



**Government Response to the House of Commons
Business and Enterprise Select Committee
Report on Regional Development Agencies
and the Local Democracy, Economic Development
and Construction Bill (Fourth Report of the
session 2008-09: HC 89)**

**Presented to Parliament by the Secretary of State for Business,
Enterprise and Regulatory Reform
By Command of Her Majesty
June 2009**



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Business and Enterprise Select Committee

Fourth Report of Session 2008-09 – Regional Development Agencies

Memorandum from HM Government in response to the BERR Select Committee Report

Summary

- Regional Development Agencies (RDAs) are a vital part of the Government's support for business. Government is pleased that the report recognises the importance of their work, of keeping a business focus and ensuring they have the skills, resources and clear direction needed to deliver. We are also pleased to note the Committee's conclusion that there is a need for a level of governance between central government and local authorities and their satisfaction that RDAs serve a useful function and that, given the nature of RDAs' responsibilities, it is appropriate that these organisations are business-led.
- RDAs provide dedicated economic leadership, and are giving vital help and support to businesses during the recession. They are also playing a major role in supporting the development of sectors that will drive their region's and the UK's future growth. RDAs bring together partners and stakeholders to tackle complex economic challenges and economic shocks. This includes businesses, business organisations, universities, local authorities and other stakeholder groups like Trade Unions and environmental groups. Together they deliver an extensive range of programmes in each region guided by their agreed regional economic strategies, resulting in catalytic effects which lead to economic benefits for their regions.
- RDAs are making a real difference to the economy. The recently published independent study by PricewaterhouseCoopers has shown that, overall, RDA investments over the period 2002-2007 will generate £4.50 of benefits for every £1 spent. The report has identified 213,000 net additional jobs that the RDAs had helped create or safeguard, and over 570 hectares of contaminated or disused brownfield land that the RDAs had regenerated – these would not have otherwise come about without RDA involvement.
- Government welcomes the support for the economic development elements of the LDEDC Bill and notes the concerns about its provisions. Implementation of the Review of Sub-National Economic Development and Regeneration (SNR) will strengthen RDAs' role, promoting more effective joint working between RDAs, Local Authorities and other public and private sector stakeholders in delivering new regional strategies for the English regions.

Summary of Conclusions and Recommendations and Governments Response

1. The Committee notes the broad and strong consensus about the need for a level of governance between central government and local authorities and is satisfied that regional development agencies (RDAs) serve a useful function. The Committee acknowledges that other models could have been developed to perform the function, rather than that established by the Regional Development Agencies Act 1998, but believes that, given the nature of RDAs' responsibilities, it is appropriate that these organisations are business-led. (Paragraph 21)

We welcome the recognition and strong consensus that there is a need for a level of governance between central and local government, particularly on economic issues. Business led RDAs combining both business and public sector skills and knowledge serve this function and serve it well. Government is committed to ensure that RDAs remain business led to retain a business focus.

Government received strong endorsement for its Sub National Review (SNR) proposals particularly the proposal for a new integrated regional strategy and the benefits it would bring in energising each region by bringing together both the economic and spatial planning for the first time, around a compelling vision of sustainable economic growth. Government believes a closer alignment between economic and spatial planning would provide a vital means of prioritising the region's activity to drive forward economic development and regeneration.

2. The Committee recognises the real concern that exists about the inevitable arbitrariness or inappropriateness of some borders between RDAs and seeks reassurance from both the Government and the RDAs themselves that strenuous efforts will always be made to work across boundaries where sub-national economies or industries that are truly national in scope demand a wider approach than a regional one. (Paragraph 29)

RDAs recognise that many economic growth drivers and issues require a pan regional approach that spans administrative boundaries. There are already good examples of the RDAs working across boundaries where it makes economic sense to do so. For example, the three northern RDAs, One North East, the North West Development Agency and Yorkshire Forward, established The Northern Way. This body allows the RDAs and sub regional partners to work across boundaries where they have opportunities and challenges in common, and where collaborative working can help address these. For example, the Northern Way have recently published recommendations on how to increase levels of venture capital across the three regions, and their ongoing work on transport infrastructure has had a direct impact on the prioritisation of new transport investment in the North – such as recent improvements in Manchester Airport's rail connectivity; the London Development Agency (LDA), South East of England Development Agency (SEEDA)

and the East of England Development Agency (EEDA) have collaborated to produce a single investment strategy for the Thames Gateway; and Advantage West Midlands (AWM) and the East Midlands Development Agency (EMDA) have jointly supported the development of the Energy Technologies Institute, the Manufacturing Technology Centre and the Midlands Aerospace Alliance.

