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REVIEW OF SUB-NATIONAL ECONOMIC DEVELOPMENT AND REGENERATION

Responsible Officer Samantha Hine

e-mail: sam.hine@shropshire-cc.gov.uk

Tel: (01743)
252591

Fax (01743)
252277

Summary

The HM Treasury report, 'Review of Sub-National Economic Development and Regeneration' was published in July 2007 and sets the framework for future regional governance and the devolution of powers and responsibility to Local Authorities. The full document is available to download at www.hm-treasury.gov.uk/.

The report has not been issued as a consultation document but the Government is committed to involving stakeholders in the implementation programme.

Overall, the Review is positive in emphasising the role of Local Authorities as key deliverers and 'place-shapers' and in seeking to develop the role of Council Leaders in shaping Regional Policy. The Review states that Government will ensure that local authorities' powers are focused, simplified and strengthened.

There will be a new duty on local authorities to carry out an assessment of the economic challenges facing their areas. Local authorities will be given stronger incentives, both through fiscal measures and performance management, and greater powers and flexibilities to promote economic well-being.

The Review proposes expanding the strategic role of Regional Development Agencies (RDAs). RDAs will be given additional powers in respect of housing, planning and transport. The Regional Spatial Strategy (RSS) and Regional Economic Strategy (RES) will be merged into an Integrated Regional Strategy (IRS), the development of which will be led by the RDAs.

Funding for school sixth forms, sixth form colleges and the contribution of FE colleges to the 14-19 years will transfer from the Learning and Skills Council (LSC) to local authorities' ring fenced education budgets. Further clarity is required on the formula for allocation and the future role of the LSC before the implications for Shropshire can be assessed.

The proposals in the Sub National Review form the subject for the next Shropshire Partnership Standing Conference on 28 November, when senior officers from GOWM and AWM and the County Council Portfolio Holder for Economy & Waste will make presentations.

Recommendations

- A. That the contents of the report be noted and that the Council contributes to the formation of a Shropshire Partnership view and continues to make comments on the proposals through various Member and Officer channels.
- B. That the Council press for early meetings with Liam Byrne, the Minister for the West Midlands, GOWM and AWM to discuss the Implementation Plan as soon as this is made available.
- C. That a further report on the transfer of 14 - 19 funding is brought by the Acting Corporate Director of Children & Young People's Services, when further details are available.

REPORT

Summary of Proposals and Implications for Shropshire

1. The review is based upon three principles:
 - **Managing Policy at the correct spatial level.** The review recommends a devolved approach, giving regions and local authorities the powers to respond to local challenges and improve economic outcomes
 - **Ensuring Clarity of Roles.** Specifically a strong focus on economic development/sustainable growth objectives; streamlined decision-making; rationalisation and coordination of strategies, policies and funding streams
 - **Enabling places to reach their potential.** Providing places with incentives to achieve economic growth/tackle neighbourhood deprivation; ensure capacity of public sector to work effectively with private sector; ensure accountability and scrutiny arrangements are in place to allow devolution of powers and responsibility.
2. The proposals can be summarised as follows:

Empowering all local authorities to promote economic development and neighbourhood renewal

