

AGENDA MANAGEMENT SHEET

Name of Committee Economic Development Overview and Scrutiny Committee

Date of Committee 23 August 2007

Report Title Sub-National Review of Economic Development and Regeneration

Summary Members are asked to consider the attached Cabinet report and pass on their observations to Cabinet on 6 September 2007.

For further information please contact David Hill
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Would the recommended decision be contrary to the Budget and Policy Framework? Yes/No

Background Papers None

CONSULTATION ALREADY UNDERTAKEN:- *Details to be specified*

- Other Committees
- Local Member(s)
(With brief comments, if appropriate)
- Other Elected Members Councillor P Barnes }
Councillor M Jones } for information
Councillor P Morris-Jones }
- Cabinet Member Councillor C Saint – for information
(Reports to The Cabinet, to be cleared with appropriate Cabinet Member)
- Chief Executive
- Legal I Marriott
- Finance

- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION **YES/NO** *(If 'No' complete Suggested Next Steps)*

SUGGESTED NEXT STEPS :

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet Cabinet Meeting 6 September 2007.
- To an O & S Committee
- To an Area Committee
- Further Consultation

**Economic Development Overview and Scrutiny Committee –
23 August 2007**

**Sub-National Review of Economic Development and
Regeneration**

**Report of the Strategic Director for
Environment and Economy**

Recommendation

Observations are sought from Members on the paper attached at **Appendix A**, relating to the Sub-National Review of Economic Development and Regeneration, and any comments will be reported to Cabinet on 6 September 2007.

1. Summary

- 1.1 The Government has recently published its Sub-National Review of Economic Development and Regeneration in England. This signals a major shift in emphasis and direction in economic development.
- 1.2 Local Authorities and sub-regional partnerships are to play a much stronger role in planning for, and delivering, economic development and regeneration activities, whilst Regional Development Agencies are strengthened in their strategic capacity.
- 1.3 The report, attached at **Appendix A**, summarises the key issues arising from the Review, and draws out implications for Warwickshire and the sub-region.
- 1.4 Members are asked to consider the report and the recommendations. Your observations will be presented alongside the report to Cabinet on 6 September 2007.

JOHN DEEGAN
Strategic Director for Environment and Economy
Shire Hall
Warwick

14 August 2007

**Economic Development Overview and Scrutiny Committee –
23 August 2007**

**Sub-National Review of Economic Development
and Regeneration**

Agenda No

AGENDA MANAGEMENT SHEET

Name of Committee	Cabinet
Date of Committee	6 September 2007
Report Title	Sub-National Review of Economic Development and Regeneration
Summary	The Government has recently published their Sub-National review of economic development and regeneration in England, which signals a major shift in emphasis and direction in economic development. Local Authorities and sub-regional partnerships are to play a much stronger role in planning for and delivering economic development and regeneration activities, while Regional Development Agencies (RDAs) are strengthened in their strategic capacity. This report summarises the key issues arising from this review, and the implications for Warwickshire and the sub-region.
For further information please contact	David Hill Regeneration Strategy and Europe Tel. 01926 418603 davidhill@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	Yes/No
Background Papers	None.

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

- Other Committees Special meeting of Economic Development Overview and Scrutiny on 23 August 2007. Observations to be reported to Cabinet.

- Local Member(s)
(With brief comments, if appropriate)

- Other Elected Members Councillor P Barnes
Councillor M Heatley
Councillor R Hyde
Councillor M Jones
Councillor P Morris-Jones

- Cabinet Member Councillor C Saint
(Reports to The Cabinet, to be cleared with appropriate Cabinet Member)

- Chief Executive

- Legal I Marriott - noted

- Finance

- Other Chief Officers

- District Councils

- Health Authority

- Police

- Other Bodies/Individuals

FINAL DECISION **YES/NO** *(If 'No' complete Suggested Next Steps)*

SUGGESTED NEXT STEPS :

Details to be specified

- Further consideration by this Committee

- To Council

- To Cabinet Further reports on progress – as and when necessary.

