

## Investing in regional equality

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CIPFA\

# Investing in regional equality: four English examples

February 2024

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# Executive summary

Some international cities have innovated to successfully overcome significant social and economic inequalities in recent years. We wanted to understand whether English local authorities could emulate this success.

Using the nine key success factors identified in CIPFA's 2022 report, [Investing in regional equality: lessons from four cities](#), we examined the experiences of four different areas in England: Dudley, Enfield, South Yorkshire and Tees Valley. We wanted to know which of the nine success factors were applicable in the English context, whether they were being used to their full potential and what barriers local authorities were facing.

## **All nine success factors identified from international experience are in evidence in England**

We found examples of innovative practice across all four areas. We also identified a tenth success factor that appears to be important in England: **Transferable learning and knowledge exchange.**

Success factor	Example 1	Example 2
Shared political will and partnerships	<b>Enfield:</b> the sub-regional partnership Local London connects outer London boroughs and the Greater London Authority (GLA). It illustrates the importance of working collectively on issues that transcend local authority lines.	<b>South Yorkshire:</b> institutions led by South Yorkshire Mayoral Combined Authority (SYMCA) collaborated effectively to design the bid for the Advanced Manufacturing Investment Zone, coalesce around shared goals and spread benefits of the intervention across the region.
Clear strategy and vision	<b>Dudley:</b> there has been a focus on repurposing legacy assets and unoccupied land.	<b>South Yorkshire:</b> SYMCA is distinctive in its focus on addressing health and wellbeing issues.
Investing for the long term	<b>Enfield:</b> Meridian Water is a 20-year regeneration programme that will provide 10,000 homes and a district heat network to improve energy efficiency.	<b>Dudley:</b> the proposal to co-commission the Lye Development Plan is an example of an attempt to adopt a long-term strategic approach to development.
Local knowledge	<b>South Yorkshire:</b> SYMCA has used knowledge of regional socio-economic challenges to shift to a more inclusive way of assessing bids.	<b>Tees Valley:</b> local authorities have used local knowledge and assets to develop distinct identities in their local economic development plans.
Monitoring and evaluation	<b>Tees Valley:</b> anchor institution Teesside University supports evaluation in the region through the work of its Evaluation and Impact Team.	<b>Enfield:</b> Local London has invested in the development of a data warehouse to support evidence-based policy making.
Adapting national frameworks to address local needs	<b>Dudley:</b> harnessing opportunities in West Midlands Devolution Deal to set up a Strategic Productivity Partnership to encourage integration/co-ordination of national activity with local activity.	<b>Tees Valley:</b> Tees Valley Combined Authority is making the most of devolution opportunities to support economic development through the Indigenous Growth Fund.

Success factor	Example 1	Example 2
Diversification	<b>Tees Valley:</b> the opening of the Darlington Economic Campus as a multi-department government hub is designed to increase the number of civil servants and decision makers in the North East.	<b>Dudley:</b> building on Dudley's historic strengths in manufacturing, partners have collaborated to diversify manufacturing through a focus on very light rail. This illustrates how one solution in an environment where funding is constrained is to focus on a small number of targeted economic development projects.
Key players	<b>Dudley:</b> Dudley College has been an important civic player in the borough's economic development.	<b>South Yorkshire and Tees Valley:</b> the combined authorities have acted as key convenors bringing institutions together to develop flagship projects.
Adequate and responsive funding	<b>South Yorkshire:</b> various approaches including a <a href="#">Place Based Impact Investment Portfolio</a> and <a href="#">SY JESSICA Fund</a> providing debt funding for commercial development projects and sharing funding across its local authorities on a per head basis.	<b>Dudley:</b> the council has worked well with partners, particularly anchor institutions, on some bold and creative schemes. These have made use of land transactions and an insurance backed procurement model to collaboratively develop capital projects on time, to budget and responding to the client brief.
Transferable learning and knowledge exchange	<b>South Yorkshire:</b> SYMCA participated in MIT REAP, a global evidence-based, practical approach to strengthening innovation-driven entrepreneurial ecosystems. Barnsley Council also partnered on an EU urban development project on growing the digital economy.	<b>Tees Valley:</b> Stockton Employment Hub has used local knowledge to learn from experiences of running an employment hub elsewhere in the Tees Valley and has taken these into account to tailor place-based services in Stockton.

Despite these good examples, implementation of some success factors has been more challenging in England than in the international city-regions explored in CIPFA's previous work. In particular, local areas have struggled to invest for the long term and to conduct effective monitoring and evaluation.

We make the following observations and recommendations for changes to policy and practice.

### **Short-term and insufficient funding is a specific challenge for England**

Multiple short-term funding pots and more frequent changes in policy across electoral cycles frustrate local authorities in England as they work to deliver their visions for economic development, compared to their international counterparts.

Funding streams that are less fragmented, more adaptable and have longer durations can instil confidence in the financial stability of public service organisations and enable them to plan.

In addition, the scale of funding available to regions in England to support levelling up does not meet

local ambitions. There was consensus across all four case study areas that revenue funding is insufficient. Underfunding creates a series of downward spirals limiting the capacity of local government to address regional inequalities, be it through innovative partnerships, analytical capacity or effective monitoring and evaluation of projects and programmes.

Funding should be proportionate to the specific tasks and responsibilities at hand. Financial obligations that cannot be sustained are counterproductive to sound policy.

### **Funding should be simpler and more flexible – a single pot model would offer this**

There is increasing debate and policy interest in fiscal devolution. [The Funding Simplification Pilot](#) from the Department for Levelling Up, Housing and Communities is testing the streamlined delivery of capital funding by giving greater spending flexibility over three existing local growth funding allocations. This is welcome but Whitehall needs to work across siloes to support economic development. Simplifying funding processes across government departments is important.

Single pot funding would offer local authorities greater flexibility to respond to local priorities and plan for the long term than multiple smaller funds that need to be committed to specific and prescribed uses. The [announcement in the 2023 Autumn Statement](#) of the agreement of the approach to the single funding settlements, which will be implemented at the next spending review for the West Midlands and Greater Manchester combined authorities, will give flexibility and reduce complexity. It brings mayoral powers to draw down funding from Whitehall to spend on local priorities closer to a single pot model. However, devolution should be deepened beyond these big cities.

### **Capacity constraints are a real problem for local authorities engaged in levelling up – until capacity recovers, evaluation activity should be targeted and strategic**

Limited staff capacity and the necessarily rapid pace of work have contributed to a lack of expertise in and ability to carry out monitoring and evaluation.

Local authority capacity challenges need addressing. While recent levelling up funding has been targeted at local authorities, accompanying administrative capacity

to manage and monitor funding at local authority level has not been devolved.

Given current capacity constraints, local and combined authorities need to be strategic in what they evaluate and not look to evaluate everything. There may be some advantages in authorities working together where similar programmes are being evaluated in different places.

**Multi-level collaboration and partnership working is vital – a whole system approach to public financial management can enhance performance**

Multi-level collaboration is crucial to addressing regional inequalities, emphasising the importance of partnership working. Co-commissioning projects and programmes between local authorities and combined authorities offer opportunities to share experience and streamline resources.

Public financial management can be instrumental in addressing regional disparities by recognising the interdependence of governance across different spatial

scales. Under the framework, resource management is aligned with service delivery and checks and balances are incorporated to enhance governance outcomes.

This approach supports the efficient use of public funds and helps enhance the overall performance of the public sector.

**Learning is important but not prioritised**

Facilitating learning between stakeholders is important. Enhanced knowledge sharing will also help the public financial management system drive progress in legislation, standards, execution, assurance and oversight.

Strengthening the influence of stakeholders and service advocates can enhance transparency and accountability by identifying practical gaps and weaknesses in the system.

Appetite to engage in learning and knowledge exchange locally, regionally and internationally was identified but is not prioritised due to funding and capacity constraints. Learning lessons requires

proactive programmes, which are dependent on organisations having the time and money to devote to these activities.



# Introduction



## Aims

The report aims to build on our Investing in regional equality: lessons from four cities report to examine the extent to which the nine key international success factors are applicable in the English context.

Key questions we wanted to explore included:

- Which of the nine success factors identified as important internationally are in evidence in England?
- Which have worked well?
- Which have been somewhat successful?
- Which have not worked at all?
- What are the key barriers to success in the English context?

Our analysis is based on four case studies highlighting experiences in different parts of England: two regions that have mayoral combined authorities governance arrangements (**South Yorkshire** and **Tees Valley**) and two local authorities situated within wider metropolitan areas (**Dudley** and **Enfield**).

We selected these areas as they are of varied sizes in different regions and have varied governance structures and socio-economic histories. Specific factors motivating the selection of each case study included:

- **Dudley** – the role of Dudley College as a key player addressing regional skills needs and supporting economic diversification.
- **Enfield** – the presence of Meridian Water, Enfield Council's flagship regeneration project designed to create 10,000 homes and 6,000 jobs.
- **South Yorkshire** – one of the longer established combined authority areas, which has experienced a series of governance changes, but has been less studied than some other combined authorities.
- **Tees Valley** – a combined authority area with significant economic and social challenges and changed political leadership compared to historic norms.

## Structure

The section on context highlights the range of governance structures at play and the patchwork nature of devolution policy in England. It provides insights into changes in local authority funding powers over recent years.

The following section presents our four case studies. For each case study we provide some brief background to the area, highlighting some key statistics and funding sources.

We then focus on the most relevant of the nine international success factors, drawing out pertinent examples and exploring both good practice and challenges as well as opportunities and risks going forward.

Through our research, we identified a tenth success factor that is relevant in the English context: **Transferable learning and knowledge exchange**. We reflect on this success factor in each of the four case studies.

The following section explores public financial management (PFM) issues and challenges in the current context and how PFM systems and practices can be harnessed to support improvements to regional equality.

The conclusion brings some key insights from the case studies and provides our observations and recommendations for policy and practice.

## Methods

Each case study is based on a review of existing evidence and qualitative in-depth interviews with local stakeholders including key policy experts, public sector officers and academics. Table 1 summarises the interviews carried out between June and October 2023:

	Central government	Local authority	Combined authority	Business representative	Academic/academic practitioner	STEM assets	Education provider
Dudley	1	3	1		1	1	2
Enfield	1	1	1	2	1		
South Yorkshire	1	7	1	1	1	3	2
Tees Valley	1	6			1		2

**Table 1: Number of Interviewees conducted by case study area and interviewee type.**

Interviews were semi-structured; each interviewer followed the same list of interview questions but tailored the questions according to the role and experience of the interviewee. Interviews were analysed thematically to explore commonalities and differences in experiences across the four case study areas.

This report also includes analysis from CIPFA's [Nearest Neighbour Model](#). This model uses a range of demographic and socioeconomic indicators to determine the statistical distance between authorities according to the characteristics of the area they administer. In our analysis, authorities are compared against the 15 councils the model deemed most similar to them: their 'nearest neighbours'. Indicators used in the model cover characteristics such as population, geographical area, density, unemployment, tax base, migration, ethnicity, house banding and business floorspace.

## Context

Since 2014, [devolution has been extended in England](#), with powers and funding transferred from national to local government. However, devolution remains complex and piecemeal, as shown in Figure 1 below.

In the early 2000s the only part of England with devolved powers was Greater London. English regions benefited from a limited form of administrative decentralisation through the Regional Development Agencies and Government Offices for the Regions. This regional tier of government was then abolished from 2010.

In the 2010s the government signed a number of devolution deals. Apart from Cornwall, the deals devolved powers to a mayoral combined authority that was made up of council leaders and chaired by an elected metro mayor. The deals predominantly covered major urban areas. At the time of writing, [ten areas have mayoral devolution in England](#): Greater London, West Midlands, Greater Manchester, Liverpool City Region, West Yorkshire, South Yorkshire, Cambridgeshire and Peterborough, Tees Valley, West of England and North of Tyne.

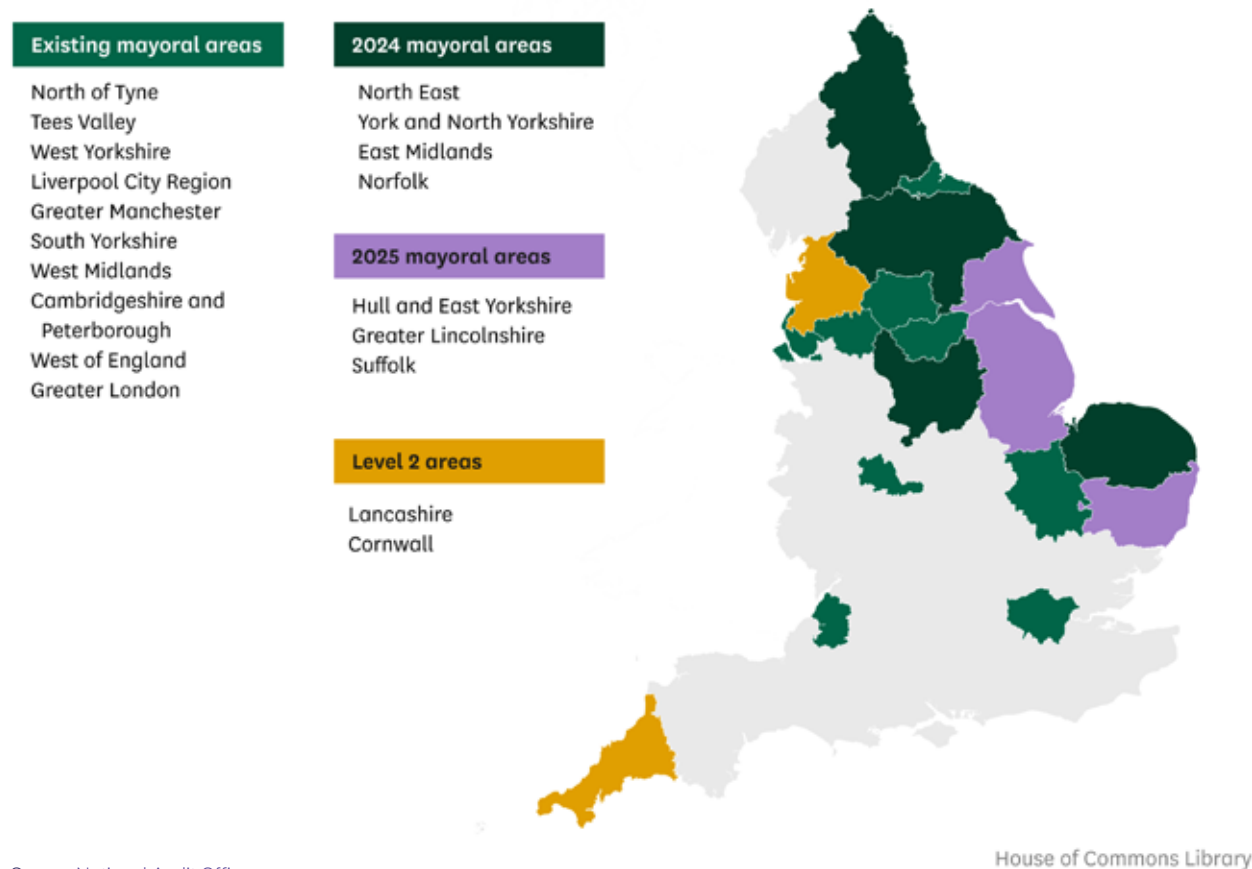
Expanding devolution is a key aspect of the government's February 2022 [Levelling Up White](#)

[Paper](#). The government is in the process of devolving new powers across England, including to rural areas. For example, mayoral devolution is planned in York and North Yorkshire, part of the East Midlands, Suffolk, Norfolk, and the North East. Central government is also seeking to strengthen powers in areas that already have devolution deals. In March 2023 the government announced new [trailblazer devolution deals](#) with Greater Manchester and the West Midlands. These new powers devolved responsibility for policy areas such as transport, skills, housing and retrofitting.

[Analysis by the Institute for Government](#) in 2023 found:

**“Mayoral devolution currently covers 41% of England’s population, 49% of its economic output, and 14% of the land area. If the five [provisional] deals concluded in 2022 are implemented, this will increase to 51%, 57%, and 33% respectively in 2024.”**

Figure 1 illustrates the patchwork nature of devolution policy in England.



## Local authority funding sources

There are three main sources of revenue income for local authorities:

- central government grants
- council tax
- business rates.

Considerable changes occurred in the principal sources of funding for local authorities between 2009/10 and 2019/20. Central government grants fell by 40% from £46.5bn to £28bn over this period. Over the same period, council tax has become a more important source of local government funding. In inflation-adjusted terms, [local authorities raised 30% more council tax](#) in 2021/22 in contrast to in 2009/10.

The past decade has also seen an increased emphasis on competitive funding pots. Most recent Levelling Up funding has involved local authorities competing for funding. Examples include the £4.8bn Levelling Up Fund and the £3.6bn Towns Fund. Competitive bidding processes have been criticised for being [resource-intensive, lacking transparency](#) and driving

Source: [National Audit Office](#)

House of Commons Library

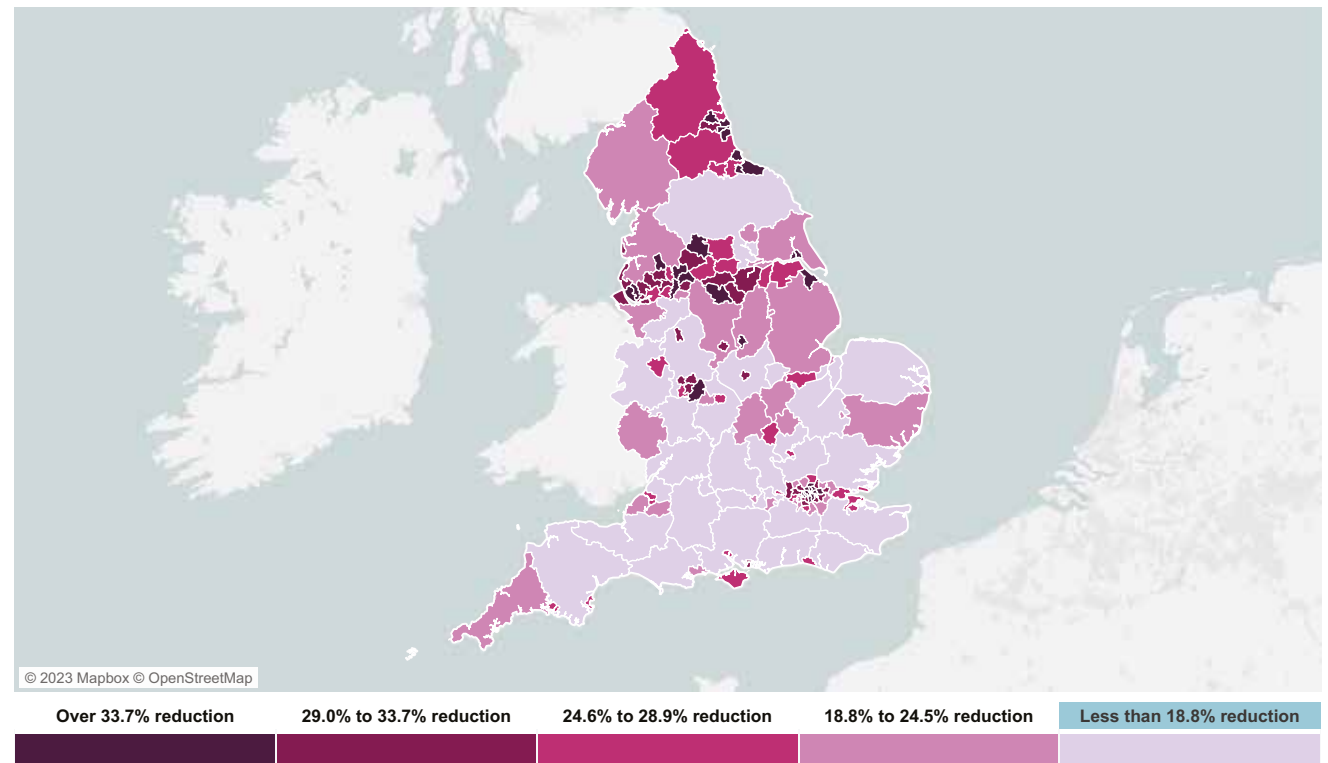
local areas to focus on short-term funding available for specific purposes rather than longer-term more strategic place-making.

The [Levelling Up White Paper](#) committed the government to streamlining the funding landscape. In 2023 the Department for Levelling Up, Housing and Communities launched the [Simplification Pathfinder Pilot](#). This invited 10 local authorities to test the streamlined delivery of capital funding by giving greater spending flexibility over three existing local growth funding allocations. The participating local authorities are Bolton, Calderdale, Wolverhampton, Lewes, Nuneaton and Bedworth, Rotherham, Sheffield, Stockton-on-Tees, Thanet and Wirral.

