



Local and Regional Economic Development: a perspective from the research practitioner community in the English regions

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Presented at the Regional Studies Association Conference “Regions – the Dilemmas of Integration and Competition” in the theme “Local and Regional Economic Development”, 28th May 2008.

This document provides an alternative perspective on the development of regional policy and governance across England; that of practitioners working within the regional research and policy communities. The paper opens with a review of the activities to date, from the starting point of the 1997 Labour victory in the general election, covering the introduction of a regional tier of government and the associated mechanisms to support evidence-based policy-making. It describes the perspective and development of those working in England’s regional observatories. The paper continues with an outline of the proposals for significant change in the government of England below the national level, and the challenges and opportunities that these changes present for regional observatories and others.

Public policy context

In 1997, the new Labour administration published a white paper, called “Building Partnerships for Prosperity”¹ which outlined the form and function of new Regional Development Agencies (RDAs). The RDAs are primarily concerned with furthering the economic development and regeneration in the English regions, focusing on business support, skills, employment and sustainable development. Part of the initial remit of RDAs included the demand that they develop a fuller understanding of regional economies, including undertaking research, and it was this demand which underpinned the development of regional observatories in England.

This interest in research reflects a broader appreciation of the benefits of basing policy decisions on evidence, as was subsequently seen in the white paper “Modernising Government”². This document referred to utilising evidence and research to better understand the problems that government seeks to address, rather than relying on short term political expediency to guide action. The white paper also highlights the importance of maintaining that evidence, including the monitoring and evaluation of policy, making it possible to robustly defend the efficacy of interventions.

As Regional Development Agencies came into being, each was able to decide on the most appropriate response to the demand, and this lack of prescription or guidance resulted in the research needs of individual regions being fulfilled in different ways. To date, no two regions have the same model of operation, and this provides both positive and negative experiences for those interacting with them. The variety of approaches mean that the development of regional observatories has been inconsistent, yet the needs of individual regions can be addressed separately, providing flexibility.

¹ Cm 3814, 1997.

² Cm 4310, 1999.



In a similar way, the existence of the Association of Regional Observatories (ARO) is itself driven by a bottom-up process, responding to a need for a central point of contact, identified by those working to provide the regional research functions across England. The Association itself came into being in 2001, formalising the previously relatively informal networks of colleagues meeting to discuss a variety of issues in common. ARO continues to be maintained as a resource for its members (who fund its activities), and it aims to add value to the work of England's regional observatories by promoting collaboration, and communicating their contribution to the shared aim of supporting evidence-based policy-making. Despite the variety of approaches, the Association seeks to represent members on issues of common interest, such as lobbying the national provider ONS for the provision of data suitable for use at regional level. It also tries to better communicate the role of regional observatories by those who might benefit from working more closely with them.

Regional evidence

The central remit of the work undertaken by regional observatories has historically reflected the information and analytical needs of the RDAs; hence, primarily economic, social and environmental. Common to all observatories outside London are regional analyses of the economic conditions, the labour market characteristics, and skills profiles of the region. For example, the North West Regional Intelligence Unit (the observatory for the North West region, provided by the North West Regional Development Agency's research team) provides a "pocket databank"³, based on a format devised by HM Treasury. The databank includes profiles of the region and its constituent sub-regions, along with key headline statistics about the region, providing an easily accessible and usable way of encouraging data to be employed more widely, as well as answering many of the questions posed frequently by those who contact an observatory.

In addition to work about the region itself, observatories often undertake comparative research, across English, European and other international regions, on a number of topics. A good example of this kind of work is the commissioning, by the North East Regional Information Partnership, of an International Benchmarking Study⁴. This research built on the foundation of previous analyses, in which comparisons of the North East and other English regions were made. An external consultancy was commissioned to explore which regions outside the UK would be the most appropriate comparators for the North East, providing a database and trend analysis of key economic, social and environmental indicators to inform policy-making. The report sought to identify those regions with historical similarities to the North East, which had achieved significant progress in economic development, to establish the types of interventions which might be most successfully applied in the region.

This social, economic and environmental focus has historically been complemented by the work of the English Regional Assemblies. The Assemblies (known in legislation as "Regional Chambers") provide oversight and democratically accountable scrutiny of the RDAs' activities, as they are composed of elected representatives from local authorities, supported by a secretariat. In addition, the Assemblies have, to date, been responsible for the planning needs of a region, including oversight of housing, employment land, infrastructure and so on. Due to the separation of the planning function from the economic development function at regional level, tension can sometimes exist due to incompatible assumptions or evidence (such as differing demographic projections) being relied upon in strategy development.