- To an O & S Committee

- To an Area Committee

- Further Consultation

Cabinet - 6 September 2007

**Sub-National Review of Economic Development and
Regeneration**

**Report of the Strategic Director for
Environment and Economy**

Recommendation

That Cabinet broadly welcomes the Sub-National Review and that the County Council takes a pro-active and positive approach to:-

1. Further develop sub-regional working on economic development and regeneration, strategic spatial planning and transport activities.
2. The concept of an integrated sub-regional strategy, covering economic development, planning and transport matters and authorises officers to start initial work with sub-regional partners on scoping the structure, contents and status of such a strategy.
3. Increasing the strategic engagement with Advantage West Midlands by Warwickshire County Council and its Sub-regional partner bodies, Coventry, Solihull and Warwickshire Partnership and Coventry, Solihull and Warwickshire Forum, with a view to producing a "road-map" for sub-regional devolution of responsibilities and resources.
4. The Sub-National Review be factored into the ongoing value for money review of economic and community development, and considers how Warwickshire County Council can make most effective use of current and proposed incentive mechanisms.

1. Introduction

- 1.1 As part of the 2007 Comprehensive Spending Review, the Chancellor announced in Budget 2006 that the Government would undertake a review of sub-national economic development and regeneration in England. The review, published on 17 July 2007, is concerned with streamlining and rationalising current arrangements for economic development but also has wider implications for spatial planning, housing and transport. It proposes a clearer allocation of responsibilities for economic investment and strategic planning at regional and sub-regional level, as well as an intention to enact a statutory economic duty on local authorities. This Sub-National Review is clearly a firm expression of

Government policy and policy intentions, and definitely not a consultation document.

- 1.2 The Sub-National Review signals a major shift in policy emphasis and direction towards regions, sub-regions and local authorities in the areas of economic policy, planning, transport and housing. Local Authorities and sub-regional partnerships are to play a much stronger role in planning for and delivering economic development and regeneration activities, while Regional Development Agencies (RDAs) are strengthened in their strategic capacity by becoming the Regional Planning Body and responsible for leading the development of a single, integrated regional strategy. Regional Assemblies are to be phased out by 2010, with local authorities being more engaged in the approval of the single integrated strategy and effective scrutiny of RDAs.
- 1.3 The paper in **Appendix A** summarises the key proposals contained within the Sub-National Review on Economic Development and Regeneration.
- 1.4 Whilst the Sub-National Review primarily focuses on economic development, it also has a strong relationship with, and significant links with, the recent Housing Green Paper which reflects the Government's high priority on ensuring housing supply meets demand (to be reported to Cabinet on 27 September) and to the draft Local Transport Bill (reported elsewhere on the agenda).
- 1.5 This Report is being referred to a Special meeting of the Economic Development Overview and Scrutiny Committee on 23 August, for its observations. These will be conveyed to Cabinet on 6 September.
- 1.6 As further context, Members attention should be drawn to the role of the new Minister for the West Midlands (Liam Byrne) and his press release of 2 August, setting out his commitment to take the following short term actions:-
 - (i) Host a September conference of leaders across the region to brief him in key challenges and opportunities for our region, as we see them, for next 15 years.
 - (ii) September-November, to visit every part of the West Midlands to listen to residents, businesses, public service leaders and the third sector about key priorities.
 - (iii) December, to host a summit to publicise his own statement of priorities, alongside the RES and RSS.
 - (iv) By Christmas, to have identified short term actions in five key areas : Skills; Science (Entrepreneurship and Enterprise); Transport; Trade; and the West Midlands' reputation in the world.
- 1.7 Issues outlined in this paper and summarised in Para 3.1 (below) could help shape Members' contribution to these discussions.