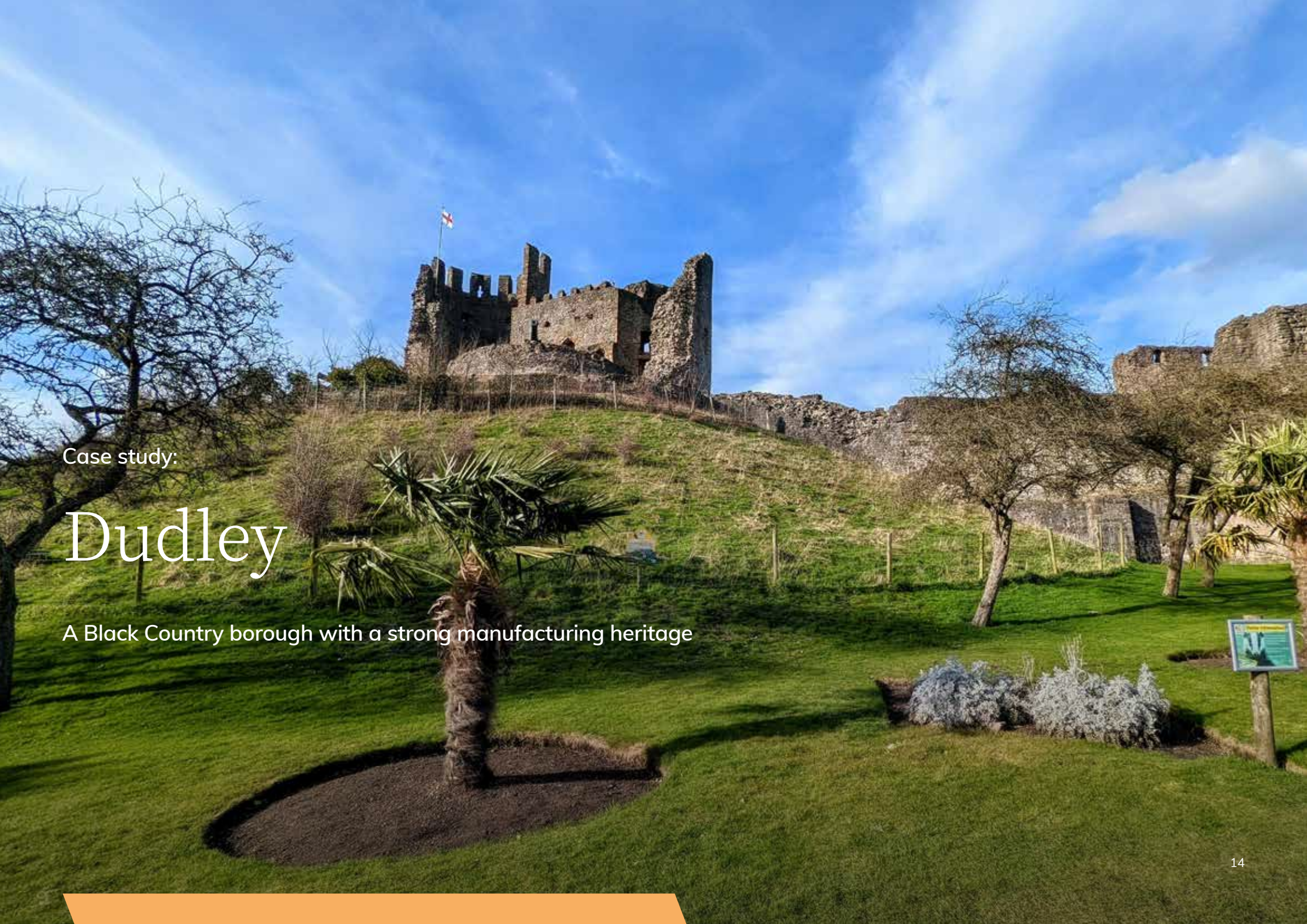
## Local authority spending power

Across local authorities, [spending power fell by 26% in real terms](#) (in 2019/20 prices) between 2010/11 and 2020/21. Figure 2 provides insights into how changes in spending power differed across single tier and county councils over this period.

**Figure 2: Change in spending power in single tier and county councils (%), 2010/11 to 2020/21 (real terms in 2019/20 prices)**



Source: [National Audit Office](#)



Case study:

# Dudley

A Black Country borough with a strong manufacturing heritage



## Dudley

Located in the west of the West Midlands, Dudley Metropolitan Borough Council (Dudley Council) is one of the 18 local authorities that comprise the West Midlands Combined Authority (WMCA). Dudley borough is populated by several small towns including Dudley, Stourbridge, Halesowen and Brierley Hill.

Dudley forms part of the Black Country, a mainly urban area covering four council areas: Dudley, Sandwell, Walsall and Wolverhampton.



## Key takeaways

- Dudley's strategic vision is clear but not always as well articulated as it could be.
- The council has worked well with partners, particularly anchor institutions, on some bold and creative schemes, including around the re-use of legacy assets.
- Dudley College is an important player in the local economy, but changes to borrowing rules threaten to limit its ongoing role.
- Short-term funding rounds and limited staff capacity are undermining a long-term approach.
- Co-commissioning between the council and combined authority offers opportunities to share experience and streamline resources.
- Some national funding guidelines do not respond to local conditions in Dudley.
- There is an example of successful diversification of manufacturing into very light rail.
- Evaluation capacity is limited and monitoring frameworks don't yet align across partners and institutions.

## Summary statistics

	Dudley	West Midlands	Great Britain
Population	323,600	5,954,200	65,121,700
Economic activity rate (%)	80.6	78.4	78.8
Unemployment rate (%)	4.0	4.5	3.7
Gross weekly pay by place of work (£)	622.90	651.60	682.60
Number of jobs	136,000		
Job density (ratio of total jobs to population)	0.69	0.81	0.85

**Table 2: Comparative statistics between Dudley, West Midlands and Great Britain. Green indicates above GB average, and red indicates below.**

Source: Nomis (latest available data at January 2024).

Dudley has a strong manufacturing history. The proportion of manufacturing jobs (14.5%) remains above the West Midlands average (11.3%) and is considerably above the average across Great Britain (7.6%). The largest proportion of jobs is in the trade and repair of motor vehicles (19.1%) – again exceeding average employment in the industry in the West Midlands (15%) and Great Britain (14%). Dudley has above average employment in healthcare, social work and construction. Employment in professional, scientific and technical activities remains below the West Midlands and Great Britain average.

## Why Dudley?

We wanted to understand the experiences of a local authority that forms part of a larger combined authority. Dudley is also a low-spending, low-taxing council and therefore interesting from a funding perspective. There is relatively poor connectivity between Dudley and key regional centres of employment but Dudley has secured levelling up funding to redevelop town centres and expand transport connectivity. This case study was chosen to explore how such funding is being experienced in practice.

## Mixed success with levelling up funding

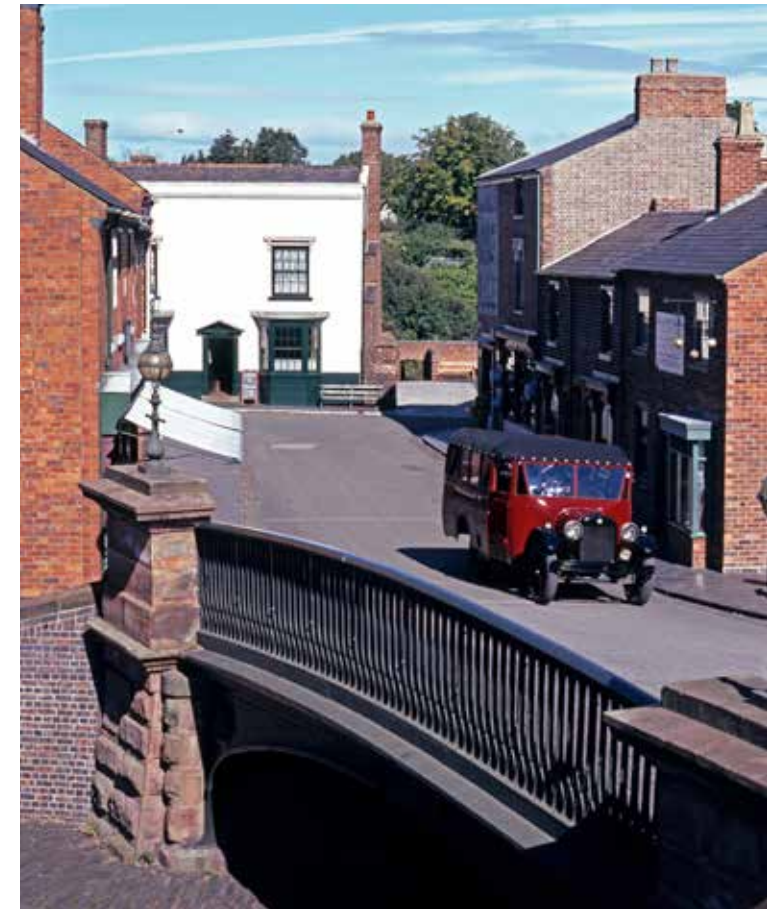
Place	Funding amount	Fund (duration)	Purpose
Dudley	£25m	Towns Fund (2021–26)	Higher education complex at Castle Hill
Dudley	£10m	Future High Streets Fund (2020–24)	Brierley Hill High Town Centre
Dudley	£0	Levelling Up Fund round 1 (2021–25)	
Dudley	£0	Levelling Up Fund round 2 (2023–25)	
Dudley	£20m	Levelling Up Fund round 3 (2023)	Levelling Up Halesowen
Dudley	£20m	Levelling Up Fund round 3 (2023)	Brierley Hill Education Quarter
WMCA	£849,835	Community Renewal Fund (2021–22)	Black Country 50 plus partnership

Place	Funding amount	Fund (duration)	Purpose
WMCA	£506,110	Community Renewal Fund (2021–22)	Black Country Talent Match
WMCA	£951,631	Community Renewal Fund (2021–22)	Digital Future: A Pathway to Digital Employability for the West Midlands. Partnership programme between Good Things Foundation and Birmingham City Council, Coventry City Council, Dudley MBC, Sandwell MBC, Walsall City Council and Wolverhampton City Council.
WMCA	£88,408,357 (UKSPF core) £16,767,132 (Multiply)	UK Shared Prosperity Fund (2022–25)	

Source: GOV.UK (various)

### Figure 3: Levelling up funding in Dudley

The UK Shared Prosperity Fund (UKSPF) is the government’s domestic replacement for the European Structural and Investment Programme.



Black Country Living Museum

## Success factor 1: Shared political will and partnerships

There is alignment between Dudley and the West Midlands Combined Authority in some priority areas, particularly around manufacturing and transport. Three of the eight industrial clusters identified in the [West Midlands Plan for Growth](#) focus on advanced manufacturing, recognising Dudley's historic strength in this field.

Strategic priorities, such as regional equality, skills, transport and housing are broadly shared across local authorities in the West Midlands. The Wednesbury to Brierley Hill metro extension shows the combined authority is trying to balance the needs of Dudley residents to access good quality employment outside the borough with improvements to the local economy:

**“We can increase agglomeration effects by improving transport, making people in places like Stourbridge, who tend to be more highly skilled, get access to jobs in Birmingham and elsewhere more easily.”**

**Combined authority officer**

More broadly, it is important to consider the transport connectivity for Dudley residents in relation to Birmingham, Wolverhampton and Coventry given that there are likely to be more job opportunities in these cities for Dudley residents.

Interviewees pointed to insufficient detail in the WMCA's economic growth strategies about how key challenges in Dudley will be addressed in practice.

### **Colleges are exemplars of partnership working**

Colleges in the West Midlands are a strong example of partnership working, despite competition for students. In 2017, 17 colleges formed a partnership, Colleges West Midlands (CWM), to respond to the opportunities provided by the devolution of the adult skills budget to the West Midlands Combined Authority. This partnership is helping to shape a shared vision for skills in the region.

**“CWM is having a very positive relationship with the combined authority because, instead of 21 people trying to get a bit more money out of the combined authority, there is a unified voice about skills needs in the region.”**

**Education and training officer 1**

However, a lack of incentives to work with other skills providers coupled with financial challenges risk curtailing the 'head space' to consider further collaboration.

### **A united Black Country voice is threatened by the closure of the LEP and the dominance of cities**

The Black Country is a sub-region within the West Midlands but with a distinct historic identity. Loss of the Black Country Local Economic Partnership (LEP), which closed in March 2023, risks weakening current strong partnership working across the Black Country.

A united Black Country voice has been important in advocating for the distinct needs of the area and helping Black Country local authorities develop a profile they would have struggled to achieve individually. The LEP brought wider value in presenting a united voice to government on behalf of the four constituent Black Country local authorities. Lobbying and negotiating at a Black Country-scale enabled the local authorities to collectively develop a profile that they would have struggled to achieve individually.

However, there are sometimes tensions between the local authorities in the Black Country. For example, in 2022 [Dudley Council pulled out of the Black Country Local Plan](#), which among other strategic land allocations aimed to allocate land to build 76,000 houses across Dudley, Sandwell, Walsall and Wolverhampton, as their residents were not happy with plans to build on green belt land.

The emergence of closer working between the three West Midlands cities of Birmingham, Coventry and Wolverhampton also risks crowding out the voice of the Black Country as neighbouring Wolverhampton focuses more on working with its city partners rather than Black Country towns.

**“With the LEP getting submerged into the combined authority, there’s potentially a gap in how the Black Country works together. You’re starting to see a bit of a three-city approach where Wolverhampton, Coventry and Birmingham are almost starting to do things in conjunction.”**

**Local authority officer 2**

Experiences in the Black Country show how providing devolution funding to combined authorities while at the same time targeting levelling up funding at local authorities can create tensions and undermine joint working efforts.

**“There’s a Trailblazer devolution deal with the combined authority. At the same time, levelling up funds tend to be deployed competitively at a local authority level, making it difficult to join that up with delivering a more holistic regional plan.”**

**Public servant**

In response to the closure of the Black Country LEP, Dudley is looking at ways to promote the voice of business locally. As part of a wider governance review, the council is seeking to fill a gap and identify ways businesses can feed into the policymaking process.

**“[We are] looking at how we can work with industry and other stakeholders to start to shape some of the priorities for the council.”**

**Local authority officer 2**

## Success factor 2: Clear strategy and vision

The West Midlands Plan for Growth was published in 2022. Based around developing eight primary clusters focused on certain industries, including aerospace, logistics and distribution, and electric vehicle and battery manufacturing, it sets out a strategy to return the West Midlands to the position it enjoyed in the decade to 2019 as the fastest-growing region outside of London.

### Re-using legacy assets is bold and creative

Stakeholders in Dudley have taken a creative, targeted approach to economic development, repurposing legacy assets.

The Black Country Innovative Manufacturing Organisation used a decommissioned rail track to pilot the construction of a [very light rail](#) system. Dudley Council collaborated with other partners to repurpose the site. The project also supported innovation among local SMEs and encouraged a healthy manufacturing supply chain as local businesses used their expertise to develop a lower-cost and greener rail solution.

**“[It’s] a good example of where a local authority has used a legacy asset and taken a slightly bold joint venture approach.”**

**Combined authority officer**

Dudley has a £25m [single Towns Fund project](#) to create a new university-style campus providing higher education courses for the health sector. Located on a site that had been vacant for decades, the development seeks to improve the public realm and address local skills needs. Teaching will be provided by the University of Worcester and a range of partners are involved in the development, including Dudley College. It builds on expertise developed establishing the Dudley Learning Quarter and the Institute of Technology (IoT).

**“Instead of spreading funds too thinly, the council has focused on a specific idea, which is a training gap within the college provision around allied healthcare professionals.”**

**Public servant**

**“The college and the council have been working very closely on the regeneration of the borough for years and the IoT isn’t the only example. In fact, the IoT is probably the culmination of years’ worth of investment.”**

**Education provider 2**

Dudley Council has also brokered land transaction deals with the Black Country Living Museum and Dudley College. For example, the council sold land

for an extension of the Living Museum, while land previously owned by the museum was redeveloped by the college as part of the IoT.

Where Dudley Council has been unable to offer capital project funding, it has instead used its land assets to enable developers to bring forward viable schemes. The very light rail centre is an example of this. The land remains owned by the council but is being repurposed for the facility. Greater capital funding would enable such projects to be considerably scaled up.

### **Dudley's vision is clear but needs articulating better**

Dudley has a vision to support levelling up, but the strategy needs articulating better. The shared vision for Dudley, [Forging a Future for All](#), sets out socio-economic priorities that would make the area "a destination of choice for tourism, housing and educational needs and a place where communities can lead stronger, safer and healthier lives" by 2030.

**"There is a clear vision. The issue is articulating that into the 'so what' and 'what does that mean?' The bit that is missing is making sure we're clear, because we can't tackle everything that comes out of that vision."**

#### **Local authority officer 1**

Insufficient capacity creates a gap between strategy and implementation, so hindering the latter.

Some tensions exist between priorities in the combined authority's Plan for Growth and its inclusive growth strategy. For example, should high growth sectors be prioritised or the community economy? More detail is required on how the combined authority proposes to balance economic and inclusive growth priorities.

### **A new regeneration strategy will address employment and skills**

Dudley Council recently appointed consultants SQW to develop a regeneration strategy. This is designed to help the council understand Dudley's positioning in terms of the regional and sub-regional economy and tease out what it does well and where there are

deficiencies. This baseline will then underpin a review of the opportunities to create a prioritised action plan aligned to funding opportunities.

Key goals include improving how people are supported into employment, in-work progression, developing future skills and addressing negative perceptions regarding job opportunities for graduates, particularly those who move away from the town to study and are then reluctant to move back. Interviewees stressed the skills strategy needs to focus on deprived wards and look holistically at poverty, health, heritage and culture alongside skills.

**"There's an awful lot that goes on in the authority around culture and heritage and how that feeds into local wellbeing. That is something that I think could be executed much better."**

#### **Academic practitioner**

## Success factor 3: Investing for the long term

### **Short-term funding works against a long-term outlook**

Dudley Council's ability to deliver its vision for economic development is hindered by funding that is limited to parliamentary cycles.

An example of unhelpfully timed funding rounds is [round 3 of the Levelling Up Fund](#). This was initially announced in late November 2023 with any funded projects expected to be delivered within 18 months. The deadline has since been extended to the end of March 2026 but this remains shorter than those in our international case studies.

**“It almost doesn't allow you to plan beyond the election cycle.”**

**Local authority officer 2**

European Union funding provided more certainty as it generally lasted ten years, allowing councils to be more considered in their planning, while keeping an eye on the long-term outlook. The short-term nature of public funding and the often long process to receive it were cited as factors constraining Dudley's ability to engage with cutting edge areas such as medical technology.

### **Capacity to administer competitive funding bids and develop in-house knowledge is limited**

Many interviewees emphasised how Dudley Council is constrained in how it can bid for and manage funding due to a lack of staff capacity. While there has been a recent increase in funding devolved to local authorities, the administrative capacity to manage and monitor it has not been devolved in equal measure, with the majority of funding being capital as opposed to revenue-based funding.

Councils like Dudley – with relatively small regeneration functions compared to neighbouring authorities – suffer when required to move at pace following the launch of new government funding rounds. This leads to an over-reliance on external resources to support with bid writing and project/programme management, which in turn limits the ability of the organisation to grow in-house capacity and retain knowledge.



## Success factor 5: Monitoring and evaluation

### Capacity is limited and monitoring frameworks don't yet align across organisations

Limited staff capacity and the rapid pace of bidding for economic development funding hinder Dudley Council's ability to conduct effective monitoring and evaluation. Outcome monitoring is currently dictated by the requirements of external funding streams, meaning that opportunities for wider learning are constrained.

**“I don't think we have as much time as we ought to on the reflection and learning bit.”**

**Local authority officer 1**

Current fund monitoring focuses on quantitative outputs (eg numbers of homes built, numbers of jobs created, land remediated) rather than broader public realm outcomes:

**“The public realm, the connectivity and everything else that actually makes Dudley a good place where people want to come and live and invest, that's a lot harder when you're driven by outputs.”**

**Local authority officer 1**

Interviewees suggested Dudley Council should develop systems to better capture softer outputs and outcomes. Some staff who previously worked on European Regional Development Fund projects, which had clear value-for-money metrics, have found the move to the UK Shared Prosperity Fund, where outcomes are broader but funding still time-limited, challenging.

**“If you're talking about levelling up, you're not going to be able to necessarily see impact the second you turn the key. Some of those things will be longer-term. How do you attribute it solely to that project when it will be a combination of interventions?”**

**Local authority officer 1**

Dudley Council is implementing new project management software that will allow continuous monitoring and evaluation, rather than relying on a single evaluation exercise at the end of a project.

The WMCA Trailblazer devolution deal presents an opportunity for partners across the West Midlands to work together to develop place-based and outcome-focused monitoring and evaluation frameworks and metrics.

There is a lack of shared knowledge systems across institutions that hinders work to address key strategic priorities such as improving skills. It is difficult to track a young person who drops out of college (DfE), signs on with the Job Centre (DWP), goes back into training (DfE), and then enters employment (HMRC) or in-work training. The [Trailblazer Devolution Deal](#) includes commitments to explore options to streamline data sharing between government departments, the wider public sector, the combined authority and its constituent local authorities. This is welcome but there is a need to translate intentions into concrete policy implementation.

## Success factor 6: Adapting national frameworks to address local needs

The [WMCA Devolution Deal](#) includes a proposal to set up a [Strategic Productivity Partnership](#) to encourage integration of national activity with local activity. This could, for example, forge closer working relationships between the British Business Bank and the West Midlands Combined Authority and explore joint events or interventions.

Businesses that complete the national [Help to Grow scheme](#) could be targeted with information about

other national products, such as British Business Bank products, or automatically referred on to other schemes.

The productivity partnership is likely to involve formal and informal working between the combined authority, local authorities and government departments. The structure is designed to be innovative and focuses on wider and deeper multi-lateral relationships to deliver shared goals around improving business productivity.



