

## Review of Sub-National Economic Development and Regeneration Northern Housing Consortium Briefing

### Summary

The Review of Sub National Economic Development and Regeneration (SNER) forms part of a series of cross cutting reviews reporting to the Treasury in advance of the Comprehensive Spending Review 2007.

The Government believes the reforms set out in SNER will assist localities (from local authorities to sub regions to regions) create an economic infrastructure and environment which will meet the global and national economic, social and technological challenges we face.

Consortium members will be familiar with the relationship between economic capacity and housing markets and therefore will appreciate the importance of this review for the sector and for the North. Key Headlines from the Review include:

#### *Regional Infrastructure Changes*

- Creation of single regional strategies (integrating the current suite - including the regional housing strategy) - to be led by the RDA
- Regional Development Agencies becoming the Regional Planning Bodies
- Regional Assemblies ceasing to exist in their current form

#### *Local Authorities Empowered*

- Local Authorities becoming more empowered to spread economic well being and reform of fiscal measures and LA performance management framework to facilitate this activity
- Local Authorities to undertake economic assessments of the challenges present in their localities.

#### *Sub Regional Working*

- Further roll out of Multi Area Agreements
- Enhanced opportunities for more formal sub regional working arrangements (including on a permanent basis if appropriate)

#### *Funding*

- Neighbourhood Renewal funding targeted at most deprived areas and greater incentives for improved performance
- An enhanced, second round of Regional Funding Allocations (expanded to include wider set of funding streams)

#### *New homes agency*

- New Homes Agency to inform, contribute and complement single regional strategy.

#### *Relationship with Government*

- The lead departments for the Single Strategy will be Department of Business, Enterprise and Regulatory Reform and Communities and Local Government and a key relationship with the newly appointed Minister for the Regions.

## Purpose of Report

This briefing paper is intended to provide analysis and commentary on the SNER to assist Consortium members understand, prepare for and eventually implement the reforms set out in the Review. The SNER clearly has implications for a host of other Government agendas including the forthcoming Housing Green Paper, the creation of a new homes delivery agency and the Comprehensive Spending Review. The Consortium is keen to hear members' views on these issues to ensure we are able to represent our members effectively with both regional and national government structures.

## Context

HM Treasury announced a series of cross cutting reviews in advance of the Comprehensive Spending Review in 2007. Details of the reviews can be found via [Treasury website](#). The Review of Sub National Economic Development and Regeneration (SNER) was charged with identifying;

*“how to further improve the effectiveness and efficiency of existing sub-national structures in England – including governance, incentives and powers – and identify options going forward that maximise value for money and delivery changes on the ground to:*

- *Strengthen economic growth to meet PSA targets regarding regional economic performance*
- *Deliver regeneration and neighbourhood renewal to meet Government PSA targets.”<sup>1</sup>*

The Review has brought forward a series of reforms which will;

*“help to ensure that all parts of the country can respond to economic changes and increase prosperity for all. They will improve incentives and strengthen accountability through local government, and will ensure simplification and streamlining of strategies and funding to enable a clearer, sharper interface between the public sector and business”<sup>2</sup>*

SNER reforms focus on the streamlining of sub-national structures, a review of relationships between localities and integration of a suite of regional strategy documents. The Review therefore has considerable implications for the housing sector in the North, both in terms of the relationship between housing, economic development and regeneration, the role of the regional housing strategy, the delivery of neighbourhood renewal objectives and the delivery of new affordable housing. It builds on developments already announced by Government, including the *place-shaping* agenda as set out in the Local Government White Paper “Strong and Prosperous Communities” and takes forward ideas raised in the Hills Review of Social Housing.

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<sup>1</sup> Terms of Reference for the Sub-National Economic Development and Regeneration Review

<sup>2</sup> Review of Sub-National Economic Development and Regeneration, 2007, pg 4

SNER is based upon the following principles:

- Managing policy at the right levels
- Ensuring clarity of roles
- Enabling places to reach their potential

The reforms focus on four key areas;

- Empowering local authorities to promote economic development and neighbourhood renewal
- Enabling local authorities to work together more effectively where they wish
- Streamlining regional working
- Sharpening focus of central government departments through clearer responsibilities and objectives.

This briefing paper will explore the key reforms set out in SNER and seeks members' views on the implications of these proposals.