2. Key Issues and Implications for Warwickshire

Economic Development Investment Roles

- 2.1 In general, the Sub-National Review is to be welcomed because it should clarify the roles and responsibilities of the various different levels of government in economic development and regeneration, emphasises the importance of local authorities in this crucial area, and offers increased flexibility and incentives at a local level to deliver actions that are tailored to local circumstances.
- 2.2 The potential development of a statutory economic duty for local authorities is also to be welcomed because it would put economic development on equal legal footing with areas of key service delivery (e.g. such as planning and transport) with consequent implications for resource allocation at national and regional level. Currently, local authority investment in economic development and regeneration is entirely discretionary. This means that strategic long term planning of investment is difficult because Government's funding support tends to be volatile and local authorities' commitment can be patchy.
- 2.3 The Sub-National Review also recognises the need to provide incentives and resources to local authorities to enable effective investment in economic development. These incentives are intended to include a simplified Local Authority Business Growth Incentive (LABGI), Business Improvement Districts (BIDs), Housing and Planning Delivery Grant, potential Supplementary Business Rates, and further innovative financing mechanisms. The increased policy emphasis on the role of local authorities in economic development, along with the potential for a statutory duty, should be factored into the on-going value for money review of economic and community development. The value for money review should also consider how the Council can maximise the effectiveness of current or proposed financial incentive mechanisms to support our work on economic development and regeneration.

Strategy Integration

- 2.4 The move towards a single integrated regional strategy – which brings together economic development, planning, housing and transport – is to be broadly welcomed. It will enable us to more closely relate where the economic growth and housing growth is occurring and, crucially, ensure the connectivity and accessibility between them is addressed. While current separate regional strategies are “aligned”, this is substantially different to being truly integrated. It should also help highlight the close interdependency between economic, housing and transport objectives, and may allow for more flexible allocation of funding between these inter-related areas to their mutual benefit.
- 2.5 To ensure integration of these related but, hitherto, separate areas requires a single organisation taking executive responsibility. The Government has decided that the RDAs are best placed to take on this role. This does present some risks, including the question of democratic accountability and the potential for economic development to be given undue emphasis (i.e. given the RDAs' new single economic growth and their existing structure and skills). However,

these risks should be sufficiently mitigated through increased and improved engagement of local authorities in the development and approval of the integrated strategy, and through effective scrutiny. Indeed, it could be argued that the potential risks of lack of accountability and investment imbalance are more likely to become real if local authorities unable to come together and engage more closely with the RDAs.

Existing Sub-regional Working

- 2.6 The Sub-National Review places significant emphasis on the need for local authorities to work together as the Government regards sub-regions as “the key spatial level around which growth is concentrated” [para 6.63]. Based on a clear evidence base and sound analysis, local authorities located within functioning economic geographies should come together to form partnerships that can consider economic development, housing and transport issues and, where appropriate, receive delegated funding and delivery responsibilities from the Regional Development Agency. Such sub-regional partnerships would be expected to play a key role in helping to shape, develop and deliver the single integrated regional strategy.
- 2.7 Warwickshire is already part of a long-standing and well-established sub-regional partnership – The Coventry, Solihull and Warwickshire Partnership (CSWP) is an economic development partnership, representing local authorities, business and university sectors, which has been successfully managing the delivery of Projects funded by Advantage West Midlands since its establishment in 1994. In parallel, its sister body, the Coventry, Solihull and Warwickshire Forum of Local Authorities (CSWF) has been heavily engaged in producing a cohesive sub-regional input to the emerging review the Regional Assembly’s Regional Spatial Strategy. The CSW Sub-region represents a real functional area in terms of economic, housing market and transport factors. Research undertaken for the LGA on mapping functional sub-regions looked at various methodologies for grouping local authorities (travel to work areas, housing market areas, markets for goods and services) demonstrated that for each approach, and the preferred combined methodology, the Coventry-Solihull-Warwickshire sub-region was robust and appropriate as a functional economic and geographic area. The same cannot be said for the Birmingham, Coventry, Black Country City Region.

