

Report of the Director of City Strategy

REVIEW OF SUB-NATIONAL ECONOMIC DEVELOPMENT AND FUTURE WORKING WITHIN THE LEEDS CITY REGION

Summary

1. This report sets out background information on the Government's Sub-National Review of economic development and regeneration (SNR), considers the implications of this for the Leeds City Region (LCR), and proposes specific actions to consider in order to maximise the benefits for York.

Background

2. The Government's review sets out a number of structural reforms, namely:
 - to strengthen the local authority role in economic development, including a new statutory economic assessment duty;
 - to support the effective collaboration by local authorities across functioning economic areas, for example by establishing Multi Area Agreements;
 - to introduce single regional strategies, with Regional Development Agencies designated as regional planning bodies;
 - to give regions a greater say in the distribution of funding in each region;
 - to sharpen the focus of central government on sub-national devolution, including the appointment of regional Ministers acting as regional champions.
3. A summary of the proposals set out in the SNR is appended to this report (Annex A). Some of the proposed structural changes will require legislation and the Government has indicated that they will consult on how the regional strategy may be implemented and on the creation of a focused duty placed on local authorities to carry out assessments of local economies. This consultation is likely to take place early in 2008. Other elements of the SNR are capable of more immediate implementation; progress to date includes:
 - a concordat signed between the Government and the Local Government Association, establishing for the first time an agreement on the rights and responsibilities of local government, including its responsibilities to provide effective leadership to the local area and to empower local communities;

- a White Paper published regarding business rates supplements, proposing a new power for local authorities to raise and retain local supplements to the national business rate in order to fund projects to promote economic development subject to a number of safeguards;
- the introduction of new legislation in the Planning Bill for a new Community Infrastructure Levy that will establish a better way to increase investment in infrastructure;
- a reform of local authority business growth incentives;
- a newly announced Working Neighbourhoods Fund to support community-led approaches to getting people in deprived areas back into work – this is targeted on 66 local authorities, not including the City of York;
- a new performance framework for local government with a clear focus on economic development and neighbourhood renewal;
- an announcement of 13 sub-regions (including the Leeds City Region) as developing the first wave of new Multi Area Agreements (MAAs) with the aim that these should be agreed locally and with Government by June 2008;
- the publication of the Local Transport Bill allowing for the boundaries of Passenger Transport Authorities (PTAs) to be extended and for PTAs to take on more powers that would allow a more integrated approach to transport management at the sub-regional level;
- the appointment of Ministers with regional responsibility, in the case of Yorkshire and the Humber this is now Rosie Winterton, MP for Doncaster Central and Minister of State for Transport.

4. The SNR envisages a stronger role for City Regions and sub-regional working in order to enhance economic growth and competitiveness. The Leeds City Region comprises the 10 local authority districts of Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, Selby, Wakefield, and York, which reflects the true area of how the economy of Leeds and the other cities, towns and rural areas in the city region functions; for example, 95% of people who live in the city region also work in the city region (the comparable figure for York is about 85%). Together with North Yorkshire County Council, the local authorities have prepared and agreed the Leeds City Region Development Programme which is essentially the economic plan for the city region. The Vision for the Leeds City Region is to “develop an internationally recognised city region; to raise our economic performance: to spread prosperity across the whole of our city region; and to promote a better quality of life for all of those who live and work here”. As well as the Leaders Board, other working arrangements have been developed within the Leeds City Region covering Transport, Skills and Labour Market, and Housing. Work is continuing to develop a Multi Area Agreement focussed on skills, labour market mobility and transport. Yorkshire Forward have indicated their intention to move their investment planning processes to a city regional basis, and shadow arrangements for city region investment planning are expected to be in place by April 2008. The Leeds City Region secretariat has also been working with the five Chambers of Commerce, the Confederation of British Industry and local authorities to establish a business leadership group reflecting a balance of representatives from different industrial sectors, geographical areas and size of business.