Narrow Boat on Canal Wharf

## Success factor 7: Diversification

### Very light rail is a successful example of diversification

Very light rail is a relatively new transport technology that aims to construct and operate light rail networks more quickly and at much lower cost. The technology promises to make constructing a tram or light rail network in smaller towns and cities much more viable. The Very Light Rail National Innovation Centre in Dudley is operated by the Black Country Innovative Manufacturing Organisation and has been open since 2022. It is a world-class centre for rail innovation and offers a range of facilities including a test site, engineering laboratories and meeting and event spaces. As a manufacturing centre of excellence, it engages both with Dudley's manufacturing heritage while looking to the future to embrace new technologies. Coventry City Council is currently working with the Very Light Rail National Innovation Centre in Dudley to test an integrated system.

### Land shortages are constraining economic development and diversification

Some place-specific barriers hinder the implementation of Dudley's economic development strategy. One example is the lack of available land for development.

**“When businesses want to grow and expand or if we want to get people to move in here, it's difficult because we haven't got huge amounts of land.”**

**Local authority officer 1**

The launch of the DY5 Business and Innovation Enterprise Zone in 2017 has addressed some of these challenges by offering 65,000m<sup>2</sup> of new industrial space and 11,000m<sup>2</sup> of new office space in Brierley Hill. The site is designed to be a hi-tech office hub connecting advanced manufacturing to industrial sites through the planned new metro link. However, some

of the land has not come on stream due to it being reassigned for housing developments. Success to date includes:

Delivered to date	
Development investment value (£m completed)	18,400,000
Hectares developed (ha)	9.5
Refurbished floor space (sqm)	18,892.58
New floorspace (sqm)	28,604
Jobs created	920
Number of new businesses	102
Projected rates income per annum (£)	567,959

Source: Dudley Council

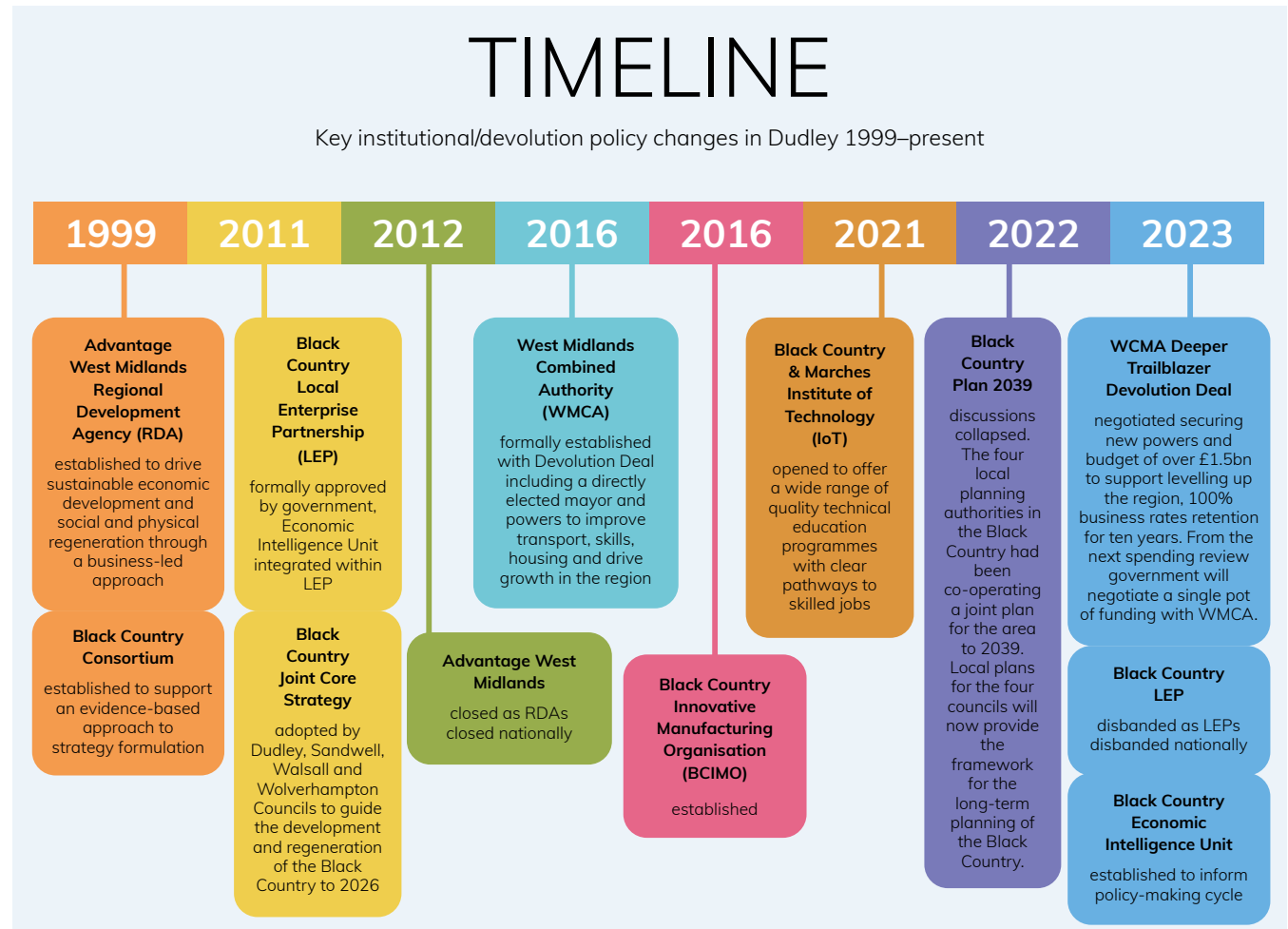
**Figure 4: Successes of the DY5 Business and Innovation Enterprise Zone**

## Success factor 8: Key players

### Dudley College is an important player in the local economy

Among the key players driving economic development in Dudley are Dudley Council, the West Midlands Combined Authority, Dudley College, the Black Country Living Museum, the Black Country Innovative Manufacturing Organisation and local businesses. Figure 5 illustrates how over the last 20 years institutions have changed considerably. Dudley Council had no overall political control for five years between 2016 and 2021, which can cause instability and act as a barrier to foreign direct investment. Devolution to the regional scale has increased with the establishment of the West Midlands Combined Authority.

Figure 5: Devolution policy and Dudley



Source: authors' interpretative summary based on interviews and online sources.

## Dudley College

Dudley College supports around 12,000 learners studying A-Levels, T-Levels, apprenticeships and university level courses. Most live in Dudley and Sandwell or the wider Black Country area.

The college has a strong reputation for academic excellence and is recognised as an Outstanding Provider by Ofsted. It is also one of the country's largest apprenticeship providers.

Following a competitive process, Dudley College was selected by the Department for Education to lead the development of the Black Country and Marches Institute of Technology (IoT), one of 12 IOTs nationally. Opened in 2021, the institute aims to provide high-quality training opportunities with clear pathways to skilled jobs in four locally important sectors: advanced engineering and manufacturing, digital technology, medical engineering and healthcare, and modern methods of construction and offsite.

Dudley College has played a key role over the last decade driving city centre redevelopment and responding to employer needs. The college has invested £60m in the Dudley Learning Quarter, catalysing the regeneration of Dudley city centre.

**“Dudley College has been the strongest and highest performing actor in terms of coalescing ... the town centre’s renewal and refocusing it and the town away from traditional retail to education provision and the visitor economy market.”**

### Public servant

This case study illustrates how Dudley College is already working well with the local authority. The College also [works actively with the Combined Authority](#) alongside other FE Colleges.

## The Black Country Innovative Manufacturing Organisation

The [Black Country Innovative Manufacturing Organisation](#) (BCIMO) was established to improve innovation in manufacturing with a view to boosting business growth, job creation and industrial sustainability. It hosts the new £32m Very Light Rail National Innovation Centre and highlights how Dudley is seeking to pivot its manufacturing base into new sectors.

## Black Country Living Museum

A key cultural heritage asset is the Black Country Living Museum. This is an open-air museum of restored historic buildings such as houses, shops and industrial sites, which give visitors a glimpse of life during the industrial revolution.

The museum is strongly connected to Dudley's regeneration. Its chair also serves as chair of the Towns Fund Board, made up of representatives from a range of industries and professions interested in the regeneration of the town centre, and is a leading player in the combined authority's tourism focus.

Interviewees suggested Dudley could make more of its cultural assets in a bid to attract investment and tourism – for example, Wrens Nest is a geological site of special scientific interest and is one of the most important geological locations in the UK. In addition, scenes of the TV series Peaky Blinders have been filmed at the Black Country Museum which again could help attract overseas visitors and drive tourism.

## Local business and employers

Strategic interplay between local employers, the local authority and the combined authority has been facilitated through the Dudley Economic Growth Board, established by Dudley Council and the now disbanded Black Country Local Economic Partnership. Engagement between the council and private sector is regarded as key because of the latter's capacity and risk-taking approach.

**“The private sector brings the ability to raise finance and be more innovative and risk taking. Moreover, it has staff to deliver where local authorities are operating under reduced budgets.”**

Local authority officer 3

## Success factor 9: Adequate and responsive funding

Dudley Council is attempting to leverage economies of scale in procurement and shared finance expertise. It is also adopting innovative funding models that have been used successfully by key partners.

Building on the advantages offered by the West Midlands Devolution Deal, the council is trying to work innovatively with the West Midlands Combined Authority to co-commission a [development plan](#) for Lye to streamline resources and address capacity challenges.

**“It means that in terms of any of these development plans, you have the combined authority bringing in, for example, the West Midlands Growth Company to help lead on inward investment.”**

Public servant

The combined authority is trying to avoid a situation where most funding goes to large local authorities that are often able to mobilise more quickly in response to

funding calls. It is supporting smaller local authorities with bid development. This includes providing additional support with bid development, such as advance notice of funding calls or more marketing.

### **Adopting an integrated project insurance model is pragmatic and replicates a partner's success**

Dudley's Towns Fund Deal project involves Dudley Council adopting an insurance-backed procurement method for construction, which has been used successfully by Dudley College. Under this model, the client appoints the main construction contractor and sub-contractors from day one rather than in a series of tender stages. They collaboratively design the building based on the client's brief. While this means a longer design phase, it can lead to a more efficient and less challenging build phase. It also involves an open way of managing finances, with all parties working to a fixed budget, which is protected by an insurance package. A shared 'pain-gain' scheme means all parties share the benefit if the project comes in under budget or share overrun costs if these are incurred.

**“Rather than reinventing the wheel, Dudley Council have used insurance backed procurement methods, supported and delivered by the College to deliver it. That strikes me as being very pragmatic and clever.”**

#### **Public servant**

The Institute of Technology was the second project procured and delivered on behalf of Dudley College under an Integrated Project Insurance (IPI) model. It was designed to enable the college to achieve cost, time and carbon savings in line with the [Government Industrial Strategy: Construction 2025](#). Contractors being able to work closely with Dudley College’s brief was cited as key to creating some of the college’s most iconic buildings, which were also constructed to minimise impact on the environment.

Dudley’s adoption of the model for the Towns Fund development shows how local government can learn from an anchor institution in a different sector to support economic development.

#### **Some national funding guidelines do not respond to local conditions in Dudley**

An example is affordable housing programme subsidies, which tend to be capped at £15,000 per unit. However, in parts of the Black Country, including Dudley, subsidies of up to £80,000 per unit may be required due to lower property values.

Development costs are often abnormally high compared to in other areas outside the Black Country due to land contamination and the existence of mineshafts stemming from the area’s manufacturing history. Lower office rental rates compared to the West Midlands average further limit the extent to which commercial developers wish to invest decontaminating land. Greater recognition of such local challenges by central government is required. Interviewees called for greater local flexibility in programme subsidy caps. The current subsidy is unattractive to developers, but further work is needed to identify the precise level required.

Recent high levels of inflation have increased development costs, leading to the redesign of programmes, including the Future High Streets Fund development in [Brierley Hill](#).

Working relationships with central government are regarded as good, but the ability of actors to move quickly and responsively has been hindered by the time taken by central government to respond to change requests. Delayed response times are particularly challenging when spending deadlines are approaching. There should be greater local flexibility to authorise change requests, similar to flexibility recently announced by the Department for Levelling Up Housing and Communities in the funding [Simplification Pathfinder Pilot](#).

Dudley Council has experienced challenges synthesising the various funding pots available. Funds such as the UK Shared Prosperity Fund, the Commonwealth Games Legacy Fund, Get Britain Building and the European Regional Development Fund all have different aims and timeframes.

**“The challenge is knitting it all together because the funding pots all do a little bit different in a different way and therefore it’s how you use that funding to add value and not duplicate activity.”**

**Local authority officer 2**

## Changes to college borrowing rules threaten to limit Dudley College's ongoing role

Since 2022, colleges have been reclassified by the Office for National Statistics as central government entities and may only borrow commercially if the transaction delivers value for money. Given borrowing from commercial lenders can lead to higher costs, colleges are unlikely to meet this test severely restricting their ability to access funding for regeneration.

Dudley College has been a key player in the local economy, investing around £60m in commercial funding. This has allowed it to redevelop campuses, provide facilities for students with special educational needs and fund the Institute of Technology. Its ability to go on doing this is now uncertain.

## A single funding pot is coming

The government has committed to negotiating a single pot of funding with the West Midlands Combined Authority at the next spending review. This will offer increased flexibility which interviewees said would "pay dividends" in responding to complex local needs, in the Black Country and elsewhere.

**"The prospect [of the single pot] is increasingly becoming live. But it's still a long way [off], and we need to work towards how we achieve that with our relationships with government and local government, ensuring we keep everyone on the same page."**

### Combined authority officer

The West Midlands will still have comparatively less long-term capacity to invest than international city-regions such as Leipzig in Germany. In Leipzig there is a minimum funding commitment of 15 years. Extending the ability of the WMCA to retain business rates beyond 10 years would increase the period against which the combined authority can borrow money to fund key programmes.





## Success factor 10: Transferable learning and knowledge exchange

### Key players see the value in learning but have time and capacity constraints

Dudley Council would like to learn from peers elsewhere, but its limited capacity has hindered the time available for staff to engage in knowledge exchange.

**“Part of the problem is that the opportunity for stepping back and looking at things is nigh on impossible.”**

#### Academic practitioner

The West Midlands Combined Authority is also keen to learn from international counterparts and is undertaking internal analysis of indicators to identify city-regions that are most comparable to the economy in the West Midlands.

Dudley College has taken part in international knowledge exchange, engaging with British Council programmes in India, Saudi Arabia and South Africa. However, these activities stopped when the COVID-19 pandemic hit. Funding challenges and a lack of incentives mean engaging in learning from elsewhere internationally is not currently a priority for the college. The college undertakes a range of exchange activities with other providers across the UK. Dudley College is part of networks that look to share and develop best practice in various areas including sustainability, student safety, programme development and teaching practice. They often take part in and host exchange visits with other providers to explore approaches to practice.



Aerial view of Dudley

## Summary

Dudley Borough Council's relatively small size should provide it with a nimbleness and flexibility that allow it to pursue innovative new approaches to areas such as innovation, sustainability and securing investment, compared to larger local authorities that might often struggle to change strategic direction given their size. The council has pursued bold, creative and targeted schemes around the use of legacy assets and very light rail, which both embrace the Black Country borough's industrial heritage and help Dudley diversify into new sectors. The council is supported by some strong local partners, particularly Dudley College, who have played a key role over the last decade in the redevelopment of Dudley town centre. The College offers learning in how insurance-backed procurement models can be successfully used to deliver construction projects.

However, Dudley Council is currently hindered by limited capacity to both respond quickly to funding rounds and engage in comprehensive evaluation and monitoring activities. The College's role going forward is also hindered by changes to college borrowing rules. As a local authority within a larger combined authority area, it highlights some of the tensions between regional and sub-regional policy, funding and activity. For example, the closure of the Black Country LEP risks weakening current strong partnership working across the Black Country.



**Parkhead Locks and Viaduct**



Case study:

# Enfield

A diverse north London borough leading an ambitious regeneration project

## Enfield

Enfield is one of the 32 London boroughs. Located at the northern edge of the Greater London region, the borough is divided into eastern and western halves by the A10 main road. There are significant economic inequalities within Enfield; the western half of the borough is relatively wealthy, while the east is relatively deprived.

Enfield has been a member of the [Local London](#) group of outer London boroughs since 2016.



Source: [London Councils](#)

## Key takeaways

- Enfield is actively collaborating across borough boundaries.
- Local politicians are pragmatic, which has been important to making progress with local economic development initiatives.
- Enfield needs to work with partners and at sub-regional level to tackle transport and employment issues, but until recently government funding requirements have not encouraged cross-borough bids.
- Long-term and mature relationships with funding and delivery partners are important.
- Local London, a sub-regional grouping of London boroughs, has helped Enfield improve its evaluation tools through access to their Data Warehouse.
- Enfield Council's capacity has been weakened by funding cuts.

## Summary statistics

	Enfield	London	Great Britain
Population	329,900	8,804,800	65,121,700
Economic activity rate (%)	65.0	78.5	78.8
Unemployment rate (%)	6.3	4.8	3.7
Gross weekly pay by place of work (£)	759.00	796.30	682.60
Number of jobs	123,000		
Job density (ratio of total jobs to population)	0.58	1.02	0.85

**Table 3: Comparative statistics between Enfield, London and Great Britain. Green indicates above GB average, and red indicates below.**

Source: [Nomis](#) (latest available data at January 2024)

Enfield displays a mixed economic picture. Enfield performs worse for unemployment and economic activity than the London and Great Britain averages. Wages in Enfield and London are higher than the UK average (£682.60) per week. The unemployment rate in Enfield (5.8%) is higher than the UK average (4.2%). Joblessness is a problem and is reflected in the job density (0.58) in Enfield, which is much lower than the London (1.02) and UK (0.85) figures. Access to quality jobs is also a key issue that has been identified in Enfield's economic development strategy.

## Why Enfield?

Enfield was selected to explore experiences between an outer borough, a sub-regional partnership (Local London) and the well-established Greater London Authority.

Enfield was a major manufacturing centre within London but now faces higher-than-average unemployment, relatively poor access to housing, low pay (one third of workers in Enfield are paid below the London Living Wage rate), limited access to high quality employment and energy inefficiency. Compared to many other parts of London it has a significant amount of vacant former industrial land, which offers the potential for development of lower cost housing and new green industry. This is an asset for the borough:

**“There is space to have some dreams”**

Academic

Enfield is socially and culturally diverse. According to the 2021 census, just over half of residents (52.1%) identified their ethnicity as White, while in the next largest groups 18.3% identified as Black, 11.5% as Asian and 12.1% were within the Other category (Arab or Any other ethnic group).

Initiative	Fund (date announced)	Funding amount
Meridian Water	Department for Levelling Up, Housing and Communities (DLUHC) (2023)	<u>£195m</u>
	Housing Infrastructure Fund (2020–24)	<u>£170m</u>
Meridian Water Heat Network	Mayor of London’s Energy Efficiency Fund (MEEF) (2018)	<u>£15m</u>
Fore Street, Angel Edmonton	High Streets for All Challenge (Greater London Authority) (2021)	<u>£200k</u>
	Good Growth Fund (Greater London Authority) (2020)	<u>£1.1m</u>
Angel Edmonton	Levelling Up Fund round 3 (2023)	<u>£11.9m</u>

**Figure 6: Significant funding received for Enfield’s Meridian Water regeneration scheme**

Enfield Council has also received core UKSPF funding of £6m as part of the replacement for the EU Structural and Investment Fund.

## Success factor 1: Shared political will and partnerships

### Enfield is actively collaborating across borough boundaries

Enfield Council has demonstrated proactive commitment to collaboration and partnership building particularly around its housing challenges. It has convened support from the Greater London Authority, Local London and the Cities and Local Growth Unit to address these issues.

It is helped by being in a global city with mature regional government and a culture of partnership working. The 20-year history of the Greater London Authority (GLA) has helped lay the groundwork for collaboration across the city. The sub-regional group, Local London, has taken these partnerships further since 2016. Local London comprises nine outer London boroughs that make up the capital's eastern boundaries, from Enfield and Waltham Forest in the north-east to Bexley and Bromley in the south-east.

Figure 7: Nine boroughs that form Local London sub-regional partnership



Local London's core ambitions are to provide a strong voice for the sub-region and maximise investment for its member boroughs. The partnership aims to deliver inclusive economic development through a better skilled workforce, better digital and transport connectivity, and higher ambitions in the workforce.

Many of Enfield's challenges, such as transport, transcend the local authority boundary and are shared by its neighbours. Working with the sub-regional Local London group as well as the Greater London Authority helps direct funding across borough boundaries at an appropriate geographic scale.

**“[Joining with Local London helps to connect] Enfield with its neighbouring areas, and to think about the upper Lee Valley as a functional economic area.”**

#### **Local authority officer 1**

The Lee Valley forms part of the UK Innovation Corridor, stretching from King's Cross to Peterborough, including Cambridge and Stansted Airport.

### **Pragmatism is more important for making continued progress than perfection**

Elected members in Enfield and the wider Local London sub-regional group are pragmatic. Leaders in Enfield have some convening power to bring people together, but have also joined Local London to provide a wider and more co-ordinated voice for the borough. Despite differences across political parties, there is a recognition that coming together is the best way for Enfield to maximise funding opportunities. Enfield Council and Local London focus on not duplicating work undertaken in the GLA or existing work in the other boroughs.

Through Local London, Enfield benefits from the Local London Careers Hub East, which works with businesses to improve careers information, advice and guidance in schools across the sub-region. As the challenge spans multiple local authority borders, the GLA acts as the managing authority devolving funding and responsibility to Local London to act at the most appropriate scale.

