

WIRRAL COUNCIL

CABINET – 9th April 2009

REPORT OF THE DEPUTY CHIEF EXECUTIVE/DIRECTOR OF CORPORATE SERVICES

UPDATE ON REVIEW OF SUB-NATIONAL ECONOMIC DEVELOPMENT AND REGENERATION (SNR) AND CITY REGION ISSUES

1. EXECUTIVE SUMMARY

1.1 The Government has now published its response to the public consultation on the Sub-National Review of economic development and regeneration. The Review was originally published in July 2007 and reported to members in September 2007. In March 2007, the Government published a consultation document, "*Prosperous Places: Taking Forward the Review of Sub National Economic Development and Regeneration*" and Wirral Council's formal response was reported to members in June 2008. This report updates members on the Government's final response to the consultation and highlights the key implications of new legislation expected in the next parliamentary session. It also provides the progress to date on Liverpool City Region governance arrangements. Cabinet are asked to authorise Officers to continue to work on developing the Liverpool City Region multi Area Agreement (MAA).

2. Background

2.1 As part of Budget 2006, the Government announced it would carry out a review of sub-national economic development and regeneration in England, commonly referred to as the sub-national review or SNR. The review set out a number of proposals aimed at strengthening economic performance and tackling deprivation at the regional, sub-regional and local level.

2.2 The main proposals of the review were to:

- streamline economic development and regeneration activity;
- reduce disparities in economic performance between the poorest six performing regions and the rest and bring the poorest up to the national average;
- replace the existing regional economic and spatial strategies with one single integrated strategy for the region covering economic development and regeneration, transport, planning and housing;
- refocus RDA activity on policy and strategy and introduce delegated funding and delivery to Local Authorities and other partnerships;
- abolish Regional Assemblies by 2010;
- introduce an economic assessment duty for upper tier and unitary local authorities;
- support collaboration by local authorities across functional economic areas via the introduction of voluntary Multi Area Agreements, and potentially statutory economic development companies;

- consider options for supplementary business rates, working closely with business, local government and other experts.
- 2.3 In designing the final response, Government has considered over 500 responses to the consultation and taken into account the current economic situation. Wirral submitted its response to the consultation document as reported to Cabinet on 12th June 2008. It is also worth noting that this is one in a series of reforms which follow the principles set out in the first SNR document including:
- transferring 14-19 skills responsibilities from the Learning & Skills Council to local authorities;
 - the simplification of local area agreements (LAA) and introduction of multi area agreements (MAA);
 - the introduction of new freedoms and flexibilities for local authorities to introduce new planning levies and business rate supplements;
 - the proposals for Regional Select Committees;
 - Regional Funding Advice 2008.
- 2.4 The principles of the SNR are further supported in the Pre-Budget Report (PBR) which sets out proposals for city-region growth in line with devolved responsibilities. This means key roles for local authorities working together and with partners across city-regions and for the RDAs in supporting these relationships. Through the Regional Strategy, the RDAs in conjunction with the Local Authority Leaders Board, will have a critical role to play in supporting strong city-regions.

3. Key Implications for Wirral

- 3.1 The main implications for the Council are outlined below:

Local Authority Economic Assessment Duty

- 3.2 The consultation paper sought views on whether there should be a focused statutory economic assessment duty for local authorities to enable a robust, shared evidence base to be developed in support of local, sub-regional and regional strategic planning. Three options were presented for consideration:

Option 1 – **a duty** to assess economic conditions with powers to require information from named partners, including lower tier authorities. Primary legislation would be needed. RDAs would be required to have regard to assessments in the preparation of the regional strategy. The lead authority would be required to have regard to guidance issued by the Secretary of State, which could itself be statutory.

Option 2 – **a requirement** on local authorities to assess economic conditions. Priority areas to be covered might include levels of employment; transport; procurement of goods and services; and land and property markets. Non-statutory guidance could be issued by the Secretary of State, with no obligation on local authorities to have regard to it.

