



Report to the Partnership for Urban South Hampshire Joint Committee

Date: **15 January 2009**

Report of: **Stuart Jarvis, Managing Director**

Subject: **Prosperous Places (Review of Sub National Economic
Development and Regeneration)**

SUMMARY

On 31 March 2008, the Government published a consultation document, '*Prosperous Places: taking forward the review of sub-national economic development and regeneration*' (now generally referred to as the SNR). Over 500 responses were received which the Government has considered prior to publishing its proposals for taking forward the SNR. In addition, the Government has written two letters to RDA, County and Unitary Authority Chief Executives explaining their emerging policy in this area and outlining a process for taking forward their "city region" approach in two areas on a pilot basis in 2009/10. This paper sets out the key proposals that potentially affect or are of most interest to PUSH. The paper recommends that the immediate focus should be on the MAA refresh, but also proposes that further exploration be undertaken of the potential opportunities for PUSH arising from the SNR. A Leaders briefing and seminar is proposed to review the potential opportunities for the further development of effective delivery arrangements to support the implementation of the South Hampshire strategy and PUSH objectives in the longer term.

RECOMMENDATIONS

It is recommended that the Committee:-

1. AGREES that development of arrangements to maximise effective delivery of the South Hampshire Strategy and PUSH objectives should be the top priorities for PUSH in considering, and responding to the outcomes and potential opportunities set out in the Governments SNR proposals;
2. AGREES that the MAA refresh should be the initial focus for developing the relationships, and local delivery capacity between PUSH, its partners and the Government;

3. AUTHORISES the necessary exploratory work, consultations and discussions with partners, SEEDA, GOSE and Whitehall Departments to enable the development of longer term proposals for improved delivery arrangements;
4. AGREES the organisation of a Leaders workshop to consider the options and opportunities, before any further development beyond the MAA refresh is formally considered.

INTRODUCTION

1. 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 to replace the existing regional economic and spatial strategies;
 - the creation of a statutory economic assessment duty for county and unitary local authorities;
 - the development of statutory mechanisms for collaboration on economic development by local authorities across sub-regions

2. The consultation closed on 20 June 2008. Over 500 responses were received which the Government has now considered. They suggest that while the proposed changes would not have an immediate effect, the current economic situation is clearly an important consideration for how they implement the review. The Government's position is that its proposals have been formulated in the light of changing circumstances, but have retained the SNR's original purpose and focus on benefiting the sub-national economy in the long-term. Their report sets out the Government's proposals to introduce a more streamlined and refined framework for sustainable sub-national economic development in England. It also proposes a greater say for individual communities, localities and regions in the economic decisions that the Government consider are most significant - jobs, employment and opportunity.

3. In particular, the Government states 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. They suggest that 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 our 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.

The Government's Proposals

4. The main areas of potential interest for PUSH are set out below in the edited extracts from the Governments SNR Response Document (bold type is Govt emphasis as set out in the document).

Supporting sub-regions to collaborate on economic development (paras 2.13-2.20)

5. The SNR set out the idea that administrative boundaries rarely matched cohesive functional economic areas, prompting the need for more collaborative cross border working. The Government comment that in some areas, local authorities are already working in partnership across the wider sub-region and the Government has indicated that it wishes to do more to support such arrangements (like PUSH) and encourage the creation of new partnerships. The Prosperous Places Report outlined the Government's intention to legislate to allow for the creation of statutory sub-regional arrangements for economic development.
6. The consultation demonstrated support for such formal arrangements, particularly highlighting the need for further integration at the sub-regional level on transport, skills provision and community regeneration. **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)¹.**
7. These new boards will adhere to the original principles set out within *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.
8. 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. Sub-regions will also need to show, through an initial review of economic development across the area, that the functions proposed are appropriately delivered at that level and do not duplicate those best delivered by bodies operating at different spatial levels, taking account of issues such as market failure and efficiency. The Government will also introduce the flexibility to add functions over time, as agreed between Ministers and the sub-region.
9. **The Government believes that the creation of Economic Investment Boards¹ 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 once an Economic Improvement Board is established, membership changes – including local authorities wanting to opt out or new local authorities wanting to join – will only be possible with ministerial agreement.

¹ The Government have subsequently changed the name to Economic Prosperity Boards (EPBs)
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10. The Government's expectation is that Economic Investment Boards¹ will evolve out of existing sub-regional partnerships, such as MAAs. However, there will be no requirement for any existing arrangements to be in place before an EIB can be formed.

