

Report to Cabinet – 31 October 2007

Report of the Director of Urban Environment

Sub-National Review of economic development and regeneration.

Purpose of Report

1. To provide an overview of the Government's Sub-National Review of Economic Development and Regeneration.

Background

2. The Sub-National Review, published on 17th July 2007, is a comprehensive 128 page review of the governance and delivery arrangements responsible for achieving sustained economic growth and regeneration in the UK.
3. The Review is jointly signed by Angela Eagle MP, Exchequer Secretary to the Treasury, John Healy MP, Minister of State for Local Government and The Rt. Hon. Stephen Timms MP, Minister of State for Competitiveness. It is, therefore, an authoritative central Government response to the issues raised.
4. The key objectives of the Review are to improve the rate of economic growth, nationally, and to reduce disparities between and within regions. The document is detailed and candid in its assessment of the weaknesses and failings of current arrangements (including those of central Government itself). Out of this assessment arise detailed proposals aimed at achieving a step-change in economic performance, particularly in that of under-performing areas of the UK. These proposals will involve significant changes to roles and responsibilities at local and regional tiers of government, leading to a greater degree of devolved decision making, to ensure decisions are made at the 'right' spatial level. The most significant conclusion of the Review is that the powers and responsibilities of Local Authorities for economic development should be strengthened - and that local authorities (acting singly or in partnership) - should be the key drivers of economic growth at local and sub-regional levels.
5. The Review is largely driven by concern over the continuing regional disparities in economic performance: not only between London and the Regions, but within Regions themselves. The result is an emphasis on addressing skills deficiencies, and tackling worklessness, in particular within disadvantaged communities and neighbourhoods.
6. As the Review's proposals become translated into policy, it is likely that they will become the key driver, and set the parameters, in the relationship between central, regional (in terms of Government Offices and RDAs)) and local Government for some years to come. However, it should be noted that timescales are not defined, and that some primary legislation will be required.

Objective and Rationale of the Review

7. The Government's overall economic objective, as set out in the Review, 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". Achieving this objective will help strengthen social cohesion, ensuring that all can benefit from increasing national prosperity. At a regional level, the Review anticipates that this will reduce the problems caused by uneven economic growth. At the local level, reducing disparities will "ensure more effective use of resources and will reduce the costs of tackling disadvantage".
8. The Review emphasises that, in order to achieve national economic objectives, it is "essential that every region, locality and neighbourhood...performs to its full economic potential".
9. The Review's proposals are aimed at:
 - Empowering local authorities and Regional Development Agencies (RDA's) to spread economic well-being and opportunity to everyone in their region
 - Simplifying sub-national structures, with strengthened accountability
 - Ensuring clear, focused, relevant objectives for promoting growth and tackling deprivation, and
 - Ensuring policy decisions that affect economic well-being are taken at the 'right' spatial levels.

Headline Policy Proposals:

10. **Empowering Local Authorities to promote economic development and neighbourhood renewal**
11. The Review emphasises the Government's determination to ensure that local authorities powers are focussed, simplified and strengthened, with a proposed new duty on local authorities to carry out an assessment of the economic challenges facing their areas: *"Local authorities must therefore ensure that local economic development is central to their mission" and "need to play a central role in leading economic development and neighbourhood renewal."*
12. So that all local authorities have greater flexibilities and incentives to promote economic growth and tackle the problems of deprived areas, the Government proposes:
 - Consultation on the creation of a focused statutory economic duty for local authorities which would require them to carry out an assessment of the economic circumstances and challenges of their local economy;
 - Reform of the Local Authority Business Growth Incentive (LABGI) scheme to give a clearer focus and incentive for local authorities to promote economic growth;
 - Reform of the local authority performance framework so that it includes a clear focus on economic development and neighbourhood renewal;
 - Neighbourhood Renewal to concentrate on the most deprived areas, and

have a focus on economic/worklessness issues

- Consideration of options for supplementary business rates, working with local government, business and other stakeholders;
- Regional Development Agencies to have a far more strategic role, but with delegated responsibility for funding to local authorities and Sub Regions, unless there is a clear case for retaining funding at the regional level.
- A 'Homes and Communities Agency' to be created, (bringing together the functions of English Partnerships and The Housing Corporation) as a close delivery partner for local authorities, helping to create and shape prosperous and cohesive communities.
- 14-19 funding for education and skills transferred to local authorities – giving them greater influence over developing skills for a modern economy.

