

# *Growing Lagging Regions:*

*Case study: North of England*  
OECD seminar, June 28 2010

Richard Baker  
Policy & Research Manager, Northern Way

[richard.baker@thenorthernway.co.uk](mailto:richard.baker@thenorthernway.co.uk)

# Presentation

**Address discussion questions: case study of North of England**

## **Northern economy**

- economic challenges
- geography
- institutions and issues
- changing policy context

## **Our experience: Northern Way approaches and evidence**

- 2004-2008 programme
- 2008-2011 programme
- Some evidence in key areas
- Evaluation evidence

## **Reflections for this workshop**

# Northern Economy: legacies, resources, challenges

## Legacies

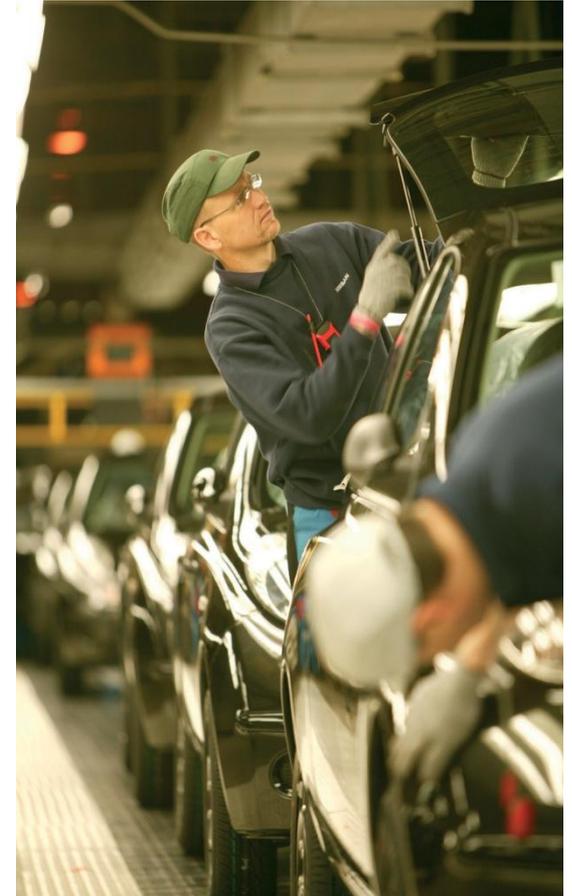
- Hub of the industrial revolution
- 5 core cities – changing rapidly
- Excellent natural assets including 4 national parks

## Resources

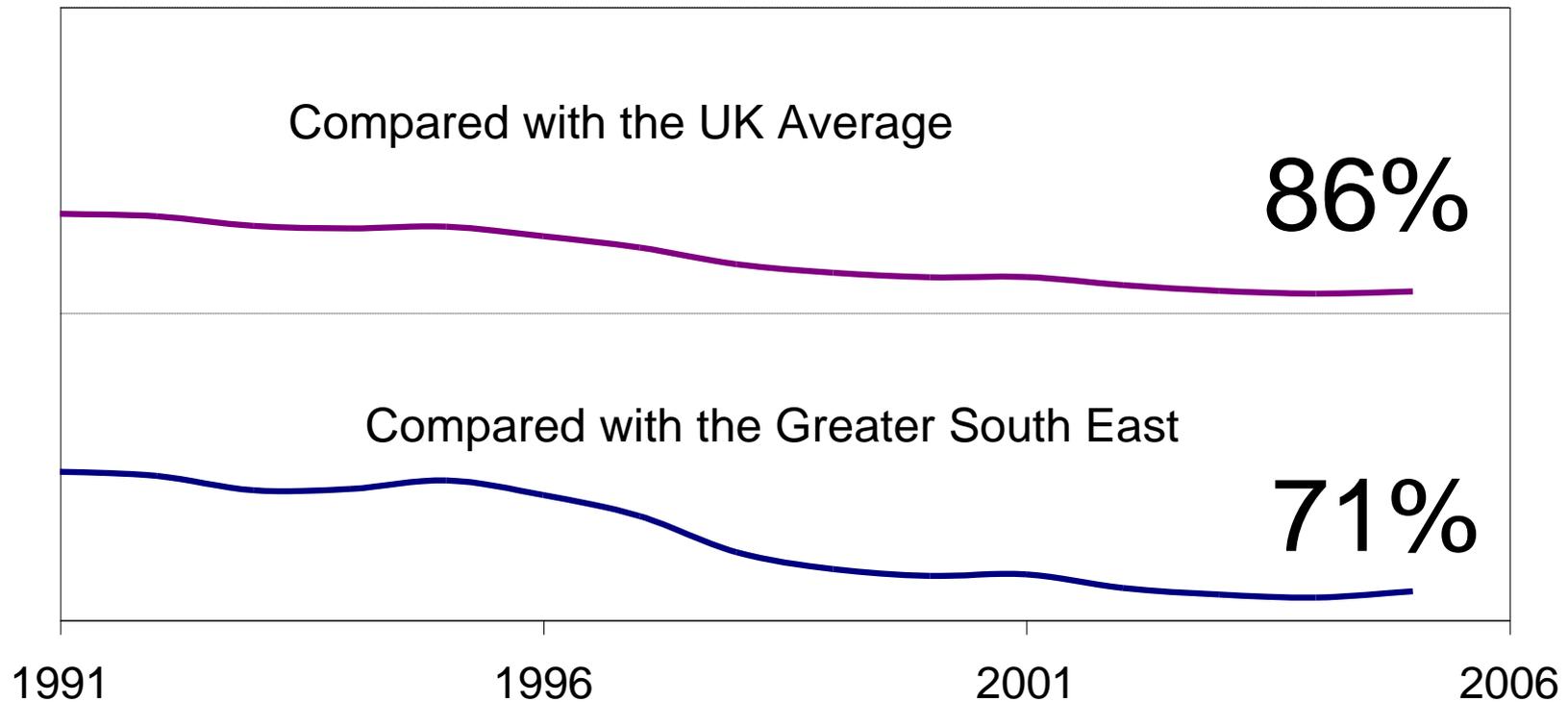
- 14.5 million people, 340 000 businesses
- 8 major research universities
- Key sectoral assets – eg manufacturing, ports, financial services, culture, energy

## Challenges

- Low relative growth rates
- Managing long term economic transition
- Centralised UK economic structure – co-ordination issues at sub-national level
- Connectivity within UK and internationally
- Competitiveness & diversity of business base
- Deprivation, disadvantage, health, skills levels

