

The Government's Review of Sub-National Economic Development and Regeneration: Key Issues

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Abstract

We are now in the midst of another concerted attempt by Government to make sense of and tidy up the sub-national governance of economic development and regeneration. This is a challenging task made all the more difficult by being undertaken in a UK context following a period of uneven devolutionary change and cross-cut by new and existing scales of institutions and spatial policies at the sub-regional, city-regional, regional and pan-regional levels as well as the economic slowdown. The current endeavour has taken the form of the *Review of Sub-National Economic Development and Regeneration* led by HM Treasury, Department for Business, Enterprise and Regulatory Reform and the Communities and Local Government department and the consultation *Prosperous Places: Taking Forward the Review of Sub National Economic Development and Regeneration* (hereafter SNR). We recognise that SNR is emergent 'policy-in-the-making', containing some potentially radical steps for government across a range of geographical levels, and represents a laudable attempt to establish a clearer framework replete with challenging opportunities for RDAs, local authorities and other existing and emergent spatial institutions. Our purpose here is to raise some key issues for debate and reflection as part of the process of addressing sub-national economic development and regeneration policy and governance.

Key words: regeneration, economic development, government

JEL classification: R5, R58

Introduction

Almost twenty years on from the Audit Commission's (1989: 1) description of the then government's approach to addressing urban problems as a "...patchwork quilt of complexity and idiosyncrasy"¹, we are now in the midst of another concerted attempt by Government to make sense of and tidy up the sub-national governance of economic development and regeneration. This is a challenging task made all the more difficult by being undertaken in a UK context following a period of uneven devolutionary change and cross-cut by new and existing scales of institutions and spatial policies at the sub-regional, city-regional, regional and pan-regional levels as well as the economic slowdown. The current endeavour has taken the form of the *Review of Sub-National Economic Development and Regeneration* led by HM Treasury, Department for Business, Enterprise and Regulatory Reform and the Communities and Local Government department and the consultation *Prosperous Places: Taking Forward the Review of Sub National Economic Development and Regeneration*² (hereafter SNR).

We recognise that SNR is emergent 'policy-in-the-making', containing some potentially radical steps for government across a range of geographical levels, and represents a laudable attempt to establish a clearer framework replete with challenging opportunities for RDAs, local authorities and other existing and emergent spatial institutions. Our purpose here is to raise some key issues for debate and reflection as part of the process of addressing sub-national economic development and regeneration policy and governance. The issues comprise the dominance of growth-oriented national economic policy over redistributive spatial policy, the marginal and fragmented nature of spatial concerns within central government, the multiple and under-specified geographies, the problematic search for the appropriate spatial scales for policy, the recurrent 'wicked issues' of multi-level and multi-agent co-ordination and working at between and across particular spatial levels, the potential overburdening of

¹ Audit Commission (1989) Urban Regeneration and Economic Development. The Local Government Dimension, HMSO: London.

² HM Treasury, Department of Business, Enterprise and Regulatory Reform and Communities and Local Government (2007) Review of Sub-National Economic Development and Regeneration, HMSO: Norwich; CLG and BERR (2008) Prosperous Places: Taking Forward the Review of Sub National Economic Development and Regeneration, HMSO: Norwich.

local authorities and the national but limited regional and local accountabilities. Each issue and potential responses are discussed in turn below.

1. Growth-oriented national economic policy over redistributive spatial policy

SNR and spatial policy more generally are dominated by the economic focus of government policy. Led by HM Treasury, economic policy is informed by orthodox neo-classical economics and its founding assumptions, including individual actors' economic rationality and markets as the most efficient allocation mechanism for scarce resources, and uses productivity as a proxy for competitiveness³. Rather than acknowledging an explicit role for the public sector as an actor involved in positively shaping spatial development⁴, 'market failure' is interpreted as the only justifiable rationale for state intervention to ensure or improve the functioning of markets for goods and services, labour and capital. Making markets work better is the aspiration through improving information flows, promoting competition and ensuring responsive and flexible market actors, especially on the supply-side. Without a 'market failure' rationale, this approach suggests, government agency locally and regionally risks the 'crowding out' of private sector investment and 'government failure' from inefficient policy choices. Enshrined in HM Treasury's *Green Book*, the assumption is that spatial policy effects can be "essentially unproductive" or "zero-sum" because they are distributional⁵. That is, spatial policy expenditure in one area can make improvements only at the expense of other areas because of displacement and 'crowding out' effects. Informed by 'new economic geography' research⁶, however, HM Treasury has begun to recognise that spatial policy and 'place' matter through the positive (or negative) externalities and spill-overs arising from the geographical distribution of economic activities. This view has stirred a growing recognition, albeit

³ Balls, E. and O'Donnell, G. (2001) (Eds.) Reforming Britain's Economic and Financial Policy: Towards Greater Economic Stability, Palgrave: London.

⁴ Fothergill, S. (2005) "A new regional policy for Britain", Regional Studies, 39, 5, 659-667.

⁵ Turok, I. (2008) "A New Policy for Britain's Cities: Choices, Challenges, Contradictions", Local Economy, 23, 2, 149-166.

⁶ Fujita, M., Krugman, P. and Venables, A. (1999) The Spatial Economy. Cities, Regions and International Trade, MIT Press: Boston, MA.

from a modest start, of the spatial dimension to interventions and the potential of spatial policy to contribute to national economic growth and prosperity.