3. The Government proposes to:
4. **Consult on creating a statutory economic duty for local authorities, which would require all upper tier authorities to carry out an assessment of the economic circumstances and challenges of their local economy.** This is a welcome reinforcement of the local authority role in promoting economic development. The requirement periodically to assess local economic circumstances assists with co-ordination of sub-regional work, benchmarking with comparable local authority areas and targeting of resources. This should be supported by a requirement for key supporting bodies to co-operate in the production of data for local economic analysis.
5. **Reform the Local Authority Business Growth Incentive Scheme (LABGI) and new schemes, such as Business Improvement Districts, to give clearer focus to promoting economic growth.** An issues paper, 'Building Better Incentives for Local Economic Growth: reforms to the local authority business growth incentives scheme', was published along side the Comprehensive Spending Review, inviting comments upon the rationale, policy objectives and options of a new scheme. Any reform of LABGI should consider: a simplified formula for distribution and more certainty of levels of reward to enable forward planning. Clear guidelines as to how the Government envisages the funds being reinvested to support economic regeneration priorities would also be welcomed.
6. **Concentrate Neighbourhood Renewal Funding (NRF) on most deprived areas.** Shropshire does not benefit currently from NRF. There is, therefore, some concern that a continued focus on urban deprivation is implied, with rural deprivation and more isolated areas of disadvantage not benefiting or losing out.
7. **Reform local authority performance framework to give a clear focus on economic development and neighbourhood renewal.** The Government has worked with the Local Government Association and Audit Commission to produce a new national indicator set, defining 198 indicators which will underpin the new performance framework. This was published alongside the Comprehensive Spending Review, ensuring a direct link between local government performance indicators and national Public Service Agreements and Indicators. These will be the only indicators on which Central Government will performance manage outcomes delivered by local government working alone or in partnership and include outcome areas such as: employment & worklessness; education & skills for up to 19 year olds, including science; investment in housing and infrastructure, particularly transport; enterprise; and creating attractive local environments for business and residents. Priorities will continue to be set locally on economic development indicators. The ability to set local priorities is essential to meet Shropshire's needs.
8. **Consider options for supplementary business rates (SBR).** Insufficient information is available to provide useful comment. The Director of Resources has previously produced a paper on the benefits and impact of

SBR. However, whilst this could be a helpful means of raising additional resources for economic regeneration targeted at local priorities, it is likely to be controversial and political, if it is a discretionary power for local authorities.

9. **Work with Regional Development Agencies to enable them to undertake a more strategic role, delegating responsibility for funding to local authorities and sub-regions where possible.** Shropshire would welcome this and should be in a strong position to take advantage of the proposed devolution of responsibility and funding to local authorities, particularly if we move forward as a unitary authority. Development of local delivery mechanisms to address locally set priorities should be emphasised. Shropshire would strongly support a sub-region based upon the county of Shropshire, rather than enforcing new multi-area agreement and multi-authority groupings.
10. **Ensure the New Homes Agency also supports local authorities.** This is to be welcomed. The New Homes Agency will have responsibilities for delivery of housing growth, affordable housing and regeneration, taking over a range of functions from the Housing Corporation, English Partnerships and the DCLG. Current proposals suggest that the Agency will have a role in allocating funding to programmes and projects, direct delivery in partnership with local authorities, providing capacity for local authorities and sub-regions in developing innovative strategies and unlocking developer contributions among other things. The Government is currently consulting on proposals.
11. **Move funding for most 14 -19 year old education and skills to local authorities.** Under the new Government Structure, the Department for Children, Schools and Families (DCSF) will lead the Government's overall strategy for 14-19 year olds, with the Department for Innovation, Universities and Skills (DIUS) delivering the reform programme. Funding for school sixth forms, sixth form colleges and the contribution of FE colleges to the 14-19 years will transfer from the Learning and Skills Council (LSC) to local authorities' ring fenced education budgets. Further clarity is required on the formula for allocation and the future role of the LSC before the implications for Shropshire can be assessed. The Acting Corporate Director for Children and Young Peoples' Services is currently exploring the proposal, which is subject to consultation and requires legislative changes.
12. **Work with local authorities to improve their capacity to deliver.** In order to maximise the opportunities for delivery across Shropshire, it will be essential that additional powers come hand-in-hand with additional resources; that flexibility to meet local needs is built in; and that regulation and unnecessary bureaucracy are kept to a minimum.

