

The Improvement Service

ELECTED MEMBER BRIEFING NOTE

Regional Approaches to Maximising Inclusive Economic Growth



What is the purpose of the briefing note series?

The Improvement Service (IS) has developed an Elected Members Briefing Series to help elected members keep pace with key issues affecting local government.

Some briefing notes will be directly produced by IS staff but we will also make available material from as wide a range of public bodies, commentators and observers of public services as possible.

We will use the IS website and elected member e-bulletin to publicise and provide access to the briefing notes. All briefing notes in the series can be accessed at www.improvementservice.org.uk/elected-member-guidance-and-briefings.html

About this briefing note

This briefing is intended to provide elected members with an update on recent work to examine the nature and extent of regional approaches to maximising inclusive economic growth across Scottish local authorities. It covers the drivers of regional working and the reasons why councils have been adopting regional approaches, and sets out some of the opportunities and challenges. It finishes with some potential actions to enable local government to lead this agenda and help advance inclusive economic growth in Scotland.

What's driving regional approaches?

Inclusive economic growth is a key policy priority for the Scottish Government, and is driven both by the desire to provide a high quality of life for all citizens and to increase income from taxation to support high quality public services. As such, it is at the heart of national and local government, and councils have a central role to play.

Local authorities in Scotland have direct responsibilities for the delivery of business advice and support services via Business Gateway and for local economic development, including employability services and local area regeneration. They are also responsible for a wider range of services and functions which impact directly on the growth of the economy, including planning, roads and transport, environmental health, education and childcare, events and tourism, community development and culture and leisure services.

In addition, local authorities are themselves significant economic actors with an annual income in excess of £15bn, employing 244,000 people, spending £7bn per annum on procurement and managing more than 40,000 assets.¹

Recently, there has been growing focus on regional approaches to economic development. While regional working is not new for councils, it has been given greater impetus by the emergence of the City Region and Growth Deals and Regional Economic Partnerships.

Councils are the drivers of the recent **City Region and Growth Deals**. These are agreements between the Scottish Government, the UK Government and local authorities designed to bring about long-term strategic approaches to improving regional economies. They have required councils to establish regional governance structures to support collaborative approaches to their delivery. Glasgow City Region was the first Deal, followed by Aberdeen City and Shire, Highland (Inverness) and Edinburgh and South East Scotland. More recently, Deals have also been approved for Tay Cities, Ayrshire and Stirling and Clackmannanshire. The Borderlands Growth Deal has also been approved and is a collaboration between Dumfries and Galloway, Scottish Borders and Northumbria, Carlisle City and Cumbria. Further Deals are planned for Moray, the Islands, Falkirk and Argyll and Bute.

This emerging regional agenda has also been given further impetus in the Scottish Government's Enterprise and Skills Review (ESR) which proposed the formation of **Regional Economic Partnerships** (REPs) to develop and oversee strategic approaches to regional economic development.

The Review is clear that the REPs should be self-assembled according to the needs of different regions and there are no predefined regional geographies. The Review also commits other agencies and stakeholders (including the enterprise agencies and Skills Development Scotland) to working regionally.

Together, these drivers point towards a growing focus on regional approaches to stimulating economic growth and while they are still recent, the time is right to take stock of experience to date, and consider future directions.

¹ *Economic Outcomes Programme: Overview Report*, Improvement Service, 2018

Councils' experiences of regional working

All councils in Scotland are involved in some form of regional collaborative working. This ranges from the more formal governance structures of the City Region and Growth Deals and statutory functions such as planning and transport through to collaboration on specific projects or initiatives. Most are positively disposed to regional approaches, even if some are taking a cautious approach, and a few have opted for a more local model. Some perceive real potential for innovation over the longer term, with evidence of a willingness to explore the use of collective resources to pursue strategic regional economic development.

