastructure providers to help ensure that the appropriate infrastructure is provided at the right time, in the right place, at the right cost. The tools can be used to lever public and private funds and align priorities.