

CABINET
22nd NOVEMBER 2007

Review of Sub-National Economic Development and Regeneration

OPEN	
COMMUNITY STRATEGY THEME:	Shared Prosperity
CORPORATE PLAN THEME:	Promoting Economic Prosperity
KEY PRIORITY:	Regeneration
CABINET MEMBER:	Cllr. Stephen Clee
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APPENDICES:	N/A

1. PURPOSE OF REPORT

- 1.1 To advise Members of the background and emerging outcomes of the sub-national review of economic development and regeneration being undertaken by the government and to consider the possible implications for the District Council.

2. RECOMMENDATION

The Cabinet is asked to DECIDE to:

- 2.1 **Continue to take an active role in shaping the future of economic regeneration delivery in the region by participating in the consultation process as the sub-national review unfolds.**

3. BACKGROUND

- 3.1 The 2006 Budget announced that the 2007 Comprehensive Spending Review would be informed by a series of policy reviews, one of which was a review of sub-national economic development and regeneration to consider how to strengthen economic performance in regions, cities and localities throughout the country.

- 3.2 The review was published on 17th July 2007, having been undertaken jointly by the Treasury, the Department for Communities and Local Government and the Department for Business, Enterprise and Regulatory Reform and their predecessor departments.

4. KEY ISSUES

Summary

- 4.1 The review outlines the government's plans to refocus powers and responsibilities to support its objectives to encourage economic growth and address issues of deprivation at the appropriate geographic level. In short it is about ensuring places can *"respond quickly and flexibly to economic change"* to enable them *"to increase prosperity and tackle effectively concentrations of disadvantage"*.
- 4.2 To deliver its ambitions, the government recognise the need to devolve further responsibility to regions and Local Authorities which are now charged with spreading economic well-being and opportunity to everyone. The review talks about empowering local authorities to deliver and also seeks to streamline the regional tier.
- 4.3 Two particularly significant outcomes of the review are for a single regional strategy setting out the regions economic, environmental and social objectives and for this to be prepared by the Regional Development Agencies working closely with local authorities and other partners. In the case of the West Midlands this would be Advantage West Midlands.
- 4.4 Members will be aware through the recent consideration of the West Midlands Economic Strategy and the Regional Spatial Strategy there are currently two responsible authorities i.e. Advantage West Midlands and the West Midlands Regional Assembly. However, under the review, Regional Assemblies are to be discontinued.
- 4.5 The wide ranging obligation for all local authorities to promote the economic, social and environmental well-being of their area also links with the concept of 'place shaping' and strong emphasis on the role of local authorities as community leaders. The review recognises the critical role of local authorities in ensuring democratic legitimacy and local representation that can provide a vision and objectives and work with partners at a local level to achieve these. This in turn links to partnership working facilitated through the Local Strategic Partnerships i.e. Worcestershire Partnership and Wyre Forest Matters Local Strategic Partnership.

Local Authorities – Capacity & Performance

- 4.6 The review indicates that the track record for local authorities in providing the capacity and scope for change has been mixed. In 2005, the government introduced an incentive through the Local Area Business Growth Incentive

(LABGI). This scheme allows local authorities to receive a proportion of increases in local business rate revenues to spend on the own priorities.

- 4.7 The government had said that the LABGI scheme could be worth up to £1bn over three years. In 2006-07 Wyre Forest District Council received £175k. As part of the October 2007 Comprehensive Spending review/ Pre-budget Report statement a joint HM Treasury/Communities (DCLG) issues paper on LABGI was published. *'Building better incentives for local economic growth: reforms to the Local Authority Business Growth Incentives scheme'* can be found on the HM Treasury website. The upshot of this is that over the next three years, no funding is announced for 2008-09; £50m for 2009-10; and £100m for 2010-11. According to the Local Government Association the proposed supplementary business rate and the reformed LABGI will together give councils less than three quarters of the £1bn the Government had suggested in the last spending review.

Strategic Integration – Priorities & Funding

- 4.8 In terms of project funding, the review proposes extending the Regional Funding Allocation process as part of the Comprehensive Spending Review. The aim being to give regions a greater say on spending by aligning priorities of providers, such as the Highway Agency, new Homes Agency, Environment Agency, Learning and Skills Council, Job Centre Plus etc. with the Regional Strategy and its priorities.
- 4.9 Local Area Agreements and the development of Multi-Area Agreements are seen as a way of providing sub-regional context and the right scale of channelling resources.
- 4.10 The key will be to deliver strategic integration between authorities and to achieve this the following principles will be applied:
- Managing policy at the right levels
 - Ensuring clarity of roles
 - Enabling places to reach their potential
- 4.11 The above will involve allocating responsibility in line with economic impact.

Other key changes

- 4.12 Other changes considered in the report include the Business Support Simplification Programme being led by the Department for Business Enterprise and Regulatory reform. This is all part of proposals to reduce the number of schemes currently operated from over 3,000 to a maximum of 100.
- 4.13 There will be a proposed new duty on upper tier local authorities to analyse the economic circumstances and challenges of their local authority areas and proposals will be drawn up to ensure that neighbourhood renewal funding is concentrated on the most deprived areas.