To build on this work, New Industry, New Jobs, published by the Government on 20 April 2009 confirmed that national government's role is to define a single set of strategic priorities for sustainable economic growth and development. Within this national framework RDAs will be working with Leaders Boards to develop regional strategies to respond to their individual regions unique challenges. Where the RDAs identify cross border issues then they and their partners should work together to address them as part of the delivery of their regional strategies and will be encouraged to do so in the guidance on regional strategies, due for publication later this year.

3. The Committee understands and shares the concerns of business organisations that the incremental increase in RDAs' responsibilities to date has resulted in some loss of their business focus. Moreover, the Committee is concerned that increasing RDAs' responsibilities in a piecemeal fashion could seriously impact on their ability to maintain the strategic outlook which the SNR proposes. If responsibilities are to be widened in future, there must be full public consultation before any such change. (Paragraph 32)

The Government notes the Committee's concerns. SNR proposals will bring closer alignment between economic and spatial planning and provide a vital means of prioritising the region's activity to drive forward economic development and regeneration. We will work with RDAs to develop a clear sponsorship and tasking framework. The PwC evaluation report and Public Value Programme provide evidence to identify where RDAs should focus to create sustainable economic growth and development. Reprioritisation is now taking place through the RDA corporate plans.

4. The Committee notes the National Audit Office's (NAO) positive assessments of RDAs' effectiveness; it also notes the strong, but anecdotal, views expressed to it criticising aspects of RDA performance. Ideally, we would have delayed this report until the PricewaterhouseCoopers (PwC) report on RDA impact was available but we feel it is important that this Report is published in time to inform the House's consideration of the Local Democracy, Economic Development and Construction Bill. This central issue of effectiveness is one to which this, or a successor committee, might wish to return. (Paragraph 40)

The PwC evaluation review has now been published and the Committee has been sent a copy. The report shows that RDAs are making a real difference to the economy and concludes that, on average, RDA programmes evaluated will generate £4.50 of benefits per £1 invested and that RDAs add significant strategic value to their regions. The

report shows RDAs have been effective in creating the conditions for improved economic performance in each region.

5. We welcome the commissioning of the PwC report on the effectiveness of RDAs but are very disappointed that the Government has introduced legislation implementing the SNR proposals before its publication. It is regrettable that Parliament is being asked to decide on RDAs' future responsibilities without a full analysis of the way they fulfil their current ones. The Committee strongly recommends that the PwC report is published before the Committee stage of the Bill begins. (Paragraph 41)

The PwC evaluation review does not fundamentally change SNR policy and aspects of the Bill. It reinforces RDA focus on sustainable economic growth and sets direction for delivery. It will help strengthen delivery of economic development across regions and align partner activities across sub regions. It also builds on RDAs strong record of developing regional economic strategies.

6. The Committee notes the concerns about the private sector experience of RDA staff and board members. Moreover, the Committee is itself concerned that the percentage of staff with a business background will decrease further if, as the Bill envisages, RDAs become more involved in matters currently undertaken by other regional bodies, such as planning. This could have a significant impact on RDAs' ability to be truly business led and we recommend that the Government monitors the experience of RDA staff and board members on a regular basis. (Paragraph 45)

RDA boards are businesses-led. More than 40% of RDA staff have private sector experience. The requirement to work with the Leaders Board on drawing up the Regional Strategy will not diminish the capacity and capability RDAs devote to business facing services and programmes, nor engagement with a wider range of stakeholders including the private sector where needed. RDAs will still need to have the right skills mix to ensure their planning and delivery takes account of both the public and private sector needs – a total business environment approach.

