CEDOS
CHIEF ECONOMIC DEVELOPMENT OFFICERS' SOCIETY

ADEPT
ASSOCIATION OF DIRECTORS OF ENVIRONMENT, ECONOMY, PLANNING AND TRANSPORT

County All Party Parliamentary Group Inquiry: What should ambitious growth deals for counties look like?

Memorandum of evidence from CEDOS and ADEPT

March 2014

The Chief Economic Development Officers Society (CEDOS) represents Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary Councils in non-metropolitan areas. The Society carries out research, develops and disseminates best practice, and publishes reports on key issues for economic development policy and practice. Through its collective expertise, it seeks to play its full part in helping to inform and shape national and regional policies and initiatives.

The Association of Directors of Environment, Economy, Planning & Transport (ADEPT) represents local authority Strategic Directors who manage some of the most pressing issues facing the UK today. The expertise of ADEPT members and their vision is fundamental in the handling of issues that affect all our lives. Operating at the strategic tier of local government they are responsible for crucial transport, waste management, environment, planning, energy and economic development issues. ADEPT membership is drawn from all four corners of the United Kingdom.

COUNTY ALL PARTY PARLIAMENTARY GROUP (APPG) INQUIRY: WHAT SHOULD AMBITIOUS GROWTH DEALS FOR COUNTIES LOOK LIKE?

MEMORANDUM OF EVIDENCE FROM THE CHIEF ECONOMIC DEVELOPMENT OFFICERS SOCIETY (CEDOS) & THE ASSOCIATION OF DIRECTORS OF ENVIRONMENT, ECONOMY, PLANNING & TRANSPORT (ADEPT)

Summary of evidence

- To drive the economy forward and make a step-change in national and local performance, we need to make the most of the potential of all our areas – city and county, urban and rural.

- England's counties, including their rural areas are, like our cities, an essential part of this country's economy - they must be recognised for their economic importance and not seen as just hinterlands of city economies.

- County areas, operating as large economies with a clear geographical focus and sense of identity, can be as significant as cities in driving economic growth, with a high degree of specialization and knowledge intensive clustering.

- City and county areas must be treated fairly and with proper recognition of their important economic contributions. Failure to do so will result in increased inequality between local areas and increased regional imbalance, which will hold back economic growth both locally and nationally.

- In the county areas of England the strategic authorities - the county councils and unitary councils have a key role in promoting local prosperity and economic growth.

- They have strong and wide ranging strategic and delivery roles, which combine to help create the right conditions for business growth and wealth creation and influence the key drivers of economic growth.

- They have a key role in their Local Enterprise Partnerships, which have a considerable degree of dependence on their funding, expertise and support.

- They have a particularly important role in enabling, investing in and supporting investment in infrastructure to underpin economic growth and meet environmental pressures and the demands of demographic change.

- There is a range of barriers and challenges to counties and local partners which need to be addressed to enable them to deliver more ambitious plans to drive economic growth, some specific to county areas and others of more general applicability.

- Some of the most significant relate to: budget reductions, too little devolution of central funding, county areas being undervalued by national

policy, and the complexity of the local economic development delivery landscape.

- Central Government must embrace fully the principle of devolution to local areas, both counties and cities, enabling innovative approaches and local solutions to be designed to meet local circumstances in a way that nationally designed programmes cannot do.

- Specific actions put forward include:
  - providing local authorities with a period of Government funding stability to enable them to continue their current level of investment in economic growth;
  - providing the necessary freedoms and flexibilities for local government to explore alternative means of raising finance to invest in local growth and infrastructure;
  - ensuring local growth deals result in genuine devolution of funding streams with buy-in across Government Departments;
  - developing the Local Growth Fund to become a truly devolved single pot without internal ring fences for local decision–making and spending on locally determined priorities and projects;
  - providing for greater certainty of future allocations and flexibility to enable decisions to be made on long-term projects.

Introduction

1. This Memorandum of evidence is submitted jointly by the Chief Economic Development Officers Society (CEDOS) and the Association of Directors of Environment, Economy, Planning and Transport (ADEPT) in response to the call for evidence to explore how the ambition of Lord Heseltine's local growth and fiscal devolution proposals can be realised in county areas. Our evidence focuses on the key lines of Inquiry and has been framed in the light of consulting with our members across the country.