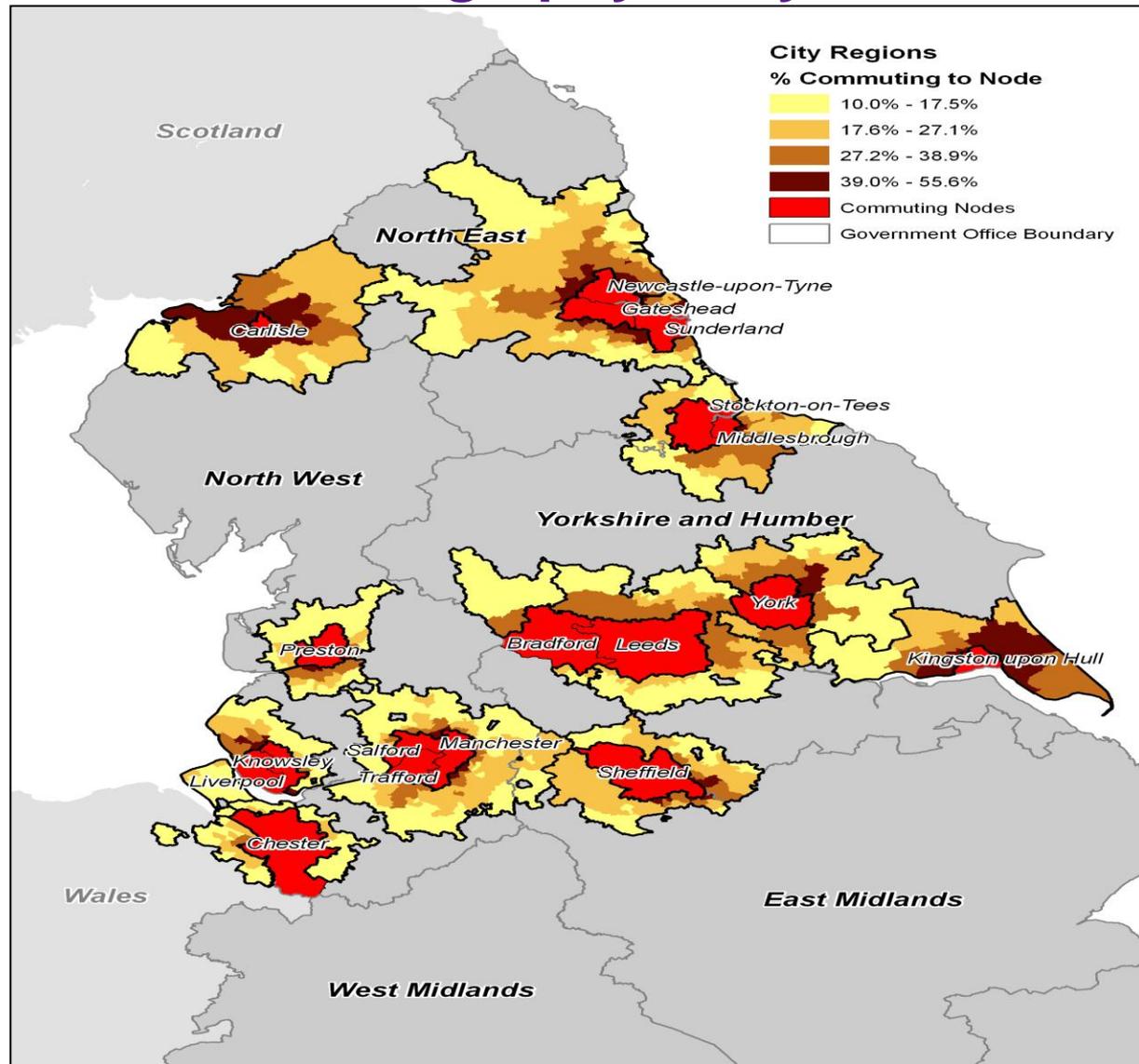


# Lagging regions: North of England Economic Prosperity: (Before current recession)



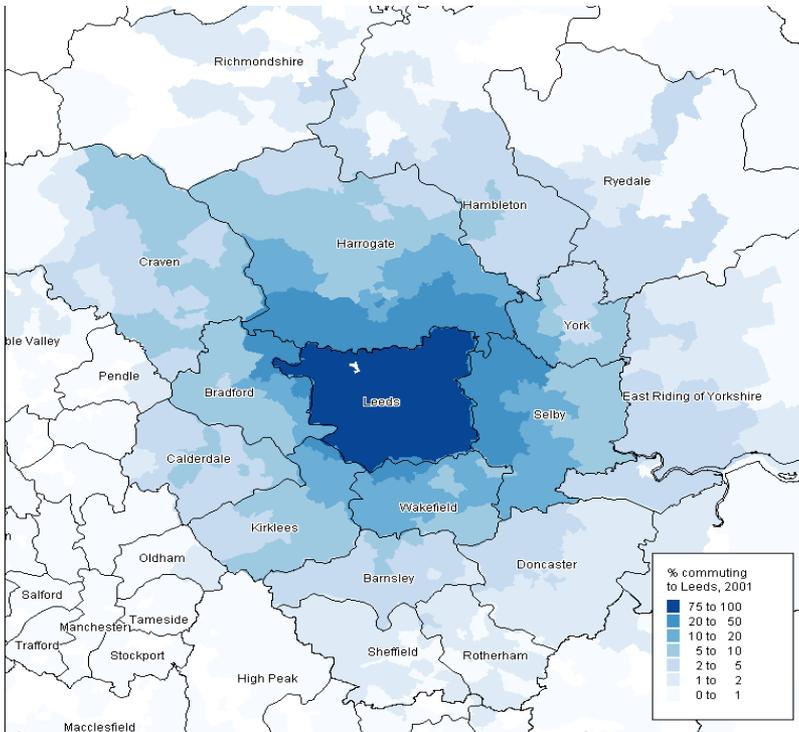
Source: NERIP Executive Team using GDP & GVA Data from Office for National Statistics

