

## **KPMG: Recommendations to the Leeds City Region Partnership**

**White Paper – 26 March 2010**

### **The Leeds City Region – accelerating economic recovery**

#### **Summary**

This paper is about enabling the Leeds City Region to play a greater role in accelerating economic recovery. This is the collective ambition of the Leeds City Region Partnership. It represents the views of KPMG LLG, whom the Partnership commissioned to develop proposals for a model of regional governance and delivery that maximises the city region's ability to deliver sustainable economic growth.

We believe that the first stage in achieving growth and economic recovery is to remove duplication and bring decisions closer to the spatial level at which they will be implemented. As part of this work, we suggest that the Partnership enter into a concerted dialogue with Government about taking on those additional responsibilities currently provided at a regional level, but which research and evidence suggests are most sensibly planned, commissioned or delivered at the city region level.

**This paper also puts forward our propositions for a slimmer regional tier which is accountable to local authorities and the local business community.**

#### **A. Introduction**

1. The Leeds City Region Partnership consists of eleven local authorities who came together voluntarily in November 2004, recognising that their economic fortunes are intrinsically bound together. The geographical extent of the Leeds City Region (LCR) reflects the accepted functioning economic space and the authorities within it have organised themselves at this spatial level.
2. **The Partnership's collective ambition is for the city region to play a greater role in accelerating national economic recovery.** The city region has the right combination of location, physical, business and social assets to do this – and the Partnership is putting in place the steps to make this ambition a reality.
3. Of course the LCR has been impacted by the global recession, but its strong economic foundations and its culture of partnership working, make a persuasive case to do all that can be done to capitalise on the assets of the city region for the benefit of the northern and the UK economies as a whole.
4. This White Paper puts forward KPMG's recommendations for the propositions that will enable this to happen.
5. We now have reason to hope that the start of economic recovery might be upon us. It is therefore the perfect time to be putting in place the requisite building blocks for accelerated economic growth.



## **B. The context**

6. The outlook for the public sector, certainly over the next five years and possibly extending for up to ten years, will be one of austerity and financial constraint. This comes at a time when the economic downturn is putting ever increasing pressure on access to public services.
7. The implication is that whilst measures to improve economic performance and regenerate communities remain vital (and there is a strong argument that the economic and physical regeneration of many towns and cities remains incomplete and is likely to be impacted negatively as a consequence of the downturn in the economy), local authorities and regional and national organisations will not be able to fund them on anywhere near the same scale as the past last ten years.
8. More than ever before, individual Councils and partnerships like the LCR's, will need to focus scarce resources on those programmes and projects which deliver greatest 'bang for buck' or Value for Money. This means developing robust evidence on which to base investment decisions; taking the tough decisions about priorities at the optimal spatial level, and then slavishly focusing on carrying these decisions through to implementation.
9. This context has clear implications for how the LCR Partnership might develop and grow in the future. It is within this reality that put forward our propositions for accelerating economy recovery.

## **C. The Leeds City Region**

### **The City Region Partnership**

10. In March 2005, the Partnership signed a voluntary concordat, which marked the beginnings of its collaborative journey. Since then, the Partnership has made quite remarkable progress. In May 2005 it published its first (interim) City Region Development Programme. This was followed in November 2006, by a Full City Region Development Programme and a 25 Year Vision for Transport, which the Rt Hon Hilary Benn launched at a parliamentary reception in the House of Commons.
11. In April 2007, the Partnership constituted its Leaders Board as a joint committee. Under the Local Government Act, the Leaders Board is empowered to discharge on behalf of the local authorities the promotion and improvement of the economic well being of the LCR. The LCR's was the first City Region Partnership to develop such arrangements, and it did so to provide it with the capacity and authority to take those decisions which will create the conditions for growth.
12. The Leaders Board is currently supported by four Advisory Panels covering Transport; Employment and Skills, Housing and Regeneration and Economic Drivers and Innovation, and a Business Leadership Group. The private sector is engaged through business representation on relevant Panels, including the Business Leadership Group, the Economic Drivers and Innovation Panel and the emerging private sector led Employment and Skills Board.
13. In June 2008 the LCR Partnership were included in the first tranche of sub regional partnerships to sign a Multi Area Agreement (MAA) with Government. The LCR's MAA focuses on addressing transport congestion and the shortfall of higher level skills in the city region's workplaces.



