



**INDEPENDENT COMMISSION ON ECONOMIC
GROWTH AND THE FUTURE OF PUBLIC
SERVICES IN NON-METROPOLITAN ENGLAND**

**Memorandum of evidence from CEDOS and
ADEPT**

June 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.

INDEPENDENT COMMISSION ON ECONOMIC GROWTH AND THE FUTURE OF PUBLIC SERVICES IN NON-METROPOLITAN ENGLAND

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

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 Commission's call for evidence on economic growth and the future of public services in non-metropolitan England.
2. We very much welcome the opportunity provide evidence, which focuses on the four key areas the Commission has identified. Our evidence has been framed in the light of consulting with our members across the country.

Non-Metropolitan England

3. The Commission's terms of reference refer broadly to areas that are outside major cities. Despite this, the term 'non-metropolitan' is regarded as a deliberately imprecise term, embracing "areas of deep rurality as well as the suburban hinterlands around great cities; whole historic shires and emerging alliances between places with economic links". This has given some the impression of the Commission's non-metropolitan focus as being rather narrower than intended. Indeed, in their reporting of the launch of the Commission, the Local Government Chronicle referred to it as the "commission on county growth"¹, whilst the Municipal Journal referred to it as a "rural growth commission"².
4. We think the Commission needs to clarify its definition and for this we prefer one based on the broader one referred to above. Indeed CEDOS, which draws its membership specifically from the non-metropolitan areas of England, defines this as areas outside London and the core cities and their surrounding metropolitan areas. Thus its membership includes cities, including medium-sized cities as well as county councils and non-metropolitan unitary councils. It is this broader, and in our view more appropriate, definition that is used in our evidence.

The need for a more balanced policy

5. Our evidence supports the Commission's view that the economic contribution of the non-metropolitan areas of England and their growth potential is as significant for the nation as that of the big cities. We agree that the current national policy agenda significantly underestimates the economic importance of the non-metropolitan areas and does not give sufficient attention to their

¹ *Commission on county growth calls for evidence* Local Government Chronicle 28 May 2014

² *Rural growth commission launched* Municipal Journal 28 May 2014

particular needs. 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 and their associated metropolitan areas. 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 – metropolitan and non-metropolitan, city and county, urban and rural.

6. 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”, 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 available in all LEP areas. The latest policy speech by the Chancellor of the Exchequer only serves to underline the current city-centric policy approach³.

7. In our judgement, the economic importance of England’s non-metropolitan areas must be given equal recognition. Throughout the country, both metropolitan and non-metropolitan 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.

Key questions being considered by the Commission

What is the economy of non-metropolitan England actually like?

8. It is important to be clear at the outset that there is no single non-metropolitan economy. Within the non-metropolitan areas, there are inevitably differences of make-up in terms of economic sectors, scale and performance reflecting differences of geography and location. That said, there is no doubt that, collectively, the economies of the non-metropolitan areas make them major players in England’s economy with a crucial role in driving national economic recovery and growth.

9. As ADEPT and CEDOS showed in the major research report ‘*Making the Most of Our Economic Opportunities*’ county areas, operating as large economies with a clear geographical focus and sense of identity, can be at least as significant as big cities in driving economic growth, with a high degree of specialization and knowledge intensive clustering⁴. Research for the County Council’s Network has underlined this, showing that areas covered by county councils contain over 46% of England’s population and 43% of jobs, have the same proportion of workers in knowledge intensive jobs as the country as a whole, and generate over 50% of this country’s Gross Value Added (GVA) outside London⁵.

³ *We need a Northern powerhouse* Rt Hon George Osborne 23 June 2014

⁴ *Making the most of our economic opportunities* CEDOS/ADEPT 2007 and also see *England’s county sub-regions – cornerstones of economic growth* CEDOS/ADEPT 2004

⁵ *Counties & economic growth* Briefing note for the County Councils Network – Shared Intelligence 2013

10. Added to this, research by the Centre for Cities⁶ showed that England's mid-sized cities, two-thirds of which are in non-metropolitan areas⁷, have a combined population of 8.9 million, compared to 8.8 million people in the Core Cities and 9.4 million people living in Greater London and that between 2001 - 2011 their total populations grew by more than half a million people. In 2011, their combined Gross Value Added amounted to 14% of England's total.

11. Taken together, these indicate the real economic significance of England's non-metropolitan areas. Indeed in CEDOS/ADEPT earlier research referred to above it was estimated that collectively the non-metropolitan areas generated almost 60% of England's GVA, which rose to over 70% when London was excluded.