7. The Committee notes the conclusions of the Arthur D Little Report but this issue seems to remain a cause of concern to businesses. We are not fully convinced by the report's findings. The Committee will monitor the success of the new arrangements for overseas representation and expects to see more robust co-ordination in the future. The Committee also expects the new overseas representation model to lead to progress on the Committee's earlier recommendation that RDA overseas offices co-locate within Foreign and Commonwealth Office overseas and UK Trade & Investment (UKTI) offices, wherever possible. In its response to this report, we ask the Government to report progress on this important subject. (Paragraph 51)

The recommendations agreed by Government on closer working arrangements between UKTI and RDA teams in overseas markets are now being implemented in markets where RDAs have representation. UKTI and the RDAs are closely monitoring performance.

The new arrangements in the three precursor “pathfinder” markets (India, Canada and France) are proving effective. For example there is evidence of more formalised and frequent information exchange and referrals being passed from one RDA to another more appropriate one.

On the Committee’s specific point about the need for greater co-location of RDAs with UKTI, we are at an advanced stage of developing standard arrangements that draw from instances where successful co-location already occurs. A number of requests for co-location by individual RDAs are under discussion.

UKTI will keep the Committee updated on closer working arrangements.

8. The Committee appreciates that the Government is facing a significant challenge in dealing with the effects of the current economic recession and that there are many calls on public funds. The Committee recognises that it may be that RDAs can make efficiency savings and operate effectively on a smaller budget. Any budget cuts made, however, must be done after a comprehensive and thoughtful review of RDAs’ budgets and programmes, rather than being determined by departmental budget shortfalls on other priorities. (Paragraph 58)

The Department understands the Committee’s concern that cuts in RDAs budget have an impact of the ability of the Agencies to deliver commitments in their approved corporate plans. However, the Government has to make tough choices in the current difficult economic circumstances.

9. It is important that RDAs have some certainty over their budget in order for them to work with regional, sub-regional and local partners to fund and deliver meaningful economic development programmes. The Government should support Ministerial rhetoric with financial clarity; ‘dipping into’ RDA budgets is no way to do that. (Paragraph 59)

The nine RDAs have budgets of £6.2bn over 2008-11 which enable them to deliver important investment in programmes and projects focused on economic development. We have asked them to find £317m of savings which is a relatively small proportion of their overall budget. We have asked RDAs to produce refreshed corporate plans for the period and to discuss those with their regional partners.

The RDAs are key to the delivery of Government policies. We expect key decisions about the RDA’s spending to be made in the context of the next Spending Review and following consultation between RDAs and Government Departments.

10. Whatever the merits of the timing of reform during a major recession, it would be easier to implement if there was clarity about the proposals. Throughout the inquiry, the Committee was surprised and disappointed by the lack of detail contained in the Government's proposals about how the new arrangements for sub-national governance of economic development policy would operate in practice. This can only be a cause of significant concern for the RDAs and local authorities faced with implementing the legislation. We believe that much of the clarification called for in this report could, and should, have been provided at an earlier stage. It must be available during the Committee stage of the Bill. (Paragraph 67)

In order to provide early advice on the regional strategy process, a policy document was issued in January. Thinking on some of the detail has subsequently developed and we are intending to issue shortly an advice note specifically covering governance arrangements, which will provide greater clarity on the designation of Leaders' boards and joint working arrangements.

Formal guidance remains scheduled for issue for consultation following Royal Assent of the legislation.

11. The Committee recognises the broad support for the integration of the existing regional economic and spatial planning strategies and welcomes the Government's decision to merge the two. The Committee emphasises, however, that it will be essential to balance the economic and the spatial planning aspects of the strategies. It will be difficult for RDAs to remain business led organisations whilst jointly responsible for a strategy which encompasses a range of often very sensitive community issues. (Paragraph 116)

Government is determined to ensure that RDAs remain business focused. RDA Boards are and will remain businesses-led. A substantial section of RDA staff have private sector background and the committee has acknowledged this.

RDAs' key role is in delivering for both the region and for their agenda and will continue to focus on sustainable economic growth nationally in partnership with other organisations. Their single objective is helping deliver the Regional Economic Performance PSA which is crucially important in the current climate.

