Review of Sub-National Economic Development and Regeneration

1 Introduction

1.1 The review of sub-national economic development and regeneration (SNR) was announced by the Chancellor of the Exchequer in March 2006 to inform the 2007 Comprehensive Spending Review later this year (CSP07). The Review was led by HM Treasury, working with the Department for Communities and Local Government and the Department for Business, Enterprise and Regulatory Reform. The final version of the report was published on 17 July 2007. The review considers:

- The degree to which existing sub-national delivery arrangements have contributed to regional economic performance and regeneration goals

- The most appropriate level to locate responsibility for intervention on economic development, regeneration and neighbourhood renewal.

- The need to reduce overlap and improve coordination between national, pan regional, regional, sub-regional and local agencies

- The institutional barriers currently hindering more effective coordination of policy decisions and service delivery.

The Government will make further announcements on the Housing and Planning Delivery Grant in the Comprehensive Spending Review.

1.2 The review is divided into 6 chapters:

1. Introduction
2. Government reforms to devolve decision making
3. Evidence of progress
4. Identifying further opportunities to support England’s localities and regions
5. Objectives and approach to reform
6. Enhancing the effectiveness of sub-national economic development and regeneration

which are summarised in the following sections

2 Reforms to date and the need to take this further

2.1 The Government’s stated overall economic objective is “to raise the rate of sustainable growth and achieve rising prosperity and a better quality of life, with economic and employment opportunities for all.” (Chapter 1, Para 1.1) The Government argues that to achieve this objective it is essential that every nation, region, locality and
neighbourhood of the UK performs to its full economic potential; and disparities between regions and localities are reduced. Since 1997 the Government’s approach to achieving this has been through a series of reforms including devolution, the setting up of the Regional Development Agencies and the Regional Assemblies, and greater flexibility to local authorities and other local public service providers. The Government considers that significant progress has been made in developing the institutional and policy framework necessary to promote growth and regeneration.

The Review concludes that positive progress has been made, but that carrying this further will remain challenging. Reducing disparities between regions and localities will be made more difficult by globalisation and technological change. These changes will favour areas with a knowledge based economy and high skill levels. It will therefore be important that places can respond quickly to the rapidly changing economic environment. The number and complexity of organisations currently involved and the difficulties in being clear about their respective roles means that there remains further scope to improve the management and delivery of policy. Therefore further reforms are required.

3 The principles behind further reform

3.1 In order to meet the Government’s overall economic objective the Review states that reforms need to ensure that:

- regions and places can respond flexibly within a stable sub national framework.
- Interventions are prioritised and focused.
- Resources are deployed efficiently and coordinated effectively
- Measures are evidence based.

To achieve this, the Government will take forward an approach based upon the following principles.

3.2 Managing Policy at the Right Spatial Levels

- There should be a devolved approach, giving local authorities and regions the powers to respond to local challenges and improve economic outcomes;
- Responsibilities should be allocated in line with economic impacts, based on a bottom up approach to collaboration between areas.

3.3 Ensuring Clarity of Roles

- Objectives need to be clear, with a strong focus on economic development measures and opportunities for sustainable growth;
- Decision making should be as streamlined as possible and bureaucracy must be minimised;
• Strategies, policies and funding streams must be rationalised and coordinated effectively.

3.4 Enabling Places to Meet Their Potential

• Clear accountability and public scrutiny arrangements must be in place to allow for devolution of powers and responsibilities, including at the regional level, with an inclusive approach to development of regional strategies;
• Places must have incentives to promote economic growth and tackle the problems of deprived neighbourhoods; and
• The public sector must have the capacity to work effectively with the private sector.

3.5 The Review states that these principles will allow an approach which leads to more effective working between the public and private sectors and ensures maximum economic impact.

4. Four Key Areas of the Reforms

Based upon the principles set out above the reforms are structured into four key areas as follows:

4.1 Empowering local authorities to promote economic development and neighbourhood renewal

4.1.1 In order to increase the focus on economic development, the SNR states that the Government will consult on a ‘focused’ statutory economic development duty which would require upper tier local authorities to carry out a local economic assessment (county councils would be required to undertake an assessment jointly with district councils). The assessments would support regional economic strategies, local sustainable community strategies and Local Area Agreements. As well as providing opportunities for collaborative working they would have an impact upon Comprehensive Performance and Area Assessments.

4.1.2 The SNR also states that the Government will bring forward options for reforming the Local Authority Business Growth Incentive Scheme (LAGBI). This will include linking rewards more closely to growth and giving local authorities greater certainties over rewards to enable longer term planning. The Government will continue to support and encourage Business Improvement Districts and the Local Enterprise Growth Initiative. Plans for a supplementary business rate are currently being considered and will be reported on later this year.

4.1.3 Neighbourhood Renewal funding is to be reformed so that it will be targeted more intensively on fewer areas of particularly acute deprivation rather than local authority areas as a whole. The reform could include a reward element for local authorities.
4.1.4 The Government will expect Regional Development Agencies (RDAs) to delegate responsibility for spending to local authorities or subregions wherever possible, unless there is a clear case for retaining spending at the regional level. However it is stated that the RDAs will need to be satisfied that the body receiving funding has the necessary capacity. The Comprehensive Area Assessment process which will assess local authorities against their performance on delivering outcomes will support the identification of capacity and leadership risks.

