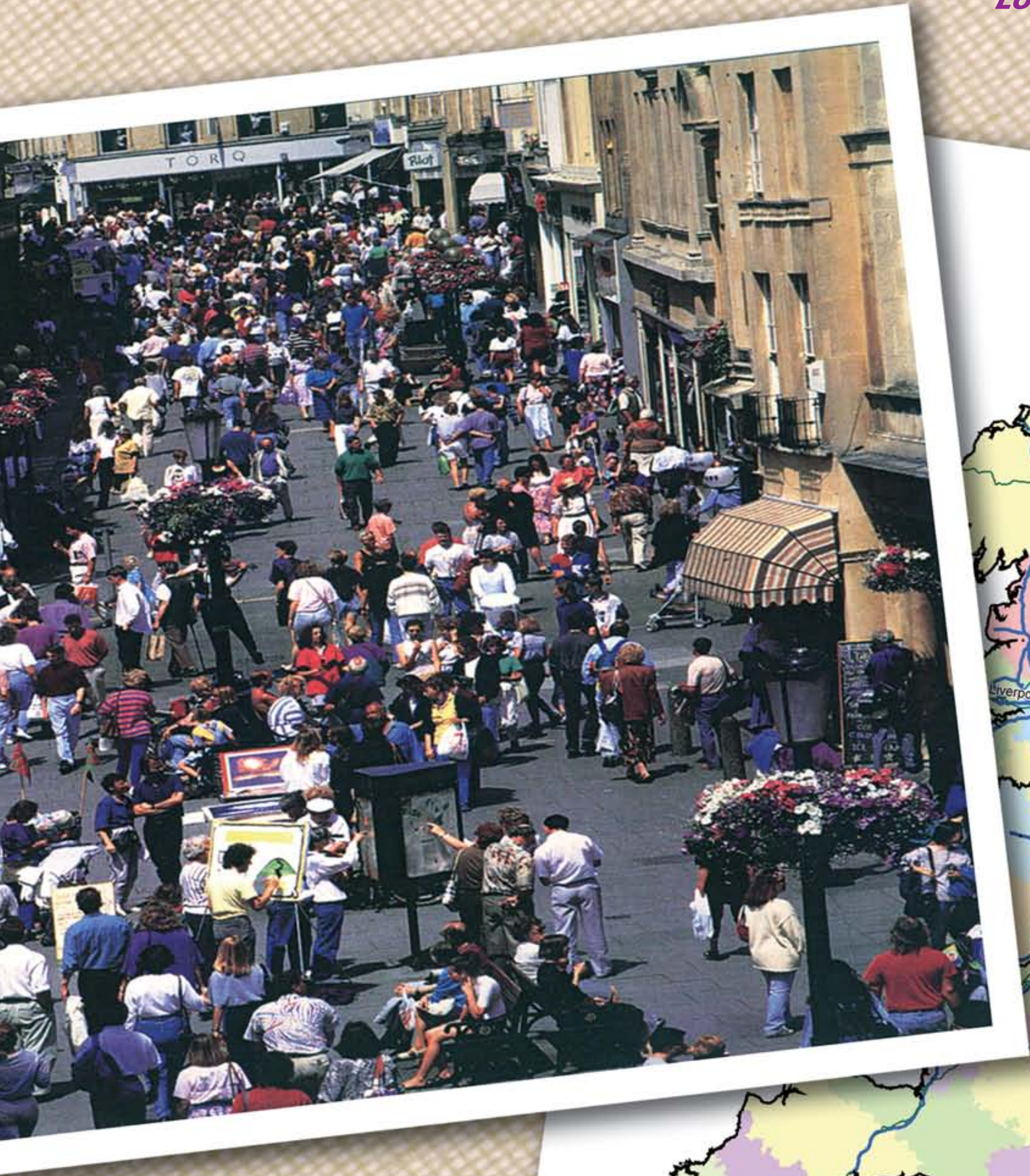
Local Government Association



prosperous communities II

vive la dévolution!

devolution

closer to people and places

the future is local

The maps and analysis in part 1 of this report are based on a research report we commissioned from PACEC (Public and Corporate Economic Consultants). Many thanks to Rod Spires, Barry Moore and Nic Boynes who led the project.

A full copy of the PACEC report can be found on the LGA website **www.lga.gov.uk**

contents

foreword

In every decade, economic policy takes a major step forward. In the 1980s, Britain transformed its performance with a wave of free-market reforms. In the nineties, Bank of England independence radically improved monetary policy. But England has become London-centric and in this decade, our challenge is to ensure that every place in the country can thrive and compete better in a globalised world.

We have a great global city in London. But other places in Britain, once world-beaters, have fallen behind. Of the largest English cities apart from the capital, Bristol is the best-performing in the European league table – but only in 34th place. Most of our great cities – a century ago the economic powerhouses of the industrialised world – now languish at the bottom of the table. Indeed Manchester, Birmingham, Liverpool and Newcastle have only half the GDP per head of major European cities.

Britain is not a poor country overall. England's regional centres underperform their continental peers, but also lag behind a national economy whose performance is dominated by the wealth of London and the South-East. They need to catch up both on the continent and on the capital.

The prize is worth striving for: better quality of life, and a much better standard of living; higher employment, less poverty and deprivation, economic prosperity and social justice. If every English region had the employment rate of the best, nearly a million extra people would be in work.

Just as in the 1980s with market liberalisation, and in the 1990s with monetary policy, there is now widespread agreement both about the nature of the problem, and the solution. Politicians of all parties, public servants, and academics, recognise that what distinguishes England's local economies from successful places elsewhere is our uniquely centralised system of decision-making and funding. What is needed is a **clear** devolution of the powers in planning, transport, skills, welfare and economic development in order to put in place transformational local solutions to local economic challenges.

Each place, city, town and shire is different. All require local solutions. The LGA has indeed championed the devolutionary cause by instinct and belief, it now does so on the evidence.

We have analysed labour, retail and housing market areas, travel-to-work areas and the clustering of high-tech businesses. The evidence is crystal clear that sub-national economies are sub-regional. We have therefore proposed further detail about the powers and governance arrangements that need to be put in place, so that we can now move forward locally to address sub-regional challenges. In the light of the evidence, devolution now seems to us both necessary and unavoidable. We believe that the government has, in the sub-national review, created for itself an unmissable opportunity to bring about this decade's decisive economic transformation.

Lord Bruce-Lockhart
Chairman
Local Government Association

introduction

Britain has experienced the longest period of sustained growth on record. But not every community has been equally able to share in the experience. Although it has been the government's policy to close the growth gap between London and the rest of the English regions, there has been very little sign that the regions are catching up.

A relative slowdown in London has helped to improve the difference in headline growth over the last couple of years: but the fact remains that London's productivity continues to massively lead everywhere else's. Over recent years, regions' progress in closing on London's productivity has been negligible. On some measures of productivity, the regions have actually fallen behind: in 2002, the North-East's output per hour was 81 per cent of London's; by 2004, it was 79 per cent.

Meanwhile, British productivity overall is below the average of G7 countries, lagging the US, France and Germany. English cities, with exception of London, are not even represented in Europe's wealthiest 30 urban centres. If England's cities are to close the gap with their peers in other countries, let alone with London, their productivity and competitiveness need to stride forwards.

This is about far more than differential statistics. Closing the gap between London and the regions, and between English regions and their continental peers, would make a stunning concrete difference to life in this country:

- if every English region had the employment rate of the best, **nearly a million extra people would be in work**;
- if the regions were to close the productivity gap with London by even a quarter, **output per worker would rise by more than 10 per cent in six regions**: that would be worth **about £2000 a year** for each worker in those regions, and **over £2,500** in the North-East;
- if trend growth outside London increased by just a quarter of a per cent, the **national trend growth rate would rise by 0.2 per cent, worth some £2.5 bn extra output a year**.

That this has not happened yet is a serious policy failure. That challenge is no secret – and nor is the solution.

The overall success of the economy over the last few years has largely depended on a happy balance of low interest rates and generous public spending, made possible by Bank of England independence and a rule-based approach to the public finances. But these overarching national policies cannot target local problems. Nor can centralised, command-and-control approaches to public sector investment, or other policy interventions in the economy. The government has rightly recognised that the centralised, top-down, approach to the fine grain of the economy isn't working. Local structural improvements in the economy can only come from local decision-making.

So it is clear that the moment for a "a new and unprecedented era of devolution"[1] – in the words of the Communities Secretary – has come. Or as the Chancellor of the Exchequer has put it, "It is right that local councils, not Whitehall, should have more power over the things that matter to their community… from economic regeneration to public transport"[2].

This approach by the government is extremely welcome and timely. The LGA's position on the need for devolution is well-established, and goes well beyond purely economic arguments. Centralisation doesn't work. Local democratic accountability is the best mechanism for ensuring decisions get well-made in the interests of local areas. Councils have a unique role in bringing together the delivery of local public services, personalising them for local people and communities, and enabling local interests to develop a unique vision for their town or city or shire.

The government is conducting a review of economic decision-making below the national level, jointly led by the Treasury, DTI and CLG. Its remit is to look at the scope for devolving decisions and funding to the right level of governance. That involves addressing two questions: what are the key decisions within that remit, and what is the right level to take them.

This document seeks to help the review with suggested answers to both questions.

First, it builds on previous LGA publications, in particular last May's *Closer to people and places*[3] and November's *Prosperous communities: beyond the white paper*[4], in exploring the insight that the key level of the sub-national economy in England is sub-regional. The new economic analysis in this document shows:

- that there is a distinct sub-regional layer of the real economy, as evidenced in markets for labour, goods and services, in industrial clusters, and in relative economic performance;
- that this sub-regional layer can be mapped reasonably well against groups of district boundaries – although the variety of local priorities and circumstances mean there is no single prescriptive map or template that should override the choices local councils make; and
- that, in contrast, the economic significance of the administrative region boundaries is hard to identify.

This economic evidence fits well with the sub-regional partnership working which some groups of councils, often with the active involvement of regional bodies, already have under way. It also coincides with the call in *Closer to people and places*[3] to focus on economic governance at the level of the city, city-region, or shire.

Secondly, this document proposes a clear list of 34 economic decision-making powers or funding streams that should now be devolved to councils working to bring about improvements in their sub-regional economies. These include:

- **ten** powers to plan and co-ordinate at the sub-regional level
- **ten** proposals for devolution of decision-making about delivery
- **eight** proposals for devolution of funding
- **six** proposed changes to external incentives to encourage the use of existing powers.

We suggest that this list should be seen as a menu of options to help local areas make progress on their priorities, rather than a blueprint for new arrangements. It would allow areas that wanted to:

- build real local integrated transport policies around serious budgets;
- develop the skills base in ways that suited local employers' real needs;
- target welfare programmes to tackle local exclusion from the labour market;
- take real responsibility for housing development, planning and economic strategy; and
- mobilise a growth dividend to ensure infrastructure investment kept pace with development.

None of these proposals are particularly dramatic in their challenge to the existing structure of government. We have limited our ambition to ideas which we believe are deliverable within the short term and would not require a significant further advance in the wide political consensus in favour of economic devolution.

Thirdly, this document addresses the question of governance. Central government has a legitimate interest in making sure that devolved decisions are going to be taken by robust structures at the local level. But devolution cannot be imposed. So we argue for a clear, transparent enabling framework that will allow partnerships to make their own decisions about what powers they want to exercise, and how they want to account to local people. There should be strong, clear criteria matching governance form to decision-making function; and there should be an independent assessment of whether local structures are fit for devolutionary purpose. In our view, we should not be asking ministers to take decisions to strip themselves of their powers. The appropriate gatekeeper for devolution may well be Parliament.

The government's policy commitment to devolution is timely and necessary. It will begin to correct the overcentralisation and mis-targeting of policy that have hobbled the cities and local economies of England. Brought to the right conclusion, the current sub-national review has the potential to unleash a powerful revival of the spirit that built England's historic economic powerhouses. The proposals in this document will, we hope, help the government to make that possibility into reality before too long.

executive summary

part I: how does the sub-national economy work?

In our report *Prosperous communities*[4], published at the beginning of November, we argued that the right level for the 'sub-national' economic interventions that the government's sub-national review of economic development is considering was a sub-regional level.

There is a meaningful sense in which there is a national economy and there are many economic policy decisions that are best made at a national level, including setting monetary and fiscal policy, and setting the broad balance of redistribution in the tax and benefits system. But the reality is that the national economy is made up of a very large number of local and sectoral markets for goods, services, and labour. In looking at economic governance, the key question is what scale markets are on. This gives us a guide as to how best to organise and target policy interventions at the sub-national level.

We commissioned research to test this insight; it shows:

- There are sub-regional markets for labour, goods and services and the key economic layer in England is the sub-region. Sub-regional markets coincide reasonably well with industrial clusters, economic performance, and commuter transport networks.
- Today's government regional boundaries do not give a good fit with the economic data and are not strongly based on economic factors.
- There is no definitive sub-regional map and the exact sub-regional map will vary, depending on judgements about exactly which features of the economy are of most concern. But a sensible balance between different data sets, using a method founded in the academic literature, leads to a map with around 50 sub-regions.
- Where councils are already coming together to lead sub-regional economic development partnerships, they are doing so in patterns that are broadly supported by this economic analysis.

part 2: powers

Circumstances, geography and challenges all vary and make up the personality of a place. Every place is unique so uniform national policy solutions will not work everywhere. It follows from this that decisions are best taken at the spatial level where they are most relevant. Matching geography with relevance also improves targeting and transparency. This idea of 'local optimisation' is an economic concept that is at the core of the localist case.

It follows that we need to identify what economic decision-making should be taking place at the sub-regional level. This part describes the principal decision-making powers which should therefore be located at that level. A full list of the powers proposed for devolution is set out at Annex 2.

labour markets

- The government should commit national agencies to work with sub-regional Employment and Skills Boards and these should have access to the data they need to tackle worklessness and poverty and should have local discretion over elements of the welfare system.

- The government should pay block grant to sub-regional partnerships to finance labour market interventions and allow them to manage any under- or over-spend within that budget.

transport

- The Highways Agency (HA) and Network Rail and Train Operating Companies should be under a duty to co-operate with sub-regional partnerships in delivering local transport plans. These partnerships should have stronger powers over rail franchises and powers to take over responsibility for national and local roads, where appropriate.

- The government should implement proposals to give sub-regional partnerships stronger powers to improve local bus networks.

- National, regional and local transport planning and funding regimes should take account of the new powers devolved to local transport bodies and the current power to prepare joint Local Transport Plans should be used more widely.

economic development

- The process for producing regional strategies should be aligned and rationalised and should reflect the sub-regional nature of local economies.

- Where sub-regional partnerships exist, EU, central government and regional economic development funding should be pooled and allocated in accordance with local priorities.

- The link between economic prosperity and growth in the business tax base should be restored by the relocalisation of the business rate.

planning and housing

- Regions should be in the business of empowering and supporting sub-regions in pulling together funding and strategies and should be under a duty to have regard to locally set priorities where they exist.

- It should be for sub-regional partnerships to determine the areas covered by their sub-regional spatial strategies and housing targets should be set and funds allocated at the sub-regional level.

- The Planning Inspectorate's definition of soundness should be clarified and its ability to overturn local decisions restricted.

- Planning Gain Supplement should be fully retained locally and invested according to local discretion.

part 3: governance

The last section looks at the remaining important questions for sub-national economic policy-making: **who** should take the decisions at the sub-regional level, and **how**? If decisions need taking across council boundaries, decision-makers, especially councils, must move beyond the familiar decision-making structures to make them.

A range of possible models are set out, including a company structure, joint committees, Local Area Agreements, Local Strategic Partnerships and Multi-Area Agreements. With such a range of governance models available what matters is not the particular form of governance chosen by local partners, but whether it is fit to do the job it needs to do.

A set of possible criteria are also set out, related to the actual tasks and ambitions of the partners - there is no need to over-engineer voluntary governance arrangements to meet standards that are not appropriate for the job they will be asked to do:

- Some partnerships will just want a mechanism for making sure that the spending of public money is properly accounted for – accounting to National Audit Office/Audit Commission standards and publishing a budget would be an important element of the criteria in this case.

- Others will want to make decisions about priorities for public spending or land use, or transport provision and the capacity to build and use an evidence base; the ability to take hard decisions transparently; and a means of binding partners might be a sufficient test in this case.

- Taking public responsibility for decisions will require democratic accountability and partnerships involving councils are well placed to provide this.

Some sort of framework for evaluating governance arrangements is also needed to judge whether they satisfy the agreed criteria. Possible candidates to carry out this assessment include ministers and civil servants and the local government sector itself, but there are strong arguments that objective criteria are best addressed by an independent arbiter. One option would be an independent commission, tasked with examining both the business cases put forward by local partnerships and any representations from central government or its agencies or from local citizens or residents.

But the devolutionary argument, while founded in sound economics, is not purely technocratic. The heart of the case for granting greater powers to councils working together at sub-regional level is democratic accountability. Members of Parliament conferred existing decision-making powers on ministers. There is a compelling case for Parliament to take individual decisions on whether cities, city-regions or shires should receive them instead.

The private bill procedure, which allows local authorities and companies to promote bills to obtain new powers, might provide an example of how such scrutiny might work in practice. Although the private bill procedures are primarily designed to protect the private interests that might be affected by proposed new powers, the way that proposals are examined by a parliamentary select committee acting as an impartial arbiter provides a potential model.

part 1: how does the sub-national economy work?

summary

Our early evidence-gathering suggested that most of the important features of the sub-national economy of England are pretty local.

We have commissioned research to test this insight[5] – it shows:

- there are sub-regional markets for labour, goods and services;
- attempting to map the economy at much larger groupings suggests today's government regional boundaries are not strongly based on economic factors;
- sub-regional markets coincide reasonably well with industrial clusters, economic performance, and commuter transport networks;
- but the exact sub-regional map will vary, depending on judgements about exactly which features of the economy are of most concern;
- this economic analysis is reflected in the actual picture of existing sub-regional collaboration by councils, business and government agencies.

from the national economy, to the nation's economies

In our report *prosperous communities*[4], published at the beginning of November, we argued that the right level for the 'sub-national' economic interventions that the government's sub-national review of economic development is considering was a sub-regional level.

There is a meaningful sense in which there is a national economy and there are many economic policy decisions that are best made at a national level – setting monetary and fiscal policy, making overall judgements about how large the state sector should be and what its key priorities are, setting the broad balance of redistribution in the tax and benefits system and other judgements about fairness.

But the reality is that the national economy is made up a very large number of local and sectoral markets for goods, services, and labour. In looking at economic governance, they key question is what scale markets are on. This gives us a guide as to how best to organise and target policy interventions at the sub-national level. Regions can be very big. District councils can be very small. Which end of the scale are labour markets and high-tech clusters?

The topline evidence suggests that the answer lies somewhere in between. 78 per cent of journeys to work take less than 40 minutes and 70 per cent of house moves are less than 20 miles. Industrial clustering happens at the level of the city, or around a transport hub, or in a shire. Skills gaps reflect labour demand stemming from this industrial clustering.

This section seeks to develop a more sophisticated analysis of the evidence. We have looked at local data on –

- labour markets and travel patterns
- housing markets
- markets for goods and services
- transport infrastructure
- industrial clustering and
- economic performance

and attempted to map them across England in order to see what pattern of local economies results.

The intention of this exercise was threefold:

- to test the proposition that there are objectively identifiable local economies that involve a number of dimensions;
- to establish how far the pattern varies, depending on the issues at stake; and
- to give an indication of the scale – the 'localness' – of the most significant sub-national economic pattern.