## **Theme 1: Empowering Local Authorities**

### **Key Reforms**

- **Government to consult on the creation of a focused statutory economic development assessment duty.**
- **Concordat to govern the relationships between central and local government.**
- **Relationship between local authorities, jobcentre plus and the Learning and Skills Council to be further strengthened.**
- **Review of the Local Authority Business Growth Incentive to ensure there is a clear focus and incentive for LA's to support economic growth.**
- **Consideration of strengthened models for Business Improvement Districts.**
- **Proposals to better target/align funding including NDC, LEGI, and NRF.**
- **New performance indicator in PSA to focus on economic development – including robust indicators around investment in housing and infrastructure.**
- **Government developing options to lever in additional finance to invest in regeneration and growth.**
- **Supporting the development of City Development Companies.**
- **Regional Development Agencies to delegate responsibility for spending to local authorities or sub regions wherever possible.**
- **Funding for 14-19 skills and education to pass to Local Authorities.**

### **Commentary**

Consortium members have long recognised the need to understand the relationship between economic development/capacity and housing markets, especially in terms of framing debates around supporting and raising the quality of our places. SNER seeks to ensure this economic focus is embedded and strengthened at the local authority level and we would broadly welcome this focus.

Improving the economic potential of areas in the North will depend on both increased productivity and increased rates of participation in the economy. The need to more effectively join up interventions around housing and employment opportunities was raised in the recent Hills Report. Whilst tackling worklessness obviously underpins the objectives of the SNER more work needs to be done to embed this activity into strategic thinking. In particular focus needs to be given to consider how preventative based strategies such as Supporting People can be harnessed and incorporated to

add value to broad economic based debates. The recent SP Strategy “Independence and Opportunity” addresses exactly this point and to lose this within a “hard edged” economic policy would be remiss. Members will no doubt be keen to consider how best the broad strategic housing function provided by Local Authorities will be involved in the enhanced focus on economic growth.

Whilst we support the principles of Local Authorities undertaking economic assessments for their locality we would question whether this spatial level is correct. Members are comfortable with the concept of housing market areas and would no doubt support correspondingly sophisticated/joined up analysis of economic potential and challenges. Whilst many members will naturally work with sub regional/city region colleagues on this agenda, we would caution against proposals that *require* a sole Local Authority assessment if this duplicates work and places a further strain on resources.

Alignment of NDC, LEGI and NRF funding offers opportunity to focus activity on the most deprived areas but clearly will result in other areas “losing out”. Is the jam currently being spread too thinly or is funding not the barrier to improvement but more policy flexibility needed? On a broader level we would reiterate our concerns regarding the alignment of revenue and capital resources to ensure that interventions are supported.

We would welcome the chance to discuss this further with members to ascertain how you feel a more targeted approach to improving the poorest neighbourhoods would impact on your programmes.

### ***Consortium Viewpoint***

- *Housing market analysis and plans should be factored into strengthened economic and employment roles*
- *Economic Assessments should take place at the most appropriate spatial level – learning lessons from Strategic Housing Market Assessments.*
- *Funding alignment/policy flexibility – how best can we improve the poorest neighbourhoods?*

## **Theme 2: Sub Regional/City Region Working**

### **Key Reforms**

- **Sub regions able to strengthen sub regional management of transport – link to Transport Bill**
- **Further encouragement to develop joint/cross boundary LDF's**
- **Government to issue guidance on Multi Area Agreements by end of the year.**
- **Selected sub and city regions to have first MAA's in place by June 2008.**
- **Audit Commission to consider whether LA are taking opportunities to work at sub region/city region spatial level through MAAs**
- **Exploring if funding certainty can be provided beyond 3year timeframe**
- **Government to work with interested sub regions to explore the potential of groups of local authorities to establish statutory sub regional authorities which enable pooling of responsibilities for economic development policy areas (beyond transport)**

### **Commentary**

Cross boundary, sub regional working is now commonplace in the housing sector across the three northern regions. Consequently the principles of the reforms proposed here will not surprise members.

However, the challenge for the sector will be to ensure that the contributions that the housing sector can make across a host of public service targets are recognised and effectively harnessed.

Further encouragement for local authorities to develop joint/cross boundary LDFs has merit for us as we feel this is a more appropriate spatial approach which would provide a better fit with developing housing market assessment activity and support improved integration of planning and housing functions.

Our forthcoming project "Maximising Delivery of Affordable Housing" addresses these issues within the context of land supply. This will be a factor in delivering our ambitions for more affordable housing and key to this is effective alignment of spatial practices. We are interested to work with members to highlight best practice in this field.