SNR fits squarely within HM Treasury's 'new regional economic policy'⁷ that explains the spatial disparities between regions and within regions primarily in terms of differences in productivity and shortcomings in the supply-side of regional or local markets and business climate. This analysis has led to a policy focus upon addressing the '5 drivers' of productivity (skills, investment, innovation, enterprise and competition) at the regional and local levels as the means of releasing and realizing economic potential better to contribute to national economic productivity and growth. There is no national 'top-down' spatial policy but rather a 'bottom-up' approach, wherein decentralised institutions are encouraged more flexibly to tailor policy to local and regional needs and circumstances within an enabling national framework of 'devolved decision-making'⁸. National economic growth has been prioritised in the context of global economic competition where success may only be achieved by diversified, innovative, open and well-connected spatial economies building economic specialisation, realizing their potential based upon their particular indigenous strengths and moving up the economic development ladder toward higher value-added and more sophisticated economic activities. SNR appears to emphasise this national focus upon the economic growth and efficiency of 'areas of opportunity' to a much higher degree than its acknowledgement of the social and spatial equity questions of tackling spatial disparities and entrenched 'areas of disadvantage'. It might even be argued that the earlier vintage of language of associated with market-led approaches and 'trickle-down' has been replaced with that of a newer language inspired by 'new economic geography' and 'spill-overs' while the central intent remains much the same. Discussions of balanced spatial growth and development have been consigned to an earlier era.

⁷ HM Treasury and Department of Trade and Industry (2001) Productivity in the UK – 3: The Regional Dimension, HMSO: London; HM Treasury, Department of Trade and Industry and Office of the Deputy Prime Minister (2003) A Modern Regional Policy for the United Kingdom, HMSO: London; HM Treasury and Office of the Deputy Prime Minister (2003) Productivity in the UK – 4: The Local Dimension, HMSO: London.

⁸ HM Treasury (2004) Devolving decision making: 2 - Meeting the regional economic challenge: Increasing regional and local flexibility, HMSO: Norwich.

While SNR connects so strongly to the prevailing dominance of national economic policy over spatial policy it fails to recognise and develop cogent responses to the salient critique of the Government's 'new regional economic policy' emergent in recent years. First, national economic policy and its subordinate spatial policy are heavily focused on economic growth, albeit with some relatively weak traces of sustainability, at a time when the importance of wellbeing, quality of life and broadened notions of spatial 'development' beyond that which is captured by increases in economic indicators and productivity targets such as Gross Value Added per hour worked are beginning to be recognised⁹. Second, conceptually and analytically, the 'new regional economic policy' betrays the largely a spatial and narrow view of the orthodox neo-classical economist and draws upon a narrow evidence base, especially given the long history of research on urban and regional economics in the UK¹⁰. Research and methods for examining national productivity problems are transposed unproblematically to the regional level and virtually every malady is reduced to a problem of productivity amongst workers and firms. Redistributive forms of spatial policy have been caricatured as ineffective 'old' regional policy and the UK has been effectively repositioned firmly in line with the international trend toward the abandonment and weakening of the state's redistributive functions and the embrace of forms of spatial policy that focus less on national redistribution of growth and more on giving regions and localities the responsibility to generate their own growth¹¹.

Yet, orthodox neo-classical economics with a limited understanding of spatial context and dynamics can only ever provide weak and partial explanations of spatial issues. The government's diagnosis of spatial disparities, for example, underplays the importance of the demand-side and the number of firms and jobs in places (employment has only belatedly been acknowledged as a 6th 'driver' of productivity), ignores land and property constraints, overlooks the importance of spatial industrial

⁹ Morgan, K. (2004) "Sustainable regions: Governance, innovation and scale", *European Planning Studies*, Volume 12(6), 871-889; Pike, A. Rodríguez-Pose, A. and Tomaney, J. (2007) "What kind of local and regional development and for whom?", *Regional Studies*, 41, 9, 1253-69.

¹⁰ Fothergill, S. (2005) "A new regional policy for Britain", *Regional Studies*, 39, 5, 659-667.

¹¹ Pike, A., Rodríguez-Pose, A. and Tomaney, J. (2006) *Local and Regional Development*, Routledge: London; Henry, N. *et al.* (2006) *What Works in Regional Economic Development*, GHK/CURDS, Newcastle University; Birmingham/Newcastle Upon Tyne; Pike, A. (2008) *Policy Audit: Regional Growth Agreements in Västra Götaland*, OECD LEED, Paris.

structure in shaping productivity levels of value added per head, neglects the significance of spatial divisions of labour in the geographical distribution of types of functions, jobs and occupations associated with economic activities¹² and portrays a simplistic and narrow conception of the public sector's role in spatial development¹³. The orthodox approach to 'market failure' and 'making markets work better' offers only an a historical and simplistic analysis – notably without even recognition of the Keynesian analysis of cumulative and unequal forms of economic growth¹⁴. In a geographical frame, path dependencies set in train by the historical layering and patterning of economic activities in places play a crucial role and efficiently functioning markets can exacerbate rather than ameliorate spatial disparities; for example, labour responding to price signals and migrating from less prosperous places taking their spending power and demand for local services elsewhere, further accelerating localised economic contraction and decline. Indeed, certain interests have actually called for such processes to be supported and even accelerated¹⁵.

