



RESPONSE FROM THE ASSOCIATION OF NORTH EAST COUNCILS

Prosperous Places: Taking Forward the Review of Sub National Economic Development and Regeneration

Introduction

The Association of North East Councils is the political voice for local government in the North East. It represents all 25 local authorities in the region, throughout Northumberland, Tyne and Wear, Durham and the Tees Valley, on issues of concern to them and the communities they serve. It is a cross-party organisation, with all of its members democratically elected and accountable politicians.

The Association welcomes the Sub-National Review and its primary objective of enhancing the economic performance of the regions and localities by empowering them to unlock potential.

The consultation paper represents an important step in implementing SNR and we are keen to move forward as quickly as possible. We draw encouragement from:

- the strong recognition of the role of local authorities in supporting economic development in their areas;
- a framework for policy-making and governance that embraces the need to work at different spatial levels – national, regional, sub-regional and local – and enshrines a commitment to better coordination and stronger partnership working;
- the flexibility offered by the paper in implementing the Sub-National Review; and
- a key role for local government (working collectively through the Leaders Forum) in shaping and informing the integrated regional strategy, in delivering strong scrutiny and accountability and new ways of working below the regional level which will help to deliver a step change in the region's economy.

Together with One NorthEast, the North East Assembly and others we are also contributing to a collective regional response to the SNR and it is clear that there is much common ground on how things should be taken forward as well as a determination to maintain the pace and momentum of change.

The timing of the consultation exercise has given little opportunity for the new Councils in Durham and Northumberland, which have come into being following local government reorganisation, to give full consideration to the consultation paper. We are working on the assumption that SNR implementation is an iterative process.

However, we believe that there remain a number of unresolved issues such as the question of how central government itself will adapt to the new 'system' so that national government becomes more co-ordinated and responsive to a more flexible sub-national system. A wide range of central government departments currently contribute to regional economic development through their programmes and budgets, and to achieve the ambitions set out in the consultation paper the level of coordination between these departments will need to be strengthened. As part of the new way of doing things envisaged by the SNR, there should be an expectation that Government departments and a wide range of partners who are, fundamentally, national organisations should both contribute to, and have regard to, the IRS as well as to city and sub-regional strategies; otherwise there is a risk that their decisions and actions may compromise the achievement of regional and sub-regional goals without there being any opportunity for joint consideration of their regional/sub-regional impact and how they might contribute to our aspirations for development.

We also note that the future arrangements for discharging regional planning functions require further consideration. The legislative and administrative framework for this is as yet unknown. We would ask Government to note that the regional response has been prepared on the basis of taking a practical approach, looking at how the broad governance arrangements for developing the IRS could work based on the current propositions set out in the SNR document and consultation paper. These can be adjusted to accommodate any governance changes. In any event we will need to keep things under review as we move forward.

Regional Planning Bodies currently have a range of roles which they can exercise with democratic legitimacy because they are accountable through their local authority membership. Regional planning covers a range of important practical issues such as consultation on major planning applications, conformity of Local Development Frameworks etc which are currently dealt with by the Development Board of the North East Assembly. In an early response to SNR, the Association suggested that the Leaders Forum could perform the role of the Regional Planning Body; or there could be dual key arrangements put in place for the Leaders Forum and the RDA Board.

Consultation Questions

The Association has the following comments on the specific consultation questions.

Q1. How should RDAs satisfy themselves that sufficient capacity exists for programme management and delivery at local or sub-regional level?

We consider that most unitary and upper tier authorities have capacity for programme management and delivery, as evidenced by their track record in terms of effective delivery of European, national and regional programmes such as the Single Programme, Local Area Agreements and LEGI. The Multi Area Agreements and their governance arrangements are helping to establish a framework for how this will happen. And where capacity is required, authorities have been preparing for some

time for a new approach and are already building capacity, establishing vehicles for delivery etc. In the same way, the RDA is also looking at its own capacity now that its role is changing. Capacity is clearly a 'two way' issue and needs to be taken forward on that basis.

The North East Improvement and Efficiency Strategy also contains a strong commitment to supporting the development of MAAs and the delivery of SNR and is available to support the development of new approaches to delivering economic growth. The RDA is a member of the Steering Group which is supporting the delivery of the strategy and this could prove a useful vehicle to take things forward.

Q2. Do you agree that local authorities should determine how they set up a local authority leaders' forum for their region, and that the Government should only intervene if the required criteria are not met or if it failed to operate effectively? If not, what would you propose instead?

Yes, we strongly agree, and welcome this flexibility. In the North East, there are well-established arrangements for Councils to work together at the regional level through the Association of North East Councils and discussion on council organisation in relation to working at a regional level is being co-ordinated and facilitated by the Association. Research by the IPPR (Governing through Partnerships) suggests that voluntary partnership arrangements often work better than ones which are established in response to an external requirement. This has demonstrably been the case in terms of the Association.

