

EXECUTIVE SUMMARY

In July 2007 the Government published the review of sub-national economic development and regeneration (SNR). This provides the framework that will enable central and local government and other partners to work together to help maximise prosperity in all parts of England and tackle social deprivation and inequality.

The reforms set out in the SNR will enable regional, sub-regional and local partners to tailor solutions to their specific problems, making best use of available talent and opportunities. They will help to ensure that decisions are taken at the right level to be effective and that decision makers have the right tools at their disposal. The reforms will help places to provide an economic environment that enables business to adapt to and create new technologies and opportunities. They will contribute to growth, jobs and wealth in a low carbon economy and reduce the disparities between the regions.

This consultation sets out and seeks views on the proposals contained in the SNR for putting in place reforms that would:

- streamlines the regional tier, introducing integrated strategies and giving the regional development agencies (RDAs) lead responsibility for regional planning;
- strengthens the local authority role in economic development, including a new statutory duty to assess local economic conditions; and
- supports collaboration by local authorities across economic areas.

While this consultation will be of particular interest to those agencies and authorities directly affected by the proposed changes to structures and working relationships, the impact of the changes will be much further reaching. The private sector, in particular, may find less of direct relevance in the content of this consultation but the consequences of the changes will be positive for business.

Stronger partnerships for regional growth

The SNR elevates the importance of both business-led RDAs and democratically mandated local authorities to achieve improved economic outcomes. It demands a strong and deep partnership to be built to ensure complementary regional and local economic, housing, planning, transport and low carbon priorities. It will also be vital for the RDAs to provide the strategic economic leadership to ensure that the business, social and environmental partners in each region can engage and participate effectively. Different arrangements could be developed, within a consistent set of principles, reflecting the different circumstances in each region.

Having considered responses to this consultation on how it should be achieved, the Government will bring forward legislation that will give RDAs responsibility for regional planning alongside regional sustainable economic growth, within a new regional strategy. This wider strategic role will mean significant change to

what RDAs do, how they operate and how they work with local authorities in their region.

RDAs will continue to be business-led so that they are best placed to drive growth in the regions, building on their existing purposes, including their contribution to the achievement of sustainable development. In making future appointments, the Department for Business, Enterprise and Regulatory Reform (BERR) will work in close consultation with Communities and Local Government (CLG) to ensure that the skills and experience of those appointed to RDA boards reflect their new responsibilities. Similarly, the RDAs will need to take account of their changed role in recruiting and developing staff.

As the SNR made clear, economic development should be carried out at the most appropriate level. RDAs will become more strategic bodies in line with devolved decision-making principles. RDAs will continue to deliver and manage services that are best implemented at the regional level, working with a range of delivery agents and working closely with the private sector. Those services include business support, co-ordinating inward investment, support for innovation and responding to economic shocks. They already work closely with local authorities and sub-regional partnerships and, as they take on their more strategic role, will delegate funding, where appropriate, to those best placed to deliver economic improvements provided they have the capacity to undertake this activity. RDAs can provide support to help build capacity and chapter 5 sets out other mechanisms for increasing capacity. The Government's expectation is that, as capacity increases, RDAs will delegate an increasing amount of their funding to those best placed to deliver economic improvements (local authorities, sub-regions and other delivery bodies), within the framework of the regional strategy.

The RDA will lead the development of the regional strategy and its implementation, working with local authorities and other interests in the region, including business. The Government proposes that a forum of local authority leaders, representing all local authorities in the region, would sign off the draft strategy and help to hold the RDA and its regional delivery partners to account. The Government believes that local authorities themselves should decide the most effective structure for a leaders' forum and we expect that this will differ between regions. But any forum should be a streamlined and manageable body and be representative of local government across the region. The Government would intervene if local authorities in a region were unable to reach a consensus on a forum that met these criteria or if it failed to operate effectively.

Under the SNR reforms, regional assemblies will not continue in their current form. Assemblies, which are responsible for regional planning, include representatives from a broad cross-section of stakeholders. The new arrangements will place a premium on effective stakeholder engagement and management, on which the Government expects the RDAs to lead.

Proposals set out in both the SNR and the Governance of Britain Green Paper will change how regional bodies are held to account at the national level. RDAs will remain accountable to Parliament through the Secretary of State for

Business, Enterprise and Regulatory Reform. In the future, BERR's performance management of RDAs will focus increasingly on how well they are performing in their new strategic role.

The Governance of Britain Green Paper stated that regional scrutiny could be achieved through the establishment of nine regional Parliamentary committees. The House of Commons Modernisation Committee has begun an inquiry into regional accountability and this will be a key component of the Government's drive for improved accountability.

The SNR proposals will involve significant changes to the regional structures and roles of delivery partners. The Government expects RDAs to work with local authorities in each region to develop a change management programme which addresses the changes needed to institutions, relationships and processes.

Transition

In the period prior to the introduction of the regional strategy, it will be important to ensure that momentum is maintained - in particular, towards the goal set out in the Housing Green Paper of delivering 3 million new homes by 2020. The Government is committed to completing the current round of regional spatial strategies, with further reviews where necessary to re-examine planned housing provision. This work will be led by the regional assemblies.

In advance of legislation, we expect the regional assembly and RDA to begin preparations for the introduction of the regional strategy. To assist in handling this transition, the Government has amended the current Planning Bill to empower regional assemblies to delegate any of their planning functions to the RDAs, and allow RDAs to assist the regional assemblies in carrying out their functions related to the regional spatial strategy (RSS), where both agree.

The SNR confirmed the Government's commitment to a new, expanded round of regional funding allocations. The Government will issue guidance in the summer of 2008, asking regions to advise on priorities within the amounts set out in the 2007 Comprehensive Spending Review by early 2009.

