

## **AGENDA ITEM: 9**

### **Local Government North Yorkshire and York (ANNUAL MEETING): 2nd JULY 2010**

#### **STRATEGIC DISCUSSION PAPER: PUBLIC SECTOR GOVERNANCE**

##### **Purpose**

- To provide an update on the possible implications for collaborative governance arrangements in Yorkshire and Humber, following the Election.
- To also summarise some key areas of work taking place within Yorkshire and Humber and elsewhere on exploring new models of governance over public services across the board.
- To seek views on how best to take this work further, in the context of the new Coalition Government and public sector cuts.

##### **Introduction**

1. Following the General and Local Elections on 6 May, there are a number of choices emerging in terms of how local authorities in the region could decide to continue their collaborative working arrangements and governance, in the context of new national policy on local government and the regions that is emerging.
2. In a similar way that local authorities worked together to dismantle and dissolve the Yorkshire and Humber Assembly, local authorities now need to consider a new way forward, in the broad context of the new Coalition Government's policies, in terms of what local authorities in Yorkshire and Humber need from any collaborative working arrangements on relevant policy areas; both in the longer term and any short-term, transitional phase.
3. Emerging thinking from various sources within the region (and beyond) makes the case for the retention of some level of strategic, local authority capacity at the regional level – for example, in the areas of economic and spatial planning. Some specific findings are set out in more detail below, including the "Planning Futures" by ARUP work for LGYH and KPMG's work for Leeds City Region.
4. There are also existing responsibilities and liabilities of some existing governance structures – such as the Regional Funding Advice managed by the Regional Transport Advisory Board and £43m of funding to local authorities distributed by the regional Regeneration and Housing Board. Local authorities need to determine how they wish to progress with these liabilities, at least during any interim period, during which capacity and expertise can be built to effectively transfer lead responsibilities to a more local level, if this is desirable or appropriate.
5. There is a general consensus, however – as set out in both the Planning Futures and KPMG work - that the momentum built up over the last year or so in Yorkshire and Humber in terms of enhancing the capacity of our Functional Sub Regions (FSRs), to provide the core building blocks of strategic economic, planning and other associated activities, should be maintained or increased.

## **Strategic Economic Planning - “Local Enterprise Partnerships”**

6. The new Government issued a statement on 20 May to confirm their support for the creation of Local Enterprise Partnerships (LEPs) – defined as “joint local authority-business bodies” (with a suggestion of at least 50% membership from the business community) brought forward by local authorities themselves to promote local economic development.
7. Whilst the Government have previously stated that LEPs would ideally replace the Regional Development Agencies, they may, in practice, take the form of the existing RDAs in some areas where they are popular; or perhaps take the form of the RDA during any transitional period.
8. If LEPs are to be seen by the new Government as key strategic delivery bodies, with the potential of leveraging in increasingly limited public funding (and in the possible absence of RDAs), local authorities will wish to consider whether their current FSR-level governance structures could now pursue a LEP style structure in some way; or whether separate LEPs should be established in some areas.
9. Discussions are already taking place within sub regions on the potential of “LEP” style arrangements, but with an emphasis on determining what local authorities (and partners) *need* in the current economic and political environment, rather than assuming any set “model” of governance.
10. Discussions are also taking place with the Functional Sub Regions (FSRs) and Yorkshire Forward using the existing infrastructure of the Regional Executive Group. A paper is being produced on core principles of collaboration to be presented to the Leaders and Yorkshire Forward meeting at the AGM of LGYH.

## **LGYH “Planning Futures” Work**

11. LGYH commissioned consultants, ARUP, in March this year to consider future options and scenarios for strategic spatial (i.e. cross-boundary) planning in the region. LGYH currently supports strategic spatial planning work at both the regional and FSR level - through the secondment of Planning Managers to each of the four FSRs. These Planning Manager secondments reflect the collaborative working arrangements that were already emerging in the region before the Election, in terms of reallocating functions delivered at regional level to the FSRs.
12. The current LGYH strategic planning team continues to be funded, nevertheless, by grant from CLG, based on an approved Business Plan that links their role to the production of the Integrated Regional Strategy (IRS). To date, the Regional Spatial Strategy (RSS) had formed part of the statutory Regional Strategy; however, the new Government announced on 19 May that it would be rescinding each RSS and associated Regional Strategies across the country, in line with its policies on devolution/localism.
13. CLG provided advice on 27 May that their funding to LGYH for regional strategic working will not continue beyond September this year. The precise level of funding remains subject to further discussion, with a commitment by CLG Ministers to only cover actual costs over the period up to September. There is an urgent need, therefore, for decisions on which strategic spatial planning functions should be retained (if any), at what level, and how this will be resourced (at least in the short-term). These decisions will need to be taken before the details become clear of wider planning system reform

