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THE MAGAZINE OF
THE NORTHERN WAY

ISSUE 14
WINTER 2010

FOCUS NORTH



**Moving Forward:
The Northern Way**

one
NORTH EAST


The Regional
Development Agency

 **Northwest**
REGIONAL DEVELOPMENT AGENCY

He highlights a shift in focus for sub-national economic development policy across the developed economies. Policy is moving away from approaches based on subsidy and income redistribution, towards a mix of policies which promote competitiveness and the identification and fostering of growth potential. This is supported by analysis from across the OECD that there are opportunities for growth and development in places with different economic characteristics which can be identified and exploited.

To seek to secure these opportunities, across the member states of the OECD there is an increasing dynamic to decentralise structures and policies, enabling the integration of decision making and co-ordination of public policy at local and regional scales. He suggests that, in the context of the issues raised in the Turning Points – such as the response to globalisation of the economy, the recession and climate change – this is a policy direction which is likely to continue.

Common areas for policy focus link to challenges such as infrastructure, skills and innovation support. Successful interventions aim to stimulate increasing focus on the assets and economic potential of an area, and to ensure that barriers to growth, such as accessibility to markets are addressed. And because of the different structures of governance within states across the OECD – ranging from very centralised countries such as the UK to decentralised and federal models like Germany – different structures of multi-level governance have been developed to aim to secure successful prioritisation and co-ordination. The result is an uneven approach across the OECD membership with different governance models in place. Pike highlights evidence that one of the common characteristics is the importance of democratic accountability in the process of defining objectives and goals.

Against this background, the history of sub-national economic governance in the UK has been patchy with high levels of centralisation and low levels of local and regional capacity to deliver co-ordinated responses of this type. There has not been a strong and stable position for any sustained period.

There have been identifiable phases of policy development including the Urban Development Corporations and Government Offices of the 1980's Conservative Government, and devolution to the 3 Nations and decentralisation to the English regions since 1997 under Labour, which further evolved to a focus on City Regions and Integrated Regional strategies in the second half of the 2000's. The policies of the Coalition Government signal a move away from regions and to more local scales, although the detail of this change of emphasis still need to be revealed.

Session 4 Contexts and legacies Response

It's the Governance, stupid
Baron Frankal and Chris Pope,
Manchester's Commission for the New
Economy

Compelling evidence exists of the correlation between good governance and economic growth and development, and this was the proposition at the centre of this "Turning Point" session, and in particular the paper from the Spatial Economics Research Centre's John Tomaney and Andy Pike. They provided good support for growth and prosperity being at the heart of good governance, but noted that the creation of such "lasting, stable and effective mechanisms" has proved elusive. Indeed.

The discussion that followed the paper's presentation used the Commission for the New Economy as an innovative example of just such a growth orientated structure. Whilst a majority of Greater Manchester's ten Leaders sit on its board, a majority of that board is private sector, including the Chair. This enterprising structure puts long-term sustainable economic growth above all else, is private sector lead in concept and action, but has the full confidence of its co-terminus Local Authorities. It is, perhaps, exactly the kind of model that needs to be evaluated in terms of a basis for constructing the latest sub-national policy incarnation - Local Economic Partnerships (LEPs).

LEPs were but a glint in a future-Minister's eye at the time Pike and Tomaney prepared their paper, but it sets a high bar for these institutions as they emerge. Its starting point is that compared to international best practice in local economic development, the UK has a poor record. Compared to other countries, sub-national policymaking remains virtually non-existent in our incredibly centralised state. This is ingrained in our national consciousness, with a majority of talent flowing to London and the productivity gap between London and the South East and the rest of the UK widening with time through various generations of government policy. Ergo, we need to do something differently. As the Turning Points papers make clear, economic conditions are developing rapidly; a changing population, environmental concerns and massive fiscal contraction in the public and private sector too.

Good governance brings evidence, logic, analysis and robust strategy to the fore, sidelining short-term political considerations (local as well as national) for the greater good of key objectives – in our case the pursuit of economic growth.

It would recognise for example that we are in the Asian century, and so investment there now, however difficult or slow burn, is going to pay the greatest dividends, not least through first mover advantages. The baton is passing before our very eyes: can we condition our supply (most importantly of knowledge) to meet their demand by the national polity enabling places like Manchester to have its own trade strategy?

Strong, stable governance prioritises, reaps opportunity and deals with challenges – in that order. There remains the much debated question of what level for such governance, and Mike Coombes' classification is an important contribution to that debate, highlighting how each place is different and must probably face challenges in different ways, often co-operating with other places as required by economic challenges.

A one size does not fit all philosophy does not, though, sit easily with tidy-minded civil servants who seek comprehensive solutions. How could it be that a function might be done at regional level in one place, at city regional level in another and that another still might not have any capacity at all, requiring a Whitehall solution filleted of the country's strongest parts? Patchworks and postcode lottery syndrome create political dread, but surely a world where elsewhere the fittest places sprint faster and are systematically encouraged to do so for the greater good, it is an inevitability that the priority for policy should be empowering places that have capacity, ambition and structures of accountability in place to achieve economic growth.

Mark Tewdwr-Jones's very valuable contribution provides a powerful narrative about the role of land. Again, the appropriate governance structure, at the right level, is crucial to having the right policies in place to ensure planning policy works towards the economic growth imperative. All too often it is an inhibitor, as the planning tail wags the economic dog. In a world of ever less public subsidy, the ability of a place to leverage its assets, foremost of which will be land, becomes critical.

