

# BRIEFING NOTE

TO: REGENERATION SCRUTINY & PERFORMANCE PANEL  
DATE: 12 MARCH 2009

RE: Key National and Regional Influences on Regeneration

## Introduction

Included in this briefing note are some of the key drivers, which are currently known to us that will have a direct influence on both the local and regional regeneration agenda over the year/s ahead, which we now bring to your attention.

This first briefing note includes details on;

1. **The Sub National Review**
2. **The City Region Initiative / Programme**
3. **The Regional Funding Allocation (RFA) Process**
4. **Accelerated Development Zones (ADZ's)**

We only give the context and a brief introduction to each one, which we will be happy to further details over coming meetings / months as both the details and their implications evolve / develop etc.

**1. The Sub-National Review (SNR)** of Economic Development & Regeneration was published in July 2007 and contained a number of proposals that related to sub-regional partnerships such as the City Region of Birmingham, Coventry and the Black Country and launched a consultation exercise to seek wider views on their proposals and its development.

**The SNR Review (well key points)** considered how to strengthen economic performance in England's regions, cities and localities, as well as how to tackle persistent pockets of deprivation.

The review was published in July 2007 and – informed by its three key principles;

- ensuring policy is managed at the right spatial level,
- ensuring clarity of roles, and
- helping places to reach their potential

It set out a number of recommendations aimed at achieving four objectives:

1. empowering all local authorities to promote economic development and neighbourhood renewal, giving them added flexibilities and incentives to promote sustainable economic growth
2. supporting local authorities to work together, where they wish, across the sub-regional level to promote economic development, and providing them with the tools to do this

3. streamlining the regional tier outside London through simplified structures, streamlined decision-making and improved accountability
4. reforming central Government's relations with regions and localities.

### **SNR Review – The Key Points from the Governments Consultation**

In March 2008, the Government published a consultation document, Prosperous Places: taking forward the review of sub-national economic development and regeneration, which aimed to seek views on its detailed proposals, following this consultation period, on the 25<sup>th</sup> November 2008 the government published its response to the comments received (Walsall submitted a formal response).

The headlines from this are as follows-

- The RDA (for our region - Advantage West Midlands) and the Local Authorities Leaders Board (RFL – Regional Forum of Leaders) will share joint responsibility for developing and submitting the Strategy to Ministers - including an EiP (Examination in Public), together with the delivery framework and monitoring arrangements.
- There will be a duty on the RDA and Leaders Board to consult and engage with stakeholders/ communities, but stakeholders will not be part of the sign off process
- In future, no regional scrutiny role for local government, Government considers that the Regional Select Committees will be capable of carrying out necessary scrutiny
- Regions will have to produce a regional strategy that delivers sustainable economic growth and contributes to sustainable development; an implementation plan and annual monitoring
- Legislation will require the RDA and Local Authority leader's board to jointly produce an implementation plan setting out how the regional strategy will be delivered.
- Investment Planning will allow local authorities and sub-regional partners to have a determining role in planning and delivering interventions which are most effectively delivered at a sub-regional level, although formal accountability and approval will however remain with the RDA's.
- There will be a new statutory duty for local authorities to prepare a local economic assessment
- Government will legislate for the creation of MAAS with statutory duties; and to allow for the creation of statutory sub regional authorities for economic development (Economic Improvement Boards)

- Legislation will not be introduced which requires RDAs to delegate funding to Local Authorities as it is considered that joint investment planning by RDAs and Local Authorities Leaders Board will secure appropriate delivery mechanisms.
- To support this approach, the Government will work with the RDAs, local authorities and other partners to develop an investment planning approach to delivering the priorities in the regional strategy.
- This will promote greater decision-making on detailed delivery at the local level by local authorities and other partners. Guidance will also streamline existing RDA appraisal processes so that they support RDAs' more strategic, programme management role and encourage greater freedom for local authorities and other partners in developing their proposals for delivery.

**2. The City Region Initiative / Programme** – There has been much debate during past years as to the future viability or need for the City Region initiative. This has been clarified to an extent through the introduction of the Sub National Review of Economic Development & Regeneration, in short its position has been strengthened and the role it could play should not be underestimated.

The key proposal raised is the prospect of the devolution of economic development and regeneration powers to partnerships that were prepared to establish themselves on a statutory basis. The process of consultation on the SNR culminated in the Pre Budget Report on 24<sup>th</sup> November 2008, and accompanying explanatory documents.

Both the Pre Budget Report (PBR) statement and the accompanying documents developed further the concept of a statutory sub-regional economic development function and structure.