Consultation

5. Consultation has been undertaken by the Government regarding the SNR and it is likely that specific elements of the proposals set out within the SNR will be the subject of further consultation as proposals are developed. The Leeds City Region Development Programme was subject to consultation within the city region and was agreed by all 11 local authorities. The implications for York of the developing “City region agenda” has been included in the consultation exercises undertaken with respect to the Future York Group report, the Sustainable Community Strategy and the Local Development Framework.

Options

6. Most of the proposals set out in the SNR will be the subject of consultation with the local authority and an assessment of the options open to the Council will need to be undertaken at the appropriate time. At this stage, the key element for York is to maximise the opportunities presented by the Leeds City Region and to consider how best to respond to this. This is considered further below.

Analysis

7. If York is to capitalise on the opportunities and benefits of the Leeds City Region then a clear strategy of engagement needs to be developed with representatives involved in LCR having a clear briefing on relevant issues. This analysis highlights benefits and priorities and outlines the key actions needed within the Council to deliver maximum benefit to the City.
8. In terms of Corporate Priorities, involvement with the Leeds City Region can help to increase the skills and employment prospects of residents, improve economic prosperity/minimise income differentials and reinforce the sustainable transport agenda. It can also help deliver the regional imperatives contained within the Future York Group report and make the Council's regional and national employment performance indicators easier to achieve. Particular initiatives within York that have a strong impact on the Leeds City Region include:
 - Access York – proposals for tackling congestion and improving Park and Ride facilities on the Outer Ring Road to improve mobility and access across the LCR.
 - York North West – recognition that the economic benefits of developing this site will be of great significance to the LCR and help realise ambitions to develop further the business and financial sector of the LCR.
 - Tourism – increased recognition of the importance of York as acting as a gateway into the region and LCR for tourists and other visitors. It can be argued therefore that investment in the City's public realm or attractions can be of major benefit to the region.
 - Science City York – increased recognition for the role Science City York can play in delivering the regional innovation strategy across the LCR.

As a formally designated National Science City, York is able to lead on an innovation agenda across the LCR, increasing the skills base of the local economy and impacting on regional GVA (Gross Value Added).

- Multi-Area Agreement – focussed on skills, labour market mobility and transport will help to address both the supply and demand sides of the skills agenda and assist in ensuring that an appropriately skilled workforce is available to meet the needs of employers in the City and across the LCR. York, a centre for learning with its two universities and two colleges with a new Financial Services Academy (York College) and Business School (St John's) is well placed to feed into the skills base required in the future and underpin the burgeoning Financial and Business Services Sector that needs to spill out of Leeds. York is currently at near full employment but the opportunity is here to address both higher added value employment as well as under employment and low skills issues.

9. A number of actions, primarily for the Council, are recommended to ensure that York helps to shape the LCR agenda and to articulate our ambitions and potential:

- Ensure appropriate representation on key thematic Panels within the Leeds City Region that are being formed where these are relevant to the initiatives identified in paragraph 8 above.
- Ensure that York's Business Panel representative is fully briefed on York related issues.
- Work with contiguous LCR partners who may have similar aspirations
 - Harrogate, the southern part of which is in the LCR
 - Selby (in particular)
 - Ryedale, which is not in the LCR but is included within York's RSS sub-area. Southern Ryedale (and Malton) has a stake in York's economic success and its growing regional weight (an RSS designated regional centre).

Within the above, begin to consider how the LSP and partnership working might interlock with the aspirations and ambitions of these neighbouring authorities.

- Work with Leeds business representatives through York Professionals, Visit York and Science City York. Discuss and agree on (in particular) strengthening the financial and business services sector and spreading its employment benefits city regionally. Establish York's credentials (mainly via York North West) as a viable location for investment and employment. Develop the agenda of York as a gateway to the region and City region.
- Ensure dialogue is taking place on building the relationship with Yorkshire Forward at the appropriate senior level, taking account of the priorities identified above for York in relation to the Leeds City Region,

namely: Access York, York North West, Gateway for Tourism and Science City York. The Council will lead on working with Yorkshire Forward to seek their direct investment in York to support economic development priorities.

