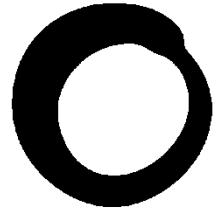


Briefing 1



**Friends of
the Earth**

England's power shift: Sustainable economic growth?

***Power shift* briefings for local groups**

Each briefing covers a different aspect of how politics, power and decision making at local and regional levels in England will have a bearing on your local group's work.

Power is shifting in England. Regional Assemblies outside London have been phased out and control over strategic decisions in each region has been handed to a power-sharing partnership of the unelected, business-led Regional Development Agencies (RDAs) and new Leaders' Boards representing the local authorities in each region. Regional ministers have also been appointed to oversee the new institutions.

The thrust of this power shift is unashamedly about boosting economic growth although Ministers say that the dominance of this economic growth agenda does not threaten the environment and sustainable development and that their new 'localism' is part of renewing democracy, being more responsive to citizens and acting on climate and other big issues.

This first briefing explains how economic priorities have shaped the Government's reforms of regional and local government dealt with in detail in briefings 2 and 3. For more information please contact either your Regional Campaigns Coordinator (RCC) or:

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ECONOMIC POTENTIAL OF REGIONS

Regional governance is more established across Europe and North America than in the UK where we are still learning from devolution in Scotland, Wales, Northern Ireland and London and now, to some extent, in England's regions. Whitehall has tended to fear letting go and English devolution, if it can be called that, is rooted in the way the centre sees each region as a way to deliver centrally derived policy, mainly economic growth. The Government's approach is summarised in a 2006 memorandum:

"A regional approach is necessary to create the optimal conditions in which policy decisions and the delivery of those policies can effect positive change to people and places...the underpinning rationale for a regional approach can be broken down broadly into:

the economic case - **there are demonstrable differences in regions' economic performance**, for different reasons, and a greater understanding of these and their underlying causes would allow regions, and therefore UK plc, to realise their economic potential;

the strategic case – regions bring a unique strategic perspective to policy development and spatial decision making; they bring together a range of expertise drawn from all levels and sectors within their region to **better plan and integrate investment decisions**. The regional level focuses on a strategic role rather than service delivery; and,

the pragmatic case – there are issues which cross local authority boundaries and **taking a view across a wider area ensures that resources are being invested effectively.**"¹

Ministers also say that their 'regional policy is focused on enabling every region of England to perform to its full economic potential. This does not imply artificial constraints on development in the more successful regions - these would not necessarily benefit the less successful ones. Investment displaced from South East England might well go abroad, or simply not happen.'² Yvette Cooper MP (then Housing and Planning Minister) said the Government wants

"all the regions to grow, but it is not enough simply to have economic growth in every region; we actually want to narrow the gap as well. If we had thought one (region) was more important than the other we could have just picked one."³

Either way, regional policy and governance appears to be largely about delivering economic growth and many still regard the Government's approach as biased towards the greater south east area which, the Government views as the engine of the UK economy.

SUSTAINABLE GROWTH

The economic thrust of Government regional policy is also expressed in its Public Service Agreements (PSAs) which reflect the shared work priorities of different Whitehall departments. PSA 7 on *Regional Economic Performance*, shared by Business, Communities and Treasury departments, aims to: **"Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions."** Significantly, the Government has also used PSA 7 to define 'Sustainable Growth' as requested by Friends of the Earth:

"The Government's central economic objective is to raise the rate of sustainable growth. 'Sustainable growth' here and throughout refers to economic growth that can be sustained and is within environmental limits, but also enhances the environment and social welfare, and avoids greater extremes in future economic cycles."⁴

¹ MPs Ed Balls, John Healey + Chris Leslie, Evolution & Devolution in England, New Local Government Network, July 2006

² Government Response to Office of the Deputy Prime Minister Select Committee Report on Planning for Sustainable Communities: Sustainable Communities in the South East, July 2003

³ Evidence to Commons Communities and Local Government Committee, fourth report, March 2007

⁴ http://www.hm-treasury.gov.uk/d/pbr_csr07_psa7.pdf See paragraph 1.1 + footnote on page 3

GROW TOGETHER OR APART?