Implications for Wyre Forest District

- 4.14 In the case of Wyre Forest District 'regeneration' is considered a key priority. It is a reflection of the authority's awareness of this pressing need for regeneration in parts of the District that is reflected through the importance attached to 'regeneration' in current and past annual priorities.
- 4.15 The review suggests that successful economic development and regeneration requires devolution to regional, sub-regional and local levels. However, at this stage, despite the overall ambition of ensuring clarity of roles, it is uncertain what is expected of the tiers of government below the 'upper tier' local authorities. The term 'all local authorities' is used widely in the review yet in some instances appears to apply to only 'upper tier' authorities i.e. County Councils and Unitary Authorities. However, in all instances it is clear that there is a duty on all authorities to engage and co-operate to deliver on the objectives.

Implementing the Review

- 4.16 It this stage there is no detailed explanation of how the review will be implemented, although some consultation on this would be anticipated in due course. The region i.e. Advantage West Midlands working with regional partners, will have to submit proposals to government on how an integrated 'Regional Strategy' will be delivered. In the summer, the Council made representations on the West Midlands Economic Strategy suggesting the need for the role of District Councils to be recognised as a key route to delivering regeneration at a local level.
- 4.17 Given the pivotal role of Local Area Agreements in terms of priorities and funding, it is understood that one of the first steps will involve the upper tier authorities including the Worcestershire County Council aligning their respective Local Area Agreements (LAA's) with the emerging 'Regional Strategy'. Likewise the Local Strategic Partnerships may also have to review the LAA's to align them with regionally significant outcomes.
- 4.18 It seems clear that there will be delegation from the Advantage West Midlands to the higher tier authorities including Worcestershire County Council in terms of responsibility and funding. The review suggests future *"consultation on the creation of a focussed statutory economic duty for all local authorities which would require all upper tier authorities to carry out an assessment of the economic circumstances and challenges of their local economy"*.
- 4.19 It has been suggested that there may be scope for overlapping responsibility between GOWM/AWM over responsibilities and similarly at a local level there may be scope for a similar overlap of roles and responsibilities between the District and County Councils. There is specific reference to a distinct role for upper-tier (County) authorities and recognition of area-based initiatives with a focus on responding to the needs of deprived areas through imitative such as 'New Deal for Communities' and the 'Safer and Stronger Communities Fund'.

- 4.20 The review offers greater support for local authorities working together at the sub-regional level, but at this stage it is not clear what the specific implications will be for those local authorities outside the 'upper-tier'. However, the review document consistently refers to '*all local authorities*' and clearly it will be important to provide an integrated framework at a local level in order to align Sustainable Community Strategies, Regeneration Programmes and Local Development Frameworks at a District Level and to provide a framework for economic growth and neighbourhood action.
- 4.21 In light of the above it is timely that the District Council is about to embark on the Kidderminster Regeneration Prospectus and has commenced preparation of the Local Development Framework. Both documents will provide the District Council with the opportunity to demonstrate clear community leadership on local priorities for regeneration and economic development in support of the emerging Wyre Forest Matters Sustainable Community Strategy. These documents will need to engage with key partners including Advantage West Midlands, Worcestershire County Council and the Local Strategic Partnerships. With the right backing they could provide a powerful voice in support of the emerging Regional Economic Strategy and recognition of Kidderminster's pressing regeneration needs.
- 4.22 Although there are some uncertainties over the roles and responsibilities of different tiers of government, it is clear that all local authorities will need to fulfil their obligations to facilitate economic growth and tackle deprivation. This will involve the local authority engaging effectively at regional and sub-regional levels whilst connecting effectively with local communities at the neighbourhood level. There will be a key role for the District Council's Regeneration and Economic Prosperity Section working closely with the Local Strategic Partnership(s).

5. FINANCIAL IMPLICATIONS

- 5.1 As a consequence of the Council's key priorities, steps have been taken to build capacity to deliver regeneration and economic prosperity. This was manifest in the establishment of the Regeneration & Economic Prosperity Section and the consequential integration of economic development and tourism functions into Planning, Health and Environment. The delivery needs and requirements of this new service are to be considered through the forthcoming budget setting. The more recent announcements about LABGI will also need to be considered as part of the process.

6. LEGAL AND POLICY IMPLICATIONS

6.1 There are no legal or policy implications arising from this report.

7. RISK MANAGEMENT

7.1 Failure to engage in the process for establishing the new roles at regional and county level could leave the Council exposed to gaps in service delivery, missed funding opportunities and failure to deliver the regeneration agenda at its maximum level.

8. CONCLUSION

8.1 There are significant changes proposed to the delivery of regeneration and economic development within the West Midland's region. These changes will permeate throughout the different levels of government and community.

8.2 At this stage, the implications for Wyre Forest District remain unclear. However, in terms of the regional and sub-regional levels the RDA, Advantage West Midlands, and Worcestershire County Council will have a stronger role. It will be critical for Wyre Forest District Council to continue in its programme of preparing Kidderminster Regeneration Prospectus and the LDF.

9. CONSULTEES

- Chief Executive
- Head of Financial Services
- Head of Community & Partnerships

10. BACKGROUND PAPERS

- *'Review of sub-national economic development and regeneration', July 2007, HM Treasury et al*
- *'Building better incentives for local economic growth: reforms to the Local Authority Business Growth Incentives Scheme', HM Treasury*
- *LGA Alert 190/07; Reforms to the Local Authority Business Growth Incentives (LABGI) scheme, Local Government Association, 17th October 2007*

1/11/07