Option 3 – **no duty** would be introduced.

- 3.3 The Council agreed in principle with Option 1 but with an understanding that legislation would be required to place a duty on RDAs to have regard to the local economic assessment. The Government intends to legislate for Option 1, whereby the new economic assessment duty is created and underpinned by statutory guidance. Local authorities will have a duty to consult with public sector bodies and legislation will list these, however, there will be no new specific duty for these named bodies to co-operate. Under the Local Government and Public Involvement in Health Act 2007, these bodies are already subject to a duty to co-operate with local authorities in agreeing LAA targets and a further duty is judged unnecessary by Government.
- 3.4 In response to concerns raised on the availability of area based economic data, the Government will explore the feasibility of improving existing national datasets to support the introduction of the statutory economic assessment duty. This is welcomed; however, with the constraints of national administrative data sets and without the powers to require information from partners, it is unclear how meaningful local level assessment can be achieved. Draft guidance from Government on the broad principles and scope of the assessments will be released for consultation in due course.
- 3.5 Although economies of scale are suggested in the collation of data across authorities and partners, there is no reference in the original SNR or Government response document to combining duties to produce sub-regional economic area assessments. The statutory assessment remains a local area requirement, however there is a logical process that determines local issues and priorities which in turn support a sub regional assessment and priority setting.

Supporting Sub-Regions to Collaborate on Economic Development

- 3.6 One of the aims of the SNR was to support effective collaboration between local authorities. In order to facilitate this, Government will now legislate to allow for the creation of statutory sub-regional authorities for economic development. These will be known as 'Economic Prosperity Boards' (EPBs).
- 3.7 Creation of Economic Improvement Boards will be voluntary in nature with local authorities being able to 'opt-in' if they so wish. However, once created and joined, there will be no such freedom to 'opt-out'. All membership changes, both in and out, following the initial creation of the EPB will only be possible with ministerial agreement.
- 3.8 The function and purpose of the EPB will be to improve economic development in the area. Legislation will allow sub-regions flexibility to propose their own functions, within an initial framework set out. The EPB functions will require approval by Ministers with the flexibility to add further functions over time. It is expected that EPBs will evolve out of existing sub-regional partnerships taking on board existing performance and target frameworks, such as MAAs. The Government does not propose to introduce an additional performance framework or to use legislation to tie them into any existing framework.

- 3.9 As with the new statutory economic assessment duty, the Government will not impose a duty on named partners to co-operate with the new EPBs. The boards will adhere to the principles set out in the original review 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;
 - they will provide transparent accountability for residents.

- 3.10 As a second element of support to encourage sub-regional co-operation, the Government will legislate to allow for the creation of MAAs with statutory duties. This will be a voluntary model with existing models retained if still the preferred option for sub-regions. As with the existing model, local authorities wishing to create MAAs with statutory duties will nominate one lead authority to be responsible for preparing and submitting the MAA.

Reforming Regional Governance Structures and a Single Regional Strategy

- 3.12 The original SNR proposed that:

- Legislation would be introduced to establish a new regional strategy to replace the existing spatial and economic strategies;
- RDAs would be responsible for regional planning and for producing the regional strategy;
- Local authorities, acting through a new Local Authority Leaders' Forum, would input, assist sign off and scrutinise the regional strategy;
- Regions would be given scope to collectively agree decision making structures best suited to their regional needs.

- 3.13 As part of the consultation response, Wirral Council expressed the view that it should not be possible for RDAs to submit a strategy to Government that has not been agreed by the Regional Leaders Forum and that there should be a requirement to produce a delivery plan setting out actions and investment priorities.