Lastly, while SNR recognises the importance of the economic success of London as a 'global city' and concedes that the economic gap between it and the rest of the England and the UK has increased, the relationships and linkages between London and the Greater South East 'super-region'¹⁶ are not tackled because of the dominance of national growth concerns over spatial policy. Put bluntly, spatial policy interventions are sanctioned that support rather than inhibit the growth of the London 'super-region' and its contribution to national economic prosperity, while the equity dimensions of this are overlooked. This rationale underpins the substantive direct and indirect spatial effects of the unprecedented levels of public infrastructure investment being made to contain the diseconomies of growth and agglomeration in London and the Greater South East. In addition to the Sustainable Communities Growth Areas in Thames Gateway, Milton Keynes and South Midlands and Ashford, high levels of public investment are evident in the Channel Tunnel Rail Link, Terminal 5 and a

¹² Fothergill, S. (2005) "A new regional policy for Britain", *Regional Studies*, 39, 5, 659-667.

¹³ Birch, K. and Cumbers, A. (2007) "Public sector spending and the Scottish economy: crowding out or adding value?", *Scottish Affairs*, 58, 36-56.

¹⁴ Armstrong, H. and Taylor, J. (2000) *Regional Economics and Policy* (3rd edition), Blackwell: Oxford.

¹⁵ Leunig, T. and Swaffield, J. (2008) *Cities Unlimited: Making Regeneration Work*, Policy Exchange: London.

¹⁶ Harding, A. and Robson, B. (2008) *The Northern Connection: Research Findings and Implications*, Presentation to Northern Way Research Consultation Event, Manchester, 24 January, IPEG, Manchester University.

further potential runway at Heathrow airport, the expansion of port facilities at Felixstowe and new facilities at Shellhaven on the Thames Estuary, the trans-London Crossrail line and the 2012 Olympics. While it might be argued that London and the South East's share of population justifies its prioritisation, it is probable that these high, unprecedented and rising levels of infrastructure investment are more likely to generate rather than ameliorate inequalities in public investment per capita across the UK. Together, such central government investment for the UK's main city-regional growth centre and lack of coherence of the sub-national governance of economic development across England has been met with calls for some kind of an integrated 'Spatial Plan for England', mirroring those in London, Scotland, Wales and Northern Ireland (and many other places in Europe) and providing more than the sum of the Regional Spatial Strategies of the 8 English regions in setting out a set of spatial development priorities for England as a whole¹⁷.

What might be done to ameliorate this domination of spatial policy by growth-oriented national economic policy? First, drawing upon analysis of their definition and meaning, open up debate and reflection on which forms of sub-national 'development' and 'regeneration' are deemed appropriate. Sustainable development is in the original RDA remit, for example, and will come to the fore more strongly in the context of Integrated Regional Strategies wrestling to reconcile economic, social and environmental issues in the search for sustainable development in a era of climate change. Second, explore ways to achieve a better balance between economic efficiency and growth nationally, regionally and locally and social equity in spatial policy that does not further fuel spatial disparities at a range of geographical scales. The life chances and welfare of people are better served by more spatially equitable access and provision of the nation's resources. Third, draw upon the wider and historical regional and urban economics research and evidence base in conceptualising, analysing and developing policy. Last, rather than assuming and/or waiting for market-led dispersal, better understand and shape the relationships between the London and Greater South East 'super-region'

¹⁷ Town and Country Planning Association (2006) Connecting England: A Framework for Regional Development, Final Report of the TCPA-Appointed Hetherington Commission on the Future Development Needs and Priorities of England, TCPA: London.

and the rest of the UK¹⁸, for example, through an initiative such as the TCPA's 'Spatial Plan for England'.

2. Spatial concerns marginal and fragmented within central government

While spatial concerns have undergone a highly uneven renaissance in government thinking and public policy in the last decade, SNR tends to reinforce the view that they remain marginal and fragmented at the centre of government. Any ascendancy in spatial concerns in central government we might interpret as part of HM Treasury's wide influence and its strong focus on productivity growth to the exclusion of other considerations. Here, 'regions' have been accepted as functional units or containers within which 'market failures' and interventions for the 5 productivity drivers could be addressed and 'neighbourhoods' are seen as the localised areas within which the regeneration of deprived communities could be tackled. Policy examples include the regional economic performance Public Service Agreement, resource growth and increased flexibility for RDAs, and the various neighbourhood renewal institutions and programmes. SNR's emergence, however, signals the concern in government to better understand and tidy up the sub-national governance of economic development and regeneration in England. As part of this endeavour, its aspiration is for clearer objectives and responsibilities within central government. Yet it is seeking to undertake this task in the context of, first, a tighter public spending round which imparts an emphasis upon streamlining decision-making, minimising bureaucracy and rationalising and co-ordinating strategy and funding effectively and, second, a visibly worsening economic situation which is likely to have highly uneven regional consequences. In turn, these developments are occurring in circumstances where spatial policy remains of marginal concern to a central government which presumably sees a lack of obvious and short-term political dividends from getting spatial policy right.

¹⁸ Gordon, I. (2004) "A disjointed dynamo: the South East and inter-regional relationships", *New Economy*, 11, 3, 40-44.

SNR is hampered in its task of streamlining the sub-national governance of economic development and regeneration by the recurrent problems of centralism and departmentalism characteristic of the Whitehall model of public administration and the particular history of the British civil service. Despite more than a decade of attempts at ‘joining-up’, spending departments working within a centralised system of Treasury-defined targets tend to continue to work within focused ‘silos’ and find it hard to connect and integrate their policy concerns with those of other, similarly managed, government departments¹⁹. Compounding this problem, important spending departments remain to varying degrees ‘spatially blind’ to the geographical implications of their decisions and actions even when they orchestrate delivery agents regionally and locally, for example in higher education sector R&D, especially in the context of a more ‘knowledge-intensive’ economy, and centralisation tendencies are replayed, for example in the current reorganisation of post-16 education and training. Further disconnection is evident in the lack of linkage and integration between the influential HM Treasury-commissioned independent reviews of spatial aspects of growth management issues addressed in recent reports, for example Eddington (Transport), Barker (Planning) and Leitch (Skills)²⁰, and the spatial policy work in key government departments. Such important reviews have provided tangible ways of enhancing sensitivity to spatial questions that might have been expected to have been taken up more readily in government departments.

