

Meeting: City Regions Board

Date: 25 January 2023



Theme 5: Growth Funding

Councils' Future Role in Driving Growth and Prosperity

Purpose of report

For Information

Summary

The Government has placed a renewed emphasis on driving local growth and prosperity. Set against the context of continued devolution and ongoing fiscal constraint, City Regions and People and Places Lead Members agreed that the LGA should commission a piece of research to set out options for councils' future role in this space.

Is this report confidential? No

Recommendation/s

That members note the decision to commission a piece of research into councils' future role in driving growth and prosperity. Following a successful procurement, the chosen supplier will attend the Board meeting to take an initial steer from members.

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Councils' Future Role in Driving Growth and Prosperity



Outcome and Purpose

1. Growth funding plays a vital role in supporting economic growth through investment in infrastructure and people. Reflecting the importance of matching funding for growth with local activity by councils, lead members of the People and Places and City Regions Boards agreed to jointly commission a piece of research to clarify the role councils and combined authorities might play either on their own or in partnership to drive future growth and prosperity.
2. The intended output of the research is a report that provides an overall sense of 'what works' in driving economic growth and prosperity at the local level and the steps English councils working in partnership with national government might take to achieve this.
3. This project supports better outcomes for local economies and communities through a clearer picture of the roles and resources most likely to deliver long-term sustainable growth and support local approaches to sharing prosperity in a way that tackles demographic and spatial inequalities

Background

4. The Government's [Levelling Up White Paper](#) set out a clear expectation for local leaders to play a role in supporting economic growth. More recently, the [Autumn Statement](#) announced: *the government remains committed to giving more local areas greater power to drive local growth and tackle local challenges.*
5. On the weekend following the Autumn Statement there were [press reports](#) that *the chancellor, and business secretary Grant Shapps, will bring forward a more detailed vision for supporting growth areas.* These reports have also suggested the return of an 'industrial strategy' and the re-composition of the Industrial Strategy Council, which was disbanded in 2021.
6. Similarly, [Labour's Commission on the UK's Future](#) proposes: *towns and cities across England should be given new powers to drive growth and there should be an economic growth or prosperity plan for every town and city owned by Councils, Mayors, towns and cities working in partnership.* And the Liberal Democrats' policy paper A Framework for England in a Federal UK [proposes making economic growth a regional responsibility rather than a national one](#), through the adoption of federal model of governance.
7. Given the stark economic context, the scarring effect of the pandemic and the low levels of labour productivity experienced by the UK since the financial crisis of 2008 the continued focus on growth and prosperity is understandable.

8. Moreover, the importance placed on local leadership follows increased recognition that a concentration of economic interventions led from the centre has contributed to rising regional imbalances, leading to an overheating Southeast and economic underperformance in the North and Midlands – both of which bring with them their own challenges.
9. Councils already play a strong role in promoting growth and prosperity. They create economic strategies, provide key infrastructure such as transport and digital connectivity, they build homes and manage the planning system, run international trade and investment programmes, maintain high streets, support the creative industries, run skills and employment programmes, and administer a wide range of growth funding programmes.
10. Many of these activities rest on non-statutory services and, within the context of rising costs associated with statutory responsibilities such as adult social care, homelessness prevention and the provision of special educational needs services, there is concern about the future viability of councils' economic development role.
11. While 'capacity funding' was made available through the Levelling Up Fund to support the delivery of local programmes, this approach was not taken with the Rural England Shared Prosperity Fund and generally falls well short of the resources needed to support an effective local economic development team. In the short term, the LGA is working with the Chief Economic Development Officer Society (CEDOS) to support economic development officers through its improvement grant from government, more detail of which is included elsewhere on this agenda.
12. Over the last decade the Government has taken steps towards reforming the institutions that support sub-national growth. The Regional Development Agencies were abolished under the Coalition, Local Enterprise Partnerships were created in their stead, followed by devolution deals centred on the creation of Mayoral Combined Authorities and the transfer of powers and funding to support local economic interventions. Pan-regional bodies such as the Northern Powerhouse and Midlands Engine were also set-up to co-ordinate trade and investment activity as well as provide a forum for strategic discussions relating to infrastructure, innovation, and local economic performance data.
13. In the last year the Government has embarked on a process of increasing the number of devolution deal areas, with new deals struck in the East Midlands, North Yorkshire, Cornwall, Norfolk, Suffolk and the North East and with the expectation of further deals to follow in 2023 alongside 'trailblazer deals' with the Greater Manchester and the West Midlands Combined Authorities.
14. As detailed elsewhere on the agenda the Government has also begun the process of integrating Local Enterprise Partnership functions with local governance structures, starting with existing mayoral combined authorities and the newly agreed devolution deals.
15. The Autumn Statement also indicated that the Government would explore the potential to agree single departmental-style settlements with the Greater Manchester Combined Authority and the West Midlands Combined Authority at the next Spending Review,