The Leaders/Elected Mayors would be convened through the Association (the ANEC Executive is already largely comprised thus and with some small adaptation could provide a dual purpose). This will have the added benefit of ensuring synergy with the other key agendas such as Improvement and Efficiency, for which ANEC has political accountability in the region, and with the wider societal role authorities play in social and environmental terms, which forms part of the Association's agenda.

It will also ensure that there are clear links with the whole local government family in the region.

The Regional Minister has also discussed with us the creation of a Group comprising himself, the 12 Leaders/Elected Mayors (convened through ANEC), the Chair and Vice Chairs of the Northern Group of Labour MPs, Peter Atkinson MP (Con) and Alan Beith MP (Lib Dem).

This we view as a valuable complement to the role that Leaders/Elected Mayors will be playing. It should help address issues of links to Government (providing a mechanism through which issues might be identified, for example) as well as forging a link between national and local elected members. Its functioning would be supported by ANEC and Government Office.

Whether or not the Government should be able to intervene if a forum fails to operate effectively depends largely on what is meant by this. A forum that fails to reach consensus should not necessarily be regarded as failing to operate effectively as economic development and planning are political matters and often involve debate and disagreement as a part of democracy. However, how this is taken forward and handled will be important; forums will need to incorporate within their constitution robust procedures for handling failure to agree.

We also have a concern that whilst a consultative process is proposed for the creation of an IRS, with the involvement of the Leaders Forum throughout the development and full lifecycle of the strategy (an important point), culminating in sign off, the Government reserves the right to amend the document. Given the philosophy which underpins the SNR of empowering localities to stimulate economic development alongside strengthening accountability, the creation of a co-ordination/consultation mechanism at the final stage of strategy approval where local authorities would have the opportunity to have some continuing influence over the negotiating process, would be helpful amongst other things in ensuring ownership over the final strategy.

Q3. Are the proposed regional accountability and scrutiny proposals proportionate and workable?

We are confident that we can design accountability and scrutiny proposals that are not only proportionate and workable but also add value to the process of developing and reviewing the IRS. We are currently working on this and are agreeing some key principles for taking things forward:

- scrutiny should be constructive and non-confrontational; it should add value and avoid duplication and overlap;
- it should be forward-looking, with an emphasis on policy development leading to action, with a particular focus on scrutiny of the integrated regional strategy;
- it should be outward looking, to incorporate Government departments and agencies, who have a role and impact on policy and development in the region;
- it should concentrate resources where they are most needed;
- structures and processes for scrutiny should be agreed through the Leaders Forum;
- scrutiny should be a means of engaging non-executive members of local authorities in issues relating to the integrated regional strategy;
- scrutiny should engage effectively economic and social partners;
- scrutiny should be adequately resourced; and
- there should be close liaison with the Parliamentary regional select committee (or whatever other parliamentary mechanism may be established).

We will build on and develop the existing good practice. We will also ensure that the engagement of non-executive Members is a key part of the process and that the engagement of economic and social partners (including the business community) in an effective process is facilitated. It is critical to the success of scrutiny that it is properly resourced. The Government currently supports this activity through the 'strengthening regional accountability fund' made available to Assemblies and it would be helpful to have an early indication as to the future of this funding.

We await with interest the outcome of the House of Commons Modernisation Select Committee Inquiry into Regional Accountability and are aware of importance of building liaison mechanisms with whatever arrangements are set up at Parliamentary level so we can avoid duplication and add value.

Q4. Do you agree that the regional strategy needs to cover the elements listed at paragraph 4.13? Are there other matters that should be included in the regional strategy to help in the delivery of key outcomes?

We agree that the regional strategy needs to cover these elements but be driven by regionally specific issues – whatever is needed to achieve sustainable economic growth in the North East. We welcome the focus on regional strategies being succinct and setting out the regional vision. Regional strategies need to be focused on key objectives – they should not attempt to cover every issue of importance in a region as they will be in danger of losing focus and impact.

There are strong links with the ‘Raising Expectations’ White Paper and we would expect the Government to take a ‘joined up’ approach particularly in relation to the adult skills agenda (see below).

Q5. Do you agree with the way in which we propose to simplify the preparation of the regional strategy, as illustrated in the figure (on page 35), in particular allowing flexibility for regions to determine detailed processes? If not, what other steps might we take?

We would support the approach of the consultation paper –the flexibility to determine our own processes is welcome. The ambition to have the strategy completed in a two-year timescale is commendable and it is essential that the detailed processes are compatible with this ambition.