14. The LCR was announced as one of two city regions designated as forerunner pilots in the April 2009 budget. The Partnership's forerunner pilot programme was subsequently signed in November 2009. It seeks to establish a new way of working that will give the city region partners greater control over simplified and streamlined funding regimes.
15. Under the forerunner agreement, the Partnership has established a Joint Homes and Communities Agency / LCR Investment Board with delegated authority for overseeing housing and regeneration investment and delivery in the LCR. This will facilitate fast-tracked delivery of key sustainable housing developments across the city region. The Partnership is also working up arrangements for an Employment and Skills Board which it is anticipated will be awarded statutory skills strategy-setting powers under Section 4C of the Learning and Skills Act 2000 – enabling the city region to ensure that skills provision meets the needs of city region businesses.
16. The Partnership's achievements, listed below, demonstrate its track record and how its governance arrangements have been tried and tested:
- **Urban Eco Settlements (UES):** The Programme is the LCR's approach to developing 'zero carbon' communities – and will include providing up to 28,000 new homes to at least Code Level 4. The strength of the Partnership meant that it was able to secure the Labour Government's agreement to treat the programme in the same way as the Eco Town Programme in the rest of England. Development has commenced on two of the UES sites – Leeds Aire Valley and North Kirklees.
  - **New Growth Points (NGP):** The Partnership has been successful in securing NGP status bringing £6.5 million into the city region. It was able to negotiate a position across the city region whereby a number of the LCR's local authority partners agreed to increase their housing growth beyond Regional Spatial Strategy numbers. The Partnership have since worked collectively to develop and deliver the NGP programme including through joint procurement of schemes to ensure consistency and value for money.
  - **Universities Collaboration:** Over the last 18 months, the Partnership has been working collaboratively with the city region's Universities to produce a joint understanding of the innovation landscape. This strategic approach has secured the support and involvement of the Department of Business Innovation and Skills (BIS); the National Endowment for Science Technology and the Arts (NESTA) and the Technology Strategy Board (TSB).
  - **City Region Metrocard:** City region collaboration has enabled the Partnership to extend the West Yorkshire Metrocard product into the North Yorkshire districts of Craven and Harrogate – facilitating improved labour market mobility. The second phase, which will be particularly challenging given the numbers of operators involved, is expected to extend the Metrocard to York, Selby and Barnsley. The ambition is to introduce future cross ticketing alongside 'Oyster Card' technology, and the City Region is learning from Transport for London's experience.

### **The opportunity**

17. Back in 2006, the Leeds City Region Development Programme (CRDP) established a vision of 4% growth in GVA per annum over 10 years.
18. The base scenario – forecast purely on recent economic trends (in 2006) and past performance – indicated that the city region could create 62,000 net additional jobs and increase GVA by £14 billion by 2016.

19. The Partnership is reviewing these growth trajectories and the associated vision and ambition of the LCRP, as part of the process now initiated to develop a city region level economic assessment and to prepare the Leeds City Region Integrated Strategy (LCRIS).

### **Leeds City Region – the place**

20. The Leeds City Region is big – both geographically and economically. Geographically, the LCR is the largest city region outside of London – encompassing the local authority districts of Bradford, Calderdale, Leeds, Kirklees and Wakefield in West Yorkshire; Craven, Harrogate, Selby and York in North Yorkshire and Barnsley in South Yorkshire.

21. LCR already generates £50 billion of Gross Value Added per annum. This represents almost 60% of the Yorkshire and Humber region's GVA and 5% of the nation's annual GVA (an economy which is greater in size than that of the whole North East region). Clearly, if the LCR prospers, this will have a positive impact on the economy of the North as a whole.

22. LCR contains over 100,000 businesses and has a resident workforce of approximately 1.4 million people – 95% of which are employed within the boundaries of the city region.