The results of this exercise, therefore, would not set a prescriptive map of the 'correct' pattern of sub-national economic geography. But they would establish a solid evidence base for arguments about the importance of local economies, and give a useful idea of how that might relate to layers, and possibly to particular boundaries, of governance.

what the evidence shows[5]

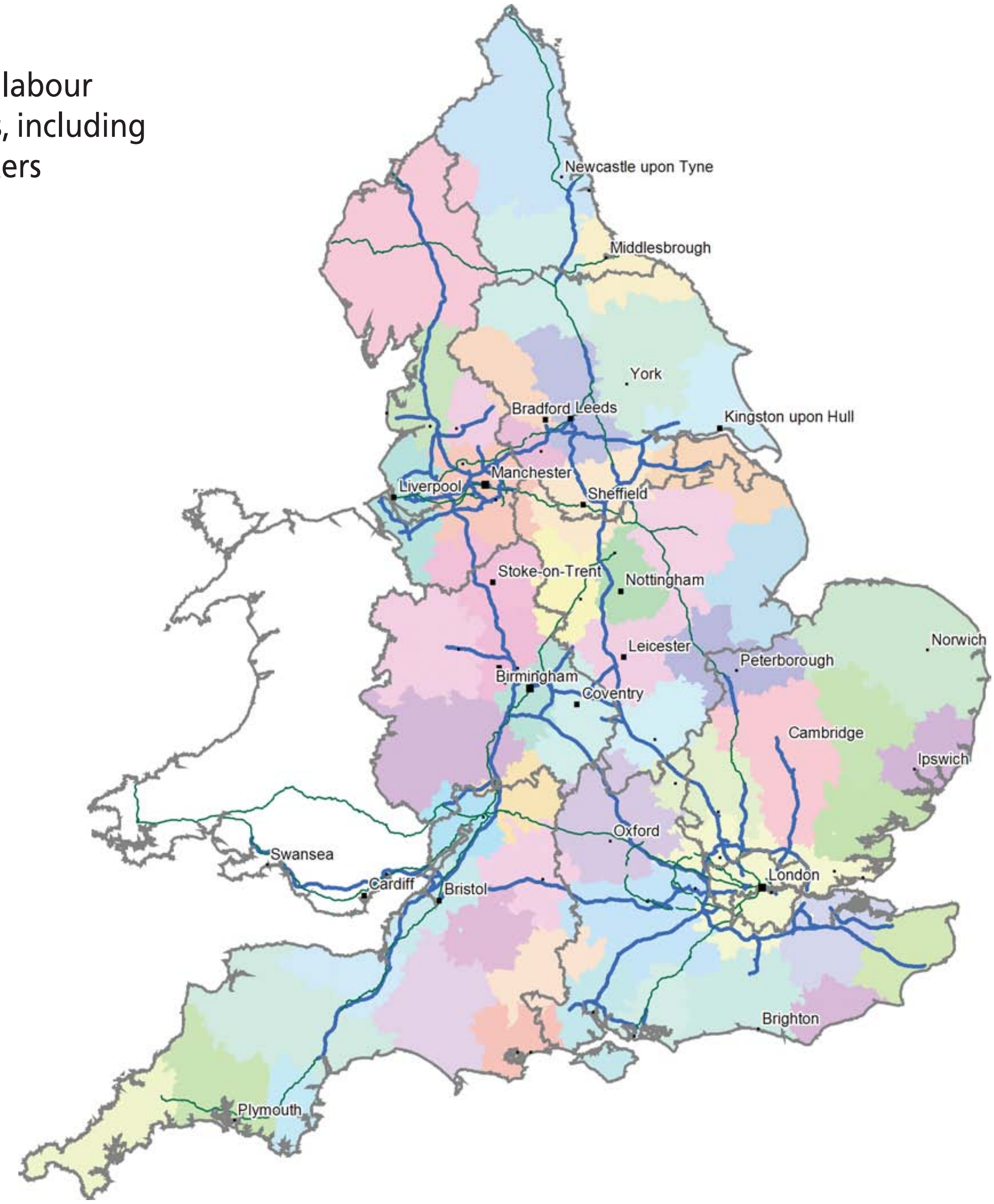
The text box on page 26 describes the methodology followed in our study. The research generated a number of maps based on data sets for –

- the labour market
- migration
- construction
- retail
- hotels and restaurants
- transport
- business services
- personal services

and on different assumptions about self-containment (see the text box for a definition). It also generated a combined map (see map 1) which provides the best fit between a sensible assumption about self-containment, founded in the academic literature, and the eight economic indicators. The study then compared the areas generated by that 'preferred map' with information about industrial clustering, productivity, company start-ups, and economic growth.

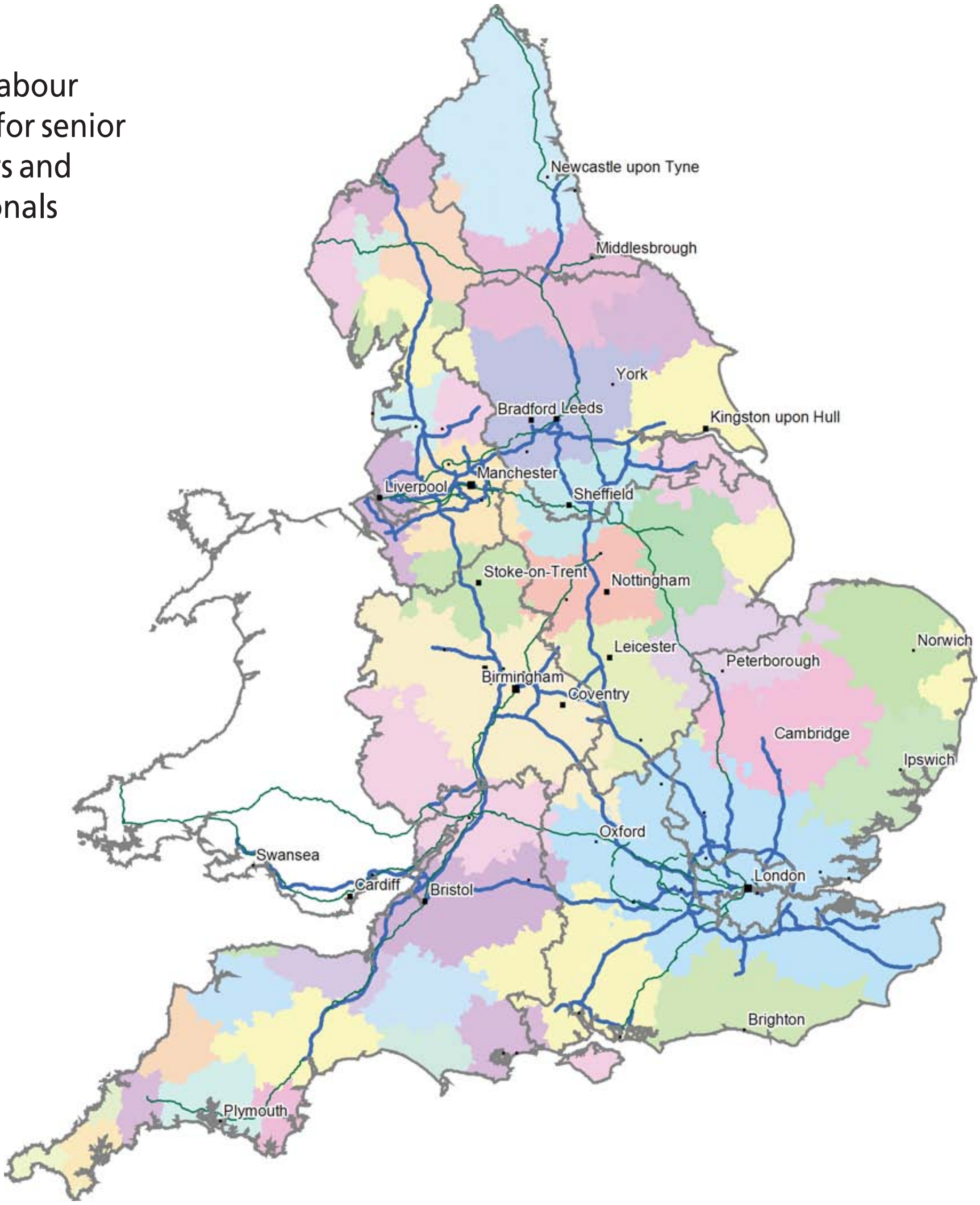
map 1 – the preferred sub-regional map, which gives the best fit for the range of indicators used in our research

map 2 – labour markets, including all workers

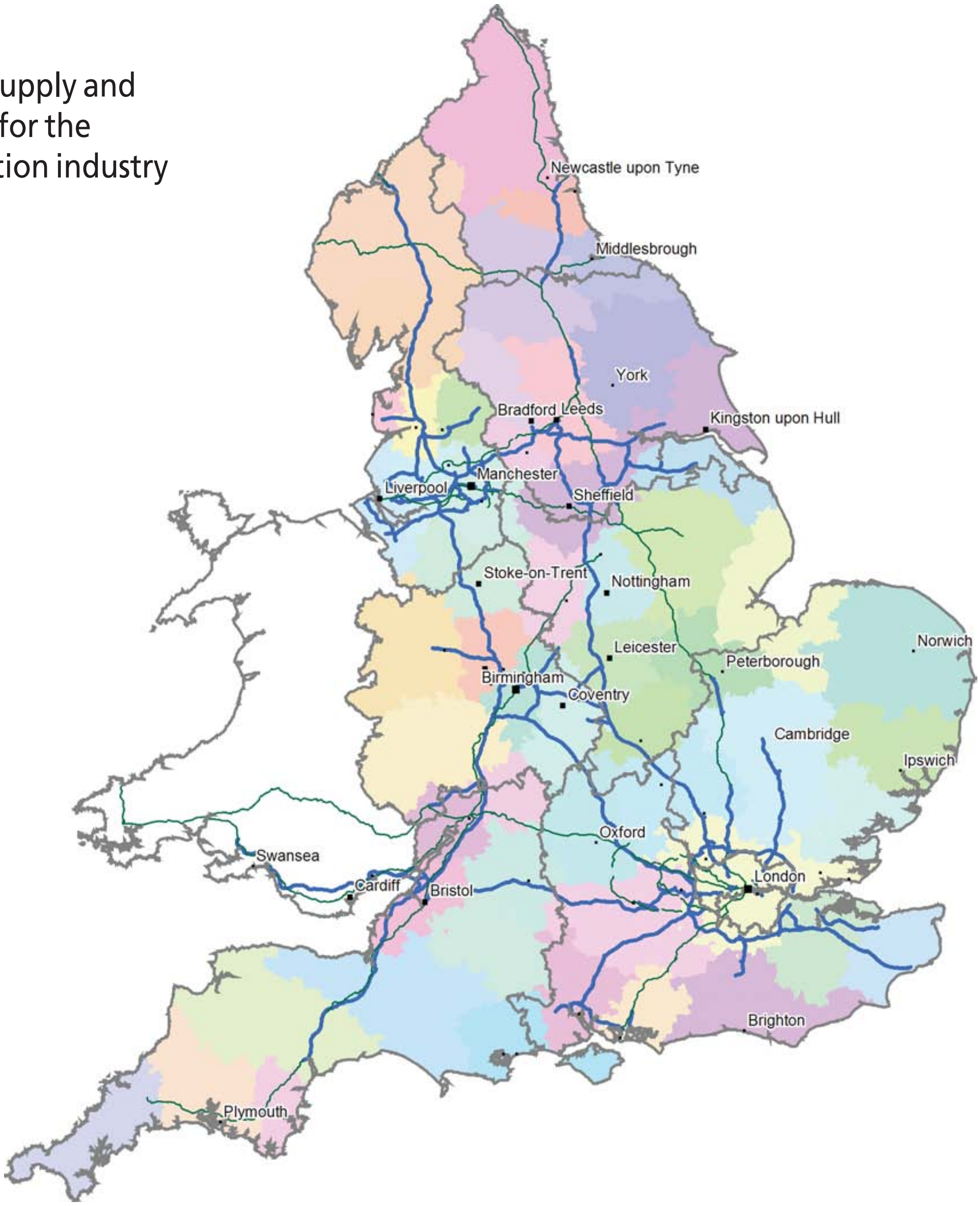


Looking at the labour market in isolation illustrates some of the variation this approach can produce. A map of labour markets that looks at all workers might identify 56 sub-regions 9 (see map 2), while a map using similar parameters but looking only at senior managers and professionals produces much larger areas (see map 3). This reflects the fact, which we can confirm from the data, that senior managers tend to commute greater distances than more junior employees. It has a policy implication: that we may need to look at different geographies if we want to target different occupational groups, or at least their travel behaviour.

map 3 – labour markets for senior managers and professionals

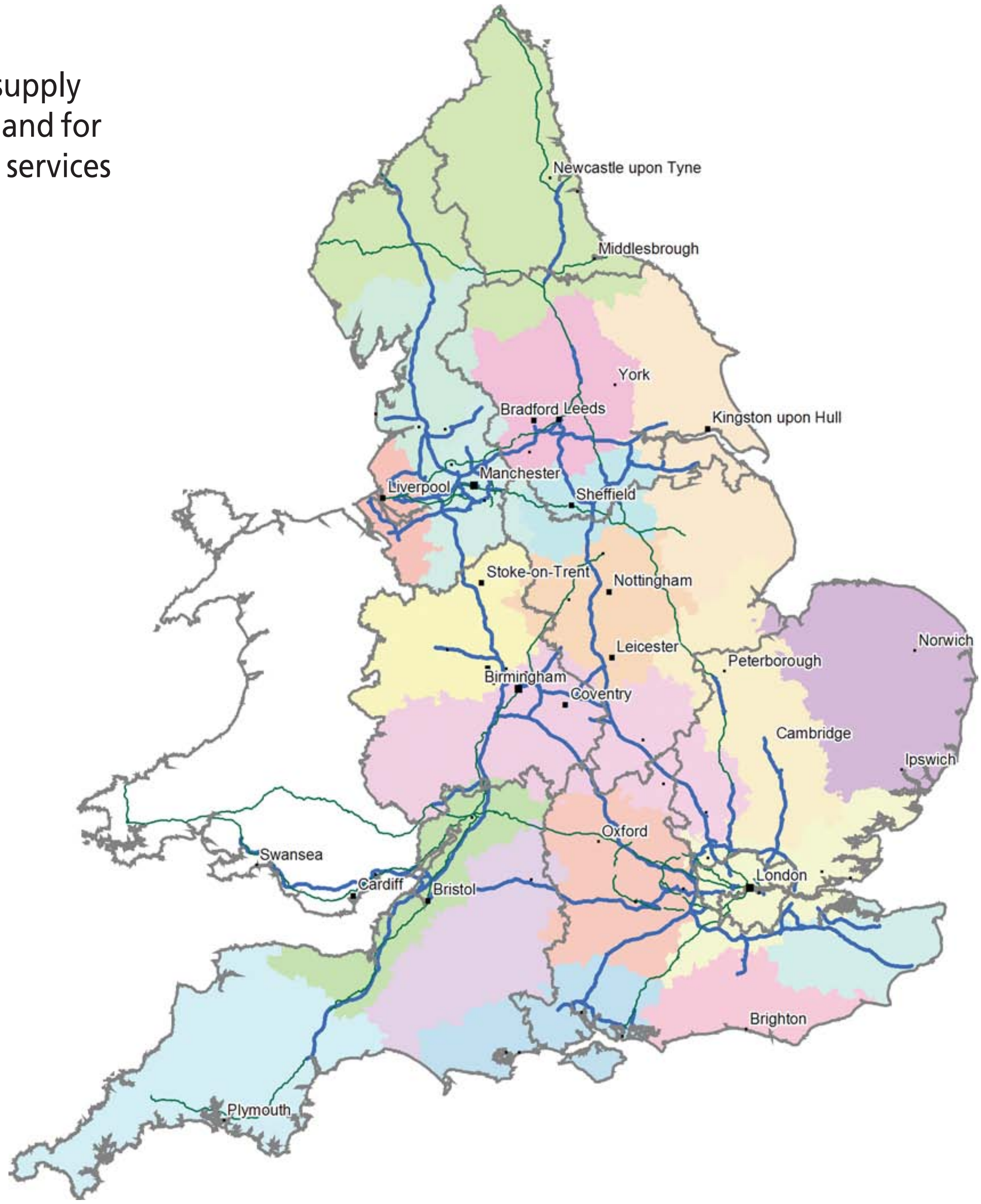


map 4 – supply and demand for the construction industry

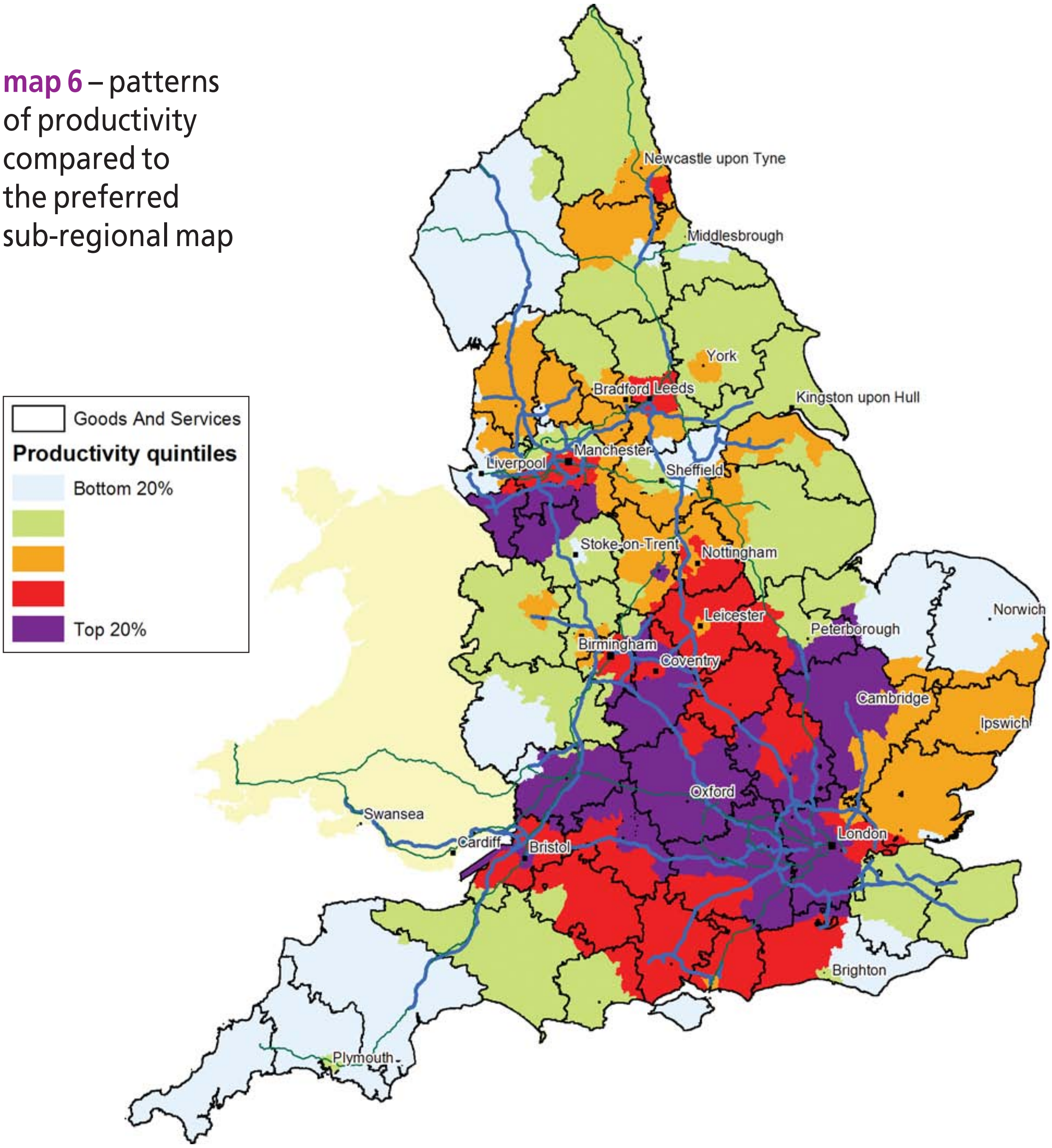


The size of the local economies also varies for different categories of goods and services. The supply and demand map for the construction industry suggests there are about 56 sub-regions for that industry (see map 4), which is similar to the picture for business services, while transport firms, personal services (see map 5) and the retail industry fall into 21 sub-regions.