Where spatial concerns are more central to individual departments they have been historically fragmented. In their most recent incarnation, this has been between the Department for Business, Enterprise and Regulatory Reform (BERR) as the sponsor Ministry for RDAs, the Communities and Local Government (CLG) department and — largely without a mention in SNR despite its spatial responsibilities — the Department for Environment, Food and Rural Affairs (DEFRA). The Devolved Administrations largely have their own spatial policy arrangements in the context of

¹⁹ Better Regulation Task Force (2002) The Local Delivery of Central Government Policy, Better Regulation Task Force: London.

²⁰ Eddington, R. (2006) The Eddington Transport Study, Report for HM Treasury and Department of Transport, HMSO: London; Barker, K. (2005) Barker Review of Land Use Planning, Report for HM Treasury, HMSO: London; Leitch Review of Skills (2006) Prosperity for All in the Global Economy – World Class Skills, Report for HM Treasury, HMSO: London.

devolution. The lack of overall weight given to spatial concerns at the centre has been reinforced by this fragmentation and by the relatively small size and weak positions of the nominally 'spatial' departments *vis-a-vis* other larger and/or more powerful departments in their relations with HM Treasury. CLG, for example, has the strongest claim to the spatial brief at the centre through its responsibilities for local government and regeneration at neighbourhood and community level to increase economic inclusion and reduce worklessness as well as its connections with BERR for RDA funding. CLG's emergent (although somewhat eclectic) 'economics of place' agenda is a project to use 'place' as an amenable focus and language to show how government policy connects and interacts in specific areas and to cement spatial concerns at the heart of government²¹. While laudable, it remains at an early stage in constructing the powerful and convincing analytical framework and evidence base necessary to demonstrate and cement spatial concerns in HM Treasury and other Departments' strategies and delivery plans. There is, then, still much work to do formally and informally to change the culture of some Whitehall departments and to make the case for greater spatial sensitivity and its effectiveness in helping to deliver on core departmental targets.

What might make government take spatial concerns more seriously and begin to co-ordinate and integrate their working more effectively in the centre? First, continue what SNR has started by encouraging a higher priority and greater coherence for spatial concerns at the heart of government. Second, support more research and the construction of a stronger evidence base to demonstrate and support the effectiveness of building a spatial dimension into the business of government departments to show how it facilitates the process of reaching their own core targets and, through joint agreements, better connects and integrates public policy across departments. Further development, for example, might be considered of the gains and insights from the Regional Funding Allocations process. Third, establish a Cabinet Minister post and portfolio and standing Cabinet Committee working cross-departmentally with a specifically spatial remit. Fourth, establish a commitment for all government departments to consider the spatial implications of their public

²¹ Communities and Local Government (2007) Communities and Local Government Economics Paper 1: A Framework for Intervention, DCLG: London.

service agreement targets and policy frameworks. This might draw upon existing work on ‘region proofing’ but incorporate a broader geographical frame of reference across spatial levels, for example city-regions, localities and neighbourhoods²². Last, establish a rolling ‘Lyons Review’ or a permanent central government unit with responsibility to oversee and shape the pattern and dispersal of public sector activity²³.

3. Multiple and under-specified geographies

SNR contains multiple and poorly specified geographies. Reference is made to at least seven different spatial units or entities existing at the sub-national level, including ‘regions’, ‘sub-regions’, ‘cities’, ‘city-regions’, ‘localities’, ‘neighbourhoods’ and ‘communities’. In addition, there is also use of the more general term ‘places’. This openness and lack of clear prioritisation of specific spatial entities appear to be part of the deliberate and pragmatic strategy at the heart of SNR. The Local Government Minister, John Healey, states that the “principle” and “invitation” within SNR is for sub-national spatial entities to explore, develop and co-operate to find the spatial arrangements that work best in unlocking economic development potential in their particular areas²⁴.

This lack of geographical specification in SNR raises some issues. First, SNR deliberately deploys the broad term ‘sub-national’ or even ‘spatial’ policy to encompass the diversity and variety of geographical entities that might emerge²⁵. In the context of a faltering regionalisation and regionalism project, a vacuum has emerged into which has flowed rival spatial governance concepts competing

²² Town and Country Planning Association (2006) Connecting England: A Framework for Regional Development, Final Report of the TCPA-Appointed Hetherington Commission on the Future Development Needs and Priorities of England, TCPA: London.

²³ Lyons, M. (2004) Well Placed to Deliver? Shaping the Pattern of Government Service: Independent Review of Public Sector Relocation, HMSO: Norwich.

²⁴ John Healey, Local Government Minister, quoted in Hetherington, P. (2007) “Changing places”, Public Finance, 31 August, CIPFA: London.