12. Particularly in the light of the Government's failure to respond to the calls for county deals to match the programme of city deals, it is important to stress the significance of the economies of England's county areas, which 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:

- the scale and contribution to national economic output of non-metropolitan economies in counties like *Hampshire, Surrey, Essex, Kent, Berkshire, Hertfordshire, Buckinghamshire, Cambridgeshire and Oxfordshire*⁸, which contribute more to the national economy than many of the city deal areas in terms of overall gross value added;
- *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; where some of the larger towns e.g. Kirkby-Sutton-Mansfield form conurbations in their own right; and where business survival rates in the county are higher than the national average, with 44.8% surviving for 5 years or more⁹, pointing to a stable business base that is more diverse and therefore better able to cope with economic shocks.

Productivity

13. Whilst we do not have figures for the non-metropolitan areas as a whole, inevitably there is variation amongst the individual non-metropolitan area economies. Office of National Statistics (ONS) data on sub-regional productivity shows that in England, outside London, the highest ranking NUTS2 and NUTS3¹⁰ sub-regions for GVA per hour worked (the ONS preferred measure of productivity), with the exception of the core city of Bristol, are all in non-metropolitan areas – see Tables 1 and 2 below.

⁶ *Mid-sized cities: Their role in England's economy* Centre for Cities June 2013

⁷ Using the CEDOS definition – see paragraph 4

⁸ See *City Limits – Why devolved economic powers should be made available in county areas* Essex County Council September 2012

⁹ This covers businesses that started in 2007 and were still trading in 2012

¹⁰ EU Nomenclature of Territorial Units for Statistics - in England NUTS 2 comprise counties (some grouped) and inner and outer London, and NUTS3, counties and groups of unitary authorities.

Table 1: Nominal GVA per hour worked – highest ranking NUTS2 sub-regions in England 2012

Berkshire, Buckinghamshire & Oxfordshire	118.2
Cheshire	106.6
Surrey, East & West Sussex	106.2
Bedfordshire & Hertfordshire	103.0
Hampshire & Isle of Wight	103.0
Gloucestershire, Wiltshire and Bristol/Bath area	100.6
UK	100

Source: Office for National Statistics

Table 2: Nominal GVA per hour worked – highest ranking NUTS3 sub-regions in England 2012

Berkshire	128.8
Buckinghamshire	119.1
Surrey	118.3
Milton Keynes	117.4
Swindon	112.6
Cheshire East	112.3
Cheshire West and Chester	108.9
Derby	108.5
Luton	107.0
Hampshire	107.0
UK	100

Source: Office for National Statistics

14. Equally, it has to be said that the lowest ranking NUTS2 and 3 areas are also in non-metropolitan areas illustrating the varied sectoral make-up and circumstances of non-metropolitan England and the scope for increases in GVA levels if investment is made, for example, in new transport and digital infrastructure and employment sites.

Sector composition & growth potential

15. The composition of non-metropolitan area economies indicates a good representation of sectors with growth potential. In county areas for example, research for the County Councils Network shows that they account for over half of employment in manufacturing, construction and motor trades as well as agriculture and make a significant contribution to employment in key growth sectors such as pharmaceutical products, scientific research and development and air/spacecraft & related machinery.

16. Advanced manufacturing, especially aerospace, automotive and life sciences have been identified as key sectors where the UK has a comparative advantage in global markets. These and other growth sectors are well represented in non-metropolitan areas. Some examples provided by our members from different parts of the country are:

- *Cambridgeshire* - where leading sectors with above average growth potential are: life science and healthcare, IT, electronics and communications, advanced engineering, agri-tech, food and drink, energy and cleantech;
- *Cheshire West & Chester* - which has particular strengths in advanced manufacturing, automotive, aerospace energy as well as chemicals and processing;
- *Cornwall* - which hosts digital businesses in the areas of search engine optimisation, software, bionet, animation, enterprise and cloud management all of which impact on supporting economic growth across all industry sectors; it is estimated that the digital economy will make up 10% of the county's GDP within 10 years;
- *Dorset* - which retains a strong defence related advanced engineering and manufacturing base, with an emphasis on aerospace and marine engineering;
- *Wiltshire* - which has a significant presence of the defence industry with the national defence science and technology laboratory at Porton Down and a range of private companies in, for example, cyber security, defence logistics and rocketry, as well as having world-leading advanced manufacturing companies;
- *Worcestershire* - which as well as agri-tech, has a significant focus on advanced manufacturing and engineering and a key role in the cyber security sector linked to Government's national cyber security strategy and training programme.