Despite this variation, there is broad agreement around the rationale for regional working based on:

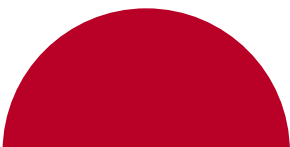
- **functional economic geographies:** economies do not conform to political or administrative geographies. This includes labour markets and travel to work areas, business activity, trade and supply chains, housing markets, transport and infrastructure.
- **improving outcomes:** collaborative working can deliver greater outcomes than working in isolation, particularly on economic issues that operate on a geographic scale larger than council boundaries;
- **lobbying and influence:** regional working can allow councils a stronger voice by virtue of their collective scale and influence, including for the purposes of lobbying and securing funding;
- **mutual benefit:** successful regional working offers the potential for mutual benefits particularly in relation to some services such as tourism and inward investment;
- **reducing duplication and fragmentation:** working together can help reduce duplication of effort and even provide more consistent and coherent services in some areas. Business Gateway is an example of this, as it is, in some locations, already delivered through regional structures; and
- **increasing resilience for services:** regional approaches can help build more resilient public services for the future through economies of scale and efficient delivery models.

The City Region and Growth Deal structures have provided an initial platform from which REPs are now developing, and there is ambition in some areas to move from these structures to something more strategic over time.

The pace and extent of progress is varied, and regional working in the context of inclusive economic growth is still in its early stages. Effective collaborative working takes time to establish, and it may also be that regional approaches make more sense in some areas than others. In particular, the notion of functional economic geography may be less compelling in some of the more rural and remote parts of the country.

Capacity and capability are also real challenges for many authorities. As a discretionary service, economic development has borne significant reductions in budget, and resources are thinly stretched. The City Region and Growth Deals have also made substantial demands on councils, and the further development of regional collaborative approaches will need investment and action to support the development of the approach and skills that will support regional collaboration.

A number of characteristics and practices can be identified as being important to the success of regional working. These include:



- willingness to work at a multi-authority level
- common purpose and shared priorities across the partners
- trust and respect amongst partners
- political and operational leadership
- clear and appropriate governance
- wider partnership involving relevant public and private sector stakeholders
- alignment of regional and local priorities
- flexibility to target inclusive growth in different ways across regions.

Shaping the future of regional working

Local government has an opportunity now to lead and shape the future of regional working to maximise inclusive economic growth. There is no single successful approach, and councils and their partners will need to determine the models that will work best for their particular circumstances. However, some issues will be common, and there are areas in which collective action may be useful. Work is now underway to develop an action plan for local government to lead the regional agenda based around a number of actions.

Appetite and ambition

There is widespread, albeit not universal, appetite for regional collaboration, and evidence of considerable ambition in some councils. This provides a basis for articulating a **proactive and ambitious agenda** for accelerating regional collaboration as a means of maximising inclusive economic growth outcomes. There is an opportunity here for councils to push the ambition for regional working.

Action: Local government should lead on this, making a clear case to the Scottish Government for resources to support **ambitious regional approaches**. Support will require to be largely financial, but other mechanisms such as staff secondments could also be considered as a means of supporting regional partnership working.

Leadership and skills

Political leadership is critical to driving ambition, and leadership at officer level will help ensure effective operational working, delivery of the intended outcomes and stronger communications. Regional collaboration requires different skills at both political and officer level, and this is an area in which local government and its partners may have an important developmental role.

Action: Local government and its partners to explore opportunities for training and development to promote:

- **understanding** of the importance of economic development as part of the wider landscape of public service delivery and of the central role of local authorities in the economic development system
- **ambition** for regional working as a mechanism for developing innovative approaches to achieve a step change in inclusive growth outcomes
- **understanding** of regional working in economic development, its objectives and potential benefits
- **leadership** skills to support regional working while also maintaining appropriate focus on local interests - balancing regional collaboration with democratic accountability
- **knowledge** of the multiple stakeholders in economic development and their roles in the regional (and local) context
- effective **communications** such that all elected members and officers (at different levels) have a shared understanding of the regional approach.

Strategy and objectives

It will be important, if pursuing a regional approach to economic development, to have **clear objectives**. At least initially, these largely relate to the delivery of the City and Growth Deal Programmes, and the policy goals for regional working beyond the Deals are not always clear. In addition to clear objectives for regional working as a policy, regional partnerships need clear objectives and priorities to guide their work. These should be set in **regional economic strategies** with clear alignment both to local priorities (as defined in Local Outcomes Improvement Plans and relevant economic strategies at council level) and to national priorities.