Multi-area agreements with statutory duties (paras 2.21-2.22)

11. To further increase the range of options for sub-regional cooperation, **the Government has decided to legislate to allow for the creation of 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. The Government will legislate to provide for a duty to be placed on named partners (including other local authorities in the area) to cooperate with the lead authority in agreeing targets, and a requirement for partners and the lead authority to have regard to those targets in the execution of their functions. This approach was referred to in the SNR and the intention is to broadly follow the model in place for LAAs, as set out in the Local Government and Involvement in Public Health Act 2007. This new model for MAAs with statutory duties will be voluntary for local authorities. In addition, the current, less formal model for MAAs will be retained in order to give sub-regions as many options as possible for effective collaboration.

Delegation of decision-making by RDAs (paras. 2.51-2.55)

12. A key principle of the SNR was to ensure that, in areas of economic importance, decisions are made at the right spatial level, by devolving powers and responsibilities in line with economic outcomes. To support this, the SNR stated that RDAs would become increasingly strategic bodies, focusing on programme rather than project management. It proposed that, where outcomes were most effectively delivered at the local level, the RDA would delegate funding for programmes to local authorities to plan and deliver, rather than doing so itself.
13. To support this approach, **the Government will work with the RDAs, local authorities and other partners to develop an investment planning approach to delivering the priorities in the regional strategy. This will promote greater decision-making on detailed delivery at the local level by local authorities and other partners. Guidance will also streamline existing RDA appraisal processes so that they support RDAs' more strategic, programme management role and encourage greater freedom for local authorities and other partners in developing their proposals for delivery.**

Pre Budget Report

14. In addition to the SNR report itself, much attention has also focused on the Pre-Budget Report, and the references made to the future of sub-regional working. The particular references are contained in Chapter 4 of the Chancellor's report; the key passages are set out in the extract below:-

“Devolving responsibilities to city-regions

The UK Economy: addressing the long-term strategic challenges sets out the increasingly vital role that cities and their city-regions will play in driving

regional and national prosperity and responding to new challenges. Building on the Sub-National Review, and Multi-Area Agreements in particular, **the Government will support city-regions to fulfil this role by agreeing, on a voluntary and tailored basis, a set of devolutionary proposals with local authorities in city-regions, to increase further their ability to drive economic growth and contribute to sustainable development.** The Government intends to announce new agreements with at least two forerunner city-regions at Budget 2009.

15. These proposals will support stronger integration of planning, housing, transport, regeneration, employment and skills to drive sustainable growth and economic development, ensuring policy decisions are made at the right spatial level. **The proposals will be underpinned by new statutory arrangements for sub-regional cooperation between local authorities, supporting strong local capacity, governance and accountability at the city-region level.**
16. RDAs will play a key role supporting sustainable growth within city-regions, as part of their broader role in driving up regional economic performance, and ensuring that city-region policies remain coordinated with those of other sub-regional and local economies. RDAs will support city-regions in developing proposals for devolutionary measures and work with city-regions to increase capacity where it is needed, as they increasingly take on a strategic programme management role. RDAs will also support strong city-regions through their role in formulating regional strategies.
17. New agreements will be developed with the local authority city-region leadership, in order to suit particular needs. The Government envisages that the following components will be available:-
 - increased statutory responsibilities for strategic transport issues;
 - integration of the DWP three levels of devolution model, as announced in the Welfare Reform Green Paper;
 - a city-region Employment and Skills Board, with strong employer representation and formal powers to influence provision in line with employer demand;
 - a joint board between the city-region and the Home and Communities Agency to provide strategic direction of housing and regeneration spending, in line with the Agency's area-based approach to working with local and regional partners;
 - integrated city-region planning within the context of the Single Regional Strategy; and
 - joint investment planning with key partners. As part of this, Government would consider the merits of greater flexibility over capital funding to support the more effective programme management of projects."
18. The Government's position was further expanded in a letter sent out to RDA, County and Unitary Authority Chief Executives on 22nd December (see [Appendix One](#)) which highlighted the new approach for sub-regional areas, and announced the launch of a process for submitting expressions of interest for the

initial “pilot city region” projects. This followed a previous letter sent on 2nd December which set out the Government’s thinking, and gave notice of the forthcoming launch of the process for submitting expressions of interest in becoming “city region pilots”. The timescale for deciding on the initial pilots is very tight, with initial expressions of interest required by 12th January, and formal written submissions by 27th February, with decisions due to be announced as part of the budget for which no firm date has yet been fixed yet, but is expected to be in mid March.