map 5 – supply and demand for personal services

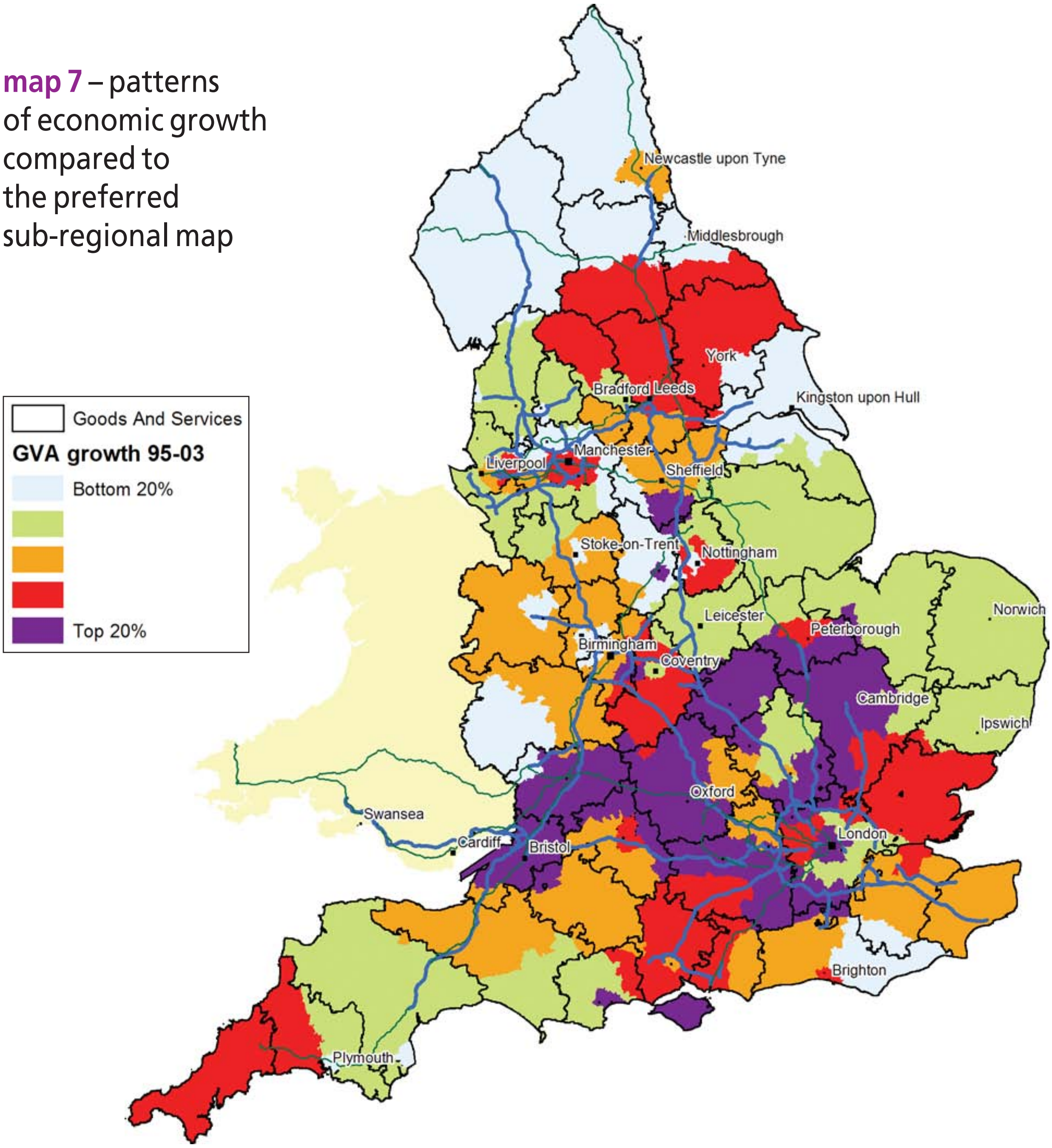


map 6 – patterns of productivity compared to the preferred sub-regional map

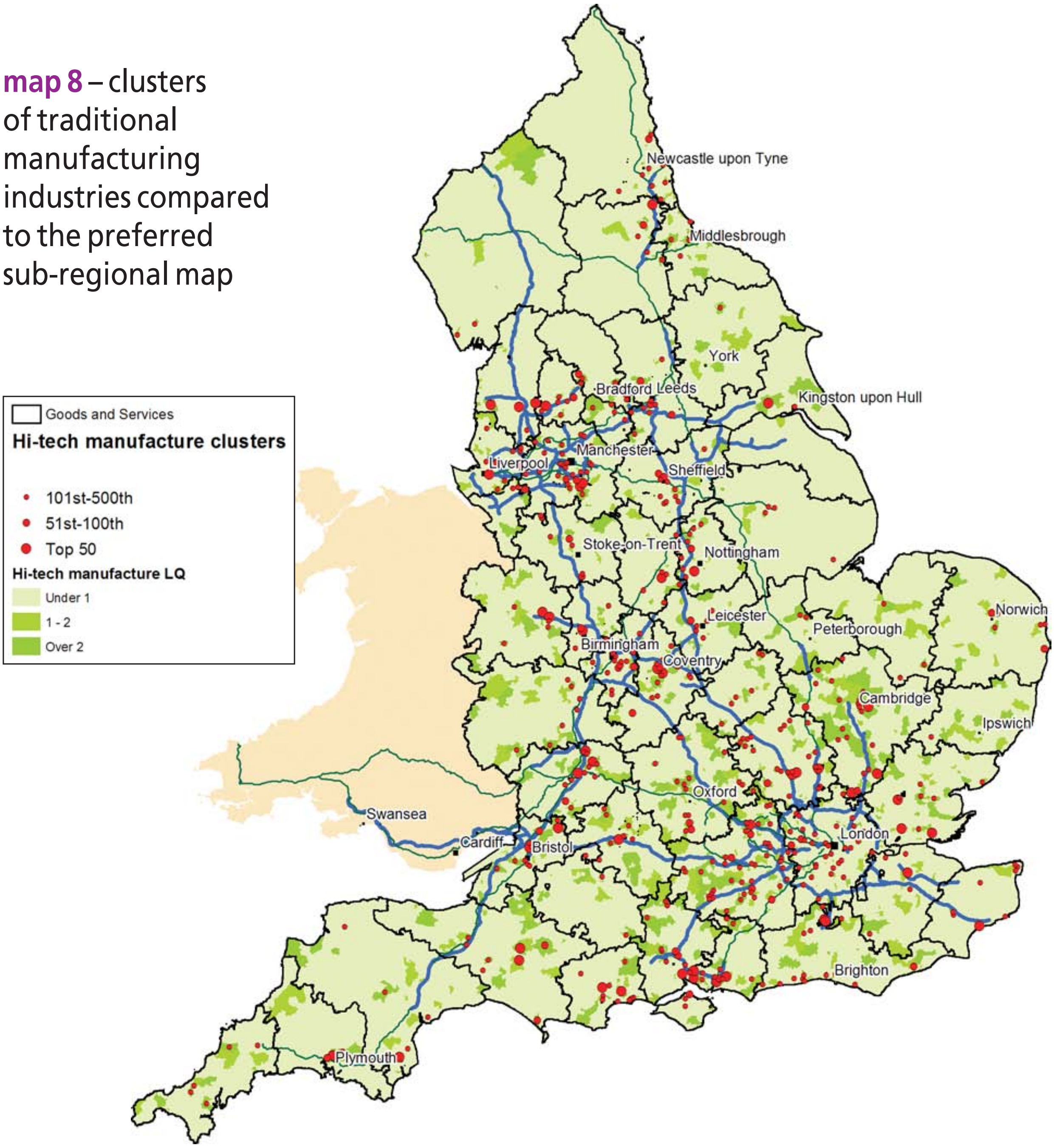


Comparing the aggregate map for these markets with other data suggests that the aggregate map gives a highly plausible account of the picture of economic activity in the country. There is a reasonably good fit between the 50 sub-regions of the aggregate map and patterns of productivity (see map 6) and economic growth (see map 7). Company start-ups (VAT registrations) do not fit so neatly.

map 7 – patterns of economic growth compared to the preferred sub-regional map

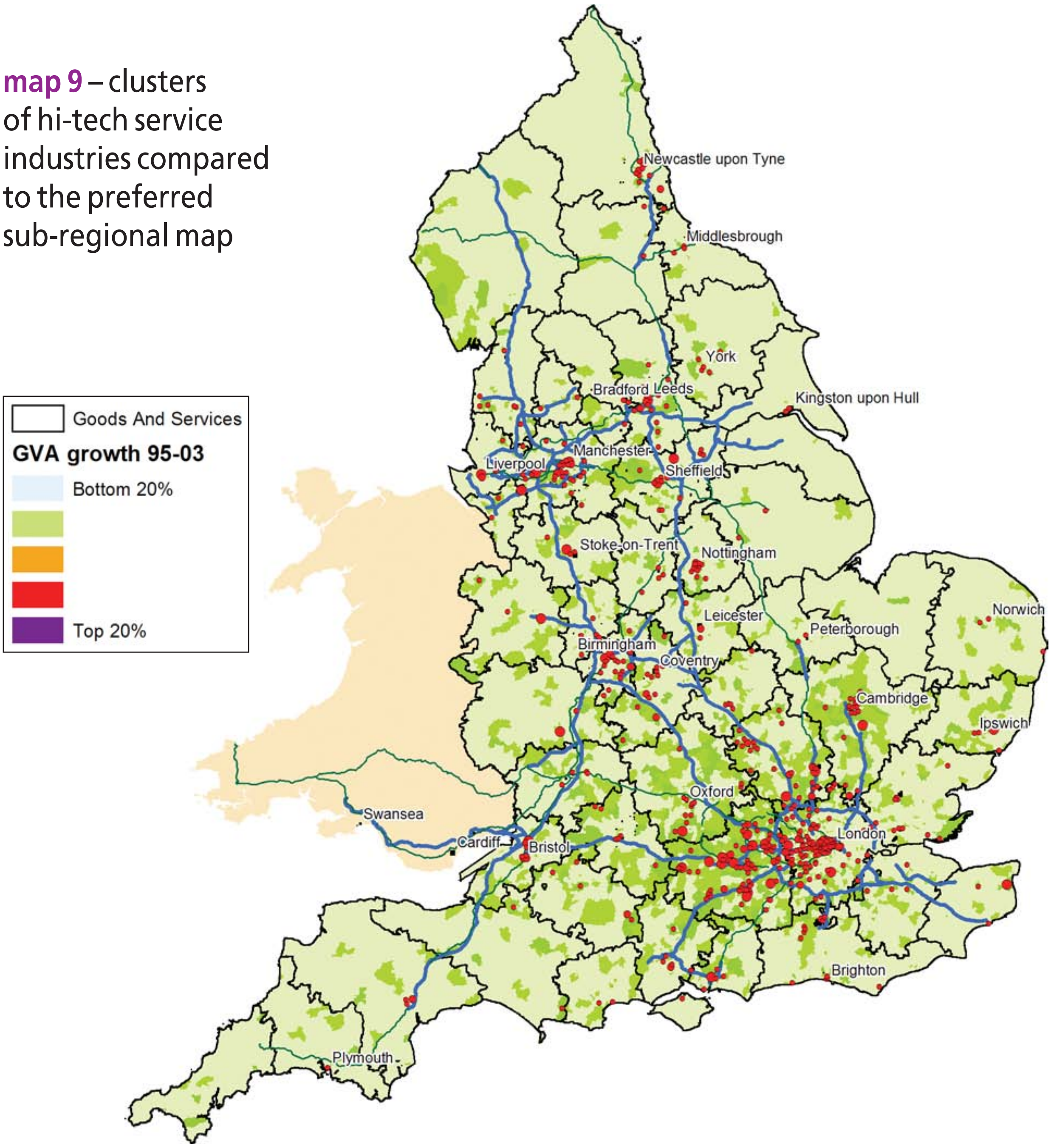


map 8 – clusters of traditional manufacturing industries compared to the preferred sub-regional map

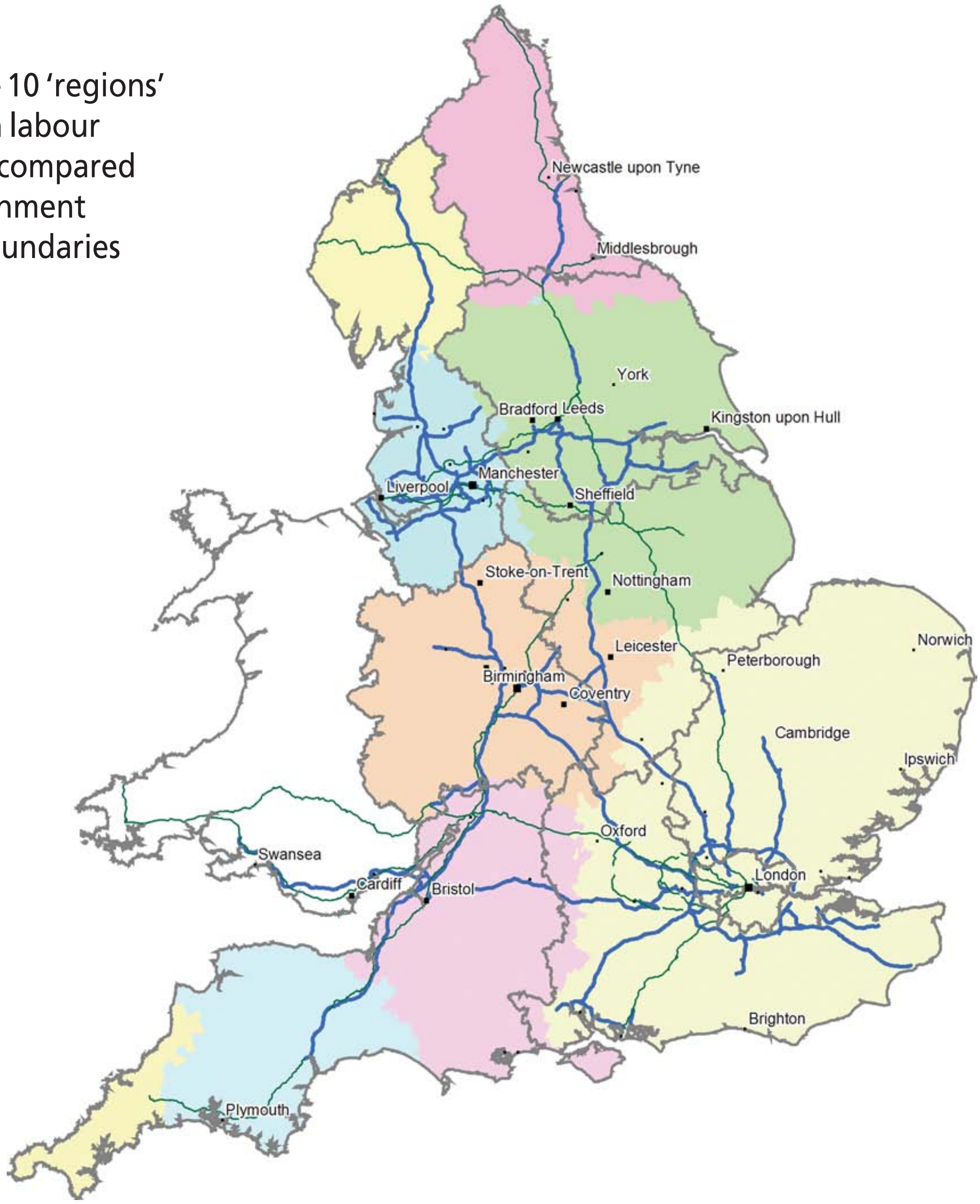


Clusters from different industries, including both traditional (see map 8) and high-tech sectors (see map 9), generally sit well within the sub-regions suggested by the aggregate map.

map 9 – clusters of hi-tech service industries compared to the preferred sub-regional map



map 10 – 10 ‘regions’ based on labour markets compared to government office boundaries



the regional dimension

It is possible to alter the conditions used to produce these maps in order to test particular propositions. In particular, the research tested a map with 10 areas, based on the labour market, which can be broadly compared to existing government office boundaries (see map 10). The resulting map tests the hypothesis that England’s nine standard regions give a close fit to economic patterns.

methodology: how to map sub-national economies

There are three elements to any attempt to draw a map of economic units below the national level:

- deciding what economic data to try and reflect in the map; this is in part a judgement about what issues matter, and in part a reflection of the geographical breakdown of the available data, some of which is only available nationally, some at district level, and some at the level of wards or even smaller units;
- deciding what the definition of a self-contained economic unit is; the standard concept of 'self-containment' used in the economic literature is either the proportion of those who live in the area who work in the area (for areas of high out-commuting), or the proportion of those who work in the area who live in the area (for areas of high in-commuting); this concept is extended for markets for goods and services to being either the proportion of demand which can be supplied locally (for areas of excess demand), or the proportion of supply which satisfies local demand (for areas of excess supply);
- finding a way to combine data sets and areas; in this analysis, we have used an algorithm originally used in analysis of travel-to-work areas which aggregates smaller areas to generate larger areas with similar levels of self-containment, and have developed this algorithm so that it can handle multiple data sets.

Some data are not available in a form that can be analysed using self-containment, because they represent points on a map rather than measuring the characteristics of a district or ward. This applies to transport networks, or clusters, for example. To deal with this, we have overlaid these point data on an aggregate map drawn using self-containment.

There is an important judgement to make about what the right level of self-containment is. A 100 per cent level of self-containment, based on an all-England data set, will simply reproduce the national map. A very low level of self-containment will produce a map that simply shows the very lowest level at which the data is available. Neither map would tell us much. So it is necessary to pick a level of self-containment which is driven by the needs of policy-making. At 50 per cent self-containment, half of any policy intervention targeted on a particular facet of the economy will 'spill over' into other areas (for example, help to workers who don't work in the area): this would be bad targeting. But at very high levels of self-containment – say above 90 per cent - an opposite inefficiency occurs: we can be sure that an intervention is helping people in the area, but the areas become so large that we no longer really know where people are.

