



Cabinet 21 May 2008

Sub-National Review of Economic Development: Consultation Response

1. Summary and Reasons for Recommendations

- 1.1 The Government has just produced a consultation document about the Review of Sub-National Economic Development. A consultation response is likely to have more weight if it is officially endorsed by the Council.

2. Recommendations

- 2.1 Cabinet is requested to approve Appendix B attached to this report as its response to the Government's consultation on the Review of Sub-National Economic Development; and
- 2.2 The Corporate Director for Resources, in consultation with the Portfolio Holder for Economy and Asset Management, be given delegated authority to make any necessary changes to the Council's response provided that these do not substantially alter the main points of the response.

3. Corporate Objectives

- 3.1 The recommendations meet the following, as contained within the Corporate Plan:-
 - (a) Corporate Priority : *'Creating a prosperous local economy'*
 - (b) Cabinet Commitments : *'Managing the future development of the Borough; Future development of Haverhill; Bury St Edmunds town centre; and Rural services'.*
 - (c) Vision 2025 : St Edmundsbury will be a place:-
 - V:E1 : *where unemployment will be below national levels and gross average earnings will be above the national average;*
 - V:E2 : *where the rural economy is thriving with an increase in small local industry and diversification resulting in an increase in employment and improved services;*
 - V:E3 : *where new enterprise and existing firms are encouraged to grow through attracting inward investment;*
 - V:E6 : *with an appropriately skilled, productive, trained and adaptable workforce and where there are strong links between the education sector and local industry;*
 - V:E7 : *where commercial sites and premises are readily available for new and existing businesses; and*
 - V:E9 : *with the necessary supporting infrastructure to allow businesses, services, and the education sector to thrive.*

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4. Key Issues

- 4.1 On 31 March 2007 The Department for Business Enterprise and Regulatory Reform (BERR) published a consultation document called *'Prosperous Places: Taking Forward the Review of Sub-National Economic Development and Regeneration'* (SNR). BERR has posed a series of questions to which it would like consultees to respond. Informal discussions with Government officials have suggested that this consultation is a very open one. Government officials know what they want to achieve but are genuinely eager to know the views of people at local level about the best way to achieve it.
- 4.2 The Review of Sub-National Economic Development and Regeneration (SNR) was published in July 2007. Its main aim was to strengthen economic performance in regions, cities and localities throughout the country, as well as tackling deprivation. It was based upon the principles of managing policy at the right spatial level, ensuring clarity of objectives, and enabling places to reach their potential. The main proposals were to:-
- (i) streamline the regional tier, introducing integrated strategies and giving the regional development agencies (RDAs) lead responsibility for regional planning;
 - (ii) strengthen the local authority role in economic development, including a new statutory duty to assess local economic conditions; and
 - (iii) support collaboration by local authorities across economic areas.
- 4.3 *'Prosperous Places'* is 74 pages long and there are three supporting documents. Appendix A therefore includes a summary of the report. The full report can be found on the BERR website at: <http://www.berr.gov.uk/regional/sub-national-review/page40430.html>. The main proposals are the same as in the SNR, but it focuses more upon the detail of implementation. Appendix B is the proposed response to the consultation, answering the questions that BERR has specifically asked. Cabinet is asked to approve this appendix as the Council's official consultation response.
- 4.4 The main points made in the draft response include:-
- (i) the importance of any regional strategy taking account of the different circumstances and wishes of local areas rather than just being a top-down regional prescription;
 - (ii) the importance of local areas in economic development, for example, the proposed duty to assess local economic conditions only applies to upper-tier authorities: the response suggests that it should apply to them all; and
 - (iii) the important role played by the existing sub-regional partnerships: the response suggests there is no need to duplicate what they already do.
- 4.5 The consultation does not close until 20 June 2008. Many of the Council's partners have not yet drafted their responses. In order that St Edmundsbury can incorporate points made by partners or any new information that emerges between now and 20 June 2008, it is proposed that the Corporate Director for Resources, in consultation with the Portfolio Holder for Economy and Asset Management, be given delegated authority to make any necessary changes to the Council's response, provided that these do not substantially alter the main points of the response.