23. The city region has a strong knowledge intensive economy. After London, LCR is recognised as the UK's leading centre for financial and business services. The financial services sector accounts for almost 30% of the city region's businesses. Other strengths include healthcare/medical technologies, environmental technologies, digital and creative industries and advanced manufacturing.

24. The city region is home to eight Higher Education Institutions (HEIs) which contribute £1.7 billion annually to the city region economy and produce more than 36,000 graduates each year. 36% of the HEIs combined research is ranked as world class, of this, 10% is recognised as world leading. The Partnership is in the progress of preparing an Innovation Prospectus to capitalise on these substantial knowledge assets.

25. LCR is a place where people choose to live. We have a growing resident population of 2.9 million people (almost 56% of the total population of the Yorkshire and Humber region). The Office of National Statistics (ONS) forecasts that by 2031 the population of LCR will have reached 3.6 million people, an increase of 25% on 2006.

## **D. Place competitiveness and the importance of strong city regions**

26. The ongoing effects of globalisation, higher employment mobility and expansion of the service and knowledge based economy have significantly widened the functional areas of English cities. Local authorities can no longer tackle transport, housing and skills issues solely within their own boundaries. Instead, they need to increasingly collaborate with their neighbouring authorities.

27. City region (functional sub regional) arrangements have therefore gained traction as a means of overcoming the limitations of their inherited administrative boundaries to focus interventions to promote growth at the real geography of the local economy.

28. This realignment of decision making governance with the real geography of the functional towns and cities (through city region arrangements) provides a powerful means of improving both the efficiency of strategic planning and investment and improving local and national outcomes. Research demonstrates that the best performing European cities are those where local government boundaries most closely match the geography of the local economy.

29. And there are significant economic benefits to be gained from strong city regions. There exists a weight of research evidence which demonstrates the pivotal role which cities and city regions play in generating economic competitiveness and growth. Cities and city regions provide a critical mass of knowledge institutions, advanced services, highly qualified people, innovative businesses engaged in demanding external markets, transport connections, cultural milieu, and markets for locally produced products and services. In short, cities and city regions provide the optimal combination of assets for economic advantage in advanced economies.
30. As part of their competitiveness strategies, many continental European cities have taken the lead in strengthening planning and collaboration within their city regions, for example the French Communautés Urbaines initiative and the collaboration between Copenhagen and Malmo in the Oresund region.
31. The city region also provides the critical mass and a coherent branding to lever in international investment and encourage more competition with other European cities – hence the decision for the Leeds City Region to be represented at MIPIM this year.

## **E. Doing things at the spatial level which makes the most sense**

32. The Partnership is fully committed to the principle of subsidiarity, and this work was undertaken by KPMG to determine the optimum spatial level for the delivery of a range of economic development programmes and activities which are currently managed at the regional level.
- 33. It is our firm belief that where groupings of Councils can demonstrate the ability to think strategically at a meaningful spatial level, they should be enabled to take on the responsibilities that are most sensibly delivered at that spatial level.**
34. In undertaking this work, we have also considered the extent to which the Partnership's goals and ambitions will be better and more confidently achieved if it were to secure additional economic development programmes and resources over and above those already embedded in us as a result of having forerunner pilot status.
35. The following pages present our view of the spatial level at which existing functions and programmes should most effectively be discharged. We have commented on:
- a) Those functions / programmes which in our view are best planned, commissioned or delivered at the city region level;
  - b) Those functions / programmes which in our view should sensibly be retained at the regional level; and,
  - c) Those functions / programmes which in our view are best provided at the regional level – but which should revert to a city region (rather than to national level) in the event that the regional architecture is radically altered (for example through the abolition of the RDA).
36. We have not undertaken a review of the impact of each of the functions / programmes – we have simply sought to provide our view on the spatial level at which functions / programmes are best discharged. As there is limited accessible data as to the total level of resources currently being expended in the LCR area and how well that expenditure is currently contributing to city region objectives, we have not been in a position to effectively challenge the 'purpose' of these existing functions and resources.

37. It may well be the case, within an environment of constrained financial resources, that rather than being reallocated to different spatial tiers, such functions are simply stopped – and the associated resources redirected to city region priorities.