³ [http://www.nwriu.co.uk/informationresources/documents/Final_Version_\(28-03-07\)_-_Pocket_Databank.pdf](http://www.nwriu.co.uk/informationresources/documents/Final_Version_(28-03-07)_-_Pocket_Databank.pdf)

⁴ http://www.nerip.com/reports_briefing.aspx?id=421

Not only that, but the potential for conflict also exists as a result of the differing approaches taken by regional agencies. As the RDAs seek to promote regional economic development, the aims and goals of their strategies can often be aspirational. In contrast, the strategies of the Regional Assemblies may be more cautious in their targets, or may seek limits or negative policies, such as restrictions on house-building⁵. Additionally, the increasing importance placed on the need to respond to climate change, and to develop sustainably, has meant that existing strategies for economic development may not have taken sufficient account of the potential environmental impact of achieving the goals set out by the RDA. This is exemplified in a piece of research commissioned by the Yorkshire and Humber Assembly⁶, which sought to evaluate the contribution that regional strategies make towards addressing climate change. The conclusions of the research were that regional strategies looking at policy areas outside those directly related to climate change (e.g. energy generation) did not necessarily include a comprehensive understanding of the impact of those strategic objectives on climate change (such as greenhouse gases), and nor did the strategies necessarily include a substantial understanding of the need to adapt to the impacts of climate change. For example, if the vision outlined in the regional economic strategy were to be achieved, the production of greenhouse gases would increase dramatically, moving further away from the stated aim of a reduction in greenhouse gas emission.

Therefore, in response to the identified potential for tension between spatial and economic objectives, and as a result of the increased desire to more fully respond to the principles of sustainable development, the Government has proposed changes to regional architecture and governance. These changes are set out in more detail below.

The changing face of regions.

In 2007, government published the “Review of Sub-National Economic Development and Regeneration”⁷ (known as SNR). The review proposes significant devolution of economic development powers to local authorities whilst also handing Regional Development Agencies the regional strategic planning role.

Currently, each region produces iterations of a Regional Economic Strategy, a Regional Spatial Strategy, a Regional Housing Strategy and an Integrated Sustainability Framework. There are also additional strategies concerning biodiversity, culture and rural communities amongst others. The SNR proposes that these largely be replaced by a single regional strategy. This in turn, should be supported by a single regional evidence base.

The single regional strategy is intended to guide the sustainable economic development of the region, outlining the policies that will influence the development of the labour market, economy, infrastructure and environment. Additionally, the spatial nature of development is also addressed, identifying areas for growth and investment. Identifying the location and numbers of new housing within a region currently rests with the Regional Assembly; when this responsibility moves to within the RDA, a challenge will emerge from the need to reconcile the economic development aspirations of a region with the political nature of housing allocations.

⁵ Townsend, A. (2007), *Flexible and balanced single regional strategies in England: a middle way?*, unpublished paper.

⁶ <http://www.yhassembly.org.uk/dnlds/ARUP%20climate%20change%20exec%20summary.pdf>

⁷ http://www.hm-treasury.gov.uk/media/9/5/subnational_econ_review170707.pdf

It is the supporting evidence base that ensures the single regional strategy is representative of the region's targets and of those of local authorities. To date, the supporting evidence base documents within the region for the aforementioned strategies, in particular the Regional Economic Strategy, have primarily been led by a single body (more often than not, the RDA). The SNR's introduction of a single regional strategy calls for a more collaborative approach toward evidence, policy and delivery. This approach is necessitated in many areas by a call for skills not automatically present within RDAs at the moment.

Integrated evidence

The integration of the social and environmental agenda with an economic growth strategy is one of the key challenges laid down by the SNR. Sustainable economic development is the underlying agenda, but the risk exists that this may be interpreted as *sustained* economic development, if the approach does not encompass a partnership of interests. There have, however, been positive moves in a number of regions, with several projects taking forward an integrated approach to economic development.

A number of the RDAs have worked in collaboration with the New Economics Foundation on developing a Regional Index of Sustainable Economic Well-being⁸. The use of GDP or GVA alone as a measure of progress is limited as it fails to account for social and environmental costs. The ISEW begins with the economic benefits, derived from consumer expenditure and then makes adjustments for social benefits (e.g. voluntary and domestic labour), social costs (e.g. health expenditure) and environmental costs (e.g. resource depletion). The measure has been used by a number of RDAs in their most recent Regional Economic Strategy. However, at a regional level, the methodology is not yet robust enough for any of them to begin formal monitoring against it.

In the West Midlands, the Regional Observatory is developing an integrated modelling tool⁹ for use by regional and local partners. By adopting a common model, the Observatory will be able to provide a consistent framework for policy evaluation, investigating potential changes in the regional economy and exploring scenario development and impact analysis for policy interventions. Such a move creates greater emphasis on evidence-based policies and enables greater spatial analysis of economic interventions at a regional and sub-regional level.

In Yorkshire and Humber, the regional observatory, Yorkshire Futures, has recently published a report based upon scenario development for the region¹⁰. This research identified 51 drivers likely to affect the future development of the region, spanning social, technological, economic, environmental, political and organisational dimensions. The outcome is an integrated piece of research, sparking debate about the relationships between social, environmental and economic drivers and creating a greater understanding of spatial planning in response to these.