SNR recognised that RDAs are pulled in many directions and it clarified RDAs' sustainable economic growth focus. There was widespread recognition in the responses to the SNR consultation that the proposed integrated regional strategy was the way to go. Planning and transport issues are integral to promotion of sustainable economic development. But the RDAs too understand that the working arrangements they develop with their regions' Leaders' Board are expected to be efficient, practical and capable of delivering the regional strategy and its implementation plan in a timely manner. This will take into account the most effective use of their respective skills and experience.

12. The Committee notes the tensions between witnesses about the need to represent business interests and the need to represent community concerns within the integrated regional strategy. The Committee believes that business interests cannot be presumed to take precedence over the democratically expressed wishes of local communities. The process that eventually results from the Bill must allow community concerns raised through the local democratic process to be fully recognised and taken into account. (Paragraph 117)

We recognise that the new regional strategies need to take account of both community and business views wherever possible. It will be up to the new Leaders Board and the RDA to decide between them how the various elements of the strategy and its delivery are brought together. The Bill requires the responsible regional authorities to adopt a transparent and inclusive approach to involving stakeholders in strategy-making. This includes setting out the requirement for them to prepare, publish, keep up to date and comply with a statement setting out their policies for involving interested persons when preparing a draft revision of a regional strategy.

RDAs fully recognise importance of stakeholder engagement and consultation required in developing the new regional strategies and are working with local authorities to set up engagement plans to ensure an inclusive and transparent process.

13. The Committee welcomes the fact that local authorities, through the Local Authority Leaders' Boards (LALBs), will retain their democratic link with spatial planning issues under the revised proposals. As the Committee has already stated, however, it is concerned that RDAs must remain business focused to perform their primary functions and that the Bill does not provide sufficient safeguards to local communities. The Committee urges Members to address these central points during the passage of the Bill through the House of Commons. (Paragraph 118)

There have been a number of debates around community involvement in the House of Lords, recognising the importance the Government and other parties place on this issue, and this has provided the opportunity to clarify the safeguards that the Bill provides for local communities (See responses to 11 and 12 above).

14. The Committee welcomes the revised proposals relating to the functions of LALBs and supports the Government's decision to separate the executive and scrutiny functions. We are concerned, however, that over the evolution of the Government's proposals an accountability gap may have been created. The Committee recognises that regional committees are expected to have a key role in the accountability of the integrated regional strategies and regional governance. It is too soon to judge their effectiveness but this Committee does have concerns about whether regional committees will have the time and resources to scrutinise sufficiently regional strategies. Nor is it clear how such scrutiny will fit with existing committees' remits, such as this Committee's scrutiny of BERR and its agencies, including RDAs. (Paragraph 119)

We note the concerns of the Committee about the time and resources of the regional committees to undertake this work. They will be aware that the Committees have been established for time limited period and in itself this could limit their abilities to undertake inquiries into the development and implementation of regional strategies, however, this is a matter for the House and the regional committees themselves, not for Government.

The proposed arrangements which range from scrutiny by the Regional Select Committee, by BERR through the Department's RDA tasking and performance framework, Independent Performance Assessment and other NAO reviews and ultimately accountability through the BERR Secretary of State to Parliament are designed to complement rather than replicate each other.

There are also a number of mechanisms built into the regional strategy process to provide scrutiny outside of the formal role given to the regional committees. Examples are public consultation and the use of Examination in Public panels, which will subject each regional strategy to rigorous scrutiny drawing upon the expertise of stakeholders.

15. The Committee regrets the lack of clarity about the procedure to be followed if the integrated regional strategy cannot be agreed. The Committee notes that, other than clause 74(1)(a), the Bill is silent on the relationship between LALBs and RDAs and remains concerned about the confusion about how disagreements between the two can be resolved. The Committee recommends that the Government clarifies this before the Bill reaches committee stage in the Commons. If sufficient clarification is not provided, Members may wish to amend the Bill to address this. (Paragraph 120)

It is for the LALBs and RDAs to agree the working protocols for joint development and delivery of the regional strategy which would include how they intend to manage disputes.