In map 10:

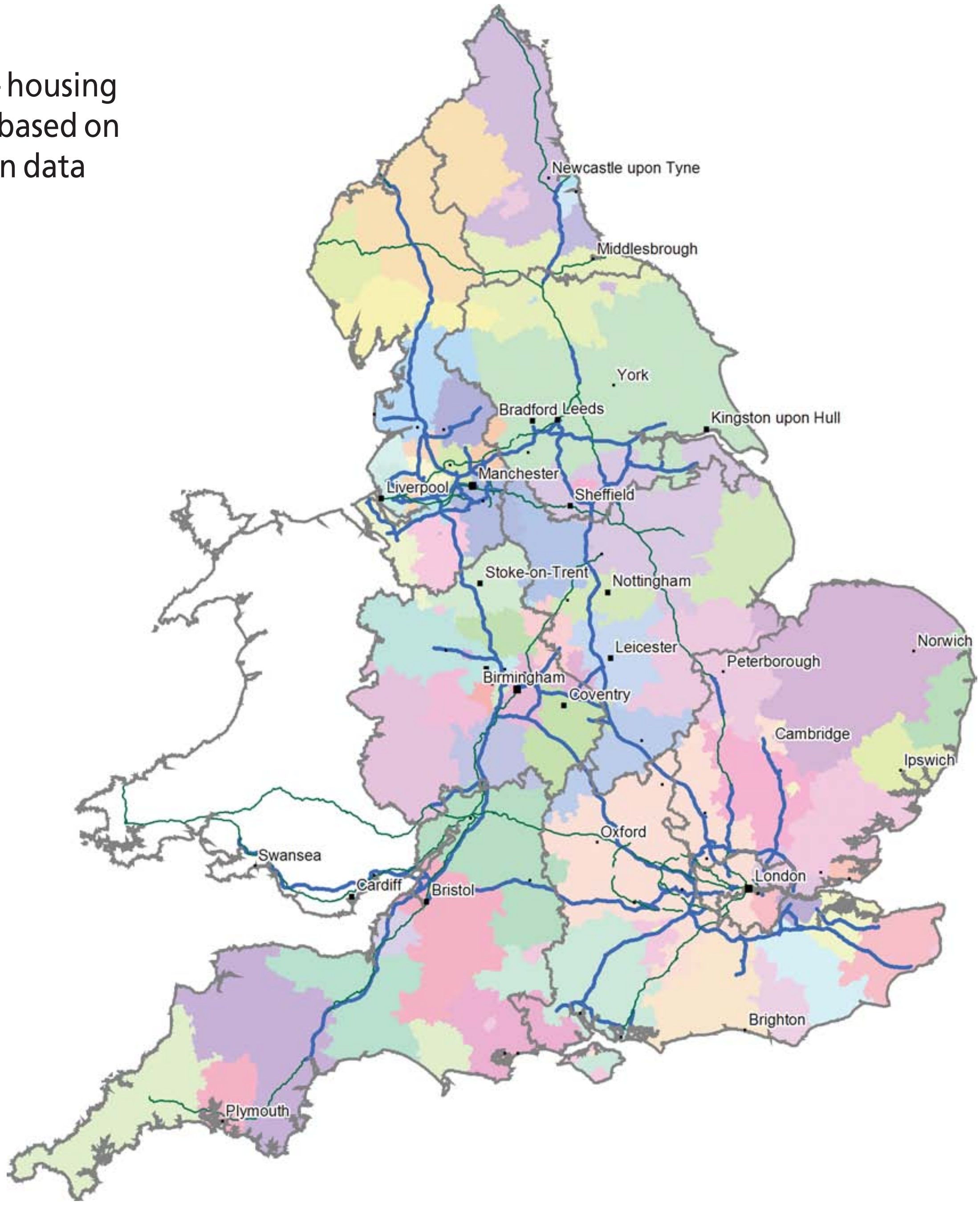
- One large region covers the current Government Office Region (GOR) of London, the South-East and the East.
- The GOR of the South-West is split into three smaller sub-regions.
- The West Midlands region fits quite accurately into the GOR, although the sub-region extends well over the border into the GOR of the East Midlands, across as far as Leicester.
- Two new regions fit accurately into the GOR of the North-West, with a North/South divide around Morecambe.

One way of looking at this is to imagine that you are trying to paint a board by throwing a sponge at it: too low a level of self-containment gives a board that is smaller than the sponge, and paint will be wasted. Too high a level of self containment gives a board much bigger than the sponge, and only part of the board gets painted. Another metaphor might be the approach a company might take to selling a coat if they could only make a limited range of sizes. Making a coat that covered everyone would mean getting it to fit the largest member of the group. But in practice this would mean it would be too big for everyone else. Shops tend to sell coats that are about the right size for 'average sized' people, accepting that this means that it won't fit some people.

In this analysis, we have focussed on a 75 per cent level of self-containment. This is a standard figure used in the background literature and is generally thought to reflect the needs of sensible policy targeting. It strikes a balance between excessive 'spillover' effects, while generating coherent areas that still allow real local optimisation.

- The North-East is well-matched to the current GOR of the North-East.
- The Yorkshire and Humber region fits closely on the North and West boundaries, but extends South well into the East Midlands, further south than Nottingham.
- Interestingly, the East Midlands splits between **three** regions over-spilling from Yorkshire and the Humber, the West Midlands and the South-East.

map 11 – housing markets based on migration data

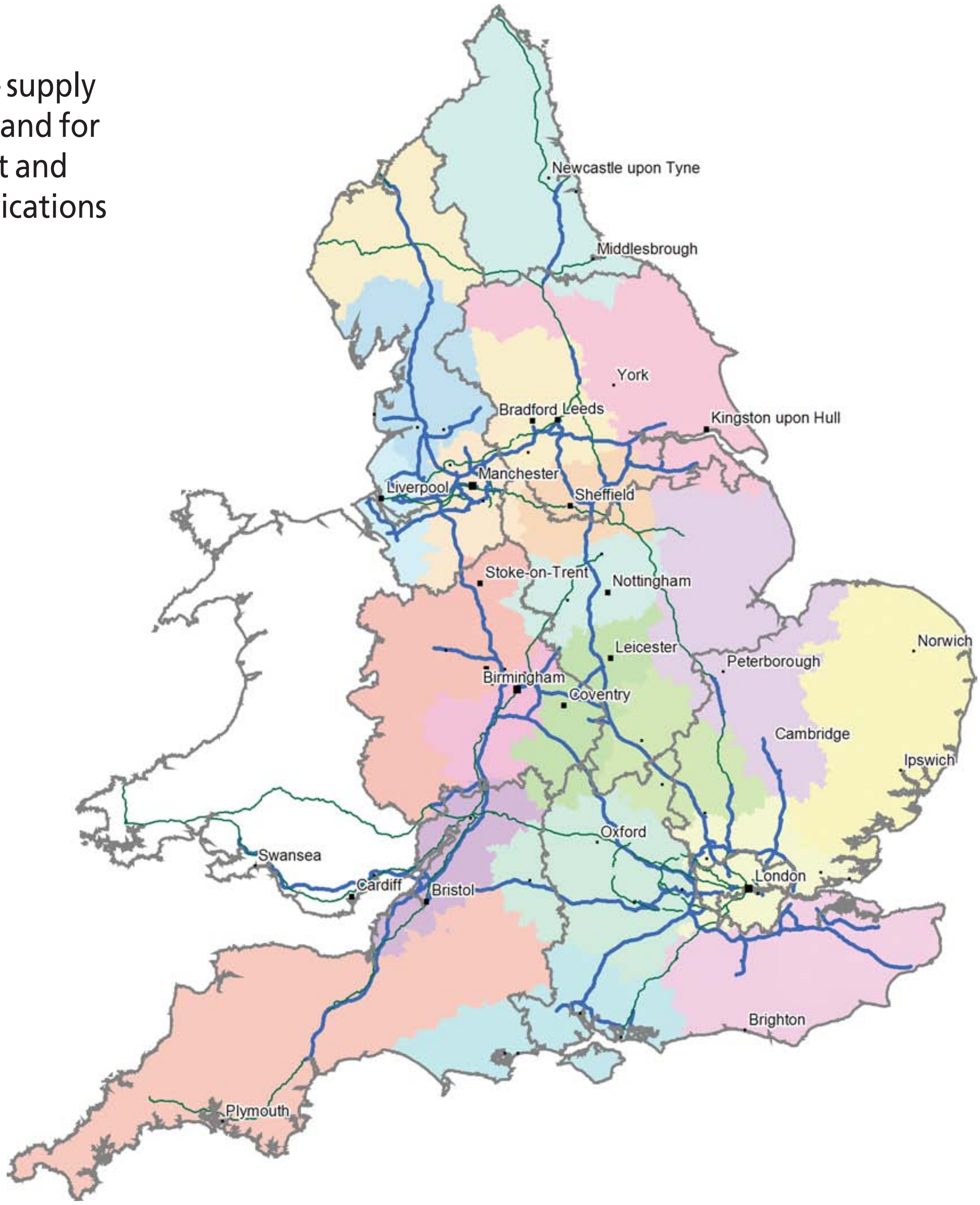


different maps for different functions

The research suggests strongly that different sub-regional geography applies to different economic issues. So, for example map 2 shows labour markets and gives 56 sub-regions, while housing markets (see map 11), suggest 62 sub-regions. The differences include:

- London's migration areas are noticeably different to the areas defined on the labour market maps. There is a large sub-region to the west; the migration area stretches from Guildford to the South-West, across through to Reading, North-East past Oxford, and North as far as Bedford. However, the East of London is split, with one small sub-region in the South-East, bounded by the M25, and two to the North-East.

map 12 – supply and demand for transport and communications services

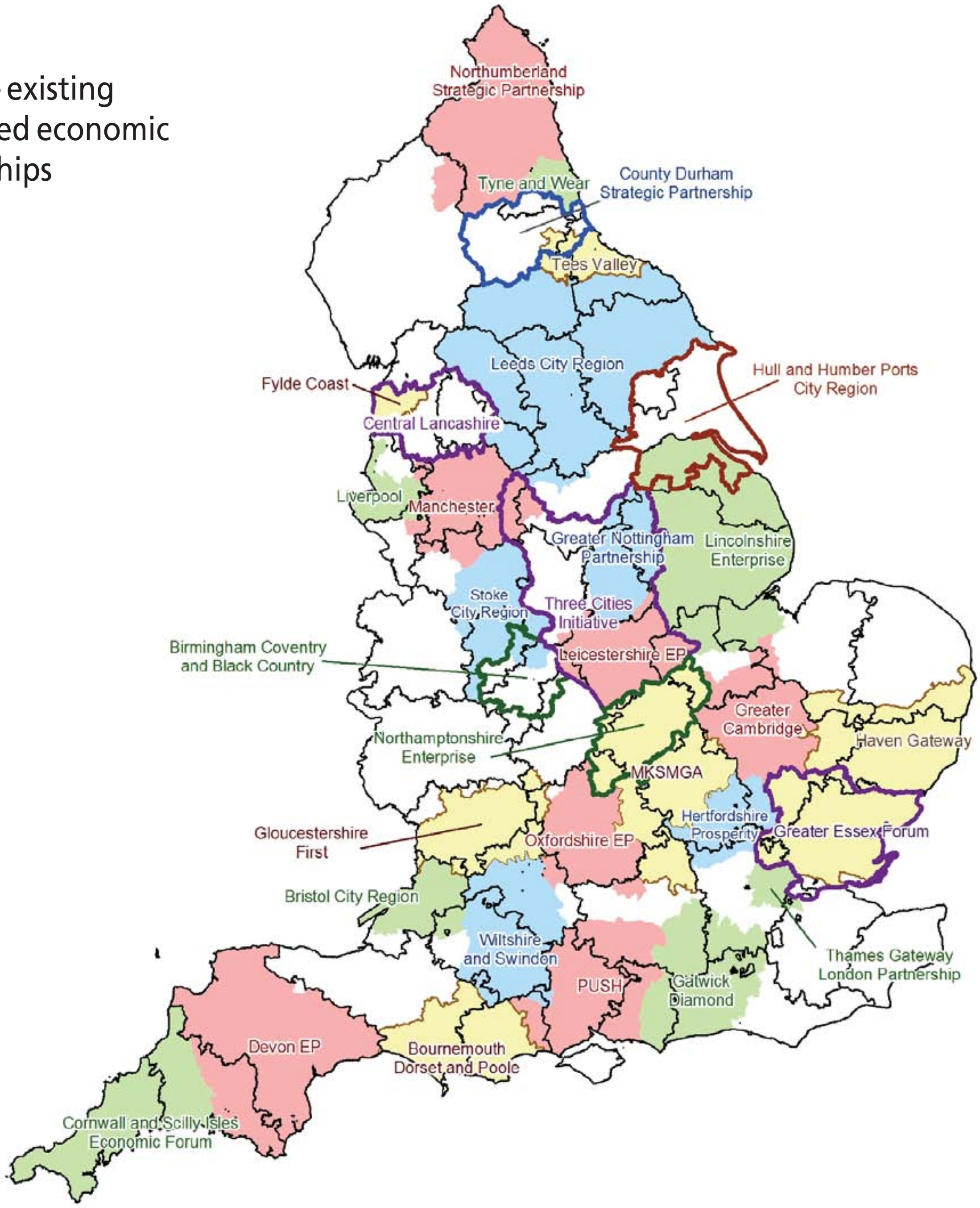


- The migration map produces one large sub-region across Yorkshire, encompassing Kingston upon Hull, York, Bradford and Leeds, while Liverpool and Manchester, which make a whole on the labour market map, are split into a number of small sub-regions for migration.

And the mapping of markets for goods and services produced quite significantly different results with, for example the map for transport and communications services producing 21 sub-regions, as shown in map 12.

This underlines the message that the sub-regional map is not a given, but will vary as the targets for policy intervention vary.

map 13 – existing council-led economic partnerships



form is already mapping onto function

The sub-regional maps suggested by our research can be compared with the real sub-regional geography of co-operation between councils and other public agencies (see map 13). We have identified around 50 existing council-led partnerships which are engaged today in targeting economic growth and regeneration around England (this may not be an exhaustive list).

In map 13 above, we show the boundaries of the partnerships as coloured areas and lines, over which we have drawn in black the outlines of the sub-regional economies, drawn from the aggregate map suggested by our research.

This shows a reasonably high degree of fit between the maps that emerge from the abstract data, and real perceptions of the economic geography by council leaders and their partners.

conclusion

We started with a belief, founded on evidence, that the key economic layer in England is the sub-region – the city, city-region, or shire area. The research summarised in that section has confirmed that belief, and refined it.

It now looks as if:

- the key economic layer in England is the sub-region;
- there is no definitive sub-regional map;
- but a sensible balance between different data sets, using a method founded in the academic literature, leads to a map with around 50 sub-regions;
- this map relates well to further data about industrial clustering and growth patterns;
- maps with a very small number of areas suggest that the boundaries of the government's nine standard regions do not give a good fit with the economic data; and
- where councils are already coming together to lead sub-regional economic development partnerships, they are doing so in patterns that are broadly supported by the economic analysis summarised in this section.

Lille Metropole

Lille Metropole is one of France's 14 *communautes urbaines*. Established in 1967, it groups together 85 *communes* around Lille, ranging from the major industrial towns of Roubaix and Tourcoing to villages such as Warneton with its 178 inhabitants. It is the fourth largest urban area in France. Once a major mill town, the Lille conurbation has adapted to industrial change and significant immigration with a programme of modernisation including major projects such as the Euralille commercial centre close to the city's Eurostar terminus.

The member councils have delegated powers to the *communaute urbaine* over waste, water, public transport and parking, roads and public spaces, economic development, environment, sports and culture. The *communaute urbaine* also produces a single spatial plan for its area, the *schema de coherence territoriale*, which also includes issues of economic development and transport. It has a budget of 1.4 bn euros, financed by a local tax base that includes levies on dustbins, local businesses, and water charges, as well as by central government grant and borrowing on its own account. It operates through partners, including a public-private economic development company.

The *communaute urbaine* has a 170-member council of its own, indirectly elected by the individual communes' municipal councils, with every commune entitled to at least one member (the *maire*) and the largest, through a proportionality rule, allowed up to 24 members. The President of the council is currently Pierre Mauroy, a former Prime Minister of France. The members of the council meet in public six times a year and have six-year terms. *Communes* which are members of the *communaute urbaine* cannot voluntarily withdraw.

A *communaute urbaine* is an *Etablissement public de cooperation intercommunale*, a specially-designed form of public sector body, created under a law of 1967. Since 1999, this status has been available to areas with a population over 500,000, although some earlier creations are smaller.

part 2: powers

summary

- Decision-making powers should be geographically relevant.
- The analysis in Part 1 shows the key geographical level for many economic issues is sub-regional.
- This part describes the principal decision-making powers which should therefore be located at that level, including:

  – Labour markets (chapter 1)

  – Transport (chapter 2)

  – Economic development (chapter 3)

  – Spatial and economic planning (chapter 4)

- In each case grouping the powers are grouped in a way which shows the links between the traditional departmental divisions.

  Appendix 2 summarises the menu of powers proposed for devolution.

Do you have that in my size?

As the first part of the document has shown, the evidence is that the economy works around places. Every place is unique. Uniform national policy solutions will not work everywhere. Circumstances, geography, challenges all vary, and make up the personality of a place.

It follows from this that decisions are best taken at the spatial level where they are most relevant.

Matching geography with relevance is also economically efficient. It improves targeting and transparency. It reduces inefficiencies such as unwanted spillover effects and information asymmetries. From an organisational perspective, it reduces undesirable transactional costs. This idea of 'local optimisation' is an economic concept that is at the core of the localist case.

That purely economic perspective is far from the whole of the argument, though. Locally elected representatives answer to their communities in a way central government never can. They know their communities in a unique way. They can convene otherwise unaccountable public services in their area around a shared vision with authority.

Local government doesn't claim any monopoly over this insight into the value of decision-making at the lowest feasible level. But the fact that even after decades of centralisation councils still deliver, shows that it works. Indeed, the recent devolution debate shows that it has been embraced by central government and its advisers. For example, the joint Treasury/ODPM/DTI report *Devolving decision making 3*, published alongside the 2006 Budget, argued:

> *"A central principle of the Government's established economic approach is therefore to devolve decision-making to the most appropriate level, finding the correct mix of decentralisation and devolution to local and regional levels. This makes it imperative for sub-national actors including regions, cities and local authorities to have clarity of purpose, strong leadership, good organisational capacity and flexibility along with the necessary policy levers. Thus sub-national*

economic development is achieved 'bottom-up' by agencies operating at the appropriate level within a clear but permissive national policy framework."[6]

Identifying which decisions should be taken at which level is central to the sub-national review's purpose.

what just follows on from where

The analysis in the first part of this document has demonstrated clearly that there is a real set of functional economic areas at the sub-national level. There is considerable scope for discussion about precisely how they can best be mapped. The map will probably vary depending on the issues that decision-makers think are most important. But, in administrative terms, this crucial geographical layer is sub-regional; and is described most closely by groups of district boundaries in cities or shires.

It follows that we need to identify what economic decision-making should be taking place at that level. There are two broad elements to this question:

- what economic decision-making <u>could</u> be taking place at that level within existing legal and bureaucratic frameworks, but isn't; and
- what economic decision-making <u>cannot</u> take place at that level under existing arrangements, but – in the light of the economic facts – ought to do so?

The second element of this question would give us, in effect, the list of powers that now need to be devolved to groups of councils and their partners working together at the sub-regional level. But the first element of the question is also extremely interesting. If councils and others are not doing things that appear both necessary and possible, it is likely that something stands in their way and that systems or incentives, rather than powers, need changing.

silos and synergies

There are two other ways of looking at the powers agenda. One would start with particular aspects of the sub-regional economy:

- labour markets
- transport
- economic development
- spatial and economic planning

This analysis would tend to reflect existing 'silos' of public service delivery.