2. We welcome the decision to undertake the Inquiry. We have argued consistently that if this country is to make the most of its economic opportunities and achieve sustainable recovery, we need to unlock the potential of all areas and sub-regions of England. For too long there has been too narrow a focus on London and the eight core cities and their city-regions. In saying this, we must emphasise that we strongly support the economic development of our core cities. Their contribution to the economic recovery and growth of this country is vital but so too are the contributions of our mid-sized cities, county and rural areas. If we are to really drive our economy forward and make a step-change in our national and local performance, we need to make the most of the potential of all our areas – city and county, urban and rural.

3. Although this is reflected in the Government's response to Lord Heseltine's review, which states "the UK economy needs all places to fulfil their potential in order to be competitive in the global race"[1], the policy focus so far has been very much on cities, in particular the core cities, with the pushing forward of city deals, well in advance of the local growth deals that will eventually be offered to

[1] *Government's response to the Heseltine Review* HMT/BIS March 2013

all LEP areas. In our judgement, England's counties must be recognised for their economic importance and not seen as just hinterlands of city economies. Throughout the country, city and county areas must be treated fairly and with proper recognition of their important economic contributions. Failure to do so will result in increased inequality between local areas and increased regional imbalance, which will hold back economic growth both locally and nationally.

1. What is the contribution of county areas to economic growth for local communities and the national economy?

CEDOS & ADEPT Views

4. England's counties, like our cities, are an essential part of this country's economy. As ADEPT and CEDOS showed in the major research report '*Making the Most of Our Economic Opportunities'*[2] county areas, operating as large economies with a clear geographical focus and sense of identity, can be at least as significant as cities in driving economic growth, with a high degree of specialization and knowledge intensive clustering. England's counties embrace both urban and rural areas. They include county towns and cities as well as large rural areas with their networks of market towns and smaller communities. Their very diversity is one of their strengths. The report highlighted the fact that individually and collectively, they are vital to this country's economic performance. Alongside the core cities and the other key cities, the county areas are a major part of our national social and economic infrastructure.

5. Research for the County Council's Network[3] has underlined this, showing that areas covered by county councils contain over 46% of England's population, 43% of jobs and generate over 50% of this country's Gross Value Added (GVA) outside London. They account for more than half the jobs in manufacturing and other key sectors and make a very significant contribution to employment in priority sectors including pharmaceuticals, scientific research and development, and aerospace. Within counties, it is also important to recognise the economic contribution of rural areas. In 2010, the areas classified as predominantly rural areas generated 19% of England's GVA and worth £211 billion[4]. This highlights the significance of supporting sustainable rural development with potentially less direct resource from Government, particularly in the non-metropolitan areas.

6. Whilst the large urban centres play a key part in our economy, county areas must not be regarded as just hinterlands of and commuter belts for cities. Combining both urban and rural areas, they can and do play a significant role in economic growth. Examples provided by our members include:

- Nottinghamshire, where the county area is home not only to 74% of the total population but also to 27,000 businesses and provides 64% of total jobs and where some of the larger towns e.g. Kirkby-Sutton-Mansfield form conurbations in their own right;

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[2] *Making the most of our economic opportunities* CEDOS/ADEPT 2007 and also see *England's county sub-regions – cornerstones of economic growth* CEDOS/ADEEPT 2004
[3] *Counties & economic growth* Briefing note for the County Councils Network – Shared Intelligence 2013
[4] *Statistical digest of rural England 2014* Defra March 2014

- Worcestershire, which has a significant focus on advanced manufacturing and a key role in the cyber security sector linked to Government's national cyber security strategy and training programme.

7. It is important to appreciate the inter-relationship between city and county areas, as for example in Worcestershire where county-based small and medium-sized businesses are key elements in the supply chains of automotive and aerospace sectors in metropolitan areas. Moreover, county areas can offer space for larger scale industrial and economic activity and housing, which cannot be provided in cities and dense urban areas.

2. What is the strategic role of counties in promoting economic growth?

CEDOS & ADEPT Views

8. In the non-metropolitan areas of England the strategic authorities - the County Councils and Unitary Councils - working with their Local Enterprise Partnerships have a key role in promoting local prosperity and economic growth. They have:

- the strategic and corporate capacity and the democratic accountability and legitimacy to provide leadership and sustain Local Enterprise Partnerships and other partnerships in delivering successful economic development;

- well established economic promotion activities, which together with their strategic responsibilities for highways and transport, education and planning enables them to take a wide ranging, joined up approach to economic development;

- the scope, resources and specialist skills to tackle the breadth of issues that impact on economic development and take action to drive forward sustainable economic growth, including being accountable bodies for major funding programmes and levering in match funding.