13. Local authorities new, enhanced role in economic development and neighbourhood renewal

- A new, radical emphasis on local authorities' responsibility for economic development, as central to their mission and policies to increase quality of life and well being in their locality
- Strengthening the wide ranging powers given to local authorities, in the Local Government Act 2000, to promote the economic, social and environmental well being of their areas.
- Strengthening Local Area Agreements, with a distillation of targets down to just 35 from a menu of 200, compared to between 600 and 1200 currently.
- All areas to have Local Strategic Partnerships by 2008
- A commitment to reform Local Authority Business Growth Initiative [LABGI], to ensure a clear focus and incentive for local authorities to support economic growth by linking reward more closely to growth, and by examining mainstream resources that can be more strongly associated with performance in relation to economic development.
- Local authorities will have a key responsibility in ensuring that young people are equipped with the skills and aptitudes needed to be successful in the modern economy.

14. Increasing local authority capacity

- The Comprehensive Area Assessment will be the route used to identify capacity and leadership strengths and weaknesses
- Government will support steps taken by local authorities to work together, including the establishment of permanent sub-regional bodies

15. Managing policy at the right spatial levels

- The Review suggests 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 upon a bottom-up approach to collaboration between areas

16. Supporting local authorities to work together at the sub-regional level

- The Review strengthens the sub-regional management of transport and gives greater long term certainty of funding as part of the Local Transport Bill
- The Review gives opportunity for the development of cross-boundary Multi Area Agreements (MAA's) to agree collective targets for economic development issues
- The Review provides opportunity to explore the establishment of statutory sub-regional bodies, to pool responsibility for economic development – e.g. Black Country Consortium and/or City Region.
- The Review is positive about City Regions and other sub-regional partnerships, with the 'Birmingham Coventry and Black Country City Region' singled out for mention.

17. Strengthening the regional level

- The Review proposes replacing the RDAs current operational framework with a simplified outcome and growth focussed framework.
- In addition, Government will set each region a regional economic growth objective
- RDAs will have responsibility for preparation of a single, integrated regional strategy – economic, social and environmental – working closely with local authorities and other partners. The RDA will therefore, in effect, become the Regional Planning Body.
- Local authority leaders to be responsible for agreeing the Regional Strategy with RDAs, and effective scrutiny of RDA performance.
- In future, it is envisaged that RDAs will work with local authorities and others to set plans for housing growth to meet demand and tackle affordability and under-supply
- The Review's proposals will ensure all other agencies (Highways, LSC, Jobcentre Plus etc) complement and contribute to the agreed regional strategies.
- The RDA to have a key responsibility for the new 'simplified' publicly funded business support model.

18. Business Support

- Government will expect local authorities, like other public bodies, to ensure that any business support they provide or procure will be from the agreed portfolio and accessed via Business Link as the primary access channel.
- There may be a continued role in business support for local authorities – e.g. for the economically excluded. Where local approaches are considered they must be co-ordinated with regional and national activity to support business.