19. The “City Region” pilots are apparently more targeted on metropolitan areas, and are in part a response to the “core cities” agenda previously put forward by the Government. The timescale is extremely tight to prepare a proper case for such an arrangement; to adapt to meet the requirements of the guidance for a two tier area is probably not achievable in the timescale, and certainly would require a full focus of resources, at the expense of other activities such as the MAA refresh and updating of the Business Plan. It is considered that more work needs to be done to explore what these proposals mean in practice, and what, if any, advantages there would be from the various options set out in the SNR response. It is therefore proposed to undertake further exploration of these issues, and organise a Leaders workshop to consider and discuss the best options for further developing delivery of the South Hampshire Strategy and PUSH objectives. In the meantime, it is proposed to focus on seeking further benefits and enabling measures through the MAA refresh process.

20. Single Regional Strategy

The other main area of change and development related to the proposals for integrating planning and economic strategies in a single regional strategy designed to deliver sustainable economic growth and on reforming the regional arrangements to oversee such work. The Government propose that the RDA and a ‘Local Authority Leaders’ Board’ will be given a joint duty to prepare a strategy for submission to Ministers, and for its implementation. The previous proposal to basically pass this responsibility to the RDA alone has been removed, but the provision to streamline regional administration survives and the Regional Assemblies will in effect disappear.

21. The Local Authority Leaders’ Board builds on ideas in the consultation paper, and provides for a representative grouping of local authorities to work with the RDA on the integrated Regional Strategy. Arrangements are not prescribed, but provision is made for each region to develop its own model, within the broad parameters set out.
22. Local authorities across the South East have for some time been discussing arrangements for closer working, providing a stronger body to lobby Government, and offering new arrangements for co-ordinating councils’ input to the SNR processes. A cross-tier and cross-party Task and Finish Group was established to take this forward. That Group produced proposals which were agreed at a meeting of all South East Councils on 12 December. In essence, these provide for:-
- 74 local authorities in the region to work together as South East England Councils (SEEC)

- SEEC to be led by an Executive of 19 Leaders (7 Counties, 7 Districts, 5 Unitaries – following political balance rules). Each member will have one vote, with each ‘tier’ having a power of veto on decisions. From the authorities in PUSH, Cllrs Thornber, Beckett and Bloom are Members of the Executive.
- Planning, Transport and Housing ‘Boards’ will be established to advise on policy matters, with membership reflecting the responsibilities of different tiers. Cllr Cartwright from East Hampshire will Chair the Housing Board, and will have a non-voting seat on the Executive

Conclusions

23. Clearly there are a number of aspects of the proposals that are potentially significant for PUSH. It will be important to ensure that the South Hampshire perspective is well represented in the new Regional arrangements; the importance of sub-regional representation is recognised in the Government’s report. However, it is suggested that the key areas for PUSH are those around the new sub-regional arrangements, and the potential for PUSH to secure greater delegated powers and funding from regional and national government agencies. As an existing MAA, and one of only two MAAs in two tier areas, there are considered to be significant advantages to both the Government and the PUSH partners in further developing the South Hampshire MAA as an alternative model to the “city region pilot” approach. For PUSH there is the chance to help shape an alternative model to the metropolitan unitary one, which provides an opportunity to develop thinking and ideas to suit a two-tier area.
24. The additional prospect of securing greater devolution of funding and responsibilities from central Government and the regional agencies is also a key potential benefit to PUSH that should not be passed up lightly. The logical extension of the PUSH philosophy and the existing MAA approach is to develop a set of agreed outcomes with Government, and then to be given autonomy and responsibility for delivery with control over resources, which would and should include funding currently channelled through other agencies and bodies. In this way PUSH itself would effectively gain a commissioning role in respect of other agencies, which would then need to deliver against PUSH overall objectives, and would potentially bring significant additional public spending under local democratic control and accountability, would reduce the need to competitively bid for resources, and would secure devolution of greater strategic economic development, housing, planning and transport delivery and decision making from the regional to the sub-regional level. The approach is also very much in line with the developing relationship with SEEDA and recent discussions about developing a joint investment framework for South Hampshire with greater devolution of funding and resources.
25. There is much to consider in the SNR response, and this will need to inform PUSH thinking and development in the medium term. The work on the MAA refresh, considered elsewhere on this agenda is seen as the best immediate prospect for securing improved delivery arrangements for PUSH.
26. It is recommended that authority be given to explore the opportunities and options arising from the SNR in more detail, with a Leaders’ briefing/seminar to

be arranged to discuss the position further in due, with a clear focus on developing arrangements which maximise effectiveness of delivery of the South Hampshire strategy and the PUSH objectives.

RECOMMENDATIONS

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Background Papers: - None

**Reference Papers: Prosperous Places: taking forward the review of sub-national economic development and regeneration;
The Government response to public consultation
25 November 2008
Pre Budget Report – November 2008**

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