17. The importance of agriculture in the non-metropolitan areas to the national economy must not be underestimated. Food production is vital to our national competitive advantage and is attracting major investments to the UK by multi-nationals. Bakkavor's investments in Lincolnshire and Nottinghamshire are examples, with modern production facilities that attract some of the best

technicians in the world to the UK. Agri-tech is a major source of innovation and is one of the main exports identified in the UK technology strategy.

18. Other key sectors in which the non-metropolitan areas have a vital role include:

- the energy industry including offshore renewables, nuclear, wave energy, biomass, solar farms, biomass or energy from waste in for example Cumbria, the Humber estuary, Cornwall and Suffolk;
- tourism and the visitor economy, which is estimated as being worth around £127 billion 2013, equivalent to 9% of the UK's GDP¹¹;
- the creative industries as for example in Dorset, where there is significant growth fuelled by two universities with international reputations in digital technology, film post-production and animation.

Socio-economic challenges

19. As with the core city and metropolitan areas, there is a range of socio-economic challenges facing non-metropolitan areas although inevitably some of these vary from area to area, for example:

- *areas affected by an old industrial legacy* - in the Midlands and North, many areas have a history of heavy industry, whose decline has impacted significantly on some local communities, which continue to suffer from high levels of benefit dependency, low skills attainment and generational worklessness. For example, research published by Sheffield Hallam University highlights that for former mining communities, 14% of all working age adults are out of work and in receipt of benefits whilst the claimant rate for Disability Living Allowance is 7.9% compared to a UK average of 5.6%¹²;
- *rural and more peripheral areas* – where isolation is an increasing issue as a result of the decline in rural transport, which affects access to jobs, training, education and services and is often further compounded by a reduction in services being delivered in rural areas due to budget constraints. This together with factors like an ageing population, low wage levels, out-migration of younger people, housing affordability and fuel poverty presents multiple inter-connected challenges.

20. *Youth unemployment* is a widely reported issue by our members across the non-metropolitan areas. It is by no means only a metropolitan problem. Essex County Council makes the point that in its area, Tendring is the lowest performing local authority area in the whole of England for 18-24 year olds in employment but despite this it did not qualify for the Youth Unemployment Fund which was targeted solely at City Deal areas, another example of the national

¹¹ *Tourism: jobs & growth – the economic contribution of the tourism economy in the UK* Deloitte & Oxford Economics November 2013

¹² *The State of the Coalfields* Centre for Regional Economic & Social Research Sheffield Hallam University June 2014

policy failure to provide for a level playing field for economic action across England. More generally it illustrates the need to recognise and tackle pockets of deprivation, which a nationally driven policy approach so often fails to do.

21. *Inadequate connectivity* both in terms of transport and digital infrastructure is another major issue particularly in the more rural and peripheral areas, which must be addressed both to tackle social isolation and access employment, education and services, and to ensure that this country makes the most of the economic potential of its non-metropolitan areas.

What are non-metropolitan England's comparative economic advantages?

22. Non-metropolitan England possesses major economic advantages including a widespread presence of leading growth sectors, strong business clusters, centres of excellence and innovation and a wide range of factors that support growth including land availability, cost effective locations for business, a diverse employment and skills base, access to higher education/research institutes, quality of life and being well positioned to take advantage of overseas trade opportunities. At the same time there are variations across non-metropolitan England, perhaps especially in terms of the availability and quality of transport and digital infrastructure, which need investment to overcome.

Growth sectors, business clusters and centres of excellence & innovation

23. Earlier in this evidence (paragraph 15 et seq) we have referred to some of the of the growth sectors that are well represented in the non-metropolitan areas including: advanced manufacturing, especially aerospace, automotive and life sciences, food and drink, agri-tech, energy, environmental technologies, defence and security and the visitor economy. These and other specialist sectors in individual areas underline the potential for economic growth and job creation in the non-metropolitan areas.

24. In many non-metropolitan areas this has already led to the development of strong business clusters. Indeed the Witty report¹³ published in 2013, examining location quotients found that most of the strongest clusters in the aerospace, automotive, life sciences sectors as well as the agri-tech sector are in non-metropolitan areas. Moreover another recent report identified the top 25 technology clusters in the UK by local authority area as being in non-metropolitan areas¹⁴.

