



Regional Approaches to Maximising Inclusive Economic Growth: Local Authorities' Perspective

Phase 2

Report for the Improvement Service,
COSLA, SOLACE and SLAED

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1. Introduction

Regionalism appears to be rising up the economic policy agenda in Scotland. Areas such as health, transport and structure planning have long operated at a regional dimension, and now education and economic development have more recently turned to regional structures to seek new ways to deliver improvements.

In relation to economic development, a number of major developments have given impetus to this trend, including the development of City Regions and Growth Deals, the recommendations of the Scottish Government's *Enterprise and Skills Review* for the establishment of Regional Economic Partnerships, and Scottish Enterprise's new strategy which proposes greater focus on regional working.

Recognising these drivers, the local government partners the Improvement Service, COSLA, SOLACE and SLAED jointly commissioned a consultation exercise to explore councils' experiences of regional working in the context of promoting inclusive economic growth.

That consultation work identified a number of issues and possible actions for local government and its partners (summarised below). This report is a follow-on to that initial work, and seeks to develop these actions in more detail. It is based on consultation with a sample of council officers through one-to-one interviews and a facilitated workshop. As with the initial phase, all 32 councils were invited to participate. (see **Appendix 1**).

2. Phase 1 Findings

The Phase 1 consultation identified a wide diversity of views and perspectives across local government, but with some broad common messages:

- councils have a central role in economic development and in supporting inclusive economic growth, and all are involved in regional collaborations of one form or another – often project-specific and driven by pragmatic concerns;
- there was broad agreement around the rationale for regional working based on functional economic geography (a rationale that was felt to be stronger for city regions than some other geographies, particularly more rural areas), mutual benefits for partners and the potential to deliver improved outcomes. However, it was noted that the evidence base to demonstrate the benefits (or otherwise) of regional working is under-developed;
- most councils are positively disposed to regional working, even if some are taking a measured and cautious approach, and some perceive real potential for innovation over the longer term;
- there is wide variation in the extent and pace of regional working - regional working in the context of inclusive economic growth is still in its early stages, and collaborative working takes time to deliver tangible benefits;
- this is particularly the case in light of the significant capacity issues facing councils and the scale of resources required to manage the City and Growth Deals;
- there is evidence in many quarters of ambition to move from the City and Growth Deal structures to something more strategic (and less transactional) over time; and
- there is an opportunity now for local government to be more proactive in making the case for regional working, shaping the agenda, leading by example and formulating a clearer ask of national government and other partners.

The study also identified some issues and barriers to regional working in economic development:

- one size does not fit all and regional working may be more appropriate and, ultimately, more effective in some locations than others. It may also be that some services and activities lend themselves better to regional working than others;
- servicing the demands of regional working is stretching council resources very thin indeed and while the prize of investment through the Growth Deals remains, there is a case to commit these resources. For some, making the case beyond that point may be more difficult, particular in light of ongoing pressures on economic development services generally;
- the level of political commitment to regional working varies, with some lingering concerns in some quarters about the implications for local democratic accountability;
- while there is support for the Scottish Government's direction that councils should shape regional partnerships as they see fit (and no appetite for prescription) there remains some uncertainty about the ultimate goals of regional working as a policy; and
- some noted that while there is often senior level commitment to regional working (Council leaders and Chief Executives) this does not always filter down to officers who may perceive regional approaches as a threat.

3. Phase 2 Findings

In large part, the Phase 2 consultation confirmed the findings of the initial work, but developed thinking in a number of areas.

Rationale for Regional Working

The functional economic geography argument for regional working was confirmed at a general level, but exceptions were noted. For example, while the regional groupings that have emerged (mainly around the City Region and Growth Deals) make sense in terms of regional labour markets and travel to work areas, sector development may point towards different geographic collaborations. There is a concern that focus on the regions as defined by the Growth Deals, starts to constrain these kinds of collaborations. Again, one size does not fit all and it may then be that not all economic development activity needs to conform to rigid developing regional structures. This echoes the point made in the consultations that local authorities historically have sought to collaborate on a wide range of issues, at a variety of spatial levels and on a highly pragmatic basis.

The issue of the Scottish Government's ultimate goals for regional working as a policy was again raised. There was a general view (expressed in Phase 1 but reinforced again) that the government has not been sufficiently clear about its expectations of regional working, and of what regional approaches are intended to deliver or achieve in the longer term.

Beyond this, there was a clear view about the rationale for councils to engage in regional working. In the workshop, it was noted that there are three reasons why councils would commit resources to regional working:

- it will deliver additional investment;
- it will save costs; and/ or
- it will deliver improved outcomes.