The other approach is to look at the powers in a cross-cutting way, seeing the linkage between departmental responsibilities:

- powers for spatial, economic and transport planning at the sub-regional level;
- devolution of decision-making about delivery;
- devolution of funding to sub-regions; and
- changes to external incentives to encourage the use of existing powers.

The presentation in this part looks at the proposals from both angles.

the labour market: localising welfare

Workers were at the centre of our analysis of sub-regional markets in Part 1: how they get to work and leisure, where they live, where they shop. And supply-side interventions in the labour market account for the major proportion of public interventions in the economy, principally through education and training to build skills, and welfare regimes that modify work incentives. The key public agencies at the local level, apart from councils, are schools, FE colleges and universities, Jobcentre Plus, the Learning and Skills Council and Connexions. Employers themselves increasingly play a role through partnership with the public sector, and agencies from the public, private and voluntary sectors deliver training and other forms of support to workers and jobseekers.

Those public interventions are targeting two very broad aspects of the labour supply:

- skills (through training and through ongoing support to jobseekers); and
- wages (through the work incentives created by the welfare system).

Both have a strong local dimension. What skills employers want is dictated by clustering of firms in particular specialisations: the demand for skills in an urban area that shows high clustering of primary metalworking will be different from the demand in a rural tourist area, for example. And wage levels vary between different industries and areas, too.

This adds up to a strong argument for a degree of local tailoring in the way public intervention in the labour market takes place.

The case for this has already been acknowledged by the government. The Department for Work and

Tyne & Wear Together

Tyne & Wear Together (TWT) is a partnership created in 2002 involving: Gateshead, Newcastle, South Tyneside, North Tyneside and Sunderland councils. It was later widened to include Jobcentre Plus, Connections, LSC, Business Link and community and voluntary sector partners. It exists to tackle worklessness in the Tyne & Wear area, improve the job prospects of residents and to make sure that resources are available locally and regionally to meet this aim.

The partnership provides local residents within deprived communities with access to job opportunities and training; help with job search; career guidance and support; and confidence building and motivational activities. This support is provided through a network of neighbourhood based services that are located close to transport links or the client groups they aim to help. Since 2002 this project has helped in excess of 7,000 residents access employment.

The partnership is one of the best practice models that have helped to shape the Tyne and Wear City Region Cities Strategy Employment Consortium.[7]

Pensions (DWP) aims to tackle skills and worklessness in our most disadvantaged communities through the **cities strategy**. Through a number of pilots, including ten in England, the strategy will test how best to combine the work of government agencies, local government and the private and voluntary sectors in a concerted local partnership established to provide the support jobless people need to find and remain in work.

The strategy is based on the idea that local partners can revitalise delivery through combined and aligned efforts behind shared priorities. Pilots will be given freedom to try out new ideas and to tailor services in response to local needs.

The pilots were chosen through an expression of interest exercise in July 2006 following which they were invited to submit a more detailed business plan by the end of December, and a government response is planned in the spring. The government saw the key activities as likely to include:

- using funding committed by partners to fill gaps in existing provision and provide more help to those who are currently furthest from the support of the welfare state.
- joining up local activity more effectively, so there is more clarity and less duplication, with clearer routes for individuals to take up the support they need to get back to work.
- ensuring the provision on offer is tuned to the needs of the local labour market, so individuals gain the skills and attributes that they need to access the particular jobs that employers need to fill.

Asturias autonomous region, Spain

As part of the decentralisation process in Spain, the responsibility for employment services was transferred from the national level to the regions in 2002, to try to provide a better and more efficient service.

The Asturias regional government and the Local Government Association representatives are in the process of establishing local partnerships where all levels of government and stakeholders are involved. The association and its members took the view that employment projects and services required a sub-regional approach in order to be successful. The size of individual councils was recognised as being too small effectively to deliver services, the region too big. Only through voluntarily partnerships of councils 'pooling' their competencies in the field, could efficient services and activities be delivered.[8]

The **West London Working (WLW)** Cities Strategy interim business plan provides a typical analysis of its area.

There are considerable job opportunities in West London and surrounding areas, yet a significant number of residents are without work. Employers and residents perceive that the overall structure of employment and skills services is disjointed. These perceptions are supported by the presence of over 200 different organisations delivering employment and skills services in West London. The main thrust of the cities strategy pathfinder programme is structural transformation of the services and a strong demand-led approach, with a board of major employers drawn from the business community.

WLW has a twofold strategy

- to increase the number of residents in employment by an extra 8600 by 2012 (this target may increase in the final business plan); and
- to make 5160 children better off by 2012 by helping their parents move into sustainable employment.

However:

- many of the intermediate and high skilled jobs are filled by people who live outside the area;
- there is a mismatch between the skills levels of residents and those required by locally available jobs. In 2005 20 per cent of working age residents had low or no (less than Level 2) qualifications. In contrast, only 13 per cent of working age residents held a Level 3 qualification;
- 22.9 per cent of residents are economically inactive, are concentrated in certain wards, live in social housing and are likely to be claiming Jobseeker's Allowance, be lone parents and/or be IB claimants with mental health or musculoskeletal problems; and
- residents from black, Asian or minority ethnic communities are more likely to be workless than residents who are white.

WLW is a partnership between:

- West London Alliance Boroughs of Brent, Ealing, Hammersmith and Fulham, Harrow, Hillingdon and Hounslow
- West London Network
- West London Business
- Jobcentre Plus
- Learning and Skills Council (LSC)
- Primary Care Trusts in West London
- London Development Agency (LDA)
- Department for Work and Pensions (DWP)
- Further Education Colleges of West London
- West London Strategic Housing Partnership

the labour market: powers to plan and co-ordinate at the sub-regional level

co-operation between agencies

Local intervention in the labour market involves a very large number of agencies. To get the best results, they need to co-operate. To co-operate effectively, they need to be pursuing shared ambitions through shared targets, and making sure that their actions complement each other. This is the vision that underpins the policy of Local Area Agreements, and the partnership plans of the Cities Strategy Pathfinders. We understand well that LAA boards work best where they have a shared belief in shared outcomes and partners come to the table because they benefit. The government has limited the number of pathfinders, possibly because that status entitles areas to extra grant which the government needs to ration. But there is no reason to ration the availability of a framework for co-ordinating action in the labour market. Councils are already convening partnerships of that kind in cities such as Birmingham, Manchester and Sheffield. Lord Leitch's recent report[12] argues that there should be a national network of local Employment and Skills Boards of this kind to consider skills issues.

1 **The government should commit national agencies to join formal sub-regional Employment and Skills Boards wherever councils bring them into being within Local Area Agreements or other sub-regional arrangements, and make a commitment to use the secretary of state's direction powers under the new 'duty to co-operate' to ensure that LSC and Jobcentre Plus align their planning with the board's sub-regional strategy, once agreed.**

information sharing

It is a priority in many areas to target the long-term unemployed, economically inactive people, and repeat benefit claimants. Partnerships like the Cities Strategy pilots would find their jobs much easier if they could identify who in their areas fell into those categories. The Department for Work and Pensions (DWP) has been extremely willing to provide information about total numbers of claimants and their location. But it is still extremely hard for DWP and its agencies to share data in a way that allows local partnerships to identify exactly which individuals they need to help.

The barriers to data-sharing between DWP and partners leading the local fight against unemployment are administrative but possibly also legal. The government is currently working on solutions in collaboration with local authorities.

As a result of that work,

2 **Sub-regional economic partnerships should be able to access benefit claimant data and use it to help tackle worklessness and poverty in their areas.** In legal terms, this should be a straightforward power that puts local partnerships which include government agencies on exactly the same footing as those agencies in using data, preferably without extra conditions such as contracts. In practical terms, we recognise changes will be necessary to DWP administrative and IT systems to make this possible.

the labour market: devolution of decision-making about delivery

welfare conditionality

Today's welfare system is the product of national legislation that means the same benefits are paid at the same rate and under the same conditions everywhere. Because of the way the benefit system has developed, welfare-to-work programmes, like the New Deal, are also subject to uniform national rules. This is not always necessary or desirable.

There are good arguments in favour of uniformity in the welfare system, many of them to do with equity. But there are also bad ones – for example, that a completely uniform national system is easier for national advocacy groups to cope with, or that uniformity helps the government to keep control. Wage levels, the pool of potential employers, and the concentration of particular causes of exclusion from the labour market such as long-term sickness, all vary from one area to another.

This suggests that, around a core of necessary national conditionality, there are a number of rules that can and should vary locally to get the most effective results. Examples from within the welfare-to-work system include the time a jobseeker has to spend claiming benefit before they are eligible to receive New Deal-style support, the kind of support and mentoring regular repeat claimants should get, or the kinds of training it is possible to receive while remaining eligible for benefit. Examples from the benefits system proper would include the timing of benefit run-on periods for claimants, or the way means tests are applied to whole households.

3 **The government should identify a set of conditions for receiving welfare-to-work support, and possibly benefits, which do not need to be set nationally to a uniform model. Decisions on those conditions should be devolved to local employment and skills partnerships which have the ambition to take them.** These discussions have begun within the Cities Strategy, but should go considerably further than that initiative currently envisages. In particular, the government should move away from a model based on case-by-case flexibilities in individual areas, to one centred on a clearly identified element of the rule set which is no longer fixed centrally.

the labour market: devolving funding

recycling benefit savings

Decisions to modify benefit conditions locally will have financial consequences, which may be either a cost or a saving. Good decisions may generate significant savings in public expenditure as they reduce the number of people claiming benefit. The same applies to any local decision-making which helps tackle exclusion and poverty more effectively than the status quo. Yet one of the perverse incentives of the current centralised arrangements is that local decision-makers have no incentive to care about the amount that is spent in their area on welfare. This weakens their drive to reduce worklessness.

It would make much more sense to allow savings on the benefit budget generated by local action to be clearly visible, and retained locally. This would strengthen virtuous incentives, and allow local areas to invest more in programmes that had demonstrated their worth.

There are a number of ways this could be achieved. One is for the government to pay a block grant for welfare programmes to sub-regional partnerships and leave any over- or underspends to be managed locally (with a call on the local taxpayer in the case of an overspend). A second is to use a formula for sharing savings compared to expected spend.

4 **The government should move towards localising the welfare system by paying block grant to sub-regional partnerships corresponding to expected spend on selected welfare programmes, and allowing the sub-regional partnership to manage any under- or over-spend within that budget. We do not expect that this should apply to the totality of welfare spending in an area, at least initially, but to a small number of programmes and benefits where targeted local action is expected to be most effective in tackling exclusion from the labour market.** The set of programmes funded in this way might be the same as those with local flexibility built into their conditionality, as under proposal 3.

the labour market: incentives to encourage the use of existing powers

configuring and tasking central agencies

Co-operation between agencies is easiest when budgets, decision-making authority, and decision-makers match up. It is very hard indeed when some crucial agencies, spending very large amounts of money, are not set up to take decisions on the same geography as others, and/or have very different objectives and targets. Where that is a problem, it needs to be corrected by re-examining the way different agencies are configured and targeted. A lot of progress has been made with trying to achieve that alignment. But it has not been successful everywhere. And the reforms to the structure of the Learning and Skills Council currently going through Parliament have complicated the picture, introducing a lack of clarity about whether the council is moving to a purely regional structure.

An example of how asymmetry between national agencies' targets and management structures can weaken local action in the labour market, is decisions about which training courses to fund. Employers report differing skills needs in different areas. Yet the menu of courses the LSC is allowed to fund, especially for adult learners, is set according to national criteria. It is a frequent complaint from local areas that courses which local agencies and employers believe are useful to enhance skills in their area are not eligible for funding. Lord Leitch's[12] recommendation that those decisions should instead be directly driven by funding that follows employer demand, would help to solve this problem for adult skills; but it would remain for many elements of 16-19 education.

5 The government should build on the 'duty to co-operate' embodied in the Local Government Bill and ensure that key agencies in the area of employment and skills, especially Jobcentre Plus and LSC are:

(i) configured in a way that empowers local managers to fully engage in local partnerships, including internal delegation that allows local managers to take decisions on how to deploy resources; and

(ii) tasked by central government's PSA targets in a way that allows them to build locally-set priorities into their plans.

transport: change here for integration

Transport is in many ways the area for which there is the clearest existing and growing consensus that decisions need to be taken at the level at which markets actually operate. The Eddington Transport Study[9] has already made a powerful case for devolving decisions over local transport arrangements to the level of the appropriate functional economic area:

> "within a single functional economic area, as much as possible, a single body should make decisions where the majority of those decisions are felt within that geographic area. This reduces spillovers – where some of the impact of decisions is felt outside the decision-making area."[9]

Central to Eddington's case is the argument that these bodies should, as far as possible, be responsible for decisions over all transport modes (private and public transport, road and rail) so that they can adopt a rational cross-modal approach to identifying the most effective policy solution. He argues that the current situation, where responsibilities for different policy levers and

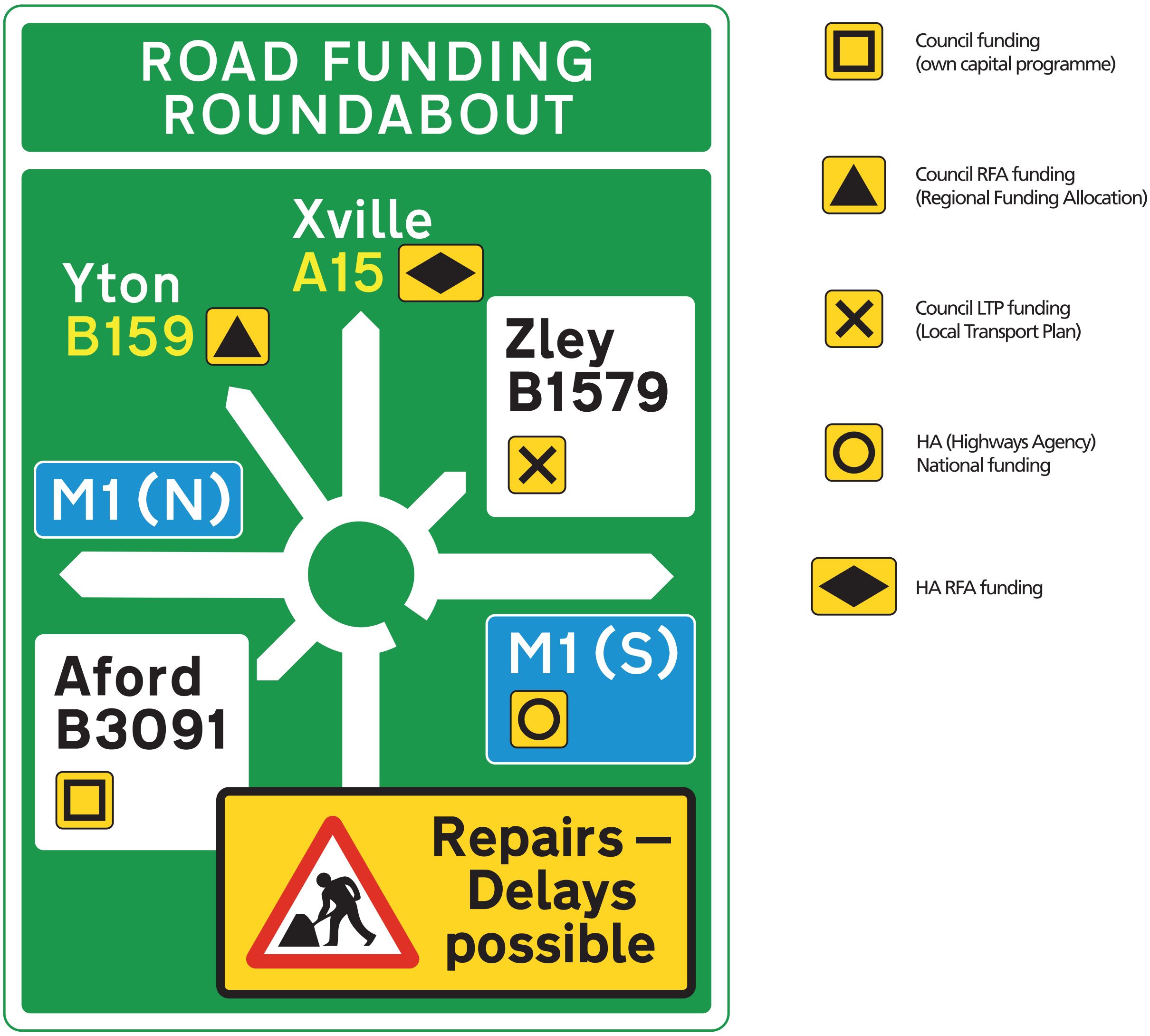
Tees Valley improving road and rail locally and nationally

In the Tees Valley, increasing congestion on the strategic road network will, without action, stifle development in the long run. Two years ago, a study was completed around Darlington to examine options to upgrade the A66(T), and work is now underway in partnership with the Highways Agency to develop an Area Action Plan for the wider strategic network to identify a wide ranging package of measures that can facilitate future development.

The innovative nature of this partnership involves the pooling of physical and financial resources to examine what is the best option for the network to accommodate development, irrespective of ownership. For example, the A19(T) Tees Viaduct is a high level bridge that is congested around its junction with the A66(T) at peak times, and additional capacity is needed, although widening is prohibitively expensive.

However, around one third of the trips on the network at this time are 'local' trips. As ships no longer travel up the river, one option would be to agree to construct a lower, less costly river crossing to take the local traffic, thus freeing up the required capacity on the trunk road network to accommodate future waterfront development. This could be funded jointly, and with private sector contributions, reflecting the wider benefits.

Allied to this, a proper public transport alternative is needed. So the Tees Valley is also working with Network Rail to develop a £150m scheme to provide a better local rail service, using funding of around 60 per cent of that figure that is already earmarked to be spent on the network in the next 10 years on maintenance alone. The proposed scheme would provide a new, high quality, high frequency local service and free up capacity on the national network for passenger and freight services, to the benefit of all.



funding streams are split across different national, regional and local bodies, does not incentivise effective decision-making.

In a recent report commissioned by the LGA,[10] Professor Tony Travers of the LSE and Stephen Glaister of Imperial College London go further. They suggest that because city-wide institutions for transport already exist in PTA areas, transport might actually provide the starting point for wider economic devolution:

> *"transport may provide an opportunity for the government to evolve a new set of metropolitan institutions, powers and financial freedoms that would make it possible to improve the quality of city governance and transport while also strengthening local economic development…In the longer-term, such a model could be extended to other parts of the country."*[10]

Travers and Glaister also noted the other reason why transport is a good candidate for devolution of powers to a more local level – it brings with it the possibility of new local income sources, such as income from bus fares and road pricing.

The powers that need devolving are very largely those currently exercised directly by the Department for Transport and its agencies. But there is a genuinely strategic regional role in transport, especially when it comes to deciding priorities between very major projects.

roads

At present roads deemed to be of strategic national importance – motorways and trunk roads – are the responsibility of the Highways Agency (HA), which is a national body accountable to the Department for Transport (DfT). Responsibility for local roads lies with county and unitary councils. In London, the boroughs control the majority of the roads, but the mayor has control over the strategic network.

