

Taking forward the Review of Sub-National Economic Development and Regeneration



BERR

Department for Business
Enterprise & Regulatory Reform

Taking forward the Review of Sub-National Economic Development and Regeneration

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Introduction

The Government's review of sub-national economic development and regeneration – which has become known as the sub-national review or SNR – has a clear aim; to help maximise prosperity in all parts of England by stimulating economic growth and improving housing supply. It is about places developing their economies and working together to deliver a sustainable economic vision.

In order to deliver these improvements, the SNR sets out a number of structural reforms. These will:

- strengthen the local authority role in economic development, including a new statutory economic assessment duty
- support effective collaboration by local authorities across functioning economic areas – for example, by establishing Multi Area Agreements or Economic Development Companies (formerly referred to as City Development Companies)
- streamline the regional tier and introduce single regional strategies (outside London), with the RDAs designated as the regional planning bodies
- give regions a greater say in the distribution of funding in each region, through a second, extended regional funding allocations exercise
- sharpen the focus of central government on sub-national devolution – with clearer objectives and responsibilities within central Government and improved accountability arrangements; and regional Ministers as regional champions.

This document provides an update on progress in implementing the SNR in advance of a full consultation document which will be published early in 2008.

Progress since publication

The Government is committed to the delivery of this programme. The Government is working with local authorities, RDAs, regional assemblies and other key partners to ensure their views are taken into account as decisions are made on implementation. Although some of the changes require legislation, the Government is aiming to ensure that the transition to the new approach happens as swiftly and smoothly as possible.

Progress has been made since publication of the SNR at all levels – local, sub-regional, regional and national. Details of recent reforms are at annex A.

Next steps

A number of the most significant reforms announced in the SNR will require primary legislation. The Government is working towards the introduction of legislation at the earliest opportunity that would:

- Designate RDAs (outside London) as regional planning bodies
- Set out the principles underpinning the new regional strategy
- Facilitate greater delegation as appropriate of funding and responsibility from RDAs to sub-regional bodies and local authorities
- Change the scrutiny and accountability arrangements for RDAs
- Subject to consultation, introduce a new duty on local authorities to assess their local economies
- Enable local authorities to establish statutory sub-regional economic development authorities that enable pooling of economic development resources and responsibilities.

The SNR stated that we would consult on how the regional strategy might be implemented and on the creation of a focused duty on local authorities to carry out assessments of our local economies. The consultation paper will be published early in 2008 and will make clear that the aim of the strategy is to deliver economic growth and increased housing supply in a manner consistent with the Government's sustainable development and climate change agenda. The strategy will support the Government's public service agreements, in particular those relating to regional economic performance and increasing the supply of new housing.

The development of the new regional strategy will be led by the RDA working closely with local authorities and all relevant partners in the region. The aim is to achieve co-ownership of the vision for each region and its delivery. The consultation will include the proposed process for developing the strategy and principles for joint working between RDAs, local authorities and other partners, including those from business and the third sector, on the development and final agreement of both the strategy and the implementation plan. However, it will recognise that there needs to be regional flexibility.

The document will also provide more details of the wider context for these proposed reforms, in particular proposals and options on:

- How we expect the business-led RDAs, local authorities and their regional partners to change to meet their new challenges

- How we intend to take forward the second round of regional funding allocations, including the proposed timetable and funding streams to be included
- The role of the Homes and Communities Agency in delivering SNR reforms
- Options for the future of regional housing boards.

The Departments for Innovation, Universities and Skills and Children, Schools and Families will be consulting separately on the transfer of funding for the 14-19 education phase to local authorities' education budgets.

The proposed milestones for delivery of the reforms can be found at annex B.

The transitional period

The regional assemblies in their current form and function will not continue once the SNR is implemented. Nevertheless they have a key role to play during the transitional period, particularly in work on regional spatial strategies and in taking forward the commitment in the Housing Green Paper¹ to early revisions of housing provision in regional spatial strategies, where appropriate. These reviews should be completed by 2011 and will underpin the national target of 240,000 new homes a year by 2016. RDAs and local authorities will work with the regional assemblies in taking forward the new, expanded round of regional funding allocations for the 2007 Comprehensive Spending Review period.

The business planning round for regional assemblies is due to take place shortly and this will set out what will be expected of regional assemblies during this transitional period.

