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Regional development policies in the UK: Devolution in Practice

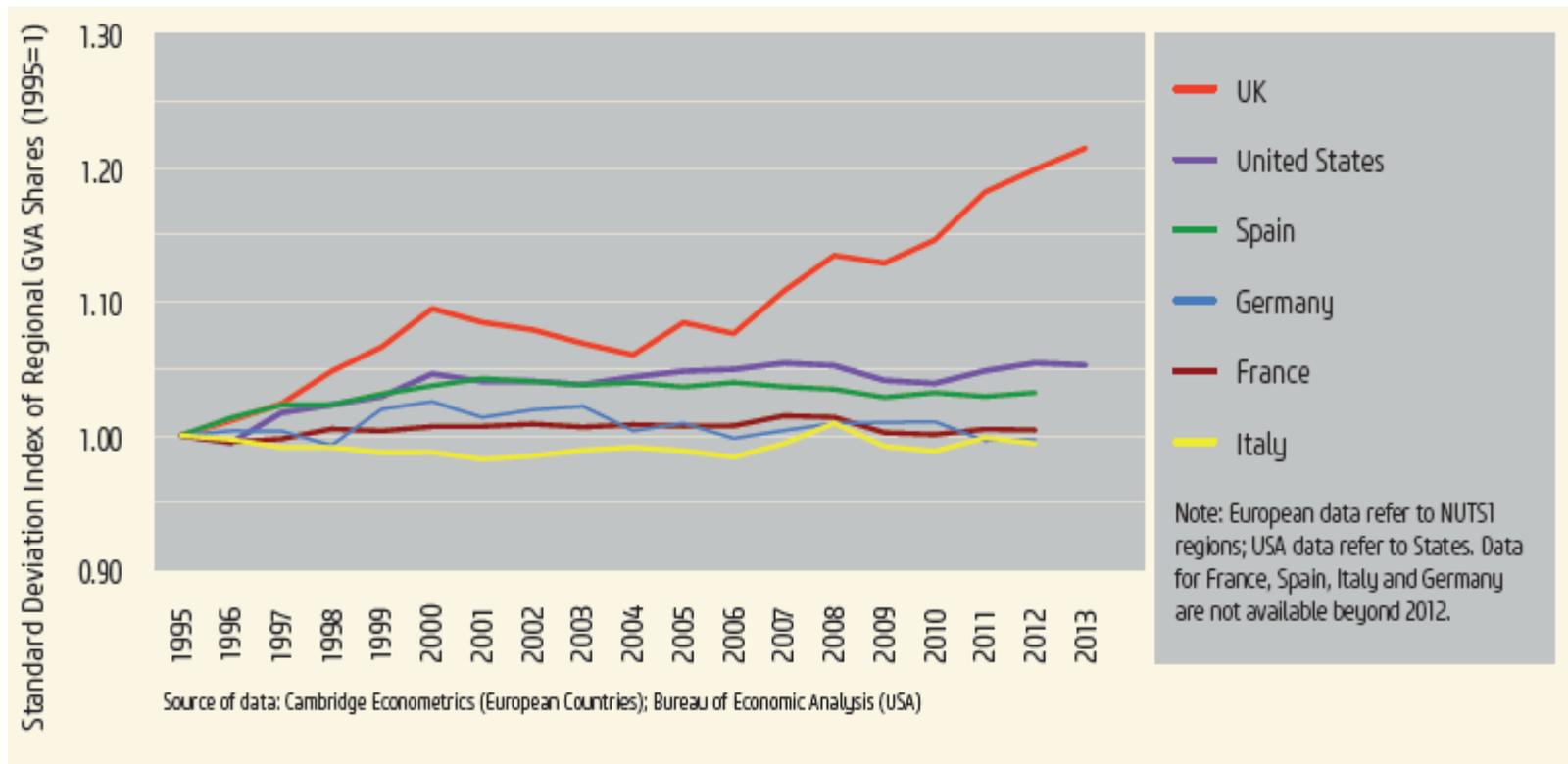
Martin Ferry

**Regional development policies in the EU –
experiences and trends**

**5th April 2017
Palacio de la Aljafería, Zaragoza**

- Regional disparities in the UK
- Rationales for regional policy
- The devolved arrangements
- The evolution of UK regional policy post-devolution
 - Eng, Sco, Wal, NI.
- Conclusions and issues