5. Community impact <i>(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)</i>								
5.1 <u>General</u> : This review could have a major impact upon the prosperity and quality of life of the Borough.								
6. Consultation								
6.1 This is a consultation response and other organisations will also be responding. The officers organised a meeting with East of England Development Agency (EEDA) and neighbouring local authorities in Suffolk, Cambridgeshire and Norfolk to discuss the SNR and ensure that all these organisations are broadly agreed in their responses.								
7. Resource implications <i>(including asset management implications)</i>								
7.1 Approving this response has no resource implications. However, one theme of the SNR is delegating funding to local authorities and it is therefore important to try to influence the Government's thinking and show that local authorities are ready to assume responsibility for funding.								
8 Risk Assessment <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>								
<table border="1"> <thead> <tr> <th>Risk area</th> <th>Inherent level of Risk (before controls)</th> <th>Controls</th> <th>Residual Risk (after controls)</th> </tr> </thead> <tbody> <tr> <td>Central Government policy may change</td> <td>Medium</td> <td>Need to keep abreast of Government Policy & respond</td> <td>Low</td> </tr> </tbody> </table>	Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)	Central Government policy may change	Medium	Need to keep abreast of Government Policy & respond	Low
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Central Government policy may change	Medium	Need to keep abreast of Government Policy & respond	Low					
9. Legal or policy implications								
9.1 The review will have a far-reaching impact upon how economic development is organized at sub-regional and local level and it is important that St Edmundsbury takes this opportunity to make its views known.								

Wards affected	All	Portfolio Holder	Economy and Asset Management
Background Papers		Subject Area	Economy

Summary of 'Prosperous Places: Taking Forward the Review of Sub-National Economic Development and Regeneration (SNR)

1. Stronger partnerships for regional growth

- ◆ RDAs and local authorities are given a greater role in achieving improved economic outcomes. They will have to build strong partnerships to ensure complementary regional and local economic, housing, planning, transport and low carbon priorities. RDAs will have to provide strategic economic leadership.
- ◆ The Government will give RDAs responsibility for regional planning alongside regional sustainable economic growth, within a new regional strategy.
- ◆ RDAs will continue to be business-led. The government will ensure that the skills and experience of those appointed to RDA boards reflect their new responsibilities, and the RDAs will need to take account of their changed role in recruiting staff.
- ◆ Economic development should be carried out at the most appropriate level. RDAs will become more strategic bodies and will continue to manage services that are best implemented at the regional level, such as business support, co-ordinating inward investment, support for innovation and responding to economic shocks. They will delegate funding, where appropriate, to those best placed to deliver economic improvements.
- ◆ The RDA will lead the development and implementation of the regional strategy. A forum of local authority leaders, representing all local authorities in the region, would sign off the draft strategy and help hold the RDA to account. The local authorities will decide the most effective structure for a leaders' forum.
- ◆ Regional assemblies will not continue in their current form. The RDAs will be expected to lead on effective stakeholder engagement and management.
- ◆ RDAs will be accountable to Parliament through BERR (Business, Enterprise and Regulatory Reform) which will focus on how well they perform in their new strategic role.
- ◆ Regional scrutiny and accountability are being investigated.
- ◆ RDAs will work with local authorities on a change management programme.
- ◆ The Government is committed to completing the current round of regional spatial strategies. This will be led by the regional assemblies.
- ◆ The regional assemblies and RDAs should begin preparations for regional strategies.
- ◆ The Government will issue guidance in summer 2008, asking regions to advise on funding priorities within the amounts set out in the 2007 CSR.