- Ensure that the appropriate officers are involved in developing a Multi-Area Agreement for the Leeds City Region. Government Office has stated that one should be agreed by June 2008 focussed on skills, labour market mobility and transport; the LCR board has agreed to this.

- Ensure that York's case for the designation of York North West as one of the Government's New Growth points is articulated within the LCR endorsement process.

10. In engaging with the LCR agenda, it is important to recognise that the Leeds City Region still needs to 'prove' itself as a political body and strategic thinker capable of delivering schemes which have cross-city region benefit. The LCR contains a wide variety of economic and social conditions within it, and therefore there will need to be careful negotiation on proposals that are truly of cross-city region benefit. It is possible for example that a 'West Yorkshire lobby' might out-vote other members in the future to bring more parochial benefit. In addition to the LCR, it is likely that York will continue to have an interface with partners within North Yorkshire due to the levels of economic interaction between York and North Yorkshire. Equally, we will need to maintain a close working relationship with Yorkshire Forward to seek their direct investment in York, bearing in mind the limitations on the budget of a local authority of the size of York to contribute to wider city region initiatives. It will also be important to ensure that the principle of subsidiarity is followed by the Government in implementing its proposals for the Sub-National Review to deliver accountability and transparency.

Corporate Priorities

11. Current corporate priorities that link with the report's focus on improving economic prosperity through the SNR and the Leeds city region are:
 - Increase people's skills and knowledge to improve future employment prospects.
 - Improve the economic prosperity of the people of York with a focus on minimising income differentials.
 - Increase the use of public and other environmentally friendly modes of transport.

Implications

12. Financial: A growth bid of £23,000 has been put forward to support the likely costs to the Council of contributing to the Leeds City Region secretariat as agreed at the LCR Leaders Board; this will be considered as part of the Council's budget setting for 2008/09. Any other financial implications arising from the SNR or Leeds City Region working will need to be the subject of separate future reports to the Executive.

13. Human resources: None directly from this report.
14. Equalities: None
15. Legal: None
16. Crime and Disorder: None
17. Information Technology: None
18. Property: None

Risk Management

19. In compliance with the council's risk management strategy. There are potential risks to York and the Council of not engaging in the Leeds City Region through a potential loss of funding opportunities and influence. The actions set out in paragraph 9 of this report are intended to mitigate against potential risks.

Recommendation

20. That the Board considers the actions set out in paragraph 9 of this report in order to maximise the benefits of the Sub-national Review and the Leeds City Region to York.

Reason: To help shape the effectiveness of future action.

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Report Approved



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Specialist Implications Officer(s)

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Wards Affected:

All

For further information please contact the author of the report

Background Papers: None

Annex: Sub-National Review of Economic Development and Regeneration Summary

Sub-National Review of Economic Development and Regeneration

SUMMARY

The principles the review is based are:

Managing policy at the right spatial levels

- there should be a devolved approach, giving local authorities and regions the powers to respond to local challenges and improve economic outcomes;
- responsibilities should be allocated in line with economic impacts, based on a bottom-up approach to collaboration between areas;

Ensuring clarity of roles

- objectives need to be clear, with a strong focus on economic development measures and opportunities for sustainable growth;
- decision-making should be as streamlined as possible and bureaucracy must be minimised;
- strategies, policies and funding streams must be rationalised and coordinated effectively;

Enabling places to reach their potential

- clear accountability and public scrutiny arrangements must be in place to allow for devolution of powers and responsibilities, including at the regional level, with an inclusive approach to development of regional strategies;
- places must have incentives to promote economic growth and tackle the problems of deprived neighbourhoods; and
- the public sector must have the capacity to work effectively with the private sector.

The reforms are in four key areas as set out below.