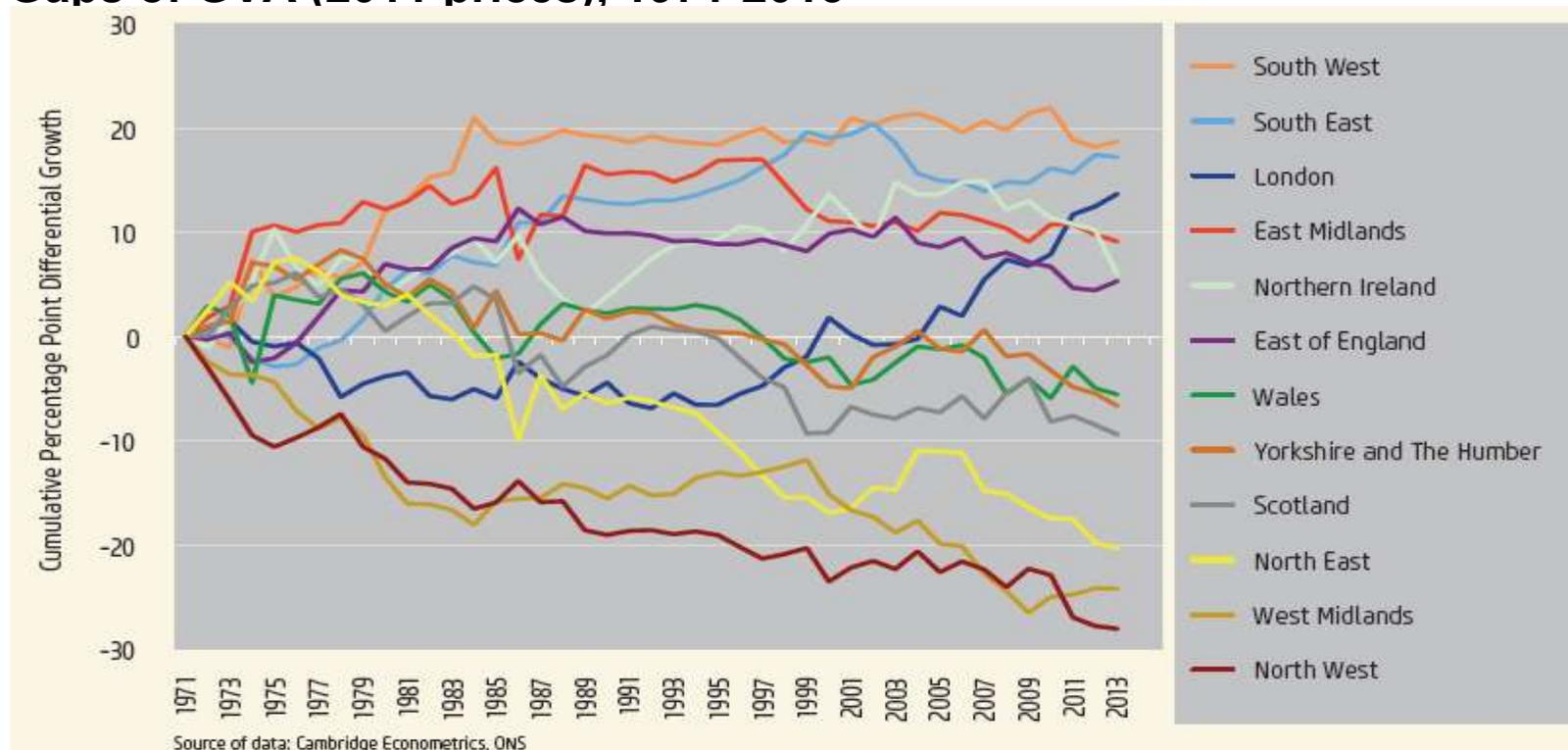
Compared, Indexed Standard Deviation of Regional Shares of National GVA, 1995-2013