25. Examples of a range of business clusters in the non-metropolitan areas include:

- *Cornwall - aerospace and advanced engineering*: With global leaders including Lockheed Martin, Babcock Defence, AgustaWestland and Bristow operating in the county, Cornwall is the hub of an internationally

¹³ *Examining a British invention revolution* Sir Andrew Witty's review of universities and growth October 2013

¹⁴ *Tech Monitor UK* KPMG /Markit 2013

important aerospace cluster, with more than 900 aerospace supply-chain companies operating across the South West;

- *Marches LEP¹⁵ – environmental technologies*: This is a growing cluster that includes market leading companies and technology-cutting edge enterprises covering renewable energy, water technology, waste management and pollution control, retrofitting micro generation technologies e.g. solar PV, and solar thermal and heat pumps to homes and businesses. Companies with operations in the Marches include Caplor Energy, Green Earth Renewables Ltd, Solar, Eco3 Energy, Share Energy, ESFP Energy, Telford Solar Ltd and Carbon Earth;
- *Oxfordshire technology cluster*: This has strengths in life sciences - bioscience, medical technology and pharmaceuticals; physics related specialisms including cryogenics (Europe's largest cluster), instruments and magnets; engineering and electronics; and telecoms and computer hardware and software. Major science and research facilities include the Culham Centre for Fusion Energy, the Science & Technology Facilities Council, Rutherford Appleton Laboratory, Diamond Light Source, the National Synchrotron Facility, the Medical Research Council's facilities Harwell, and the Satellite Applications Catapult Centre;
- *Worcestershire – cyber security cluster*: This long-established cluster based in Malvern Hills is made up of 50 - 100 businesses and is identified by the UK Information Economy Strategy¹⁶ as "one of the primary locations in the UK for the research, development and commercialisation of cyber security products and services";
- *Cambridge technology cluster* – with around 54,000 people employed by more than 1,500 technology-based firms in the area and with a combined annual revenue of over £12 billion, the technology cluster is considered to be Europe's largest;
- *Wiltshire – life sciences cluster*: The Swindon & Wiltshire LEP area currently has an estimated 35-80 Life Science businesses, with total employment estimated at around 5,000; Tetricus Bioscience, a 'business incubator' for new bio-science companies is looking to develop a new £70 million science park in partnership with Wiltshire Council, which is expected to create 2,000 jobs over the next 10 years, including a new innovation centre.

26. In addition to the ones referred to above, examples of centres of excellence and innovation located/being developed in the non-metropolitan areas are in:

- *Cornwall* – which hosts the National Solar Centre and with its coastal/Atlantic position it has very significant potential to harness wave power. The wave hub at Hayle is the largest wave test device facility in

¹⁵ The Marches LEP comprises the local authority areas of Shropshire, Herefordshire and Telford & Wrekin

¹⁶ *Information Economy Strategy* HM Government June 2013

the world and the Cornwall and Scilly marine energy programme is supported by expertise from Exeter and Plymouth Universities;

- *Shropshire* – which is the location of the new Agricultural Innovation Centre at Harper Adams University, a national centre to support advanced technology and manufacturing for the agri-food sector and provide a base around which university/industry collaboration can be stimulated. The Marches LEP committed £750,000 of its Growing Places Fund allocation to invest in the Centre;
- *Essex* – where the development of one of the world’s largest health innovation centres at the Anglia Ruskin Medtech Campus sites at Chelmsford, Harlow and Southend-on-Sea will support companies of all sizes - from start-ups and micro SMEs to large corporates - with the aim of securing local and national economic growth and establishing the UK as a global force in a sector worth £170 billion per year.

Factors that support growth

27. Inevitably the factors that support growth vary between different areas and can, for example, vary within individual county or other non-metropolitan areas. Overall, though, some of the key factors can be identified as:

- *Land availability* – the availability of land for development and housing in the non-metropolitan areas is a major factor supporting growth and investment; they can offer the opportunities for large scale capital development and economic activity, something that is often not present in the more densely urbanised areas - a factor underlined by the investment location choices of companies such as Toyota in Derbyshire and Hitachi in County Durham;
- *Cost advantages* - in terms of land prices, rental costs, business rates, staff costs;
- *Diverse employment and skills base* – recent research by Local Futures has shown that non-metropolitan areas score well in terms of skills and qualifications with the top ten ranked district areas being in non-metropolitan England as are eight of the ten top ranked cities¹⁷;
- *Access to higher education/research institutes* – the non-metropolitan areas provide approaching 70% of England’s university institutes outside London, including some of the most prestigious seats of learning and research in the country and indeed the world;
- *Quality of life* - can be an important factor in businesses being able to attract and retain staff and therefore in business growth and attracting