# A Distinctive Economic Geography – key travel to work areas

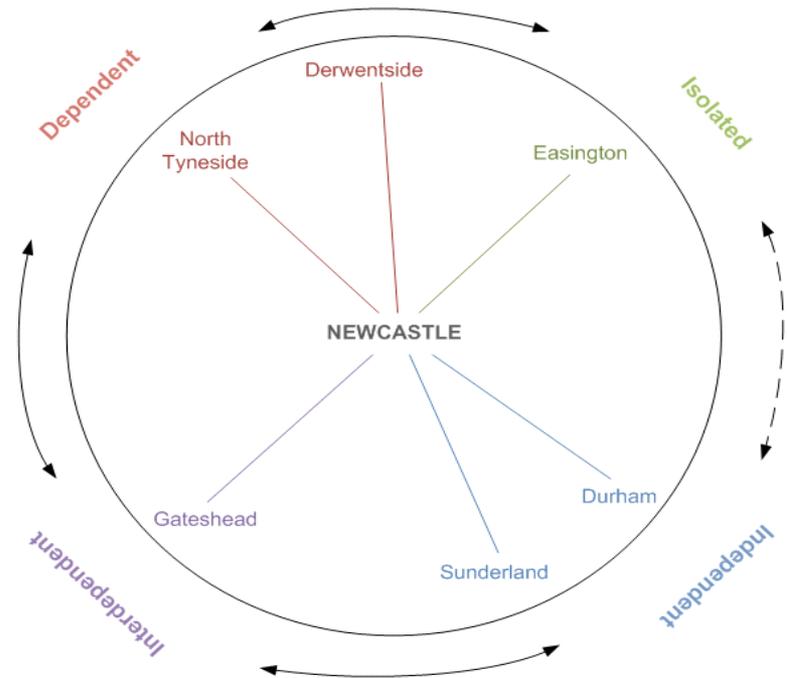


# Economic geographies across administrative boundaries

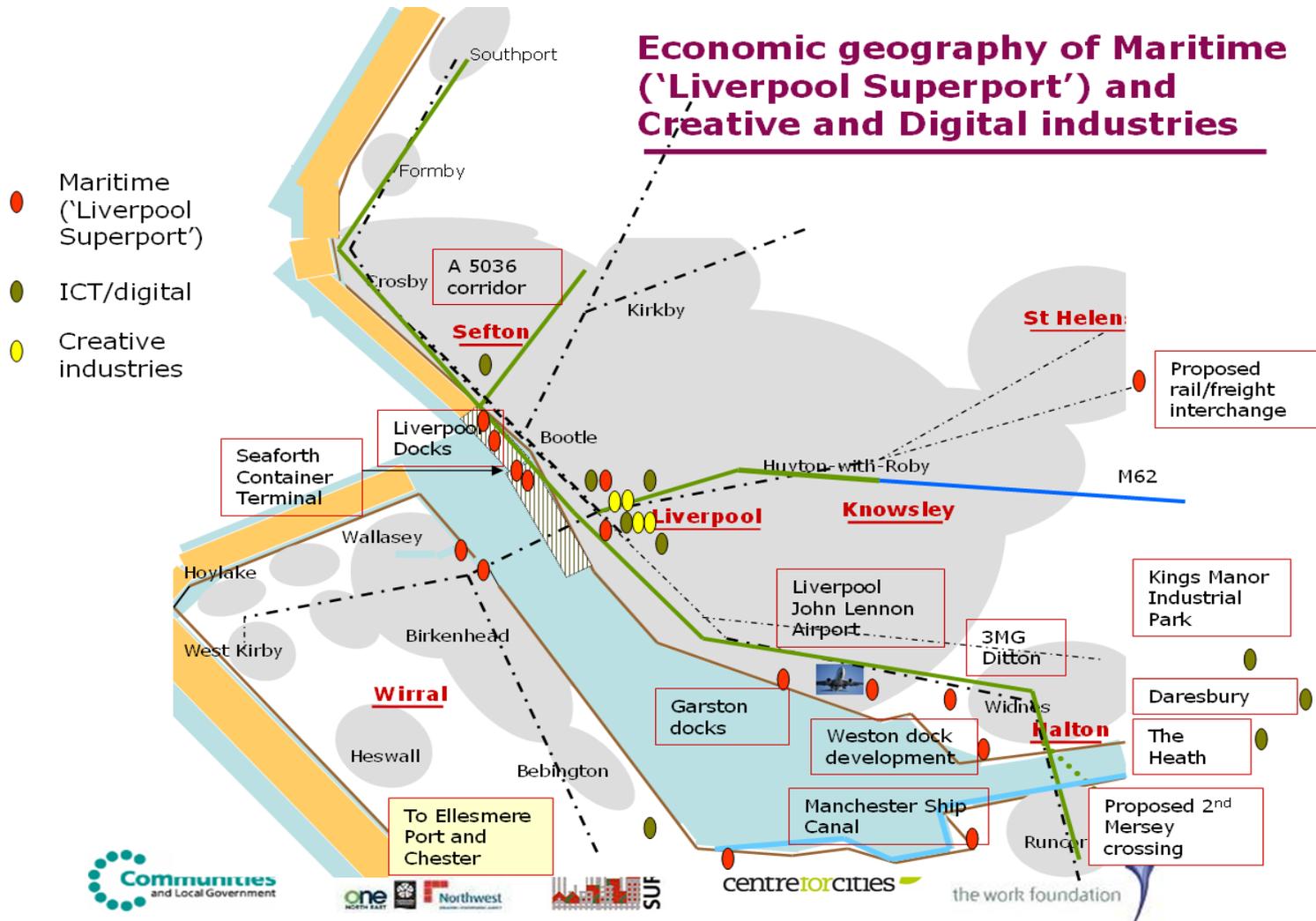
## City Relationships: Leeds – labour market flows



