

## SLIM - *Comment*

### Sub National Review – the Government response

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The Budget in 2006 announced “a review of sub-national economic development and regeneration” – commonly called the sub-national review or SNR. The review considered how to strengthen economic performance in England’s regions, cities and localities, as well as how to tackle persistent pockets of deprivation. The review itself was published in July 2007.

On 31 March 2008, the Government published a consultation document, *Prosperous Places: taking forward the review of sub-national economic development and regeneration*, to seek views on its detailed proposals to put in place some of the review’s recommendations. It received over 500 responses.

This new publication is the response to the consultation – and clearly comes at a challenging time. The difficult economic circumstances will impact upon what the Government aims to do and how it will implement the changes. Time will tell if such economic challenges make the SNR more, or less, pertinent – though the RDAs do look to have an increasingly important role in responding to the recession and credit crunch.

The response sets out the Government’s proposals to introduce a more streamlined and refined framework for sustainable sub-national economic development in England. It also stresses the need for individual communities, localities and regions to have a greater say in the economic decisions relating to matters such as jobs, employment and opportunity. The response also provides a brief analysis of the responses received to each of the consultation questions and explains the Government’s next steps.

Also just out, is the Interim Report of Stephen Houghton's Tackling Worklessness Review which contains the Review team's current thinking on how successful multi-agency and cross-sector local partnerships can best tackle worklessness in their communities. A very brief SLIM-Comment on this report has been circulated with this document.

I hope you find this SLIM-*Comment* useful.

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## Background

If you cast your mind back to the Budget in 2006 you may recall the Government announcing that it would carry out a review of sub-national economic development and regeneration – commonly called the sub-national review or SNR. The review considered how to strengthen economic performance in England's regions, cities and localities, as well as how to tackle persistent pockets of deprivation.

The review itself was published in July 2007 and it set out a number of recommendations aimed at achieving four objectives:

- Empowering all local authorities to promote economic development and neighbourhood renewal, giving them added flexibilities and incentives to promote sustainable economic growth;
- Supporting local authorities to work together, where they wish and across the sub-regional level to promote economic development, and providing them with the tools to do this;
- Streamlining the regional tier outside London through simplified structures, streamlined decision-making and improved accountability;
- Reforming central Government's relations with regions and localities.

On 31 March 2008, the Government published a consultation document, *Prosperous Places: taking forward the review of sub-national economic development and regeneration*, to seek views on its detailed proposals to put in place some of the review's recommendations. In particular, respondents were asked to comment on the process for developing new, integrated regional strategies that would build on, and replace, the existing regional economic and spatial strategies; the creation of a statutory economic assessment duty for upper tier and unitary local authorities; and the development of statutory mechanisms for collaboration on economic development by local authorities across sub-regions.

The Government is responding to the consultation during a period of significant challenge within the global economy. While the proposed changes set out in *Prosperous Places* will not have an immediate effect, the current economic situation is clearly an important consideration for how the Government should implement the review. It has therefore been given careful consideration alongside the views of those who responded to the consultation and those who attended the consultation events.

This response has therefore been formulated in the light of changing circumstances, but has retained the SNR's original purpose and focus on benefiting the sub-national economy in the long term. It sets out the Government's proposals to introduce a more streamlined and refined framework for sustainable sub-national economic development in England. It also stresses the need for individual communities, localities and regions to have a greater say in the economic decisions that matter most – over jobs, employment and opportunity.

In particular, the Government believes that the proposals set out in the SNR for a new regional strategy provide a crucial element of the refined approach to sub-national economic development. The new regional strategy will:

- Allow regions and localities to work together to produce a holistic and comprehensive plan for the development of their area, with economic development, housing, planning, energy supply and transport better aligned towards achieving sustainable economic growth, which is consistent with their commitments to tackle climate change ; and
- Provide a clear framework for investment which local, regional and central Government partners can work towards, ensuring greater agglomeration benefits and impact from spending.

*NB It is important to recognise that the proposals outlined in this document do not mark the entirety of the Government's response to the SNR, nor its end. The Government has been working progressively since July 2007 to clarify economic development structures and empower local and regional partners through a range of aligned proposals. These are set out in the appendix.*

## **Recommendations for Delivery**

The Government presented three options in relation to implementing the proposed duty on local authorities to carry out an economic assessment of their area. These were:

- *Option 1* – primary legislation would be introduced to place a duty on lead authorities to carry out an assessment of the economic conditions of their area. The lead authority would be required to have regard to any guidance issued by the Government as to how they should prepare the assessment;
- *Option 2* – as with *Option 1*, there would be a requirement on local authorities to assess the economic conditions of their area. There would, however, be no requirement on local authorities to have regard to guidance issued by the Government. The legislation would instead set out a small number of priority areas that the assessment would be required to cover; and
- *Option 3* – no new duty would be introduced and local authorities would instead continue to fulfil their current duties and make use of their existing powers to play a stronger role in economic development.