Several members are already involved in the development of Multi Area Agreements and are keen to develop a strong housing presence in these Agreements. We will work with members to develop learning.

We would be interested to hear from members who are intending to work with government to establish statutory sub regional/city regional groupings to map where and how the housing function is integrated and delivered into these permanent structural adjustments.

*Consortium Viewpoint*

- *Impact of housing function to be recognised by MAAs and other sub regional groupings*
- *Output indicators within LAA/MAA to be appropriate and addressing real strategic objectives.*
- *LDF to align with SHMA approaches for better strategy development and delivery*

### **Theme 3: Streamlining and Strengthening Regional Tier**

#### **Key Reforms**

- **Single integrated regional strategy which sets out the economic, social and environmental objectives for the region**
- **Strategy to be led by the Regional Development Agencies by 2010– Regional Assemblies in current form will cease to exist.**
- **RDAs will be designated the Regional Planning Body.**
- **Regional Strategy signed off by CLG and Business, Enterprise and Regulatory Reform departments.**
- **Local Authorities will be responsible for agreeing the Regional Strategy with the RDA and effective scrutiny of RDA based on performance framework listed below.**
- **Government to work with LA's and other partners to develop regional scrutiny and strategy development arrangements.**
- **Regions set economic growth objectives.**
- **Regions to work with key stakeholders to set out housing growth plans that meet regional demographic pressures and help tackle affordability and under supply of housing.**
- **Reform of RDA objectives – outcome and growth focused framework – aimed at increasing regional GVA measured by five outcome based PIs and supported by underlying principles.**
- **Government to work with Parliament to develop effective parliamentary scrutiny of regional institutions.**
- **2<sup>nd</sup> round of expanded Regional Funding Allocations exercise in CSR period.**

#### **Commentary**

The Consortium values the role of regions in developing and delivering effective strategies that anticipate and respond to the needs of their localities. We continue to represent these views to Government – both in the regions and centrally.

There is merit in a single regional strategy which combines economic, social and environmental objectives. Developing the quality of our places is vital to support economic growth ambitions therefore a strong link at strategy and delivery levels makes sense.

Our primary concerns would focus on the ability of any such document to effectively encompass a broad suite of issues and how this strategy links into sub regional and local delivery plans and groupings – from sub regional housing partnerships through to the LSP and the LAA delivery plan.

The SNER is light on detail regarding the exact nature of the relationship between the new homes agency and the planned regional structures. SNER refers to the agency “inputting, contributing and complementing” the regional strategy; however much more detail is required as we operate across two transitional periods: the creation of single regional strategies and the creation of new homes delivery vehicle. We will of course be representing the views of members at every opportunity throughout this transitional period.

The creation of the new homes agency provides us with a legislative opportunity to equip it with effective tools and approaches and organisational structure that best support northern needs and ambitions, Members views on this are appreciated.

We would also welcome clarification on the role and relationship of Government Offices in the new regional infrastructure.

The principles of Local Authority involvement and scrutiny of the single regional strategy appear sound democratically. We do, however, have concerns regarding the capacity and resource issues that this may place on Local Authorities.

The initial Regional Funding Allocations were welcomed by the Consortium and we called at the time for the funding streams going into RFA to be expanded to include amongst others skills and transport. We are pleased with the proposals set out in SNER to expand the RFA and will be pleased to contribute to the debate and preparations for round 2 RFA.

#### *Consortium Viewpoint*

- *Attention should be given to effective strategy and delivery plan integration – need to ensure housing activity does not fall between the gaps*
- *More detail on role and relationship of new Homes Agency required – Consortium members keen to shape this for northern needs*
- *Cross regional working arrangements – ie Northern Way- needs to be understood*
- *Local Authority capacity and resource issues must be addressed.*

## **Theme 4: Sharpening Government Focus**

### **Key Reforms**

- **Department for Business, Enterprise and Regulatory Reform will be sponsor department for RDAs and will have lead responsibility for the Regional Economic performance PSA.**
- **Regional Strategy jointly signed off by CLG and DBERR**
- **Spatial aspects of Regional Strategy to be subject to EIP and will be issued as statutory document by Secretary of State for CLG**
- **Regional Ministers have been appointed**
- **Central government will have clearer focus on neighbourhood renewal as part of performance management framework accompanying CSR07**
- **CLG will retain responsibility for development of framework for regeneration to ensure a clear link between neighbourhood renewal and wider economic interventions.**

### **Commentary**

DBERR acting as central government lead for the RDA's and managing the Regional Economic performance PSA appears to be commonsense – however, as DBERR is a new department, it is too early to comment on their capacity to undertake this function. The Consortium had previously identified a need to better engage with the economic focussed central departments and this work will continue.