Empower all local authorities to promote economic development and neighbourhood renewal

So that all local authorities have greater flexibilities and incentives to promote economic growth and tackle the problems of deprived areas, the Government proposes to:

- consult on the creation of a focused statutory economic duty for local authorities which would require all upper tier authorities to carry out an assessment of the economic circumstances and challenges of their local economy;
- reform the Local Authority Business Growth Incentive scheme to give a clearer focus and incentive for local authorities to promote economic growth;
- concentrate neighbourhood renewal funding more closely on the most deprived areas with greater incentives for improved performance;
- reform the local authority performance framework so that it includes a clear focus on economic development and neighbourhood renewal;
- consider options for supplementary business rates, working with local government, business and other stakeholders;
- work with the Regional Development Agencies so they play a more strategic role, delegating responsibility for funding to local authorities and sub regions where possible unless there is a clear case for retaining funding at the regional level or there is a lack of capacity at lower levels;

- ensure the proposed new homes agency also supports local authorities in its role focusing on housing, housing-related interventions, and the transformation of deprived communities;
- moving funding for most 14-19 year olds education and skills to local authorities as announced as part of the recent machinery of government changes; and
- work with local authorities to improve their capacity to deliver on their new, enhanced role on economic development and neighbourhood renewal.

Support local authorities to work together at the sub regional level

Recognising that our cities and towns are often the engines of economic growth and that many economic markets operate at the level of sub-regions, including city-regions, the Government will:

- allow sub-regions to strengthen sub-regional management of transport, and including the possibility of giving greater long-term certainty of funding for transport where suitable governance arrangements exist, as part of the Local Transport Bill;
- develop proposals for Multi-Area Agreements to allow groups of local authorities to agree collective targets for economic development issues;
- work with interested sub-regions to explore the potential to allow groups of local authorities to establish statutory sub-regional arrangements which enable pooling of responsibilities on a permanent basis for economic development policy areas beyond transport;

Strengthen the regional level

The regional tier has an important role in developing overall strategy, identifying priorities and opportunities for growth. More policy and funding decisions should be devolved from the centre. However, accountability arrangements need to be clearer and simplification is required. The Government therefore proposes to:

- move to a single integrated regional strategy which sets out the economic, social and environmental objectives for each region;
- place on the Regional Development Agencies the executive responsibility, on behalf of the region, for developing the integrated regional strategy, working closely with local authorities and other partners;
- set each region a regional economic growth objective, and set out an expectation for regions to work with local authorities and other key stakeholders to set out plans for housing growth that meet regional demographic pressures, and help tackle affordability and the national under-supply of housing;
- reform significantly the RDAs' objectives, replacing their current tasking framework with a simplified outcome and growth-focused framework defined by a single over-arching growth objective;
- give local authority leaders in the regions responsibility for agreeing the regional strategy with the RDAs, and for effective scrutiny of RDA performance;
- work with Parliament to agree the best way of strengthening Parliamentary scrutiny of regional institutions and regional economic policy;
- carry out a second expanded Regional Funding Allocations exercise in the Comprehensive Spending Review period;
- ensure that the work of agencies including the Highways Agency, the new homes agency, the Environment Agency, the Learning and Skills Council(LSC) and Jobcentre Plus informs, complements and contributes to the priorities agreed in the regional strategies;
- reform significantly and simplify the RDAs' sponsorship framework in order to support the devolving decision-making agenda, drive further improvements in

strategic and analytical capacity, clarify further the focus of the RDAs, and provide incentives for each RDA to improve continually its impact and performance; and

- give the RDAs a key role in both coordinating business support within the regions and in delivery, with consideration by the time of the Comprehensive Spending Review of a single brokerage service for business support and skills, and better alignment of the RDAs and the activities of UK Trade & Investment.

Reform central government's relations with regions and Localities

The Government will also improve its support for regions and localities, including through reforms to:

- give the Department for Business, Enterprise and Regulatory Reform (DBERR) responsibility for performance management of the RDAs;
- give DBERR lead responsibility for the Regional Economic Performance Public Service Agreement (PSA);
- make the regional strategies subject to joint sign-off by the Secretary of State for Business, Enterprise and Regulatory Reform and the Secretary of State for Communities and Local Government;
- appoint a Minister for each of the regions, to provide a sense of strategic direction for their region and to give citizens a voice in central government, ensuring that government policy takes account of the differing needs of the nine English regions; and
- ensure that all the Departments involved in delivery are jointly responsible through the new performance management framework, as part of the Comprehensive Spending Review.