The Policy Document also clarifies that Clause 79 (now Clause 81) of the Bill means that where LALBs and RDAs are unable to reach agreement, or where one side acts unreasonably, the Secretary of State may direct the process for producing the draft strategy. This includes directing the RDA and Leaders' Board to jointly submit what has been done to the Secretary of State, together with statements detailing their points of disagreement. The Secretary of State would use this direction power sparingly and as a last resort.

This approach provides the flexibility that we want regions to have to decide for themselves how the Leaders' Boards work in partnership with the RDAs in their respective region, while giving a framework to ensure that key elements such as resolving disagreements are effectively covered.

16. The Committee is also concerned about a lack of clarity about how LALBs will operate. We believe that the effectiveness of some LALBs might be limited due to the size and diversity of their membership or the number of two tier authorities within the region. As the schemes for the establishment and operation of an LALB need to be approved by the Secretary of State, the Committee recommends the Government publishes draft guidance on the criteria that acceptable schemes should meet before Committee stage is reached. (Paragraph 121)

The policy document made clear the key criteria that Leaders' Boards would need to meet. These anticipated concerns about the effectiveness being reduced through issues of size and diversity of the membership. One of these was that they should be streamlined and manageable, another was that they should be representative of local government across the region (rather than having members from all authorities). But we recognise the importance of clarity on this issue and expect to issue further advice to regions to help them move towards the emerging new arrangement following the assessment of change management programmes from regions.

17. The Committee shares witnesses' concerns about the proposed timetable for the drafting and agreement of the regional strategy. Experience of regional spatial strategies suggests that two years is likely to be too short a time for drafting, consultation, revision and agreement with Ministers. If this is the case, revising the strategy every five years also seems unrealistic. The Committee notes the undertaking by Government officials that further guidance will be provided as the Bill progresses and calls on the Government to provide such guidance as soon as possible. (Paragraph 122)

Neither the bill nor the policy document sets a timetable for the revision process. Instead responsible regional authorities will promote a project planning management approach to ensure regional strategies are prepared in a timely and efficient manner. They are asked to work closely with the key stakeholders and the Government Office, in particular, to prepare and agree a project plan. The project plan will be required to set a statutory timetable for the revision of the RS. The RDA, LALB and also Government would be required to adhere to the timetable, unless it is varied in exceptional circumstances.

Legislation does not specify a timescale for revision other than when it appears to responsible regional authorities necessary or expedient to do so. The policy document says that in general we expect regional strategy reviews to take place approximately every 5 years but the timing would be up to the region who will decide when it is appropriate to conduct a revision and the scope of any revision, based on need and evidence. We are keen to retain that flexibility although, as a safeguard, the Secretary of State may require them to conduct a review.

18. The Committee notes the concerns over RDAs' ability to deal with spatial planning matters. The Committee notes that RDAs have already begun to address this issue but is concerned that they may not be able to attract staff with spatial planning skills as quickly as they need. The Committee recommends, therefore, that colleagues on regional committees satisfy themselves that RDAs have sufficient skills and expertise as a matter of urgency. (Paragraph 123)

RDAs already have planners to allow them to deal with the existing spatial strategies and other planning aspects associated with regeneration. But this is unlikely to be enough to allow them to make considered input on detailed planning options in drawing up the new strategy. RDAs will therefore expand their planning expertise at Board level and operational level in order to fulfil their joint duty responsibilities on developing the Regional Strategy.

The expanded function will involve changing the scope of RDA board members to ensure that the Board has an awareness and understanding of strategic planning issues. There will not be a dedicated planning position.

The new parliamentary Select Committees for regions and public accountability have a broad remit over regional issues. Government anticipates that one of the areas they will consider will be the Regional Strategy, particularly monitoring the delivery of strategy and holding Government and regional agencies to account.

19. The Committee agrees that the success of regional strategies will rest on how well they address the needs of their region and reflect the views of all regional stakeholders. The Committee notes clause 69 of the Bill deals with community involvement and recommends that this provision should be strengthened. Currently it requires the responsible authorities to identify the "persons who appear to them to have an interest". The Committee considers that the Bill should specify that certain groups should be included in the consultation as a matter of course. The Committee does not seek to set out a definitive list here, but considers that bodies such as local chambers of commerce, emergency services, primary care trusts, parish councils, utilities, the Highways Agency and Network Rail should be included. We also recommend that regional committee colleagues consider the issue of whether there is effective consultation on integrated regional strategies. (Paragraph 124)

As we have indicated in our published Policy Document, we intend to set out in regulations the range of types of bodies that must be involved in the process, but it would be inappropriate to attempt to set out either this or methods for engaging stakeholders, on the face of the Bill. The value of requiring the RDA and Leaders' Board to set out their policies for community involvement is that this will ensure a transparent approach that is open to scrutiny and challenge.