- 3.14 Following the consultation exercise, the Government has refined its plans for producing the regional strategy and the supporting governance arrangements, with the aim of bringing democratic accountability to the process. The revised proposals are:

- The RDA and the Local Authority Leaders' Board will have joint responsibility for the regional strategy, including drafting the strategy, producing an implementation plan and monitoring its delivery;
- Legislation relevant to regional assembly functions and process will be repealed and the regional planning function of the regional assembly passed to the RDA and the Local Authority Leaders' Board;
- If the RDA and the Local Authority Leaders' Board cannot reach agreement in the production of the new regional strategy, Government will take a power to allow Ministers to direct the process with the expectation that the task of leading the strategy development would then fall to the RDA. Ministers will be

- able to direct both parties to submit statements detailing their disagreements and any papers that have been prepared in the process;
 - Should the Local Authority Leaders' Board fail to operate effectively the Government will take a power to intervene.
- 3.15 The aim of the regional strategy has remained unchanged from the original SNR consultation document. Each region will have the flexibility to decide on the form and format of the strategy with an expectation that the following key areas will be covered:
- 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;
 - Strategic requirements and provision for transport, waste, water, minerals, energy and environmental infrastructure, insofar as these are not already specified in national policy.
- 3.16 The Government believes that the regional strategy should set the framework for the activities, plans and investment decisions of the RDA, the Homes and Communities Agency and other public bodies in the region along with local authorities and other regional partners in order to ensure sustainable economic development. It should set out which places and sectors should be priorities for development and investment providing clarity and incentivising private sector investment in a region.
- 3.17 In order to facilitate the production of regional strategies across England, the Government will legislate:
- To require each region in England to produce a regional strategy for sustainable economic growth and sustainable development;
 - For the Examination in Public (EIP) panel to report to the Local Authority Leaders' Board and the RDA, as well as Ministers, with the expectation that the panel's recommendations will be considered prior to submission of the draft strategy to Ministers;
 - To require the RDA and Local Authority Leaders' Board to jointly produce an implementation plan setting out how the strategy will be delivered alongside an annual monitoring report requirement;
 - To introduce a duty on the RDA and Local Authority Leaders' Board to consult and engage with stakeholders and communities around the regional strategy, with a requirement to produce and comply with a published statement to this effect.
- 3.18 Due to the joint accountability of the RDA and the Local Authority Leaders' Board for the regional strategy, the Government has reconsidered the regional scrutiny function

of the Leaders' Board. It is proposed that regional bodies and regional strategies will be the chief focus of regional select committees who will be therefore be best placed to carry out the scrutiny function of the new regional governance arrangements.

- 3.19 The first statutory Regional Strategy is expected in June 2010. The NWDA has drafted a timetable for the production of the North West strategy. The Principles and Issues Paper was released by the NWDA in February and the first Regional Strategy draft is planned for September 2009.
- 3.20 A further report on the Principles and Issues paper will be brought back to Cabinet.

Delegation of Decision Making by RDAs

- 3.20 As noted in the report to members in June 2008, there was a definite shift from the original SNR document to the consultation stage into an emphasis on sub-regional working rather than at a local authority level. This shift is reflected in the Governments final response.
- 3.21 There will be no legislation introduced to support the delegation of funding from regional bodies to the local authority level. Formal approval and accountability will remain with the RDA, with the local authority and sub-regional partnerships having a determining role in the planning and delivery of interventions as part of the regional strategy investment planning structures.
- 3.22 While it is expected that the RDA will take on a more strategic programme management role, they will continue to have the freedom to deliver interventions directly where it is appropriate.
- 3.23 Further Government guidance is expected on revising the existing RDA appraisal process in an effort to enable it to support a more strategic role and encourage greater freedoms for local authorities in developing their proposals for delivery. It is expected that the appraisal processes of partners and the RDA will be aligned to enable a streamlined formal approval process with greater scope for sub-regional and local planning on how to deliver the outcomes within RDA commissioned work.