There are six EU Members States smaller than Manchester, and so the potential is clear, as is acceptance of the need to get governance right. For us, this is surely the right level and tightness of unitary economic interest to pioneer stable and effective economic development mechanisms for a new age, where policy innovation and entrepreneurship and radical public sector reform are desperately needed, not least to balance the books and ensure effective delivery continues and accelerates. Tomaney and Pike contend that policy has moved tentatively from income redistribution to regional competitiveness. However the logical response to the continued failure to close the UK's still-growing productivity gap is surely much more radical acceleration along that path to somewhere approaching the devolution most economic centres in the western world have long prospered from. Better places will be ready to pick up that baton and run with it, if only they are allowed to do so.

Session 3

Drivers of growth and productivity

Innovation in the North of England: Drivers, Progress and Prospects

Dr Beth Perry, University of Salford

Beth Perry reviews evidence about the role of innovation as a driver of productivity and regional growth in the North of England.

She explores the dynamics which influenced its prominence in Northern economic development priorities, starting with the Government decision to relocate the Diamond Synchrotron from Daresbury in the North West to the South East at the turn of the century. This set back prompted an enhanced regional focus on science and innovation and the creation of the North West Regional Science Council, over time creating a wider agenda around the knowledge economy, and the recognition of the economic potential of agglomeration economies and economic spillovers.

In the North, the three regions have taken different innovation journeys. Support for collaboration between universities and business was the starting point for work in Yorkshire. In the North West, parallel science and innovation initiatives have been increasingly integrated into regional development strategies. Within the North East there has been a central role for innovation as the focus for its economic transition. These differences in approach reflected different economic starting points, varying dynamics and the centrality of existing assets and new opportunities.

A key moment for the North was the intervention of the OECD in 2008, with their territorial innovation review which was facilitated and informed by inputs from the Northern Way, the three Regional Development Agencies and a range of local, business and academic partners, engaged as part of an increasingly wide-ranging innovation constituency.

The OECD set out a comprehensive assessment of the innovation performance of the North of England and provided a strong rationale for collaborative work to:

- enhance the innovation infrastructure across the North
- broaden the understanding and agenda around innovation, to include broadening the interaction between innovation sites and local economies and
- enable innovation capacity, through the development of evidence, profile and focus.



She highlights how the innovation assets on which the North is now focused articulate strongly to the changing global economic environment reflected in the Turning Points papers, offering opportunities for the North in areas such as technological change with the focus on communications technologies, and climate change with the focus on low carbon energy generation.

Economic Strategy, Investment and Infrastructure

Andrew Lewis, Director, The Northern Way

Andrew Lewis describes how the economic and policy context for investment in the North of England has experienced significant change over the last 5 years. The impact of the recession has affected immediate prospects. It has also prompted a fundamental rethink of the terms on which investment is likely to be secured in the future as the economy recovers.

Before the recession the role of the public sector in delivering enhanced relative economic performance in the North had been under scrutiny, and this had been crystallised into a substantial recasting of the approach to regional economic development policy.

Recent reforms brought forward by the Labour Government focused on building a more coherent and accountable system of economic policy co-ordination between national, regional and local scales, alongside an attempt to break down policy silos between different instruments of economic policy. The direction of policy was towards simplification of structures and strategies, accompanied by an enhanced and positive role for local government. The reforms aimed to achieve a clear focus on the added value of the role of the public sector in economic development, providing an improved environment for private sector involvement and investment into key priority projects and programmes.

He argues that, for the North of England, changes of this nature are important because of the evidence which had been generated about the barriers to greater flows of private investment into the Northern economy.

The Private Investment Commission, which brought together 7 private sector leaders from different backgrounds, supported by The Northern Way, examined a range of constraints to private investment in the North – looking at investment into businesses, innovation, economic regeneration projects and housing.



They identified how key constraints had held back the Northern economy in key areas including:

- an under-supply of housing
- an imbalance of investment into regeneration and other infrastructure projects and
- an apparent inability of SMEs in the North to secure long term finance for growth.

Lewis highlights that the main focus of the Commission in seeking solutions to these constraints was on the fundamentals which would make a difference to these problems over the long term. However, he also highlights their significant concern about the nature and strength of recovery in the North.

The Commission identified a long term equity-gap between the Greater South East and the rest of the UK with the 32% of the UK business base based in the South East securing 69% of the venture capital investment. It assessed the evidence about the causes of this imbalance and developed a suite of potential responses. It agreed with the Rowlands Review that there needed to be action taken to promote and manage private investment opportunities into the regions outside the Greater South East and to move away from Government approaches which focus resources into areas where the economy was already strong.

He reports how the Commission also highlighted the need to address structural problems in areas like housing and regeneration which have been hidden by cyclical patterns in the market to address the overall attractiveness of the North for business and investment. This requires a coherent strategy and targeted local actions to maximise the potential of places, create a supportive local business environment and to develop new models of public-private partnership to encourage investment and to stimulate investment into projects which can connect communities to economic opportunities.

Connectivity and the North of England

Professor Alan Harding and Dr. James Rees, University of Manchester

Alan Harding and James Rees highlight how connectivity and accessibility have become increasingly crucial enablers of economic dynamism in a world dominated by urban economic development and agglomeration.