¹⁷ *Global change; local strategies – an inward investment guide to England* Municipal Journal/Local Futures Group

investment. The high environmental quality and the overall quality of life is a key factor supporting growth in non-metropolitan areas¹⁸;

- *Overseas trade opportunities* - non-metropolitan areas are as well positioned as the metropolitan areas to take advantage of the many global connections the UK has. Seven of England's ten busiest ports (by freight traffic volumes) are located in non-metropolitan areas and almost all areas in England are within 90 minutes of an international airport.

Infrastructure & transport links

28. Both transport and digital infrastructure are key to supporting the growth of business and achieving economic success. In consulting with our member authorities in non-metropolitan areas, it is evident that the situation varies in different parts of non-metropolitan England according to geographical location, with some seeing access to transport networks with less congestion as a competitive edge, whilst others, particularly in more rural and peripheral areas, seeing inadequate connectivity as one of the biggest barriers to growth. Indeed as in some other factors, there are variations within individual non-metropolitan areas as there are in the metropolitan areas. Overall, there is no doubt that maintaining and improving both transport and digital infrastructure is critical to enabling the non-metropolitan areas to capitalise on their economic advantages and realise their full potential for economic growth.

Pro-active local authorities and partnerships

29. Another key factor is the commitment to economic development and business growth by local authorities and their partners throughout non-metropolitan England. In a recent CEDOS/ADEPT research report, we have highlighted the action being taken by the strategic county, city and unitary local authorities in supporting their local enterprise partnerships and investing in economic growth¹⁹. Just some examples²⁰ of action and investment by the local authorities in the non-metropolitan areas are:

- *Cambridgeshire* – where Cambridgeshire County Council is leading on infrastructure projects including a £30 million investment in Cambridge Science Park station;
- *Dorset* – where Dorset County Council and the county's district and borough councils are investing £10.7 million to bring high-speed fibre optic broadband to 97% of premises in the county within three and a half years;
- *Essex* – where the County Council's has supported over 2,700 apprenticeships since 2009, with Essex now having the largest number of 16-18 year old apprenticeship starts across all local authorities in

¹⁸ See for example *Global change; local strategies – an inward investment guide to England* Municipal Journal/Local Futures Group

¹⁹ *Local authorities, Local Enterprise Partnerships and the growth agenda* CEDOS/ADEPT February 2014

²⁰ For other examples – see the CEDOS/ADEPT report February 2014

England; and has supported over 490 SMEs through its Skills for Growth programme since 2012, benefiting the Essex economy by an estimated £18 million.

30. Action by local authorities and local enterprise partnerships will continue to be critical to enabling the non-metropolitan areas to maximise their contribution to this country's economic recovery and growth for which it is essential that Government ensures that local authorities and their partners in the non-metropolitan areas have a level playing field on which to operate.

What is holding non-metropolitan England back that could be addressed by taking action?

31. Our evidence has demonstrated the economic importance of the non-metropolitan areas. However, there are barriers to growth that are constraining opportunities in individual non-metropolitan areas including housing and employment site development being held back by gaps in infrastructure and accessibility, road and rail connection inadequacies and gaps, issues of broadband connectivity and skills gaps. Some examples of constrained opportunities provided by our members are:

- *Dorset* – where the 35 ha Holton Heath strategic employment site contains a range of successful advanced engineering, defence and chemical companies, a number of which wish to expand on site. Readily available employment land is in short supply across Dorset, and whilst Holton Heath has the scope to provide an additional 20 ha's, it is constrained by an inconsistent high voltage power supply. This situation is replicated at a number of locations across Dorset, which can be addressed with moderate investment from a national perspective, but significant investment for local partners;
- *Worcestershire* - where a lack of employment sites and premises has significantly constrained growth and led to lost investment and where the development of identified priority 'game changer' sites - Malvern Hills Science Park Expansion, Redditch Eastern Gateway, South Kidderminster Enterprise Park and Worcester Growth Corridor - is dependent on specific off-site infrastructure to unlock them and wider growth opportunities;
- *Thames Valley Berkshire* – where it is clear that the uncertainty about the future of Heathrow is unsettling for a number of key businesses and is creating a block to their future investment decisions as well as an increased likelihood of them leaving the UK altogether.

