

# SIGOMA

*The Special Interest Group  
of Municipal Authorities (Outside London)  
Within The LGA*

## ***Policy review of sub-national economic development and regeneration key points for the SIGOMA agenda***

Published on 17<sup>th</sup> July, this review makes some important announcements for the SIGOMA agenda and local authorities in urban areas:

- **A future for neighbourhood renewal funding:** a clear message that NRF will continue after March 2008, albeit the form and flexibility have still to be decided.
- **Reforms to neighbourhood renewal funding:** in the future, focusing funding more closely on fewer areas and ensuring it is targeted to the poorest communities in local areas.
- **More performance measurement:** a new set of outcome indicators for economic development, with a potential reward element for neighbourhood renewal for areas showing improvement.
- **Stronger links between economic development and neighbourhood renewal:** so future interventions have more focus on local economic drivers, especially worklessness.

Overall, this is a very positive report for SIGOMA areas with some important proposals that will need to be implemented through the Comprehensive Spending Review in October. SIGOMA needs to continue to work to influence the reforms to neighbourhood renewal to ensure that it can be used flexibly and appropriately by local partnerships.

### **BACKGROUND**

The government initiated a policy review of 'sub-national economic development and regeneration' in 2006, to inform the Comprehensive Spending Review later this year (CSR07). Published in July, the review considers:

- What existing sub-national delivery arrangements have contributed to regional economic performance and regeneration goals?
- What is the most appropriate level to locate responsibility for intervention on economic development, regeneration and neighbourhood renewal?
- What opportunities are there to reduce overlap and improve coordination between national, pan-regional, regional, sub-regional and local agencies?
- What are the institutional barriers currently hindering more effective coordination of policy-decisions and service delivery?

SIGOMA has submitted a number of pieces of evidence to the review, particularly on regional disparities and neighbourhood renewal.

## **THE LOCAL AUTHORITY ROLE IN ECONOMIC DEVELOPMENT**

The report sets out a strong argument and proposals for ensuring that local authorities have a more recognised and influential role in economic development. As part of this, the report commits the government to consulting on a new statutory economic duty which would require councils to carry out an economic assessment. The report also seeks to clarify exactly what the local authority role is:

*The purpose of local government is to take responsibility for the well-being of an area and the people who live there, and to promote their interests and their future. In doing so it should both reflect the distinctive identity and aspirations of the people and area, and safeguard and promote their well-being and prosperity. (para 6.11)*

For the first time, the report also sets out the functions the Government believes local authorities should undertake to fulfil their economic development responsibilities (see box).

### **Local authority role in promoting prosperity**

In order to fulfil their economic well-being role, the Government believes local authorities should work in partnership with other public, private and third sector organisations through Local Strategic Partnerships and within the framework of Local or Multi-Area Agreements, to undertake measures including the following:

- provide clear, transparent leadership for raising prosperity across their areas, working with partners including business;
- develop a vision for the future of the local economy, informed by input from business and analysis of the local, regional and national context and opportunities to build on indigenous assets and areas of comparative advantage, and taking account of the need to move to a low-carbon, low-waste economy;
- support the development of wider regional and sub-regional strategies and ensure that local strategies are consistent with these;
- use the considerable resources and powers at their disposal to develop the economic potential of all local areas, including the most deprived, and manage economic change, working with partner agencies, businesses and communities;
- leverage investment from the private sector; and
- ensure that business support is coordinated with relevant partners within regional and national frameworks, avoiding overlap and duplication.

## **INTEGRATING NEIGHBOURHOOD RENEWAL AND DEVELOPMENT**

The report states that there is a lack of coordination between neighbourhood interventions and wider economic development and regeneration. As such, future interventions will need a stronger focus on economic drivers and to take account of the long term economic potential of an area. This could mean a tighter focus for the neighbourhood renewal fund after March 2008.

Local delivery of environmental improvements and coordination of service delivery remain important in driving improvements at the neighbourhood level. However, there should be a stronger emphasis on interventions aimed at developing the ability of people to get into work and stay in work. Tackling worklessness is a key area in the Government's plans to promote economic prosperity. Local authorities are expected to build on existing neighbourhood management structures to engage with individual neighbourhoods in deciding priorities.