## City Relationships: Tyne & Wear - Economic links between communities

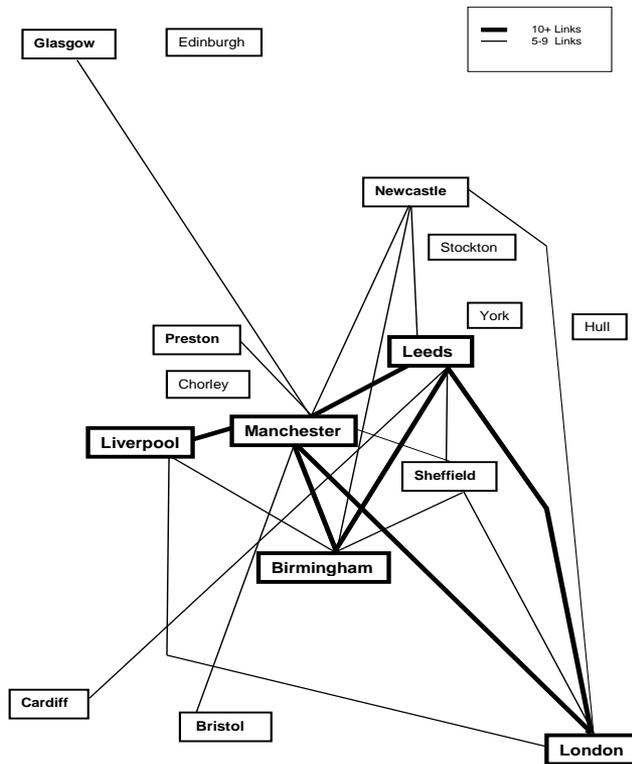


# Economic geographies across administrative boundaries: Liverpool – business linkages

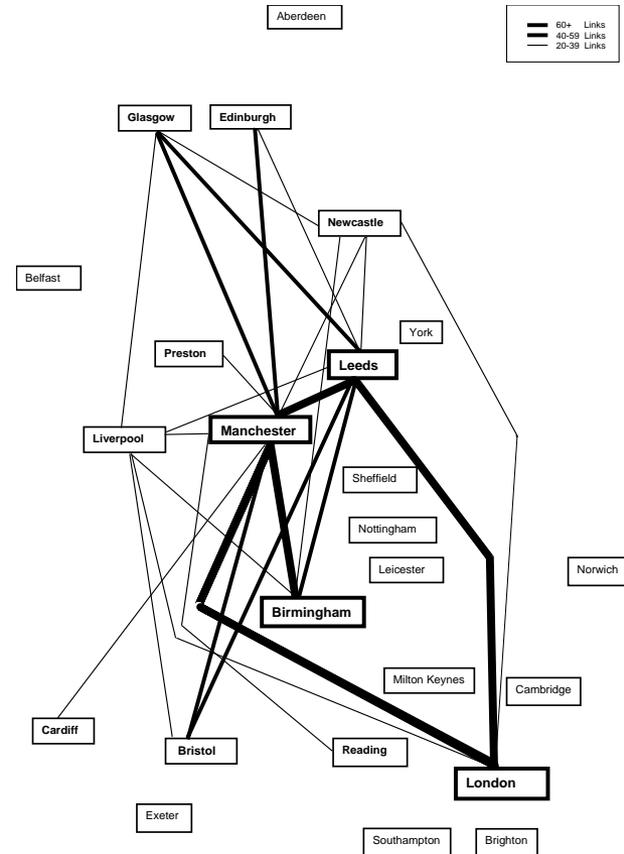


# Wider economic linkages across the UK – London focus to key growth sectors

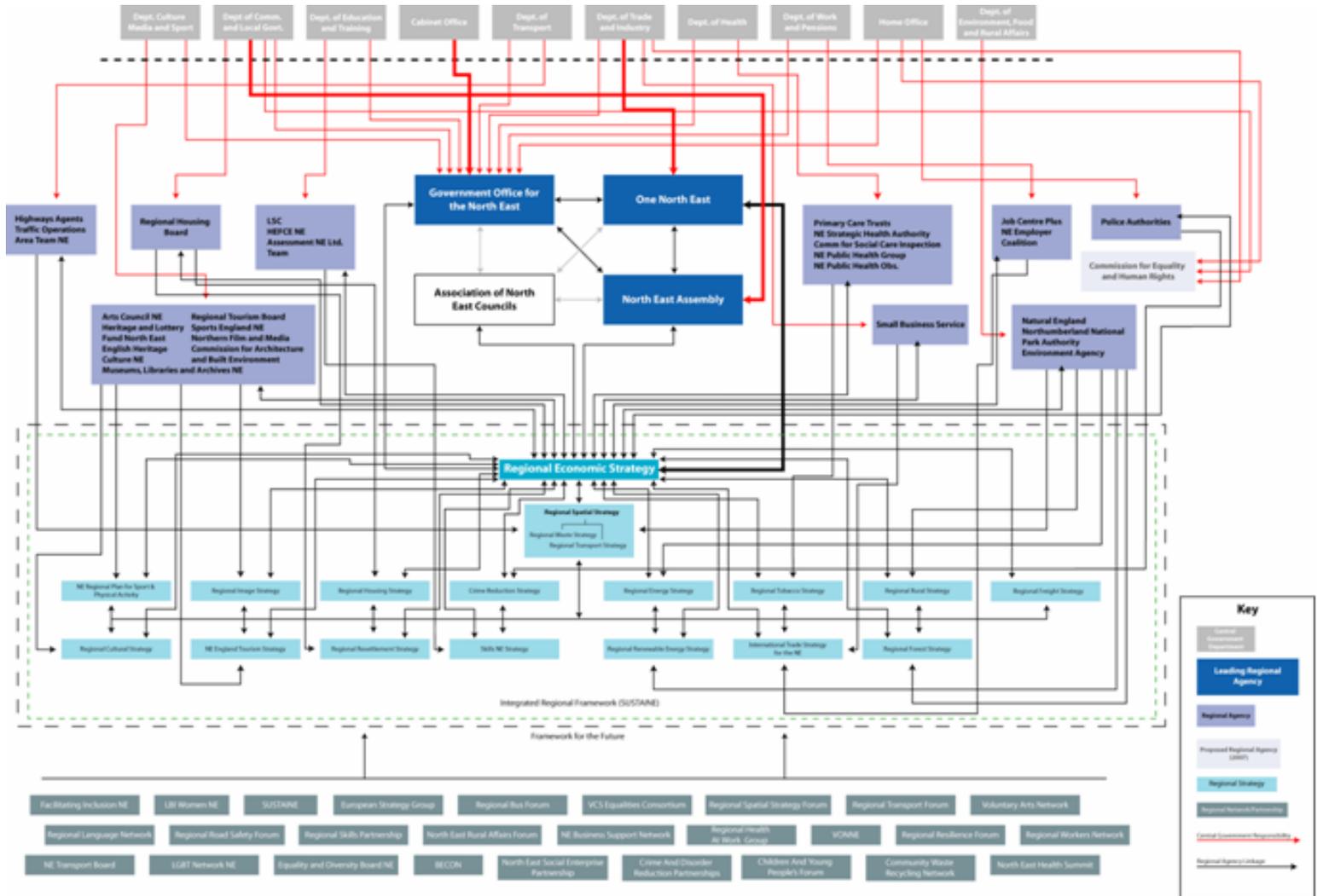
## Legal services



## Financial services



# Institutional complexity: Governance of the North East (CURDS)



# The Policy Context

## Pre 1997

- History of targeted initiatives

## 1997 to 2010: Policy in Flux

- Flow and ebb of regionalism
- Sub-National Review of Economic Development and Regeneration
  - Enhanced economic role of local government
  - Integrated regional strategies
- New Industry, New Jobs – Industrial strategy