**“[Sub-regional] partnerships are really zoomed into the GLA, and closely work with the GLA. Local London is very collaborative and [is] very involved in London's networking, and as such [has] a wide range of partners.”**

#### **Public servant**

The hub has received £2m in funding from the GLA, European Social Fund (ESF) and Careers and Enterprise Company. Working with further and higher education partners, as well as industry advisers, it aims to enhance learning pathways for young people in secondary and post-16 education. Since its start in 2019, a total of 300 businesses and 180 schools have engaged with the hub.



## Success factor 2: Clear strategy and vision

The [Enfield Economic Development Strategy](#), published in 2021, identifies priorities supporting business growth and improving access to high-quality employment. Key initiatives outlined in the strategy include the Meridian Water housing development, regeneration of Montagu Business Estate and high street regeneration at Fore Street and Angel Edmonton.

The key strategic focus of partnerships within Enfield is to support and create the conditions for inclusive economic development and design a future identity that capitalises on the strengths of the borough.

### **Enfield works at sub-regional level to realise its potential**

Enfield is not a coherent functional economic area and so needs to align itself with broader sub-regional strategies and imperatives. One is the Lee Valley corridor where the logistics sector is currently strong and where there are opportunities for investment in green industries. Another is the arc of film and TV studios which, with [new investment in nearby Broxbourne](#) in Hertfordshire, now stretches further east from north-west London.

The [Local London Plan Towards 2026](#) clearly defines its focus on supporting communities, place and local businesses. The plan was cited by interviewees as clearly outlining governance arrangements for Local London. In practice, this means that Local London does not seek to become involved in aspects of politics outside its remit, avoiding unnecessary distractions. The Ultra Low Emissions Zone (ULEZ) in London has been a point of debate, but Local London has taken a pragmatic and conscious effort to not focus on the ULEZ, as it would take resources away from the wider aims of the organisation.



**Bury Lodge Gardens**

## Success factor 3: Investing for the long term

As a 20-year, £6bn regeneration project, the Meridian Water development exemplifies the potential of long-term investment.

### **Meridian Water promises to deliver housing, quality jobs, green energy, enhanced public space and improved transport links**

Enfield Council's holistic approach to economic development is exemplified by the [Meridian Water](#) housing development. Designed in response to [chronic housing shortages](#) across the borough as well as low skill levels and employment rates, Enfield Council has led the project. Meridian Water aims to create 10,000 homes and 6,000 jobs paid at least at the London Living Wage as well as improved open space, shopping and leisure facilities. It includes plans to use former industrial land to connect the borough to central London.

The development also involves a district heating network run by Energetik, Enfield's local authority-run energy company. This embeds both energy

efficiency and quality well-paid jobs into the housing development.

However there [have been criticisms](#) of the costs and [scaling back of ambitions](#). Enfield Council has reduced the 2023/24 budget by £14.9m and the project has paused work on the delivery of 800 build-to-rent and affordable homes.

### **Long-term and mature relationships with funding partners are important**

Infrastructure projects often involve complex funding arrangements and Meridian Water is funded by a mix of public and private sector investment. Triple Point and Amber Infrastructure, investment and fund management companies specialising in raising finance for large-scale infrastructure projects, have played a pivotal role in facilitating funding for Meridian Water. Triple Point project manage the development of the district heat network around Meridian Water. Amber Infrastructure manages the funding process for the Meridian Water heat network while bridging the gap between public and private investors.

The Housing Infrastructure Fund, the Mayor of London's [Energy Efficiency Fund](#) (MEEF), the European Investment Bank and Santander bank have also funded the Meridian Water development.

The longevity of MEEF, in the form of an 18-year loan, and long-term relations with Amber Infrastructure were cited by interviewees as important factors in bringing stakeholders such as the European Investment Bank on board.

Heat networks, also known as district heating, supply heat from a central source, which avoids the need for boilers or heaters in each building. This helps increase the energy efficiency of buildings that are part of the heat network. Santander offered match funding for the Meridian Water heat network alongside investment from MEEF and the Heat Networks Investment Project. The specialist companies shared their understanding of how to bring in large commercial banks to part-fund large infrastructure projects.

For example, over the past 15 years, Amber Infrastructure has worked in Enfield around district heat networks. Amber Infrastructure brought the project proposal to a panel of banks, where Santander chose to provide funding for the project. The scheme was designed in such a way that commercial banks would get a full return on investment over the first seven years, followed by the Greater London Authority and Enfield Council as long-term investors with funding from the Public Works Loans Board who repay in years 8–15. This approach reduces the risk to commercial banks and increases their appetite to invest.

However, there are concerns that the overall funding for Meridian Water is insufficient in value and duration compared to what is required.

**“[Boroughs] want to be able to plan for the future. If you are going to have an impact on developments like Meridian Water, you’d genuinely be able to come up with a long-term plan and give assurances to your partners that you have long-term financing. The problem is, in the way that government funding works, that sufficient funding over the long term is not even close.”**

#### **Local authority officer 2**

The scale and density of district heat networks is not replicable in smaller places. While the heat networks are being built in Enfield in a large development of 10,000 homes, this scale is not easily replicable across London. Replicating district heat networks would require a large-scale co-ordination of energy distribution networks, housing developments and road infrastructure developments to ensure that heat networks can be put in place. In urban areas, this co-ordination of major infrastructure projects can be difficult.



**Meridian Water Station**

## Success factor 5: Monitoring and evaluation

Enfield Council evaluates its success against goals outlined in the Enfield Economic Development Strategy using the evaluation metrics shown in Figure 8.

Indicator	Measure of success
Wages and salaries	Growth in wages
Business rates	Increase in business rates revenue
Jobs supported	Number of jobs supported in town centres
Vacancy rates	Office and retail vacancy rates
Employment space	New employment space created
Cultural events	Number of people attending cultural events
Additional funding	Amount of additional funding for town centres received
Inward investment	Number of new businesses moving to the borough
London Living Wage	Number of businesses paying London Living Wage (£13.15 per hour in 2023/24)
Youth unemployment rate	Reduction in youth unemployment rate
Young people in education	Numbers of students enrolling in third level education or degree apprenticeships

**Figure 8: Evaluating success in Enfield.**

Source: Enfield Economic Development Strategy 2021

### Local London has helped Enfield strengthen its evaluation capacity

Membership of the Local London sub-regional partnership has helped boost evaluation capacity. Local London has invested in a [Data Warehouse](#) to support evidence-based policy making. Enfield Council has benefited from being part of Local London and therefore able to access the Data Warehouse, and the capacity of data science officers. This has helped build evaluative capacity within the team. As a result, Enfield Council has developed dashboards tracking indicators on themes such as skills, education, jobs, employment, economy and transport to help the council better evaluate outcomes.

## Success factor 8: Key players

Enfield is an economically, socially and culturally diverse borough located on the northern edge of London. Around one quarter of people in Enfield are aged 18 and under, a higher proportion than the national average. There are over 170 different languages spoken, around 40% of the population are from a non-white ethnicity, and one-third of people are born outside the UK and Ireland. A range of key partners across national, regional and sub-regional government as well as in the private sector have been involved in promoting economic development and reducing inequalities in the borough.

Key partner	Description
Enfield Council	Located in north London, one of 38 London boroughs.
Greater London Authority	Democratically elected strategic authority for London, established in 2000.
Local London	Sub-regional partnership of nine outer-London boroughs in the north-east and south-east of the capital.
Cities and Local Growth Unit	Government department sitting across the Department for Levelling Up, Housing and Communities (DLUHC), and the Department of Science, Innovation and Industrial Strategy (DSIT).
UK Innovation Corridor	High growth advanced technology and bioscience corridor, stretching from Peterborough to King's Cross, including Enfield and the Meridian Water housing development.
Energetik	Energy company 100% owned by Enfield Council to provide energy and district heat networks to Meridian Water and Enfield Borough.
Amber Infrastructure	Specialist infrastructure fund management group working in Enfield on the low-carbon heat network at Meridian Water.
Triple Point	Investment management company creating investment opportunities for Enfield's Meridian Water development.

**Figure 9: Key partners in Enfield.**

Collaboration across sectors is vital to progressing large-scale economic development initiatives in Enfield.

## Amber Infrastructure

Amber Infrastructure is a specialist infrastructure fund management group and is working in Enfield on the low-carbon heat network at Meridian Water.

Enfield Council's collaboration with Amber Infrastructure is longstanding, working on Meridian Water from 2012/13 with funding from the London Energy Efficiency Fund (LEEF). The project with Meridian Water is in its third tranche of funding. The collaboration has played a pivotal role in keeping the Meridian Water project up-to-date by managing delivery.

## Enfield misses a key educational civic partner and cross-sectoral ambitions have waned

Enfield lacks a university presence to lead on a local civic mission. Middlesex University used to have some sites in Enfield but over recent years has consolidated its activities at Hendon in the neighbouring borough of Barnet, weakening its engagement with Enfield. While the College of Haringey, Enfield and North East London has a role to play in education, upskilling and re-skilling people in the area, its footprint extends beyond the borough boundary.

Historically, the council worked well with the private sector to tackle underlying economic weaknesses. In 2010, the council began a progressive form of community economic development, focused on support for the foundational economy. Support targeted existing businesses in the everyday education, health, welfare, retail and utilities sectors. Key partners in this endeavour were large corporates with a presence in the area and utilities. A [£10m contract with British Gas](#) for retrofitting insulation hired 100 Enfield school leavers who trained at a local college. This showed the value in leveraging social advantage from local procurement. However, Enfield Council's capacity to undertake these initiatives has waned over the years, with reduced budgets and staffing levels.

**“[Enfield Council does] not have the resources staff-wise to put ambitious plans in place and see them through. There is an issue with a large borough, with lots of people, but little capacity within the council due to capacity restrictions.”**

**Academic**



College of Haringey, Enfield and North East London

## Success factor 9: Adequate and responsive funding

Bridging the gap between the public and private sectors is vital to generating the funds required for infrastructure projects. Meridian Water is an example of how the public and private sectors can collaborate to incentivise and legislate to support infrastructure developments. The GLA, Enfield Council and UK government provided a supportive policy landscape for district heating networks.

**“[There was] a little bit of carrot in terms of subsidised funding and incentives, grants and soft loans, but then quite a lot of stick in terms of legislation [from the GLA] in particular to make district heating networks happen.**

**“[In the Meridian Water housing development] there are good people wanting to do the right thing, but they did it against a policy framework that also meant it was the right thing to do. It was a big factor in Enfield doing what they were doing.”**

**Private sector employee 1**

The capacity of local authorities including London boroughs is limited, creating barriers to project delivery.

**“The needs of residents and the population numbers have gone up, yet the funding for councils has gone down. So, what they’re being asked to do and the funding they have to do it with, they’re just entirely juxtaposed.”**

**Public servant**

### **London’s devolution framework is somewhat unclear and can create tensions**

London’s current devolution framework is not always clear regarding how powers and funding are leveraged across spatial scales. Interviewees said a clearer devolution framework for London would offer greater opportunities for key actors to use their funds effectively and influence and shape local economies.

It appears that a challenge of the current system is that there is some tension between the GLA and boroughs.

**“The boroughs and the GLA often knock heads when boroughs feel that the GLA is picking up something that they know less on. So, while the GLA may technically have powers over that particular local issue, it is actually the borough with the local knowledge.”**

#### Public servant

London boroughs have to abide by central government guidelines when bidding for central funding pots. However, while there was scope for joint bids under round 2 of the Levelling Up Fund, this required a shared consensus across the boroughs. The GLA successfully collaborated with two London boroughs on a substantial transport bid worth £40m. While Enfield did not pursue this joint approach, the new guidance for funding pots could allow for greater collaboration between boroughs in the future. Continuing to foster and mature relationships between London boroughs could facilitate opportunities to work on issues that transcend local authority boundaries.

Long-term projects such as Meridian Water are prone to emerging issues over their life course. Challenges have beset the Meridian Water development. Rising inflation and interest rates have impacted the project's finances, leading the council to reduce spending and make strategic decisions to ensure value for money.

The project's financial stability is under review, and the council plans to update its business model to reflect the current economic climate. The project's sensitivity to market forces, such as sales values, developer confidence and interest rates, poses a risk. However, construction has commenced, and September 2023 saw the first residents move in at Meridian One. It is vital for long-term projects to secure oversight to manage risks that will almost certainly arise.



Enfield Lock



## Success factor 10: Transferable learning and knowledge exchange

The Greater London Authority set up an [Anchor Institutions' Network](#) in 2021 to support local economic development and bring together large public sector organisations, which are also the largest employers in boroughs such as Enfield. Through the network, organisations such as the NHS, Transport for London and London councils work collaboratively to address long-standing social and economic inequalities and the growing climate emergency. This collaborative working practice helped establish the London East Careers Hub.

Enfield has benefited from investment in data analysis for evidence-based policy development. Local London's Data Warehouse initiative has helped it inform and evaluate economic development strategies.

Enfield has started to work with the boroughs of Waltham Forest and Haringey and the Productivity Institute on a place-based initiative to drive productivity in the Upper Lee Valley. Based on research initially driven by the UK Innovation Corridor, this project will look at the interrelationships that the three boroughs share as a single functional economic area and recommend different ways of working.

## Summary

Enfield is an economically and culturally diverse borough on the northern edge of the Greater London conurbation. In addition to an east-west socioeconomic divide within the borough, many of its challenges and opportunities also transcend borough boundaries. Enfield works both at the borough and at the sub-regional level to realise its economic potential. Membership of the Local London group of eastern outer London boroughs is helping it do this, as is a pragmatic approach to partnership working from local politicians.

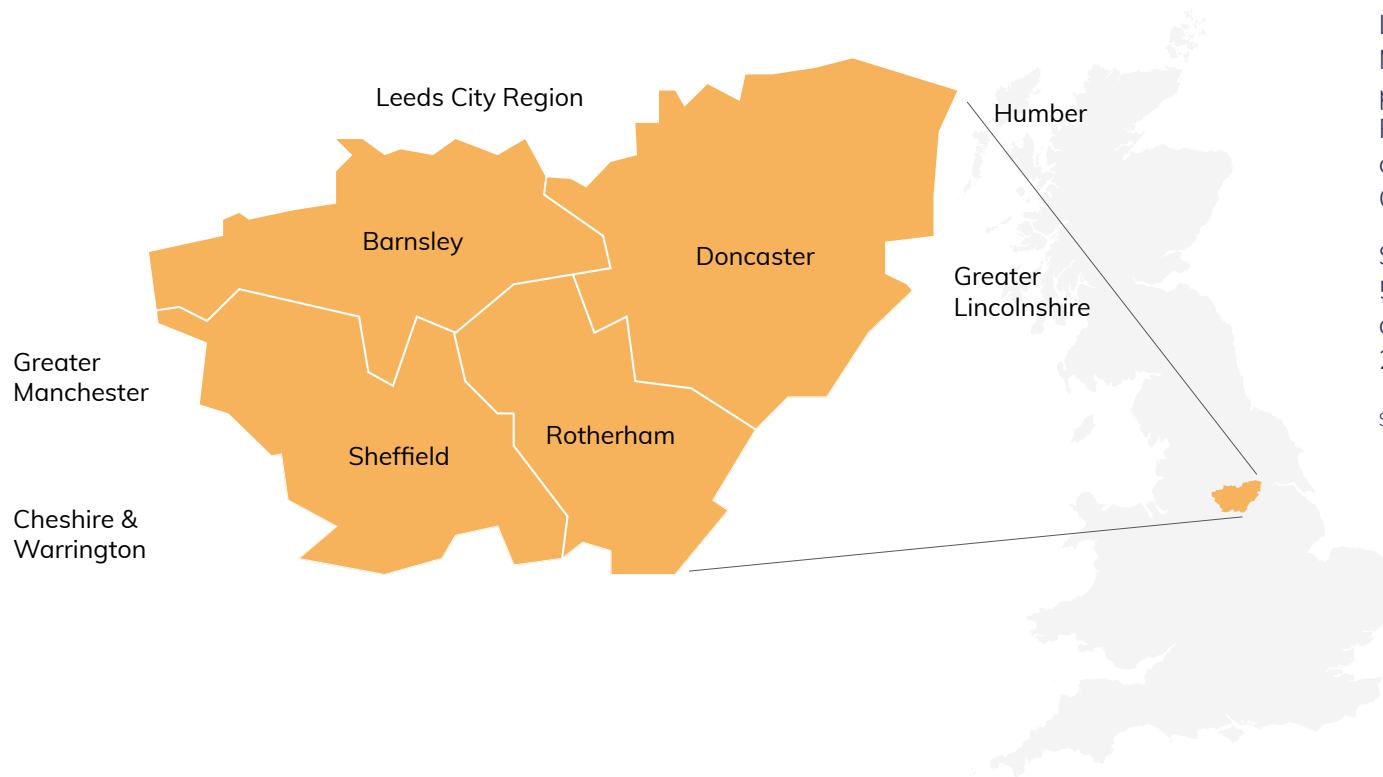
The Meridian Water housing development is the borough's flagship regeneration project. A 20-year development, expected to complete in 2039, it promises to deliver 10,000 homes and 6,000 jobs and well as improved transport links and public spaces. A heat network will provide the development with heating and hot water and is a further example of Enfield working at scale to tackle key socio-economic issues. The Greater London Authority has enabled a constructive policy environment and helped scale up heat network development.



Case study:

# South Yorkshire

A former industrial powerhouse overcoming historic tensions



## South Yorkshire

Located in north-central England, the South Yorkshire Mayoral Combined Authority (SYMCA) is a formal partnership of four local authorities: Sheffield, Rotherham, Barnsley and Doncaster. The combined authority was formed in 2014 as Sheffield City Region Combined Authority.

Sheffield is the largest city, with a population of over 550,000. The populations of the other local authorities are: 309,000 (Doncaster), 266,200 (Rotherham) and 245,000 (Barnsley).

Source: [SYMCA](#)

## Key takeaways

- A shared sense of purpose is emerging thanks to fresh political leadership.
- The mayor is a key convenor and is championing health and wellbeing.
- Key players are collaborating to build on the region's industrial and innovation strengths.
- Policy development is diversifying with greater emphasis on community engagement.
- Knowledge of the local economy has led to a change in investment strategy.
- Monitoring and evaluation can be overlooked due to capacity constraints.
- Limited and inconsistent devolution of powers is an unhelpful constraint.
- Beyond core devolved funding, there is little investment for the long term and limited freedom to decide investment priorities because of short-term competitive funding.

## Summary statistics

	SYMCA area	Barnsley	Doncaster	Rotherham	Sheffield	Great Britain
Population	1,374,800	244,900	308,700	266,200	555,000	65,121,700
Economic activity rate (%)	75.9	74.5	77.0	72.5	77.2	78.8
Unemployment rate (%)	3.6	3.0	3.7	3.7	3.6	3.7
Number of jobs	647,000	97,000	138,000	117,000	296,000	
Job density (ratio of total jobs to population)	0.75	0.63	0.72	0.71	0.82	0.85

**Table 4: Comparative statistics between SYMCA area and Great Britain. Green indicates at or above the GB average, and red indicates below.**

Source: [Nomis](#) (latest available data at January 2024)

South Yorkshire lags behind the average for Great Britain in its economic activity rate and job density. The unemployment rate is very close to the Great Britain average. There is variation at local authority level.

The region still suffers from the legacy of the [collapse of its two major industries](#), coal mining and steel, in the 1980s. There is concern that many replacement jobs are low value and low skilled. South Yorkshire's economy was hit hard by the recession of the late 2000s and it also suffers from poor connectivity, especially by public transport, particularly between villages, towns and cities and key centres of employment.

However, there are sectoral strengths in advanced manufacturing and engineering, healthcare and social work, wholesale and retail trade, the trade and repair of motor vehicles, and education. South Yorkshire is home to the [Advanced Manufacturing Park \(AMP\)](#) on the border between Sheffield and Rotherham, which features leading manufacturers such as McLaren, Boeing and Rolls-Royce, and is an important source of highly skilled jobs. The AMP, the neighbouring University of Sheffield Business Park and

the Sheffield Hallam Health Innovation Campus now form the core geography of the [first of the UK's new Investment Zones](#).

South Yorkshire is also positioning itself as a clean energy economy with specialisms in the areas of green hydrogen (eg ITM Power, the world's largest manufacturer of electrolyzers), fusion energy (eg UKAEA's Fusion Technology Centre, based at the AMP) and nuclear SMR technology (eg Sheffield Forgemasters, Rolls-Royce and the Nuclear AMRC), with ambitions to [create 3,500 jobs and training opportunities](#) in the low carbon and renewable energy sector.

## Why South Yorkshire?

South Yorkshire is a region that has gone through a series of governance changes. It is among the longer-established combined authority areas but has been less well researched.

Formed in the second tranche of combined authorities in 2014 as Sheffield City Region Combined Authority, political disagreement between the constituent local authorities (in the context of rival ambitions at the time of a 'whole of Yorkshire' devolution deal) limited the powers and funding available to the first mayor, elected in 2018. A second mayor, elected in 2022 following the agreement of a finalised devolution deal, has benefited from wider powers and the release of the 'gainshare' investment fund (£30m per year for 30 years).

## Funding sources

South Yorkshire's local authorities have received significant funding from the Towns Fund, the Levelling Up Fund and the UK Shared Prosperity Fund (where the MCA has lead programme and accountable body responsibility).