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

13. The Government will:
14. **Allow sub-regions to strengthen sub-regional management of transport, including the possibility of giving longer term certainty of funding where suitable governance arrangements exist, as part of the Local Transport**

Plan. The Government is proposing to give local authorities greater powers to tackle road congestion, such as, the introduction of local road pricing schemes and public transport improvements, for example, increasing powers over bus regulation. The Review notes that, following the Eddington Study, consideration is also being given to how allocation of funding for transport might be better targeted at tackling economic growth constraints.

15. **Develop proposals for Multi-Area Agreements to allow groups of local authorities to agree collective targets for economic development issues.** The preference for multi-area agreements, produced by groups of local authorities coming together to agree collective targets, performance indicators and pool funding streams to undertake delivery, is explicit in the Review. Guidance in respect of Multi-Area Agreements will be provided by the end of this year, with the first MAAs being in place by June 2008. Shropshire works well with its sub-regional partners and there is synergy on various economic issues. However, it is considered that commencing delivery on this scale and spatial level at the present time could be inappropriate for Shropshire, making the transition to Unitary Council unnecessarily complex. Shropshire would wish to see MAA's only where:
- local circumstances and flexibility take precedence, rather than Government and RDAs being prescriptive
 - they are flexible and used only when improved customer service and more cost effective delivery can be achieved
16. Throughout the document there is too much emphasis on City Regions. Shropshire and other rural Shires will need to counter this by highlighting their own economic potential and previous excellent delivery results. The risk is that Government and the RDA will concentrate funding within selected urban sub-regions and cities.
17. **Work with interested sub-regions to explore the potential for groups of authorities to establish statutory sub-regional arrangements to enable the pooling of responsibilities on a permanent basis for economic development policy areas, beyond transport.** Multi-Area Agreements will be made for 3 year periods, as with Local Area Agreements. However, the Government is opening a door to look at longer term planning and delivery arrangements around appropriate service delivery areas, enabling longer-term funding to be secured. Obvious examples are in transport planning, planning and housing at the sub-regional level. This would require legislative changes to enable the establishment of statutory sub-regional authorities.

Strengthen the Regional Level

18. The Government proposes to:
- **Move to a single Integrated Regional Strategy which sets out the economic, social and environmental objectives for each Region.**
 - **Give the Regional Development Agencies the executive responsibility for developing an integrated regional strategy, working closely with local authorities and other partners.**

- **Set out for each Region a regional economic growth objective and an expectation for regions to set out plans for housing growth that meet regional demographic pressures and help tackle affordability and the national undersupply of housing.**
 - **Reform significantly the RDAs objectives to give a simplified outcome and growth-focused framework.**
19. Taking these four together, the Government clearly seeks to enable a more determined effort to be made to boost regional GVA to the national average and to build more homes and more affordable homes to meet demographic pressures. This is welcome in principle, provided that Government and RDAs adopt an objective of “wider well-being,” taking account of social and environmental needs as well as economic. Economic growth will need to be achieved alongside reductions in carbon emissions and improvement in social inclusion.
20. **Give local authority leaders responsibility for agreeing the regional strategy with the RDAs and for effective scrutiny of RDA performance.** The Review proposes the merging of the Regional Economic Strategy and Regional Spatial Strategy into a single Integrated Regional Strategy to present a more holistic assessment of the Region’s needs. The development of the strategy will be led by the RDA, which will become the regional planning body. The Integrated Regional Strategy will be ‘agreed’ by local authority Leaders. The extent to which Leaders will have input and influence is unclear. Revised arrangements for regional scrutiny and leadership are unclear but are based around a meeting of Local Authority Leaders, the appointment of a regional minister and possibly a regional parliamentary select committee. The role of the RDA Board is unclear. The development of a framework which maximises the role of elected members is positive, however any such arrangements will need to take into account the capacity which senior members have to devote to regional matters.
21. **Determine the best way of strengthening Parliamentary scrutiny of regional institutions and regional economic policy.** The Review notes that committee based options are being examined; select and standing committee models are being considered. It recognises “the need for more opportunities for democratic scrutiny of activities of regional agencies”. Parliamentary scrutiny arrangements would therefore expect to take evidence from the regions, hold public hearings in the regions and receive formal responses from both Government and the regions on any published reports. Whilst there are few details, this sounds potentially protracted, expensive and problematic in terms of local authority participation.
22. **Carry out a second expanded Regional Funding Allocations exercise in the Comprehensive Spending Review period.** This may well include a wider range of funding streams beyond economic development, transport and housing. Clearly, RDAs will be in a position to exert considerable influence on priorities given their resources. Shropshire’s needs, and those of other rural economies, will need to be explicitly driven home.

