

## Cabinet

19 June 2008



### **Prosperous Places: Taking Forward the Sub National Review of Economic Development and Regeneration Key Decision BSE/CEO/EDR/01/08**

---

### **Report of Roger Elphick, Acting Corporate Director, Environment (Cabinet Portfolio Member for Economic Regeneration – Councillor Foster)**

---

#### **Purpose of the Report**

1. To set out various responses to Government's Prosperous Places consultation which are being prepared in the region. To highlight the current draft of a region wide response and identify those aspects of it where there is a particular County Durham element which would indicate the need for a supplementary DCC response.

#### **Background**

2. In July 2007 Government published the review of sub-national economic development and regeneration (SNR). Its purpose was to provide a framework to maximize prosperity in all parts of England and tackle social deprivation and inequality.
3. The consultation paper published on 31 March 2008 seeks views on the proposals contained in the SNR for putting into place reforms that would include:
  - Requiring Regional Development Agencies (RDAs) to take on a wider, more strategic role, expanding their responsibilities by adding Regional Planning to the RDA portfolio (with the Regional Assemblies phasing out). They would lead on development of an Integrated Regional Strategy (IRS) for Economic Development, Planning, Transport, Strategic Housing and Carbon Neutrality.
  - Strengthen the local authority role in economic development, including a new statutory duty to assess local economic conditions and establishing Leaders Forums providing a clear, democratically based, role for Local Authorities to act on a regional basis including working with the RDAs in the development of the IRS, signing it off and scrutinising RDAs implementation of it.
  - Supporting collaboration by local authorities across economic areas.
  - Recognising the importance of decision making at the sub regional level to improving economic outcomes.
  - Reviewing financial incentives to councils and a presumption that RDA funds will be delegated to councils or sub regional partnerships wherever possible.

The consultation closes on the 20th June 2008. The Government is particularly seeking views on 15 specific questions related to:

- Chapter 3 of the document – ‘Stronger partnerships for regional growth’;
- Chapter 4 – ‘Integrating regional strategies to promote growth’;
- Chapter 5 – Strengthening sub-regional economies – the role of local authorities.

The Government is also seeking views on a local authority economic development duty. A copy of the full document has been placed in the Members’ Resource Centre.

4. Generally the Prosperous Places proposals have been well received within the region. Also, the increased emphasis on the role of local authorities is one that should sit comfortably alongside the new unitary authority for County Durham. As with all such matters, however, the devil is in the detail and as yet much of the detail is missing.
5. In terms of risk assessment for DCC, while it is important to respond, there are no controllable risks directly dependent on the decisions made regarding the nature of the response.

### **Regional Response**

6. Work is underway to produce a regional response to Prosperous Places, and a very early draft of this is attached at Appendix 2 for information. The Association of North East Councils (ANEC) is also preparing a response on behalf of the local authorities and a copy of the most recent draft is attached at Appendix 3. These documents are very much work in progress and final versions are not anticipated before 12 June, only shortly before the consultation deadline on 20 June.
7. In broad terms the draft responses referred to above cover many of the matters important to the County. However, taking a DCC viewpoint, there are some elements that Members may wish to consider further, as follows:
  - Throughout Prosperous Places, there is reference to “sub regions”. It is not made clear what this means and in different places it could mean city region, sub regional partnership or upper tier authority. What is meant by this phrase could have a significant impact on the view taken of many statements in Prosperous Places. An example is delegation of RDA’s funding to sub regional level. The draft ANEC response refers to piloting this through the Tees Valley MAA, but aside from the City Region agenda, County Durham has its own Economic Partnership and it is important that this continues to be seen as the route for One NorthEast’s delivery of programmes and delegation of funding in County Durham;
  - Members may wish to agree that the strategic authority boundaries should be the starting point for any sub-regional arrangements, as the existing areas for Local Area Agreements (LAAs). However, any Multi Area Agreements should be based on bringing together strategic authorities (for example the County Council and adjoining unitary authorities). A framework which allows such arrangements to include only part of LAAs areas would add to complexity, detract from accountability and be counter productive.