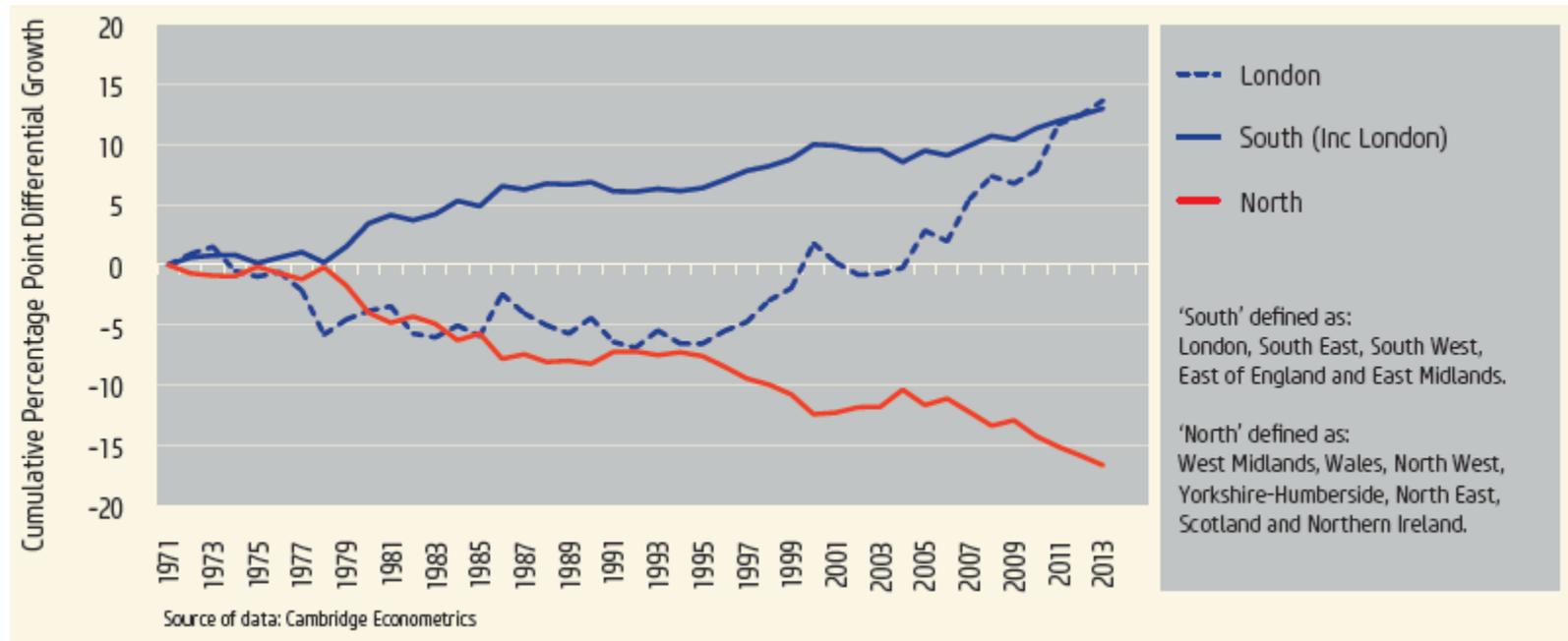
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Regional cumulative % differential growth

Gaps of GVA (2011 prices), 1971-2013



- **Figure 3: Cumulative Percentage Point Differential Growth Gaps of GVA (2011 prices): The North, South and London, 1971-2013**



Economic

- More spatially balanced and even distribution of demand across the country
- Enables resources to be used in a way that is more conducive to sustainable national growth
- A more even rather than concentrated geographical distribution of economic activity also lowers inflationary pressures

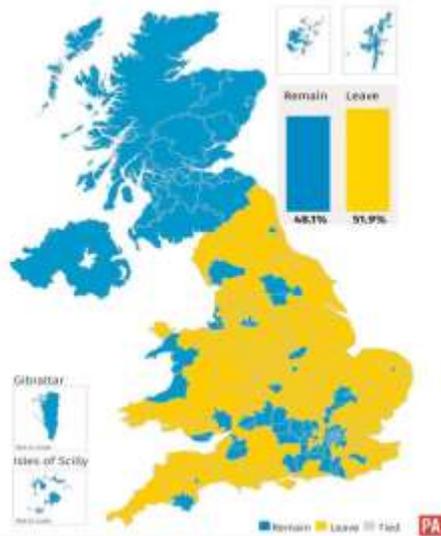
Social

- Relatively slow-growing regions fail to generate sufficient jobs and export their population to other regions
- Sustained outward migration damaging to the economic potential and social cohesion of the origin regions
- Problem Since 70 percent of the UK's population live outside London and the South East