20. The Committee notes the Government's ambition to increase the role of local authorities in economic development and regeneration policy and agrees that the proposed economic assessment duty is one way to realise this. Concerns over local authorities' understanding of business, however, were raised in evidence to the inquiry and the Committee expects authorities to address any skill gaps before the first assessments are undertaken. The Committee recommends that the House seek assurance on this matter as the Bill progresses. (Paragraph 140)

The Government agrees that some authorities will require assistance to improve their capacity before they are able to undertake their initial economic assessments. In these cases, relevant capacity support will be taken forward through the National Improvement and Efficiency Strategy. This is a national framework for supporting local authority capacity to deliver on their LAA targets, which identifies improving economic leadership capacity as a specific national priority. The Regional Improvement and Efficiency Partnerships (RIEPs) will play a central role in each region in supporting the delivery of efficiency improvements amongst local authorities. All the RIEPs see economic development as a priority and are committed to providing capacity support for local authorities around the delivery of the SNR and worklessness agendas.

However, we should not under-estimate the strong linkages that already exist between many local authorities and their local business community. Long standing, good quality bilateral relationships are already in place and operation on such crucial issues as planning local economic activity. It is important that local authorities learn from existing good practice.

Future guidance on the local economic assessment will stress the importance of local authorities actively engaging with local businesses in developing their assessments. This will help to provide local authorities with a clearer understanding of the needs of local businesses and what they see as the constraints to business growth.

21. The economic assessment duty should not be seen as an end in itself, however, and there should be a clear mechanism to ensure the assessments are considered when the regional strategy is drafted. Despite assurances that this will be the case by the Minister, this is not reflected in the Bill. If this part of the Bill is not amended before it reaches the Commons, the Committee recommends that clause 71(1), Matters to be taken into account in revision, be amended to ensure that the economic assessments must be considered by responsible regional authorities when revising the regional strategy. (Paragraph 141)

The Government agrees that there should be a clear mechanism for ensuring that local economic assessments inform the regional strategy. But the Government does not believe that it is appropriate to apply that degree of prescription on the face of the Bill. The local economic assessments will indeed form part of the evidence base for the regional strategy and for the examination in public of the draft regional strategy. We will set out in detail how the assessments should feed into the regional strategy in future guidance.

22. The Committee also notes the Government's commitment to provide support to enable local authorities to undertake this duty effectively. The Committee agrees that local authorities must be given the capacity required and recommends the Government should provide a statement setting out how this support will be provided and how Ministers intend to monitor its provision. (Paragraph 142)

Building on the national strategy, the Government will support the RIEPs and other partners such as the RDAs, regional assemblies and their successor bodies and regional observatories in developing a regional framework for supporting local authorities in taking forward the new assessments in each region. Such a co-ordinated approach will enable local authorities and partners in each region to both develop a regional analytical infrastructure which would make better use of available research and data and identify and address any gaps in analytical capacity across the region.

The Government is also supporting the Improvement and Development Agency (IDeA) in developing national sector-led guidance on local economic assessments, which will be published later this year. This will provide practical guidance to local authorities on how best to take forward local economic assessments, including how to work with partners and how to make best use of the range of data available to them. The Government will work with IDeA to maximise the opportunities to promote the guidance and its findings when it is published later this year.

23. The Committee's inquiry has found that there is significant support for collaboration on economic development issues at sub-regional level and, in principle, the Committee welcomes the Government's attempts to encourage this. The Committee notes, however, the concerns of witnesses that Economic Prosperity Boards (EPBs) might be an unnecessary addition to the plethora of organisations and strategies which operate at local, sub-regional and regional level. The Committee shares this concern and recommends the House consider this issue as the Bill progresses. (Paragraph 161)

The Government welcomes the committee's recognition of the rationale for sub-regional working and its support of the principle behind EPBs and combined authorities.