- The emerging County Durham Economic Strategy (CDES), and the results from the consultation that has taken place on it, strongly supports the importance of skills to the economy of the County. The impact of proposals for integrating skills matters into the Regional Funding Allocation process needs further consideration. An alternative would be the continued development of a robust Employment and Skills Board within the County, as there is a clear commitment that the new Skills Funding Agency will see an increasing role for these Boards in determining priorities that will be funded.
  - DCC should also consider the planned requirement for a statutory duty for the upper tier authorities to carry out an economic assessment of their area. This does not receive great attention in the regional response. It may be that DCC would wish to press Government to extend the duty on these local authorities to set in place a strategy and/or action plan to address the matters arising from the economic assessment.
  - DCC may reject the idea that RDAs should have any role in assessing the capacity of local government for programme management and delivery; instead there should be a presumption of delegation.
  - The timetable described in the consultation, particularly seeking completion of the Integrated Regional Strategy within two years is of concern. The statutory requirements relating to legal status of the IRS mean that such a timetable may not be feasible.
  - Prosperous Places does not explicitly address the democratic deficit that will result from transferring regional planning powers from Regional Assemblies (which have a minimum of 60% of elected councillors in membership) to RDAs, which are accountable to Ministers in Whitehall; ensuring that the new arrangements are democratically accountable is a key issue for SNR implementation. Matters relating to scrutiny are not adequately set out and there is ambiguity about the role of the proposed regional Leaders Forum in this regard. Their involvement in developing and signing off the Integrated Regional Strategy does not sit comfortably with the scrutiny of its implementation. If the Leader's Forum does not agree the IRS, One NorthEast has the option to submit it to Government with a note setting out the areas of contention and this casts doubt on the incentives for One NorthEast to make sure that they develop a shared vision.
8. The need for a separate response in respect of these and other matters identified for County Durham can only be determined on receipt of final versions of the regional and ANEC responses.

### **Recommendation**

9. In view of the short time available Cabinet is requested to authorise the Acting Chief Executive in consultation with the Leader, Deputy Leader and Cabinet Member for Economic Regeneration to finalise the County Council's response to the consultation along the lines outlined above.

### **Background Papers**

Review of sub-national economic development and regeneration (July 2007 - Joint publication by HM Treasury, Department for Business and Regulatory Reform and Department for Communities and Local Government)

Prosperous Places: Taking Forward the Sub National Review of Economic Development and Regeneration

---

**Contact: John Banks**

**Tel: 0191 383 3023**

---

---

## **Appendix 1: Implications**

---

### **Local Government Reorganisation**

None.

### **Finance**

None.

### **Staffing**

None.

### **Equality and Diversity**

None.

### **Accommodation**

None.

### **Crime and Disorder**

None.

### **Sustainability**

None

### **Human Rights**

None.

### **Localities and Rurality**

None.

### **Young People**

None.

### **Consultation**

None

### **Health**

None.

---

**Appendix 2: Draft Regional response to Prosperous Places**

---

---

## **Appendix 3: Draft ANEC response to Prosperous Places: Taking Forward the Review of Sub-National Economic Development and Regeneration**

---

### **Consultation Questions**

The Association of North East Councils, the representative body of local government in the region, welcomes the SNR and its primary objective of enhancing the economic performance of the regions and localities by empowering them to unlock potential.

The consultation paper represents an important step in implementing SNR and we are keen to move forward as quickly as possible. We draw encouragement from:

- the strong recognition the of role of LAs in supporting economic development in their areas;
- a framework for policy-making and governance that embraces the need to work at different spatial levels;
- the flexibility in implementing the SNR; and
- a key role for local government (working through Leaders Forum) in shaping and informing the IRS etc.

We are contributing to a collective response to the SNR and it is clear that there is much common ground on how things should be taken forward.

We believe that there remain some unresolved issues such as the question of how central government will adapt to the new 'system' so that national government becomes more co-ordinated and responsive to a more flexible sub-national system.

We also believe that the planning functions will require further consideration. Regional Planning Bodies currently have a range of roles which they can exercise because they are accountable through their local authority membership. Amongst other things there are important practicalities associated with regional planning eg: consultation on major planning applications, conformity of Local Development Frameworks etc which are currently dealt with by the Development Board of the North East Assembly. In an early response to SNR, the Association suggested that the Leaders Forum could perform the role of the Regional Planning Body or alternatively, we could create a similar Development Board under the new Leaders Forum/RDA arrangements, which could also engage bodies such as the National Park.

#### **Q1. How should RDAs satisfy themselves that sufficient capacity exists for programme management and delivery at local or sub-regional level?**

We consider that most unitary and upper tier authorities have capacity for programme management and delivery. The Multi Area Agreements and their governance arrangements are helping to establish a framework for how this will happen. Where capacity is required, authorities have been preparing for some time for a new approach and have been building capacity, establishing vehicles for delivery etc. In the same way, the RDA is also looking at its own capacity now that its role is changing. The capacity issue is clearly a 'two way' issue and needs to be taken forward on that basis.

The North East Improvement and Efficiency Strategy also contains a strong commitment to supporting the development of MAAs, and the delivery of SNR and is available to support the development of new approaches to delivering economic growth. The RDA is a member of the Steering Group which is supporting the delivery of the strategy and this could prove a useful vehicle to take things forward.