In respect of the first, the Deals have clearly brought additional investment, and it is hoped that there may be more in the future whether through further Deal monies, the planned Shared Prosperity Fund (or equivalent) or other economic development funding.

In terms of cost savings, few have yet moved towards collective use of resources and it is therefore too early to determine the extent to which regional approaches will save costs for councils. Certainly, some councils do have these opportunities in mind and are working towards that end. Others are more sceptical.

Finally, while there is a general sense that appropriate regional collaboration will deliver better outcomes, the evidence base is, as yet, relatively undeveloped and this is an area in which councils felt government might do more to set out how it will work with partners to collate and assess emerging impact and experiences.

Progressing Regional Working

As noted in Phase 1, progress is varied across the country, and consultees talked of further developments since the initial consultation. For some this is a move towards more strategic conversations about regional priorities, while for others it is still about progressing the Growth Deals or moving forward with specific projects.

As these processes move from initial high-level discussions and senior commitment (e.g. to a regional strategy) into implementation, some reported challenges. In particular, structuring and delivering regional approaches to specific services (e.g. employability or business support) has proved difficult and has raised issues of protectionism as councils may become more reluctant to commit resources.

This is understandable, particularly in the absence of clear evidence that investment in a regional model will deliver local benefit, not least in a time of such pressure on existing resources. However, there is also recognition that regional working is here to stay and that if councils do not find ways to make it work, they risk having it forced upon them.

In part, this is an issue of internal communications within councils. If there is high level political and senior officer commitment, then this needs to be effectively communicated and implemented throughout the organisations. However, it is also a question of better evidence to demonstrate the benefits of the regional approach.

The shift into implementation also raises the issue of what activities are best delivered on a regional basis, and which should remain local.

There was strong support for a more incremental approach that does not assume that everything should be delivered through regional structures, and certainly not all at the same time. Instead, a more nuanced approach is required which would consider in greater detail the ways in which regional priorities relate to local needs, and determine which activities and services will genuinely benefit from a regional approach.

Many have developed, or are planning to develop, regional strategies and these issues should be addressed through this process. While some of the regional strategies have been developed around the Deal programmes, the opportunity now is to move beyond this to articulate more clearly the key areas in which regional working is required and those that are better addressed locally.

We have noted above some issues around the geographic focus for sector development but, in some cases, this is an area that would lend itself well to regional collaboration. Similarly, a regional inward investment or talent attraction proposition could be stronger than one that is more local (bigger story to promote, pooled assets / resources and an overall more cohesive offer), although some competition should be expected over the final location of any specific investments. Skills planning has already progressed at regional levels through the Regional Skills Investment Plans developed by Skills Development Scotland (SDS), but delivery will retain a strong local component.

Discussions around these issues also flagged a note of caution insofar as the initial temptation may be to try to channel everything through regional approaches. Instead, there was far more support for an incremental approach that trials a smaller number of activities and then evaluates the outcomes to build the evidence base for regional working.

Political Commitment

We know from the initial work that political commitment to regional working is variable, both within and between authorities. There is no doubt that there is much in the way of high level political support for regional approaches and in particular for the City Region and Growth Deals. In many places this support also extends to wider regional collaboration beyond the Deal programmes. However, many of the consultees also spoke of variation in political commitment for a number of reasons:

- understandable focus on statutory commitments (e.g. education and social care) and on budget pressures;
- variable levels of commitment to economic development (not statutory);
- variable levels of understanding of the issues around regional working in the economic development context;
- uncertainty about the extent of local benefit arising from regional working; and
- (some) concerns about risks to local democratic accountability and decision making.

As noted in the Phase 1 report, many of these concerns can be mitigated by appropriate governance and others by raising awareness and understanding of the issues. Again, a more robust evidence base for the benefits of regional working would certainly help.

There was some support for a development programme for Elected Members to build wider understanding of, and commitment to, regional working, but also a risk that this primarily engages those that are already supporters.

Resources

The issue of resources continues to be a major concern for councils. The City Region and Growth Deal Programmes have placed significant demands on council staff and many have questioned the extent to which this is sustainable. In some places, there is also a sense in which larger councils are taking more of the load as smaller partner councils simply lack the capacity.

There was, however, less evidence of an appetite to ask government for direct funding to support this (although project investment is another matter). Instead, there was greater interest in how regional approaches might unlock investment (e.g. could some funding streams be devolved to regional structures much as EU Structural Funds were in the past?) or how resource pressures might be addressed in other ways (e.g. secondments).

While there are no large scale examples of the first, some councils have been able to make a regional 'ask' of partners such as the enterprise agencies for resources for specific initiatives, often focussed on sector development. In these cases, it was felt that the regional approach had clearly been beneficial.