However, this neat division of responsibilities masks a more complex picture. An individual journey may cross from the national to the local network at a number of points and at any point the traffic on a road may be a mixture of local and through traffic. Decisions about the national network may have knock on effects on local roads – increasing the capacity of a trunk road may increase or decrease the level of traffic on local roads, for example. Local decisions will also impact on the national network –the decision to build a football stadium in a particular location may require a junction on a nearby motorway and will have an impact on traffic level when the home side is playing.

The menu of options available to sub-regional partnerships will need to reflect this complex national/local picture and will need to free up the HA and local partnerships to co-operate to produce optimal policy outcomes at the local level. It might also mean allowing partnerships to take overall responsibility for a strategic network of local roads to facilitate focused action on traffic management or bus priorities, for example. Indeed, in some areas the constituent authorities might wish the sub-regional transport body or partnership to take responsibility for all local roads.

rail

Although the rail network is also used for both national and local journeys, it presents a less complex picture. It is relatively easy to identify the parts of the network that are predominantly used by local commuters and, for example, the Merseyside PTA already controls the local rail franchise which covers the local rail network.

London's mayor already has powers to give directions and guidance to Network Rail in relation to rail services in the GLA area and Transport for London will be shortly be taking over parts of the London rail network. Passenger Transport Authorities (PTAs) have a statutory right to be consulted on rail franchises in their area and a role in proposing amendments to the franchise specification.

Outside London and PTA areas, local partnerships might want to have similar powers if there is a readily identifiable 'local' component to the rail network. They might also want to propose and even contribute to the funding of improvements to local networks and stations. So Network Rail and the Train Operating Franchises will need to be given the flexibility to enter into agreements to jointly fund improvement and regeneration schemes with local transport bodies and a duty to co-operate with local transport plans.

However, not all areas have a substantial local rail commuter network. But even in these areas sub-regional partnerships might want to encourage people to shift from road to rail. They will therefore have an interest in the condition of local railway stations and how attractive they are to the traveling public. They might also want to ensure integration between the rail and local bus services, for example, so might want to influence timetables and share facilities.

So the menu of options in relation to rail will not look to devolve the running of railways to local transport bodies, but will need to give them greater control or influence over rail decisions, particularly where there is a substantial local commuter network.

buses

The government has already accepted many of the arguments for PTAs and local councils to be given stronger powers to improve the standard of bus services in their areas. A range of options are proposed in the consultation paper Putting Passengers First published by DfT in December 2006,[11] including:

- measures to enhance partnership working between local authorities and bus operators, giving councils more control over bus frequencies, timetables and maximum fares and the power to enter into agreements with more than operator;
- making Quality Contracts (franchising) a more realistic option by only requiring councils to show that it is in the public interest (rather than 'the only practicable way' to deliver the objectives of their bus policy); and
- considering the case for reforming bus subsidy so that it can more directly support objectives such as increasing bus use, improving accessibility and increasing punctuality.

These proposals will form the basis of the proposals on buses in the draft Transport Bill announced in the 2006 Queen's Speech and expected in the spring. The LGA has broadly welcomed these proposals, which closely reflected the arguments we had been making.

transport planning and funding

Giving the right powers and influence to sub-regional transport bodies will be crucial for producing the best possible policy outcomes at the local level. However, the re-alignment of national, regional and local transport planning and funding regimes to reflect these changes will be equally important. As different areas will be able to choose from a range of options to suit local needs these regimes will need to be flexible enough to accommodate 'differential devolution'.

Surrey

Rail is a key public transport service in Surrey, a county with 84 stations within its boundaries. As part of the LGA/DfT transport shared priority Surrey County Council commissioned a study to see whether it could take more responsibility for railway stations in the county. The council felt that apart from a few major stations, the majority were poorly maintained and were not of great importance to Network Rail and the train operators who saw them as a small part of a much larger operation. They did not provide very attractive facilities to travelers and there was considerable scope for utilising redundant buildings for retail and other uses and thus providing a presence on otherwise unstaffed stations.

The study found that there were no legal barriers to a council taking over stations and that Network Rail was not opposed to the idea of the council taking over the lease of the smaller stations, providing it could keep control of the four largest stations in Surrey. The council is still considering the options but one of the key considerations is taking on the financial risk of running stations when this is not one of the council's statutory responsibilities.

Local transport bodies need control of all the necessary levers to deliver good local outcomes and this will include the power to set the levels of fares and charges to send the appropriate price signals to transport users. Eddington makes a strong case throughout his report for setting the right price for transport goods.

> *"There is a major prize from getting the prices right across all modes – this makes strong economic as well as environmental sense."* (Eddington P1)

Having set the levels of fares and charges, local transport bodies would also need to be able to retain this income and borrow against it to finance new and improved infrastructure. A key element in the successful introduction of the congestion charge in London was the ability of the mayor to finance significant improvements to bus provision to give drivers an attractive public transport alternative. Giving local transport bodies access to new income streams would also act as a powerful incentive for local councils to form sub-regional transport partnerships.

The difficulty caused by allocation systems which split capital and revenue funding were raised at one of our roundtables and was also commented upon by Eddington,[9] quoting a report by the Commission for Integrated Transport:

> *"Employers say they would like a bus service to a new employment site, and we have to say ' You can have a new road, because we have capital for that, but no revenue for buses'* (unitary authority officer)."

transport: powers to plan and co-ordinate at the sub-regional level

6 The Highways Agency should be subject to a duty to co-operate with sub-regional partnerships in delivering local transport plans where this impacts on the roads for which it is responsible, including proposals for new or modified junctions with local roads.

7 Individual highways authorities, as well as their existing power to pool their decision-making powers in a joint committee, should have the power to transfer responsibility for a network of local roads to a sub-regional partnership constituted in another form than a joint committee, or to a single lead authority.

8 Network Rail and local Train Operating Companies should have a duty to co-operate with sub-regional transport bodies in delivering local transport plans where this impacts on the provision of rail services and on rail infrastructure.

9 Sub-regional transport partnerships outside London and PTA areas should have powers to influence the specification, letting and

management of rail franchises where substantial local commuter networks exist.

10 **National, regional and local transport planning regimes should take account of the new powers devolved to local transport bodies – for example local transport plans should be extended to include rail where appropriate.**

11 **The Local Transport Plan process should be simplified, with less emphasis on bidding around the detailed specification of projects and more emphasis on how planned spending will relate to outcomes.**

transport: devolution of decision-making about delivery

12 **Sub-regional partnerships should be able to take over responsibility for HA roads where their main impact is sub-regional.**

13 **Sub-regional transport bodies outside London and PTA areas should be able to give directions and guidance to Network Rail on strategy, timetabling and station infrastructure on the commuter network.**

14 **The government should implement measures to enhance partnership working between local authorities and bus operators, giving councils more control over bus frequencies, timetables and maximum fares and the power to enter into agreements with more than one operator.**

15 **Bus franchising (Quality Contracts) should become a more realistic option by only requiring councils to show that it is in the public interest (rather than 'the only practicable way' to deliver the objectives of their bus policy) to implement a franchise. This power should be available to any sub-regional partnership, not just existing PTAs.**

transport: devolving funding

16 **Regional Funding Allocations (RFAs) for transport should have a sub-regional dimension: either by requiring Regional Assemblies to directly reflect the bids of sub-regional bodies in their recommendations to government, or preferably by allowing areas where sub-regional partnerships are in place to bid directly to government for funding.** Future RFA allocations should also recognise any extension of sub-regional responsibilities for rail.

17 **Local and sub-regional transport bodies should be fully able to retain the income from fares and charges to provide new and upgraded transport infrastructure.**

18 **Bus subsidies should be devolved to local and sub-regional transport bodies to allow them to target subsidies to support local bus services in the most cost-effective way.**

19 **More local flexibility should be allowed to vire between capital and revenue expenditure on transport.**

transport: incentives to encourage the use of existing powers

20 **Network Rail and local Train Operating Companies should be encouraged to jointly fund schemes with local partnerships to improve local networks or infrastructure.** The incentive do this will be greatly enhanced by greater powers for sub-regional bodies to take, or influence, decisions across transport modes.

21 **The HA and sub-regional partnerships should make greater use of the power to jointly fund schemes.** The incentive do this will also be greatly enhanced by greater powers for sub-regional bodies to take, or influence, decisions across transport modes.

22 **The current power to prepare joint Local Transport Plans should be used more widely.** The incentive to do this would be greatly strengthened by giving sub-regional partnerships decision-making powers across modes including buses and rail, and reflecting that in the LTP framework.

economic development: linking growth and infrastructure

The debate about economic development and regeneration is not so much about specific powers but about the recognition of local government's pivotal role; the alignment and rationalisation of the plethora of strategies and funding pots available to support economic development; and reform to the system of local government finance to allow councils to benefit directly from growth in its tax base.

More than any of the other individual areas being considered in this report, economic development is completely interlinked with all the others. The key is recognising that local councils are uniquely placed to make the planning, housing, transport and labour market decisions that, taken together, contribute to local economic prosperity. As the only democratically elected bodies below the national level they are also best placed to understand the needs and aspirations of their communities. And councils, as shown in the figures in Annex 3, account for 78 per cent of existing expenditure on economic development.

Many council officers we have consulted in preparing this document have argued that all the powers needed for economic development already exist in the form of the power of well being in the Local Government Act 2000. What is needed, they feel, is alignment between the different players at the national, regional and local level and their strategies and funding mechanisms.

Particular emphasis was given to the need for Regional Spatial Strategies (RSS) and Regional Economic Strategies (RES) to be aligned. The difficulty of having different bodies drawing up these key strategies to different timetables was a constant theme of our discussions. The specific example given was of a region, where the GVA growth ambition (gross value added – a measure of productivity) is different in the RSS and RES. This situation does not make for rational planning for housing and employment growth and skills provision.

Some progress may be possible in improving economic development planning and outcomes by rationalising strategy making and 'joining up' initiatives at the sub-regional level. However, the long-term solution is to incentivise councils by allowing them to share in the benefits of economic development. This means allowing them to benefit from the growth in their business tax base that comes from a thriving local economy.

economic development: powers to plan and co-ordinate at the sub-regional level

23 **The process for producing regional strategies should be radically streamlined around a single plan that relates the economy to the resources – land use, transport, and funding – that will be deployed regionally to drive growth; the timetable and stakeholder consultation for the single plan should be aligned and rationalised; and, where there is an active sub-regional plan, the regional plan should directly incorporate the sub-regions' plans.** There is a set of regional strategies including the Regional Economic Strategy, the Regional Spatial Strategy, Regional Skills Strategy, Higher Education and Skills strategies; Housing Strategies and Air Quality Strategies, all of which have direct economic impact and should be treated as a single strategy with a strong sub-regional dimension. This set of strategies might also include biodiversity

strategies, cultural strategies, environment strategies, and forestry strategies, and would link to regional health strategies.

economic development: devolution of decision-making about delivery

24 As the government develops a new national suite of simplified business support products under the Business Support Simplification Programme, it should regard local and sub-regional economic development partnerships as the major delivery vehicle for the new set of rationalised, simpler products.

25 The new simplified set of business support products should explicitly include a power for sub-regional partnerships to co-ordinate flexible support in the case of a one-off unforeseen event, such as a major industrial closure.

economic development: devolution of funding to sub-regions

26 In areas where sub-regional partnerships exist, economic development funding from the EU, central government and regional bodies should be pooled sub-regionally and allocated in accordance with local economic priorities. This would build on existing LAA mechanisms, but in order to integrate EU funding, councils would need to be reinstated as co-financing bodies for the European Social Fund.

27 The link between economic prosperity and growth in the business tax base should be restored by the relocalisation of the business rate.

economic development: incentives to encourage the use of existing powers

28 As proposed in our report *Closer to people and places*,[3] the current power in the Local Government Act 2000 to secure the social, economic, and environmental well-being of an area should be turned into a 'duty' providing that councils are given the powers and access to funding they need to give effect to this.

housing and planning: fewer strategies, better plans

Thriving housing markets not only help to meet basic human needs but also contribute to wider economic and social well-being. Owning a home is now a crucial element in households' long-term financial planning. Owner occupation enables equity release and borrowing that fuel demand for goods and services, finance business start-ups and thus support the wider economy. Adequate housing supply across all tenures also supports labour market flexibility. If workers can find the right type and size of accommodation they need, at a price they can afford, they can more easily re-locate where their skills are needed, thereby assisting economic growth.

Decisions made through the planning system affect where jobs, homes, transport, education, health facilities and other factors key to social and economic well-being are located, as well as the form that they take. Planning identifies opportunities and helps to deliver the local infrastructure needed to support economic growth, regeneration and renewal. It can also stimulate improved competitiveness and secure higher investment levels by providing investors with increased certainty about the future, allowing businesses to thrive.

The role of the regional bodies

We consider that the regional economic bodies – Regional Development Agencies and the Regional Assemblies they report to – play a significant role in sub-regional economic development.

The RDAs are welcome and sometimes indispensable partners in much local and sub-regional economic work. Only a few years old, they are increasingly mature. Many councils value their RDA relationships and have high hopes for their future. But one reflection of that increased maturity is to be seen where RDAs operate with a recognition that it is the relevance and quality of regional strategies, and the appropriateness and targeting of regional action, that gives them value. This, rather than the formal primacy of the Regional Economic Strategy, needs to be the RDAs' USP.

RDAs do not directly spend large amounts of money (see Appendix 3), and in some regions and sub-regions, they spend very little. Their main formal powers are regulatory and influencing, especially through the Regional Economic Strategy. So the main challenge they face is to become ever better at their strategic role, identifying the regional issues where regional action can make a real difference. That might include a focus on trans-regional transport and inward investment, in particular.

In line with that, more effective regional bodies would not necessarily be busier regional bodies. It would be damaging and distracting to continue with the recent trend for Whitehall departments to load the RDAs with micro-management of programmes with very local impact. Regional bodies will be weakened if they are treated as a dogsbody by departments keen to offload tasks.

The local authority remains the right level of government at which to take decisions that are best for neighbourhoods and communities. Councils are closest to people and best placed to interact, negotiate and broker solutions with them and on their behalf. Wherever decisions are taken, delivery is likely to happen either in, with or through current local authority administrative arrangements. But there are changes needed to make sure that local delivery is made more efficient and effective.

Our analysis of the sub-national economy led us to conclude that the sub-region is the right level at which to take broader economic decisions. In some areas sub-regional housing strategies are being produced in addition to local strategies and are used to inform regional strategies and to steer investment. Some have even taken the place of local strategies where authorities are comfortable working together in this way.

On the planning side, the Regional Spatial Strategy still sets the broad development framework for the region and identifies the scale and distribution of provision for new homes. Some joint Local Development Documents are already in existence. However, our analysis points to the requirement for further change in order to truly meet the demands of sub-national economies.

planning and housing: powers to plan and co-ordinate at the sub-regional level

29 It should be for sub-regional partnerships to determine the areas covered by their sub-regional spatial strategies (currently this is decided by the Regional Assembly); they should be directly reflected in a new single regional economic and spatial plan (see proposal 23).

Milton Keynes and South Midlands (MKSM)

The MKSM area, which has been designated as a growth area by the government, includes the whole of Northamptonshire, Milton Keynes, Luton and parts of Bedfordshire and Buckinghamshire. This means that it falls within three government regions – the East of England, East Midlands and South East of England and its sub-regional spatial strategy has been achieved by a revision to each of the three Regional Spatial Strategies for these regions.

In its submission to the 2007 Spending Review the MKSM Inter-regional board, which is chaired by a CLG Minister and includes representatives from the three RDAs and Regional Assemblies, five councils, the Highways Agency, Environment Agency, the LSC, the relevant police and health authorities, English Partnerships, the Housing Corporation, and the five organisations charged with local delivery suggested:

"The larger growth areas suffer from the lack of a single body leading, co-ordinating and phasing infrastructure delivery across government departments and its agencies and interfacing with local deliverers. This means that delivery and growth can be frustrated and that common problems, often strategic or subject to national, rather than local conditions, risk the need to be solved separately, in a sub-optimal way. A single purpose 'dedicated' body is required to provide clear focus and the 'glue' for strategic partners on delivering the core objectives and addressing the broader, national or regional issues in a coherent and common way."

planning and housing: devolution of decision-making about delivery

30 The Planning Inspectorate's definition of soundness should be clarified and should take better account of sub-regional economic needs.

31 The Planning Inspectorate's ability to overturn local decisions should be restricted.

32 Housing targets should be set and corresponding funding allocation decisions taken at the sub-regional level, reflecting the needs of the local economy.

planning and housing: devolution of funding to sub-regions

33 Planning Gain Supplement should be fully retained at the local level (the government proposal is at least 70 per cent), to be invested according to local discretion.

planning and housing: changes to external incentives to encourage the use of existing powers

34 Regions should be in the business of empowering and supporting sub-regions in pulling together funding and strategies. Regional bodies and government offices should be under a duty to have regard to sub-regional partnerships where they exist.

part 3: governance

summary

- Why governance matters
- That doesn't just mean yet another hurdle
- Different models of governance (joint committees; companies; AGMA model; MAAs)
- Evaluating governance: some criteria
- Evaluating governance: a proposed mechanism

from where and what, to who and how…

The first two sections of this document have looked at the evidence for the way the sub-national economy works – and concluded that the principal layer is sub-regional – and set out the kinds of policy decisions which, in consequence, need to be taken in future at that level. This last section looks at the remaining important questions for sub-national economic policy-making: who should take the decisions, and how?

These are crucial questions, and not just for the politicians and bureaucrats whose job descriptions they affect. It is central to the idea of devolution that decision-makers should be able to really represent the interests of the communities their decisions are going to affect. They should be familiar enough with the locality to assemble and weigh solid evidence for their decisions. They should be sufficiently credible and linked to local networks to be able to defend hard choices. They should operate in the conditions of openness and accountability that are inseparable from efficient decision-making. For citizens to really benefit from a better alignment between decisions and the geography of accountability, decision-makers will need to meet all these conditions.

Not that those conditions are difficult to meet. They are met – as a matter of course – by elected local representatives such as councillors, taking decisions within the framework of legislation and council constitutions. It has now been normal for some time for councils to convene other partners from the public sector in their area to pool or align their budgets and jointly tackle shared challenges, in particular through Local Area Agreements (LAAs). This approach will be reinforced by the provisions of the Local Government Bill currently before parliament, which imposes a statutory obligation on named public sector agencies to co-operate with councils within these agreements. In this way, councils are increasingly leading the way the totality of public expenditure takes place in their areas.

But the analysis in this document highlights a specific problem that affects devolved economic decision-making. If decisions need taking across council boundaries, as the shape of the country's sub-national economies suggests they do, decision-makers, especially councils, must move beyond the familiar decision-making structures to make them. Even where sub-regional decisions do fall to be made within an existing local government boundary – say that of a Passenger Transport Authority or a county council - relatively few of their public sector partners operate on the same boundaries. Moving economic decision-making onto a basis that recognises the sub-regional nature of the economy, while preserving strong democratic legitimacy and accountability, is likely to mean moving to new ways of making decisions that fit the sub-regional brief.

In the jargon, this is a question of governance. It needs answering. There is a genuine obligation on those demanding new powers and taxpayers' money to promote growth in their local areas to explain how, in terms of political and fiscal accountability, they propose to use them. Where exercising new powers would require new cross-boundary decision-making, taxpayers and others affected are right to ask how it would happen.

…but not from who and how to hoops and hurdles

It is understandable, therefore, and quite proper, that governance has become central to the insiders' debate on economic devolution. But it is also important that it should not turn from a legitimate question into a shibboleth. In the mouths of ministers and civil servants, questions of governance can sound to jaded councillors like yet another variation on the traditional motif that it is councils' weaknesses, not government's reluctance, that have persuaded the centre to cling to its power for yet another season.