The Government recognises the concern expressed by witnesses and the committee about additional organisations and strategies, and has no wish to allow the creation of unnecessary bureaucracy. The bill sets out that, before an EPB or combined authority can be created, the local authorities involved must carry out a review of the effectiveness and efficiency of existing arrangements to promote economic development within the area. This review must show that an EPB or combined authority would be a significant improvement to the governance of the area before one of these new bodies could be created.

In addition, EPBs should create efficiencies by streamlining activity and reducing duplication among the participating local authorities. As an example, local authorities could second existing economic development staff to the EPB, thereby creating benefits through closer interaction between these staff and reducing duplication. EPBs will work closely with RDAs and align priorities with those set out in the regional strategy.

24. The Committee recommends that the Government provide further information on what use, if any, the Secretary of State will make of the review required by clause 92 [now clause 94 in the latest version of the bill] when deciding whether to make an order establishing an EPB. The Committee also notes that the Bill is silent on the role of RDAs in relation to this review. (Paragraph 162)

The review is a critical exercise for determining whether an EPB or combined authority, or some other change to existing governance arrangements, would be beneficial for the area concerned. Assuming that the review does lead the authorities to the decision that an EPB would be beneficial, they may then prepare a scheme for an EPB. Before agreeing to create an EPB on the basis of a scheme, the Secretary of State will need to consider that it is likely to improve the exercise of statutory functions relating to economic development and regeneration in the area and economic conditions in the area. The information gathered during the review process is likely to make an important contribution to informing the Secretary of State's decision.

The Government does not feel that it is necessary to specify the role of RDAs in reviews on the face of the bill and will deal with this point in guidance. We will expect local authorities undertaking a review to involve the relevant RDA(s), but the extent and nature of this involvement will inevitably vary depending on the size and scope of the review in question.

25. The Committee is concerned that there is a potential for conflict between the requirement for collaboration to be flexible, to adjust to possible changes in local authority leadership and direction, and the need for a certain amount of stability to make collaboration across local authority boundaries meaningful. The SNR explicitly envisages that EPBs will provide this stability, by stating they will “bind in local authorities to long-term decision-making” (see paragraph 146). (Paragraph 163)

The Government recognises that there is a balance to be struck between allowing for flexibility but also recognising that difficult, long term problems are unlikely to be tackled effectively without structures that are stable and have a degree of permanence. As EPBs will provide long-term structures at sub-regional level, we appreciate that they represent a significant step for local authorities and that they will not be suitable for all, or even many, areas. This is why existing, more informal arrangements, such as MAAs, will also continue to be available.

However, while EPBs will and should provide stability, the Government recognises that some flexibility is also needed. The bill therefore provides a process for local authorities to make amendments to the arrangements for existing EPBs, including for individual authorities to join or leave and, if necessary, for an EPB to be abolished altogether. It should also be noted that changes which do not require amendments to the order that created the EPB may be taken forward without the involvement of the Secretary of State according to the EPB's own processes.

26. The Committee is concerned about the process by which local authorities or combined authorities can leave EPBs. It notes the conditions placed on local authorities when applying to create an EPB or combined authority and believes that these will circumscribe the decision of the Secretary of State when considering an application from an authority to withdraw. The Committee is concerned that an authority might be prevented from withdrawing from an EPB, even though it no longer wished to participate; considerable disruption could be caused if one of the members of such a body was no longer a willing participant. Moreover, the Bill does not state whether those authorities who wish to leave will be able to reverse clause 86(4) and re-gain control of powers that have been ceded to the EPB. The Committee also notes that orders to change the boundaries of an EPB or combined authority can only be made if all the councils concerned agree and it is unclear what the consequences will be if unanimity cannot be reached. These points, and the consequences for local democracy if there is no change, must be clarified as the Bill progresses. (Paragraph 164)

As the committee recognised, EPBs are designed to be stable and relatively permanent. They should only be created where there is a strong commitment among the local authorities to joint working and where there is evidence that such an arrangement would deliver benefits to the area. Given this, we would expect local authorities to make every effort to resolve any differences that arise between them before seeking to withdraw from the EPB.