2. Integrating regional strategies to promote regional growth

- ◆ The new, integrated, regional strategies will replace the regional economic strategies (RES) and regional spatial strategies. The strategies should set out a vision of how and where sustainable economic growth would be delivered and should steer the activities, plans and investment decisions of the RDA, local authorities and other regional partners.
- ◆ The process for developing the regional strategy should be robust, transparent, open and efficient with effective consultation with stakeholders, business and citizens. Greater clarity will be provided on national priority expectations and the evidence base used to develop the strategy will be strengthened. The number and complexity of processes will be simplified and independent examination will continue.
- ◆ The RDA will lead the development of the strategy and agree the draft with the local authority leaders' forum. The government will approve it.
- ◆ Partners should agree how they will contribute to meeting the strategy's objectives, and the Government may require a delivery plan.

3. Strengthening sub-regional economies – the role of local authorities

- ◆ Local authorities need to play a stronger role in delivering economic development. 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 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 and help local authorities contribute to the development of the regional strategy.
- ◆ The first assessments would be undertaken to inform local strategies and LAA targets for 2011/12, and 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.

4. Collaboration across sub-regions

- ◆ The Government is introducing multi-area agreements (MAAs) to enable local authorities to improve economic prosperity by cross-boundary working, and is considering strengthening the statutory basis for sub-regional collaboration between authorities.
- ◆ The Government will 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 provide transparent accountability for residents. The focus for new sub-regional arrangements should be economic development. The Government wants interested partners to develop proposals to reflect their local priorities and circumstances.

Draft Consultation Response

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

Standard assessment procedures can be used. EEDA already assesses the programme management and delivery capacity of organizations before it gives them a grant or delegates any funding to them, by requiring details about such matters as programme and project managers, programme management methodology, track record, etc. Where the capacity does not exist in smaller organizations, larger organizations can also often manage programmes on their behalf.

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, local authorities are very used to working together and there are various models for such a forum. It is important that all local authorities are represented on the forum, not just upper-tier authorities. It is also important that local authorities have the flexibility to determine what arrangements would work best in their region. Our suggestions would be that unitary and upper tier authorities are represented by one seat each and that all the District authorities in one County area elect a delegate to represent them all.

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

No. It is proposed that RDAs will be accountable to BERR, but that local authorities will 'develop new arrangements for exercising their scrutiny powers at regional level through the leaders' forum'. Whilst the proposed arrangements for EEDA's accountability to BERR are very strong, the proposed arrangements for scrutiny by the local authorities are very vague. Para 3.20 says that 'local authorities...have existing scrutiny powers which can be applied to RDAs and other government agencies at a local level', but this is not true at the moment. The Local Government and Public Involvement in Health Act 2007 envisages that Councils will have their scrutiny powers extended to scrutinize other public bodies, including RDAs, but the necessary commencement orders have not yet been made, and there is no indication when this is likely to happen. Currently, therefore, local authorities have no powers to look at regional scrutiny, nor is there any requirement for the Agencies to co-operate, or to take account of any recommendations which could arise. It is also unclear exactly how strong those new scrutiny powers will be, e.g. exactly what information local authorities will be able to require from partner authorities, and to what extent they will have to take account of recommendations. For the proposed arrangements to be workable, the first step would be to bring in the scrutiny powers envisaged in the Local Government and Public Involvement in Health Act, after which local authorities could work out exactly how it would function.

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?

Paragraph 4.13 proposes that every regional strategy should cover:

- ◆ an overview of the key regional challenges over the plan period;
- ◆ how economic growth can best be delivered having regard to employment and the key drivers of productivity as well as regeneration;
- ◆ a distribution of housing supply figures as well as targets for affordable housing and achieving quality homes for all, including vulnerable and socially excluded people;
- ◆ how the region would manage the risks and opportunities of unavoidable climate change, achieving development in a way which is consistent with national targets for cutting carbon emissions;
- ◆ those areas within the region identified as priorities for regeneration investment and intervention; and
- ◆ strategic requirements and provision for transport, waste, water, minerals, energy and environmental infrastructure, insofar as these are not already specified in national policy.

Not only is the strategy supposed to cover all the elements above, but BERR also expects that 'other regional strategies, such as sustainable development frameworks, regional cultural strategies and the regional housing and transport strategies' will be integrated into the new strategy. Finally, the new strategy is also supposed to reflect 'the region's distinctive geography and economy' and 'be succinct'. This is a pretty tall order for a single document! While simplicity is always admirable, this suggests that the integrated regional strategy will be a very high-level document without any detail about either its component elements or the different local areas that make up the region. It may fall into the traps of being so general as to be almost irrelevant, or very prescriptive, trying to impose a one-size fits all model upon a very diverse region.