²⁵ Turok, I. (2008) “A New Policy for Britain's Cities: Choices, Challenges, Contradictions”, Local Economy, 23, 2, 149-166.

for attention and support²⁶. Yet their inter-relationships are little discussed in SNR. What, for example, are the spill-over impacts and policy externalities on specific localities and/or regions of an ambitious city-region forging ahead on strategies for economic development, housing, planning, transport and skills for its own particular area?²⁷ How do adjacent local authorities connect, shape or react to such initiatives? How do places determine where they fit into an emergent spatial institutional architecture from which they might be effectively excluded? Where does the political authority and decision-making power lie to answer such questions? Second, the different spatial entities have different institutional histories and contexts. ‘Region’ resonates with Government Office Regions and, for example, the shared PSA between HMT, BERR and CLG, BERR’s sponsorship of RDAs and CLG’s housing, spatial planning and RDA scrutiny responsibilities. Alongside, city-regions and sub-regions have gained currency, especially as a result of their purported economic growth potential and ability to encourage local authority co-operation particularly across existing administrative boundaries. ‘Neighbourhoods’ and ‘communities’ remain the preserve of CLG and are explicitly linked to economic, social and environmental regeneration. Such complexity and variety of spatial entities is part of SNR’s motivation. Indeed, flexibility is broadly welcomed in preference to any more rigid, top-down universal template. But this raises some difficult questions. By simply mirroring the institutional landscape how can SNR help decide whether and how regional, city/city-region, sub-regional and neighbourhood policy are substitutes or complements? The avoidance of overly strong prescription from the national centre accords with the ‘bottom-up’ approach but is it too open and flexible? Is it a recipe not to rein in but to extend and continue the very issues of fragmentation, overlap and duplication SNR is seeking to address? Indeed, the perceived encouragement of city-regions — albeit faltering — by government has stimulated representations from interests associated with some specific spatial units feeling excluded from such an agenda, including areas such as rural, former industrial, seaside, suburbs as well as other non-core cities, towns and shire counties²⁸.

²⁶ Pike, A. and Tomaney, J. (2008) Sub-national governance and economic development: The case of England in post-devolution UK, Unpublished Paper, CURDS: Newcastle University.

²⁷ Overman, H. G. and Rice, P. (2008) Resurgent Cities and Regional Economic Performance, SERC Policy Paper 1, Spatial Economics Research Centre: London.

²⁸ Richardson, K. (2007) The Place of Cities in City Regions following the Sub National Review: The Case of Newcastle, Newcastle City Council: Newcastle Upon Tyne; CEDOS (2007) Making the Most of Our Economic Potential, CEDOS.

Third, the thorny issues of boundaries and the delimitation of spatial entities are sidestepped within SNR. There is a welcome recognition of the importance of functional spatial areas, for labour markets, commuting and transport for example, that typically extend beyond administrative boundaries. But the responsibility for deciding how these geographies might emerge and cohere on the ground is left to those spatial institutions with the initiative to work it out and put in place cross-institutional arrangements. This approach is markedly uneven and risks reinforcing asymmetries and inequalities amongst sub-national institutional actors and their geographies by encouraging those areas with already the most established levels of co-operation to deepen their collaboration further for mutual gain. This might offer a potential boon for ‘areas of opportunity’ and/or those with strong histories of joint working but it is potentially much harder for those localities with few ‘areas of opportunity’ and/or histories of antagonism, rivalry or conflict, although common problems and shared adversity might perhaps provide the basis for co-operation.

What might be considered, then, to address the multiple and under-specified geographies in SNR? First, acknowledge the value and provide some more worked through examples of the potential variety of geographical units and their inter-relationships, drawing upon international research and experiences. Deeper research is required on issues of subsidiarity to identify the lowest appropriate level for appropriate spatial policy interventions in particular contexts. Second, reflect upon and demonstrate how more polycentric, distributed models and multi-level inter-relationships between spatial entities at whichever geographical scale can be constructed, drawing upon international experience. Last, provide more central support and resources to remedy the markedly uneven capacities and spatial disparities shaping the ability of spatial institutions actively to participate in constructing new spatial arrangements.

4. The problematic search for the appropriate spatial scales for policy

SNR continues the government's problematic search for the appropriate spatial scales for policy. The devolving decision making agenda has sought to get decisions made at the 'right' spatial level by devolving powers and responsibilities in line with outcomes in specific functional areas, for example transport in functional labour market areas. The idea is that an 'optimal' scale exists for different spatial policy interventions and, once identified, responsibilities can be allocated to institutions in line with economic impacts. But the question of which kind of policy at which spatial scale is deceptively complex and difficult to answer if we take geographical context and spatial interdependencies seriously. The notion of an 'optimal' scale for specific policy types again betrays the orthodox neo-classical economists' approach, language and relative neglect of the complexities of spatial context and dynamics. Geographical context and spatial interdependency mean that for any given functional policy sphere numerous 'appropriate' scales might be identified because of the specific and particular attributes of places in which policy interventions unfold and because the spatial impacts of policies typically spill-over and generate knock-on effects to places both adjacent and further afield from the places where policies are being delivered across and between geographical scales²⁹. In other words, context makes a difference to the appropriate scale for policy in specific cases and outcomes can be effectively multi-scale³⁰. Depending upon its particular configuration of economic assets and potentials as well as institutional capacities, for example, a specific place may deem innovation policy a regional, sub-regional or city-regional concern. Other policy interventions have deliberately sought to work across scales in a wider spatial approach, for example neighbourhood regeneration effectively seeks to link deprived communities to economic opportunities at city, city-region or sub-regional scales, notwithstanding the need for appropriate linkage mechanisms³¹. Such complexities emerge

²⁹ Learmouth, D. and Swales, J. K. (2005) Policy Spillovers in a Regional Target-Setting Regime, Discussion Paper No. 5, Centre for Public Policy for Regions, Glasgow University.