## **FINANCIAL INCENTIVES FOR COUNCILS**

It is important to ensure that the right incentives are in place for local councils to improve economic development. Financially, this includes the Local Authority Business Growth Incentive scheme (LABGI), which the Lyons Inquiry found was generally welcomed, although could be improved by simplifying and focusing more closely on a single growth objective.

The report accepts this analysis and commits the government to bringing forward options for reforming LABGI by the summer to ensure there is a clear focus and incentive for local authorities to support economic growth. Options will include measures to:

- strengthen the incentive by linking reward more closely to growth and by examining whether mainstream resources can be more strongly associated with performance in relation to economic development; and
- simplify the structure of LABGI and give local authorities greater certainty over rewards taking into account the volatility of year-on-year growth and the need for long-term planning.

## **REFORMS FOR NEIGHBOURHOOD RENEWAL**

The report concludes that reforms to neighbourhood renewal are needed to ensure better targeting and joining up of specific funding streams. It suggests that local authorities should seek to align specific targeted funding including New Deal for Communities and Local Enterprise Growth Initiative (LEGI) with wider funding to achieve objectives within the Local Area Agreement.

### **Options for reform of NRF include:**

- focusing neighbourhood renewal funding more intensively on fewer areas and according to more acute deprivation at the neighbourhood level.
- Ensuring funding is targeted on improving performance in the poorest neighbourhoods rather than being applied to performance across local authority areas as a whole
- A reward element to the neighbourhood renewal fund to improve incentives for good performance by local authorities and to promote the focus of mainstream service delivery bodies on improving outcomes in deprived areas i.e. within Local Area Agreement approaches.

## **MEASURING PERFORMANCE**

The report places increased emphasis on the need to measure impact of economic development and regeneration programmes. The Government will develop indicators for economic development and neighbourhood renewal, directly linked to national Public Service Agreements as well as linking to regional economic strategies. This will be published within the CSR07 as part of the new performance management framework and cover areas such as:

- employment and worklessness
- education and skills for up to 19 year olds
- investing in housing and infrastructure enterprise
- creating an attractive local environment for business and citizens

## REGIONAL GOVERNANCE AND STRUCTURES

The report looks at every sub-national tier of decision making, from the neighbourhood through to the regional. As such, many of its key proposals are about regions and sub-regions. Although these are not central to SIGOMAs current agenda, they are clearly important to the operation of every local authority. Proposals from the report include:

- A commitment to ensure that the Government works with sub-regions to develop **Multi Area Agreements** that are voluntary at the point of creation, focus on activity where sub-regional working can add value and relate principally to economic development. Guidance will be published by the end of the year.
- A commitment on the Government to explore the potential for allowing local authorities to set up **statutory sub-regional authorities** to pool responsibilities, as they are already in some areas for transport (ie PTEs in met areas). Other functions that could be delivered are housing, planning and economic development.
- Bring together the regional spatial strategy and regional economic strategy to form a **single regional strategy** in every region. Regional Development Agencies will be responsible for preparing these integrated strategies, working with local authorities and other partners.
- Each region will also be given a **growth objective** to work towards, measured by indicators covering Gross Value Added, employment rates, skills and business start ups.
- **Regional Assemblies will not continue** in their current form. Instead local authorities in each region will be responsible for agreeing the integrated strategies and scrutinising RDAs.

Again, further consultation will be published later this year on how these reforms can be implemented, although there are references in the report to suggest that integrated regional strategies will be ‘built up’ from proposals at the local level.

### Issues for SIGOMA

SIGOMA has welcomed this report and the context it provides for the publication of CSR07. In particular, we should welcome the continuation of NRF and the fact that LABGI is to be reformed to make it simpler. However, we now need to work constructively with the government in the run up to CSR07 to illustrate how: and why

- NRF remains should remain strategically targeted at deprived local authority areas, through the Indices of Deprivation
- Local partnerships need to retain the flexibility to target and use NRF as they see fit, to meet local needs as defined by the partners themselves
- Targets and indicators for neighbourhood renewal and regeneration can be tailored to measure local priorities through local area agreements
- Issues, like health, crime and the local environment, all contribute to the economic well-being of towns and cities.

### SIGOMA

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