So we need to prevent the governance question getting out of proportion and becoming merely another hoop to jump through on Whitehall's obstacle course. This chapter seeks to do that in four ways.

First, by taking a simple and rigorous approach to the burden of proof. Proposed governance arrangements only need to show that they can do the job better than the centralised status quo. They would only need to be perfect where the current centralised arrangements were also perfect. No such situation has yet been identified by our research. Any new governance that works better than existing arrangements brings a benefit and is therefore justified. And demonstrating a benefit is made considerably easier by the fundamental starting assumption that aligning decisions at the right geography removes existing inefficiencies.

Secondly, by recognising that variety is not a problem but a natural part of a devolutionary approach. Different areas will come up with different governance solutions, sometimes to different problems, but often to the same one. All that matters is that they look as if they will work. That they become more difficult for central government to understand or control makes no difference to the economic case for central government to hand power over to them. This chapter will set out a number of possible governance models for sub-regional economic partnerships exercising devolved powers. In particular, it is important to recognise that different areas and partnerships may want to do different things and exercise different powers: the governance models they choose will need to be proportionate to the tasks they are taking on.

Thirdly, by detailing the criteria for successful governance. If all that matters is whether proposed new arrangements can do the job, it is worthwhile setting out the job description. This section offers a set of tests or criteria for assessing new governance arrangements. If they pass, that should be an end of the governance question for that partnership.

Fourthly, by proposing that the assessment of new governance arrangements against these criteria should be made the subject of democratic and transparent decision-making. This will avoid any suspicion that central government might be tempted to apply them over-strictly in order to hang onto control.

a variety of models

companies

Many city areas have in the past used Urban Regeneration Companies (URCs) to deliver their economic objectives, and some are now exploring the concept of City Development Companies (CDCs). Both are independent limited companies in which councils and other partners (typically Regional Development Agencies and English Partnerships) are the shareholders. URCs have fulfilled a co-ordinating role, without statutory powers, and do not hold assets. Their primary role is to address significant development opportunities by developing and managing implementation of a masterplan, and to build business confidence and realise a collective vision for the future of the area.

The CDC approach would take this further, adding greater geographical coverage, a broader range of functions, increased profile, and perhaps leverage over larger budgets. CDCs are currently the subject of a government consultation, although the government is not proposing to give them any statutory position.

The company structure provides legal certainty about the obligations of the partners and gives a mechanism for taking decisions. It has proved a useful way of demonstrating to private sector partners that the public sector can work in a speedy, unbureaucratic way within structures firms can understand. However, councils and their partners have not so far seen company structures as a way of mobilising large budgets or managing major projects. Neither have they sought to transfer to them statutory powers of the kind many councils wish to see devolved from central government.

What about areas that do not want to bid for new powers or governance?

A number of areas have been bidding for new economic decision-making powers and proposing new models of governance for some time, especially in the great cities. Others are now preparing to respond to the white paper proposal for MAAs. But many haven't, and won't in the near future. Is this wholly irrelevant to them?

Localism and voluntarism go together very comfortably. There may be arguments in principle which suggest it would be good for councils if the government obliged them to take greater responsibility for decision-making. But it is unlikely that such an experiment would be a happy one. The framework set out in this document is intended to amplify the LGA's existing policy of 'differential devolution'.

But the absence of sub-regional decision-making in an area would not change the analysis set out in part 1. Where there is a distinct sub-regional economy, decision-making needs to reflect the reality. So, in the absence of any initiative by councils to take on new powers, national and regional bodies ought still to target their strategies in a sub-regional way. This would, first, ensure that policy was well-targeted. Where there were urgent needs such as entrenched under-performance, indeed, sub-regional targeting by RDAs and others would be very necessary. But this is not simply to see the regional bodies as plugging gaps in a way that cut across their proper strategic role: developing a systematic sub-regional approach to decision-making would help to foster the expectation that, in the future, locally-led arrangements should emerge.

Creative Sheffield

Creative Sheffield is a City Development Company formed from the merger of Sheffield's Urban Development Company (UDC) and other bodies. But whereas the UDC concentrated on the physical regeneration of the city centre, Creative Sheffield aims to promote an urban renaissance across the city, based on a more holistic approach to economic development that includes strategic marketing, wealth creation and encouraging inward investment.

It has been established as a company limited by guarantee and the board includes membership from the city council, the RDA, Communities England, business representatives and, to give an external viewpoint, the Chief Executive of Manchester City Council. While the CDC currently covers just the area of the city council, consideration is being given to its potential for supporting partnerships covering a wider area.

Black Country Consortium

The Black Country Consortium is the sub-regional public/private partnership for Dudley, Sandwell, Walsall and Wolverhampton. It covers a population of 1.1m people – bigger than its neighbour Birmingham. It is vision-led and aims to lead the renaissance of the Black Country urban sub-region.

The consortium has formulated a sub-regional strategy for Black Country transformation over the next 30 years (The Black Country Study). This is an integrated strategy for change which is economic led but encompasses action on education, diversity, housing, Centres, economy, transport and the environment. It has also led on the spatial strategy for the Black Country (the land use/transport framework to steer transformation) on behalf of the West Midlands Regional Assembly (Draft RSS Phase One Revision The Black Country).

The consortium was established as a company limited by guarantee, whose chair rotates between public and private sectors, as a model that local businesses understood and trusted. Its core funding comes from the four councils, the Learning and Skills Council and the local Chamber of Commerce.

The company model has been successful in enabling the four local authority leaders to work together, evaluating long term trends and setting aspirations outside of daily pressures of statutory responsibilities, resolving previously 'insurmountable' differences. Business leaders welcome the 'hands-on' partnership approach of the consortium with its ability to continually challenge, but support, local government leaders to hold to the transformational agenda required to achieve growth and competitiveness in the sub-region.

joint committees

Councils can set up joint committees with other councils to exercise any of their executive functions. Examples include recently-established joint waste management committees which bring county and district councils together to exercise their complementary waste collection and disposal responsibilities. There are also a number of examples of joint arrangements between boroughs in city areas, which are often a legacy of arrangements inherited from a former metropolitan county council. These arrangements allow councils to make binding commitments to joint action including spending money and managing projects.

AGMA model

Greater Manchester has a particularly well-developed collective governance model based on longstanding joint committee arrangements. Within these arrangements, individual councils take a lead on particular themes within the partnership. This arrangement is supported by other arrangements within the metropolitan area, such as a citywide economic development company, Manchester Enterprise.

Local Area Agreements (LAAs) and Local Strategic Partnerships (LSPs)

The governance models described so far in this section mainly relate to ways of exercising local government powers. But councils also work together with other public, voluntary and private sector partners to lead improvement in their area and join up public service delivery. One common model is Local Strategic Partnerships (LSPs), which are for the time being informal bodies with no powers.

LSPs have had some success in reorienting public expenditure around shared regeneration objectives expressed in a Community Strategy. The current Local Government Bill would put elements of the

Scrutiny arrangements to be developed using: -

a) Existing Greater Manchester Forum (comprised of public & private sector partners across Greater Manchester – in effect the 'SRP' for Greater Manchester)

b) scrutiny panels drawn from elected members from across Greater Manchester.

The above diagram represents plans for governance and accountability between public services operating within Greater Manchester. There are no plans or proposals to change local government boundaries so as to enlarge these arrangements to also cover areas outside Greater Manchester. However for the wider city region (as defined in the Northern Way) there needs to be a dialogue on how collaboration in areas such as Economic Development can be strengthened.

LSP role on a statutory footing, including a duty on named public sector partners to co-operate in drawing up a Community Strategy and Local Area Agreement (LAA).

LAAs have the potential to give partners greater flexibility to pool budgets and to align other funds to meet shared improvement targets. Introduced in 2005, they will cover all areas by March 2008 and include a much wider range of funding streams from 2009. Currently, LAAs are not binding agreements but the Local Government Bill will require named partners to 'have regard to' LAA targets in their own plans.

Multi-Area Agreements

In the local government white paper, the government said a number of areas were preparing multi-area agreements (MAAs) and that it intended to work with partnerships over the coming months to help develop these voluntary agreements, including deciding which funding streams might be channelled through these sub-regional arrangements. MAAs are work in progress; it remains to be seen whether they are a governance model in themselves, or whether they are a form of agreement that might overlie some of the models for partnerships discussed in this section.

Leeds City Region: joint committee governance

The Leeds City Region is the area covered by the five West Yorkshire districts – Bradford, Calderdale, Kirklees, Leeds and Wakefield; by Craven, Harrogate, Selby and York in North Yorkshire; and by Barnsley in South Yorkshire. The member districts agree that this area represents the true geography of the functioning Leeds City-Region economy. This area has a culturally and ethnically diverse population of nearly 2.8m of which 1.4m are economically active; is home to over 70,000 businesses; sits astride nationally strategic east-west and north-south transport corridors; and has a striking mix of rural and urban environments and areas of outstanding countryside.

The political leaders of the eleven partner councils agreed to work together to deliver sustainable economic growth and improved competitiveness. The city region concordat sets out a mission to *'Work together differently: to develop an internationally recognised city region; to raise our economic performance; to spread prosperity across the whole of our city region, and to promote a better quality of life for all of those who live and work here.'*

The city region's leaders have also proposed formal governance for the area. This reflects a number of principles:

- governance proposals should be constructed solely around economic matters;
- proposals should focus on identifying what needs to be done or can be done better at a city region level and should not seek to duplicate the existing roles of constituent authorities; and
- the new partnership body should be capable of engaging effectively with the government and regional bodies on issues such as Regional Funding Allocations.

The new arrangements, which are intended to start in April 2007, will centre on a board which will legally be a formal joint committee consisting of the leaders of the member councils and will have decision-making powers. It will operate on a one-member-one-vote basis. It will appoint theme-based panels, chaired by a member of the board, to oversee specific city region work. The panels will be able to establish multi-agency task groups to support them and the board. One of the first tasks of the board will be to develop a Multi-Area Agreement in conjunction with key partner organisations and government.

evaluating governance: the job description

With such a range of governance models available, a government that wishes to devolve new powers must find it difficult to choose which form of governance is most suited to the new responsibilities local partnerships want to take on.

But it doesn't have to. How to come together and take decisions, and how to account to local citizens, are decisions that are as appropriate for local decision any of the others discussed in this document. What matters is not the particular form of governance chosen by local partners, but whether it is fit to do the job it needs to do. Not perfect or ideal: just good enough to do the job.

Although this sounds self-evident, experience shows that it can be very hard for central government to accept new proposals for local governance. This reflects a genuine concern for protecting taxpayers and citizens. Ministers and civil servants should not merely take it on trust that others can do their jobs better than they can.

Colchester 2020 Partnership

The Colchester 2020 Partnership was formed in 2002 to prepare a vision for the future of England's oldest recorded town. It included a wide range of visible and authoritative community leaders. The partnership consulted on a Community Strategy that set an ambitious direction for Colchester as a prestigious regional centre. Since then, the local strategic partnership has also taken strong local ownership of commitments in the Essex Local Area Agreement. The partnership has developed a powerful leadership role as its vision for Colchester has started to become a reality, with a series of significant delivery projects now taking place including a major culture-led regeneration project in the St Botolph's quarter.

The partnership has recently been shortlisted for an award, where its citation reads: "The 15 members of the Colchester 2020 local strategic partnership, which include representatives from the borough and county councils; the primary care and health trusts; the university; Army garrison; the community; voluntary and business sectors; and the community sports trust, are asked to leave their professional hats at the door when they meet as a body. Colchester 2020 has lobbied on projects such as park and ride and exciting plans for a visual arts facility and community stadium. This is a strategic, forward-thinking partnership that works to make a difference."

Cornwall and Isles of Scilly Economic Forum

Cornwall and Isles of Scilly Economic Forum is the partnership within the Cornwall Local Strategic Partnership that leads on economic issues. It has a membership of 30, including the county and district councils, the Cornwall business partnership, the RDA, Government Office, LSC, Business Link, Jobcentre Plus and local social, cultural and economic partners. It is also recognised by the RDA as its sub-regional partnership.

The forum sets its strategies to address the full range of economic issues, including strategic transport infrastructure needs, skills and worklessness and business support. Cornwall and Isles of Scilly, as a rural, peripheral and island area, believes it can be fairly self-sufficient without having to take account of major spillover effects of its policies on neighbouring areas. It therefore sees a role for regional and national agencies but would like greater autonomy in setting and achieving locally-set economic priorities. Cornwall Enterprise, the arm's length economic development delivery company of Cornwall County Council, provides support for the forum. Cornwall is now exploring the option of delivering through a Cornwall Development Company, on the 'City Development Company' model.

Tees Valley City Region

The Tees Valley City Region (TVCR) is based around the five boroughs of Darlington, Hartlepool, Middlesbrough, Redcar and Stockton on Tees and includes the borough of Sedgefield. Its area of influence has a population of 875,000 but the economy is growing slower than both the UK and the European Union average.

The partnership's strategy for improving economic performance aims to build on the existing economic assets of the region, which include a world class chemicals industry; a potential new energy economy; Teesport, the UK's second largest port; and Durham Tees Valley Airport. It also seeks to improve urban competitiveness and liveability through regeneration and by upgrading the skills base and local physical infrastructure.

Building on the success of the Tees Valley Partnership and the Urban Regeneration Company, a new economic partnership, Tees Valley Unlimited, will be in place by late Spring 2007. Board membership at all levels will include representatives from the business, education and voluntary sectors. TVCR will be seeking to have these governance arrangements formalised through a Multi-Area Agreement.

Regional Cities East (RCE)

Regional Cities East is a partnership between Peterborough, Luton, Ipswich, Norwich, Colchester and Southend, supported by the East of England Development Agency (EEDA) and Government Office for the East of England (GO-East). In a region with no core city, RCE is making the case that smaller cities can make a significant economic contribution if they collaborate rather than competing with each other.

The leader or Regeneration Portfolio Holder and chief executive of each council in the partnership sits on the board, together with the GO-East Regional Director and EEDA Chief Executive. Each of the three main political parties is represented on the board and the chair and two deputy chairs are chosen from among the politicians. Each city has signed a Memorandum of Understanding to formalise the partnership.

Assisted by the New Local Government Network, RCE has prepared a draft concordat that it hopes to sign shortly with the government - the first of its kind involving a group of councils without common geographic boundaries. This will include other regional or sub-regional partners and could be a precursor to a more formal Multi-Area Agreement (MAA).

Initiatives being developed by RCE include: support for innovation and enterprise; a five year programme to reduce carbon emissions; joint marketing of the cities; and the development of sustainable skills across the cities.

However, Whitehall's declared preference for devolution means that ways will have to be found to allow the centre to 'let go'.

This suggests that new proposed governance arrangements need:

- to be assessed against a set of objective, clear, published criteria; and
- to be assessed with the burden of proof in their favour: like good school examiners, the test should establish what they can do, not probe for what they cannot.

The criteria should also be related to the actual tasks and ambitions of the partners. Some partnerships will just want a mechanism for making sure that the spending of public money is properly accounted for. Others will want to make decisions about public spending or land use, or transport provision. There is no need to over-engineer voluntary governance arrangements to meet standards that are not appropriate for the job they will be asked to do.

The table below sets out an illustrative matrix of criteria which might apply to proposals for the kind of devolved decision-making described in the second part of this document.

This matrix does not aim to exhaust all possibilities or to explore every criterion in detail. Ensuring financial accountability or making decision-making binding, would in a real life test, need thorough examination by accountants or lawyers. What it illustrates is that a differentiated approach, based on fitness for specific purpose, can provide an adequate test for sub-regional governance arrangements without any need for prescriptive new legislative vehicles.

But there are two criteria, frequently mentioned in the devolution debate, which are not included in the table, and should not be. These are:

- can this body/this group really provide robust, visible local leadership?
- how will this body/this group achieve real prioritisation and avoid simply pursuing lowest-common-denominator solutions?

Task	Test	Example of what would pass
Spending public money	Can account to National Audit Office/Audit Commission standards and publishes a budget and retrospective accounts. Democratically accountable.	Council as accountable body on behalf of others; council as agent of joint committee; Company structure. Councils working in partnership; councils as shareholders in company structure.
Taking decisions on: • priorities for spending; • land use; or • transport provision.	Has the capacity to build and use an evidence base. Able to take hard decisions transparently. Able to take decisions that are binding on partners.	Council staffed joint committee; staffed company. Anything that operates by public vote. Anything with this provision in its constitution.
Taking public responsibility for its decisions	Reflects an identifiable sense of place. Democratically accountable	Council; and potentially any structure. Councils working in partnership; councils as shareholders in company structure.

Neither of these questions is legitimate. The answers to both, if positive, would simply involve trust in the individuals concerned and could offer no guarantee for the future. There is no structural solution that can make a politician more charismatic or oblige a group of people to make difficult trade-offs when they take a decision.

Before posing such questions, national politicians and civil servants should ask them of the national or regional organisations from which they are proposing to devolve, or indeed of existing councils. Asked of untested future sub-regional arrangements, they make the legendary barrister's trick question into an even trickier one "but can we rule out that he might do something in the future?"

Devolution does not come without risk: but the relative economic performance of the regions of England is a failure that the centralised status quo has already brought about.

Evaluating governance: the interview panel

Some sort of framework for evaluating a diversity of governance arrangements is clearly necessary. But, aside from the tests themselves, who will judge whether they have been met?

The default option would be ministers and civil servants. The Core City Summits in 2005 (and the later summits for smaller towns and cities) and their follow-up process, could be seen as an example of partnerships of councils being asked to make a case for new powers in return for acceptable proposals on governance. Another example is the invitation to bid for new 'freedoms and flexibilities' or 'enabling measures' through LAAs.

What if it fails?

This is **another** trick question asked about proposals for sub-regional governance, but it is one worth exploring because of the nature of the misunderstanding it represents.

All kinds of governance fail: central government, parliamentary scrutiny, councils, quangos, PFI projects and joint ventures. Stock Exchange companies and individuals fail, too. The risk that new governance may fail is not special or unusual. The answer to the question, "what happens if it fails" should not be special or unusual, either. And it is not.

There are two kinds of failure worth considering here. First, there is the real possibility that a new arrangement may make bad decisions. But the devolution debate is only taking place because centralised governance has failed to close the growth gap between London and the English regions. It is the starting assumption of this discussion, reinforced by the evidence in the first two parts of this document, that on average, devolved decisions on this set of economic issues will fail less often than centralised decisions.

Secondly, there is the risk that projects will go sour or overrun, and someone will be left to carry the unplanned cost. This risk is the focus of the illustrative criteria above which suggest that bodies which aim to take decisions about spending public money or aim to spend it will need to be both democratically accountable and account and budget in line with public sector best practice.

Bodies that meet those tests will (a) make financial plans that are sensible, (b) have recourse to the local taxpayer if they go over-budget and (c) be led by individuals accountable at the ballot box if things go wrong. If these conditions are good enough for the rest of the public sector (and the last does not apply to all of it); they ought to be good enough for new arrangements. Any residual concerns about risks to the national taxpayer would be for the Treasury to handle through the terms on which it pays grant to any new body. However, it is worth noting that no local council has, in fact, ever defaulted on a debt.

However, the outcome of both these processes is widely seen to have been disappointing and has not yet delivered significant progress on devolution. Part of the problem is that the criteria for judging the business cases councils were asked to submit were not publicly known in advance. But there is also a perception that those who are currently in the position of exercising powers and determining funding are unlikely to be impartial judges of bids to devolve those powers and funds. It may make sense to explore other options than simply asking Whitehall to erode its own job description.