³⁰ Pike, A., Champion, A. G., Coombes, M., Tomaney, J. and Humphrey, L. (2005) The Economic Viability and Self-Containment of Geographical Economies: A Framework for Analysis, Office of the Deputy Prime Minister: London.

³¹ Turok, I. (2007) "Full employment strategies for cities: The case of Glasgow", OECD Papers, 6, 12, 214-231.

even without introducing issues of institutional competition and turf wars over specific policy domains.

Following this argument through, it could be envisaged that different policy foci could find an ‘appropriate’ and effective home across and between ranges of different spatial levels depending upon their geographical context. This creates a more complex but arguably more realistic picture of the typically overlapping spatial extents and scales of policy – for example concerning housing, labour and retail markets, industrial sectors, sustainable eco-regions and so on – which may vary in their specific spatial extent across the country and with which spatial policymakers have to deal rather than searching for the ‘one-size-fits-all’ scale for a particular kind of policy intervention. Indeed, regional actors are interpreting the shift towards a more ‘bottom-up’ policy framework as a signal that central government has recognised that different policies will manifest themselves differently in different regions³². In seeking the ‘optimal’ scale for specific policy interventions government appears torn between a desire for economies of scale in developing strategy and policy for a particular functional area and its ‘devolved decision-making’ agenda which is seeking to facilitate greater responsiveness to local and regional circumstance. A tension which raises the further question of the ‘appropriate’ level of spatial policy for whom? The policy makers and deliverers or the objects and subjects of policy?

What might be done to address the problematic search for the ‘optimal’ spatial scale for specific policy interventions? One possibility is to adopt a more open approach alive to the diversity and variety of spatial policy interventions that the greater acknowledgement of geographical context and spatial interdependencies introduces, recognising the value of being flexible about policy interventions at the national, regional, sub-regional and local scales. This openness potentially sits more comfortably with the more flexible approach to institutional arrangements suggested and encouraged in SNR.

³² Warbuton, T. (2008) The Regional Perspective on Sub-National Review and Regional Strategy Development, Head of Regional Strategy, ONE North East, Presentation to the North East Regional Information Partnership Annual Conference, 13 May, Copthorne Hotel, Newcastle Upon Tyne.

5. Recurrent ‘wicked issues’ of multi-level and multi-agent co-ordination and working

SNR is bedevilled with the recurrent ‘wicked issues’ of horizontal and vertical integration and co-ordination between specific institutions and policies working at, between and across particular spatial levels. While central government might want clearer roles and better or enhanced co-ordination across geographical levels, the central question remains of how to make a complex system of multiple agents acting across and between different spatial scales and geographical areas work to deliver desired policy outcomes? Centrally, SNR is about ‘de-cluttering’, re-fashioning and even dismantling some parts of the regional tier and making the local and the sub-region the “key building blocks” of regional strategy³³. The aims are to provide clearer objectives, streamline decision making and reduce the number of strategies and funding streams. Notably, this includes a number of changes welcomed by regional and local institutions, including: transforming RDAs into strategic and programme-focused bodies capable of establishing clearer spatial priorities; integrating the RES and RSS into the single and overarching Integrated Regional Strategy to provide a clearer framework for aligning institutional plans and influence regional investment decisions; supporting more robust and rigorous analysis of the evidence base to provide the objective advice for decisions about priorities and interventions, especially at wider spatial scales spanning existing administrative boundaries; and, more robust and systematic evaluation and monitoring.

Despite the proposed changes, there remain a number of significant issues. First, the SNR represents the recasting of centre-region-local relationships within a centrally orchestrated framework dominated by the national economic growth orientation. The shadow of centralisation is still evident with central government departments working to PSA agreement targets with differing degrees and levels of sympathy for local and regional discretion and flexibility. Moreover, there is little or no mention of the role of Government Offices, despite their expertise and experience in regional working and

³³ Monnery, D. (2008) Prosperous Places: Taking Forward the Review of Sub-National Economic Development and Regeneration, Head of Strategy and Policy, Government Office North East, Presentation to the North East Regional Information Partnership Annual Conference, 13 May, Copthorne Hotel, Newcastle Upon Tyne.

coordination particularly as they move toward a more strategic role³⁴. Devolved decision making is prioritised – over and above any “positive discrimination from the centre for less prosperous areas”³⁵ – only where reliability and confidence in regional and local actors can be ensured by the centre. Second, in line with the open geographies and non-prescriptive approach of SNR, no clear authority or ‘power hierarchy’³⁶ is set out amongst the different levels. This raises the thorny issue of who then decides on priorities, especially on the substantive, boundary spanning and, sometimes controversial, issues of spatial planning concerning employment sites, housing and infrastructure. Third, capacity and confidence is slow to accrue and learn amongst especially newly empowered local and regional institutions in the context of the long term legacy of centralisation in the sub-national governance of economic development and regeneration in England. Such issues are not to be underestimated given the magnitude of the challenges for regional and local actors in SNR. Even for RDAs that have become more sophisticated in learning the effective utilisation of evidence, rationales, prioritisation, differentiation of RESs to match particular regional circumstance and partnership working, for example, SNR represents serious challenges of changing into strategic bodies, developing the new Integrated Regional Strategy (IRS) and working to a framework agreed by local council leaders, assuming spatial strategy and housing responsibilities and working out how to delegate to sub-regions and local authorities where they can deliver on core RDA targets unless a strong case exists for maintaining responsibility and resources at the regional level. Attempting to distinguish institutional roles between strategy and delivery at and between regional and local levels, for example, will be difficult when local authorities will be participating in strategy development and providing leadership for spatial prioritisation. Another perennial challenge is how to get individual local authorities to think beyond their own territories and work in the wider interests of the broader spatial entities – city-regions, sub-regions and/or broader regions – to which they belong.