**Figure 10: Funding received for various areas in South Yorkshire**

Place	Funding amount	Fund (duration)
Doncaster	£24.8m	Towns Fund (2021–26)
Goldthorpe (Barnsley)	£23.1m	Towns Fund (2021–26)
Rotherham	£31.6m	Towns Fund (2021–26)
Stocksbridge (Sheffield)	£24.1m	Towns Fund (2021–26)
Barnsley town centre	£15.6m	Future High Streets Fund (2019–24)
Rotherham town centre	£12.7m	Future High Streets Fund (2019–24)
Sheffield city centre	£15.8m	Future High Streets Fund (2019–24)
Doncaster city centre	£18.6m	Levelling Up Fund round 1 (2021–25)

Source: GOV.UK (various)



**Sheffield Hallam University students**

Place	Funding amount	Fund (duration)
Sheffield (Gateway to Sheffield 'Castlegate')	£20m	Levelling Up Fund round 1 (2021–25)
Sheffield (Attercliffe Regeneration)	£17m	Levelling Up Fund round 1 (2021–25)
Barnsley (Barnsley Futures – Barnsley Central)	£10.2m	Levelling Up Fund round 2 (2023–25)
Doncaster city centre	£18m	Levelling Up Fund round 3
Sheffield (Parkwood Springs)	£19m	Levelling Up Fund round 3
Rotherham (Dinnington and Wath-upon-Dearne)	£20m	DLUHC Capital Regeneration funding (in support of a Levelling Up Fund round 2 bid)
South Yorkshire (MCA-led programme)	£38.9m (UK SPF core) £7.3m (Multiply)	UK Shared Prosperity Fund (2022–25)
South Yorkshire	£1.4m	Rural England Prosperity Fund (available to Barnsley, Doncaster and Rotherham only)

Source: GOV.UK (various)



Sheffield train station

## Success factor 1: Shared political will and partnerships

There is a [history of tension](#) between local authorities in South Yorkshire. Civic relations and collaborative working have been complex. Barnsley and Doncaster initially voted for a cross-Yorkshire as opposed to a South Yorkshire devolution deal, which was being pursued at the time by other parts of the region (prior to West Yorkshire agreeing its own devolution deal, and more recent deals with North Yorkshire and Hull and East Riding). Parliament only [agreed to devolve powers and funding](#) in June 2020 once local opposition had been overcome.

**“The four local authorities have largely fought among themselves for the crumbs off the table which has led to a lack of ambition across the region.”**

**STEM asset representative 1**

### **A shared sense of purpose is emerging thanks to fresh political leadership**

However, a common sense of purpose has developed since 2018. The election of Oliver Coppard as metro mayor in 2022 and a change in personnel in some local authorities were cited as turning points.

**“Things are getting better under the leadership of Oliver Coppard [...] We are beginning to see the hallmarks of greater collaboration under the leadership in Rotherham of council leader Chris Read. We are seeing a more straightforward, less ideological, let’s try and get stuff done approach.”**

**STEM asset representative 1**

The previous Mayor, Dan Jarvis, was constrained in creating a long-term vision due to limited powers and the need to balance being mayor while also remaining an MP.

Local politicians are now focused more on economic growth as a tool to deliver better outcomes for communities, which has strengthened partnership working. Interviewees indicated gains by the Conservative Party at the 2019 general election have also prompted Labour-led local authorities to collaborate more closely. Feedback from a local authority interviewee suggests that local councils have a strong voice in SYMCA and feel well listened to in regional discussions.

Shared political will and a common sense of purpose is associated with stability in the political party leadership of some of the council. Sir Stephen Houghton’s tenure as leader of Barnsley Council since 1996 is one example.

SYMCA does less direct delivery than some other combined authorities, and local authorities tend to lead on its behalf. For example, Barnsley lead on connecting the entrepreneurial ecosystem across South Yorkshire ([team SY](#)) and Sheffield leads on a low carbon grants scheme for businesses across the region.



## Key players are collaborating to build on industrial strengths

The location of the UK's first Advanced Manufacturing Investment Zone in South Yorkshire demonstrates how local government institutions and other key players are collaborating effectively to build on the region's industrial strengths in a project that blends public and private finance and aims to deliver 8,000 new jobs. The initial investment that accompanied the launch of the investment zone involved private sector partners including Boeing, Spirit AeroSystems, Loop Technology and the University of Sheffield's Advanced Manufacturing Research Centre (AMRC).

**“Historically, the four local authorities would have gotten into an argument about where to place the zone. The MCA was able to display the leadership to be able to say it doesn't matter which of the four local authorities you look at, the economic issues are the same in all of them. So, let's get the funding landed rather than argue about what the right thing to do is.”**

Education provider 2

The combined authority played an important part in leading negotiations with central government to widen the scope of the zone beyond the core university research and development assets located in Sheffield and Rotherham by bringing in Barnsley and Doncaster. This addressed land development challenges – both Barnsley and Doncaster have significant land available for development. Discussions on designing the bid for the investment zone illustrate how SYMCA can play a strong role in coalescing regional partners, public and private, around a shared goal and spreading benefits of an intervention across the region.

The zone also covers a developing [Health Innovation campus](#) at the Sheffield Olympic Legacy Park. The campus includes Sheffield Hallam's [Advanced Wellbeing Research Centre](#) while the NHS plans to site its new [National Centre for Child Health Technology](#) there.



Sheffield Winter Gardens

## Success factor 2: Clear strategy and vision

SYMCA's Strategic Economic Plan (January 2021) focuses on growth, inclusion and sustainability. Key priorities for 2041 include a focus on inclusive growth underpinned by productivity gains, increased investment in research and development, more high quality, highly skilled jobs and longer, healthier lives for South Yorkshire citizens.

[SYMCA's Energy Strategy](#) sets out a vision for South Yorkshire to have "a clean, efficient and resilient energy system, which supports a healthier environment for people to live, work and visit, and which drives our transition to a low carbon economy."

### The mayor is championing health and wellbeing

In his ambition to make South Yorkshire the healthiest region in the UK, the mayor has made health and wellbeing his top priority. Oliver Coppard is the first metro mayor to be appointed the chair of a sub-regional integrated care partnership. South Yorkshire's Working Win programme – helping people with physical and mental issues back into employment –

was described by an interviewee as "a big success". The mayor has also been collaborating with Cancer Alliance and local businesses to change behaviour and to better target and improve outcomes for cancer patients. Active travel is a big priority for transport investment, and he has tasked the MCA with looking at early years as a priority for long-term health prevention.

The history of political tensions and infighting has sometimes acted as a barrier to the development of a clear strategy and vision for South Yorkshire, although this has recently improved thanks to stronger leadership from mayor Oliver Coppard. This new and more cohesive leadership has built upon the platform of the finalised devolution deal secured by the previous mayor, as well as the wider national government policy priority for more MCA-style devolution geographies.

Along with a focus on tackling deep seated health inequalities, the addition of police and crime commissioner powers to the mayoral role from May 2024 gives a stronger 'public service improvement' focus to the South Yorkshire mayoralty than perhaps

other MCA areas where there is a narrower focus on economic growth. Local authorities are also beginning to engage creatively in economic strategy design around wellbeing and inclusive growth.

Strategic aims appear similar across the four local authorities of South Yorkshire, reflecting common overarching challenges but local plans for implementation differ according to local structures and needs. Some of the MCA's programmes – such as those funded through the UK Shared Prosperity Fund (UKSPF) – are being designed to reflect these local level differences, with some key decisions linked to the "communities and local pride" theme of UKSPF devolved down further to local authority level.

The [draft Sheffield Local Plan](#) prioritises improving economic opportunity, skills levels and access to public services to improve quality of life. The city's natural assets, particularly its location partly in the Peak District National Park, help to promote the 'outdoor city' to residents, visitors and investors. [Sheffield](#) and [Rotherham](#) have drawn up clear city/town centre master plans and been particularly successful in

applying for local growth funding to deliver specific aspects of these plans. The plan is designed to enable Sheffield City Council to prioritise activity to deliver against the objectives and also identify gaps where projects have yet to be developed to deliver against such objectives.

However, implementation plans at SYMCA need further development:

**“I don’t think we’ve cracked the bit in terms of actionable next steps. We’d been developing an economic plan before Covid, which was published just as Covid hit. But that was more of a vision document.”**

#### **Combined authority officer**

There has been limited capacity within SYMCA to develop implementation plans, which can be linked to previous high staff churn and the extended time it took to agree the South Yorkshire devolution deal. Capacity is also restricted, given relatively limited powers and mechanisms to raise its own revenue compared to many other MCAs, and SYMCA has just one or two officers working on some key policy areas.

**“At times, it can be quite difficult to make significant change without the capacity in place.”**

#### **Combined authority officer**

Now that SYMCA has the necessary powers and funding from its devolution deal, alongside the impetus provided by a new mayor, plans for increasing capacity are underway.

The combined authority is working with an economic consultancy firm, Metro Dynamics, to develop an implementation plan in the form of a new prospectus for growth. This framework is intended to support the region’s ambitions to work with current and future governments.

SYMCA is looking to establish the region as a test bed to pilot new national economic development and social policy interventions. In contrast to considerable funding challenges in local authorities, SYMCA’s workforce is growing as it has gained new powers.

### **Policy development is diversifying with greater emphasis on community engagement**

There is increasing interest in less traditional forms of policy development. Steps are underway to improve approaches locally and regionally to enhance community engagement. For example, SYMCA is currently recruiting for [a South Yorkshire Climate Emergency Citizens’ Assembly](#), which would encourage citizen engagement on contemporary policy issues. This approach has proven to be quite effective in other places such as [Scotland](#). The MCA has supported a Community Ownership Hub to promote alternative business models, and is also working with a consortium of the New Economics Foundation, Co-operatives UK, the Centre for Local Economic Strategies and the Centre for Thriving Places to shape its long-term strategy in a way that tackles inequality, drives up living standards and empowers communities.

Meanwhile, Sheffield’s Towns Deal project in Stocksbridge (a small town 10 miles north of the city) involves a focus on community-led activities. Such an approach is a change in council culture and has the potential to bring valued internal and external challenges.

“In the past, we’ve not done extensive engagement. We need much more diversity of thought [across] different communities.”

Combined authority officer

“There’s an interest in more experimental or less traditional forms of policy development that are closely embedded within communities. In response, local authorities are becoming more attuned to different ways of collecting and using evidence.”

Academic

## Success factor 4: Local knowledge

### Knowledge of the local economy has led to a change in investment strategy

An in-depth understanding of the strengths and weaknesses of South Yorkshire’s economy has been important in how SYMCA has shaped its investment strategy and, specifically, its investment zone agreement with central government.

SYMCA has pivoted from a focus purely on the conventional economic measure of improving gross value added (GVA) to changing its assessment of bids to be more inclusive, for example looking at the quality of jobs rather than the number of jobs created:

“Focusing on investment to improve GVA was successful in terms of getting more jobs into the region. But this hasn’t really changed health outcomes, people’s quality of life.”

Combined authority officer

This switch in emphasis likely reflects how combined authorities initially wrote strategic economic plans largely as a bidding document for local growth funds focused on top-down economic development. It has taken time for SYMCA to develop the expertise and capacity to work with inclusive growth agendas.



Conisbrough Castle

## Success factor 5: Monitoring and evaluation

The importance of monitoring and evaluation is well-recognised by stakeholders in South Yorkshire but capacity to undertake this effectively varies and there is a sense capacity is more limited than in some other combined authorities.

### Monitoring and evaluation can be overlooked

Monitoring and evaluation mechanisms exist – for example, an [assurance document](#) that is updated annually to record key learning and complete monitoring formally required for external funding grants. However, interviewees suggested monitoring and evaluation can sometimes be overlooked, particularly in smaller local authorities. Sheffield City Council has been hindered in measuring outcomes by the “lack of a strategic framework” and a focus on project outcomes rather than outcomes at the city level.

**“We’ve always measured project specific outcomes, but we’re not particularly good at defining broader strategic objectives and understanding where we’re heading to.”**

Local authority officer 4

Building capacity within local authorities to meet Towns Deal evaluation requirements is important. Although Towns Deal spending in general must be completed by March 2025, the monitoring and evaluation of that spend extends to 2029.

**“Councils are guilty of not factoring [evaluation requirements] into their budget management costs or team structures. The function is considered just an add-on that someone does because it needs doing every year.”**

Local authority officer 6

There is concern that the quantity of outcome-output frameworks being requested by government for economic development initiatives is putting considerable strain on already stretched local government teams.

**“What government is doing now with some of the programmes is making it even more complicated because they’re churning out outcome-output frameworks for every initiative. We just end up being drowned.”**

Local authority officer 4

## Success factor 8: Key players

South Yorkshire illustrates the strong role that an elected mayor together with anchor institutions can play in driving local economic growth.

### The mayor of South Yorkshire is a key convener

“Having a mayor is helpful because he can have that perspective where he can sit and bring partners together.”

#### Combined authority officer

South Yorkshire’s two universities enable complementary growth. Sheffield Hallam University, which recruits a greater proportion of students locally compared with the University of Sheffield, has excellent social mobility performance, and has prioritised developing business support. The University of Sheffield as a global top 100, Russell Group research-intensive institution, has a particular focus on developing high-end knowledge transfer and worked with local and global businesses to set up the

Advanced Manufacturing Research Centre (AMRC). Established in 2001, the centre aims to bridge the gap between the cutting-edge research taking place in university laboratories and the day-to-day needs of manufacturing production lines.

A [recent economic impact assessment](#) found that the AMRC acts as a lever for improved social mobility through its training centre, generates a GVA equivalent of £55.8m per annum and brings in over £260m of inward investment to South Yorkshire’s manufacturing cluster. The two universities also recently collaborated to establish an [innovation network](#) that brings academia and industry together in free peer-to-peer networking events.

### A civil service policy campus will enhance Sheffield’s public sector strengths

The public sector is a major employer in Sheffield. 6.4% of employee jobs were in public administration and defence and compulsory social security in 2021, compared to 4.6% nationally. This reflects [around 1,000 policy makers](#) from government departments,

notably the Department for Education, but also presences from the Department for Work and Pensions, Ministry of Justice, Department for Levelling Up, Housing and Communities, and Department for Culture, Media and Sport. Seventy-five senior civil servants currently work in Sheffield – one of the highest numbers of senior leadership roles outside of London.

Opportunities for the civil service to work more closely with local authorities, the MCA, universities and colleges to foster a pipeline of talent to support the levelling up agenda were enhanced with the announcement by the Cabinet Office in June 2023 to recognise Sheffield as a [civil service policy campus](#).

Designed to build on Sheffield’s civil service strengths, the campus aims to “substantially increase this, while creating an infrastructure that supports policy development at every level – from diverse entry through to professional development, and a talent pipeline that supports the expansion of senior roles in the city.” Interviewees argued the campus will improve opportunities for civil servants in Sheffield to work better together and for individuals to work across

anchor institutions and the civil service, developing wide-ranging policy expertise.

The region also benefits from strong health and wellbeing centres and programmes such as the [Advanced Wellbeing Research Centre](#) at Sheffield Hallam University's 'Health Innovation Campus', the [Doncaster Health Determinant Research Collaboration](#), the [Barnsley Pathways to Work Commission](#) and health accelerators. There is scope to bring anchor institutions and businesses together in a more strategic manner:

**“We’ve got a number of health assets across the region, especially in [medical technology] and preventative health, in terms of businesses and translational research centres. But all of these assets need co-ordinating to capitalise on their potential, which the mayor is starting to do by becoming the chair of the South Yorkshire Integrated Care Partnership.”**

**Combined authority officer**

Chambers of Commerce and small business finance bodies are key channels for giving the private sector a voice. Consultation with the business community is perhaps sub-optimal due to South Yorkshire having three Chambers of Commerce. However, some interviewees suggested that while merging could be achieved, maintaining traction on this in changing political structures is complicated. Consultation with the business community through three chambers instead of one was also cited in some cases as articulating a richer set of views.

Sheffield Chamber of Commerce has sought to pivot to become a leadership organisation driving the agenda around how the economy needs to deliver better business and employment outcomes for communities. For example, the three Chambers in South Yorkshire worked together on Local Skills Improvement Plans, [providing leadership on how skills shortages can be addressed](#). The Sheffield Chamber also supported the establishment of the Sheffield Race Equality Commission, supporting the city council in the creation of their diverse business advisory board and facilitating the first meeting, participating in the task and finish group to create a legacy body to take forward the recommendations and hold institutions to account.

SYMCA has established a [Business Advisory Board](#) as part of a governance review. Composed of private sector representatives from various industries and key business representative organisations (including Chambers, FSB and Make UK), the board is designed to enable SYMCA to harness a spectrum of expertise to inform key decisions regarding how to grow the region's economy in a way that improves lives equitably.

## Success factor 9: Adequate and responsive funding

The scale of funding available to regions in England to support levelling up is below local ambition, particularly when compared to international examples. Policies designed to address regional inequalities in Germany totalled almost €2tn (£1.69tn) between 1990 and 2014.

As part of its [Devolution Deal](#), South Yorkshire secured a commitment from government for an additional £30m per year for 30 years but interviewees argued that, given the scale of need in South Yorkshire, this figure is “relatively small”.

**“The lessons from Leipzig can really illustrate that this needs to have serious, probably at least 10 to 15 times greater in my view, investment from national government.”**

Combined authority officer

### **Limited devolution of powers is an unhelpful constraint**

Compared to international city-regions, South Yorkshire is also limited in how it can address regional inequalities by a lack of fully devolved powers.

The time taken for approval of projects and change requests by central government is a barrier. The current funding system limits the agility of councils’ responses to emerging needs. For instance, the reallocation of monies across projects within a given fund (eg the Towns Fund) is often not allowed or subject to elongated processes. Interviewees acknowledged and valued moves to greater devolved funding.

Approaches to levelling up funding across government can be inconsistent, and further devolved powers and flexibility are needed:

**“We can now move money across years up to 30% of [of the project value]. Anything above that threshold requires a project change request to central government. While that gives us more freedom and flexibility, it’s tinkering.”**

Local authority officer 6

**“There needs to be a commitment to levelling up across departments, as well as more consistency for funding; for example, you can have one pot of funding from DLUHC with a certain set of reporting criteria and outputs, then a completely different set from DEFRA, even if the projects are similar.”**

Combined authority officer



## Multiple short-term funding pots can distort priorities

Numerous, small and short-term funding pots can distort the types of projects prioritised. Pitting councils against one another has fostered a culture lacking in peer learning and knowledge exchange. Meanwhile, the competitive funding system means authorities have at times chased funds that are available rather than funds that respond to local needs. Conducting value for money analysis to determine which funds to prioritise is challenging in such circumstances.

**“Because funding has been fairly limited, our prioritisation [of which funds to bid for] has been based on what can get funded.”**

**Local authority officer 4**

In July 2023, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) announced plans to streamline several funds to make them simpler to access and use. Sheffield and Rotherham are among eight areas piloting the [scheme](#). There is concern that the funding simplification model only covers DLUHC, which may limit its overall impact.

Commitment to similar models across government departments, with improved working across silos in Whitehall, could provide local authorities with the ability to respond at pace to emerging issues.

## Current funding models provide few opportunities for long-term investment and limit freedom to decide investment priorities

**“You can’t sensibly manage long-term regeneration programmes and turn around the fortunes of the economy on an annual allocation.”**

**Local authority officer 4**

Capital projects are heavily reliant on time-limited funding from central government, with most current programmes only lasting until 2025. For instance, the Future High Streets Fund ends in September 2024 while the Town Deal programme was designed to run to March 2025. Funding Simplification Pathfinder Areas allow spend through to the end of the 2025/26 financial year. Such inconsistent and tight timeframes limit what can be achieved in flagship projects.

**“What you have to do is make the project fit those dates rather than what works for the project.”**

**Local authority officer 6**

The introduction of the UK Shared Prosperity Fund (UKSPF) has brought a move to shorter-term funding compared to predecessor funding from the EU. The European Structural and Investment funding had enabled long-term investments over a seven-year horizon. By contrast, the UKSPF programme only runs to 2025, with a reliance on annual award reviews. The annual allocations are leading local authorities and the combined authorities to have to underwrite the second and third year of funding programmes.

Longer-term funding could facilitate more strategic conversations about tackling key regional challenges in partnership.

There are challenges in obtaining revenue funding to sustain capital projects once they are completed. Some initial project plans in the Towns Deals have stopped or been downgraded because maintenance costs cannot be met.

**“We get a lot of capital funding for projects, but nothing for ongoing implications of the development of that project once it has been completed. The longer-term revenue implications of developing these projects can be quite substantial.”**

#### **Local authority officer 2**

There is limited local freedom to decide investment priorities. A project’s strategic case can be strong in improving outcomes, such as health outcomes for disadvantaged young people, but interviewees described how the overall business case can fail because the economic case is weak. The competitive funding model prioritised for regional economic development in England over recent years has exacerbated funding constraints compared to previous allocated revenue funding models. Allocated funding models can allow more flexibility to test small innovative projects.

#### **SYMCA is working co-operatively and leveraging other funding streams to drive change**

SYMCA is working constructively with its four constituent councils on the management of various funding and investment streams to support small businesses and stimulate the local economy.

In March 2023, the South Yorkshire Pensions Authority announced a £500m [Place Based Impact Investment Portfolio](#). This focuses on long-term local investment, mostly within South Yorkshire. The capital will be deployed over the next five to ten years, targeting five areas: local development lending, housing, local venture capital allocations, specialist housing, private equity and private debt investments.

The SY JESSICA Fund (formerly SCR Jessica Fund) provides debt funding for commercial development projects such as offices and manufacturing parks. Managed by global property consultancy CBRE and overseen by an investment board including representatives from the four local authorities, the fund aims to support regeneration through capital redeployment and recycling. The fund was [extended in 2022 for a further 10 years](#). Sheffield City Council now runs the fund on behalf of SYMCA.

Since its establishment in 2013, the scheme has supported the [creation of over 7,000 jobs](#) through £71m of total investment. For every £1 of SY JESSICA funding, South Yorkshire has [leveraged more than £1.50 of private capital](#).