**Following consideration of the consultation responses, the Government intends to legislate for *Option 1*, whereby the new duty is created and underpinned by statutory guidance.**

The Government has decided to take this approach as it believes it is important to set out some broad principles on the scope of the assessments to ensure that they have maximum impact and are of most use to local authorities and their stakeholders. The Government believes that it is better to set this out in guidance rather than in legislation and will consult on draft guidance. This guidance will be produced in the spirit of the Central Local Concordat and will be based on the model set out in *Creating Strong, Safe and Prosperous Communities*. It is, however, the Government's intention to place a duty on those upper tier authorities to work closely with district councils in their area in completing their assessment. There will be a corresponding duty on district councils to co-operate with the upper tier. This should ensure that counties and district councils work closely together in the preparation of the assessments and that both tiers are able to work from a consistent economic evidence base.

The Government is also currently working closely with the Improvement and Development Agency (IDeA) to develop practical, sector-led guidance based on case studies. *Prosperous Places* also explained that, in two-tier areas, the economic assessment duty would fall upon the upper tier local authorities.

However in terms of involving other key partners the Government has opted for a light touch approach and does not intend to place a specific duty on these named partners to cooperate with local authorities in preparing the assessments. They will, though, be expected to consult with private sector and third sector bodies in preparing their assessments, as it is important that they engage with a broad cross-section of partners.

## Supporting sub-regions

There is recognition that current administrative boundaries rarely capture cohesive functional economic areas, with housing and labour markets, for example, often cutting across multiple jurisdictions. As such, the need for effective collaboration between local authorities is clear. **The Government will therefore legislate to allow for the creation of statutory sub-regional authorities for economic development. These will be known as 'Economic Improvement Boards' (EIBs).**

These new boards will adhere to the original principles set out in *Prosperous Places*, in that:

- They will be based on collaboration between elected members of existing local authorities;
- They will not include any council tax precept;
- They will not impose additional net costs on local authorities; and
- They will provide transparent accountability for residents.

The purpose of EIBs will be to improve economic development in the area covered and the overall economic conditions of the sub-region. However, the Government wishes to allow individual sub-regions the scope to propose the specific functions that could be exercised by the new boards. The legislation will therefore allow sub-regions the flexibility to propose their own

functions, within the initial framework set out in legislation, and as approved by Ministers in each individual case. The Government will also introduce the flexibility to add functions over time, as agreed between Ministers and the sub-region.

The Government believes that the creation of EIBs should be voluntary in nature, with local authorities being able to 'opt-in' to the creation of an EIB if they so wish. It should be noted, however, that it is proposed that membership changes will only be possible with ministerial agreement.

To further increase the range of options for sub-regional cooperation, the Government has decided to legislate to allow for the creation of Multi Area Agreements (MAAs) with statutory duties. As with existing MAAs, local authorities wishing to pursue such an agreement will nominate one authority – a lead authority – to be responsible for preparing and submitting the MAA.

## **Producing the regional strategy and reforming regional governance structures**

In light of the consultation responses and the progress being made by regions, the Government has refined its plans for producing the regional strategy and ensuring appropriate regional governance arrangements. The Government's revised proposals are as follows:

- A genuinely collaborative approach between RDAs and local authorities is needed to produce the draft regional strategy and **the Government will therefore give the RDA and the Local Authority Leaders' Board (previously referred to as the Leaders' Forum) joint responsibility for the regional strategy, including its drafting, implementation plan and monitoring of its delivery;**
- As a result, the key regional planning functions of the regional assembly will pass to the RDA and Local Authority Leaders' Board. Other residual functions will also pass to successor bodies as required and the need for regional assemblies will end;
- The Government recognises that some regions have already gone a long way towards agreeing arrangements for **producing and agreeing the regional strategy. Where this is not the case, the Government expects RDAs and local authorities to show early progress towards reaching an agreement. Where they are unable to reach agreement, or where one side acts unreasonably, the Government will take a power to allow Ministers to direct the process for producing the draft strategy, with the expectation being that the task of leading the strategy's development would then fall to the RDA. The Government will also be able to intervene where the Leaders' Board established for a region fails to operate effectively; and**
- **The Government will require that the RDA and Local Authority Leaders' Board jointly submit an agreed draft strategy to Ministers, but where the RDA and the**

**Local Authority Leaders' Board are unable to agree on a draft strategy to submit, Ministers will be able to direct them to submit statements detailing their disagreements and any papers that have been prepared.**

The rationale for the changes is given as:

**“The proposals retain the RDAs’ economic expertise and focus. Local Authority leaders, as democratically elected leaders of their communities, will bring that democratic accountability to the process. The Government believes that these proposals will form the basis for a stronger partnership at the heart of each region, which will be focused on the pursuit of sustainable economic development and effective sub-national delivery.”**

## **Next Steps**

Therefore, the Government will:

1. Legislate to require each region in England, except London, to produce a regional strategy that delivers sustainable economic growth and contributes to sustainable development;
2. Issue guidance on what the regional strategy would be expected to cover and on the strategy-making process;
3. Provide greater clarity on national policy expectations, including reaffirming commitments to providing for long term housing needs; and
4. Legislate to require regions to produce an implementation plan to accompany the regional strategy, as well as undertake annual monitoring.

In addition to putting in place these provisions, the Government will be producing guidance to support RDAs and local authorities in making the new system work, including guidance on:

- The approach local authorities should take in producing their economic assessments;
- The process for preparing, delivering and monitoring the regional strategy, as well as what the strategy needs to cover; and
- How RDAs, local authorities and other partners can jointly develop an investment planning approach to delivery of the priorities in the regional strategy.

The Government Offices will continue to work closely with partners in the regions, particularly RDAs, local authorities and regional assemblies, to ensure that there is a smooth transition from

the existing arrangements to the new systems set out in this document. In addition to the work of the Government Offices, the Government will also:

- Provide a web-based compendium of advice in the form of transition FAQs, the first tranche of which have been produced and published alongside this document; and
- Establish an SNR transition steering group, with membership drawn from the English Regions Network, the RDAs and the Local Government Association, as well as a number of Government departments.

RDAs, regional assemblies and local authorities will be expected to demonstrate at an early stage, that they have a change management programme in place, which sets out how they will implement the changes needed to institutions, relationships and processes. Government Offices will provide support to regional partners to ensure these change management plans are developed, implemented and monitored.

Finally, regional partners will need to continue focusing on the commitment in the 2007 Housing Green Paper to reviewing regional strategies where necessary to secure the target of providing 240,000 new homes a year from 2016. This remains all the more important in the current economic climate to ensure that preparations are made to take advantage of future economic recovery.

## **Further Comment**

### **The Report**

<http://www.communities.gov.uk/publications/citiesandregions/govresponseprosperousplaces>

### **South West Regional Assembly**

[http://www.southwest-ra.gov.uk/nqcontent.cfm?a\\_id=3322](http://www.southwest-ra.gov.uk/nqcontent.cfm?a_id=3322)

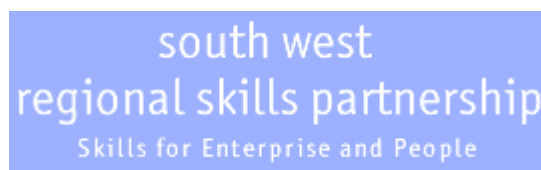
### **LGA**

<http://www.lga.gov.uk/lga/core/page.do?pagelId=1244117>

## **Appendix**

It is important to recognise that the proposals outlined in this document do not mark the entirety of the Government's response to the SNR, nor its end. The Government has been working progressively since July 2007 to clarify economic development structures and empower local and regional partners through a range of aligned proposals. These are set out below:

- *Multi-area agreements and local area agreements* – the Government’s introduction of multi- and local-area agreements has already encouraged local authorities to think further, and in more detail, about the economic issues which matter to their local areas. Multi-area agreements (MAAs) in particular have brought local areas together to focus on those economic issues which most affect them and to work in collaboration to address real economic challenges. Through the simplification of local-area agreement (LAA) targets, the Government has also acted to ensure that local authorities are less constrained by the reporting requirements of central Government.
- *Transforming Places, Changing Lives: a framework for regeneration* – this document set out Government’s vision for regeneration for consultation. It set out proposals to bring partners together to tackle the underlying economic causes of decline by tackling worklessness, promoting enterprise, and giving people the skills to progress.
- *Regional Select Committees* – Parliament has now agreed proposals for regional select committees to provide the linkage between national and regional scrutiny.
- *Business rates supplement, prudential borrowing and other financial mechanisms* – these are new freedoms and flexibilities which the Government has introduced to give local authorities and partners the opportunity to fund and prioritise expenditure on those economic issues which are most important. Through the forthcoming business rates supplement, the Government will also ensure that local areas have further choices over investing in their own economic success, with local authorities working more closely with their business communities to drive local economic progress.
- *Regional Funding Advice 2008* – the Regional Funding Advice (RFA) process has once again provided regions with an opportunity to inform the Government’s view of what is most important to them – by asking regions, working with their localities, to advise the Government on how it can best utilise its finite funding.



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