Understanding local conditions

⁸ T. Jackson, N. McBride, N. Marks & S. Abdallah, *Measuring Regional Progress: Developing a Regional Index of Sustainable Economic Well-being for the English Regions*, [new economics foundation](http://www.neweconomicsfoundation.org), London, 2006-7.

⁹ <http://www.wmro.org/standardTemplate.aspx/Home/OurResearch/BusinessEconomy/IntegratedModelling/Stage2IntegratedSpatialModelling/ScopingStudyIntegratedPolicyModel>

¹⁰ <http://www.yorkshirefutures.com/articledetail.aspx?page=23E453C0-492E-4FFD-A06B-E0F675C426AE&article=5E712B8B-5821-4570-9C8C-F4AA5D563D12>

As highlighted, the SNR calls upon upper tier local authorities to take a role in creating the single regional evidence base. It is proposed that those authorities are given a statutory duty to carry out a Local Economic Assessment of their area, the results of which should feed into the regional evidence base. This provides a real opportunity to ensure that the evidence is built from the bottom up and reflects the spatial differences within the region. However, it also creates a number of concerns and challenges for local authorities and their regional partners.

Completing an assessment of a local economy at this level fails to recognise the boundless nature of the economy. The economic drivers are not limited to the authority boundaries, just as they are not limited to the regional boundaries. The challenge for local authorities is to reflect this in their assessments, accounting for the changes in the economy through day-time population changes.

Additionally, regional strategies have already identified new spatial economic geographies such as the Gatwick Diamond or the Milton Keynes Growth Area. The geographies are conceptual and are less restricted by administrative boundaries, yet still require a robust evidence base. In such cases, the question arises of whether LEAs be completed as part of a multi-area agreement. Suitable proxies or weightings will be required to account for the “fuzzy” boundaries of such areas.

In a phase of public sector efficiency savings, regional bodies and local authorities are faced with a need to reduce costs, regardless of the additional functions that SNR may place upon them. Anecdotal evidence suggests that research and monitoring functions are often the first areas to feel the effects of such savings. There is some concern that, particularly in the smaller tier one authorities, the analytical capacity may be insufficient to deliver on the LEA duty. Whilst this is by no means the case across the board, this will need to be addressed to ensure a consistent evidence base.

This concern over capacity creates opportunity for consultants. The chance that a number of local authorities may be exploring external input into the creation of their LEA will be seen as a goose that lays a golden egg for consultants in this field. There is a responsibility to ensure that public sector funds are not squandered in producing work that could be delivered through existing analytical capacity within the regions. Additionally, unreasonably short timescales, and the desire of local authorities to produce their assessment promptly, may affect the capacity of consultants to meet demand for their services, creating delays within the system of production.

To continue with the issue of consistency, a core of indicators used in the LEA process should be comparable across the region. As much as the LEAs must inform the regional evidence base, regional organisations should work in partnership with local authorities to ensure a consistent set of indicators is used, supplemented by indicators reflecting local concern and ensuring that the assessment has intrinsic local value.

The concept of ownership is one that regions must come to terms with. Regional Economic Strategies have always been spoken of as “the region’s strategy” rather than that of the responsible RDA. While that may be the case, the production, and to a certain extent the delivery of the strategy, lies with the RDA. In this sense the ownership of the strategy is clear. The supporting evidence base may seen the same way and as a result runs the risk of being seen to have inherent bias by some regional and local stakeholders.



Regions should explore the opportunities for producing the evidence base in a “neutral space”, working in partnership with key organisations and embracing local input, collaborative approaches and peer review of the document, to ensure it is seen as a transparent process. Additionally, the evidence base should be a living document, able to respond to change through the production of the single regional strategy. With the practicalities of taking the single integrated regional strategy, and its evidence base, through an Examination In Public (EIP), the collaborative approach to evidence must remain in place, creating a network of experts to support the evidence and the analytical process.

Policy implications and conclusions

There are many unanswered questions facing research practitioners at present. A lack of clarity over the impending duties, requirements and roles set out in SNR creates uncertainty among local and regional bodies. However, with this uncertainty comes a new dialogue among partners, each keen to establish their own role and importance in the process. Whilst this is a challenging time, there is a degree of excitement about the future responsibilities for both RDAs and local authorities. The danger is that with such a free reign, there will be a lack of consistency in the approach to evidence development. Regions may tackle the responsibility differently, creating difficulties in comparative work. Within regions, there is a danger that authorities with sparse resources and capacity may see their involvement in the LEA duty reduced, instead seeing it delivered by RDAs or consultants.

There remains a need for greater guidance from central government, while continuing to recognise regional and local variation and flexibility. The importance of a neutral, independent evidence base is one that should be reinforced and considered when assessing the capacity that is available to regional organisations and local authorities. To create transparency, and a regional evidence base that truly reflects the spatial differences, a collaborative approach must be adopted and the resources must be made available to enable all regions to deliver a consistent and comparable resource.

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