

**By:** Cabinet Member for Regeneration  
The Executive Director of Strategy, Economic Development  
and ICT

**To:** Environment & Regeneration Policy Overview Committee,  
March 2009

**Subject:** Implications of the Local Democracy, Economic Development  
& Construction Bill

**Classification:**

**Summary:** The report outlines the Government's proposals for economic  
development and regeneration at the regional and sub-regional  
levels. It highlights a number of issues that the Council will  
need to consider, and sets out a series of proposed next steps.

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## **1. Introduction**

In 2006, the Government launched a review of mechanisms for delivering regeneration and economic development at the regional and sub-regional levels, known as the Sub-National Review (SNR).

Following the publication of the SNR and a consultation document to which KCC responded, the Government brought forward in November 2008 the Local Democracy, Economic Development and Construction (LDEDC) Bill, which is currently before Parliament and is likely to be implemented from 2010. The LDEDC Bill contains provisions relating to changes in regional planning arrangements and the structures that exist to promote economic development at sub-regional level. If the legislative intent of the Bill is implemented in future Government policy then there are clear opportunities for the County Council in taking forward its community leadership role.

This report:

- Summarises the key elements of the LDEDC Bill and related Government initiatives;
- Considers the relationship between the economic downturn and the proposals set out in the LDEDC Bill;
- Considers the issues and opportunities that the LDEDC Bill presents to KCC, including the relationship between new structures proposed within the LDEDC Bill and the consultation draft of KCC's Regeneration Framework; and
- Sets out some suggested next steps in addressing these issues and opportunities.

## **2. Key elements in the LDEDC Bill and related Government initiatives**

The Sub-National Review considered how economic performance in England's regions, cities and localities could be strengthened. It stressed the need for local authorities to play a stronger leading role in local economic development and regeneration, and emphasised sub-regions as the spatial unit that most effectively captures functional relationships between housing markets, local economies, communities, and supporting infrastructure. In particular, the SNR sought to ensure that:

- Economic decisions are taken at the most appropriate spatial level;
- There is clarity of roles and objectives for sub-national bodies involved in economic development; and
- There is better integration of economic, social and environmental goals.

The key proposals arising from the SNR are being taken forward through the LDEDC Bill. These are set out in the following paragraphs.

### Single Regional Strategy

The Bill proposes single regional strategies to ensure closer alignment between economic and spatial planning. Each English region, except London, will be required to produce a single regional strategy that delivers sustainable development in their area. The single strategy will supersede the current Regional Spatial Strategy and the Regional Economic Strategy. The strategy will provide a framework for the activities, plans and investment decisions of the Regional Development Agency (RDA), local authorities, the Homes and Communities Agency, and other public sector bodies.

Regional Assemblies will be abolished, and a Local Authority Leaders' Board will be established in each region to ensure democratic accountability. RDAs and LALBs will have joint responsibility for the drafting, delivery and monitoring of single strategies.

In the South East, the local authorities have established South East England Councils (SEEC) to represent local government interests in the South East. A local authority Leaders' Board (chaired by the Leader of KCC) will act as the Executive for SEEC and, with SEEDA, will comprise a South East Partnership Board. This Partnership Board will take on the status of Regional Planning Body (in place of the Regional Assembly) from 1 April 2009.

These governance arrangements were discussed at the meeting of the Regional Assembly on 4 March, and are illustrated in the structure diagram set out in Annex 1.

### Sub-regional Economic Assessment Duty

There will be a new statutory duty on County and other upper tier authorities to produce assessments of the state of their local economies. In two-tier areas, county and district councils will be required to work closely together on the development of the economic assessment. It is anticipated that the economic assessment will cover a range of matters related to the economy, labour market, housing, transport, spatial planning, environment, worklessness, regeneration, and

infrastructure. These economic assessments will inform the development of the single regional strategy.

### Investment Planning

So called 'Sub-regional partners' such as local authorities will be expected to work closely in their areas to develop a joint investment planning approach. The approach aims to enable partners to plan and deliver interventions related to the single regional strategy and the needs identified through the sub-regional economic assessments. This should involve some delegation of RDA programmes and funding.