23. **Ensure that the work of Government agencies informs, complements and contributes to the priorities agreed in the regional strategies.** Such agencies include the Highways Agency, New Housing Agency, Learning and Skills Council, Jobcentre Plus and the Environment Agency. Currently, sometimes limited support from some of these agencies for local and regional priorities has undermined the ability to deliver local and regional strategies.
24. **Give RDAs a key role in both co-ordinating business support within the Regions and delivering a single brokerage service for business support and skills.** Work is ongoing with the reorganisation of Business Link West Midlands. The conclusions of the consultations on the Business Support Simplification Programme will be available to the Government by the time of the Comprehensive Spending Review. The Train to Gain programme, delivered by the LSC through Business Link, will continue to provide the key delivery vehicle for skills development across the Region.

Reform central government's relations with regions and localities

25. **The Government will improve its support for regions and localities through reforms to give the Department of Business, Enterprise and Regulatory Reform (DBERR) responsibility for performance management of the RDAs and the Regional Economic Performance Public Service Agreement (PSA). It will make the regional strategies subject to joint sign-off by the Secretary of State for Business, Enterprise and Regulatory Reform and the Secretary of State for Communities and Local Government. The Government will also appoint a Minister for each of the regions, to provide a sense of strategic direction for the region and ensure that government policy takes account of the different needs of each region.** The appointment of a Minister to champion the needs of the region is to be welcomed. The appointed Minister in the West Midlands is Liam Byrne, the MP for Birmingham Hodge Hill, who has highlighted skills, science, transport, trade and the Region's reputation in the world as particular areas he wishes to focus upon. It will be essential to ensure he gains an insight into the needs and opportunities of all parts of the Region and the economic contribution which Shropshire can and does make.

Timetable

26. The Department for Business, Enterprise and Regulatory Reform (DBERR), the Department of Communities and Local Government (DCLG) and HM Treasury are working to establish a joint management approach to implementation of the proposals. Full implementation of reforms will not be complete until 2010-2011.
27. DBERR is working with RDAs on the delegation of responsibility for spending at present, with commencement of implementation expected from April 2008.
28. Consultation on how Local Authorities will input to regional strategies and their involvement in scrutiny of RDA performance will be issued by the end of 2007.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Review of Sub-National Economic Development and Regeneration, HM Treasury, July 2007. HM Treasury website has all background information at www.hm-treasury.gov.uk/spending_review/spend_csr07/reviews/subnational_econ_review.cfm

The New Performance Framework for Local Authorities & Local Authority Partnerships: single set of national indicators. Dept of Communities and Local Government website has all background information at www.communities.gov.uk/documents/localgovernment/pdf/505713

Building Better Incentives for Local Economic Growth: reforms to the local authority business growth incentives scheme. HM Treasury website has all background information at www.hm-treasury.gov.uk/media/8/A/pbr_csr07_local454.pdf

Human Rights Act Appraisal

There are no specific implications for human rights arising from this report.

Environmental Appraisal

Environmental considerations are featured strongly in the draft RES and RSS

Risk Management Appraisal

N/A

Community / Consultations Appraisal

Consultation with partners through Shropshire Partnership Standing Conference, 28 November 2007; Economic Development Forum, 11 October 2007.

Cabinet Member

John Hurst-Knight

Local Member

All

Appendices

None