providing more flexibility and accountability over key economic growth funds and moving away from competitive bidding processes.

Proposal

16. National growth policy over the last decade has largely aligned with the progress of English devolution, with mayoral combined authorities established and given new powers and funding to support growth in their local areas. Councils have continued to play a role, but funding pressures mean this is increasingly constrained by local capacity and capabilities.
17. This situation is echoed by [recently published research](#) which argues that: *there is an assumption that 'finance follows function'... that devolved responsibilities are accompanied by the necessary resources to fulfil them [when in fact] mismatches between powers and resources, also known as unfunded mandates, are the norm rather than the exception.*
18. The Government has committed to a devolution deal with every area in England by 2030 and, as set out above, the next election is likely to see further proposals relating to local growth and prosperity.
19. Within the context of continued fiscal restraint, it was agreed that the LGA commissions a piece of research that takes stock of recent developments relating to councils' role in driving growth and prosperity and considers the barriers to and opportunities for their continued involvement.
20. The purpose of this research would be to clarify the role councils and combined authorities might play either on their own or in partnership, recognising the potential complexities likely to arise from a variety of overlapping functions and the different routes by which these activities are funded.
21. As an outline it is proposed that this research would entail:
 - 21.1. An analysis setting out the distribution of roles and responsibilities for growth and prosperity in England held by local, sub-national and national government and its agencies and an overview of how these different activities are funded and accounted for, highlighting areas of local best practice or innovation.
 - 21.2. A gap assessment of whether local areas in England have the tools and resources to drive growth and prosperity and address regional imbalances in productivity, recognising emerging macro-economic priorities in the areas of digital science, green jobs, high value manufacturing and the creative industries. This should include a particular focus on how roles and responsibilities work in practice, the different needs of urban and rural areas and the relationships between constituent and combined authorities as well as upper and lower tier authorities.
 - 21.3. A comparison of the English 'growth and prosperity ecosystem' with international best-practice drawing on evidence from countries where sub-national government has a greater share of responsibility for economic development and coupled with higher levels of productivity, such as Germany. This should include

reference to the ability of local areas to retain the proceeds of growth for local reinvestment and to facilitate greater prosperity.

21.4. Recommendations on how councils' role in driving economic growth might be improved, with reference to funding, changes in economic geography, technical capacity and wider relationship with national and sub national institutions.

22. The intended output of the research is to provide an overall sense of 'what works' in driving economic growth at the local level. This will support better outcomes for local economies and communities through a clearer picture of the roles and resources most likely to deliver long-term sustainable growth.

Implications for Wales

23. Economic development is a devolved responsibility. As such, while there may be general lessons relating to local growth and prosperity, the specific focus of the proposed research will relate to English councils.

Financial Implications

24. The research proposal set out above will be funded by the boards' existing policy and research budget.

Equalities implications

25. While areas in the UK are highly productive, the country experiences a significant degree of regional variation. Eight out of 10 areas with productivity in line with the UK average are in the Greater South-East. By contrast, nearly half of the UK's sub-regions are 10 per cent below the UK average, with the lowest levels of productivity found in rural and coastal areas. Countries with higher levels of decentralisation experience lower levels of regional inequality. This work supports the transfer of powers and resources to local leaders to reduce inequality.

Next steps

26. Subject to a successful procurement, the chosen supplier will be invited to the Board meeting to take an initial steer from members.