Analysis of the Treasury's figures on regional spending by the Commons Office Scrutiny Unit indicates that "whilst regional public spending as a whole ensures that regions with a higher concentration of problems receive more per head, percentage changes in regional expenditure per head between 2000 and 2005 have tended to be more favourable to the Greater South East than to the other six 'lagging' regions. This is the case both for 'productive' spending and in policy areas where spending may be expected to be more closely related to need."⁵

It appears then that the Government's allocation of funding to the regions for public expenditure purposes is widening the gap between regions against the aim of the regional PSA target. The Government meanwhile insists on using Gross Value Added (GVA) data to measure progress on its PSAs and progress reports have suggested that:

- There is some evidence of progress in narrowing the gap in growth rates between the regions. GVA per head data for 2003 and 04 showed that Northern, Midlands and South West regions narrowed the gap in growth rates with London, the South East and Eastern regions;
- Progress is underpinned by stronger employment performance (in the former regions than in the latter) and evidence of a narrowing in the skills gap; and that,
- Further progress in the former regions is required on other drivers of productivity (such as skills, education) to reduce the persistent gap in growth rates between the regions.

Interestingly, the Government admits that annual reports of GVA data should be viewed "with extreme caution" and that the data has "limitations" and "may not be helpful". *If you are especially interested the following section briefly analyses the main factors behind differences in regions' productivity.*

Differences in regional economic performance

In the UK differences within regions are as important as the ones between regions. Different measures of productivity can also tell a different story about regions' economic performance. However, similar productivity levels may translate into different outcomes in terms of GVA per capita due to various factors, such as labour market structure and population demographics.

Differences in productivity, together with the commuting effect, are important factors in explaining the variations in GVA per capita. The 'performance' of regions and local areas can change if we also alter our perspective. For example, if we consider the *GVA per hour* worked as a measure of productivity then the gaps between regions reduce and in some cases, even the ranking of each region is different, compared with the long-used measure of *GVA per capita*. In general we can conclude that:

- There are significant, persistent gaps in economic performance between and within UK regions.
- UK spatial differences appear large in comparison with those observed in other EU States and the USA, for example as reported in *Regions at a Glance* (OECD, 2005).
- Differences in productivity, labour market participation and commuting patterns explain most of the regional differences in GVA (gross value added) per head.
- The perception of relative regional performance can change considerably according to the measure of productivity that is chosen. GVA per hour worked is considered a more appropriate measure of productivity since it takes into account the mix of part-time and full-time workers.
- If GVA per hour worked is used as the measure of productivity, the performance gap between regions reduces compared with other measures. In particular, the North East, which appears to be considerably below the UK average in terms of GVA per head (21 per cent below), is close to the average in terms of GVA per hour worked (1 per cent below).
- At sub-regional level (NUTS 2 level), there are areas (Bedfordshire and Hertfordshire in the East of England and Berkshire, Buckinghamshire and Oxfordshire in the South East) that seem to be more productive, in terms of GVA per hour worked, than Inner London. These areas are good examples of clever exploitation of untapped resources (infrastructure), specialisation in high value added sectors and high investment in research.

⁵ Commons Communities and Local Government Committee, fourth report, March 2007

WHITEHALL IN THE REGIONS

Government Offices (GOs) are central government in the regions and these have been given a more strategic, policy development and analysis role to:

- negotiate and manage **Local Area Agreements** and other forms of devolved decision making at local council level and beyond the town hall
- advise and feedback to Whitehall on **how well central government plans are being implemented at regional level**, including on delivery on PSA targets
- support and challenge **the development of Regional Strategies** by the regional powers
- boost **the importance of 'place' within each region** ⁶

RDAs RULE OKAY!

Regional Assemblies (RAs) and Regional Development Agencies (RDAs) were set up in the late 1990s. RAs were originally planned as being directly elected 'inclusive strategic bodies "of the region" [bringing] together representatives from key sectors across the region...in an ideal position to contribute to and ensure consistency across regional strategies.' The RAs were responsible for preparing regional spatial and housing strategies and for approving RDA economic strategies.