14. The ARUP work has concluded that there remains a strong case for some cross-boundary spatial planning work, in order to address key issues affecting local authorities relating to the economy, housing delivery, transport, infrastructure, waste, minerals etc. Strategic spatial planning provides a cross-boundary policy framework for identifying investment priorities and informing approaches to integrating public investment across different policy areas and funding streams. If there is no strategic spatial planning there will be increased pressures on local authority planning functions, which benefit currently from technical and evidence work undertaken at regional level.
15. Nevertheless, the ARUP work has concluded that there is a clear view amongst local authorities that the FSRs should be the primary building blocks for any strategic spatial planning function, with scope to share expertise and jointly commission work regionally. The work has also concluded that there is also scope for local authorities to achieve significant efficiencies by pooling some planning policy functions (e.g. technical studies) and resources to FSR level. This, combined with the CLG funding situation, means that advanced discussions are taking place with the FSRs as to whether they wish to continue funding (e.g. by utilising available RIEP resources) of the strategic spatial planning resource from September, by which time the CLG funding for this function will have ceased. Each FSR has now confirmed arrangements to retain a level of strategic planning resource in their sub regions using RIEP resources available until longer-term arrangements are agreed for 2011/12 onwards.

### **KPMG City Region Governance “White Paper”**

16. Using funding provided by the RIEP, the Leeds City Region commissioned KPMG to provide a “White Paper” on future governance issues, to help enable the city region to work to accelerate the recovery and growth of their economy; and achieve the ambitions of their “Forerunner” status. The White Paper was also seen as very relevant to the developing thinking in other FSR areas.
17. A copy of the final White Paper report is attached at **Annex A**, which states that, where groupings of local authorities can demonstrate the ability to think strategically at a meaningful spatial level, they should be enabled to take on the responsibilities that are most sensibly delivered at that spatial level. This spatial level should therefore be relevant to the particular responsibility and could be regional, FSR or at a more local level and could overlap “traditional” regional boundaries.
18. The KPMG research concluded that there remained a justification for various functions to remain at regional level, including the elements of economic and spatial planning relevant to any “IRS” approach (built from FSR-level strategies), European working, overseas investment, business support and economic research/forecasting.

### **Implications for the Joint Regional Arrangements**

19. Given the emerging policy environment at the local and sub-regional level around LEPs, noted above - as well as the uncertain future surrounding the RDAs – consideration needs to be given to future role of the local authority Leaders working in partnership with other partners and agencies – e.g. as a Leaders’ Board. There may remain an appetite amongst Leaders to work across economic geographies and provide oversight across major strategic issues impacting on Yorkshire and Humber.

20. Local authorities in Yorkshire and Humber also need to determine their collective views are on the future of Yorkshire Forward, based on local and sub regional needs. The Coalition Government position suggests that where there is support for the activities of the RDA, they may be able to continue - though it is certain that Yorkshire Forward will be subject to a rationalisation in their activities and budget. Local authorities, coming together in their sub regional structures, are already working to determine what they need in terms of a collaborative economic development function that can respond to strategic and local challenges.
21. The demise of the integrated Regional Strategy puts the long term future of the Joint Regional Board (JRB) and its four supporting Thematic Boards (Work and Skills, Transport, Spatial Planning, Regeneration and Housing) into question. The shift to greater FSR powers and strategic working also points towards a significant streamlining in existing structures at the regional level (e.g. the Thematic Boards), as the focus should be on effective structures at the FSR and local level. Though, as noted at paragraph 4 above, there will remain short-term liabilities that existing regional structures will need to see through to sensible conclusions.
22. There will also be, at least for the short-to-medium term, important strategic issues (such as High Speed Rail, investment in the South Humber Bank, the future of ERDF etc) that could benefit from a partnership approach between local government and businesses at a pan-FSR level. It should be, however, for the FSRs to determine how best such a function could best operate.
23. As a result of these issues, the LGYH AGM on 25 June will not seek formal new or re-appointments to the JRB and its Thematic Boards. Instead, the recommendation to the wider LGYH Membership will be that existing arrangements remain where practicable and only to conclude a reassessment and dismantling, where appropriate, of current regional structures, on the basis that capacity and decision-making shifts to the FSR and local level, as appropriate.