32. It is essential that Government recognises the importance of addressing constrained opportunities and barriers to growth in the non-metropolitan areas of England to ensure they can realise their full potential for economic growth. In addition we would like to focus also on a number of broad issues that are holding back the economic performance of non-metropolitan England and that need to be addressed as a matter of urgency.

Non-metropolitan areas undervalued by national policy

33. We reiterate that we strongly support the economic growth of our core and key cities and metropolitan areas but our evidence shows that England's non-metropolitan areas and their mid-sized cities and counties and rural areas are equally important to this country's economic performance. Unfortunately, however, their economic contribution and that of the county areas in particular, is being undervalued and by comparison neglected by Government in its pursuit of a national policy that is too often 'big 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 local growth deals for all LEP areas will not be implemented until 2015. Other examples are 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; and the £50 million Youth Unemployment Fund, which is focused on the core cities and the other city deal areas.

34. As a result, there is an increasing risk of the economic potential of the non-metropolitan areas being held back with adverse consequences for national as well as local economic growth. There is evidence that this is happening already, with differential treatment in terms of fiscal powers and funding 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 LEP²¹ have common objectives, the variability of the tools to deliver growth could risk undermining the shared agenda, including the commitment of the private sector.

Too limited devolution of central government funding

35. 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.

36. The decisions on the distribution of the Local Growth Fund area awaited but concerns that the needs and opportunities of non-metropolitan England will

²¹ D2N2 LEP is the Derby, Derbyshire, Nottingham and Nottinghamshire Local Enterprise Partnership

continue to be undervalued and neglected by comparison to the metropolitan areas have been underlined in a recent speech by the Chancellor of the Exchequer with its core city focus and strong signals about where most of the Local Growth Fund could be allocated²².

Local authority funding reductions

37. We have highlighted the key role of local authorities in investing in growth in the non-metropolitan areas and elsewhere but this could be jeopardised in the future by the fact that they 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 itself 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"²³.

38. Whilst local authorities in the non-metropolitan areas continue to give high priority to economic development and growth, the reality is that the investments they 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.

Complexity of the local economic development delivery landscape

39. One of the challenges facing many non-metropolitan 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. The Government's proposal to enable councils with non-contiguous boundaries to form or join combined authorities or economic prosperity boards could result in further complexity and fragmentation.

²² Speech delivered at the Museum of Science & Industry Manchester 23 June 2014

²³ *Provisional local government finance settlement 2014-15 & 2015-16* LGA Briefing 18 December 2013

Who needs to take what action to address these issues?

40. Clearly local authorities and local enterprise partnerships must continue to prioritise action and investment to address particular issues and barriers in their areas but on the big issues affecting non-metropolitan areas, central government needs to take action and the prime requirement is for it to embrace fully the devolution of powers and funding to both the non-metropolitan and metropolitan areas of England. 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.

41. In taking this forward, it should ensure that *all* areas - both metropolitan and non-metropolitan; city and county - are treated fairly with proper recognition of their essential economic contributions and having, as far as possible, a level playing field on which to pursue economic action. Only then will government have any realistic prospect of achieving the ambition set out in the Local Growth White Paper to foster prosperity in all parts of the country²⁴.

42. Lord Heseltine, in his wide ranging review of economic growth²⁵, made a powerful case for reversing the high degree of centralisation of power and funding in this country which has increasingly disempowered local government. Fiscal devolution must be a key part of this. The need for fiscal devolution accompanied by the necessary freedoms and flexibilities to explore alternative approaches to raising finance is underlined by the continuing reductions in funding to local authorities referred to above and as we emphasised in our joint evidence to the Communities and Local Government Select Committee's Inquiry into fiscal devolution to cities and city regions, if fiscal devolution excludes areas outside London and the core cities, there will be a considerable risk of increased inequality between local areas and increased regional imbalance, which could hold back economic growth both locally and nationally.

43. On some specific issues, in all areas, both metropolitan and non-metropolitan, 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 in all areas 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;

²⁴ *Local growth: realising every place's potential* HM Government October 2010

²⁵ *No Stone Unturned* Lord Heseltine October 2012

- 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;
- 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 meet the needs and opportunities of local areas and sub-regions.