### New arrangements for sub-regional economic governance

The Bill proposes the creation of four possible arrangements for the delivery of sub-regional economic development. In increasing levels of formality, these are:

- Multi-Area Agreements as voluntary agreements between local authorities, other partner agencies and central Government, within which the partner bodies commit to targets in exchange for specific policy freedoms and flexibilities. Within Kent, an MAA is being progressed for the Thames Gateway North Kent area.
- Multi-Area Agreements with duties, which would place a duty on MAA partner bodies to have regard to the delivery of MAA targets.
- Economic Prosperity Boards (EPBs) conceived as statutory sub-regional bodies for economic development and regeneration. The purpose of an EPB is to provide a more stable mechanism for decision-making and delivery of regeneration, as well as a more accountable one, given that EPB leadership is intended to be drawn from local authority elected members. The creation of an EPB would need to result from a review of existing arrangements and include the appropriate upper tier authority to determine the rationale for a more formalised approach.
- Economic Prosperity Boards combined with Integrated Transport Authorities (ITAs). ITAs are established for metropolitan areas in the 2008 Transport Act, and the LDEDC Bill proposes their establishment, where appropriate, in other areas depending on the wishes of the Local Transport Authority.

### **3. Related Initiatives and Legislation**

The LDEDC Bill is supplemented by a number of other initiatives which emphasise the enhanced role of local authorities in regeneration. These include:

- A enhanced role for Local Area Agreements - in Kent this is the Kent Agreement 2 (2008-11), which links priority outcomes and targets to Vision for Kent aspirations, and involves extensive county-wide partnership working. KCC has a statutory duty to produce a Local Area Agreement;
- The Government's draft Framework for Regeneration (July 2008), which highlights the central role of local authorities in regeneration;<sup>1</sup>

- Guidance on Regional Funding Advice (RFA) (2009), which asks RDAs and their partners to identify sub-regional priority areas for public investment.
- Reform of the Local Authorities Business Growth Initiative (LABGI) consultation (autumn 2008), which proposes that sub-regions become the basis for allocating incentives, linked to economic development investment that generates growth in non-domestic rates.
- The Business Rate Supplements Bill introduced to Parliament in December 2008, which proposes to grant County and other upper tier authorities the power to levy a local supplement on the business rate and retain the proceeds for the promotion of economic development.
- New 16-19 education powers: from 2010, the Government intends to transfer funding for 16-19 skills provision to County and other upper tier authorities, which will be expected to undertake related commissioning through sub-regional groupings.
- Tackling Worklessness - A Review of the Contribution and Role of Partnerships (Interim Report) (November 2008), which recommends that upper tier local authorities should be required to assess the causes of worklessness in their area and the capacity of key agencies to deliver employment, skills and enterprise programmes.

#### **4. The impact of the economic downturn**

The international recession has changed the context within which regeneration and economic development activity takes place. The forecast fall in national GDP in 2009 is at least 2, with most commentators agreeing that a fall in national output will push UK unemployment (ILO definition) up to around 2.9 to 3 million by the end of the year. Kent's economy tends to follow national trends closely.

Clearly, the implementation of the measures set out in the LDEDC will be influenced by the current recessionary impacts. RDA funding is likely to be stretched and committed to national, rather than locally determined priorities over the next few years, and the dearth of private sector finance for housing, commercial and infrastructure developments also means that new models of supporting regeneration will need to be explored.

However, local authorities have a major role to play in helping their areas cope with the recession and recover from it. This role will involve developing such new models of regeneration, as well as:

- Ensuring access to skills and training opportunities and supporting measures to combat worklessness;
- Maintaining a focus on investment to deliver longer term economic development and regeneration outcomes;
- Encouraging greater access to procurement opportunities by local businesses;
- Providing a leadership and lobbying resource in partnership with the business community and other public sector bodies.

In this context, the publication of KCC's draft Regeneration Framework is exceptionally important. The Framework articulates the Council's long term view of regeneration, and provides a platform from which KCC can respond to the issues and opportunities presented by the LDEDC in the context of the current economic climate.

## **5. KCC's response to the issues and opportunities presented by the LDEDC Bill**

The LDEDC Bill offers potential devolution of responsibilities and powers to KCC across a range of activities that facilitate economic prosperity. Local authorities, particularly at the upper tier and unitaries, are cited as key to the delivery of initiatives on economic development, skills, transport, infrastructure, physical and community regeneration.