9. The county and unitary councils in county areas have strong strategic and delivery roles, which combine to help create the right conditions for business growth and wealth creation and to influence the key drivers of economic growth. In addition to working with Local Enterprise Partnerships to develop Strategic Economic Plans and EU Structural & Investment Fund Strategies, their strategic role is wide ranging and includes:

- supporting, influencing, investing in and delivering key infrastructure projects that provide the essential underpinning for economic growth including transport, sites and premises, high-speed broadband and regeneration schemes;

- supporting business start-up and growth including facilitating access to finance and business support and advisory services; and supporting growth in key economic sectors;

- working to ensure local skills are available to meet business and employee needs, raising overall skill levels, addressing worklessness and fostering economic inclusion;

- promoting inward investment to their areas and encouraging and supporting export development;

- working to ensure that planning decisions promote growth and unlock barriers to economic development and growth;

- supporting growth through the strategic use of their own land assets to support employment and housing;

- maximising external funding and investment, leading on funding bids, aligning resources and providing project management.

10. County and unitary councils in county areas have a key role in their Local Enterprise Partnerships (LEPs), which have a considerable degree of dependence on their funding, expertise and support:

- they make a major contribution to the operating costs of LEPs, including being the prime source of the local match for Government core funding;

- despite their increased operational capacity, LEPs continue to rely significantly on local authority economic development and other staff resources and expertise;

- they provide accountable body, legal, employment and other specialist roles and services;

- their role is crucial in delivering LEP Strategic Economic Plans, particularly for the funding and delivery of major infrastructure schemes and business growth initiatives.

11. The strategic local authorities have a particularly important role in enabling, investing in and supporting investment to develop and improve the infrastructure to underpin economic growth and meet environmental pressures and the demands of demographic change. The recent report by CEDOS and ADEPT Local Authorities, *Local Enterprise Partnerships and the Growth Agenda* published in February 2014, which is attached, includes many examples and case studies of county and unitary local authorities supporting their LEPs and investing in infrastructure and business growth projects in county areas across the country.

3. What are the barriers and challenges facing counties and local partners in delivering more ambitious plans to drive economic growth?

CEDOS & ADEPT Views

12. There is a range of barriers and challenges to counties and local partners which need to be addressed to enable them to deliver more ambitious plans to

drive economic growth, some specific to county areas and others of more general applicability. Some of the most significant are examined below.

Budget reductions

13. Local authorities continue to face significant reductions in their funding. Although the Autumn Statement 2013 made the welcome announcement that local authorities would be protected from further spending reductions for 2014/15 and 2015/16, local authorities continue to face the 10% cuts announced in the 2013 Spending Round in addition to the previously announced cuts of 33% for the period 2011/12-2014/15. As the Local Government Association has pointed out, by the end of the current Parliament, local government funding will have fallen by £20 billion, a cut of 43% and that "the next 2 years will be the toughest yet for local public services"[5].

14. Whilst local authorities in county areas and elsewhere continue to give high priority to economic development and growth, the reality is that the investments local authorities are making to deliver growth and the financial and staff resources being provided may not be sustainable in the medium to long term as local government faces a further period of spending restraint. The limitations on revenue funding in particular are a barrier to developing new innovative approaches to skills and economic growth projects which need skilled and experienced staff and revenue input.

Too limited devolution of central government funding

15. We welcome the Government's move to growth deals for all areas and the introduction of the Local Growth Fund, which are important steps in taking forward its localism agenda. However, the limited size of the Fund, the fact that rather than being a true single fund it is made up of a series of funding streams some of which were already devolved, the short-term nature of many of the funding streams, the uncertainty over future funding, the costs and the often short-term focus of the competitive process, the central bureaucracy involved and a lack of sufficient flexibility, are all significant barriers to achieving the sustainable long-term local growth that is needed. The lack of clarity and changing guidance from Government on developing and delivering LEP Strategic Economic Plans and an evident trend to central micro-management of decisions about individual local projects are further barriers to effective local economic action.