The power play between RAs and RDAs came to the fore in 2007 when the Government announced that the RDAs would take over the powers and duties of the Assemblies which would be phased out. ⁷ If the Conservative Party wins the next General Election it may keep to this but increase the role played by local authorities (See **Power shift** briefing 3)

Friends of the Earth England's work to influence the Assemblies and the statutory Regional Spatial Strategies had led some Assemblies to become quite progressive and ambitious about taking joined up approaches to their regions and putting sustainable development at the forefront of their work. Some regions have even directly challenged and resisted the economic growth and infrastructure proposed by central government for their areas, for instance the South East England Regional Assembly's stance on airport expansion.

It has been slightly harder to influence the business-led RDAs with their prime focus on developing and coordinating regional economic development and regeneration – essentially to boost economic growth and jobs. The RDAs are accountable directly to Whitehall and now have a central role in decisions about land use, transport investment, and other environmental policies in each region.

BUT IS IT SUSTAINABLE DEVELOPMENT?

RDAs have a vague statutory sustainable development duty 'To contribute to sustainable development, where appropriate'. There are no regional targets attached to this aim unlike for the RDAs' main economic and job growth aims. In 2005 the Government gave RDAs revised guidance requiring them to base their Regional Economic Strategies on the 2005 UK Sustainable Development Strategy. It also stressed the importance of sustainable development in regional policy and listed the 'essential ingredients' for SD in developing high level strategies including:

- an evidence base of robust social, economic and environmental data including data for both national and regional sustainable development indicators;
- stakeholder involvement;
- aims and objectives which link across regional, social, economic and environmental issues and identify opportunities for sub regions, city regions and local area agreements to contribute to SD;
- indicators, actions and targets with owners and timescales for completion; and,
- Sustainability Appraisal for each high level strategy ⁸

For more on RDAs and their strategy making powers and duties see **Power shift** briefing 2

⁶ Review of Government Offices, March 2006

⁷ *Review of sub-national economic development and regeneration, 17 July 2007*, www.hm-treasury.gov.uk/sub-national_economic_development_regeneration_review.htm

⁸ *Securing the regions' futures*, Defra, April 2006

ENGLAND'S CITY REGIONS

As well as the RDAs, city regions - loosely defined as broad areas covering cities and their hinterlands including a mix of urban, suburbs and some rural areas - are current front runners to take forward the 'economic footprint' of delivering strong, vibrant economies in each region. This fits with the Government's local government reforms including the requirement for local authorities to decide whether or not to have a directly elected mayor and to play a heightened role in economic development - see **Power shift** briefing 3.

The debate around the role and emergence of city regions is also dominated by related pressures of economic development and provision of infrastructure. The rationale is that global investors and decision makers are not concerned with local authority boundaries and look beyond these lines on maps to free trade and business operation to understand the economy as a whole - areas linked economically and socially by travel-to-work catchment areas and access to housing, leisure and retail markets. Individual communities within a city region are significant only where they are dependent on the global competitiveness of the city region as a whole.

England's self appointed eight 'Core Cities' of Birmingham, Bristol, Liverpool, Leeds, Newcastle, Nottingham, Manchester, and Sheffield have for some time been leading the push for city regions to become the focal point of economic activity and competitiveness.⁹ In 2009 the Government set up two pilot city regions in Leeds and Manchester.

The Northern Way is an example of a pan-regional approach across the three northern regions (North East, North West and Yorkshire and The Humber) to secure growth, investment and regeneration. The Northern Way's *Moving Forward* strategy is an expression of the ambition of the city regions' agenda and control over decisions over transport infrastructure and development pressures and has effectively been super-imposed on each region's Regional Spatial Strategy.¹⁰

PAYING FOR IT ALL

In 2005-6 the Government revised the way funds are allocated to regions and spent for housing, transport and economic development. For the first time the Government published funding allocations for these uses over a longer timeframe, up to 2015-16.

This led regions to work out their priorities for example, which transport projects for which they most wanted to gain funding. This usually resulted in long lists of pet road schemes although in recent years some regions started to prioritise public transport and sustainable transport projects.

However, the desire to build roads remains strong, and in July 2009 the Transport Department approved regions' bids for funding transport schemes which were dominated by promotion of road schemes ostensibly to boost economic growth.¹¹

⁹ Core Cities www.corecities.com/coreDEV/about.html

¹⁰ The Northern Way www.thenorthernway.co.uk/

¹¹ Regional Funding Allocations www.dft.gov.uk/pgr/regional/strategy/rfa/