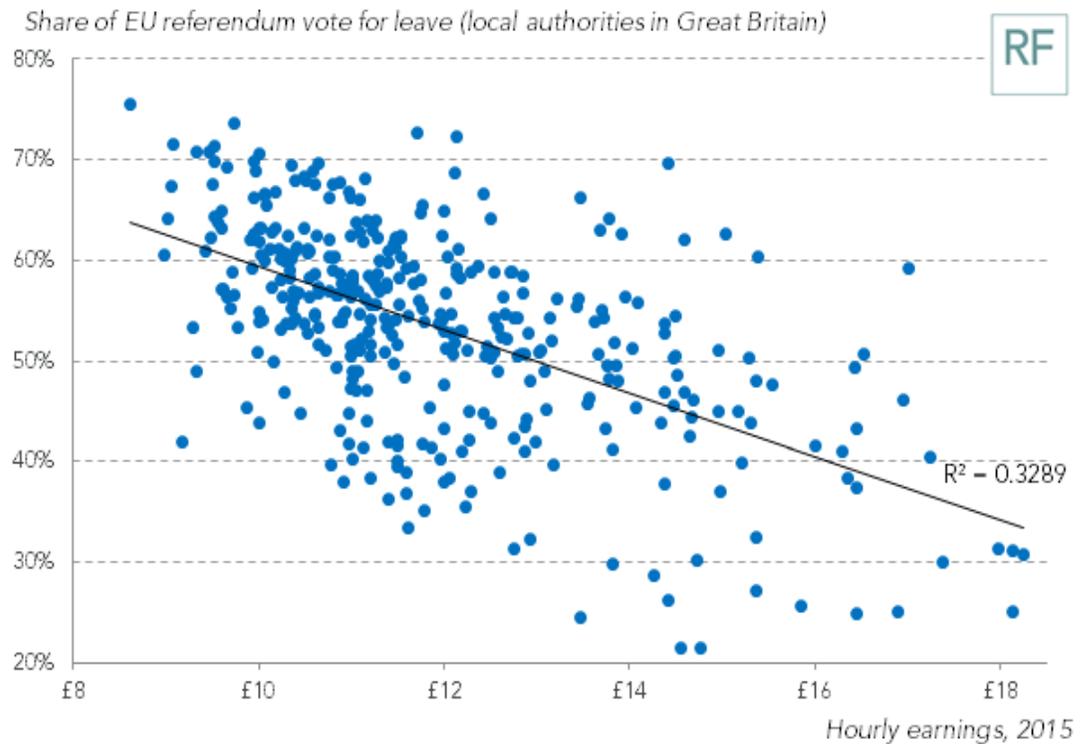
Political.....

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The political rationale



Political implications of growing and sustained inequality → less trust in institutions



“no-one cares about places like this”

Reserved matters

Financial and economic matters	Trade and industry	Aspects of energy regulation	Aspects of transport	Employment
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Devolved matters: economy, environment, transport

	Scotland	Wales	N. Ireland
Taxation	Shared	Shared	Shared
Urban planning	Exclusive	Exclusive	Exclusive
Environment	Exclusive	Exclusive	Exclusive
Housing	Exclusive	Exclusive	Exclusive
Transport	Shared	Shared	Shared
Economic dev't	Exclusive	Exclusive	Exclusive
Agric, fish, forest	Exclusive	Exclusive	Exclusive

Regional policy funding drawn from assigned budgets in DAs (Sco, NI, Wal)

- Barnett Formula: UK Treasury mechanism adjusts public expenditure allocated to DAs:
 - change in planned spending by UK gov't departments;
 - comparison of UK government dep't spend to equivalent in DA;
 - population proportion in each country.
 - large proportion of DA budgets (2013-14 c85% of Sco Parliament's total budget)

Devolution of further tasks to DAs asymmetrical, ongoing

- Scotland
 - 2012 Act devolved ltd powers to raise or lower income tax rate,
 - new borrowing powers for infrastructure investment 2015-16,
 - introduction of further income tax powers, Scotland Act 2016.
- N. Ireland
 - Capital borrowing powers housing, education increased
 - Corporation tax rate cut in 2018, from UK to RoI levels to compete for FDI
- Wales - changes to funding formula to incorporate self-financing being discussed