We consider that the Integrated Regional Strategy needs to bring together the city region and sub regional plans by providing a high level integrated framework which binds them together. There are however a number of detailed issues that will need to be addressed. They are as follows:

- a) on skills, to be truly integrated, a strategy needs to include people-focussed activities – particularly adult skills. Policies and funding streams need to be flexible to meet the specific needs of labour markets, which are predominantly city/sub regional;
- b) we all agree that the process for preparing the Integrated Regional Strategy needs speeding up and needs to be effective in terms of engagement. In the North East, the RSS Examination in Public took place in April 2006 and two years later we still do not have the adopted strategy. An Examination in Public at the initial stage will require four months for the panel to sift through the reports and representations, 6 weeks to hold the EIP and then four months to write it up. It is practically impossible to produce an issues report and appraise options, carry out consultation (in itself a 6 – 8 weeks period) and an Examination in Public in one year; and
- c) in the North East there is general consensus that we would like to begin work at an early stage on preparing the Integrated Regional Strategy. However this would require the national core sustainability framework, the national policy statements, the advice on regional economic growth objectives and guidance on regional ranges of housing supply to be in place. Of these the national sustainability framework must be in place as a matter of urgency since under EU legislation any regional strategy which does not follow the agreed framework would not be valid. Given the need to begin work on the Integrated Regional Strategy, it would be useful if CLG offered to work with the region on sorting out these procedural and legal problems arising from the statutory process and that Government should be encouraged to give the region the space to put together an effective consultation process.

We agree that there should be a delivery plan.

It seems unfortunate that preparation of the IRS is not aligned with the RFA process which will have to be completed before we have an integrated strategy. However it will be part of the building blocks for the new strategy and we see it as essential that the delivery plan/RFA process has the same degree of buy-in as the strategy itself and the support/sign off of city/sub regions and the Leaders Forum in this respect will be important.

As indicated above, the improvement of skills for those in work is a major task for the development of the regional and city regional economy. For these reasons we consider that regional funding for adult learning should be included in the RFA exercise. We welcome the proposal that the regional funding allocation proposal should include recommendations on the better alignment of funding streams which is a key factor in hindering skills development in our economy. This will require some flexibility around skills funding, policy and planning.

Q6. Do you think that the streamlined process would lead to any significant changes in the costs and benefits to the community and other impacts?

We welcome the intention of simplifying the process. We believe that the community and stakeholders will benefit significantly if there is a quicker process, reduction of uncertainty and clearer (and understandable) accountability arrangements through local government. However, we will all need to work together to ensure that effective mechanisms are in place aimed at ensuring meaningful involvement and consultation which is neither burdensome nor costly. We would urge the Government not to constrain but to facilitate effective consultation which meets the needs of key stakeholders, including particularly business.

Q7. Which of the options for the local authority economic assessment duty (or any other proposals) is most appropriate?

We note that there has been a move away from proposals for a 'statutory economic duty' to a 'local economic assessment duty' and we believe that it will be important to see that duty remain in its broadest sense, involving not just the preparation of an economic assessment but the delivery of action plans for economic development and regeneration. We consider this will be essential for the development stage of the IRS and for localities.

In terms of the options, we consider that the non-statutory guidance option is preferable since there is a danger that statutory guidance could be too prescriptive. In some areas, authorities will want to create a joint economic assessment (eg: Tees Valley) and the guidance should allow for this possibility.

The economic assessment will form a key part of the material informing the Audit Commission's risk assessment of an authority in carrying out the Comprehensive Area Assessment. It will therefore also be important to ensure that any arrangements are able to reflect the needs of individual authorities and that there is a 'golden thread' through to the RDA and the IRS, so that as a 'duty to co-operate' partner, the RDA is able to demonstrate how it is contributing to local economic growth.

Q8. What additional information or support do local authorities consider valuable for the purpose of preparing assessments?

Whatever option is adopted, it is essential that local authorities are properly resourced to carry out the duty. The Sub-National Review (paragraph 6.15) expresses a commitment to ensure that the financial burden of any new economic development duty is rigorously costed and fully funded by Government.

Q9 How should lead local authorities engage partners, including district councils, in the preparation of the assessment?

In the North East there will shortly be 12 unitary councils.

The engagement of partners should be a matter for each area, and will be important in the context of CAA, amongst other things. Undoubtedly, all authorities will wish to engage partners effectively and appropriately.

Q10. Which partner bodies should be included in the preparation of the assessment?

This is a matter for localities to determine.

Q11. Should any duty apply in London and, if so, which of the proposed models is most appropriate?

Q12. Do you agree there is value in creating statutory arrangements for sub-regional collaboration on economic development issues beyond MAAs? What form might any new arrangements take?

At present, the view is that the flexibilities provided by a voluntary, partnership approach are appropriate. Tyne and Wear City Region has indicated that it will continue to ensure that their governance structures are sufficiently robust yet flexible enough to adapt according to specific circumstances.

Q13. What activities would you like a sub-regional partnership to be able to carry out and what are the constraints on them doing this under the current legislation?

This should be a matter for each city/sub-region.

Q14. How would a sub-regional economic development authority fit into the local authority performance framework?

We would expect a statutory sub-regional authority to establish targets by means of an MAA and to be held to account for delivery of those targets.

Q15. Should there be a duty to cooperate at sub-regional level where a statutory partnership exists? To whom should this apply?

The duty should apply to partners in the same way as it applies in relation to achievement of LAA targets under the Local Government and Public Involvement in Health Act 2006.

In addition, it will clearly be very important in non-statutory partnerships that partners should contribute and co-operate and this principle should be equally central to their development. We should avoid creating the impression of a 'two-tier' arrangement between statutory and non-statutory partnerships because the aim of any partnership should be to deliver the core outcomes desired by the SNR.