**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?**

Yes, we strongly agree, and welcome this flexibility. In the North East, there are well-established arrangements for Councils to work together at the regional level through the Association of North East Councils and discussion on council organisation in relation to working at a regional level is being co-ordinated and facilitated by the Association. Research by the IPPR (Governing through Partnerships) suggests that voluntary partnership arrangements often work better than ones which are established in response to an external requirement. This has demonstrably been the case in terms of the Association.

The impact of Local Government Re-organisation will mean that there will shortly be 12 unitary councils in the region.

The Leaders/Elected Mayors would be convened through the Association (the ANEC Executive is already largely comprised thus and with some small adaptation could provide a dual purpose). This will have the added benefit of ensuring synergy with the other key agendas such as Improvement and Efficiency, for which ANEC has political accountability in the region and the wider societal role authorities play in social and environmental terms, which forms part of the Association's agenda.

It will also ensure that there are clear links with the whole local government family in the region.

The Regional Minister is also discussing with us the creation of a Group comprising himself, the 12 Leaders/Elected Mayors (convened through ANEC), the Chair and Vice Chairs of the Northern Group of Labour MPs, Peter Atkinson MP (Con) and Alan Beith MP (Lib Dem).

This we view as a complementary addition to the role that Leaders/Elected Mayors will be playing and should help address issues of links to Government (providing a mechanism through which issues might be identified, for example). Its functioning would be supported by ANEC and Government Office.

Whether or not the Government should be able to intervene if a forum fails to operate effectively depends largely on what is meant by this. A forum that fails to reach consensus should not necessarily be regarded as a failure to operate effectively as economic development and planning are political matters and often involve debate and disagreement as a part of democracy. However, how this is taken forward and handled will be important.

Whilst a consultative process is proposed for the creation of an IRS, with the involvement of the Leaders Forum throughout the development and lifecycle of the strategy (an important point), culminating in sign off, the Government reserves the right to amend the document. Given the philosophy which underpins the SNR of empowering localities to stimulate economic development alongside strengthening accountability, the creation of a co-ordination/consultation mechanism at the final stage of strategy approval where local authorities would have the opportunity to have some continuing influence over the negotiating process, would be helpful amongst other things in ensuring ownership over the final strategy.

**Q3. Are the proposed regional accountability and scrutiny proposals proportionate and workable?**

We are confident that we can design accountability and scrutiny proposals that are not only proportionate and workable but also add value to the process of developing and reviewing the IRS. We are currently working on this and are agreeing some key principles for taking things forward:

- scrutiny should be constructive and non-confrontational; it should add value and avoid duplication and overlap;
- it should be forward-looking, with an emphasis on policy development leading to action, with a particular focus on scrutiny of the integrated regional strategy;
- it should concentrate resources where they are most needed;
- structures and processes for scrutiny should be agreed through the Leaders Forum;
- scrutiny should be a means of engaging non-executive members of local authorities in issues relating to the integrated regional strategy;
- scrutiny should engage economic and social partners;
- scrutiny should be adequately resourced; and
- there should be close liaison with the Parliamentary regional select committee (or whatever other parliamentary mechanism may be established).

We will build on and develop the existing good practice. We will also ensure that the engagement of non-executive Members is a key part of the process and that the continued engagement of social and economic partners is facilitated. We do believe that this work should be properly resourced. The Government currently supports this activity through the 'strengthening regional accountability fund' made available to Assemblies.

We await with interest the outcome of the House of Commons Modernisation Select Committee Inquiry into Regional Accountability and are aware of the importance of building liaison mechanisms with whatever arrangements are set up at Parliamentary level so we can avoid duplication and add value.

**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?**

We agree that the regional strategy needs to cover these elements. As to whether any other matters should be included, this is in our view a matter to be determined at a regional level depending on the region's specific challenges. We welcome the



focus on regional strategies being succinct and setting out the regional vision. Regional strategies need to be focused on key objectives – they should not attempt to cover every issue of importance in a region as they will be in danger of losing focus and impact.

There are strong links with the ‘Raising Expectations’ White Paper and we would expect the Government to take a ‘joined up’ approach particularly in relation to the adult skills agenda.

**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?**

We would support the approach of the consultation paper – again the flexibility to determine our own processes is welcome. The ambition to have the strategy completed in a two-year timescale is commendable.