³⁴ HM Treasury and ODPM (2006) Review of Government Offices, TSO: Norwich.

³⁵ Fothergill, S. (2005) “A new regional policy for Britain”, Regional Studies, 39, 5, 659-667.

³⁶ Richardson, K. (2007) The Place of Cities in City Regions following the Sub National Review: The Case of Newcastle, Newcastle City Council: Newcastle Upon Tyne.

What then might be considered to ameliorate the ‘wicked issues’ of multi-level and multi-agent co-ordination and working at the sub-national level? First, continue the redistributive devolved decision making agenda in meaningful ways while reflecting upon the role of the centre in the context of a more growth-oriented, decentralised model of spatial policy. Second, in outlining examples of how a variety of plausible institutional arrangements might emerge, better explain how issues of political authority and decision making power are addressed. Third, learn to live with fragmentation and complexity by deepening understanding of institutional roles and responsibilities and developing skills for integration and inter-scale working. Fourth, better align and connect local performance indicators – employment and worklessness, education and skills, infrastructure investment, creating an attractive business environment and narrowing the gap – with regional performance indicators – GVA per hour worked, employment rate, skills, R&D and business start-ups. Last, provide greater specification of what kinds of capacity needs to be enhanced amongst which institutions and at which spatial levels. The full range of capacity, for example, cannot be effectively enhanced at all levels and might involve choices being made in particular contexts about the most appropriate level for institutional capacity building and leadership.

6. Overburdening local authorities?

SNR presents some serious and stretching challenges for local authorities which may risk overburdening them. Local authorities and their potential collaborations and groupings are centre stage in SNR. This reflects the international trend of decentralisation for economic development, the national HM Treasury agenda and the CLG desire for local authorities play a more active role in achieving economic productivity and growth set out in 2003³⁷. It also follows the recent devolution of regeneration funding and some business support and regeneration functions from Scottish Enterprise

³⁷ HM Treasury and Office of the Deputy Prime Minister (2003) Productivity in the UK – 4: The Local Dimension, HM Treasury: London

to local authorities in Scotland³⁸. Changes for local authorities will include a leadership role in the new arrangements, especially leading on co-operation and resource pooling between local authorities across existing administrative boundaries through voluntary Multi-Area Agreements with collective economic development targets (no spatial entity for these is preferred, although statutory arrangements might be entertained at the sub-regional level) and an enhanced scrutiny role over RDAs and (sub-)regional transport bodies. Linking the skills and jobs agendas, local authorities will gather new responsibilities for devolved 14-19 education and skills funding and the establishment for new local employer-led skills and employment boards as well as fulfilling the duty to undertake the new statutory 'local economic assessment' that will form the basis of their respective IRS and take account of their sub-regional contexts, for example adjacent areas of growth and decline.

SNR represents substantive, even transformational, opportunities and challenges that risk placing new strains on local authorities and are beset with a number of largely unresolved issues. First, the reinforced role of local authorities as economic actors locally emphasises their need to balance this economic responsibility with their duty of wellbeing from the Local Government Act 2000, attempting the complex and difficult job of connecting the economic to the social and environmental implications of development locally envisaged in Lyons' 'placeshaping' agenda³⁹. Second, whilst delivering their statutory duties, local authorities have to develop the capacity to lead and to manage strategic programmes of activity to achieve outcomes in a refashioned regional framework with more local partners and cross-boundary working, demonstrating and proving their capacity to manage delegated resources from the RDAs. Third, local authorities often remain 'under-bounded' by administrative boundaries not co-terminous with their spatial reach or footprint in housing, labour and other economic markets and public policy domains, especially transport. MAAs may offer some potential to address boundary spanning issues, although these may be time consuming to construct especially in areas without capacities and histories of joint working and may only marginally

³⁸ Turok, I. (2008) "A New Policy for Britain's Cities: Choices, Challenges, Contradictions", *Local Economy*, 23, 2, 149-166.

³⁹ Lyons, M. (2007) *Placeshaping: A Shared Ambition for the Future of Local Government*, HMSO: Norwich.

supplement the kinds of activities local authorities already have the powers to undertake. Fourth, new actors are being introduced into the already crowded local institutional context with which local authorities have to manage and interface, for example City/Economic Development Companies and the local and regional arrangements of the new Homes and Communities Agency. Fifth, SNR offers some modest enhancement of fiscal capacity through specific measures, predicated on local asset bases and increased local economic growth, but fails to enhance their local revenue raising powers and fiscal flexibilities in line with local government internationally⁴⁰. Last, little is said about the role and purpose of regional local government associations in the light of the new Regional Leaders' Forum.

What might prevent any undue overburdening of local authorities as part of the SNR process? First, recognise local authorities' unique role in broadening sub-national development beyond the narrow economic growth agenda better to incorporate social and environmental concerns locally and using 'place' as an integrating focus for spatial concerns. Indeed, lessons might be learnt in national central government from local authorities as their experience accumulates under the new institutional arrangements. Second, recognise the potential risks of overburdening local authorities in SNR and provide appropriate levels of resources and support to help them develop the capacities to deliver on their refashioned roles in the new context, for example to undertake the kinds of far reaching and strategic assessments that will prove useful, to work with reshaped and new partners locally and to demonstrate the capacity to manage delegated funding streams from the regional level. Last, revisit the balance of funding between central and local government in the context of SNR.

