

17 July 2007

Government Review empowers regions and localities to spread economic opportunity to all

The Government is today launching the review of sub national economic development and regeneration, setting out bold plans to ensure that every area of the country has the opportunity to benefit from rising prosperity.

Since 1997, the Government has made substantial changes to devolve decision making, and local authorities and regional agencies have been empowered to support the Government's objectives to encourage economic growth and tackle deprivation at every level. However, the Government is clear that more can be done. Reducing the disparities between the poorest six performing regions and the rest, bringing the poorest up to the national average, would be worth approximately an extra Â£60 billion to the UK economy.

Today's review outlines plans to refocus both powers and responsibilities to support this, giving local authorities a greater role in ensuring economic opportunity for all. Alongside this responsibility local authorities will have strengthened powers and incentives to support prosperity, reinvigorate the economic performance of our towns and cities, and make changes to work more effectively with business to better support businesses and business growth. This will help to spread the strong economic renaissance in city-centres and towns up and down the country.

Key changes include:

- Concentrating neighbourhood renewal funding more closely on our most deprived areas;
- A proposed new duty for local authorities to analyse the economic circumstances and challenges of their local economy. This will help them to provide clear economic vision and leadership;
- Supporting groups of local authorities in city regions to work effectively and accountably together through new Multi-Area Agreements (MAAs), and pool economic responsibility on a more permanent basis;
- Greater devolution to regions of powers to influence investment priorities, through a new extended round of Regional Funding Allocations to give regions a greater say on how spending is prioritised including for transport and regeneration investment;
- Sharpening the role of RDAs with a clear focus on increasing economic growth, with increased scrutiny by local authorities and simplified and strengthened performance management by central government. RDAs will also be expected to delegate funding to local authorities where possible;
- Funding for school sixth forms, sixth form colleges and the contribution of FE colleges to the 14-19 phase will transfer from the Learning and Skills Council (LSC) to local authorities' ring-fenced education budgets; and
- Giving Regional Development Agencies a greater role in meeting business support needs to help simplify the number of schemes down to no more than 100 by 2010.

For the first time each region will have a single strategy co-ordinating jobs, economic growth, housing, planning and environmental objectives, replacing the current myriad of overlapping strategies. RDAs will take on a new strategic role to develop the single strategy on behalf of the region consulting widely with businesses, local authorities, trade unions, the education sector, environmental and voluntary groups and others.

As the first step local authorities will draw-up proposals setting out a vision for the development of their area. Local authority leaders in the region will be asked to approve the draft strategy before it is submitted to independent examination.

Local authorities will also have a stronger role in the public scrutiny of RDA performance, as will the new regional select committees currently being considered by Parliament.

And from 2010, as individual councils gain far stronger responsibilities in shaping priorities in their wider region, Regional Assemblies will be phased out. Communities and Local Government will consult on the new arrangements by the end of the year.

Exchequer Secretary to the Treasury, Angela Eagle said:

"We know that there are still areas of the UK where people lack the economic opportunities open to many and we are determined to tackle that situation. We have to reduce the disparities in economic performance between and within the regions and nations in the UK to draw on the full potential of our country."

"Devolving authority from Whitehall to regions and localities gives them more power over their economic situations but also gives them the responsibility to ensure that all areas of the UK benefit from our economic prosperity."

Local Government Minister John Healey said:

"We want to give local authorities who know their communities best a greater role leading jobs, housing, regeneration and sustainable growth to ensure that no-one is disadvantaged by where they live."

"We want a new relationship between central Government and local councils and the regions. We want to give greater freedom and powers for good local leaders to innovate, extending their role in promoting jobs, the environment, learning and skills and regeneration. And we want to make sure that plans for new homes are linked closely to new jobs, transport and economic growth in the region."

"Devolving more decisions from the centre to the regional and local level goes hand in hand with our reforms for local councils to involve, consult and give a more direct say too."

Competitiveness Minister Stephen Timms said:

"The review puts businesses at the heart of our policy by setting regions just one over-arching goal - to improve the rate of growth in the region.

"Everyone will need to rise to the challenge of working more effectively together to deliver the economic success we want. They will also need to make sure they remain accountable to businesses and local communities.

"These reforms also boost Government's work to simplify business support: RDAs will find it easier to offer a single gateway for support. Funders of business support across the public sector will find it easier to work together in coordinating their offers of support. Business will find it easier to understand where they can go for support."

Overall this provides a package of change that will be followed up across government in response to the Lyons Inquiry into Local Government; the Barker Review of Land Use Planning; the Eddington Transport Study; and the Leitch Review of Skills. It will provide the local and regional flexibility and responsiveness to respond to economic change and give all areas and neighbourhoods in the country the power to build on comparative advantages and deliver rising prosperity for all