SYMCA is now working on a programme, supported by DLUHC and HM Treasury, to bring together their local private sector investment partners – including the Pensions Authority, Aviva and Legal & General – with public investment bodies, principally the British Business Bank and UK Infrastructure Bank, to develop a more collaborative approach and help crowd-in greater levels of private sector finance across South Yorkshire, which it has historically lacked.

SYMCA has also worked innovatively to make its funding processes less bureaucratic, acting more as a facilitator than a gatekeeper. It recently established a rapid assurance framework designed to make the process for devolving funding to the constituent local authorities more efficient, approving only outline business cases and delegating sign off of full business cases to boards and officers.

SYMCA often shares funding across its local authorities on a per head of population basis rather than applying a competitive approach. Shared funding is perceived as fairer and a better use of resources.

## Success factor 10: Transferable learning and knowledge exchange

### South Yorkshire is actively sharing learning

There are forums in place that allow authorities in South Yorkshire to benefit from international policy exchange. For example, SYMCA was one of six English regions to participate in the [MIT REAP programme](#) focusing on how to promote regional entrepreneurship. The programme was an opportunity to “deliver a step-change” in how South Yorkshire generates and exploits innovation, through applying tried and tested insights and methodologies. In addition, Barnsley was a partner on Urbact – an EU urban development project looking at growing the digital economy to achieve sustainable economic change. This provided considerable opportunities for peer learning.

Regionally, universities often have a greater capacity to provide knowledge exchange. The AMRC has learnt from best practice in Philadelphia and the Fraunhofer model in Germany. Smaller local authorities often rely on the expertise of think tanks or industry bodies due to

limited resources and capacity to participate directly in knowledge-exchange activities.

International policy exchange has become more challenging since Brexit due to reduced access to funding to cover travel. The UK Shared Prosperity Fund includes fewer structures for learning from elsewhere.

Barnsley Council has hosted delegations from elsewhere in the UK who are interested in how the council has funded and delivered the new town centre redevelopment at the [Glassworks](#). The funding primarily came from borrowing from the Public Works Loans Board (ie Treasury funding that is available to councils at attractive interest rates). To supplement this the Council bid for and secured funding from various government funds such as the Future High Street Fund (DLUHC), the Transforming Cities Fund (Department for Transport) and South Yorkshire Mayoral Combined Authority Funding.



Barnsley Town Hall

## Summary


A former industrial powerhouse, South Yorkshire still bears the scars of the collapse of coal mining and steel production in the 1980s. However, it retains strengths in advanced manufacturing which it is building on with the help of higher education and business partners. The strong civil service presence in Sheffield has the potential to support joint working across different layers of government and anchor institutions and foster a talent pipeline.

South Yorkshire is working to overcome a history of inter-authority tension, helped by the leadership provided by the new metro mayor and the stimulus provided by a devolution deal. The mayor is championing citizen health and wellbeing with the ambition of making South Yorkshire the healthiest region in the UK. He is the first metro mayor to chair the sub-region's Integrated Care Partnership. Policy development in the region is also diversifying, placing a greater emphasis on community engagement and community ownership.

However, insufficient, short-term and fragmented funding threatens to limit South Yorkshire's ambitions and risks distorting priorities. Monitoring and evaluation are also affected by capacity constraints.



Doncaster

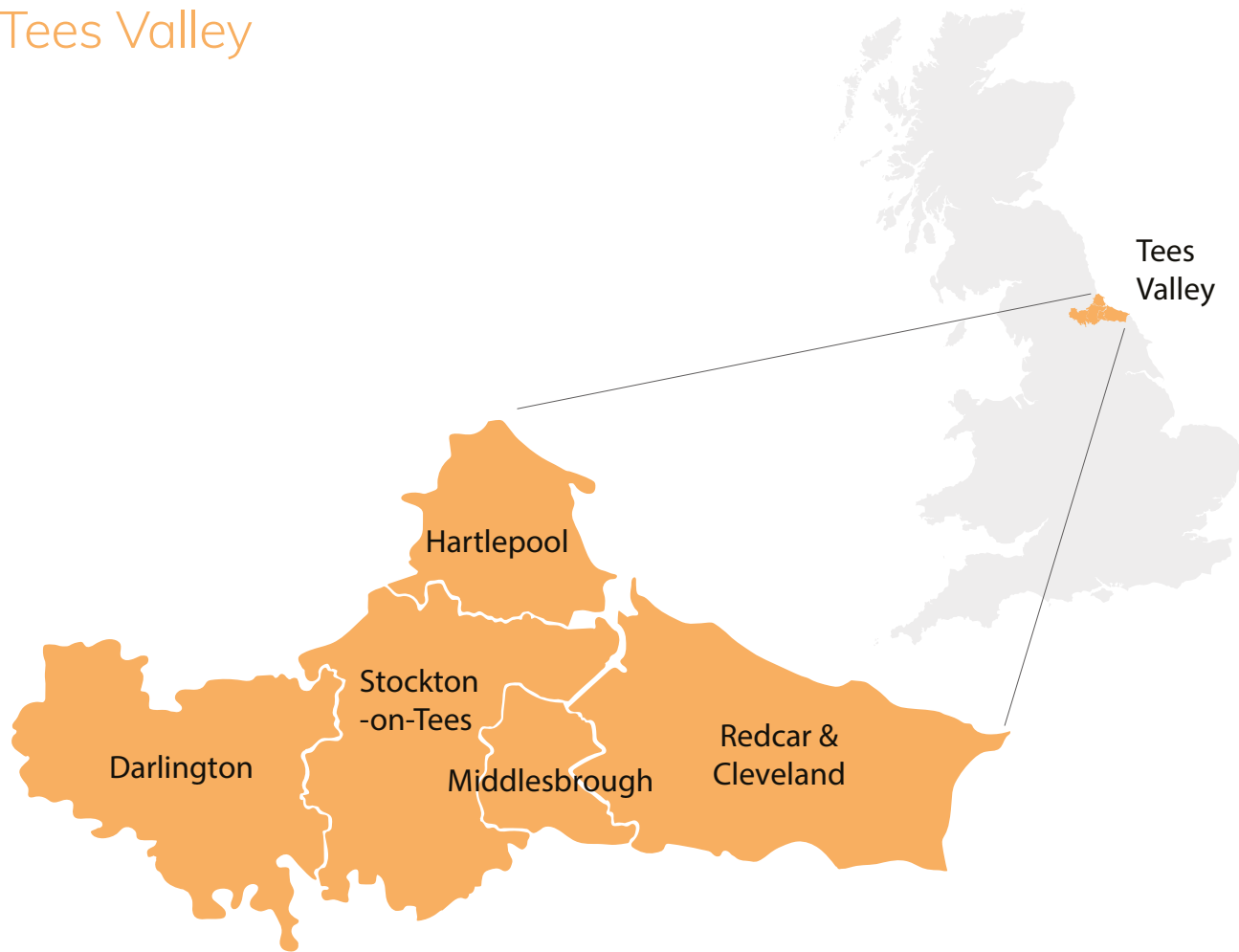
An aerial photograph of a university campus. A large river flows through the center, with a modern bridge crossing it in the foreground. The campus features several large, multi-story buildings, some with curved roofs and a central circular structure. There are parking lots with many cars, green spaces, and a road with a roundabout. In the background, there are industrial areas and a city skyline under a clear sky.

Case study:

# Tees Valley

A northern industrial heartland adapting for the future

## Tees Valley



Tees Valley in north-east England covers five local authority areas: Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees. The Tees Valley Mayoral Combined Authority (TVCA) follows these boundaries and was established in October 2015. The Tees Valley has historic links northwards towards County Durham as well as links with Yorkshire to the south.

## Key takeaways

- The mayoral model has raised the profile of Tees Valley.
- Tees Valley Mayoral Combined Authority has been a catalyst for partnership working across the region.
- Local authorities in the Tees Valley are developing their own distinct identities and are working together pragmatically.
- Teesside University is an important and active civic partner.
- There is scope for local authorities and the combined authority to focus more in their strategies on developing sectors that are important in employment terms.
- Long-term funding beyond the devolution deal is not assured.
- Some local authorities rely on external consultants to help secure funding.
- Levelling up funding is limited given local needs.
- Regional and local stakeholders are supporting a rich learning culture within the region and beyond.

## Summary statistics

	Tees Valley	Darlington	Hartlepool	Middlesbrough	Redcar & Cleveland	Stockton-on-Tees	Great Britain
Population	678,400	108,200	92,600	143,900	136,600	197,000	65,121,700
Economic activity rate (%)	76.9	84.8	72.8	74.6	76.7	76.5	78.8
Unemployment rate (%)	4.2	3.4	4.6	5.1	3.6	4.1	3.7
Gross weekly pay by place of work (£)		604.70	619.90	554.70	577.80	619.50	682.60
Number of jobs	306,000	58,000	36,000	73,000	45,000	93,000	
Job density (ratio of total jobs to population)	0.74	0.88	0.64	0.82	0.56	0.77	0.85

**Table 5: Comparative statistics between Tees Valley, Tees Valley local authorities and Great Britain. Green indicates above GB average, and red indicates below.**

Source: [Nomis](#) (latest available data at January 2024)

The Tees Valley area performs worse than the average for Great Britain on a range of indicators with lower-than-average economic activity, higher unemployment and lower than average job density (Table 5). Darlington is a slightly stronger performer on some measures, although all local authority areas display lower than average wages.

The Tees Valley area was once a thriving industrial heartland but has seen some significant decline, for example the closure of the Redcar steelworks in 2015. However, it retains strengths in the chemical industry, advanced manufacturing and digital sectors. The chemical industry is particularly important, providing [£455m in gross value added \(GVA\)](#) to the Tees Valley economy each year. Although, the number of jobs in this sector has fallen in the Tees Valley compared to a rise nationally, the strategic economic plan highlights the process, chemicals and energy priority sector as the lynchpin of the Tees Valley economy.

The two largest employment sectors in the Tees Valley are the wider service sector and health and social care.

## Why Tees Valley?

Tees Valley was chosen as it is an area with significant economic and social challenges. A 'red wall' area, or traditional Labour heartland, it has also seen political change in recent years with the election of Conservative MPs in Darlington, Hartlepool, Redcar and Stockton South at the 2019 general election. The combined authority is also led by a Conservative mayor, Ben Houchen. This case study looks at how the Tees Valley, a former industrial area that has seen major governance changes, has sought to address regional inequalities.



Middlesbrough



## Funding sources

There has been a swathe of public investment in the Tees Valley through levelling up funds, devolution deals and the Towns Fund.

Local authority area	Location	Fund (duration)	Funding amount
Darlington	Darlington	Towns Fund (2021–26)	£22.3m
<b>Darlington Borough Council total funding</b>		<b>£22.3m</b>	
Hartlepool	Hartlepool	Towns Fund (2021–26)	£25m
Hartlepool	Hartlepool (Catalysing Hartlepool's Screen Industries Production Village)	Levelling Up Fund (Round 2) (2023–25)	£16.5m
<b>Hartlepool Borough Council total funding</b>		<b>£41.5m</b>	
Middlesbrough	Middlesbrough	Towns Fund (2021–26)	£21.9m
Middlesbrough	Middlesbrough town centre	Future High Streets Fund (2020–24)	£14.2m
<b>Middlesbrough Council total funding</b>		<b>£36.1m</b>	
Redcar and Cleveland	Redcar	Towns Fund (2021–26)	£25m
Redcar and Cleveland	Loftus	Future High Streets Fund (2020–24)	£5.8m
<b>Redcar and Cleveland Borough Council total funding</b>		<b>£30.8m</b>	
Stockton-on-Tees	Thornaby	Towns Fund (2021–26)	£23.9m

Local authority area	Location	Fund (duration)	Funding amount
Stockton-on-Tees	Stockton South (town centre regeneration)	Levelling Up Fund (Round 1) (2021–25)	£20m
Stockton-on-Tees	Stockton North (Billingham town centre)	Levelling Up Fund (Round 3) (2023–26)	£20m
Stockton-on-Tees	Stockton town centre	Future High Streets Fund (2020–24)	£16.5m
<b>Stockton-on-Tees Borough Council total funding</b>		<b>£80.4m</b>	
<b>Five Tees Valley local authorities total funding</b>		<b>£211.1m</b>	

**Figure 11: Levelling up and related funding sources for local authorities in the TVCA area 2020–23.**

Source: GOV.UK (various)

Tees Valley Combined Authority has provided a £50m [Indigenous Growth Fund](#) (IGF) to promote area regeneration in support of economic growth in each of the five key settlements of the Tees Valley. The IGF is worth £2m per local authority per year over five years, which comes from the TVCA Devolution Deal negotiated with government in 2015.

Tees Valley Combined Authority	TVCA	Devolution deal (2017–47)	£450m over 30 years (£15m per year)
Tees Valley Combined Authority	Each local authority borough	<a href="#">Indigenous Growth Fund</a> (2020–25)	£50m, which comes out of the TVCA <a href="#">devolution deal</a>

**Figure 12: TVCA devolution funding**

## Success factor 1: Shared political will and partnerships

### The mayoral model has raised the profile of Tees Valley

Tees Valley Combined Authority enables support for local authorities to make the most of economic regeneration opportunities.

The Tees Valley region has experienced various formal working partnerships since 1996 and the current mayoral combined authority model was predated by a range of development and regeneration vehicles (see Figure 13). The creation of the combined authority in 2016 provided a new governance structure and introduced a political dimension to economic regeneration. Funding is a large driver behind the partnerships underway in the region. There is recognition across local authorities that more is possible under the combined authority model than individual local authorities acting alone. The combined authority model has helped raise the profile and voice of Tees Valley with central government. Local authorities within the Tees Valley aspire to continue to work together for the benefit of the region.

While a boost in funding to the region through the Devolution Deal, Levelling Up Fund, Future High Street Fund and Towns Fund has been welcomed, some interviewees expressed concern that the transparency of the funding process is not always clear. For example, it took until the third round of the Levelling Up Fund for Stockton North to successfully bid for a £20m investment in Billingham town centre while a similar bid for town centre redevelopment in Yarm was successful in Round 1.



Saltburn Cliff Tramway

Initiative	Focus	Duration	Notes
Tees Valley Joint Strategy Unit (TVJSU)	Policy, strategy, housing and transport	1996–2010	TVDC and TVJSU merge in 2010
Tees Valley Development Company (TVDC)	Inward investment and tourism	1996–2010	TVDC and TVJSU merge in 2010
One North East Regional Development Agency	Economic development, regeneration, business support, employment	1999–2012	Covered the whole North East region including Tees Valley
Tees Valley Regeneration (TVR)	Regeneration	2002–03	TVR and TVDC merge in 2003
Tees Valley Local Enterprise Partnership	Policy, strategy, transport, employability skills, housing, inward investment and account management	2011–24	Previously called Tees Valley Unlimited
Tees Valley Combined Authority	Policy, strategy, investment, education, employment and skills, transport, place culture/tourism and business growth	2016–present	Mayor Ben Houchen (Conservative) elected 2017 and re-elected 2021
Mayoral Combined Authority Group	Tees Valley Combined Authority, Teesside International Airport, Teesworks (South Tees Development Corporation)	2020–present	Group of organisations run by TVCA
Tees Valley Business Board	Outcome-based growth	2023–present	Includes five strategic advisory groups: business and trade; work (business, employment and skills); visit (culture, media and sport); energy, security and net zero; science, innovation and technology

**Figure 13: Timeline of key strategic institutions in the Tees Valley**

## Short central government timescales underline the importance of partnership working

Partnership working has been hindered by the short timescales of recent competitive funding pots, which limit opportunities to develop innovative funding bids. Short-term funding was described as relying on partners having already defined projects that are 'shovel ready'. Interviewees suggested that advance notice of upcoming large funding pots could help them to better engage with local stakeholders, particularly where there are not pre-existing relationships, to develop stronger bids.

Teesside University is a key player in bringing partners together and the £50m Health Determinants Research Collaboration is a strong example of the convening power of large anchor institutions. The collaboration builds on long-standing relationships between Teesside University and Middlesbrough Council. Such pre-existing relationships and the trust engendered by them can be critical for projects to go ahead.

An example of how local authorities are working collaboratively to plan for future funding opportunities is how on the back of their Investment Plan, Hartlepool Borough Council has created a spatial masterplan to help identify opportunities for future regeneration projects. The [masterplan](#) laid the groundwork for Hartlepool Borough Council to identify and prepare cohesive bids to the Towns Fund, Levelling Up Fund and Indigenous Growth Fund. It focuses on the revival of Hartlepool town centre and unlocking further regeneration opportunities around the waterfront. It also produced the spatial vision for a screen industry's production village. Partners include Hartlepool Borough Council, Hartlepool College of Further Education, Love Hartlepool and the Federation of Small Businesses.

## Stockton-on-Tees Employment and Training Hub is built around a partnership model

Stockton-on-Tees Council leads a large partnership supporting the Stockton-on Tees Employment and Training Hub. Partners include the Department for Work and Pensions, the National Careers Service, Teesside University, local colleges, private sector training providers and employers. The Hub provides

residents who are looking for work or training with employability support (CV writing, interview techniques), job search support and help with skills, education and training. The purpose-built hub building includes interview rooms and training rooms, as well as a large space for recruitment fairs.

## Success factor 2: Clear strategy and vision

The [Tees Valley Combined Authority Strategic Economic Plan \(TVSEP\)](#) focused especially on the digital sector because of its high growth, and the chemical industries due to the strong specialism in the Tees Valley in this sector.

The TVSEP aimed to support the region “to become a high-value, low-carbon, diverse and inclusive economy”. It identified six priority areas for investment:

- business growth
- research, development, innovation and energy
- education, employment and skills
- place
- culture
- transport and infrastructure.

Another example of progress on a clear strategy that will span electoral terms was the publication of the [Tees Valley Investment Plan](#) for 2019–29, agreed in 2019. This set out the focus for investments to create new jobs, grow the skills base and improve infrastructure.

Supported by Tees Valley Combined Authority, local authorities within Tees Valley have made progress in recent years in developing a distinct identity. This process has been facilitated through combined authority devolved funding as well as national funding.

**“Over time each of the local authorities, and this is to some extent credit to the combined authority, has carved out a role for itself in the regional makeup. And that’s been quite important to making sure that everyone feels like they have a stake and has something to add.”**

### Public servant

Middlesbrough has developed a strong business focus and a growing office base and is an important digital and tech hub for the region. Darlington, which is more affluent, acts as a key gateway to the Tees Valley and is home to Teesside International Airport. Hartlepool is growing the town’s leisure and cultural offer with a £6m [waterfront development scheme](#) at the location

of the newly expanded National Museum of the Royal Navy. The town was one of five host ports for the 2023 Tall Ships race, attracting thousands of visitors. Stockton also has a strong business focus alongside a commitment to inclusive growth. Redcar and Cleveland has large amounts of brownfield land and specialises in chemical and process industries, exemplified by [Teesworks](#), the UK’s largest freeport. Developing clean energy is a key priority. Teesworks includes Net Zero Teesside, a carbon capture, utilisation and storage (CCUS) project that aims to deliver the UK’s first zero-carbon industrial cluster.

### Local authorities are overcoming tensions through pragmatism

Some interviewees pointed to some tensions between the local authorities and between the local authorities and the combined authority. However, a success over recent years has been that stakeholders have generally taken a pragmatic approach, accepting that investment in one part of the region is generally good for the region as a whole.

“We appreciate that we need to be much more grown up and it’s not about internal cannibalisation and competition between the five authorities. If we’re going to get some genuine economic growth, we need to not replicate and duplicate what each other are doing because that just rearranges the deckchairs rather than adding significant value to the economy.”

Local authority officer 1

### There is scope for local authorities and the combined authority to focus more on developing a range of sectors

Much of the narrative around Tees Valley’s economy focuses on its strengths in chemical industries and advanced manufacturing. While these sectors are important for supporting growth opportunities and industries of the future, the Tees Valley also has strengths in the business and professional services and health and social sectors.

The recent move of government departments to the [Darlington Economic Campus](#) (DEC) has raised the profile of the Tees Valley in national government and has contributed to economic development in the region. The DEC is currently a hub of around 700 staff across nine government departments including

HM Treasury, the Department for Levelling Up, Housing and Communities (DLUHC) and the Department for Science, Innovation and Technology. In December 2023 the DEC was confirmed as the second headquarters for the Department for Business and Trade. At full capacity, around 2025, it is envisaged that there will be approximately 1,400 staff at the campus. The DEC was a conscious decision by government to move functions and jobs out of London and spread them across the country.

Tees Valley launched a freeport in 2021 with the aim of reducing taxes and duties on goods coming into the UK. Freeports are areas within the UK that are granted different economic regulations. For example, no import duty is paid on re-exported goods, import duty is suspended until goods reach the British market, and some goods and services are exempt from import VAT. However, some interviewees considered that there is limited evidence of their wider impact.

“[Freeports come] without much evidence that they contribute to improving economic and social outcomes for residents.”

Academic 1

An additional vision put forward by an interviewee related to the everyday economy. This would involve [addressing low wages, unstable hours and poor quality employment conditions](#) in key ‘foundational’

employment sectors locally that are important to the day-to-day lives of local people, such as retail, social care, hospitality and improving social infrastructure.

“[Supporting the foundational economy] is about what is neglected and what is prioritised ... the strength of [the foundational economy] is how it speaks to the real needs of the place.”