Integrating regional strategies to promote regional growth

The new, integrated, regional strategies will replace and build on the strong foundations laid by the regional economic strategies (RES) and regional spatial strategies. The strategies should set out, for each region, a vision of how and where sustainable economic growth would be delivered. They should steer the activities, plans and investment decisions of the RDA, local authorities and other regional partners and be underpinned by the principles of sustainable development.

The Government intends that the process for developing the regional strategy should be robust, transparent, open and efficient. Effective consultation and engagement with stakeholders, business and citizens in each region will be essential. In order to achieve this, greater clarity will be provided on national priority expectations at the beginning of the process. The evidence base used

to develop the strategy will be strengthened. Simplifying both the number and complexity of processes will make it easier for stakeholders to engage and shorten the time it takes to agree a new strategy. Independent examination, which is a critical part of regional spatial planning, will continue as a means of engaging stakeholders and testing the evidence on contentious issues.

The RDA will lead the development of the strategy and be responsible for agreeing the draft with the local authority leaders' forum. The Secretaries of State for CLG and BERR will approve the strategy on behalf of Government. If regional partners fail to agree a draft strategy, the RDA would submit the draft to Ministers noting points of disagreement.

To encourage a greater focus on delivery, it is important that partners agree how they will contribute to meeting the strategy's objectives. The Government is considering whether it should require a delivery plan setting out actions and investment priorities, and the nature of accountability arrangements for such a plan.

In London, the Mayor will continue to be responsible for preparing a suite of strategies for London, including its spatial development plan (the London Plan) and transport and economic development strategies.

Strengthening sub-regional economies – the role of local authorities

Local authorities need to play a stronger role in delivering economic development in their area, building on their power to promote well-being. This document consults on the creation of a focused statutory economic assessment duty for upper tier and unitary local authorities. The results of this assessment would contribute to the analytical underpinning of sustainable community strategies, local development frameworks, local and multi-area agreement targets and the regional strategy.

The assessment would provide an improved shared economic evidence base, enhancing local authority capability and capacity on economic development issues and ensuring more effective prioritisation of economic development and regeneration interventions. It would also help local authorities to contribute to the development of the regional strategy.

Although London has unique governance arrangements, the Government is keen for London boroughs to also promote the conditions for economic success in their area. The document also consults on how best to take forward any duty within London.

The first assessments would be undertaken to inform local strategies and local area agreement (LAA) targets for 2011/12, and to contribute to the development of the first regional strategy. The new duty is likely to result in additional costs to local authorities, which will be assessed and met in line with the Government's new burdens principles.

Collaboration across sub-regions

The SNR set out the advantages of economic development decision-making at a sub-regional level. The Government is introducing multi-area agreements (MAAs) to enable local authorities to improve economic prosperity by working across administrative boundaries. There may be advantages in strengthening the statutory basis for sub-regional collaboration between authorities, including more visible leadership.

The Government is committed to legislate to allow development of formal legal status for collaborative arrangements, subject to feedback from this consultation. Any new arrangements should adhere to four fundamental principles – they should: not be based on collaboration between elected members of existing local authorities; not include any additional council tax precept; not impose additional net costs on local authorities; and they should provide transparent accountability for residents. The Government believes that the focus for new sub-regional arrangements should be economic development. However, the Government is prepared to consider a wider range of functions and does not wish to be prescriptive about these nor the functional economic areas that might be covered, believing that interested partners should develop proposals to reflect their local priorities and circumstances.

Consultation

This consultation will run until 20 June 2008.

Impact assessment

An impact assessment has been developed on the local authority economic assessment duty. You are invited to comment on this analysis.

Consultation Questions

We invite your views on the range of proposals contained in this consultation document. We particularly welcome your views on the following questions.

Chapter 3 – Stronger partnerships for regional growth

- Q1. How should RDAs satisfy themselves that sufficient capacity exists for programme management and delivery at local or sub-regional level?**
- Q2. Do you agree that local authorities should determine how they set up a local authority leaders' forum for their region, and that the Government should only intervene if the required criteria are not met or if it failed to operate effectively? If not, what would you propose instead?**
- Q3. Are the proposed regional accountability and scrutiny proposals proportionate and workable?**

Chapter 4 – Integrating regional strategies to promote growth

- Q4. Do you agree that the regional strategy needs to cover the elements listed at paragraph 4.13? Are there other matters that should be included in the regional strategy to help in the delivery of key outcomes?**
- Q5. Do you agree with the way in which we propose to simplify the preparation of the regional strategy, as illustrated in the figure (on page 35), in particular allowing flexibility for regions to determine detailed processes? If not what other steps might we take?**
- Q6. Do you think that the streamlined process would lead to any significant changes in the costs and benefits to the community and other impacts?**

Chapter 5 – Strengthening sub-regional economies – the role of local authorities

- Q7. Which of the options for the local authority economic assessment duty (or any other proposals) is most appropriate?**
- Q8. What additional information or support do local authorities consider valuable for the purpose of preparing assessments?**
- Q9. How should lead local authorities engage partners, including district councils, in the preparation of the assessment?**
- Q10. Which partner bodies should be consulted in the preparation of the assessment?**

- Q11. Should any duty apply in London and, if so, which of the proposed models is most appropriate?**
- Q12. Do you agree that there is value in creating statutory arrangements for sub-regional collaboration on economic development issues beyond MAAs? What form might any new arrangements take?**
- Q13. What activities would you like a sub-regional partnership to be able to carry out and what are the constraints on them doing this under the current legislation?**
- Q14. How would a sub-regional economic development authority fit into the local authority performance framework?**
- Q15. Should there be a duty to co-operate at sub-regional level where a statutory partnership exists? To whom should this apply?**