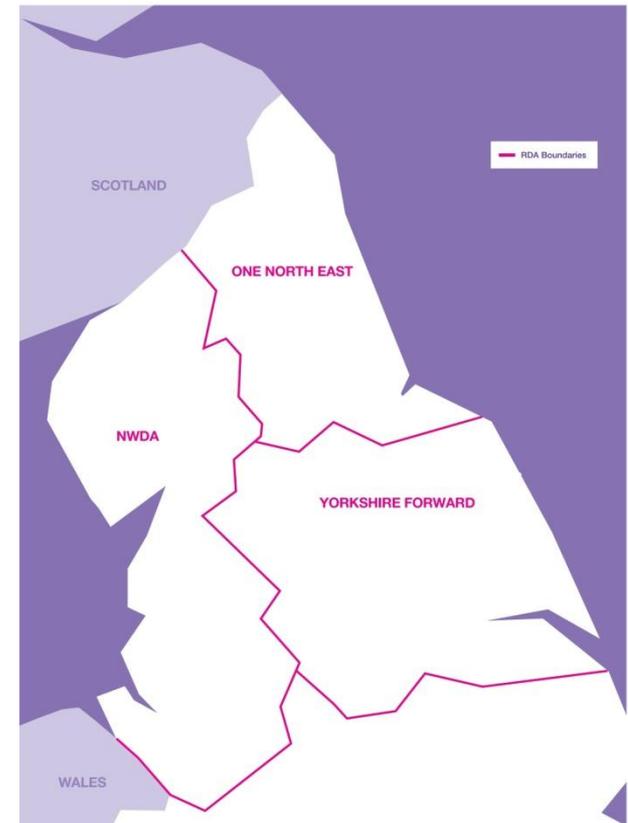
## 2010: Control shift

- Localism and Local Enterprise partnerships
- Rebalancing the economy after the recession
  - geography, sustainability, sectorally
- Move away from regions

# What is the Northern Way?

***“A unique initiative, bringing together the cities and regions of the North of England to work together to improve the sustainable economic development of the North towards the level of more prosperous regions.***

***Formed as a partnership between the three northern Regional Development Agencies (Yorkshire Forward, Northwest Regional Development Agency and One NorthEast) in 2004, we work with local authorities, universities, the private sector and other partners”***



# The Northern Way Growth strategy

## September 2004

### Shared vision:

*We will establish the North of England as an area of exceptional opportunity, combining a world-class economy with a superb quality of life*

### Key principles:

**pan northern investments and action**, adding value to individual regions;  
building on **strengths**, defining what different partners could do to realise benefits  
complementing **Regional Economic Strategies** – key document for each region  
defining actions at the most **appropriate scale** - pan northern, regional, city  
regional, or more local.

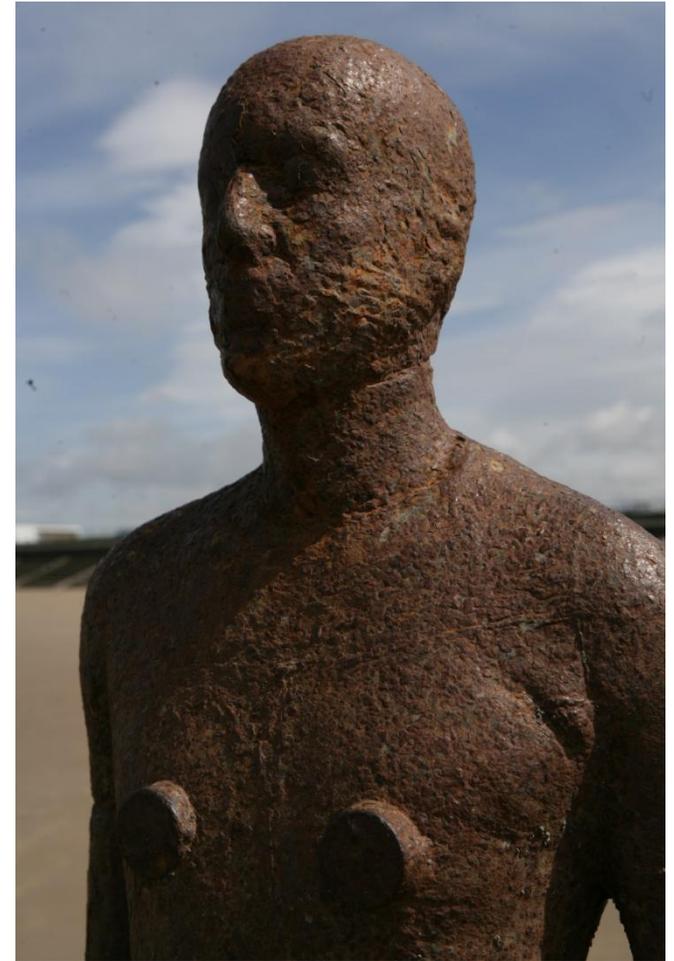
# Northern Way 2004-2008: Pan-Northern investments & Capacity Building

## Investments

- Transport
- Innovation in industry
- Skills and employment
- Supporting enterprise
- Developing sustainable communities
- Marketing the North to the world

## Building capacity and co-ordination

- Promoting integration of economic development and spatial planning
- Supporting city-region working
- Promoting, advocating and influencing



# What works: Evaluation findings

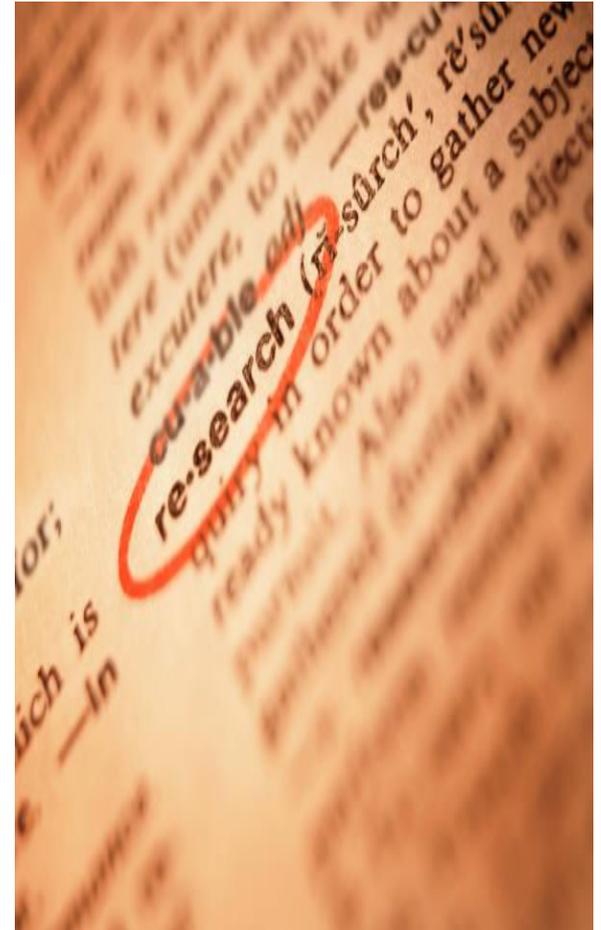
*“....a positive return on investment....”*

*“.....has given greater structure to the economic development, research, influencing, and information sharing practices of partners....and... contributed strategically through leadership, co-ordination and influence...”*