Academic 1



Darlington Economic Campus

## Success factor 3: Investing for the long term

### **Long-term funding beyond the devolution deal is not assured**

In addition to its devolution deal, Tees Valley has received over £200m from a range of national funding pots: the Towns Funds, Levelling Up Funds and Future High Streets Fund. However, these funds are for specific projects lasting no more than five years each. There is a risk that once these funds end there will be little in the pipeline to supplement the devolution deal. This could negatively impact the ability of local stakeholders to maintain or develop existing assets, or to prepare for future initiatives.

### **There is a reliance by some local authorities on external consultants to help secure funding**

In addition to time-limited funding, local authorities have to bid for national funds within short time scales, which puts pressure on staff and resources and can mean reliance on outside help. In Tees Valley, this came to a head when a local authority was bidding for the Levelling Up and Towns Funds.

**“It was a bit of a rush job, as it always is, to get that in place. Because of the time scales, we have to employ consultants ... [we] couldn’t do it in-house.”**

#### **Local authority officer 2**

Some local authorities recognise the additional value that external consultants can bring, particularly for one-off opportunities, although others were adamant that they used their own internal resources. For example, a project bid to the Levelling Up Fund was successful and secured over £15m. However, in the context of having small departments and reduced budgets, spending the equivalent of two people’s yearly salaries on one project bid may suggest disparities between the resources of local authorities and external consultants.

**“The timescales have been ridiculous too ... there is a very limited amount of time to actually be able to do the thing properly. [Having six months to] set the board up, have meetings, have meaningful discussions and then come to considered decisions which have been through the process of not only making sure the board members have [been made] aware, but also the wider public as well.”**

#### **Local authority officer 1**

Some central funding available to support the development stages of particular programmes by employing consultants appears to have been too generic; specialist support or more funding to develop such skills in-house would have been preferred.



**“It was too light touch to be valuable, you didn’t really get the in-depth business case support that you really needed and we have enough skills in house to definitely do that if we have our internal resources covered.”**

**Local authority officer 1**

Meanwhile, the lack of capacity within public sector organisations limits their ability to engage with partners strategically to tackle economic development challenges and to invest in upskilling their workforces.

**“Their ability to think on work strategically is really compromised by the effect of years of austerity.”**

**Education provider 1**

Teesside University encountered these issues when setting up an apprenticeship training programme with a local public sector employer. The programme struggled because of the lack of capacity within the public sector employer. Both organisations share

ambitions in terms of the wider economic development benefits from the apprenticeships. The public sector organisation also values the specific skills its staff would gain from completing the qualification. However, due to under resourcing and a need to prioritise short-term challenges, they have struggled to release staff to undertake the programme.

**“[The partner organisations] have got this shared ambition, [they] entered into a partnership, have the architecture to do this, have the funding from the [apprenticeship] levy to fund it. But when you get into the intricacies of [the lack of day-to-day capacity], this all started to fall apart and now we are in the process of putting [the training partnership] back together again.”**

**Education provider 2**



**Teesside University**

## Success factor 5: Monitoring and evaluation

Local authorities in Tees Valley have limited capacity to conduct monitoring and evaluation exercises. When evaluations are expected for national bids, external consultants are often brought in to provide support with the work. For example, Redcar and Cleveland Council [spent £100,000 on external consultants](#) for their Levelling Up Round 2 bid.

Evaluation culture in some local authorities, whether learning from internal experience or from other local authorities, is “practically nil”, according to one officer interviewed. Economic development teams, as a non-statutory function, appear to have little corporate capacity for evaluation.

Monitoring on recent levelling up funds such as the Towns Fund and the Future High Streets Fund was complicated by a delay between the time when the funds were announced and the point at which central government shared detailed documentation about the functioning of the programmes. One interviewed local authority explained that the delay meant that they initially had to rely on their own governance matrices, programmes, plans and monitoring regimes before

subsequently completing project adjustment requests. Challenges linked to understanding flexibility around outputs in the context of rising construction costs due to inflation were exacerbated by delays in DLUHC responding to these requests.

Teesside University supports evaluation in the region through its [Evaluation and Impact Team](#). Established in 2019, the team has undertaken research-led evaluations of local authority and charitable interventions, bringing the learning back into the research space. They also act as intermediaries between academics and external stakeholders such as businesses and the third sector to identify opportunities for co-production approaches.



Tees Transporter Bridge

## Success factor 7: Diversification

### **Several local authorities in Tees Valley have sought to diversify their town centre economies**

Middlesbrough Council has improved the town centre by leasing retail buildings and converting them into office space. This has attracted professional services firms back into the centre, which has increased footfall. In turn, rates per square foot have increased from £10 to between £18 and £22, stimulating the private sector to increase the quality of office spaces. The council has also increased income from buildings it leases out, although economic development rather than increasing investment income was the primary goal.

Hartlepool Council has moved from traditionally having very small capital programmes and levels of inward investment (predicated on the ports and nuclear power station) to currently having £121m of capital investment to deliver in three years. This change was motivated by the council recognising that there was a significant need to encourage alternative uses for the town centre, following the COVID-19 pandemic and the publication of Hartlepool's Town Investment Plan.

The council then sought to invest significant sums in key strategic projects in the town centre, facilitated by £25m of funding from the Towns Fund.

Hartlepool Council also used its spatial masterplan to identify opportunities to develop a creative quarter. They won £16.5m from the Levelling Up Fund to develop a new [Screen Industries Production Village](#), designed to act as a catalyst for the further development of Hartlepool's screen industries sector. Strategic heritage assets will be restored as part of the programme.

### **Middlesbrough is aiming to become 'the UK's digital city'**

Middlesbrough Council has developed the town's digital and creative sector over recent years. The town has attracted games companies and other digital companies to invest in the Boho Zone. Tech Nation, a leading growth platform for tech insights, connections, collaboration and talent, has highlighted the presence of internationally recognised gaming and

app development companies in Middlesbrough. The cluster is also supported by Teesside University, which offers computer graphics and computer game design courses. However, graduate retention in Middlesbrough is low. Middlesbrough Council is seeking to diversify housing options available in the area to encourage more graduates to stay in the city.

## Success factor 8: Key players

### The Mayor and Tees Valley Combined Authority play a central role in setting the regional agenda

Ben Houchen was elected as the first mayor of Tees Valley in 2017 and then re-elected in 2021. Control of the five local authorities in Tees Valley has experienced several changes since the TVCA was established. Initially, when Ben Houchen was elected, the five local authorities were Labour-led. The 2019 general election saw a good deal of political flux locally and nationally. Following the 2023 local elections, two local authorities are led by the Conservative Party, two by Labour and one is a Labour-minority administration.

Interviewees emphasised the central role the mayor plays in identifying priorities for the region.

**“The regional mayor, Ben Houchen is a very important actor ... because he sets the agenda... of what the region wants to achieve. And he also has the ear of a lot of current ministers.”**

#### Public servant 1

The Tees Valley devolution deal provided the combined authority and the mayor with devolved powers and responsibilities for transport, planning, regeneration and skills. Therefore it makes sense to promote the Tees Valley to investors at this scale.

**“The combined authority is a good vehicle at an appropriate scale to attend major, largely sectoral expos and shows and such to present the skills base that we’ve got, the asset base that we’ve got, and identify the Tees Valley as a place for investment.”**

#### Local authority officer 1

Tees Valley covers a wider geography than Teesside, extending into parts of Cleveland as well as incorporating Darlington and Hartlepool. An interviewee argued that some residents in parts of Teesside still identify more with Teesside than Tees Valley due to a “very [established] historical identity around Teesside”. Nonetheless, they explained that the mayor is helping to give Tees Valley a stronger identity, demonstrating that it can take a long time for areas to develop an identity when geographies and institutions change.

### Teesside University is an important and active civic partner

Teesside University is a key regional employer that takes a place-based approach to development. With [23,000 students](#), the university has a strong presence across the Tees Valley through campuses in Middlesbrough and Darlington. It hosts the [£13.1m Net Zero Industry Innovation Centre](#) and the [£22.3m National Horizons Centre](#), which offers training and innovation for biosciences and healthcare. Important opportunities exist to expand the university’s science

park in Darlington, building on these assets and other science-based investments.

Over 50% of students at Teesside University are from the North East, evidencing its impact on supporting higher education attainment for people in the region.

The university has a history of working constructively with Middlesbrough Council on community-focused health interventions. The [Health Determinants Research Collaboration](#) (HDRC), led by Teesside University, is a £50m project funded by the National Institute for Health and Care Research bringing together South Tees Public Health and Middlesbrough and Redcar & Cleveland local authorities. Started in October 2022 and running through until 2028, the project aims to become an ‘international beacon’ in understanding the long-term factors that affect people’s chances of leading healthy lives. The funding will support collaborative working across the region to develop a culture of research and knowledge.

**“There is a big emphasis in the programme on porosity between the university and the local authority, skills training in the local authority around how to deploy evidence that’s generated in the research space into supporting effective solutions and in addressing regional health inequality.”**

#### **Education provider 2**

Teesside University has also been heavily involved in developing plans for a [Tees Valley Investment Zone](#) led by the Tees Valley Combined Authority. The university’s role was facilitated by DLUHC urging combined authorities to work with a knowledge-based partner to receive the place-based investment policy funding.

#### **Towns Deal Boards provide an opportunity for collaborative working**

DLUHC required successful Towns Fund projects to establish a Towns Deal Board. Membership should include a private sector chair, all tiers of local government, the MP or MPs, business, community and other relevant public sector organisations. Experiences in Tees Valley suggest these boards show how a range of partners can come together locally to oversee local investment. While requirements for board make up were quite prescriptive, there was flexibility to tailor membership to the local environment.

## Success factor 9: Adequate and responsive funding

### Levelling up funding is limited given local needs

TVCA secured a devolution deal with national government worth £450m (in price of the year the Deal was signed) over 30 years, averaging £15m each year. This deal translates to just £886 per person, or 0.02% of the £79bn GVA generated in the Tees Valley in 2020. While substantial, the devolution deal is a relatively small piece of the economic puzzle in the region.

Most of the current funding is allocated to projects involving town centre improvements, and funding is more limited than in the former One North East Regional Development Agency (RDA), which covered a larger area. One North East RDA had a budget of £275m at its peak in 2008 covering business development (£37m), business investment (£54m), business support (£40m), skills (£7m), economic inclusion (£8m), city regions and rural development (£53m), promoting the region (£7m), culture and tourism (£16m), and other expenditure (£54m).

**“We are only now getting back to those levels [of RDA funding].”**

Local authority officer 2

### Attempts to enable early-stage project development are welcome but can be complicated to administer

Interviewees valued how the civil service is recognising key delivery challenges faced by local authorities. This has included providing a 5% advance on some projects including the Towns Fund to support early-stage activity in project development. Although this can be helpful in terms of cash flow, in practice it can be difficult to administer from an accounting perspective.

### Short-term competitive funding has required local authorities to bid against each other

A challenge of recent levelling up funding, for example the Towns Fund, is how local authorities have been required to bid against each other to secure government funding. Interviewees suggested this has limited the development of strategic collaboration across partners to address regional challenges.

**“Unfortunately, the structure of that has tended to encourage internal competition in a very small area which I think has stymied some of our collaborative work.”**

Education provider 2

Government funding for the Tees Valley needs to go beyond regeneration to address inequalities in the region. A focus on the foundational economy, as set out above, may be an approach worth exploring.

### **There are future opportunities for Middlesbrough and Redcar and Cleveland as Levelling Up Partnerships**

In March 2023, the government announced that Middlesbrough and Redcar and Cleveland would be invited along with 18 other areas to form Levelling Up Partnerships. According to [Secretary of State Michael Gove at DLUHC](#), the partnerships are designed to:

**“Bring the collective power of government to provide bespoke place-based regeneration in ... twenty of England’s areas most in need of levelling up over 2023/24 and 2024/25.”**

Details of the Levelling Up Partnerships in Tees Valley are yet to be announced, but the model should offer Middlesbrough and Redcar and Cleveland greater flexibility to design interventions that respond to local priorities.



**Hartlepool Marina**

## Success factor 10: Transferrable learning and knowledge exchange

### **Regional and local stakeholders are supporting a rich learning culture within the region and beyond**

Enhanced partnership working facilitates a shared voice for local authorities to come together and an environment to share learning from other local authorities. Building up a collective voice for an area helps give greater say on a national scale.

Officers gather ideas and build relationships with key actors in the region over time. When officers move to other local authorities, they take their learning and contacts with them. Experienced officers across the local authorities bring with them good practice which has helped lay the groundwork for successful funding bids. For example, the move of some senior staff members from Stockton-on-Tees Council (which had a strong reputation for developing detailed investment plans and portfolios) to Hartlepool Council was instrumental in the latter shifting to prioritise the development of investment plans.

Stockton Employment Hub learned from Grangetown Employment Hub, based in Redcar and Cleveland, when developing their service provision to offer a centralised service to support people into high-quality employment and help connect employers and suitable employees. The Grangetown Hub was set up to support people back into work in response to the collapse of the SSI steelworks plant in 2015. This idea of supporting people, not only into work but into better paid jobs, provided inspiration for the Stockton Hub.

### **Knowledge exchange is valued by local authorities but not always feasible due to capacity constraints**

Hartlepool Borough Council has made a conscious effort to attend national events, such as the UK Real Estate Investment and Infrastructure Forum with elected members, to learn from others. Together with similar attempts to learn from what is happening elsewhere in the country, this has helped the local authority adopt a more strategic approach to decision-making over recent years.

Hartlepool Borough Council has developed a mentoring partnership with North Kesteven Council in Lincolnshire to help them better present their investment plan and master plan and develop a pipeline of projects.

However, capacity constraints mean that local authority officers in some authorities can struggle to find time to participate in knowledge exchange activities.

**“You’re going to spend your money more wisely, if you looked to what’s [been] successful in other areas and piloting. But we don’t have the luxury of being able to pilot something. We just don’t have the time or the resource.”**

**Local authority officer 3**



## Summary

There is a strong history of co-operation on regeneration in Tees Valley, which was formalised and given a political dimension with the creation of the mayoral combined authority in 2016. There has been a significant increase in the funding available for capital regeneration projects in the region, through the Levelling Up Fund, Future High Streets Fund and Towns Fund.

The Tees Valley is looking to build out of its industrial decline. Economic outcomes trail the national average. The future strategy of the Tees Valley focuses on the digital and chemical industries, but there would be merit in aligning with the other economic strengths of the region. Local authorities in the Tees Valley are developing their own distinct identities and are working together pragmatically.

When designing and delivering projects, short-term funding, tight timescales for bids and capacity constraints among local authorities are all making themselves felt in Tees Valley, although a strong learning culture is supporting work to overcome some of these challenges.



Redcar Beach



# The role of public financial management

## Public financial management can help improve equality between and within regions but the current system in England is under severe strain

Local finances in England are under serious strain and more councils face the prospect of going bankrupt. This is an issue that has become more prominent in recent years, highlighted by the significant rise in Section 114 notices being issued. These last-resort mechanisms indicate a severe financial crisis within a council and are typically followed by service cuts and tax increases.

The strain on local finances has been exacerbated by reduced government grants, population growth and rising demand for services, along with inflation. In some cases councils have made risky investments or demonstrated poor governance, contributing to their financial woes.

However, even well-run councils are at financial risk due to escalating costs, particularly in social care services. In England, 3 million people live in councils that have faced financial difficulties, and more are likely to follow suit. The government's response to this crisis appears

inadequate and there is no substantial reform in sight. Repeated delays to its fair funding review and the reset of business rates retention have disproportionately impacted the most deprived areas of the country. Reforms such as addressing the regressive council tax system and re-evaluating funding for social care and children's services have been postponed as well. Short-term measures and bailouts may be the government's response to the increasing number of councils facing financial distress but cannot be the solution for the longer term.



## More capacity and capability are needed in local audit but reforms have been delayed

Local councils in the UK are also facing significant issues with timely financial audits. In the 2021/22 fiscal year only 12% of councils submitted their audit accounts on schedule. There is currently a substantial backlog in auditing local government annual accounts, with over 630 sets of accounts pending approval as of November 2022, some dating back to 2015/16.

While the newly established Office for Local Government aims to improve access to financial information, it does little to reveal previously undisclosed financial risks. In March 2019, the government announced plans for a new Audit, Reporting and Governance Authority (ARGA) to replace the Financial Reporting Council. Despite comprehensive proposals in 2021, the establishment

of this new audit regulator has been postponed and there is no specified timeline. According to the [Public Accounts Committee \(PAC\)](#), this delay impacts performance and hinders accountability for £100bn of local government spending.

Developing capacity and capability in local audit can help create a more resilient system for the future. Both preparers and auditors of accounts need to have specialist public sector knowledge and skills. The planning, control and direction of financial resources in the public sector to optimise the achievement of public service goals is collectively referred to as public financial management (PFM).



## A whole system approach to PFM enhances public sector performance

PFM can be instrumental in addressing regional disparities because it recognises the interdependence of governance across different spatial scales. The PFM framework involves aligning resource management with service delivery and incorporating checks and balances to enhance governance outcomes. This whole system approach supports the efficient use of public funds, in turn enhancing the overall performance of the public sector.

The three primary objectives of PFM are maintaining fiscal discipline, strategically allocating resources and ensuring operational efficiency in attaining public service goals. These objectives are supported by regulations, established standards of practice, advisory services, support and capacity development.

According to the World Bank, financial management encompasses various facets, including budgeting, accounting, internal controls, funds flow, financial

reporting and auditing arrangements through which governments receive, allocate and document the use of funds.

Economic conditions, technological advancements and the level of managerial capacity are complementary factors that contribute to the contextual framework for assessing financial effectiveness.



## Councils need sufficient and durable funding that is adaptable and less fragmented

Central government funding to local authorities has been cut by 60% since 2010, reducing councils' core spending power by 27% in real terms, according to a [Public Accounts Committee report](#).

There is considerable variation in the amount of funding an area receives relative to its estimated need. According to the [Institute for Fiscal Studies](#), only 39 out of 150 areas in England receive funding within 5% of their estimated spending requirements. For example, in 2022/23 Dudley and Enfield received shares of local government funding that were 14% and 25% lower than their share of estimated needs, while Darlington received 8% more.

Many councils are using their reserves to cover unexpected costs related to inflation and increased service demands. Spending on social care, both for adults and children, continues to consume a significant portion of council budgets (two-thirds, on average), restricting flexibility for delivering non-statutory services. Interest payments to finance borrowing and capital expenditure are creating financial pressure as well.

Local authorities require sufficient funding for medium and long-term planning, as longer-term settlements are the most effective way to ensure value for money and the efficient use of public funds. Funding streams that are less fragmented, more adaptable and have longer durations can instil confidence in the financial stability of public service organisations and enable them to plan. Indeed, the funding itself should be proportionate to the specific tasks and responsibilities at hand.

Financial obligations that cannot be sustained are counterproductive to sound policy.

If the aim of policy is to reduce regional disparities in economic outcomes, the government should ensure that access to such funds does not favour larger or better-resourced local authorities. The ongoing delays in the government's planned reforms related to fair funding, business rates and social care, along with uncertainties about public spending beyond April 2025, are increasing the need for councils to hold additional reserves to enhance their financial resilience.

CIPFA has developed a comparative analytical tool that assesses a council's position on various measures related to financial risk. The [Financial Resilience Index](#) compares similar authorities using publicly available data across multiple indicators. By presenting this information in a consistent format, chief financial officers and other decision-makers can gain a comprehensive understanding of their financial standing and develop medium-term financial strategies.

## Public bodies need to understand the value of their expenditure

By focusing on the optimal use of resources to achieve intended outcomes, governments can enable efficient resource allocation, enhance accountability and improve risk management. Value for money (VfM) assessments allow public bodies to measure the 'value' of their expenditures by applying either actual or estimated financial data. For monitoring and evaluation, the analysis can be supported by cost data and key performance indicators. This can be compared to those of similar organisations, generating insights for enhanced efficiency.

For local authorities, such benchmarking exercises can help to identify areas where efficiency might be improved. An illustration of this concept can be found in the appendix to this report using [CIPFA's VfM Toolkit](#). Unit cost and performance scores incorporate 142 metrics from 49 different sources, including government departments.

An alternative approach considers prospective information geared for specific projects or programmes. Similar to feasibility analysis or crafting a preliminary business case, the [toolkit extension](#) offers a universal framework for understanding the economic viability of outcome-focused programmes. As a tool designed for public managers to self-evaluate expectations, it encourages reflection on the long-term impacts of interventions.

For more robust appraisals, practitioners can adhere to the Five Case Model endorsed by [HM Treasury's Green Book](#). This framework supports the development and evaluation of various options to arrive at the most optimal decision. The complexities and more involved nature of developing business cases limit their accessibility to many councils.

## Summary

Public financial management aims to identify efficiency improvements that can release resources within existing budgets. A whole system approach harnesses financial resources to influence and support public sector objectives, such as promoting greater regional equality. Assessments of value for money and financial resilience can contribute to improved and sustainable performance across government.

Fostering trust through enhanced knowledge sharing will help to drive progress in legislation, standards, execution, assurance and oversight. Strengthening the influence of stakeholders and service advocates can enhance transparency and accountability by identifying practical gaps and weaknesses in the system. Leadership, vision and strategic planning are crucial elements in aligning service delivery with demand, alongside performance and risk management.



# Conclusion



There is clear evidence that English local authorities are applying the approaches that have been used successfully by international cities to overcome social and economic inequalities.

However, implementation of some success factors has been challenging in England. In particular, local areas have struggled to invest for the long term and to conduct effective monitoring and evaluation.

## What we have learned

1

### Shared political will and partnerships

As in our international case studies, willingness to collaborate for the common good across local authority lines and organisational siloes is essential for reducing inequalities.