There is clearly a need for close working relationship between CLG and DBERR at central government levels.

We are seeking opportunities to meet with the Regional Ministers if possible collectively to ensure that pan northern issues around housing are understood and taken up by the Ministers.

## **Conclusion**

### ***Linking Housing and Economic Growth***

The SNER was a key element of the preparations for the Comprehensive Spending Review and heralds a strong economic focus for the regions and an explicit link between housing, regeneration and the economy. The review majors on transformational policy agendas an area which the North will feel comfortable with given our recent pan regional work.

The Review obviously comes in advance of the Housing Green paper and we would expect more detail on the relationship between the housing function and the broader economic intervention agenda emerging over the coming months. We would also call for more details on how the workless agenda via Jobcentre plus etc can be integrated into regional delivery programmes given the relationship between social housing and worklessness.

### ***Broader housing impacts not to be lost***

Successful regional strategies will ensure that preventative agendas form an important element of their delivery programmes as highlighted by examples such as Supporting People, homeless or family intervention projects. Whilst these may be seen as marginal, “softer” programmes; at the local level they can have a very real impact on quality of place and quality of life debates and have potential to input into economic performance of regions. Clearly linked to this is the ongoing debate around alignment of revenue and capital resources – it is important we don’t lose sight of this.

### ***Transitions***

The north has a strong track record in cross boundary, regional working arrangements as demonstrated through initiatives such as Housing Market Renewal pathfinders. Our Regional Housing Boards have progressed and are developing new methods of working across their housing markets. The transition to the Regional Assemblies is still relatively recent and whilst the merits of integration with economic strategies and delivery plans are obvious, we should not underestimate the short term transition issues that will arise.

The new homes and regeneration agency transition period runs in parallel to these broader regional structural adjustments this affords us an opportunity to consider how the new agency can be shaped to meet the needs of the three northern regions.

### ***Delivery Targets***

The Comprehensive Spending Review is expected in the autumn and we anticipate a favourable settlement for the sector but with that will come a challenging performance framework – especially in terms of delivery of new homes. Getting the delivery aspects of the SNER in place and operating effectively across housing, regeneration and economic interventions will be key to meet the targets attached to CSR.

We understand that the PSA framework is being revamped and will now be framed by principles of:

- More outward looking
  - More ambitious
  - More motivating
  - More local.
- More streamlined
  - More collaborative
  - More empowering

Managing the inter-relationship of key regional strategic drivers from housing markets to economic growth plans, transport and spatial planning within a framework that meets the PSA principles will be a challenging task for regional stakeholders, local authorities and the wider housing sector. The Consortium will seek opportunities to influence and shape these discussions with members and look forward to engaging with you.

### ***Leadership in Housing***

The regional infrastructure is an important part of delivering the economic ambitions of the North and raising the quality of our places – however, crucial to that delivery will be strong and effective leadership across a spectrum of policy and business areas, no less so than in the housing arena.

### ***Consortium Viewpoint***

- *Integration of forthcoming Housing Green Paper*
- *Impact of housing is understood and addressed in broader economic based regional strategy*
- *Quality of places debate continues under the regional strategy*
- *The value of “softer” more people focused, preventative strategic interventions, for example Supporting People are not lost*
- *Effective join up between regional, sub/city regional and local strategies*
- *Effective join up between regional, sub/city regional and local delivery plans and vehicles*
- *New homes agency is constituted appropriately to meet needs and ambitions of the north*
- *New homes agency is equipped with policy tools to allow it to contribute to regional strategy delivery*
- *Role of Regional Government Offices clarified*
- *Role of regional Ministers and regional select committees is fleshed out*
- *Capacity and resource issues for local authorities is adequately addressed.*
- *Alignment of revenue and capital resource frameworks*

The Consortium will continue to represent members’ views on these issues as we move towards the transition plan for these arrangements. Government will

be bringing forward Consultation papers on the details and we will, of course, be providing both formal and informal feedback and responses to this debate. The Consortium is well placed to support and lead these discussions and our Northern Housing Summit on the 20 and 21<sup>st</sup> November 2007 will provide an ideal opportunity for leaders within the sector to consider the implementation challenges we face.

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