



## **Report to Cabinet**

**Subject** The Review of Sub National Economic Development and Regeneration

**Date** 1<sup>st</sup> May 2008

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### 1. Purpose of the Report

To advise Members of a consultation paper issued by the Department for Communities and Local Government and the Department for Business Enterprise and Regulatory Reform on proposals for taking forward the Review of Sub National Economic Development and Regeneration, implementing proposals for streamlining regional administrative and strategic planning arrangements and establishing the future basis for the local authority role in economic development.

### 2. Background

In August 2007 Cabinet considered a report on the review of sub national economic development and regeneration undertaken by the Treasury, the Department for Communities and Local Government and the Department for Business Enterprise and Regulatory Reform.

The Department for Communities and Local Government and the Department for Business Enterprise and Regulatory Reform have now issued a consultation paper on detailed proposals for removing from the regional assemblies the responsibility for regional spatial planning and transferring this to regional development agencies. In future, the regional development agencies will prepare a single regional strategy in place of the current regional economic strategy and the regional spatial strategy.

This consultation paper also sets out interim arrangements covering the way in which the current round of regional spatial strategies will be completed and the way in which the regional development agencies and the regional assemblies will be empowered and encouraged to work together on this, pending the implementation of the primary legislation which will be required to wind up the role of the regional assemblies.

The paper also confirms proposals to give to 'upper tier' authorities the responsibility for undertaking an economic assessment of their area in consultation with other agencies, including District Councils (referred to in the paper as 'lower tier' authorities). The paper also discusses a range of possible approaches to enabling local authorities to work together on a sub regional basis in order to promote economic development across functional economic areas without being constrained by local administrative boundaries.

The executive summary of the paper is attached at Appendix A and the full document is available on the Department for Communities and Local Government website at [www.berr.gov.uk/files/file45468.pdf](http://www.berr.gov.uk/files/file45468.pdf).

The government is seeking views by 20<sup>th</sup> June 2008 on the implementation proposals and options rehearsed in the paper. A list of the specific consultation questions asked is attached at Appendix B.

### 3. Summary of key proposals

#### 3.1 Arrangements for Regional Strategies

In order to promote the government's central economic objective of achieving high and stable rates of economic growth and employment, the government proposes to give to regional development agencies the responsibility for regional planning and for developing a single integrated regional strategy, working with local authorities and others. The paper proposes that the development agencies will have to submit the draft strategies to the local authorities in their area, who will be invited to 'sign off' the draft regional strategy, which will ultimately be agreed by the government. In default of agreement between the development agencies and the local authorities, the proposal is that the development agencies will submit the draft regional strategy to the government with a note of the areas of disagreement.

The government proposes to leave it to the local authorities in their region to decide the most effective way in which the local authorities can liaise with the development agencies, but they suggest the establishment of a 'Local Authority Leader's Forum', which should be 'streamlined, manageable and able to make strategic long term decisions' and also be representative of all of local government in the region, including upper and lower tier authorities.

The government is also proposing that local authorities can use existing scrutiny powers to scrutinise the role of the regional development agencies, who will otherwise be held accountable to parliament through the department for business, enterprise and regulatory reform, working within that department's performance framework. Again, the suggestion is that this scrutiny should be exercised through the Leader's Forum.

#### 3.2 Purpose and Content of Regional Strategies

The paper makes it clear that Regional Development Agencies will continue to be business led, recognising the strategy's focus on delivering

‘sustainable economic growth’ and the Agencies’ strategic investment role in promoting economic development, although it also states that “the RDA will be required to play a significant role in relation to how economic, social and environmental issues are balanced through the planning system”.

The stated purpose of the regional strategy is to drive economic development and regeneration – all regional strategies, such as sustainable development frameworks, regional cultural strategies and regional housing and transport strategies are to be integrated into the new regional strategy in order to secure coordination of effort to this end. ‘The strategies should be succinct documents setting out the region’s vision for how and where sustainable economic growth would be delivered, focussing on the relationships between the regional economy and the key drivers of growth, the environment and regeneration’. Thus, economic growth is to be the main driver for these strategies, although they will have to have regard to and be underpinned by ‘sustainable development principles’.

The regional strategy is also to cover the proposed distribution of housing supply figures and targets for affordable housing, drawing upon the local authorities’ assessments of the housing opportunities and needs in their area and the work we do to assess the locations and opportunities for growth. Again, the emphasis is on the significance of the Leader’s Forum in the communication process, in order to ensure that local authorities have ownership of the housing distribution as set out in the regional strategy.

The strategy would not generally be site specific, but would identify broad locations and it would encourage local authorities to work across administrative boundaries to agree housing requirements at a strategic level, such as the current housing market areas. The emphasis will be on local authorities developing joint core strategies where this can be agreed – otherwise allocations will need to be made at local planning authority level.