2

### Clear strategy and vision

Each place needs a tailored strategy structured around a clear vision for the future. This may focus on a particular theme, such as health and wellbeing, or on bringing heritage and legacy assets back into use.

3

### Investing for the long term

Long-term funding commitments and institutional stability are vital. But in England, local authorities are hindered in delivering their visions for economic development by short-term funding pots and policy that fluctuates across electoral cycles. Competition for funding and pressure to bid is stymieing a strategic approach.

4

### Local knowledge

Key players know their places and what drives their local economies. But in England, the ability to build on economic strengths depends on the capacity and capability of local institutions, the maturity of partnership working and the availability of funding for key projects and programmes.

## Monitoring and evaluation

5

Local and regional stakeholders recognise the importance of effective monitoring and evaluation. However, in England there is a common lack of expertise in and capacity to undertake monitoring and evaluation. Limited staff capacity, high workloads and the rapid pace of day-to-day work hinder the ability of local authorities to respond to the launch of new government funding rounds and conduct effective monitoring and evaluation.

## Adapting national frameworks to address local needs

6

Devolution policies and the creation of combined authorities present opportunities for English local authorities to adapt national frameworks to address local needs.

## Diversification

7

Diversification strategies in English local and combined authorities are hindered by the lack of long-term funding. Despite this, there are examples of English local and combined authorities successfully nurturing new economic and employment sectors.

## Key players

8

Combined authorities with an elected mayor have a key role to play in bringing regional partners together around shared goals and can help ensure benefits are spread around a region. Civic partners in the further and higher education sectors can also be important drivers of economic development.

## Adequate and responsive funding

9

The scale of funding available to regions in England to support levelling up does not meet local ambitions. Revenue funding is insufficient, and the time taken for central government to approve projects and change requests hampers delivery.

## Transferable learning and knowledge exchange

10

This success factor emerged as important in our English case studies but was not identified in our international work. Learning can take place locally, regionally, nationally or internationally and there is a desire for more 'head space' to share and reflect on experience across places. But going forward such activity is limited by a lack of funding.

## Implications for policy and practice: some observations and recommendations

### **Short-term and insufficient funding is a specific challenge for England.**

Multiple short-term funding pots and more frequent change in policy across electoral cycles frustrate local authorities in England as they work to deliver their visions for economic development, compared to their international counterparts.

Funding streams that are less fragmented, more adaptable and have longer durations can instil confidence in the financial stability of public service organisations and enable them to plan.

In addition, the scale of funding available to regions in England to support levelling up does not meet local ambitions. There was consensus across all four case study areas that revenue funding is insufficient. Underfunding creates a series of downward spirals limiting the capacity of local government to address regional inequalities be it through innovative partnerships, analytical capacity or effective monitoring and evaluation of projects and programmes.

Funding should be proportionate to the specific tasks and responsibilities at hand.

### **Financial obligations that cannot be sustained are counterproductive to sound policy. Funding should be simpler and more flexible. A single pot model would offer this.**

There is increasing debate and policy interest in fiscal devolution. The Funding Simplification Pilot from the Department for Levelling Up, Housing and Communities is testing the streamlined delivery of capital funding by giving greater spending flexibility over three existing local growth funding allocations. This is welcome but Whitehall needs to work across siloes to support economic development. Simplifying funding processes across government departments is important.

Single pot funding would offer local authorities greater flexibility to respond to local priorities and plan for the long term than multiple smaller funds that need to be committed to specific and prescribed uses. An

agreed approach to single funding settlements will be implemented at the next spending review for the West Midlands and Greater Manchester combined authorities. Announced in the 2023 Autumn Statement, this approach will provide flexibility and reduce complexity. It moves combined authorities closer to a single pot model but there remain discrepancies in time and ambit. Also, deeper devolution is required beyond the West Midlands and Greater Manchester.

### **Capacity constraints are a real problem for local authorities engaged in levelling up. Until capacity recovers, evaluation activity should be targeted and strategic.**

Limited staff capacity and the rapid pace of work required has contributed to a lack of expertise in monitoring and evaluation, as well as the ability to carry it out.

Local authority capacity challenges need addressing. While recent levelling up funding has been targeted at local authorities, accompanying administrative capacity

to manage and monitor funding at local authority level has not been devolved.

Given current capacity constraints, local and combined authorities need to be strategic in what they evaluate and not look to evaluate everything.

**Multi-level collaboration and partnership working is vital. A whole system approach to public financial management can enhance performance.**

Multi-level collaboration is crucial to addressing regional inequalities, emphasising the importance of partnership working. Co-commissioning projects and programmes between local authorities and combined authorities offers opportunities to share experience and streamline resources.

Public financial management can be instrumental in addressing regional disparities by recognising the interdependence of governance across different spatial scales. Under the framework, resource management is aligned with service delivery and checks and balances are incorporated to enhance governance outcomes.

This approach supports the efficient use of public funds and helps enhance the overall performance of the public sector.

**Learning is important but not prioritised.**

Facilitating learning between stakeholders is important. Enhanced knowledge sharing will also help the public financial management system drive progress in legislation, standards, execution, assurance and oversight.

Strengthening the influence of stakeholders and service advocates can enhance transparency and accountability by identifying practical gaps and weaknesses in the system.

Appetite to engage in learning and knowledge exchange locally, regionally and internationally was identified but is not prioritised due to funding and capacity constraints. Learning lessons requires proactive programmes, which are dependent upon organisations having the time and money to devote to these activities.



# Appendix



## Appendix: Measuring value for money

Local councils, grappling with reduced budgets and declining revenue, require reliable and precise information that illuminates possible ways to operate more efficiently. It is crucial to collect and evaluate pertinent data before reaching any decisions, especially for financial leaders in the public sector who have a dual concern for their organisation's fiscal stability and the uninterrupted provision of vital services.

To gauge performance and spending relative to similar socio-demographic and economic peers, we can employ CIPFA's [value for money toolkit](#) to compare a council. This approach also helps identify neighbouring councils that perform better, offering valuable insights and best practices for enhancing efficiency.

The toolkit features data on 142 metrics from 49 different sources, including government departments, which are summarised into 34 indicators for upper tier authorities (or nine for lower tier ones). Each indicator has a cost score and performance score that are calculated as weighted composites of the sub-indicators.

Cost scores are calculated using financial data collected in the RO, RA and ASCFR returns. The amount spent is divided by a given denominator. Typically, this is total population, though for example for children's social care it is the population between ages 0–17, and for highways maintenance it is motor vehicle traffic. The authorities' scores are normalised by subtracting the minimum score then dividing by the range. Performance data is taken from several different sources outlined in the VfM Toolkit's metadata. The scores are calculated in the same way as the cost scores.

Although a number of these indicators may be relevant for gauging the effectiveness of places in reducing spatial inequalities through a value approach (eg housing, homelessness, welfare and inclusion, mental health and transport), we consider '**economic development**' as the most useful example. This includes the:

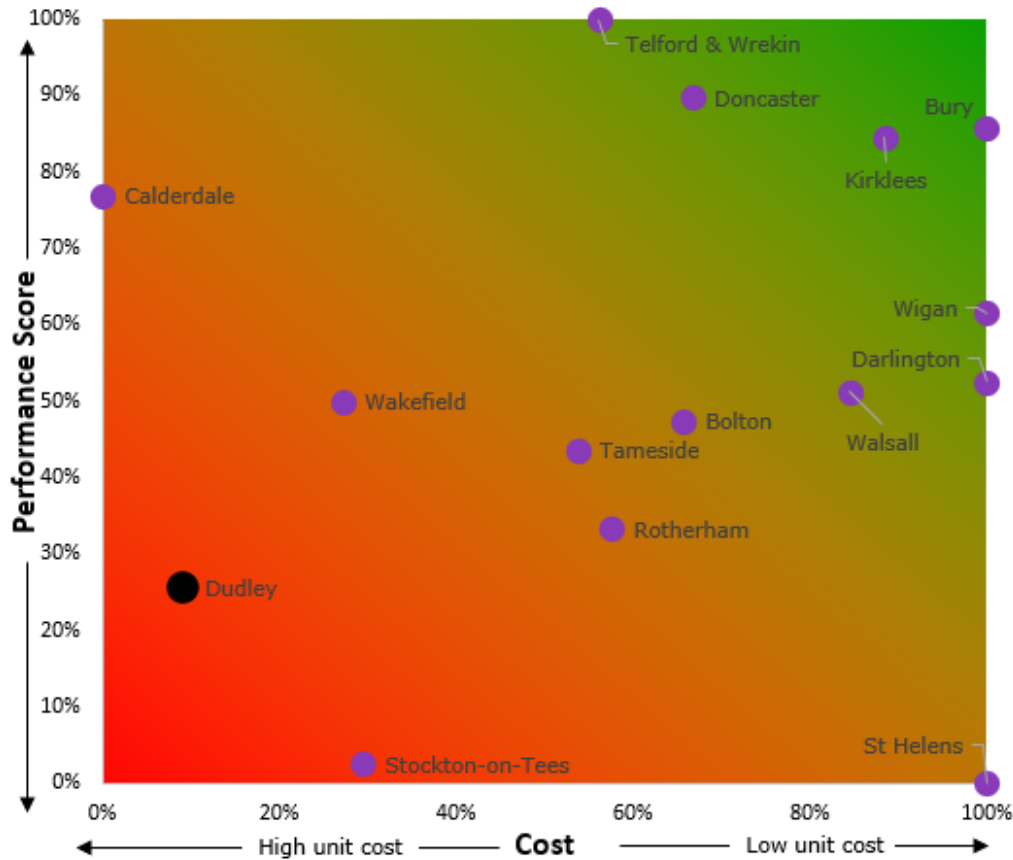
- percentage of 16- and 17-year-olds in education and training
- overall employment rate

- new business registration rate
- percentage of working age population claiming jobseekers' allowance
- number of active businesses in the area.

Using the CIPFA Nearest Neighbours Model, a local authority's cost and performance scores are compared against a group of councils the model considers most similar. As the data is only available at a local authority level, for South Yorkshire and Tees Valley, we have produced charts showing the performance of the constituent local authorities compared to the performance of their 'nearest neighbours'.

The relative performance of each council, compared with other similar authorities, is displayed in raw data format on the graphs below. Organisations considered to offer good value for money are grouped in the top right area (green-shaded), while those towards the bottom left (red-shaded) are performing less efficiently.

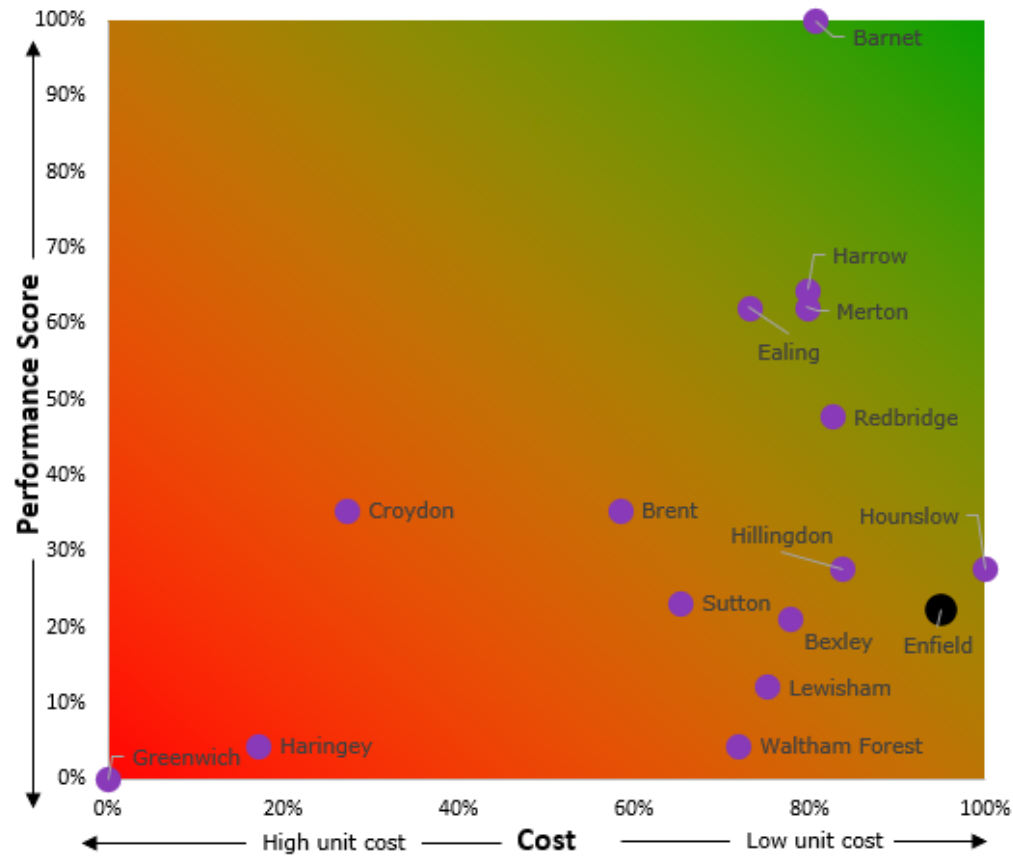
## 1. Dudley Metropolitan Borough Council



Dudley lies in the highest decile on unit costs and lowest 25% on performance. This indicates that the council spends relatively more than its comparator group on delivering outcomes related to economic development. As there may be characteristics unique to a sub-population of service end users that account for these differences, evaluative judgements will also need to be taken into account when interpreting such data.

Source: [CIPFA Value for Money Toolkit](#)

## 2. Enfield Borough Council

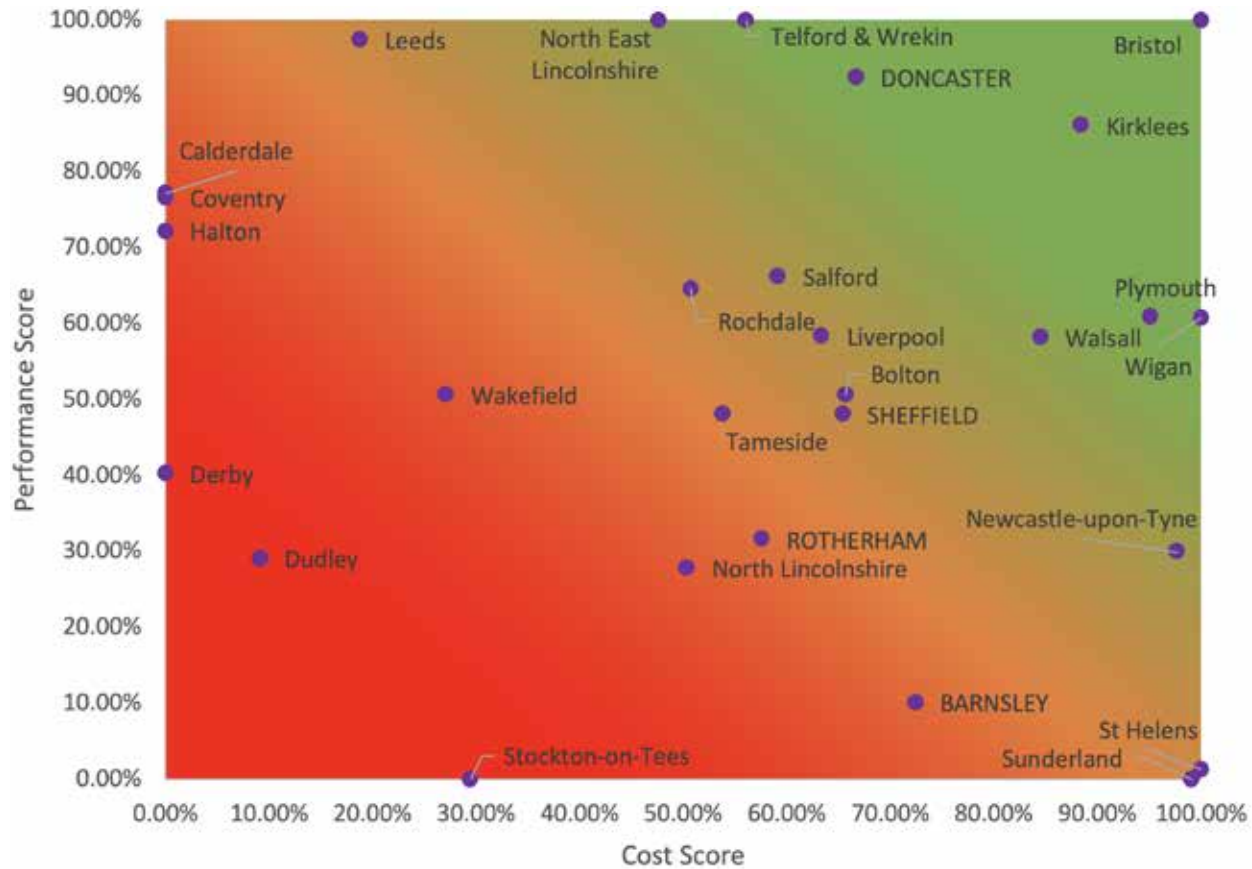


Enfield provides services relating to economic development at a lower unit cost than most of its nearest neighbours but does so with a lower performance score.

Source: [CIPFA Value for Money Toolkit](#)



### 3. Local authorities in South Yorkshire compared to their nearest neighbours

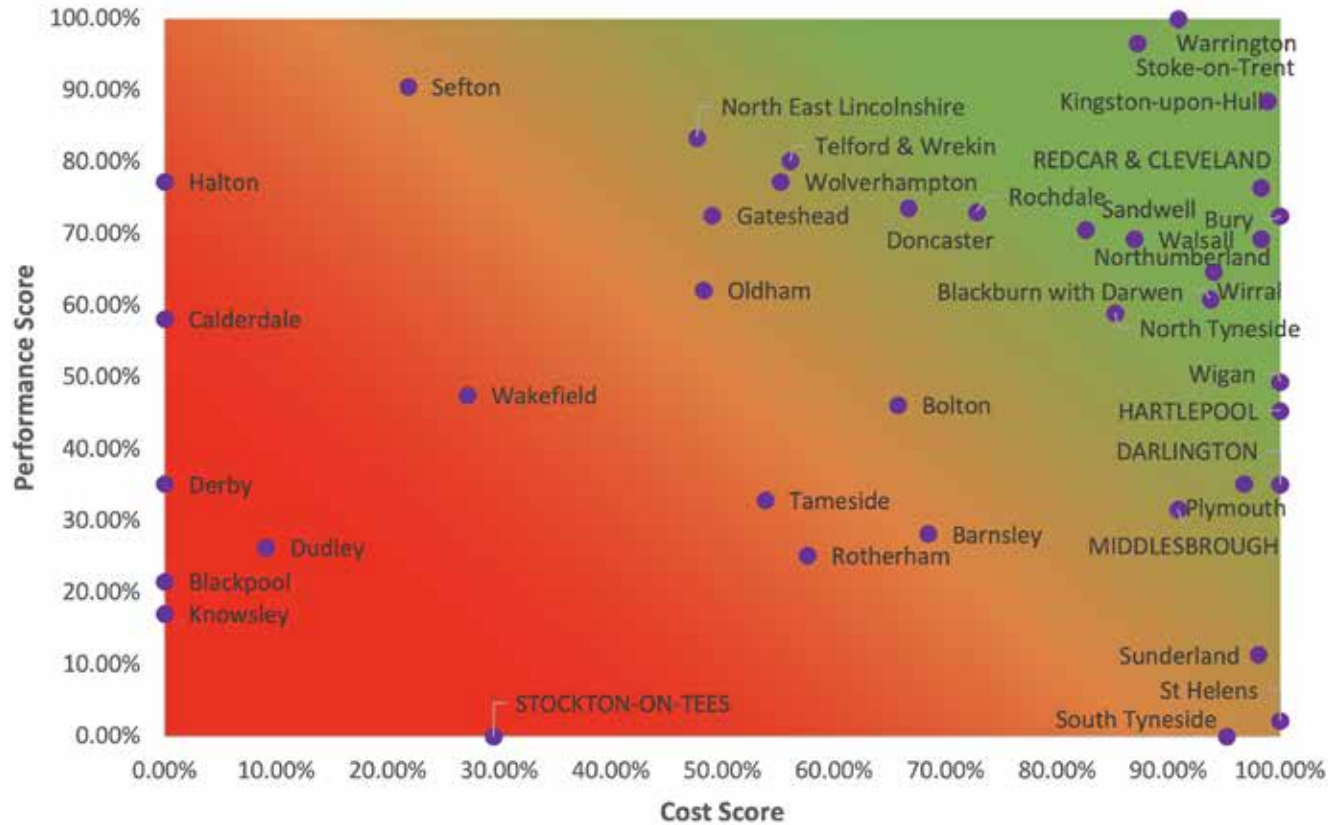


Source: [CIPFA Value for Money Toolkit](#)

NB local authorities in South Yorkshire are indicated in capital letters. Their CIPFA nearest neighbours are in lower case letters. Data for the cost score is unavailable for Halton and Derby.

For the 'economic development' indicator, Barnsley scores the lowest on both performance and unit costs within the South Yorkshire region. In contrast, Doncaster appears in the green-shaded upper quadrant indicating better value for money.

#### 4. Local authorities in Tees Valley compared to their nearest neighbours



NB cost score data is unavailable for Halton and Derby.

For the 'economic development' indicator, Redcar and Cleveland Borough Council stands out for its high performance score and low unit costs, which indicate good value for money. In contrast, Stockton-on-Tees is among the worst performers according to the sub-indicators used to generate the performance score.

Source: [CIPFA Value for Money Toolkit](#)

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