RDAs, regional assemblies, local authorities and other stakeholders are already discussing how to cement day-to-day working relationships in advance of the transfer of the regional planning responsibilities to the RDAs. This includes continued work on developing joint evidence bases and implementation plans for the different strategies. Regional assemblies are already working together with RDAs to help ease the transition to the new arrangements, particularly in relation to staffing issues. We recognise that until legislation exists to support fully the RDA's planning function, joint working between regional partners will be essential, in particular, we expect the Regional Assemblies and RDAs to work closely to take account of the regional economic strategies when doing the reviews of Regional Spatial Strategies. We will support and facilitate this close working.

¹ Homes for the future: more affordable, more sustainable, 23 July 2007

The statutory purposes for which RDAs were created are enshrined in the RDA Act 1998 and until new legislation is in place, there are limits on what RDAs can do in relation to planning. For example, RDAs can not employ staff to engage in functions currently assigned to the regional assemblies. Where regional assemblies and RDAs would both like to work together more closely we would like to facilitate this.

Annex A: Progress to Date

Strengthening the local authority role

Concordat between central and local government – the Government and the Local Government Association signed a concordat on 12 December governing the relations between central and local government. It establishes, for the first time, an agreement on the rights and responsibilities of local government, including its responsibilities to provide effective leadership of the local area and to empower local communities. The Concordat also points out that local and central government share objectives to nurture business and enterprise, increasing skills and employment and creating wealth and rising prosperity, shared by all.

Business rate supplements – a White Paper on business rates supplements was published alongside the Pre-Budget Report. The White Paper proposed the introduction of a new power for local authorities in England to raise and retain local supplements to the national business rate in order to fund projects to promote economic development. This reform represents a substantial new power for local authorities, allowing them to make investment decisions that reflect local economic need. The Government's proposed model includes four levels of protection for business.

Community Infrastructure Levy – The Government has introduced legislation in the Planning Bill for a new Community Infrastructure Levy that will establish a better way to increase investment in the vital infrastructure that growing communities need. The Bill will empower local councils to apply levies on new developments in their areas to support infrastructure delivery.

Reform of local authority business growth incentives (LABGI) – the Pre-Budget Report also provided the context for an issues paper seeking views on how LABGI could further strengthen the incentive for local authorities to take a stake in the economic well being of their areas. The paper does not advocate a particular way forward but is intended to stimulate responses on how a future scheme should operate.

Working Neighbourhoods Fund – in November 2007, the Secretaries of State for Communities and Local Government and Work and Pensions announced a new £1.5bn Working Neighbourhoods Fund to be paid as part of Communities and Local Government's contribution to the new Area Based Grant. This could support councils and communities in developing more concentrated, concerted, community-led approaches to getting people in the most deprived areas back to work. The fund replaces the existing Neighbourhood Renewal Fund and will help to break the cycle between worklessness and lack of economic growth in certain places. Sixty-six local authorities will receive funding for three years, and the twenty-one authorities that currently receive neighbourhood renewal funding will get two years of transitional funding.

New local government performance framework – in October 2007 Communities and Local Government published the reduced set of indicators that will support the new performance framework for local authorities. This was developed as part of the Comprehensive Spending Review and will allow key outcomes to be monitored while giving more freedom to exercise local leadership. The indicator set includes a clear focus on economic development and neighbourhood renewal.

Collaboration across sub-regions

MAAs – in November 2007 the Secretary of State for Communities and Local Government announced the 13 sub-regions that are working towards an MAA. The sub-regions aim to have agreed MAAs locally and with the Government by June 2008. On 22 November, Communities and Local Government published guidance on MAAs as part of its publication “Development of LAA Framework: Operational Guidance 2008”. This guidance sets out the rationale for MAAs, the principles that govern their development and how they fit with LAAs.

Local Transport Bill – in November 2007 the Government published its Local Transport Bill. The Bill will allow the boundaries of Passenger Transport Authorities (PTAs) to be extended and for PTAs to take on more powers that would allow a more integrated approach to transport management at the sub-regional level. It will also enable other sub-regions to put forward proposals to set up PTAs, allowing them to gain from the benefits of a joint approach to management of transport. The Bill will also give local authorities new powers to improve the quality of local bus services and give local areas that wish to develop proposals for local road pricing schemes the freedom and flexibility to do so in a way that best meets local needs.