38. We believe that any move to re-allocate functions / programmes from the regional tier to the city region should include a detailed assessment of their current impact, value for money and affordability. Those programmes or services which offer limited benefit to delivering economic growth outcomes or have minimal potential should be cut and the funds diverted to the key priorities.

### **Remits and responsibilities currently held at regional level and which could be devolved to the city region level**

39. Our analysis would strongly recommend that those programmes and activities which are best planned, commissioned or delivered at a city region level, should be assessed and potentially pooled at the city region level over time. **These functions broadly cover the economic development and related agendas, in which we recommend that the city region be devolved responsibility for setting priorities and strategy, as well as commissioning activity for delivery where appropriate.**

40. The city region would be responsible for identifying how best these functions / programmes should be utilised to generate GVA in the local context (and which should be stopped) and for commissioning and potentially delivering those functions / programmes.

41. Current evidence would indicate that the following functions / programmes should be discharged at the city region level:

- Research, economic evidence and futures / forecasting;
- Establish strategy and priorities and commission skills;
- Establish strategy and priorities, administration and funding of Urban Renaissance Programmes;
- Establish strategy and priorities, administration and funding of Rural Renaissance Programmes;
- Administration of ERDF funding;
- Establish strategy and priorities and commission business support activities;
- Establish strategy and priorities and deliver programmes to increase the numbers of people in employment;
- FSR spatial planning and Integrated Strategy;
- Work with local authorities awarded Local Enterprise Growth Initiative (LEGI);
- Investor development activity – actively engaging the city region’s top strategic companies;
- Activities to promote inward investment;
- Plans and activities to increase the visitor economy;
- Marketing the FSR through tourism and major events;
- Establish strategy and priorities and commission activities to support innovation;
- Establish strategy and priorities and commission activities to support carbon reduction;
- Coalfields – restoration of coalfield sites;
- Support to URCs and EDCs.



## **Remits and responsibilities currently held at regional level and which should stay at regional level**

42. Evidence would indicate that the following functions / programmes which are currently held regionally, should continue to be provided at the regional level – potentially through a local enterprise partnership established by the Yorkshire and Humber local authorities:

- The development of an overarching Integrated Regional Strategy (built up from priorities articulated within the FSR strategies);
- Activities to promote foreign direct investment;
- Export trade Activity and exploiting overseas markets;
- Influencing European programmes – through the Europe of the Regions;
- Delivering business support activities, through the Business Link contract. This has previously been issued on a sub-regional basis, but will be delivered via a region-wide contract from 2010;
- Some degree of research, economic evidence and forecasting / futures across the FSRs and regions where appropriate.

## **Remits and responsibilities currently held at regional level and which should be undertaken at regional level but which may be done at city region level should the relevant organisations be abolished (i.e. there is a more powerful argument to devolve responsibility down rather than cede the responsibility upwards to the national level).**

43. Our research suggests that the following functions should be undertaken at the regional level – but should the regional architecture be abolished, we believe they should be undertaken at city region level rather than revert to the national level:

- Working across FSRs on policy or projects of supra sub regional significance (e.g. transport and spatial planning);
- Activities to promote foreign direct investment;
- Export trade Activity and exploiting overseas markets;
- Influencing European programmes – through the Europe of the Regions;
- Delivering business support activities, through the Business Link contract. This has previously been issued on a sub-regional basis, but will be delivered via a region-wide contract from 2010;
- Research, economic evidence and forecasting / futures across the FSRs and regions where appropriate.

44. We recommend that taking on additional responsibilities requires a corresponding increase in capacity and capability at the city region level. Any future changes in terms of the remit of the current regional organisations (the Regional Development Agency, the Homes and Communities Agency. Local Government Yorkshire and the Humber etc) will present the opportunity to redistribute capacity to the city region level. Additionally, we recommend that the Partnership look more closely at how it is organised.