⁴⁰ Niklasson, L. (2007) Joining Up for Regional Development, Statskontoret: Stockholm.

7. National but limited regional and local accountabilities

SNR largely continues national but limits regional and local accountabilities in the proposed new institutional arrangements. More broadly, it fails sufficiently to connect the governance of economic development and regeneration to reflections upon the wider questions of sub-national accountability in national constitutional affairs⁴¹. Finding more appropriate forms of regional and local accountability has become a struggle and, while the RDAs have become the focus of current debate, the regional and local levels are replete with other Non-Departmental Public Bodies (NDPBs) and other arms-length public organisations currently out with the purview of regional and local democratic structures. SNR does nothing to change the accountabilities of RDAs and local government through the Ministers of their respective departments to Parliament. At the national level, Ministers for Regions are potentially welcome but their role is as yet unclear, particularly how they will be able meaningfully to articulate regional concerns in the centre and ensure the centre takes account of the differentiated spatial implications of government policy. As a complement, Parliamentary Regional Select Committee(s) might have an important scrutiny role, despite the constitutional difficulties of their establishment, and mirror the way territory can help provide a focus for considering questions of public policy integration, as demonstrated for many years by the Welsh and Scottish Affairs Committees.

Local and regional accountability appears rather more limited and weaker, raising serious concerns about whether what SNR proposes will provide the clear accountability and scrutiny arrangements desired to strengthen governance. How the RDA Board and local council leaders' forum relationship works will be key, especially the extent to which local authority leadership is able to agree on wider spatial interests and priorities, achieve consensus on IRS and formally scrutinise the RDAs as well as leading on establishing likely new thematic sub-groups and sub-strategies to share and support the

⁴¹ Secretary of State for Justice and Lord Chancellor (2007) The Governance of Britain, CM7170, HMSO: Norwich; House of Commons Select Committee on Modernisation of the House of Commons (2008) Regional Accountability, Third Report of Session 2007-08, HC282, TSO: London.

work of the RDA. Planning will be at least one contentious area where such weak structures of accountability will be exposed, especially in the process of better integrating the RSS and RES within the new IRS and in the emergent context of the new national Infrastructure Planning Commission. The new arrangements emphasise the legitimacy of local authorities but does the interface between the RDAs and Leaders' Forum provide enough clarity and transparency on where the strategic priorities, choices and difficult decisions have been taken? Or, does it risk replicating the weak and uneven forms of accountability exercised by Regional Chambers in their respective regions?⁴² How will the RDA and Regional Leaders' Forum relate to any emergent city-regional boards? Will the Regional Leaders' Forum ultimately isolate and denude the role of RDAs in the wake of strong, multi-purpose and democratically accountable local authorities co-operating across administrative boundaries? More broadly, SNR contains no mention of whether and how the new arrangements will extend their purview over existing NDPBs – the 'quango state' and its 'democratic deficit' that animated campaigners' support for Government plans for Elected Regional Assemblies back in 2002⁴³. Moreover, where and how do other local and regional actors have their say? Will it only be through more general consultation processes structured by the RDA and Leaders' Forum? Little is said about how the RDAs – with everything else they have to do – will ensure the meaningful engagement of civil society and 'economic and social partners' such as business, trades unions and the voluntary sector despite the experience of the Regional Chambers in developing engagement mechanisms to experiment with appropriate forms of participatory democracy⁴⁴. SNR is in danger of providing a weak attempt to resolve profoundly difficult questions about the state of local and regional democracy, which are connected to even larger questions about the state of representative democracy in the UK.

What then might better address the limited regional and local accountabilities on offer in SNR?

⁴² Blackman, T. and Ormston, C. (2005) "Discourses of accountability: Policy scrutiny of an English regional development agency", *Regional Studies*, 39, 3, 375-386.

⁴³ Office of the Deputy Prime Minister (2002) *Your Region, Your Choice: Revitalising the English Regions*, Cm 5511, HMSO: Norwich.

⁴⁴ Tomaney, J. and Pike, A. (2006) "Deepening democracy and engaging civil society? 'Economic and social partners' and devolved governance in the UK" (Special Issue Guest Editors A. Pike and J. Tomaney), *Regional and Federal Studies*, 16, 2, 129-135.

First, nationally provide more clarity on the roles of Ministers for Regions and Parliamentary Regional Select Committee(s). Second, clarify how the RDA and Regional Leaders' forum will work and inter-relate, how existing NDPBs will be held to account regionally and locally and how civil society and other stakeholders will be given voice in the new arrangements. The aims should be to develop stronger and more robust regional and local arrangements that will ensure coherency and transparency for the new sub-national governance settlement envisaged in SNR.

Conclusion

This contribution has sought to identify some of the key issues arising from the SNR for economic development and governance in England. In particular, we are concerned about the dominance of growth-oriented national economic policy over redistributive spatial policy, the continued marginal and fragmented nature of spatial concerns within central government, the multiple and under-specified geographies contained in SNR, the problematic search for the appropriate spatial scales for policy, the recurrent 'wicked issues' of multi-level and multi-agent co-ordination and working at between and across particular spatial levels, the potential overburdening of local authorities and the national but limited regional and local accountabilities. For each issue, we outline potential ways forward that might help to capitalise on the opportunities presented by SNR and address some of its problems and risks.

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