



Spatial Economics Research Centre

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Funding and Structures for Local Economic Growth

[Posted by Prof Henry G. Overman]

I've finally had a chance to catch up with the [National Audit Office report on the government's Local Economic Growth policies](#). Unsurprisingly, the report documents a significant cut in spending. More interestingly, it also paints a mixed picture of progress on new government policies - one with which I'd broadly agree.

Regional Growth Fund is struggling to spend money quickly and there are concerns over the number of jobs schemes are creating. I have been sceptical about [the claims on jobs before](#). Local Enterprise Partnerships have been quicker to spend funds from the Local Growth Fund, but there are similar concerns about outputs in terms of jobs, etc. If anything, the report expresses most concern on Enterprise Zones which 'face a significant challenge to create the number of jobs expected'. No surprises there I'm afraid, as I predicted in a [2011 post on EZ's](#): 'it is hard to see this having much, if any, impact on growth. In the current climate, spending money (or equivalently forgoing taxes) to shuffle employment around the country may not be the wisest use of funds'.

The report is more positive on LEPs, although it highlights mixed progress - as confirmed in Andy Pike's March 2013 blog on [the state of the LEPs](#). I wouldn't dispute this assessment, although I would add that the smaller scale geography of LEPs is consistent with the evidence that lining up policy with 'functional' economic areas should help (as discussed in an [earlier SERC policy paper](#)). Whether we have the right geography is a question best left for another day.

Finally, the report is most up-beat on city-deals: 'at an early stage, but progressing well'. As I've discussed before, I'm [broadly sympathetic with what the government is trying to achieve with city deals](#), so it's good to see progress here.

Of course, the [final assessment of all these activities should be made once they've been carefully evaluated](#). One interesting thing to note, however, is that the NAO is much more positive on structures than on funding. To put it another way - the government is doing better when it sticks to its principles (localising powers) than when it goes against them (central government largesse - RGF - and introducing market distortions - EZs). Perhaps there's a lesson there?

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