*But.....*

*“...focus on thematic areas where there is a clear pan-regional rationale (and) where the effects could be genuinely transformational...”*

*“...positioned well for the future ...(but)... more to do in making a succinct case based on opportunity and returns to investment...”*





# Transport

## Lead by **Transport Compact**

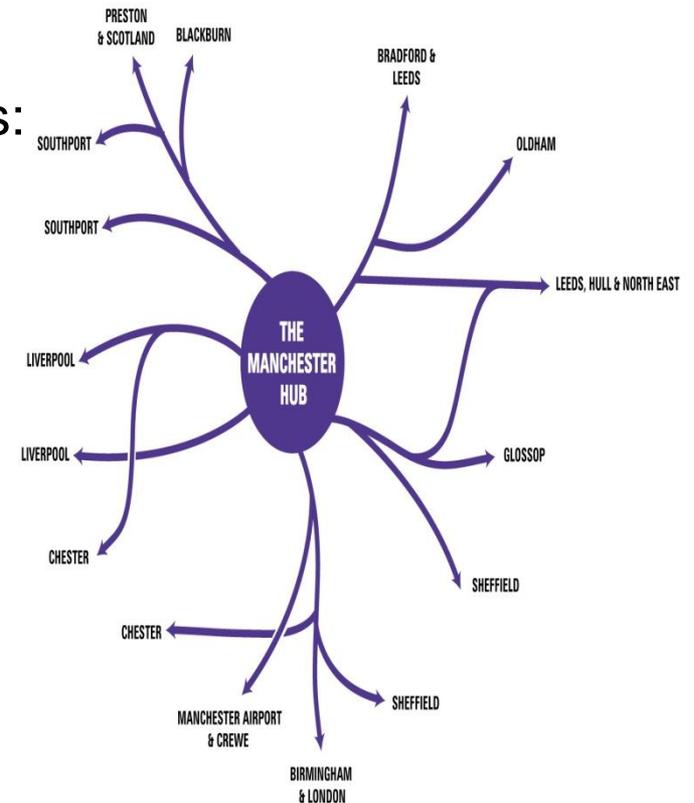
Interventions with largest productivity gains:

### Early interventions

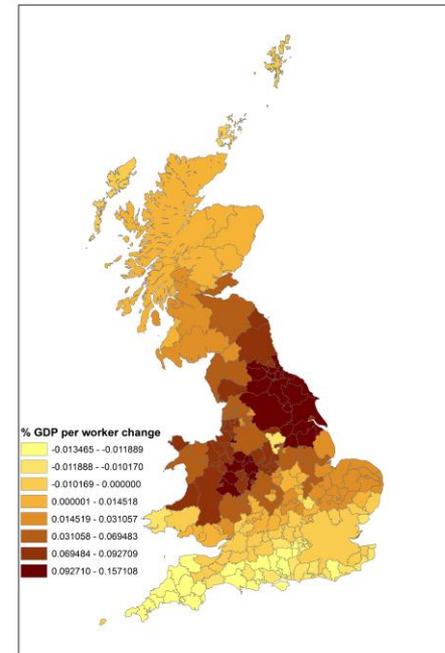
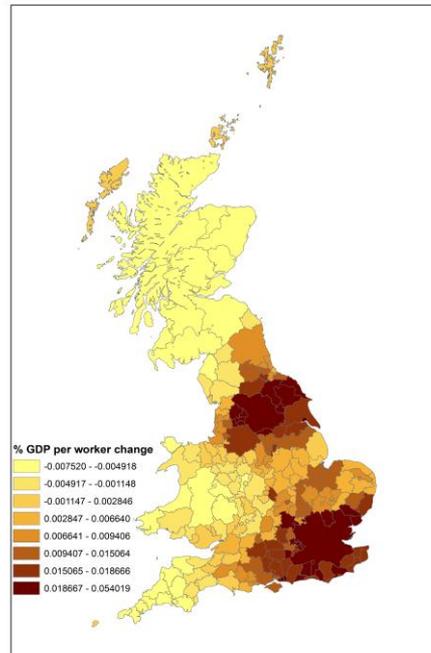
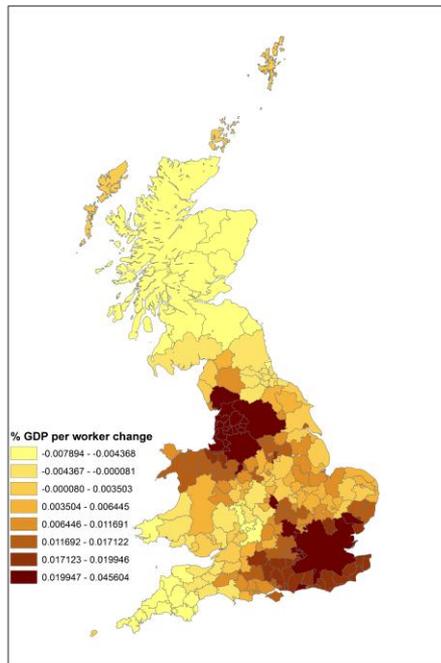
- reduce congestion and improve systems  
(Hull port access, M62 car share lane)

### Long term priorities

- The Manchester Hub and pan-Northern connectivity
- International gateways
- High speed rail
- Smart ticketing, smarter choices and park-and-ride



# Growth impact of different transport investments



*Figures: Percentage Change in GDP per worker in response to a 40 minute reduction in train journey time between Manchester and London, (left), Leeds and London (centre) and a 20 minute reduction between Manchester and Leeds (right).*

# Regional Innovation

***OECD:** “coordination between regional and “region-neutral” agencies is complicated by the frequent institutional and policy changes with respect to different central government agencies and sub-national actors... there are insufficient mechanisms for recognising regional assets as well as aligning national and regional resources”*

## **Power of 3 strategy**

Lead by Innovation in Industry **Steering Group**

Build capacity of **local areas** to support innovation

Promote **N8 collaboration** between research-lead universities

Investment in key research centres – eg  
biotechnology, health care technology

New work on socio-economic research

Promote **key assets** to national and international scale

Co-ordinate investment in key pan-regional opportunities

offshore wind, nuclear, carbon sequestration, Northern Net

# “Preparing the Ground”: The Northern Way’s Private Investment Commission

A **more conducive environment** for “clinical and unsentimental” private investment

- from “development control” to active promotion of investment;
- from large-scale production to small, more diverse and “niche” investments
- city-regional collaboration with longer-term commitments to infrastructure, skills, housing diversity.