Future Engagement with Advantage West Midlands

- 2.8 Given the increased strategic role of the Regional Development Agency – Advantage West Midlands (AWM) – along with the expectation set out in the Sub-National Review that funding and delivery responsibilities of economic development and regeneration activities should be delegated from the RDAs to sub-regions and local authorities, it would seem sensible for Warwickshire County Council, working with and through CSWP and CSWF, to strategically engage more closely and proactively with AWM. It is envisaged that this would involve raising awareness at AWM’s Corporate Director, Chief Executive and Board level, of the issues, opportunities and ambitions of the CSW Sub-region. This would be the first step towards reinforcing confidence within AWM of the capacity and capability of the CSW Sub-region to take on more delegated

responsibility as a precursor to pro-actively pursuing such delegation of responsibilities and funding.

- 2.9 To facilitate and enable strategic engagement with AWM with the aim of securing greater delegation of responsibilities and funding to the CSW Sub-region, a number of related actions are also considered to be necessary. In particular, the Council with its CSW Sub-regional partners will need to explore the potential and practicality of developing an Integrated CSW Sub-Regional Strategy that would merge strategic policies on planning, economic development and transport in a manner that would mirror the proposed integrated regional strategy. This would be based on a clear evidence base and sound analysis, highlighting the priority issues and opportunities for the sub-region, with clear mechanism for monitoring and evaluating progress. Such a sub-regional integrated strategy would set the framework for delivering devolved funding, form the basis for future revised Local Area Agreements and would be invaluable in helping to shape the regional integrated strategy (to be developed from 2010 onwards).

Future CSW Sub-regional Organisation

- 2.10 To meet the challenge of greater engagement with AWM, CSWP needs to thoroughly review its capacity and capability to expand as an organisation to co-ordinate, lead and deliver against this broader integrated strategy. This would not necessarily mean additional staffing (which would have a cost implication), but could potentially involve increased use of existing staff within sub-regional partner organisations through secondments. Ensuring adequate capacity within the sub-regional partnership recognised by AWM is fundamental in obtaining devolved responsibility for funding, which in turn would enable greater control and flexibility over resources. In this context, CSWP may need to address the extent and degree of its democratic accountability to ensure that it can deliver difficult and necessary decisions on Sub-regional priorities in a clear and transparent manner.

3. Immediate Next Steps

- 3.1 The Sub-National Review signifies a significant and substantial policy shift, which will take a number of years to occur and/or take effect. The lines for exploration identified above covering integrated sub-regional strategy, the capacity and accountability of CSWP and other sub regional arrangements such as the CSWF, relate to the medium term, perhaps extending up to and beyond 2010. However, there are many potential benefits from immediate/short-term action in this key policy area, and hence some immediate next steps are recommended:-
- (i) Early exploratory work is needed to identify the likely role, nature, structure and potential status of an integrated sub-regional strategy. A working group of officers from the local authorities and CSWP should be established to undertake this initial scoping work.

- (ii) Discussions should be initiated with AWM, with a view to developing a process designed to converge on securing devolved responsibilities and resource allocation for the sub-region. Allied to this is a need to ensure that the forthcoming revised West Midlands Economic Strategy and Action Plan adequately reflects our needs and aspirations in this area.
- (iii) The County Council's ongoing value for money review on economic and community regeneration should now take into account the policy shift expressed within the Sub-National Review in shaping its conclusions and recommendations in the context of Cabinet's decisions on, and flowing from, this report.

JOHN DEEGAN
Strategic Director for Environment and Economy
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Warwick

7 August 2007

Cabinet - 6 September 2007

Sub-National Review of Economic Development and Regeneration

Summary of key points from the Review of Sub-National Economic Development and Regeneration

Key proposed reforms:

At the local authority level...

