

By: The Managing Director of Environment & Regeneration

To: Cabinet 16th June 2008

Subject: The Sub-National Review and Kent's Response

Classification: Unrestricted

Summary: The report gives an outline of the Government's objectives and proposals for the Sub-National Review (SNR) and then discusses each substantial area of change and Kent's potential reaction

1. Introduction

This report considers the main proposals of the Government's Consultation Document on the Sub-National Review and KCC's response. The consultation runs until 20th June. The Government proposes to introduce the changes through primary legislation in a Community Empowerment, Housing and Economic regeneration Bill in the next session of Parliament. Cabinet Members have previously considered the Government's evolving policy on this matter at their Away Day on 22nd November.

2. The Government's Objectives and SNR Summary

The SNR is designed to enable central and local government and other partners to work together to 'maximise prosperity in all parts of England and tackle deprivation and inequality'. It seeks to ensure that decisions are taken 'at the right level'. The reforms are intended to provide an environment that enables business to adapt to and create technologies and opportunities. It is also intended that the reforms will contribute to increased employment and wealth, reducing the disparities between the regions.

To that end Government propose that:

- R.D.A.s will take over responsibility for regional planning.
- They will develop a single integrated regional strategy working closely with local authorities and others to achieve 'co-ownership'.
- Through a regional Leaders' forum, local authorities collectively will have responsibility for signing off the draft strategy and for scrutinising delivery.
- The regional Leaders' forum should be streamlined, manageable and representative of all types of authority and sub-regions.
- If the R.D.A. cannot reach agreement with local authorities in the region, the strategy will be referred to the Secretaries of State for the Department for Business Enterprise and Regulatory Reform and the Department for Communities and Local Government.
- R.D.A.s will remain business-led, although they will need to change significantly to reflect new responsibilities.

- R.D.A.s will become increasingly strategic, delegating funding of programmes to local authorities and others ‘where appropriate’.
- R.D.A.s will agree the balance of their funding across various policy areas with local authorities and other parties.
- Each region will set a target to raise ‘the sustainable total rate of economic growth’.
- There will be a new economic duty on local authorities and possibly only upper tier authorities, to undertake economic assessments of their area.
- There is to be an emphasis on sub-regional working across local authority boundaries and via Multi Area Agreements (MAA’s), to realise economic potential.
- The Government is consulting on whether sub-regional arrangements should go further and have a statutory basis.
- R.D.A.s will work with partners to develop and manage the change process.

The consultation states that there can be regional flexibility in how local government representation is formulated, rather than any flexibility over substantive responsibilities.

3. The Main Provisions of the Review:

A. Governance, Scrutiny and Influence

Under the proposals in Chapter 3 of the SNR:-

- The R.D.A.s will obtain responsibility for regional planning, a function currently undertaken by Regional Assemblies. They will be required to balance economic, social and environmental issues through the planning system, whose principal function of achieving ‘sustainable development’ will not alter. R.D.A.s will remain business led. Appointments to R.D.A. Boards will in future reflect the new R.D.A. responsibilities.

Comment

Two principal concerns arise from these proposals:-

- 1) The SNR document talks about “strengthening the connection between citizens and economic decisions”. Yet the intent to hand regional planning to the R.D.A., is transferring power from a largely indirectly elected organisation, the Regional Assembly, with 70% local government representation, to a central government controlled quango, placed in charge of the preparation of the Regional Plan.*
- 2) Moreover, it is difficult to see how an organisation that is business-led can balance satisfactorily, the economic, social, environmental and natural resource protection themes underpinning the concept of the Planning Acts and planning system. There is apparent a fundamental conflict between the legislative objectives of the Planning Acts and the R.D.A. composition.*

- ii. The SNR proposes that R.D.A.s will become more strategic in the field of economic development, delegating ‘where appropriate’ single pot funding for economic development and regeneration. Local authorities in consequence are seen as playing an increasing role in delivery. The R.D.A. will retain the regional services best delivered at the regional level, e.g. inward investment and support for innovation.