County areas undervalued by national policy

16. We reiterate that we strongly support the economic growth of our core and key cities. However we are concerned that the economic contribution that is and can be made by England's county areas is being undervalued and by comparison neglected by Government in its pursuit of a national policy that is often too 'city-centric' in its priorities. For example: the first wave of city deals were launched for core cities in late 2011; it was almost a year later before the 2nd wave of city deals was announced; whilst the implementation of local growth deals for all LEP areas will not be implemented until 2015. Another example is the £4.5 million City Skills Fund announced in February 2012 and limited to London and the 8 core cities and their surrounding LEP areas.

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[5] *Provisional local government finance settlement 2014-15 & 2015-16* LGA Briefing 18 December 2013

17. As a result there is a considerable risk of increased inequality between local areas and increased regional imbalance, which could hold back economic growth both locally and nationally. In adjoining areas, differential treatment in terms of fiscal powers and funding is already creating uncertainty for the business community. An example provided by one of our members is from Nottinghamshire, where Nottingham City Council was able to negotiate a Wave One City Deal, elements of which are available to businesses at different spatial levels - some restricted to the unitary city; others available to the wider conurbation; and some available across the City and County area. Whilst the City and County Councils, other public sector partners and the D2N2 LEP share common objectives, the variability of the tools to deliver growth could risk undermining the shared agenda, including the commitment of the private sector.

Complexity of the local economic development delivery landscape

18. One of the challenges facing county and other areas is the increasingly complex picture of local and sub-regional economic development both in terms of geography and administrative arrangements. Not only do Local Enterprise area boundaries overlap, with across England 37 local authorities (11%) covered by two LEPs and in some areas, a significant degree of overlap, the complexity has been added to with the introduction of City Deals and Local Transport Bodies. For local authorities, this growing complexity is illustrated in East Sussex, where part of the county area is covered by two LEPs and a Wave 2 City Deal area. The situation is further complicated in some county areas where there are two-tier local government structures, which despite the best efforts locally, can lead to competing agendas, duplication of effort and slow down the decision making process.

19. Within this complex economic development landscape, it is important to highlight the fact that CEDOS and ADEPT members are committing significant resources to working collaboratively on City Deals. However, certainly in some areas, members report that Government has underestimated the need to give due process to negotiating Deals in the context of Development Strategy and Local Transport Plan timescales and with a focus solely on achieving additional growth, has given insufficient recognition to the fact that local authorities are already striving to deliver ambitious plans that need investment and support.

4. What can Central Government do to remove barriers and free counties and local partners to deliver further economic growth?

CEDOS & ADEPT Views

20. The prime requirement is for Central Government to embrace fully the principle of devolution to local areas. This will enable innovative approaches and local solutions to be designed to meet local and sub-regional needs and circumstances in a way that nationally designed programmes cannot do. In taking this forward, it should ensure that *all* areas - both city and county areas are treated fairly and with proper recognition of their essential economic contributions.

21. On specific issues, Central Government needs to:

- ensure local authorities now have a period of Government funding stability to enable them to continue their current level of investment in economic growth in the context of competing local service priorities;

- provide the necessary freedoms and flexibilities for local government to explore alternative means of raising finance to invest in local growth and play its full part in renewing and improving Britain's infrastructure, for example through tax increment financing and the use of bond finance;

- increase the size of the Local Growth Fund in line with Lord Heseltine's ambition and address the widespread concerns about the way it is made up, the costs and bureaucracy involved in the competitive approach for much of the Fund and its lack of flexibility;

- ensure that local growth deals result in a genuine devolution of funding streams with buy-in across Government Departments and that the Local Growth Fund is developed to become a truly devolved single pot without internal ring fences for local decision–making and spending on locally determined priorities and projects;

- provide for greater certainty of future Local Growth Fund allocations and flexibility to enable decisions to be made on long-term projects; and provide for a long-term commitment to infrastructure investment including making 10 year transport funding allocations available to all areas;

- enable local areas to have a single joined up conversation with government on economic growth issues rather than separate, sometimes conflicting discussions with individual Departments;

- address the issue of the over-complex local and sub-regional economic development delivery landscape and recognise the complexities of delivering growth in two-tier areas including providing a better balance in central decisions relating to the disbursement of local funds e.g. business rate receipts and the New Homes Bonus;

- ensure that the arrangements of delivery agencies such as the Homes & Communities Agency, JobCentre Plus and the Department for Work and Pensions contract package areas are better aligned to County and/or Local Enterprise Partnership areas.