### 3.3 The Role of Local Authorities

The paper proposes that ‘upper-tier and unitary local authorities’, which would be the lead authorities for this purpose, shall be required to undertake an economic assessment of their area in consultation with key partners, including District Councils in two-tier areas. It is also suggested that this assessment may be produced jointly by two or more lead authorities in a single functional economic area, for example by all authorities participating in a Multi Area Agreement - a proposal which is clearly of great relevance to the Nottinghamshire situation.

The economic assessment duty will complement the proposals being developed in a new planning policy statement (PPS4) on planning for sustainable economic development, which sets out how planning bodies should, in the wider context of delivering sustainable development, plan positively for sustainable economic growth. Again, this emphasises the role which the District Council local planning authority will have in working with

the County Council to undertake the economic assessment and assist in the promotion of economic development in the area.

### 3.4 Collaboration between Local Authorities

Finally, the paper looks at the practical and structural arrangements which might be permitted or encouraged in order to facilitate collaboration between authorities on economic development issues, which, as the paper points out, do not necessarily manifest themselves simply in the context of local authority administrative areas - functional economic areas are likely to be sub-regional, as we see in Greater Nottingham.

The paper talks about multi-area agreements, integrated transport authorities and alternative approaches to planning sub-national transport infrastructure and it explores various models that might apply if any sub-regions wish to go beyond Multi Area Agreements. It points out that joint committees are already in place in many areas but talks of the possibility of establishing other formal arrangements in order to facilitate the delegation of functions to a sub-regional basis, including the possibility of establishing joint boards or, where authorities wish, merger or reorganisations.

The Government is prepared to consider placing sub-regional economic development activity on a statutory basis and legislating for this purpose if need be. However, the paper also emphasises that any collaboration would have to be on the basis of co-operation between elected members of existing local authorities, there should be no additional council tax precept to pay for it, any costs would have to be cost neutral and there must be a clear way in which the public can hold local councillors to account for the way in which the arrangements operate.

## 4. Consideration of Issues Arising

The paper raises important questions about the role and influence of local government with regard to the control of development in the region in the future. The paper emphasises that the regional development agencies will be business led and will have a clear economic development focus. The primary purpose of the regional strategy itself is to secure economic growth and development and it is not clear therefore exactly what weight will be attached to environmental, social and community issues, although the Regional Development Agency is to be required to take them into consideration and seek to achieve a balance.

The development agencies will be required to consult local authorities and work with them. The local authorities' Leaders' forum will be given a scrutiny role, but it is also clear that the development agencies are not otherwise to be accountable to local authorities as such. Local authorities will have a role in 'signing off' the regional strategy, but this does not mean that their agreement is required – any disagreement with the development agency's proposals merely have to be communicated with the proposed strategy to the government for the government to make a final decision.

The regional strategy will be intended to 'steer' the activities and plans of local authorities in order to ensure growth, development and regeneration. The strategies will identify the places and sectors that are to be priorities for investment across the region, and they will be part of the development plan and therefore part of the framework within which we will have to formulate our local development framework and consider individual planning applications. The government accordingly intends to give businesses a key role in determining through the Regional Strategy our housing allocations, albeit informed by research, evidence and advice from local authorities.

The position of District Councils within this structure is also unclear. On the one hand, the paper suggests that the Leaders' forum will need to include representation from all tiers and it recognises that there is a need to have all local authorities properly engaged in order to ensure that there is 'ownership' across the board with regard to the regional strategy. On the other hand, however, in an area like the East Midlands with a large number of individual local authorities, it is also clear that not every District will have a seat at the table and there will be a difficult debate about how the Leaders' forum is to be established locally.

There are also questions about the future of the Greater Nottingham Partnership. The paper talks about the development agencies taking a more strategic role in the future and passing funding down to local bodies for local distribution and management (although in doing so, those local bodies will effectively be in a position of acting as contractors for the development agencies rather than as local democratic institutions).

EMDA has within the past few weeks issued to the county and unitary councils in the East Midlands a paper setting out its initial proposals on the delivery arrangements for the Sub National Review. Its current intention is to transfer all its funding arrangements from the sub regional strategic partnerships like the GNP to the county and unitary authorities from 1 April 2009. EMDA says that it will then be for the counties and unitaries to consider how they deliver local economic development activities, although it suggests that the sub regional strategic partnerships may be well placed to do this in some parts of the East Midlands.

Discussions are already taking place about whether the County Council and the City Council will be prepared to use the GNP for this purpose in south Nottinghamshire. This particular issue obviously ties up in a significant way with the discussions which are also taking place locally about the possibility of having a multi area agreement covering the conurbation.

## RECOMMENDATION

Members are asked to consider whether they would wish to make any representations to the government in response to the consultation paper.