Strengthening the Regional tier

Streamlining the regional tier – The work underway to move to regional strategies which set out the economic, social and environmental objectives for the region is set out in the Next Steps section above.

Improving RDA effectiveness – The Government and the RDAs are currently developing a single sponsorship framework, emphasising the RDAs’ increasingly strategic role in economic development.

Business Link – The Pre-Budget Report announced that the Train to Gain skills brokerage service will be merged with Business Link by April 2009.

Central government reform

Regional Ministers – in June 2007 the Prime Minister appointed a Minister for each of the nine English Regions with a remit to be both an advocate for the region and a representative of central government in the region. Regional Ministers, as regional champions, create a new opportunity to strengthen the regional voice within Government. *The Governance of Britain* Green Paper sets out their role in high level terms. They will be a visible presence in the region, leading in relation to specific issues and championing the region at high level events and with regard to high profile projects. They will also advise the Secretaries of State for Business, Enterprise and Regulatory Reform and Communities and Local Government on the approval of the integrated regional strategies and on RDA Board appointments.

The Governance of Britain Green Paper also announced that the government will work with Parliament to agree the best way of enhancing the Parliamentary scrutiny of regional constitutions and regional economic policy.

Annex B

SNR IMPLEMENTATION – MILESTONES

2007	
<ul style="list-style-type: none"> • Internal joint RDA/UKTI review groups of RDA overseas presence and UKTI regional trade delivery put advice to Ministers • UKTI's financial settlement stated that Ministers would reach a decision early in 2008 • Preparation begun for migration of the Train to Gain brokerage service into Business Link (continues until March 2009) • Guidance on LAAs and MAAs published • Concordat signed with the LGA governing the relations between central and local government 	<ul style="list-style-type: none"> • September 2007 • October 2007 • November 2007 • November 2007 • December 2007
2008	
<ul style="list-style-type: none"> • Publication of new regeneration framework • Consultation covering on implementation of the integrated regional strategy and the local authority economic assessment duty. • Separate consultation on the options for devolving 14-19 education funding from the LSC to local authorities • Advice for Economic Development Companies • Implementation of business support interventions begins (implementation continues through until 2009/10) • Publication of joint ventures vehicle practical guidance • New RDA sponsorship framework comes into force • New Working Neighbourhoods Fund comes into operation • Publication of new RFA guidance 	<ul style="list-style-type: none"> • Early 2008 • Early 2008 • Early 2008 • February 2008 • March 2008 • March 2008 • April 2008 • June 2008 • Summer 2008

2008 (continued)

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|---|--|
| <ul style="list-style-type: none"> • New LAAs and MAAs begin • Earliest opportunity to introduce Bill to Parliament on single regional strategy and local authority economic assessment duty • Earliest opportunity to introduce Bill to Parliament on devolution of 14-19 education funding from the LSC to local authorities • Earliest opportunity to introduce Bill to Parliament on business rate supplements. | <ul style="list-style-type: none"> • Summer 2008 • By the end of the year [subject to confirmation of Parliamentary timetable] • By the end of the year [subject to confirmation of Parliamentary timetable] • By the end of the year [subject to confirmation of Parliamentary timetable] |
|---|--|

2009

- Earliest that Royal Assent for legislation on single regional strategy and the local authority economic assessment duty could be achieved
- Earliest that Royal Assent for legislation on devolution of 14-19 education funding from the LSC to local authorities could be achieved
- Earliest that Royal Assent for legislation on business rate supplements could be achieved (we expect these powers to be in place during the course of 2009 so that business rate supplements can be levied, subject to consultation, with effect from April 2010)
- RFA exercise completed
- Full implementation of decisions on management and branding of RDA overseas activity and joining up network of trade advisers in the regions with other business support
- New Homes and Communities Agency comes into operation
- Earliest that a local authority economic development duty could come into force
- Comprehensive Area Assessment begins operation
- Fully integrated information, advice/diagnostic and skills brokerage service for business, managed by the RDAs is put in place.

2010

- April 2010 earliest date that 14-19 resources could be transferred to local authorities
- Earliest date that RDAs could take on new responsibilities (including role as regional planning body) and work begins on regional strategy.