- Overall aims set by UK Gov't White Papers e.g. 'Plan for Growth' (2011), Industrial Strategy (2017)
- Focused primarily on economic objectives:
 - productivity, innovation and entrepreneurship
- New UK industrial strategy (2017)
 - infrastructure investment,
 - active intervention by public authorities
 - emphasis on the 'importance of place'

But

- No core legal framework constraining regional policy of the DAs
- Regional policy is a devolved responsibility, administered separately

Key institutions

- National - DBEIS, DCLG
- Sub-national - 39 private sector-led Local Enterprise Partnerships (LEPs)
- Combined local authorities (e.g. Greater Manchester) increasingly involved

Objectives

- Local economic growth, 're-balancing' of the economy across the country , addressing low productivity, promoting growth outside London

Instruments

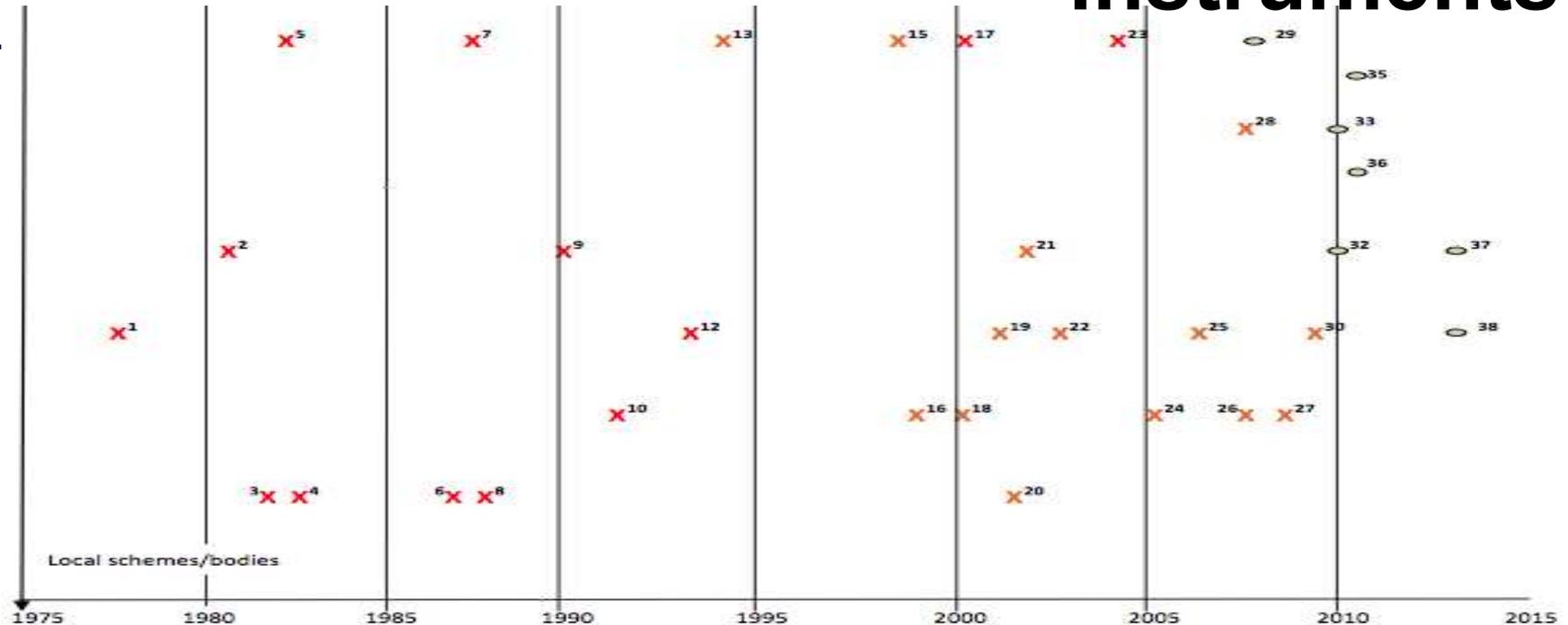
- Regular 'churn' of instruments since 2010 (see next slide)
- Decreasing focus on regional aid schemes for firms
- Major infrastructure projects to spur growth (e.g. Northern Powerhouse).
- discretionary, bi-lateral contracting: City Deals, Growth Deals, Devolution Deals
- Enterprise Zones, including urban and rural areas