The East of England Regional Spatial Strategy (which is obviously nearing adoption) takes account of environmental quality; environmental capacity of a region or a sub-region; local distinctiveness and built heritage – which has been a major economic driver in its own right. These elements should also be listed in Para. 4.13.

There is obvious merit in the idea of an integrated regional strategy, and particular merit in the idea of combining economic and spatial strategies, as the links between economic development and planning are so strong. This region has just completed an excellent economic strategy and it would be a pity if the move to an integrated strategy diluted the focus upon the economy. It needs to be very clear that the purpose of the new strategy is indeed, as the consultation document states, 'to drive forward economic development and regeneration'.

The new strategy also needs to have a strong focus upon the local areas within the region, and should ideally have sections devoted to each sub-region. The regional strategy should be the strategy that reconciles the different characters and ambitions of all the local areas within the region, and it should be created by bringing together and combining local strategies, not by imposing a uniform regional model upon local areas, i.e. it should be a bottom-up, rather than a top-down strategy.

The Review of Sub-National Economic Development (SNR) talks of its aim to reduce the disparities between the regions. This led to some concern that the government would focus its efforts and funding on improving the worst performing regions, and neglect those, such as the East of England, that were already performing well. This concern has been addressed to some extent in this document by stating that the aim is 'improve the economic performance of all English regions and reduce the gap in economic growth rates between regions' (p.29), which is more encouraging for better-performing regions.

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?

Yes, with some reservations. We welcome the proposals for the close involvement of local authorities and we agree that the process should be as simple as possible.

The consultation document suggests later (see question 7 below) that RDAs may be required to have regard to the economic assessments produced by local authorities. This is a very good idea, as it would help ensure that regional strategies took account of local circumstances and needs. However, for that to be the case, the local economic assessments would have to be produced first, and there is no allowance for that in the proposed process.

The timetable for producing the document appears to be very tight. It took 8 months for the Panel of Inspectors to produce the report into the Examination of the East of England RSS. There does not appear to be any time built in for the consideration of the examination debate and presentation of the document. In addition, it implies that the RDA will sign off the final document after the examination and that the Secretary of State will approve it. This is contrary to the LDF process where the Inspector's report is binding on the local planning authority. There should be a level of consistency with the regional and local approach to policy formulation.

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?

Yes, if it works well and meets the principles set out in this document, namely effective engagement, a robust evidence base and effective sustainability appraisal, it could enjoy wider public participation and support than the current strategies.

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

Three options are put forward:

- ◆ There would be a statutory duty to produce an economic assessment and there would be statutory guidance about how they should prepare it. RDAs would be required to have regard to assessments in the preparation of regional strategies.
- ◆ There would be a statutory duty to produce an economic assessment and there would be non-statutory guidance to help local authorities prepare it.
- ◆ There would be no new duty and authorities would use their existing powers.

Of the three options, we prefer the second because it would require local authorities to produce economic assessments, and would offer guidance about how they should be produced without being over-prescriptive. This would leave room for variation according to local circumstance. If this option is chosen, however, we recommend that RDAs should be required to have regard to assessments in the preparation of regional strategies. Of the other two options, we prefer the first because we think it is important that local authorities should be required to produce the assessments to ensure that they give priority to economic development and that the provision of economic evidence is uniform across the region.

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

There are three main types:

- ◆ Economic data about the area of the kind that is currently provided by many sub-regional economic partnerships, e.g. demographic information, unemployment rates, employment rates and sectors, education and skills levels, house prices and housing affordability, business formation and survival rates, earnings and commuting.
- ◆ Local land and premises availability. There is no standard source for this, but many local authorities collect data.
- ◆ Knowledge about local businesses. Again there is no standard source. Many local authorities collect data, but it is uneven. A standard source that provides a list of the largest employers, with, perhaps, over 50 employees, would be very helpful.