Although there is little appetite to make a general ask of government for significant new money to support regional working, there was some interest in a secondment model in which government could commit some staff resources to the regional partnerships. This was considered attractive not just as additional resource, but because it could bring new skills and expertise to councils. It would also have the benefit of helping to bring the Scottish Government closer to the regional partnership models, which was felt to be of mutual interest and benefit.

As noted earlier, some councils are looking to models in which there is more collective use of resources, and there is certainly value in watching carefully how this progresses. In a more general sense, there is appetite for a greater alignment of resources across these partnerships and there is interest in some places in opportunities to co-locate staff from different organisations as a way of building partnership working.

Developing a Regional Offer and a Regional Ask

As in the initial consultation, there was discussion of the 'ask' to be made by the regional partnerships, particularly of national partners such as the enterprise agencies (including SE/HIE and SDS).

There are examples of this already happening but many councils felt that the regional role of the national agencies was not yet clear. In particular, many commented that Scottish Enterprise (SE) may be quite challenged by this as it has not worked in this way for a long time.

This is a two-way process however, and councils also recognised their responsibility to be clearer about what the regional offer might be as well as their ask of national partners. In other words, what can they offer the national partners as a result of a regionally collaborative approach and what can the national partners contribute?

SE has made public its intention to develop regional investment propositions, and this was welcomed by councils.

Through the regional partnerships and collaborative structures, councils also need to articulate more clearly their contribution (the 'offer') to national policy objectives in economic development and the priorities of partners such as the enterprise agencies.

There was also support for the recent changes in the planning system and the proposed Regional Spatial Strategies which it was felt would help clarify infrastructure priorities at regional levels. However, there was also the view that better alignment is still needed between planning, economic development and transport.

Wider Partnership

Beyond the partnerships with national agencies, there was also discussion of how to engage the private sector in regional approaches - what are they being asked to contribute and where will they add most value. Currently, private sector involvement tends to be via representative bodies such as the Chambers of Commerce and the Federation of Small Businesses (FSB). Achieving meaningful engagement with private companies beyond these bodies was widely acknowledged to be challenging (North East Scotland is a notable exception where there is a private sector led economic development agency but these circumstances are considered quite unique).

Businesses typically have little appetite for participation without clear action and expectations, and history would suggest that sustaining their engagement in public sector governance structures and fora is difficult and not always productive. In fact, the role of the private sector in the emerging regional approaches is not sufficiently clear. However, two possible areas do emerge.

The first is in providing the regional partners with valuable intelligence about business and sector needs and opportunities. This could take the form of a twice yearly (for example) business forum or panel at which the public sector partners seek input from businesses.

The second is more project-specific where businesses have a direct interest in participating. Sector initiatives, infrastructure development and expert promotion are all areas in which private sector collaboration can be productive.

However, it is not realistic to expect the private sector to 'lead' regional economic strategy development or implementation. This is neither the role of business nor their core area of expertise.

4. Some Propositions

Based on the outputs of the initial consultation work and this subsequent follow up, we have a number of propositions for consideration by the partners. Some of these can be considered broad principles while others may lead more directly to specific actions.

Some will also be for individual councils and their regional partnerships to take forward, while others may benefit from a more collective local government approach.

Strategic Issues

We have noted again the need for greater clarity over the ultimate policy objectives driving the Scottish Government's encouragement of regional working. It would also be particularly helpful if government was able to give any indication of possible future investment opportunities and any related conditions.

This is an issue on which a collective approach would be useful, and SLAED could be an appropriate body to lead this side of the engagement with Scottish Government.

Action 1: SLAED to engage with Scottish Government to agree a set of driving policy objectives for regional working.

A clearer articulation of the objectives can then inform work on the development of an evidence base by helping to define measures of success. At the moment, these are either not specified or are too broad (e.g. improved outcomes) and need to be made more specific and meaningful. Only through the collection then of performance data to assess progress and impacts can the evidence base for regional working start to develop.

Action 2: the local government partners should work with the Scottish Government to develop appropriate measures of success and a framework for the collection of data to form an evidence base for regional working.

Regional strategies should seek to provide a clear articulation of regional and local issues and priorities. As such, there is a need for an honest conversation this, and an acceptance that some activities will remain local.

They can then guide and frame a clearer plan for progressing regional working without being seen to be interfering in what should remain local issues and concerns.

The regional strategies then also form the basis for Regional Investment Propositions (or similar) which we suggest could be developed in partnership with national government and the national agencies (in particular, the enterprise agencies should have a strong role here). These then effectively become both the regional offer and the regional ask.

Action 3: Councils work with the national (and regional) partners to develop Regional Investment Propositions.