Funding examples:

- £12bn Local Growth Fund (2015-21), transport, education, skills, housing
- 9 Devolution Deals, total £246.5 million per year to boost growth

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England: 'churn' of instruments



- | | | | | | |
|----|---------------------------------------|----|---|----|--|
| 1 | Urban Programme (expansion) | 14 | National Coalfields Programme | 27 | City/Economic Development Companies |
| 2 | Urban Development Corporations | 15 | Regional Development Agencies | 28 | Multi Area Agreements/City Region Pict |
| 3 | Urban Development Grant | 16 | New Deal for Communities | 29 | Grants for Business Investment |
| 4 | Derelict Land Grant | 17 | Enterprise Grant Scheme | 30 | Future Jobs Fund |
| 5 | Regional Development Grant (revision) | 18 | Urban Regeneration Companies | 31 | Homes and Communities Agency |
| 6 | Urban Regeneration Grant | 19 | Local Strategic Partnerships | 32 | Enterprise Zones (new phase) |
| 7 | Regional Enterprise Grant | 20 | Neighbourhood Renewal Fund | 33 | Local Enterprise Partnerships |
| 8 | City Grant | 21 | Housing Market Renewal Pathfinders | 34 | Regional Growth Fund |
| 9 | Training and Enterprise Councils | 22 | Local Authority Business Growth Incentive | 35 | City Deals |
| 10 | City Challenge | 23 | Selective Finance for Investment | 36 | Growing Places Fund |
| 11 | English Partnerships | 24 | Working Neighbourhoods Fund | 37 | Tax Increment Finance |
| 12 | Single Regeneration Budget | 25 | Local Area Agreements | 38 | Business Rates Retention |

EPRC Regional policy in Scotland

Key institutions: Scottish Government, Scottish Enterprise, H&I Enterprise

Objectives:

- Economic Strategy (2015) increasing competitiveness and tackling inequality
- Some distinctive Scottish elements:
 - Promoting more equal, inclusive growth e.g. connectivity for more remote areas
 - Regeneration of the most disadvantaged communities.
 - Strong partnership model

Instruments

Infrastructure investment

City Deals (e.g. Glasgow, Aberdeen)

Regional aid scheme still important - discretionary grants for smaller firms to create or safeguard jobs.

Enterprise areas (sectoral basis)

Funding examples

RSA increasing again after drop over past decade: £57.8m awarded in 2014/15.

City Deals: e.g. Aberdeen - UK and Sco gov'ts commit to £250m over 10 years

Key institutions: Welsh Government

Objectives

- 2010 strategy 'Economic Renewal: A New Direction' aims to address systemic issues within the Welsh economy, investing in infrastructure, skills and the business context.
- Some distinctive Welsh elements
 - Focus on addressing underemployment levels
 - shift away from direct and generic support for companies to a focus on creating the right environment for businesses to succeed and use of Financial Instruments.
 - sectoral focus business support on six key fields: ICT; energy and environment; manufacturing; creative industries; life sciences; and financial services.

Instruments

- Repayable forms of support largely replace grant aid to firms: e.g. Finance Wales
- City Deals (e.g. Cardiff)
- Enterprise Zones

Funding examples

- Funds reallocated to infrastructure projects and six key sectors
- 14 Plans for new £136m business development fund, establishment of Development Bank

EPRC Regional policy in N Ireland

Key institutions: Northern Ireland Executive, Invest NI

Objectives

- 2012 'Economic Strategy: Priorities for Sustainable Growth and Prosperity' - improving economic competitiveness through a focus on export-led economic growth.
- Some distinctive NI elements
 - rebalancing the economy towards 'higher value-added private sector activity'

Instruments

- Enterprise Zone
- Bidding for City Deal (Belfast)

- Where is UK regional policy going?
- Some common trends
 - Market principles but retaining central powers, infrastructure investment
 - Localism, city-regions
- Impact of devolution
 - Policy divergence reflects specific issues, traditions
- Challenges
 - Policy coordination with ongoing, asymmetric devolution
 - Patchwork of instruments, initiatives, implementation
 - Impact of Brexit and the end of EU funding

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Thank you for your attention