We consider that the Integrated Regional Strategy needs to bring together the city region and sub regional plans by providing a high level integrated framework which binds them together. There are however a number of detailed issues that will need to be addressed. They are as follows:

- a) there is no mention of skills or employability in the Integrated Regional Strategy. To be truly integrated, a strategy needs to include people-focused activities – particularly adult skills. Policies and funding streams need to be flexible to meet the specific needs of labour markets, which are predominantly city/sub regional;
- b) whilst all agree that the process for preparing the Integrated Regional Strategy needs speeding up, the addition of an extra Examination in Public at the initial stage is likely to make the target unachievable. In the North East, the RSS Examination in Public took place in April 2006 and two years later we still do not have the adopted strategy. An Examination in Public at the initial stage will require four months for the panel to sift through the reports and representations, 6 weeks to hold the EIP and then four months to write it up. It is practically impossible to produce an issues report and appraise options, carry out consultation (in itself a 6 – 8 weeks period) and an Examination in Public in one year; and
- c) in the North East there is general consensus that we would like to begin work at an early stage on preparing the Integrated Regional Strategy. However this means that the national core sustainability framework, the national policy statements, the advice on regional economic growth objectives and guidance on regional ranges of housing supply are in place. Of these the national sustainability framework must be in place as a matter of urgency since under EU legislation any regional strategy which does not follow the agreed framework would not be valid. Given the need to begin work on the Integrated Regional Strategy, it would be useful if CLG offered to work with the region on sorting out these procedural and legal problems arising from the statutory process.

We agree that there should be a delivery plan.

It seems unfortunate that this is not being aligned in terms of the RFA process which will have to be completed before we have an integrated strategy. We see it as essential that the delivery plan has the same degree of buy-in as the strategy itself and the support/sign off of city/sub regions and the Leaders Forum in this respect will be important.

As indicated above, the improvement of skills for those in work is a major task for the development of the regional and city regional economy. For these reasons we consider that regional funding on adult learning should be included in the RFA exercise. We welcome the proposal that the regional funding allocation proposal should include recommendations on the better alignment of funding streams which is a key factor in hindering skills development in our economy. This will require some flexibility around skills funding.

**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?**

We welcome the intention of simplifying the process. We believe that the community and stakeholders will benefit significantly from having a quicker process, reduction of uncertainty and clearer (and understandable) accountability arrangements through local government.

**Q7. Which of the options for the local authority economic assessment duty (or any other proposals) is most appropriate?**

We note that there has been a move away from proposals for a 'statutory economic duty' to a 'local economic assessment duty' and we believe that it will be important to see that duty remain in its broadest sense (involving more than simply the preparation of an economic assessment). We consider this will be essential for the development stage of the IRS and for localities.

In terms of the options, we consider that the non statutory guidance option is preferable since there is a danger that statutory guidance could be too prescriptive. In some areas, authorities will want to create a joint economic assessment (eg: Tees Valley).

The economic assessment will form a key part of the material informing the Audit Commission's risk assessment of an authority in carrying out the Comprehensive Area Assessment. It will therefore also be important to ensure that any arrangements are able to reflect the needs of individual authorities and that there is a 'golden thread' through to the RDA and the IRS, so that as a 'duty to co-operate' partner, the RDA is able to demonstrate how it is contributing to local economic growth.

**Q8. What additional information or support do local authorities consider valuable for the purpose of preparing assessments?**

Whatever option is adopted, it is essential that LAs are properly resourced to carry out the duty.

**Q9 How should lead local authorities engage partners, including district councils, in the preparation of the assessment?**

In the North East there will shortly be 12 unitary councils. The engagement of partners should be a matter for each area, and will be important in the context of CAA, amongst other things.

**Q10. Which partner bodies should be included in the preparation of the assessment?**

This is a matter for localities to determine.

**Q11. Should any duty apply in London and, if so, which of the proposed models is most appropriate?**

**Q12. Do you agree there is value in creating statutory arrangements for sub-regional collaboration on economic development issues beyond MAAs? What form might any new arrangements take?**

We consider there should be an **option** for sub-regional partners to seek the establishment of statutory arrangements but that this should not be a requirement – in practice it seems likely that most sub-regions will prefer the voluntary route of an MAA, as much can already be achieved through these arrangements.

The most obvious model for statutory sub-regional collaboration would be a statutory joint board.

**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?**

This should be a matter for each city/sub-region.

**Q14. How would a sub-regional economic development authority fit into the local authority performance framework?**

We would expect a statutory sub-regional authority to establish targets by means of an MAA and to be held to account for delivery of those targets.

**Q15. Should there be a duty to cooperate at sub-regional level where a statutory partnership exists? To whom should this apply?**

The duty should apply to partners in the same way as it applies in relation to achievement of LAA targets under the Local Government and Public Involvement in Health Act 2006.

In addition, it will clearly be very important in non-statutory partnerships that partners should contribute and co-operate and this principle should be equally central to their development. We should avoid creating the impression of a ‘two-tier’ arrangement between statutory and non-statutory partnerships because the aim of any partnership should be to deliver the core outcomes desired by the SNR.