### **“Total Governance” and Place-Based Public Service Delivery**

24. To build on the themes of devolution and “localism” emerging in the new Government’s policy statements so far, LGYH is working with the RIEP to expand upon our own recent “Principles of Localism” statement (attached at **Annex B**) and ‘Total Place’ work, to seek to influence national thinking for the benefit of local government in Yorkshire and Humber.
25. LGYH’s full membership have agreed the core principles that local authorities should be given a greater role in decision-making across public services, because of their unique local knowledge, democratic mandate and place-shaping role. The ‘Total Place’ approaches being adopted across the region are exposing some of these issues and pointing towards the potential of pooling public sector (and wider) budgets to address shared priorities.
26. However, there is a danger that Total Place comes to be seen as another “top down” Whitehall initiative. In order to ensure we can unlock the potential for authorities in Yorkshire and Humber a “Total Governance” proposal has been prepared – enclosed at **Annex C** – to which the RIEP has indicated its outline support, on the basis that it forms part of the wider work taking place on Total Place, so that local government in Yorkshire and Humber can work together to be recognised as a “Total Place Region”.

27. It is also worth noting that the LGA are drawing upon LGYH's "Principles of Localism" statement in the work they are undertaking on "Place-Based Budgets: The Future Governance of Local Public Services". A copy of the draft Executive Summary of this LGA work is attached at **Annex D**.

28. Whilst the LGYH Localism statement formed the basis of the LGA paper, its proposals go significantly wider and advocate changes to the UK Constitution that would make Parliament more accountable for the budgets it approves, rather than the managerial/inspection structures of the Civil Service.

### **Outcome of Leaders' Board Discussion on 27 May & Next Steps**

29. The Leaders' Board met to discuss these strategic governance issues at its meeting on 27 May and agreed:

- To commit in principle (CLG funding issues aside) to a continued role for strategic cross-boundary spatial planning in Yorkshire and Humber, with the FSRs recognised as the primary building blocks.
- To agree that "transitional" models are needed for the current strategic planning and housing functions in LGYH, with a view that most work takes place at FSR level and that FSRs (with LGYH/RIEP support) consider how such functions can be best delivered and resourced locally/sub-regionally over the longer term.
- To agree that existing regional appointments be continued at the LGYH AGM as far as practical and instead focus on phasing out or replacing such structures, in line with local authority needs.
- That any "models" of collaborative working, particularly at the regional level, should not be agreed or pursued until local authorities have reached a clear understanding, in their local and sub regional partnership structures, about what they need from a re-organisation of the existing system. They asked Chief Executives to take this work forward on behalf of the Leaders' Board, with a view to drawing up a potential governance "map" and associated structure options. In the meantime, the Leaders' Board stated that they would continue to have discussions on these issues over the summer, and that the findings/options would be discussed at an "awayday", to which all Local Authority Leaders and Chief Executives would be invited, in early September.

30. Since this meeting of the Leaders' Board, Leeds City Region Leaders have agreed an outline proposition to discuss with the other FSRs. This proposition and a draft set of common core principles for collaboration (developed by the Regional Executive Group) were due for discussion amongst wider Leaders and Chief Executives at the LGYH AGM on 25 June. The statements that emerge from the AGM discussions will be circulated as soon as there has been the appropriate political clearance.

31. This is a fast moving area of development and the context is constantly changing. We need to decide what works best for citizens, places and local economies in Yorkshire and Humber and what will ensure we retain what limited funding there may remain available from central Government, if any; and what we can afford to pay without Government funding in the longer-term.

32. Leaders views and comments are invited.