

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

31 March 2008

Introduction

The government today published its consultation paper on the implementation of the recommendations of the Review of sub-national economic development and regeneration, published in July 2007¹. The review proposed a streamlining of regional plan-making, with Regional Development Agencies (RDAs) given executive responsibility for drawing up a single regional strategy and agreeing it with local councils in the region. A new role for councils in economic development was proposed, including a statutory duty to prepare an economic assessment.

Prosperous Places: Taking Forward the Review of Sub National Economic Development and Regeneration invites views on the government's detailed proposals for implementing SNR, with a deadline of 20 June. Legislation is expected in the next parliamentary session, beginning in November 2008. The LGA's report *Prosperous Communities III* sets out the LGA's views on the key issues for councils in SNR.²

LGA key messages

- The consultation document does not explicitly address the democratic deficit that will result from transferring regional planning powers from Regional Assemblies to RDAs, which are accountable to Ministers in Whitehall. We think that accountability to the elected councils in the region is equally important, given that the RDAs will take responsibility for regional planning.
- We welcome the recognition that councils should be closely involved in the whole process of preparing regional strategies but we are concerned that allowing RDAs to submit a draft strategy for determination by Ministers in the event of a failure to agree it with local councils will seriously undermine the incentives on RDAs to make sure that they develop a shared vision with councils.
- It should be for local authorities to decide how to organise themselves regionally and would not want to see any form of central government prescription or intervention as to the arrangements they choose to make.
- We support the creation of a duty on councils to carry out an economic assessment, but the duty should be discharged jointly by both county and district councils in two-tier areas

Further information

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¹ Review of sub-national economic development and regeneration http://www.hm-treasury.gov.uk/spending_review/spend_csr07/reviews/subnational_econ_review.cfm

² *Prosperous communities III: en attendant la dévolution*
<http://www.lga.gov.uk/lga/aio/357655>

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Drawing up regional strategies and RDA accountability

The Regional Development Agencies (RDAs) will lead the development of a single regional strategy, bringing together economic and spatial planning and be responsible for agreeing the draft with a regional 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.

RDAs will remain accountable to Parliament through the Secretary of State for Business, Enterprise and Regulatory Reform and this performance framework is the principal way in which the RDAs will be subject to external scrutiny and held to account.

LGA view

In our recent report, *Prosperous Communities IIII* the LGA welcomed the proposal to merge Regional Economic Strategies and Regional Spatial Strategies. However, given that RDAs – government agencies - would take the executive role in drafting the new unified strategies we argued that in the new regional landscape proposed by the SNR the element of direct democratic accountability should be at least as good as that in the present system and preferably should represent an improvement.

The consultation document 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. The consultation question only asks whether the proposed regional accountability and scrutiny plans are “proportionate and workable”. We think that ensuring that the new arrangements are democratically accountable is a key issue for SNR implementation.

We are concerned that the consultation paper explicitly states that the accountability of RDAs to the Secretary of State for Business, Enterprise and Regulatory Reform “is the principal way” that RDAs will be held to account. We think that accountability to the elected councils in the region should be as important, given that the RDAs will take responsibility for regional planning, which affects the property rights of individuals and businesses and determines the future character of places.

Decision-making on regional strategies

The consultation paper says that although RDAs will have executive responsibility for developing the strategy, all local authorities in a region must be involved collectively through a leaders' forum and, where necessary, individually, in the full life-cycle of the strategy. It also says that the housing elements of the regional strategy need to start from the local authority assessment of the housing opportunities and needs in their area, and where possible, to be based on the collaborative work done between councils within a sub-region to assess the locations and opportunities for growth.

LGA view

We welcome the recognition that councils should be closely involved in the whole process of preparing regional strategies and its eventual agreement and submission to the secretary of state. We particularly welcome the emphasis on the aim for achieving “co-ownership of the vision for each region and its delivery” between the RDA and local councils. However, we are concerned that the proposal to allow RDAs to submit a draft strategy for determination by Ministers in the event of a failure to agree it with local authorities will seriously undermine the incentives on RDAs to make sure that they develop a shared vision with local councils.

Regional LA leaders' forums

The consultation document proposes that a forum of local authority leaders, representing all local authorities in the region, would sign off the draft regional strategy and help to hold the RDA and its regional delivery partners to account. It says the government believes that local authorities themselves should decide the most effective structure for a leaders' forum and that this will differ between regions. It would only intervene in the formation of the forum if the local authorities in a region were unable to reach consensus on arrangements that are:

- streamlined, manageable and able to make strategic, long-term decisions and engage effectively with the RDA;
- representative of local government across the region, for example, in terms of representation of key sub-regions and upper and lower tier authorities; and
- comprised of local authority leaders and have sufficient authority to sign off the draft strategy on behalf of all local authorities in the region.

LGA view

It should be for local authorities to decide how to organise themselves regionally and would not want to see any form of central government prescription or intervention as to the arrangements they choose to make.

Scrutiny

The consultation paper says that with the abolition of Regional Assemblies, local authorities should develop new arrangements for exercising their scrutiny powers at a regional level through the leaders' forum. It says that the proposal for new models of parliamentary scrutiny is ultimately a matter for the House of Commons.