4. Liverpool City Region Developments

- 4.2 The progress made to date in developing the Liverpool City Region Governance arrangements was reported to Cabinet on the 16th October. Since then, a shadow City Region Cabinet has been established and work is being undertaken to develop the six policy boards that will form part of the governance arrangements. The Cabinet is made up of the leaders from all six local authorities, the Chair from The Mersey Partnership (TMP). These policy boards are as follows:
 - Economic Development (led by Liverpool City Council in conjunction with TMP)
 - Employment and Skills (led by Knowsley MBC)
 - Environment and Waste (led by Wirral MBC)
 - Transport (led by Halton BC in conjunction with Merseytravel)

- Spatial Planning and Housing (led by St Helens MBC)
 - Safer, Healthier Communities (led by Sefton MBC)
 - The six policy boards are supported by boards for Scrutiny, Research and Intelligence and Improvement and Efficiency.
- 4.4 It is now envisaged that the City Region Cabinet will form the basis of an Economic Prosperity Board (the detail of this is contained within para 3.6 of this report). This will form a key part of the proposed work plan for the City Region, alongside the development of an operating agreement for the Shadow Cabinet, the establishment of a scrutiny panel as well as the development of the policy boards. Further work undertaken on the developments will be brought back before Cabinet. Consideration is also being given as to the best way of supporting the understanding of the role of the City Region Cabinet. Ideas on how to do this are being worked up at present and will be reported back to Cabinet in due course.
- 4.5 Officers have reported periodically on the development of a Liverpool City Region Multi Area Agreement (MAA) and Cabinet were advised in October 2008 of latest proposals. MAA's include agreed priorities between sub regional partners and central government and are required to be consistent with regional strategies and Local Area Agreements (LAA's).
- 4.6 The first phase of the Liverpool City Region MAA proposals was submitted in November 2008 and it focussed on collaboration on employment and skills to improve the sub-region's economic prosperity. The MAA Skills and Employment platform, reported to Members in October 2008, was officially signed by the Prime Minister and Liverpool City Region Council Leaders at Downing Street on the 12th January 2009. The themes for economic development, housing and transport were originally expected submitted in April 2009. However, Government were unable to meet the timetable of April 2009 and the sign off will now be June.
- 4.6 Wirral Officers continue to work with sub region partners on the development of the MAA platform and proposals will be brought to Cabinet when the proposals have been developed sufficiently.
- 5. Financial implications**
- 5.1 There are no direct financial implications arising directly from this report, although the economic impact assessments will have an associated cost. Further information on the associated costs and financial implications for the local authority will be brought back to members as and when further detail is known.
- 6. Staffing implications**
- 6.1 No implications arising directly from this report.

7. Equal Opportunities implications

7.1 The Secretary of State's Proposed Changes to Draft RSS have been subject to an Equality Impact Assessment.

8. Community Safety implications

8.1 There are no direct Community Safety implications arising from this report.

9. Local Agenda 21 implications

9.1 None as a direct result of this report.

10. Planning implications

10.1 The legislative changes to integrate the Regional Economic Strategy with the Regional Spatial Strategy represent a significant change to the current process, particularly with the transfer of responsibility for regional planning from the NWRA to the NWDA.

11. Anti-poverty implications

11.1 The review of sub national economic development and regeneration is specifically to enable central and local government and other partners to work together to help maximize prosperity in all parts of England and tackle social deprivation and inequality.

12. Human Rights implications

12.1 There are no implications arising directly from this report.

13. Social Inclusion implications

13.1 The review of sub national economic development and regeneration is specifically to enable central and local government and other partners to work together to help maximize prosperity in all parts of England and tackle social deprivation and inequality.

14. Local Member Support implications

14.1 There are no implications arising directly from this report.

15. Background Papers

15.1 The consultation document can be found at:

<http://www.communities.gov.uk/citiesandregions/thesubnationalreview/>

RECOMMENDATION

That :

- 1) That the contents of this report on SNR and City Region issues be noted
- 2) Officers be authorised to continue to work on these issues and submit further reports to Cabinet as appropriate.

J. WILKIE

Deputy Chief Executive/Director of Corporate Services

This report was written by Alan Evans in the Economic Policy of Corporate Services, who can be contacted on 0151 691 8426