However, we recognise that circumstances may change and that the local authorities may no longer feel that the economic development of the area is being well served by the EPB. The bill therefore provides a process for local authorities to leave an EPB or for an EPB to be dissolved. This process involves one or more of the local authorities conducting a new review and preparing a revised scheme for the EPB. This is necessary to ensure consideration is given to how the area will be affected by the change and how the functions carried out by the EPB will be exercised if it no longer covers a particular area.

As withdrawing from an EPB is only likely to be necessary if partnership working between the local authorities has broken down, there is a legitimate role for the Secretary of State in determining whether the proposed change to the EPB is beneficial for the area

concerned. Clearly if there are irreconcilable differences within the EPB, it will be in the interests of the area as a whole for the boundaries to be altered or the EPB dissolved altogether.

The revised scheme that is prepared by the local authority or authorities who wish to leave the EPB should set out how the functions that are exercised by the EPB would be managed if it were removed from those areas, as the EPB would not be able to exercise any functions over an area that was no longer part of it. The most likely scenario is that the local authorities who are leaving the EPB will set out that the relevant functions should be returned to them. The Secretary of State's order changing the EPB's boundaries will then make provision for the functions passed to the EPB to be exercised by the local authorities.

The Committee expressed concern about the consequences for boundary changes if unanimity between councils cannot be reached. In fact, the bill provides that, while all the authorities whose area would be added to or removed from an EPB must give their consent before this can happen, it is not the case that all the authorities within the EPB must give their consent before a single authority's area is added or removed. All the councils within the EPB will be consulted, but if a single authority wished to leave without the consent of the rest of the EPB, it would be possible for this to happen.

27. The Committee agrees that RDAs will be better able to focus on strategic economic and spatial planning matters if as much as is reasonable of the delivery of the strategy is undertaken by local authorities and other sub-regional partners. (Paragraph 179)

Just as RDAs and local authorities will be working together on regional strategies, the Government believes they will need to work in close collaboration to ensure its effective implementation and delivery. The Government envisages that this will principally occur through the joint investment planning approach we are seeking to implement. This will ensure that sub-regional delivery addresses the needs of the locality and best complements those services that are commissioned at regional level such as Business Link. We welcome the Committee's support for this approach.

28. The Committee welcomes the assurances provided to it, through One NorthEast that RDAs are preparing to delegate responsibility to local authorities. It notes, however, that the very different terms 'delegation' and 'devolution' of responsibility are used interchangeably in the SNR documents and finds this unhelpful and confusing. (Paragraph 180)

The Government has taken a considered decision not to legislate to provide for RDAs to delegate their functions and decision-making powers to local authorities. However, it wishes to see greater involvement by local partners in economic planning and delivery, but believes it is important to preserve the current flexibility inherent in the RDAs' single

pot funding arrangements and to keep the direct line of accountability to RDAs for the use of the resource voted to them by Parliament. This is particularly pertinent during the current period of economic challenge.

29. The Committee notes the comments made in evidence regarding the process by which RDAs will be able to accurately measure the readiness and skills of local authorities to deliver these responsibilities. The Committee seeks further information from the Government on how RDAs will measure local authorities' readiness and ability. The Committee foresees that difficulties might arise if a local authority has a different opinion of its capability than that of its RDA. The Government should be able to get tell whether a RDA is generally willing to devolve funding to local authorities by considering the degree to which it devolves funding to other local authorities or in other policy areas. The Committee calls on it to clarify whether it intends to do this and what steps it would take if RDAs are found to be unwilling to devolve decision making to local authorities appropriately. (Paragraph 181)

We believe that issues of capacity will be resolved through a closer partnership approach, which already operates successfully in all regions. With new investment planning arrangements, the Regional Strategy Implementation Plan would set out the outcomes to be delivered, including an outline of programmes and projects together with the bodies which will be responsible for their delivery. Regional partners (including RDAs, local authorities, the private sector and other voluntary organisations) will develop these plans, agree the level of capacity required, and sign them off. This process will be supported by detailed guidance on Joint Investment Planning.



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