Finally, there is a general principle about progressing regional working on an incremental basis and there are two aspects to this.

At the national level, progress should focus on those areas that are genuinely committed to taking forward a regional agenda. It may be that a regional approach is less appropriate for some councils and they should not be forced into it where the rationale is not clear. As such, there may not be a need for regional working to move ahead across the whole country at the same pace.

Action 4: the local government partners should seek to establish a mechanism for sharing the experiences of regional working across local government.

At the regional level, Councils should work to identify the early opportunities for collaborative working and take these forward. Importantly, there needs to be a forum of community of practice through which to start to share the learning from these experiences. The opportunities for this seem to be somewhat limited at present.

Resources and Expertise

The issues with limited capacity within councils to resource regional working are likely to get worse rather than better. We understand the reluctance on the part of councils to ask for financial help from government but there may be more mileage in other mechanisms such as the secondment idea highlighted above. There is also the opportunity to explore with government and other national partners the potential for more specific investments related to regional project and initiatives. This is not sufficiently clear at present.

Action 5: SLAED to engage with the Scottish Government and national partners to explore these (and other) mechanisms to introduce more resources into regional working.

Within this, there may also be potential to explore opportunities for collective use of resources that can start to develop closer links across partners. This may include co-location of staff across councils and with other partner organisations.

The other area in which there is an opportunity for some collective action is in relation to elected members. In the initial report we suggested that a programme of awareness raising for members might be a useful means of building greater understanding of regional working. There remains some appetite for this, but such a programme would be significantly enhanced by progress on the evidence base work noted above so perhaps the timing might reflect this.

Action 6: develop and deliver a programme of awareness raising for Elected Members on regional working and its benefits, building on the work above on defining the objectives and measures of success. This could be an appropriate action for the Improvement Service and COSLA to progress.

The point about differing level of officer commitment to regional working is a related point, but one that is best addressed by individual councils. If the senior leadership has committed to regional working, then this needs to be effectively communicated through the organisation.

Action 7: Councils should ensure that commitment to regional working (if held) is properly communicated throughout the organisation to ensure buy-in at all levels.

Partnership

There was a clear call for greater clarity about what regional working will mean for the enterprise agencies and in particular for SE. While discussions are live at local and regional levels (and many reported a good working relationship with SE) there is a wider strategic discussion about what regional working means for SE and how it will engage in a way that meaningfully reflects and complements the aspirations of local authorities.

Again, there may be a case for a collective local government approach, and SLAED would be an appropriate vehicle for this.

Action 8: Local Government partners to engage SE in strategic discussion about the regional role of the agency.

The issues around private sector engagement are not easily resolved and are largely for individual councils and regional partnerships to consider in terms of what is most appropriate for their region. That is not to downgrade the contribution of the representative bodies like the Chambers and FSB – they are undoubtedly valuable.

Action 9. Clarification of the role and expectations of private sector engagement. What specifically are the developing regional structures going to ask the private sector to commit and how can they best be engaged?

For example, further thought could be given the business forum or panel approach in which businesses provide the public sector with valuable intelligence on the issues that they face.

Appendix A: Contributors

Council interviewees:

Stephen Archer	Aberdeenshire Council
Stuart Black	Highland Council
Richard Cairns	West Dunbartonshire Council
Rob Dickson	Scottish Borders Council
Sharon Hodgson	East Ayrshire Council
Steven MacDonald	Stirling Council
Ross McKenzie	Dundee City Council
Fergus Murray	Argyll and Bute Council
Robin Presswood	Dundee City Council
Stuart Oliver	Stirling Council
Yvonne Weir	North Lanarkshire Council
Rory Young	Dundee City Council

Workshop Attendees:

Chris Adams	Edinburgh City Council
Ishabel Bremner	Argyll and Bute Council
Steven Brooks	West Dunbartonshire Council
Kate Bryson	North Lanarkshire Council
Ruth Cooper	Renfrewshire Council
Sandra Inrig	Glasgow City Council
Matt Lockley	Aberdeenshire Council
Kirstin Marsh	Fife Council
Sarah McCulley	Falkirk Council
Michael McGuinness	West Dunbartonshire Council
Andrew McGuire	Improvement Service
Mike McNally	Glasgow City Council
Graham Smith	Glasgow City Council
Susan Smith	East Lothian Council

Steering Group:

Sandra	Black	Renfrewshire Council / SOLACE
Steve	Grimmond	Fife Council / SOLACE
Caitriona	McAuley	North Ayrshire Council / SLAED
Andrew	McGuire	Improvement Service
Robert	Nicol	COSLA
Pamela	Smith	Falkirk Council / SLAED
Keith	Winter	Fife Council / SOLACE