Another option would be peer review from within the local government sector, possibly with an independent element if this considered necessary. This would reflect the approach the LGA has taken elsewhere in its proposals for a new performance management framework. However, this might be open to the charge that it, like asking civil servants to make the decision, would also be likely to suffer systematic bias. It is unlikely to command the wider support that will be needed to encourage a radical devolution.

There are strong arguments that objective criteria are best – and most transparently – addressed by an independent arbiter. It would be possible to set up such a body – called a Devolution Commission, perhaps - specifically in order to take decisions on devolving powers from central to local government. It might draw its membership from among parliamentarians, judges experienced in public law, economists and business people. Its role would be to examine both the business cases put forward by local partnerships and any representations from central government or its agencies or from local citizens or residents.

But, as we have argued throughout this document, the devolutionary argument, while founded in sound economics, is not purely technocratic. The heart of the case for granting greater powers to councils working together at sub-regional level is democratic accountability. Members of Parliament conferred existing decision-making powers on ministers. There is a compelling case for Parliament to take individual decisions on whether cities, city-regions or shires should receive them instead.

This is not an innovative idea. On the contrary, the so-called golden age of city government in the nineteenth century was made possible by the promotion of local Acts conferring on councils the powers they needed to solve real local problems.

The private bill procedure, which allows local authorities and companies to promote bills to obtain new powers, might provide an example of how such scrutiny might work in practice. Although the private bill procedures are primarily designed to protect the private interests that might be affected by proposed new powers, the way that proposals are examined by a parliamentary select committee acting as an impartial arbiter provides a potential model.

parliamentary devolution orders: how it might work?

An initial Act of Parliament would set out a menu of powers which it would be possible to devolve to local partnerships led by councils, including the suggestions in the second part of this document. It would also describe some preconditions partnerships would need to fulfil to receive those powers, as set out on page 60. Finally, it would provide for individual items from the menu of powers to be devolved to partnerships of councils, on their petitioning the House, if a Committee of Parliament judged its submission demonstrated that it fulfilled the preconditions.

A procedure like this would be clear, open, and transparent. But it would also, crucially, allow a strong democratic element to the devolutionary decision. Parliament, rather than ministers, would exercise Parliament's power.

New arrangements for taking devolutionary decisions in Parliament would be more than a nostalgic echo of former glory for local government, though. They would also address today's political reality in three ways. First, they would present a rare challenge to the curious parliamentary situation in which virtually an MP's entire postbag is about local issues she is - formally at least - powerless to influence, while virtually all of an MP's legislative work is generic, uniform, and national. Secondly, they would, for once, put the ambitions of the communities of the English regions at the centre of Parliament's agenda. And lastly, they would represent a rare example of Parliament being given the opportunity to reduce, rather than enhance, ministerial power – and in a context in which it would be hard to imagine any government imposing a whipped vote.

conclusion

The economic arguments strongly suggest that sub-national economic decision-making in England needs to focus on sub-regional economies, which are the country's real functional economic areas.

This reality challenges institutions: central government, regional government, and local government alike. It will take real maturity and wisdom on the part of the people who lead these organisations to break out of defensive institutional stances.

Councils, too often rivals, must form new strong partnerships where the economic needs of their areas coincide. Regional bodies, still new and searching to assert themselves, need to recognise their role in aggregating the needs of their sub-regions and leading in a genuinely strategic way. Central government must divest itself of power in order to see its own desire for regional economic renaissance realised.

The evidence is that this necessary shift has begun. Councils across the country are building new partnerships at the level of the city, city-region and shire. Regional Development Agencies are increasingly acknowledging a sub-regional dynamic in their plans and funding allocations. Central government talks in warm terms of its ambitions to devolve.

There is a one-off opportunity, in the sub-national review and comprehensive spending review, to give this movement real impetus with government policy decisions of the kind outlined in this document. Without them, the momentum will undoubtedly falter. The economy of England outside London cannot afford to remain a laggard.

part 4: in practice

What would the devolutionary package sketched out in this document look like in practice?

Take the Barchester of today. It is a unitary borough with five unitary neighbours and together with them it is part of a large urban area with a manufacturing base undergoing transformation, a city shopping centre in Barchester itself, and an emerging concentration of service businesses close to road and rail links that form the border between Barchester and the neighbouring borough. It also has two rural districts close by in a two-tier county area, from which many of Barchester's managers and professionals commute to work. The new service firms complain of skills shortages in IT, functional numeracy and customer handling. There is a high rate of economic inactivity driven by high incapacity benefit take-up, much of it among former workers in manufacturing firms that have closed. The city centre and a few key roads are congested, but some suburban areas are inaccessible by public transport.

Barchester, its five unitary neighbours, the county council and the shire districts have a shared ambition for the area. They want to go with the grain of the area's economic transformation and develop the burgeoning service sector while helping workers to adapt to change without falling into long-term worklessness. So they would like to tweak national conditions in order to provide training schemes aimed at the needs of local employers and link them to return-to-work interventions targeted at individuals on long-term benefits. To tackle congestion and improve links for business, they want a new city centre road to connect to the motorway and to neighbouring big cities; are interested in exploring a congestion charge; would like to lay on new bus routes to some suburbs; and reopen a closed commuter station in a village in one of the rural areas. They also want to encourage new mixed-use office and affordable housing developments in central Barchester, and – although fearful of NIMBY opposition – would like to attract professionals by getting new houses located near the new rural station.

How easy is this now?

To help them plan, Barchester and its seven neighbours have between them:

- eight Local Development Frameworks planning land use, although they might choose to merge them;
- seven Local Transport Plans about roads (the two shire districts are covered by a single county LTP), although they might choose to merge them; but even if they do, they then have;
- a Regional Economic Strategy, Regional Spatial Strategy, Regional Transport Plan and Regional Housing Plan; and
- the national targets of Jobcentre Plus, the Learning and Skills Council, the Highways Agency and Network Rail.

To fund their ambitions, they have:

- eight LTP funding allocations if they can successfully bid to the government;

- Regional Funding Allocation money, if they can successfully make a collective case to the Regional Assembly;

- any contribution the Highways Agency or Network Rail might make;

- section 106 money as negotiated with developers (or 70 per cent of receipts from the proposed Planning Gain Supplement).

To make them happen they need permission or agreement from the following higher-level bodies:

- the Highways Agency
- Network Rail
- Department for Transport
- The Government Regional Office
- The Regional Assembly
- Jobcentre Plus and the Department for Work and Pensions
- the LSC
- the Regional Development Agency.

Given a very long time and a lot of political courage, they may reach a point where they have co-ordinated their plans and achieved enough support from national government agencies that they can start asking the government for money in support of their plans. Some city leaders have the vision, determination – and longevity – to stay that gruelling course. Alternatively – and it is only reasonable to assume that Barchester will not be led by a Bonaparte – they may give up.

Under the framework set out in this document, Barchester and its neighbours would be able to form a partnership with:

- a single collective plan for land use
- a single collective plan for transport
- a single plan for employment and skills.

To fund their ambitions, they would have:

- a single pool of funding held at the level of the partnership (after a simpler collective bid to government);

- developer contributions (or 100 per cent of Planning Gain Supplement receipts)

- welfare savings they made by getting more people into work; and

- growth in the business rate tax base, produced by the economic growth they had promoted.

To make them happen, they would require the permission of:

- no-one;

since the relevant government agencies would be represented at the sub-regional level with the full mandate to reach agreement within partnerships without referring upwards.

attendance at LGA roundtables to develop the proposals in this report

Transport/economic development roundtable 18 December 2006

Name	Authority/organisation
Derek Walker	CEDOS
Brian Smith	CSS/Cambridgeshire
Kieran McNamara	East Sussex County Council
Dermot Finch	Centre for Cities, IPPR
John Griffiths	Kirklees Metropolitan Borough Council
Paul Squires	Mid Sussex District Council
Tim Larner	PTEG
Andy Scate	Southampton City Council
Laird Ryan	Stoke-on-Trent City Council
John Scouller	Warwickshire County Council

Planning & housing roundtable 19 December 2006

Name	Authority/organisation
David Hill	Ashford Borough Council
Bev Hindle	Bracknell Forest Borough Council
Michael Crouch	Colchester BC/Regional Cities East
Megan Godsell	Leeds City Council
Neil Murphy	Newcastle City Council
Kelvin Mcdonald	Royal Town Planning Institute

Planning roundtable meeting 9 January 2007

Name	Authority/organisation
Huw Jones	Buckinghamshire County Council
Phillipa Silcock	Planning Advisory Service
Mike Bodkin	Kent County Council
Steve Clarke	London Borough of Merton
Matthew Gough	Medway Council
David Hackforth	Milton Keynes Council
Sarah Naylor	Northamptonshire County Council

Cross cutting roundtable meeting 15 January 2007

Name	Authority/organisation
Kim Griffiths-Parry	Liverpool City Council
Kieran McNamara	East Sussex County Council
Wayne Shand	Manchester City Council
John Best	Milton Keynes Council
Simeon Leach	Rotherham Metropolitan Borough Council
Garreth Bruff	SIGOMA
David Bowater	South West LGA
George Garlick	Stockton-on-Tees Borough Council
Laird Ryan	Stoke-on-Trent City Council
John Scouller	Warwickshire County Council
Sherman Wong	West Midlands Regional Assembly
Chris Murray	Core Cities
Will Tuckley	London Borough of Croydon
Dave Simmonds	CESI
Derek Walker	CEDOS
Bryan Raine	Kent County Council
Caroline Cunningham	County Councils Network
John Hodgkins	Buckinghamshire County Council

Thinktank Meeting 23 January 2007

Name	Organisation
Dr Adam Marshall	Centre for Cities, IPPR
Prof Tony Travers	London School of Economics
Owen Dallison	New Local Government Network
Emma Wild	CBI

Attendance at the roundtable does not, of course, imply support for the recommendations in this report, either by the individual concerned or their organisation.

Many colleagues from the LGA, IDeA and LGIB also contributed to the roundtables

summary of the menu of powers for devolution

	co-ordination	delivery	funding	incentives
transport	The Highways Agency should be under a duty to co-operate with sub-regional partnerships Individual Highway Authorities should have the power to transfer responsibility for a network of local roads to a partnership or lead authority. Network Rail and Train Operating Companies should have a duty to co-operate with sub-regional transport bodies. Transport partnerships outside London and PTA areas should have powers to influence rail franchises. Transport planning regimes should take account of the new powers devolved to local transport bodies. The Local Transport Plan system should be simplified and outcome-related.	Sub-regional partnerships should be able to take over responsibility for HA roads where their main impact is sub-regional. Sub-regional partnerships outside London and PTA areas should be able to give directions and guidance to Network Rail on local strategy, timetabling and station infrastructure. The government should implement measures to enhance partnership working between local authorities and bus operators. Bus franchising (Quality Contracts) should become a more realistic option and this power should be available to any sub-regional partnership, not just existing PTAs.	Regional Funding Allocations for transport should have a sub-regional dimension and future allocations should also recognise any extension of sub-regional responsibilities for rail. Local and sub-regional transport bodies should be fully able to retain the income from fares and charges to provide new and upgraded transport infrastructure. Bus subsidies should be reformed and devolved to local and sub-regional transport bodies. More local flexibility should be allowed to vire between capital and revenue expenditure on transport.	Network Rail and Train Operating Companies should be encouraged to jointly fund schemes with local partnerships to improve local networks or infrastructure. The HA and sub-regional partnerships should make more use of the power to jointly fund schemes. The current power to prepare joint Local Transport Plans should be used more widely.

	co-ordination	delivery	funding	incentives
economic development	The process for producing regional strategies should be radically streamlined around a single plan that relates the economy to the resources – land use, transport, and funding – that will be deployed regionally to drive growth.	Sub-regional partnerships should be a major delivery vehicle for business support under the Business Support Simplification Programme. The new set of business support products should explicitly include a power for sub-regional partnerships to co-ordinate flexible support in the case of a one-off unforeseen event.	Where sub-regional partnerships exist, EU, central and regional economic development funding should be pooled sub-regionally and allocated in accordance with local priorities. The link between economic prosperity and growth in the business tax base should be restored by the relocalisation of the business rate.	The current well-being power in the Local Government Act 2000 should be turned into a duty and councils given the powers they need to give effect to this.
planning and housing	It should be for sub-regional partnerships to determine the areas covered by their sub-regional spatial strategies.	The Planning Inspectorate's definition of soundness should be clarified. The Planning Inspectorate's ability to overturn local decisions should be restricted. Housing targets and funding should be decided at the sub-regional level.	Planning Gain Supplement should be fully retained locally and invested according to local discretion.	Regions should be in the business of empowering and supporting sub-regions in pulling together funding and strategies. Regional bodies and government offices should be under a duty to have regard to sub-regional partnerships where they exist.
labour market	The government should commit national agencies to join sub-regional Employment and Skills Boards and align their planning with them. Sub-regional partnerships should be able to access benefit claimant data.	The government should identify conditions for receiving welfare-to-work support, and possibly benefits, which do not need to be set nationally and devolve decision making to local employment and skills partnerships that want this.	The government should pay block grant to sub-regional partnerships and allow them to manage any under- or over-spend within that budget.	The government should ensure that key agencies such as Jobcentre Plus and LSC are fully able to engage in local partnerships by deploying resources locally and reflecting locally-set priorities in their plans.

Local Government Association

economic development expenditure by source and region 2004/05

introduction

This note breaks down local economic development expenditure for the financial year 2004/05. It divides this into components accounted for by the Regional Development Agencies (RDAs), the Learning and Skills Council (LSC), and local authorities (LA).

Local authority expenditure is broken down further into that spent on 'education', 'transport' and 'wider economic development activities.'[1]

The methodology used to compile this analysis replicates that employed in Gordon, A Probert, P McColm, H and Raynes, P (2006) City Limits: Why extended economic development opportunities arenít just needed in core cities.

Expenditure breakdown

Table 1 overleaf shows absolute expenditure accounted for by different types of organisation in each English region. Table 2 shows the proportion of local economic development expenditure accounted for by these organisations.

Key findings

- In all regions, local authorities account for 70p of every £1 spent on local economic development.
- Across England as a whole RDAs account for only 4 per cent of local economic development expenditure. The LSC account for around 18 per cent and local authorities account for 78 per cent.
- The financial influence of RDAs is smallest in the East and South East. In these regions the RDAs account for only 2 per cent of expenditure.
- The financial influence of RDAs is greatest in the North East, but even here they account for only 10 per cent of expenditure.

Essex County Council

This analysis was commissioned from the Essex Strategic Policy Unit by the LGA.

Table 1: Expenditure on economic development related activities by source and region, 2004/05 (£000s)

	A RDA	B LSC	C LA - education	D LA - transport	E LA – wider economic	C+D+E LA total	A+B+C+D+E Total
North West	£416,050	£1,293,934	£4,668,227	£322,425	£303,030	£5,293,682	£7,003,666
North East	£282,347	£534,759	£1,656,300	£132,710	£153,935	£1,942,945	£2,760,051
Yorks & Humber	£308,403	£940,654	£3,328,631	£182,520	£206,961	£3,718,112	£4,967,169
East of England	£92,880	£826,094	£3,381,783	£281,532	£189,109	£3,852,424	£4,771,398
South East	£163,427	£1,255,120	£4,838,899	£349,795	£321,637	£5,510,331	£6,928,878
E. Midlands	£153,233	£746,546	£2,703,666	£239,768	£189,797	£3,133,231	£4,033,010
W. Midlands	£308,001	£1,068,306	£3,627,172	£211,795	£236,889	£4,075,856	£5,452,163
South West	£121,738	£833,342	£2,911,338	£226,849	£203,150	£3,341,337	£4,296,417
London	£279,658	£1,512,792	£5,350,945	£2,685,612	£618,579	£8,655,136	£10,447,586
All England	£2,125,737	£9,011,547	£32,466,961	£4,633,006	£2,423,087	£39,523,054	£50,660,338

Table 2: Proportion of regional economic development expenditure by source, 2004/05

	A RDA	B LSC	C LA - education	D LA - transport	E LA – wider economic	C+D+E LA total	A+B+C+D+E Total
North West	6%	18%	67%	5%	4%	76%	100%
North East	10%	19%	60%	5%	6%	70%	100%
Yorks & Humber	6%	19%	67%	4%	4%	75%	100%
East of England	2%	17%	71%	6%	4%	81%	100%
South East	2%	18%	70%	5%	5%	80%	100%
E. Midlands	4%	19%	67%	6%	5%	78%	100%
W. Midlands	6%	20%	67%	4%	4%	75%	100%
South West	3%	19%	68%	5%	5%	78%	100%
London	3%	14%	51%	26%	6%	83%	100%
All England	4%	18%	64%	9%	5%	78%	100%

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All figures derived from Finance and General Statistics 2004/05, www.cipfastats.net

Definitions

1. Local authorities ñ all county, district, unitary and London borough authorities in England, plus the Greater London Authority.

2. Wider economic development activities - tourism, licensing, consumer protection, street cleaning, planning policy, building and development control, environmental initiatives and economic and community development.

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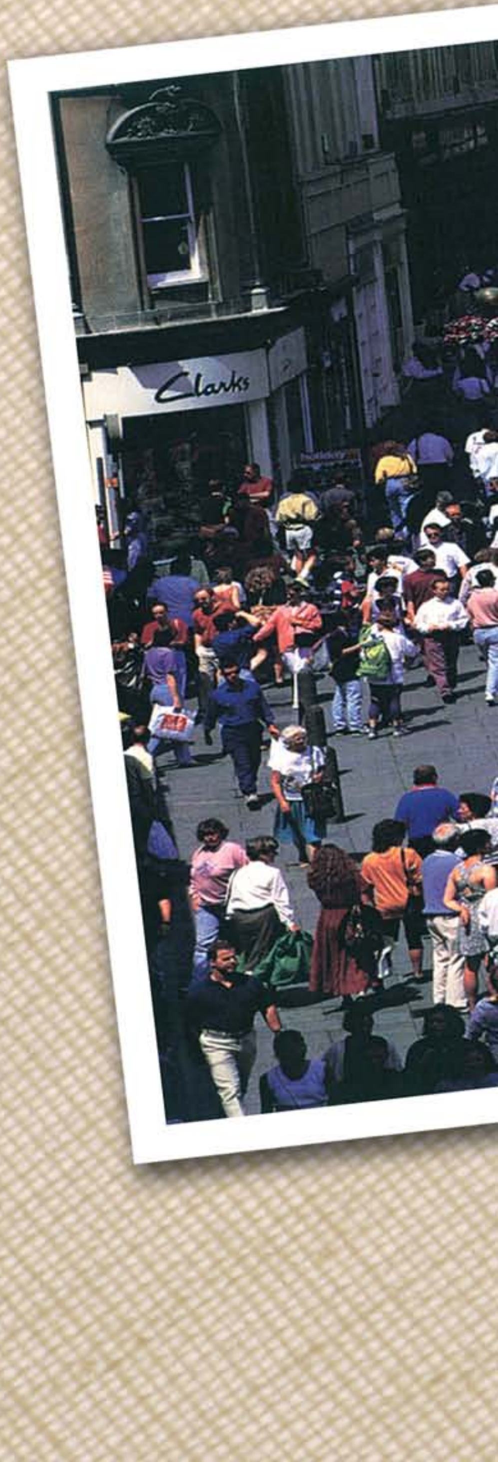

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