Action: As part of a proactive approach, local government should now work with the Scottish Government to agree clear and deliverable policy objectives and principles for regional working against which progress can genuinely be measured. This is an area in which the local government partners can demonstrate strategic leadership.

Action: Regional Economic Partnerships should develop ambitious strategies for regional inclusive economic growth based on deep understanding of regional economic conditions. These strategies need to balance local needs and circumstances with shared regional priorities.

Maximising inclusive growth

The overarching policy goal is **inclusive economic growth**, but the definition of what this means in practice remains the subject of some debate.

Action: Regional Economic Partnerships should give due consideration to what inclusive growth means and how it will be measured in different parts of the region, connecting regional priorities to local needs. This is an issue for regional economic strategies and for subsequent implementation, and calls for close alignment between regional and local strategies (e.g. Local Outcomes Improvement Plans).

Developing the evidence base

Whilst there is a relatively compelling theoretical case, the **evidence base** for the added value of regional working is undeveloped. This will be important in making a stronger case for regional approaches in future, particularly in the absence of statutory requirements. The lack of evidence is not, however, reason for inaction. Indeed, if regional working does not progress, then there will be no opportunity to develop the evidence base.

Action: Councils should now seek to put in place the right building blocks for developing the evidence base for regional working. This will include the development of clear policy objectives and regional strategic priorities as above, and also a measurement framework against which performance and progress can be assessed. This is again an area in which local government can take a lead.

Widening partnerships

Councils cannot act alone in delivering inclusive economic growth, and the role of other partners will be crucial. As such, their involvement in regional working is essential. This will include

partners such as the Enterprise Agencies, Skills Development Scotland, Scottish Funding Council, universities and colleges but must also include the private sector.

Action: More work is needed to develop the partnerships that can help to drive inclusive economic growth at a regional level and two areas in particular should be considered as a priority:

- the new regional groupings should engage with the national partners (e.g. SE, SDS, SFC etc) with a clear ask that sets out their role and the expectations of the regional partners. The consultation suggests a clear willingness to engage on the part of these partners, but it is for local government to be clearer about what they require from these organisations; and
- further work is required on how best to engage the private sector, and articulate their role in maximising their contribution to inclusive economic growth.

Role of elected members

Elected members have a critical role to play in the shaping the developing regional agenda in a number of ways:

1. Councils are at the centre of regional approaches to maximising inclusive economic growth and bring the services, resources and influence that will make a difference. Elected members have a key role to play in building commitment to, and aligning resources with, regional approaches.
2. Political leadership is crucial in setting coherent vision and supporting collaborative working through leading by example. Elected members can be powerful champions for regional collaboration both within their authority and across the wider partnerships.
3. Successful regional working is based on mutual benefit and this means aligning regional action with local needs. Elected members are well placed to ensure that local needs are recognised and aligned within regional approaches, while also supporting the principles of collaborative working.
4. Elected members have a key to role to communicate the benefits of regional working to their various and wide constituents.
5. Elected members also have relationships with a wide range of businesses and other local partners, and can help galvanise them and encourage their active participation in regional partnerships.
6. Regional approaches require ongoing scrutiny to ensure that deliver on their promise and are supporting inclusive economic growth outcomes. Elected members are well placed to provide these checks and balances.

Further information

The **Economic Outcomes Programme Overview Report** sets out a highly positive message regarding the major contribution that local authorities make to Scotland's economy. The work looked beyond traditional economic development interventions to examine opportunities for further enhancing impact via 'levers' that typically do not feature explicitly in economic development strategies. The Overview Report focuses on three major corporate economic 'levers' that councils control/influence, in terms of their role as major employers, procurers of goods and services, and asset owners.

Further information: www.improvementservice.org.uk/documents/econdev/eop-overview-report-aug18.pdf

The **Regional Approaches to Maximising Inclusive Economic Growth: Local Authorities' Perspective Report** outlines the experiences and role of Scotland's local authorities in relation to regional economic working. All 32 councils actively engaged in this work and the report highlights their long history of engaging in cross-boundary working and emphasises the key role they play in supporting Scotland's economy.

Further information: www.improvementservice.org.uk/documents/econdev/regional-approaches-to-maximising-inclusive-economic-growth.pdf

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