4.1.5 Under the new performance management framework Local Area Agreements (LAAs) will form the central delivery agreement between central government and local government and its partners. Economic development and neighbourhood renewal objectives will be delivered through agreed actions within the LAA. These objectives will link to the national Public Service Agreements (PSAs) and indicators and will reflect local contributions to achieving the objectives in regional economic strategies. The reforms to LAAs will give all local authorities a clearer role in economic development and in delivering neighbourhood renewal in deprived neighbourhoods. Details of the full performance indicator set will be published alongside the Government’s new performance management framework as part of the Comprehensive Spending Review.

4.1.6 The Government will continue to develop innovative finance solutions to promote sustainable development. It will also continue to support the development of City Development Companies (CDCs). The County Council is currently involved in discussion with East Lancashire Districts and Blackburn with Darwen regarding the possible creation of a CDC on the Elevate ‘footprint.’ A further report will shortly be presented to Cabinet on this matter.

4.2 A differential approach that supports local authorities in all areas to work together more effectively

4.2.1 Sub regions are identified as being in many respects the key spatial level around which growth is concentrated particularly in city regions. Many of the proposals for sub-regions refer to city-regions and the Government states its support for strengthening decision making at the level of city regions. Geographic definitions are important particularly where place specific factors have a strong influence on economic issues. However the Review goes on to point out that “the best level to tackle a problem may not always be at the spatial level at which it manifests.” (Chapter 4, Paragraph 4.8). For example, in some cases, the underlying problems that lead to concentrations of deprivation in particular neighbourhoods may operate at different spatial levels, and need to be addressed on that basis.

4.2.2 Proposals in the Local Transport Bill will allow the boundaries of PTAs to be extended and for PTAs to take on more powers provided appropriate governance arrangements are in place. This would allow a
more integrated approach to transport management at the sub regional level. Building on this framework the Government intends to consider providing greater long term certainty of transport funding to sub regions which have suitable governance arrangements at this level.

4.2.3 The recent Local Government White Paper highlighted Government proposals to develop Multi Area Agreements (MAAs) involving groups of local authorities coming together on a voluntary basis to agree collective targets and pooled funding streams. MAAs could allow sub regions, including city-regions, to take a more active role in leading economic development. MAAs should have an economic core and relate principally to economic development.

In the light of the experience of first round LAAs, the Government will consider whether the duty to co-operate could also be applied to the authorities participating in a MAA. The Government will issue guidance on MAAs by the end of the year and will work with selected sub-regions and city regions to have the first MAAs in place by 2008.

4.2.4 The Government will work with interested sub-regions to explore the potential for allowing groups of local authorities to establish statutory sub-regional authorities which will pool responsibilities on a permanent basis as they already are in some circumstances for transport. Other functions which could be effectively delivered by a group of local authorities in a statutory partnership across a city region or sub region are planning, housing, and economic development.

4.3 Streamlining the Regional Tier Based on More Effective and Accountable RDAs

4.3.1 The Government emphasises that the regional level will remain important not least in providing economies of scale, prioritising investment and ensuring a consistent approach to policy delivery. The region will continue to have a key role ensuring policies and actions are joined up between and across regions. Simplifying regional strategies and being clearer about responsibilities is seen as key. The Government therefore proposes a single regional strategy for each region setting out economic, social and environmental objectives. This will be formed by bringing together the Regional Economic Strategy (currently the responsibility of the NWDA) and the Regional Spatial Strategy (currently the responsibility of NWRA).

4.3.2 Each region will be set a regional growth objective which will define a simplified framework, focused on outcomes and growth. The overarching growth objective will be aimed at increasing regional Gross Value Added per capita. The growth objective will be measured by 5 outcome focused performance indicators covering:

- GVA per hour worked
- The employment rate
• Skills
• Research and development
• Business start ups

4.3.3 RDAs will also be required to demonstrate regard to a set of underlying principles in seeking to achieve their growth objective. These include the principles of sustainable development, and ensuring all urban and rural localities achieve their potential.

4.3.4 Responsibility for the development of the integrated regional strategy will be given to the RDAs working closely with local authorities and other partners. “Regional Assemblies in their current form and function will not continue. Instead local authorities in the regions will be responsible for agreeing the regional strategy with the RDAs. Local authorities will also be responsible for effective scrutiny of RDA performance.” Obviously there will need to be formal mechanisms established to scrutinise the NWDA both on a regional and sub regional basis.

4.3.5 Later this year the Government will consult further on how to implement these reforms. However it would appear they will be based on:

- The RDAs being designated as the regional planning body, subject to the passing of primary legislation. They will then be subject to the statutory requirements on sustainable development in the Planning and Compulsory Purchase Act 2004.
- Each RDA will have responsibility for agreeing the draft regional strategy with local authorities within the region
- It is suggested that the regional strategy will be built up from proposals made by local authorities for local area sustainable development, and in particular by sub regions.
- To ensure both accountability and a strategic approach, effective local authority representation at the regional level is required.

4.4 Sharpening the Focus of Central Government Depts

4.4.1 The Government intends to improve its support for regions and localities this will take place through reforms to:

- Give the Department for Business, Enterprise and Regulatory Reform (DBERR) responsibility for the performance management of RDAs
- Give DBERR lead responsibility for the Regional Economic Performance Public Service Agreement.
- The spatial planning aspects of the regional strategy will be subject to an independent examination in public. The regional strategy will be signed off by the Secretaries of State for Communities and Local Government and Business Enterprise and Regulatory Reform. The
spatial aspect of the strategy will be issued by the SoS for CLG as a statutory document. Finally the Government will consult with Parliament on the best way of enhancing Parliamentary scrutiny of regional agencies.

- Appoint a minister for each of the regions. To provide a sense of strategic direction for their region and to give citizens a voice in central government.

- Ensure that all the Departments involved in delivery are jointly responsible through the new performance management framework, as part of the CSR.