- **Consult on the creation of a focused statutory economic duty for local authorities.** Desire to see strengthened role by local authorities in economic development ... duty would require all upper tier authorities to undertake a detailed assessment of the economic circumstances and challenges of their local economy ... would broadly mirror the new “joint strategic needs assessment for health and social care ... such a duty may incur a net cost for LAs, which the Government would fund ... regardless of whether a formal duty is established, a clear concordat on the rights and responsibilities of local government will be developed.
- **Reform the Local Authority Business Growth Incentive (LABGI) scheme to give a clearer focus and incentive for local authorities to promote economic growth.** Government will bring options forward by the summer ... strengthen reward by linking more closely to economic growth and provide greater certainty on levels of reward funding ... examine whether mainstream resources can be more strongly associated with performance in relation to economic growth ... no direct mention of ring-fencing LABGI to economic development purposes
- **Concentrate neighbourhood renewal funding more closely on deprived areas with greater incentives for improved performance.** Increased targeting ... performance indicators linked to areas of deprivation rather than whole local authority ... likely to focus activity within the existing 88 NRF areas rather than expand to other areas of deprivation
- **Reform the local authority performance management framework so that it includes a clear focus on economic development & neighbourhood renewal.** Focus on LAAs as route to monitor delivery of sustainable community strategy ... “reforms to LAAs will give all LAs a clearer role in economic development, putting it on equal footing with service delivery” ... new LAA indicator set will include a clear focus on economic development – key outcome areas will be:
 - Employment and worklessness
 - Education and skills for up to 19 yr olds, including science
 - Investment in housing and infrastructure, particularly transport
 - Enterprise
 - Creating an attractive local environment for business and citizens
- **Consider options for Supplementary Business Rates.** Taking forward Lyon’s recommendations ... will report back later in the year ... also considering other ‘innovative finance mechanisms for LAs, including Regional Infrastructure Funds, Local Asset Based Vehicles, and how revenue streams can be developed to support borrowing

- **The Government will expect the RDAs to delegate responsibility for spending to local authorities or sub-regions wherever possible, unless there is a clear case for retaining spending at the regional level.** Aims to provide greater certainty over funding ... would also seek to cover European funding, with funding devolved down to sub-regional and local levels where possible ... ***RDAs will need to be satisfied that the body receiving funding has the necessary capacity.***

“6.115 Consistent with the more strategic approach which the Government envisages for the RDAs, and a greater role for local authorities and sub-regions in economic development, the Government will work with the RDAs to move to a programme-based approach to management of the RDA single programme budget, rather than a project based approach. This will require the RDAs to be clear about overall strategy but then to give far greater autonomy to local authorities and sub-regions in the allocation and management of spending. This would give greater certainty for other partners as well as improving efficiency.

6.116 The extent of delegation of responsibility for spending will need to depend on capacity at lower spatial levels. Where the RDAs can be confident that there are structures in place which will ensure rigorous appraisal and prioritisation the Government will expect delegation of funding should be greater than in places where this is not the case. As set out in paragraph 6.71, scope for further devolution of spending should also be greater where sub-regions have clear sub-regional plans, analytical capacity, and resources to manage project implementation effectively.”

- **The Government will also seek to ensure a similar level of certainty in their relationships with the new homes agency¹** ... supporting LAs in their role in focussing on housing, housing related interventions, and the transformation of deprived communities ... allow LAs to plan further ahead and put them in a better position to make long-term investments.
- **Moving funding for most 14-19 year olds education and skills to local authorities** ... as announced in recent ‘machinery of government changes’ ... subject to consultation on details and timing.
- **Work with local authorities to improve their capacity to deliver on their new, enhanced role on economic development & neighbourhood renewal.** Help build local capacity and leadership ... “For local authorities which do not have the necessary economic development capacity, there will continue to be a need for capacity support from bodies at higher spatial levels”.
- **Strengthen sub-regional management of transport, including the possibility of giving greater long-term certainty of funding for transport where suitable governance arrangements exist.** Local Transport Bill allows for boundaries of PTAs to be extended and to take on more powers ... other sub-regions can also put forward proposals to set up PTAs
- **The Government will expect RDAs to delegate delivery responsibilities where possible** – this should be possible in particular for “sub-regions which represent functional economic areas and which have the capacity to manage large projects,

¹ The new homes agency – “Communities England” will have responsibilities for the delivery of housing growth, affordable housing and regeneration and is currently being consulted on. Draws together range of functions from the Housing Corporation, English Partnerships and DCLG “to strengthen and streamline delivery”.

provided decision making structures are in place which allow for effective prioritisation of investments”

At the sub-regional level...