The R.D.A. will need to be assured that: (i) local authorities or partnerships have the capacity to undertake delegated tasks, and (ii) have a sound rational and monitoring system in place for delegated programmes.

The question is asked in the consultation, ‘How should R.D.A.s satisfy themselves that sufficient capacity exists for programme management?’

Comment

If the intention of the SNR is to ensure greater delegation of responsibility for economic development to an appropriate level, the consultation question starts from the wrong basis. The presumption should be that agreed programmes should be delegated to the local delivery level. Local government and county government in particular, are highly experienced at delivering investment and re-skilling programmes through its capital works and education programmes. The SNR should work on that understanding.

The challenge for Kent and other upper tier authorities which already deliver 80% of local governance, is to ensure that the skills capacity and teams are recruited and in place from the outset of programme implementation. A ‘contract of delivery’ akin to an LAA, or a future enhancement of that arrangement is all that is required.

- iii Local Government involvement at the regional level

The SNR proposes a range of initiatives to sign off and scrutinise the work of the R.D.A. and in particular the Regional Strategy:

- A local authority Leaders’ Forum, of all local authorities in the region.
- A smaller scrutiny committee selected from the above.
- Ultimate responsibility and accountability to Parliament through the Secretary of State for B.E.R.R. (para 3.19)
- Potentially the introduction of regional committees in Parliament (para 3.21), although this measure is ultimately a matter for Parliament.

Comment

SECL have rightly commented that it is very unclear how this range of accountabilities or relationships, together with the presence of a Regional Minister, offers any sort of streamlining of organisation.

The overall direction of the scrutiny seems to be away from local accountability through the local democratic system, to stronger accountability to BERR and the Secretary of State. Parliament is already a congested place for legislation and scrutiny of central Departmental and ministerial performance. Once strategic directions have been established, it would greatly assist a democratic society, if other directly elected agencies were allowed to fulfil their role for more local regional programmes and delivery.

The Government believes it is for local government to determine the structure for the leaders' forum, recognising the large differences in the size of English regions. They do require them to be:

- streamlined, manageable and able to make strategic and long term decisions,
- representative of local government,
- with enough authority to sign off strategies on behalf of all local authorities.

Comment

SECL have, at recent Away Days, considered the structure of the Forum and the future shape of the R.D.A. Board.

SECL's desire is to have at least 50% local government representation on the SEEDA Board, because its enhanced responsibilities are currently being considered by DCLG. SECL and SECCE are also in negotiation with SEEDA and the regional minister regarding the option for a SEEDA plus local government partnership board' to oversee the Integrated Regional Strategy. The current offer from Government is understood to be 50% of seats for local government, with representatives from 4 counties, 2 unitaries and 2 Districts.

The SNR consultation question on this matter simply asks whether you agree that local authorities should determine how they set up a local authorities' leaders' forum for the region. If not, what would you propose instead?

Of more importance for a successful SNR is the establishment of the principles, that

- 1) *Local Government through the forum and through substantial representation on the R.D.A. Board should be involved in the preparation of the Integrated Regional Strategy and other policy from inception to finish. Accountable local government should not be confined to 'sign-off' policy for which, otherwise, it had no ownership.*
- 2) *Secondly, local authority involvement should recognise the part conferred on principal planning authorities by Section 4(4) of the Planning Act, as main advisers and authors of sub-regional planning policy.*

- 3) *That Governance arrangements for local government involvement should recognise the relative capabilities of upper and lower tier authorities to have the capacity, expertise and flexibility to deliver economic development programmes.*

The SNR consultation places the duty for providing for consultation with stakeholders, both local government and other, upon the R.D.A. They are similarly vested with the role of considering transitional arrangements.

Comment

Local government in the South East of England has in response to the SNR organised L.G.A. members into a South-East Branch of the Association. It is believed that this organisation will play a significant role in helping the R.D.A. to formulate its ideas for transition and for the involvement of other stakeholders in Regional Planning and Governance.