19. Multi Area Agreements

- The Review supports MAAs, which will involve voluntary groupings of local authorities agreeing collective targets and performance indicators.
 - MAAs will be voluntary at the point of creation
 - MAAs should focus on activities where sub regional working can add most value
 - MAAs will have an economic core and relate principally to economic development
 - Local authorities and their partners will share collective responsibility for outcomes
 - Transparent arrangements will be put in place for ensuring financial and democratic accountability

20. Key principles for 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 co-ordinated effectively.

21. Enabling places to reach their potential

- The Review stresses that clear accountability and public scrutiny arrangements must be in place to allow devolution of powers and responsibilities, including at the regional level, with an inclusive approach to the development of regional strategies.
- Places must have incentives to promote economic development and tackle the problems of deprived neighbourhoods.
- The public sector must have the capacity to work effectively with the private sector
- Government will support local authorities in their role, focusing on housing, housing related interventions, and the transformation of deprived communities
- Government will work with local authorities to improve their capacity to deliver their new (enhanced) role on economic development and neighbourhood renewal

22. Reform of central Government, to deliver the new agenda

- A new Department for Business, Enterprise and Regulatory Reform (DBERR) to be responsible for RDA performance
- All regional strategies to be subject to sign off by the Secretary of State for DBERR
- Ministers to be appointed for each of the Regions
- Government Offices to be reformed to be 'fit for purpose' for the new arrangements

23. Other significant issues

- Regional Assemblies to be abolished, in view of the revised accountability/scrutiny arrangements for RDAs
- There is a question mark over the future of the Learning & Skills Council – not an explicit proposal in the Review, but an implication of the new responsibilities being ceded to local government.
- There is a new emphasis on local Strategic Partnerships and Local Area Agreements, with all areas to have LSPs by 2008, and with LAAs strengthened, and targets reduced to 35
- The Business Support proposals sit oddly with the rest of the Review, since they oblige local authorities to recognise the primary role of the Business Link brand for business support, and to access services through Business Link

24. Comments on proposals

- The Review provides timely confirmation that Dudley Council is on the right track with the proposed changes to the structure and emphasis of Neighbourhood Renewal – so that it has a greater focus on economic disadvantage, worklessness, and tackling the barriers to economic participation, in line with City Strategy
- There are major resource/funding implications arising from the revised regional/local arrangements. It will be important to ensure, as far as possible, that funding decisions and funding flows are made at the local level – through local authorities, Local Area Agreements and (where appropriate) Multi Area Agreements.
- There is a major opportunity from the creation of the Homes and Communities Agency, in terms of delegated funding and the transformation of deprived areas
- A possible need for Dudley Council to consider an increased interface between DUE and DACHS on Housing, in terms of the spatial linking of housing growth to regeneration and new jobs.
- Collaboration at the sub-Regional level, through local authority joint-working, and MAAs, has its advantages, but it must ensure that value is added and that control is not ceded to third parties.

- When working at a sub-Regional level, it may be appropriate to create a dedicated policy team to influence/shape objectives, input into delivery and monitor progress
- There are potential implications for the Comprehensive Area Assessment

Finance

25. The financial implications of the implementation of the proposals in the Review are potentially profound, and cannot be quantified. They will be of major significance.
26. However, there are no direct, specific or immediate financial implications arising from this report.

Law

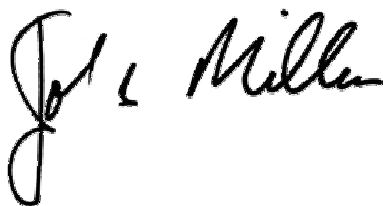
27. Section 2 of the Local Government Act 2000 enables the Council to do anything which it considers likely to achieve the promotion or improvement of the economic, social or environmental well being of the borough.

Equality Impact

28. The Review aims to strengthen equality, by tackling inequalities, in terms of access to skills, jobs and economic opportunities, and improving the life chances of children and young people, and by empowering local authorities to address entrenched inequalities within neighbourhoods.

Recommendations

29. It is recommended that the Cabinet:
 - Notes the contents of this report, including the new responsibilities for economic development being proposed and placed on local authorities.
 - Agrees that the Director of the Urban Environment, and Chief Executive, prepare a detailed plan to determine the actions needed by the Council to respond to the implications of the Review.



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List of Background Papers

Review of sub-national economic development and regeneration – July 2007 – published by HM Treasury, Department for Business Enterprise & Regulatory Reform, Department for Communities & Local Government.

A copy of the full Review has been placed in the Members' Room.