## Follow up actions

Developing **new models for regeneration** momentum

- flexible, longer-term and transparent public investment
- new sources of private investment;

Long term **business finance**

- Addressing the “Equity Gap” and its spatial consequences
- GSE: 32% of businesses; 69% of VC investment; 70% of fund management capacity

# 8 City Regions: Building blocks for 3 regions

**Sheffield**

**Liverpool**

**Hull & Humber Ports**

**Leeds**

**Central Lancashire**

**Manchester**

**Tees Valley**

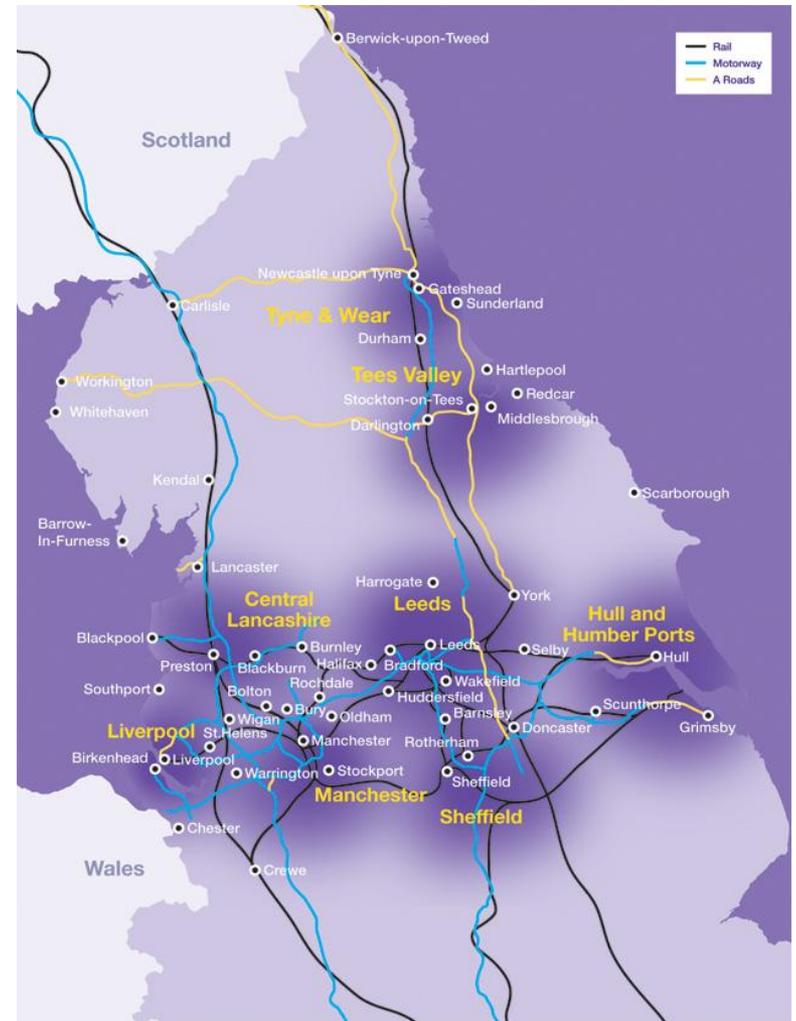
**Tyne & Wear**

**City-region development programmes**

- *Economic focus and geography*
- *Cross-institutional working*

**Facilitating on-going support**

- *City regions Forum*
- *Development activities*



# The evidence base

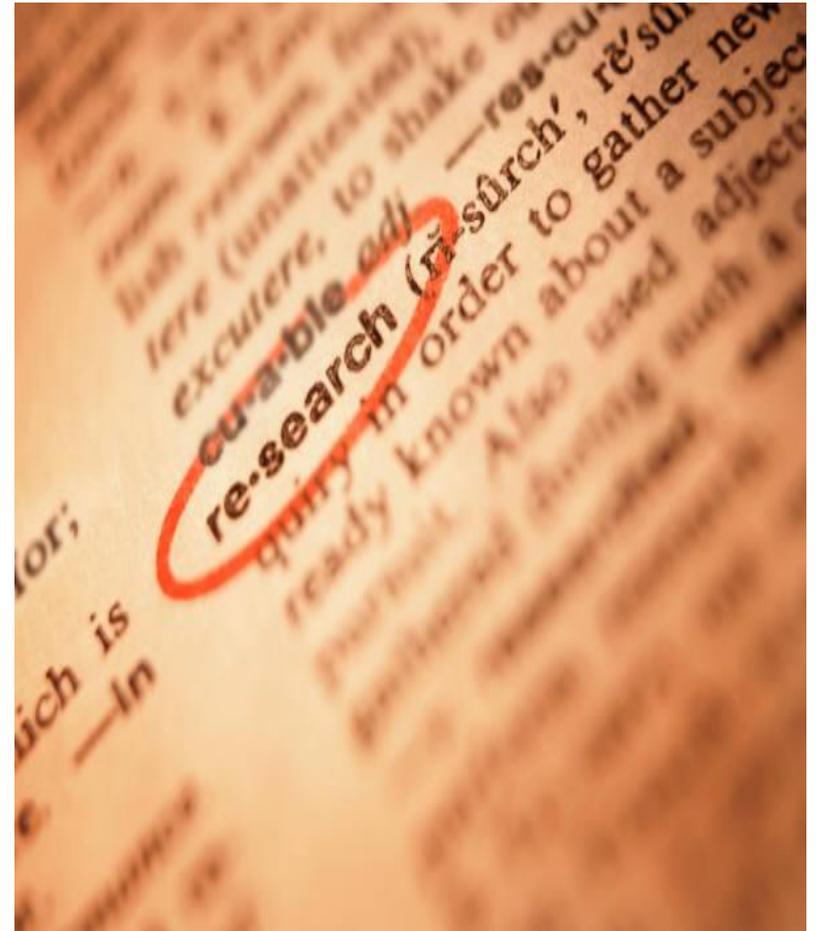
***Policy and feasibility evidence in priority areas***