Regional Funding Allocations

The SNR Consultation reports that the process for regions to advise on regional budgets for transport, housing and economic development was well received. It announces that the Government will commit to a second round of Regional Funding Allocations later in the Summer and that it will include additional funding streams for transport, the European Regional Development Fund, and housing and regeneration delivery grants for the growth areas and other programmes to be managed by the Homes and Communities Agency.

Government guidance in the Summer will set out the amounts allocated for the period 2008-2011 and regions will be asked to advise on strategic priorities within those programmes.

(B) An Integrated Regional Spatial and Economic Strategy

The Government propose that the Integrated Regional Strategy will set out a high level vision for the next 15 to 20 years and will ensure a closer alignment between economic and spatial planning to support “sustainable economic growth”. They also expect other regional strategies on housing, transport and culture to be integrated into the new document.

The strategy will steer the activities of not only the R.D.A. but local authorities and others. It should set out which places and sectors should be priorities for investment. It should also influence the policies, plans and decisions of central government and its agencies. The Plan will be the upper tier of the Development Plan for the area and will also set a growth objective above past trends.

Despite this range of purposes, the strategy is intended to be succinct, covering the range of subjects listed Appendix 1.

Comment

The need to have a single regional strategy rather than one for planning purposes and another for economic development, with supplementary policies on other subjects, has long been recognised and the concept is welcome.

There remains an inherent conflict between the stated purpose of the strategy for 'sustainable economic growth' with the purposes of planning, which is to balance economic, environmental, social and natural resource interests. It is evident that the two principal departments of government, BERR and CLG, are using the term 'sustainable' in different ways, and the gap is visible.

The required contents of the Regional Strategy listed at para 4.13 (at Appendix 1) omit the important function of a regional plan to enhance and protect the natural environment.

The strategy is intended to meet key principles of working:

- 1) effective engagement with shareholders and the public
- 2) a robust evidence base
- 3) effective sustainability appraisal including scoping of issues and appraisal of options
- 4) independent testing in public (via an E.I.P.)
- 5) sign off by the R.D.A. and the regional leaders' forum

The process (para 4.20) is intended to be clear, open and transparent.

Comment

These proposals include the statement that all local authorities must be involved in the full life cycle of the strategy. This concept of involvement collectively from start to finish is important to democratic accountability at the regional level.

The requirements for the strategy in its evidence base, explanation of options, selection and testing are onerous. The suggestion that this could be done for a full plan within 24 months is not credible. A 3 to 4 year cycle is more likely and of itself would be a significant improvement on present Regional Planning practice where 5 years is the norm. In the South East, the Government will itself have taken 11 months simply to come forward with post inquiry changes to the South East Plan.

The diagram of the proposed timetable is unrealistic in almost all its proposed stages.

The County Council for its part, agrees that ‘a Delivery Plan’ outlining how various agencies will invest and help deliver the Regional Plan is an important part of Regional Planning and should be part of the final document, with 2-3 rolling programmes of implementation.

(C) Strengthening Sub-Regional Economies – the Role of the Local Authorities

The Government foresees the promotion of economic development and regeneration relying more heavily on local authorities than in the past, with stronger collaboration between the R.D.A. and local authorities. The R.D.A.s will lead on development of the regional strategy, informed by the local authorities contribution to the evidence base. Local authorities will work with partners to deliver parts of the strategy at sub-regional and local levels.

The requirement, therefore, is for the local authorities to build capacity both in the analysis of needs and in plan promotion. The Government foresees such enhanced capability as:

- aiding understanding of the conditions in which businesses flourish,
- permitting better prioritisation,
- leading to a greater delegation from R.D.A.s,
- improving engagement with the private sector,
- aiding local authorities advice into the regional strategy.

To assist improvement in local authority capability for economic development, the Government intend to place a duty on authorities to assess economic conditions in their area. In July of last year the intent was that duty should be with upper tier authorities. That is still thought to be the case.

3 options are postulated:

Option 1:

Primary legislation placing a duty on ‘lead authorities’ to assess the economic condition of their local areas. Lead authorities to have a duty to consult certain other partners and to require information from them. In this instance local authorities in two tier areas would be the County Councils. Guidance on how to undertake an assessment would come from central Government.