KCC in particular has opportunities to contribute to and benefit from the proposals in the LDEDC Bill, through:

- The fact that it is the only county-wide organisation that is locally democratically accountable. This allows an opportunity for leadership on a range of strategic and service delivery issues. The measures proposed in the LDEDC emphasise strongly the importance of the democratic mandate of local authorities, and local authority leadership in relation to regeneration.
- The Council's significant strategic planning expertise, which will need to be used in developing the Single Regional Strategy
- The expertise within the Council's Strategy and Research and Intelligence teams, which will be essential in leading the statutory economic assessment duty. There will be an opportunity to explore the options for taking this forward in the forthcoming Kent Prospects Progress Report
- KCC's experience of investment planning, through (for example) the Local Transport Plan process, strategic regeneration planning with partners in the Thames Gateway and Ashford, and the role that the Council has in negotiating developer contributions. This experience will be important in the development of the sub-regional joint investment planning approach envisaged by the LDEDC Bill.
- The role that the Council already plays in leading and participating in county-wide and local regeneration partnerships in Kent. These include the Kent Partnership, the Thames Gateway and Ashford growth areas, the North Kent MAA, the Kent Rural Board, and coastal towns regeneration partnerships in Margate and Dover. The combination of strategic and local understanding will be critical in taking forward the economic assessment and the joint investment planning approach.

KCC will need to consider the mechanisms proposed in the LDEDC for economic governance. In particular, a sub-regional Economic Prosperity Board with statutory powers and local authority leadership could offer opportunities for increased accountability and more effective delivery of regeneration activity. KCC and Medway

Council will need to develop a view on whether an EPB for the Kent is the most appropriate vehicle for addressing economic development opportunities and issues.

Consideration will also need to be given with Medway Council, to the potential for an EPB to be associated with an Integrated Transport Authority. The development of the North Kent MAA provides an early opportunity to promote sub-regional working between KCC and Medway Council, in addition to that conducted through the Thames Gateway Kent Partnership.

Finally, while the Government's sub-regional focus has tended to concentrate on the city region agenda (informed, for example, by well-developed sub-regional arrangements in city regions such as Greater Manchester), KCC has given consideration to the potential for developing a 'shire region' concept appropriate to the economic needs of counties such as Kent. The County Councils Network has proposed undertaking further research into this concept, which may be valuable in giving consideration to a potential Economic Prosperity Board or other county-wide governance arrangements.

## **6. Next Steps**

There may be a temptation for local authorities to adopt a 'wait and see' stance on the measures within the LDEDC Bill, given the pressing and immediate need to respond to the local impacts of the recession.

However, there are potential gains in taking a more pro-active approach, given the opportunities that delegation of funding to the sub-regional level and new governance arrangements with democratic leadership present for regeneration in Kent and for KCC itself.

The draft Regeneration Framework provides a starting-point for such a pro-active approach, given that it provides a clear statement of the Council's overall approach to the regeneration agenda. In support of this, a number of key actions can be taken forward by the Council, including:

- Development of a preliminary economic assessment as part of the Kent Prospects progress report and the forthcoming update of *What Price Growth?*. This will support the scoping of the full economic assessment, and will also need to include initial discussions with Medway Council on the potential for a joint assessment;
- Exploration of the issues and potential associated with the proposed options for sub-regional co-operation, including an Economic Prosperity Board, Integrated Transport Authority and statutory and non-statutory Multi-Area Agreements;
- Associated with this, further development of the 'shire region' concept as an appropriate basis for sub-regional governance in Kent;
- A review of KCC's capacity to respond to the demands required by the development of the single regional strategy;
- Putting in place the new arrangements to ensure effective transfer of 16-19 skills responsibilities from the Learning and Skills Council (LSC) to KCC;

- Continued monitoring and assessment of and progress on the Local Democracy, Economic Development and Construction Bill and associated initiatives.

A cross directorate officer reference group has been established to oversee this above range of activity. CFE are leading on the transfer of 16-19 skills responsibilities from the LSC to KCC.

## **7. Recommendations**

Members are asked to:

- Note the contents of the report for information;
- Consider the policy implications of the actions set out in Section 6 (Next Steps)

Lead officer contact:  
David Oxlade  
Chief Executive's Department

Background Papers:

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KCC response to CLG's Regeneration Framework (consultation draft), October 2008.