- **Develop proposals for MAAs to allow groups of local authorities to agree collective targets for economic development issues.** Important that there is flexibility to allow different sub-regions to use the mechanism in the most appropriate way for them ... will not add to the monitoring and reporting burden of LAs ... will be voluntary at the point of creation ... should have an economic core and relate principally to economic development ... should reflect economic areas that reflect the policy scope for the MAA (can include partners from different regions or parts of counties) ... in two tier authorities, county councils and participatory districts will be co-signatories ... guidance will be issued by end of the year ... first MAAs to be in place by June 2008 ... Government will consider whether the duty to cooperate should be applied to MAAs
- **Work with interested sub-regions to explore the potential to allow groups of local authorities to establish statutory sub-regional arrangements** which enable pooling of responsibilities on a permanent basis for economic development areas beyond transport (e.g. planning and housing).

At the regional level...

- **Move to a single, integrated regional strategy covering both the Regional Economic Strategy and the Regional Spatial Strategy.** RDAs will have the executive responsibility for developing this single integrated strategy, working closely with LAs and other partners ... the integrated strategy will set out the economic, social and environmental objectives for the region ... should be founded on a strong analytical base and take account of the different needs of the sub-regions within the region.
- **Regional Assemblies in their current form and function will not continue.** RDAs will become the Regional Planning Body ... local authorities will be responsible for agreeing the regional strategy with the RDA ... local authorities will also take on role of RDA scrutiny ... Regional Assemblies expected to continue until 2010, when their statutory function will transfer to the RDAs.
- **Each region will be set a regional economic growth objective (GVA per head), and set out an expectation for regions to work with local authorities and other key partners to set out plans for housing growth.** Replaced RDAs “Tasking Framework” ... hopefully provides RDAs with more flexibility
- **Give local authority leaders in the regions responsibility for agreeing the integrated regional strategy with the RDAs and for effective scrutiny of RDA performance.** RDAs will need to work with LAs in developing objective, evidence-based proposals for prioritisation within the regional strategy ... each RDA will have responsibility to reach agreement on the draft regional strategy with the elected local authorities so that it can be signed off and submitted for independent examination ... Government to work with LAs and other partners to develop arrangements for regional scrutiny and strategy development ... develop mechanisms for enhanced Parliamentary scrutiny of regional institutions.
- **Government will ensure better coordination of central government spending with priorities in RESs** – particularly the work of Highways Agency, new homes agency, Environment Agency, LSC and Jobcentre Plus, which should inform, complement and contribute to the regional priorities.

- **Regional Development Agencies to move towards a programme-based** approach to funding, rather than a project based one. Will require RDAs to be clear about overall strategy, but then to give far greater autonomy to local authorities and sub-regions in allocation and management of spending.
- **Give RDAs a key role in both coordinating business support within the regions and in delivery**, with consideration by the time of the 2007 CSR of a single brokerage service for business support & skills. As part of the Business Support Simplification Programme, it is clear that Government feels that business support is best delivered at the national and regional level ... business support must be form the agreed national portfolio of products and services and accessed via Business Link ... where business support is to be delivered at the regional level, RDAs must take account of local authority requirements ... Local authority involvement in business support would be around identifying needs and issues of local businesses and ensuring adequate provision through portfolio of services and Business Link. Also will have a key role in enterprise support, particularly for disadvantaged areas/communities, along with potential for delivering Business Link contracts.