***Analysis underpinning strategy integration***

***Northern Futures: long term strategic analysis***

***Learning from evaluation***

***Engagement with research partners at all levels***



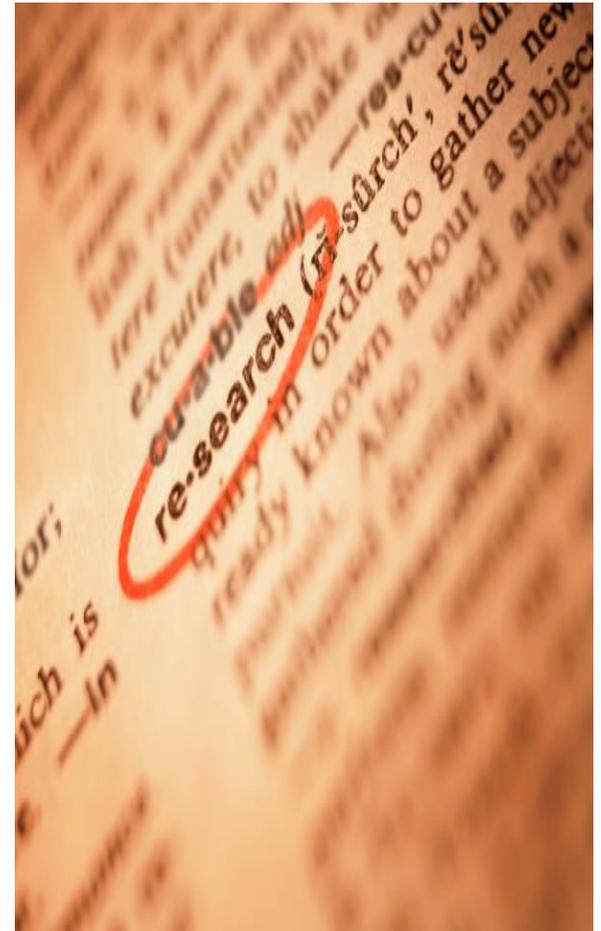
# Northern Way 2008-2011: Interim Evaluation findings

*“...pan-regional thinking has been strengthened..... and the overarching objective is more clearly specified....”*

*“...there are a number of strengths,.....the leadership and management groups, the ongoing dialogue with RDAs, the work of the Transport Compact and the partnership development.....”*

*“.....using its strategic role to improve the quality and potential value for money of policy making .... by virtue of better evidence, thinking and an integrated approach.....”*

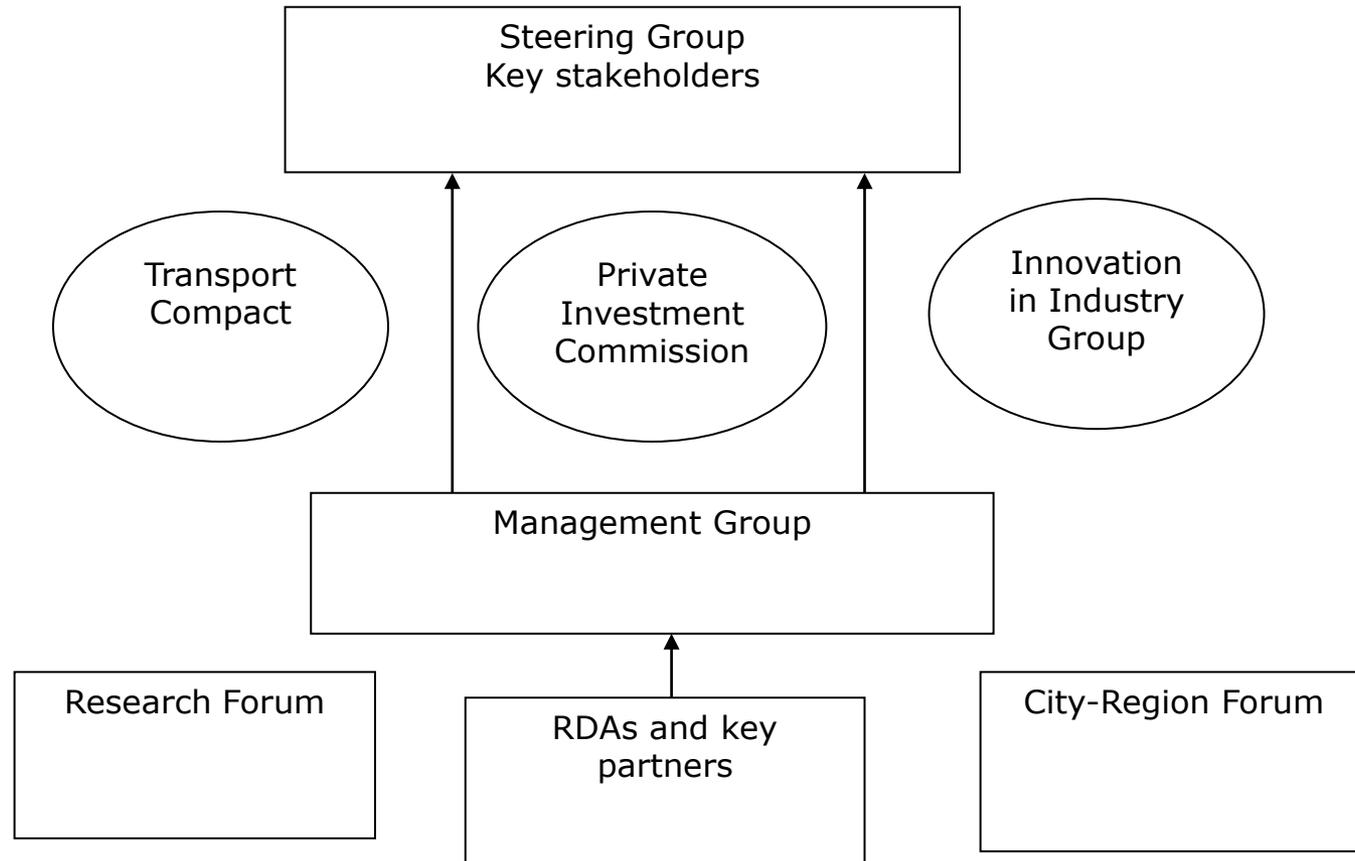
*“...increased clarity on the role and the focus on a smaller number of areas has been an important factor in recent success...”*



# Reflections on key challenges

- *Shared **vision and priorities** – agreed criteria for selection*
- *Clear understanding of and focus on functioning of **the economy**. Long term economic rationale for action*
- ***Clarity** of leadership, roles and united voice in the context of the UK system*
- *Identification and mobilisation of contribution of **different actors**.*
  - ***Ownership** of decision making*
  - *Appropriate implementation arrangements built on **key institutions at key scales***
  - *Capacity building to address bottlenecks*
- *Capacity to **evidence, co-ordinate and influence***

# How we're organised...



# ***Regeneration Momentum***

***15 years of benign conditions for public and private sector investment – but the model now looks broken...***

***Ingredients for a new approach:***

- ***Flexible, longer-term and transparent public investment***
- ***New sources of private investment;***
- ***Fewer expectations on developers;***
- ***More prioritisation of limited public investment;***
- ***A shift from grant to equity investment;***
- ***Public-private (off-balance sheet) investment vehicles.***

# ***Long-term business finance***

***The “equity gap” and its spatial consequences (GSE: 32% of businesses; 69% of VC investment; 70% of fund management capacity);***

## ***Demand vs Supply Explanations***

***The policy options:***

- ***National funds with national delivery? (Enterprise Growth Funds)***
- ***National funds with regional delivery? (RVCFs)***
- ***Regional funds with regional delivery? (JEREMIE)***