LGA view

Within councils scrutiny is a function which is separate from the executive functions of the leader and cabinet which are being scrutinised. Any regional scrutiny arrangements developed by councils will need to reflect this distinction and in some cases, this might involve scrutiny of both the local authority role and the RDA role in agreeing and implementing the regional strategy.

In relation to Parliamentary scrutiny, we have proposed a model of a hybrid committee on which both MPs from a region and senior councillors would sit as being the most straightforward way of avoiding duplication of regional scrutiny by Parliament and local councils.

Delegation of RDA funding

RDAs will become more strategic bodies in line with devolved decision-making principles but will continue to deliver and manage services that are best implemented at the regional level. Those services include business support, co-ordinating inward investment, support for innovation and responding to economic shocks.

As they take on their more strategic role, RDAs will delegate funding, where appropriate, to those best placed to deliver economic improvements provided they have the capacity to undertake this activity. The consultation paper says that the RDA will need to ensure that capacity exists at local authority or sub-regional partnership level to undertake the delegated activities. The first formal question in the paper is "How should RDAs satisfy themselves that sufficient capacity exists for programme management and delivery at local or sub-regional level?"

The paper says the government will work with the LGA and IDeA to assess capacity and develop strategy for overcoming any shortfall that is identified. This – and subsequent capacity building programmes – will be supported through the National Improvement and Efficiency Strategy.

LGA view

We welcome the recognition that as RDAs move to a more strategic role and take on new responsibilities they will need to delegate funding and management of programmes to local councils. However, we do not see a role for RDAs in assessing local authority capacity. We have worked closely with the government in developing a new performance framework for local authorities and it is through the new Comprehensive Area Assessment that issues of local authority capacity should be addressed.

Regional improvement and efficiency partnerships are currently drawing up strategies in each region and assessing the extent and nature of existing economic development capacity and the need to build capacity in the future. The LGA has also been working with the IDeA and will be publishing an assessment of existing capacity to respond to the SNR proposals and future capacity building needs. We believe that efforts to build local authority capacity should be led by the local government sector itself, although we would be happy to work with RDAs to build council and RDA capacity in preparation for the new responsibilities proposed in SNR.

Transition

The government expects RDAs to work with local authority partners in each region to develop a change management programme which addresses the changes needed to institutions, relationships and processes, including how:

- local authorities would organise themselves to act collectively at regional level;
- RDAs would adapt to address their new role; and
- RDAs and local authorities in their region would work with each other and engage with stakeholders.

In advance of new legislation regional assemblies and RDAs will be expected to begin preparations for the introduction of the regional strategy within their current statutory responsibilities.

LGA view

We support the proposal for a formal change management process to be agreed between councils and RDAs in each region to manage the transition to the new roles proposed in SNR.

Statutory arrangements for sub-regional collaboration

The consultation paper suggests that there may be advantages in strengthening the statutory basis for sub-regional collaboration between authorities where there is a demand from councils. It asks whether statutory arrangements should be created for sub-regional collaboration on economic development that goes beyond MAAs.

However, the paper also adds “nevertheless, in circumstances where co-operation is proposed that extends significantly beyond economic development to cover a large part of local authorities' activities, councils may wish to consider whether an appropriate way forward, perhaps using the processes under the Local Government and Public Involvement in Health Act 2007, might be to merge, or to propose some well-targeted and clearly focused reorganisation.”

LGA view

We regret the decision to include a reference to local government reorganisation in the consultation paper. We welcomed the pragmatic way that SNR dealt with cross-boundary working to take account of functional economic areas and have consistently argued that councils will need to work across their administrative boundaries with neighbouring authorities to reflect the reality of the way that markets for labour, goods and services operate. We have advocated the development of strong sub-regional partnerships and encouraged authorities to develop MAAs if they think they would add value to their partnership working. We would also support statutory sub-regional arrangements if there is a demand. But we do not believe that there is any appetite for, or need to, redraw local government boundaries to improve an area's economic performance.

Economic assessment duty

The paper consults on three options for a new duty on councils to carry out an economic assessment of their areas: a duty with statutory guidance issued by the Secretary of State; a duty specified in primary legislation but without accompanying guidance; or no duty.

Although the duty will apply to upper tier authorities, the paper says that the government is committed to ensuring that "where the duty applies principally to upper-tier authorities in two-tier areas, the lower tier should be fully involved".

LGA view

We have argued that the power for councils in the Local Government Act 2000 to secure the social, economic and environmental wellbeing of an area should be turned into a duty. So we support the proposal for the limited duty to prepare an economic assessment. But no-one wants the assessments to just sit on a shelf and gather dust. They need to lead to action by councils and their local partners; by RDAs and other regional and national agencies; and by central government departments, if necessary. So we welcome the proposal in the paper that RDAs would be required to have regard to assessments in the preparation of regional strategies.

We have argued that the duty should be discharged jointly by both county and district councils in two-tier areas and we are disappointed that the consultation paper does not propose this approach.

Further information

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