## **F. Our view of the regional landscape**

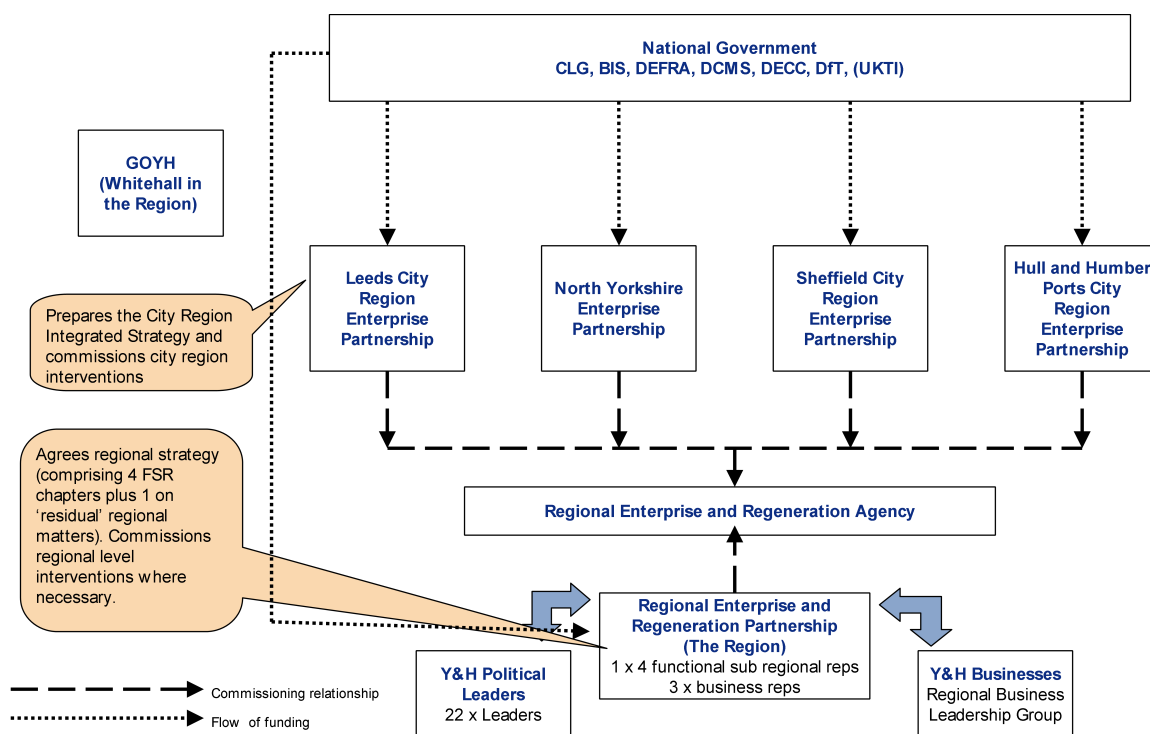
45. We have considered the impact of our propositions on the current regional landscape.

**There is sense in the current regional level being significantly streamlined and re-focused.**

46. As we have indicated above, we do see merit in a number of existing functions / programmes being continued at the regional level. Local enterprise partnerships therefore offer the opportunity to replace the current regional bodies.

47. However, we would want to see lines of accountability for economic development bodies going to local authorities and the local business community, rather than back to national Government which is currently the case. The regional bodies should continue to deliver those activities which best belong at a regional level – but importantly they should be commissioned by the city regions or functional sub regions acting either collectively or individually. The city regions or functional sub regions might also commission the regional body to undertake activities or programmes where the city region / functional sub region doesn't have that skills set or capacity locally.

48. We have developed the following illustration of how we see this working:



## G. Conclusions

50. The development of the LCR is a journey – and the Partnership has already come a long way. The next phase is about really delivering on the Partnership's ambition of playing a greater role in accelerating national economic recovery. The LCR has the right combination of location, physical, business and social assets to do this – and as far as is within the gift of the city region authorities, the Partnership is putting in place the requisite steps to make this ambition a reality.

52. KPMG recommends that the next stage in that journey is to remove duplication and bring decisions closer to the spatial level they will be implemented. As part of this we recommend that the Partnership enter into a concerted dialogue with Government about taking on those

additional responsibilities currently provided at a regional level, but which research and evidence suggests are most sensibly planned, commissioned or delivered at the city region level.