Option 2:

As for 1 but with lead authorities having no requirement to take on board central government guidance. That would take the form solely of advice.

Option 3:

No additional economic assessment power introduced. There would be reliance on existing powers and duties, e.g. under the wellbeing and planning duties.

Comment

A formal and legislative power to assess the economic conditions of a sub-

region is both helpful and adds clarity to local authority responsibility. Of the two remaining options, it seems to KCC that central government guidance, needs to be no more than advisory (Option 2). This allows more flexibility for the assessment to take into account local conditions and priorities, but enables advice on the length, detail and checklist of factors for assessment.

Paragraph 5.19 of the SNR consultation specifies that in two tier authorities, upper tier authorities will undertake the assessments on their own or jointly with other upper tier authorities. The duty will be with upper tier authorities but Districts will be fully involved and agencies of central Government including the Homes and Communities Agency and R.D.A.s will need to be consulted.

The Consultation asks how should other partners be involved.

Comment

Kent and Medway have clear geographical boundaries defined to the north and east by the River Thames and the sea. London has its own form of governance and transport and economic connections with Sussex are relatively weak. Kent's relationship with Essex and Surrey need to be explored carefully, but a prior judgement is that Kent and Medway provide a sound and tried geographic, transport and economic basis on which to undertake the formal sub-regional assessment.

This being so relationships arising from the duty within the KCC area can best be handled through Kent's new Kent Regeneration Board – on which all the principal agencies in Kent will be represented. The new partnership will have the presence of representatives from SEEDA, District Councils, Delivery Boards for Kent Thames Gateway and Ashford, and other key stakeholders.

Kent and Medway Councils therefore propose their model as to the mechanism not only to involve partners in the assessment of economic conditions, but also as a means to consider economic and regeneration policy, and to prioritise jointly programmes and action to improve economic performance.

The capacity of local authorities to coordinate and undertake economic assessment is considered by the SNR. An important feature is that lead authorities' capacity and performance to undertake assessments (and to take action on the back of them) will in future be part of the evidence for the new Comprehensive Area Assessment. Moreover, the Government (at para 5.25) expects the new duty will incur additional costs, and undertakes to fund reasonable costs that so arise. (para 5.26)

The SNR highlights the possibility of local authorities joint working on economic development through:

- 1) Multi Area Agreements and

- 2) In Metropolitan areas, acquisition of PTA powers to coordinate, plan and subsidise public transport.

Comment

Within Kent and Medway, the need for joint working between KCC and the Unitary Council is well understood. The Councils intend that the work of the Kent Regeneration Board and the equivalent in Medway are strongly aligned.

Essex are pursuing an MAA agreement with the Unitaries of South Essex, namely Thurrock and Southend. Currently no formal MAA with Essex is intended, but joint work on the Thames Gateway Initiative and on specific transport projects will continue.

The SNR (at para 5.38) stated that the Government will not wish to unduly constrain the scope of sub-regional partnerships and is prepared to consider a wide range of functions. The Government intends to legislate to allow development of formal legal status for collaboration arrangements in support of economic development.

Comment

It is apparent that much of the thinking to enable more collaborative work arises from the difficulties that may arise where there are small unitary authorities, or county boundaries cutting across economic sub-regions.

This situation does not arise in Kent where KCC and Medway are the transport and education authorities. However, the functions, powers and income and fund holding capabilities of the new Kent Regeneration Board need to be carefully considered.

Cabinet Members may wish to see the functions of the Board evolve from joint-working to more executive authority over time.

The SNR report touches upon joint transport, economic and education powers. The consultation seems to have a blind spot on the need for such joint functions to be complemented by a stronger sub-regional framework for statutory planning on the same sub-regional basis.

4. Recommendation

It is recommended that Cabinet:

- 1) Approve the comments and response to the Sub National Review Consultation
- 2) Agree that these views be sent to Government with the final wording of such correspondence to be agreed by the Member with portfolio for Regeneration and Supporting Independence.

Leigh Herington
05.06.08