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

Prosperous Places proposes that in two-tier authorities, the upper tier authority should carry out the economic assessment, because functional economic areas are likely to be sub-regional.

There are several problems with this.

- ◆ It assumes that local authority areas are the same as functional economic areas, which they are not necessarily. Unitary authorities often do cover functional economic areas, but in areas where there are still two tiers, this is often not the case. For example, Greater Cambridge is a functional economic area, but includes areas outside Cambridgeshire. Similarly the Haven Gateway is a functional economic area and includes parts of Suffolk and Essex.
- ◆ Any large economic area is made up of a number of smaller economies, which may be very different from each other. In St Edmundsbury, for example, our assessments show that there are three different local economies, those of Bury St Edmunds, Haverhill and the rural areas and we have three different strategies for the three different economies. Across Suffolk as a whole, the economic conditions are widely different.
- ◆ Districts councils are often the bodies that actually carry out regeneration projects at the local level. They also often produce economic strategies and they know their local economies in a way that upper tier authorities may not.
- ◆ Local authorities may not be the best bodies to produce sub-regional economic assessments. Clearly, the sub-regional economic partnerships have particular expertise in economics, which may make them the best bodies to produce sub-regional economic assessments. This certainly happens in Suffolk, where it is the sub-regional economic

partnership that has produced the recent county strategy, though working very closely with the county council, other local authorities and other organizations.

In summary, therefore, we recommend that the duty to produce an economic assessment applies to all local authorities to ensure that they pay due attention to their economic development role. These local assessments could then be used to produce sub-regional assessments, which would in turn inform the regional economic strategy. Furthermore, we recommend that the legislation explicitly states that the sub-regional assessments could be produced by the sub-regional partnerships, rather than by upper-tier authorities, if this is more appropriate for the area.

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

All the bodies listed in the document, such as the Environment Agency, the Highways Agency, Job Centre Plus, etc should be consulted. The document also says that lead authorities would be strongly encouraged to consult business organizations. In our view, this needs to be stronger and the authorities should be required to consult them in the same way that they are required to consult public sector organizations. It is important in any economic assessment that weight is given to the views of the business sector.

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

As this is not a London authority, we cannot give an informed opinion.

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?

No. We cannot see that creating more statutory arrangements at sub-regional level would achieve anything that is not being achieved at the moment. MAAs are very new and their value needs to be thoroughly assessed before any further statutory arrangements are considered. The consultation document does not mention the sub-regional economic partnerships (SREPs) anywhere, but these are already performing very useful economic roles. There seems no point in creating new sub-regional economic partnerships or authorities when they already exist. The importance of the SREPs lies in the facts that they are single purpose organizations focused upon economic development; they usually cover functional economic areas, which most local authorities do not; and they are wide partnerships usually with strong business sector representation. They are therefore better equipped to lead on sub-regional economic development than local authorities or groups of local authorities. We believe that there is an important role for sub-regional economic partnerships as intermediaries between RDAs and local authorities, and as partnerships leading economic development in functional economic areas.

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?

The activities carried out by the current sub-regional economic partnerships vary depending upon local circumstances, but they often take a strategic lead across a functional economic area, monitor the local economy, provide economic statistics, encourage inward investment, co-ordinate tourism, manage projects and bring together all the partners involved in economic development in an area. Clearly, they are partnerships, rather than agencies in their own right, and many of their achievements come from co-ordinating the activities of the partners rather than being carried out by the SREPs themselves, but the same can be said of LAAs, LSPs and other partnerships. They could do more project work if they had more funding. Businesses in this area would especially like more investment in transport. The constraints on SREPs at the moment are largely financial as the RDAs have reduced the amount of funding available to them.

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

Very easily. It would report on similar performance indicators and achievements.

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

We are not advocating statutory sub-regional economic partnerships, and therefore there is no need for a duty to co-operate. Usually, sub-regional economic co-operation is very good. Financial incentives for co-operation would make it even better.