*“These proposals will support stronger integration of planning, housing, transport, regeneration, employment and skills to drive sustainable growth and economic development ensuring policy decisions are made at the right spatial level. The proposals will be underpinned by new statutory arrangements for sub-regional cooperation between local authorities supporting strong local capacity, governance and accountability at the city-region level”* [paragraph 4.76 PBR]

*“The Government will therefore legislate to allow for the creation of statutory sub-regional authorities for economic development. . .”* [paragraph 2.14 Prosperous Places]. These are to be known as Economic Prosperity Boards.

The PBR statement identified that the Government would announce new agreements with “. . . **at least two forerunner city-regions at Budget 2009**”.

Chief Executives of upper tier local authorities received additional clarification and guidance from senior Whitehall officials and groups of local authorities were given until 12<sup>th</sup> January to submit an expression of interest, and until 27<sup>th</sup> February to submit formal proposals. An announcement on selected pilot city regions will be made at the Budget on 9<sup>th</sup> March.

The West Midlands City Region has submitted an Expression of Interest to become a pilot City Region under this scheme, **within their submission document they summarise what they propose to do as a Pilot City-Region, which are;**

1. The overarching purpose of the existing City-Region Board is to enhance the international competitiveness of the City-Region by delivering infrastructure projects that are of City-Region significance because of their scale or because of the cross boundary nature of their impact.
2. Under the provisions of the Local Democracy, Economic Development and Construction Bill, the existing City-Region Board will prepare a Scheme for the establishment of an Economic Prosperity Board. This will also identify the membership of the EPB including those non Local Authority members with ex-officio status.
3. The Economic Prosperity Board's overall remit will be the same as that of the existing Board as set out in (1) above.
4. The Scheme will define the Board's functions with respect to planning, transport, economic development, innovation, regeneration, skills and employment, national and international facilities, strategic cultural infrastructure, housing growth and climate change.
5. Each of these functions will be the responsibility of both the City-Region and the individual member authorities. The distinctive role of the City-Region Board will be to deliver a step change in strategic infrastructure of City-Region significance. Projects of local significance will remain the responsibility of the member authorities.
6. The Board and its constituent local authorities will define "City-Region significance" and "Local significance" for each function, and incorporate these definitions into the Scheme.
7. The Board will achieve this step change in infrastructure by:
  - "owning" the powers and resources devolved under the Pilot City-Region initiative;
  - ensuring the alignment, with City-Region plans, of the resources of its member authorities, Government departments and national and regional agencies,
  - capturing new resources through innovative mechanisms such as Accelerated Development Zones and joint prudential borrowing.
8. The Board will be responsible for preparing a City-Region Integrated Strategy and Implementation Plan to provide a long term framework for the functions and investment described above.

9. The City Region Integrated Strategy and Implementation Plan will constitute component parts of the Single Integrated Regional Strategy.
10. The Scheme will also detail the City-Region's continued commitment to work collaboratively to improve transport infrastructure in support of economic development and competitiveness and greater internal and external connectivity.
11. Working with regional partners the City-Region will continue to develop and support appropriate proposals for transport governance.
12. The Scheme for the establishment of the Economic Prosperity Board will also define a set of principles that will guide the Board's policies and decisions. There will be two overarching principles. First, the Board will be responsible only for interventions best decided and delivered at the City Region level. Second, and in pursuit of the first principle, it will support balanced growth across the City-Region, recognising economic growth points but also ensuring that all parts of the City-Region share in the benefits of the investment programmes that are developed.
13. The Scheme will also incorporate, as demonstrated by the ADZ proposition, the commitment to:
  - joint funding and cross subsidisation of those projects agreed by the Board;
  - the establishment of joint capital and revenue funds wherever appropriate;
  - sharing the financial risks associated with City-Region projects.
14. The Scheme will include a City Region Planning Protocol which will detail how key strategic planning decisions and applications will be accelerated.
15. Whilst our existing arrangements include business representation at both Board and Chief Executives Steering Group level, we will review these arrangements with the aim of further strengthening business representation and involvement in the City-Region's activities.
16. The Board will review its existing arrangements for accountability and scrutiny as part of the package of proposals agreed with the Government.
17. The Board will also commit itself to establishing, through consultation with Government, further executive and delivery arrangements as may be necessary in the light of any devolution agreed with Government.

**The powers and resources they are seeking in order to achieve these objectives are;**

18. Powers to allow the local retention and hypothecation of increases in local tax revenues in order to finance capital investment and infrastructure projects (for example Accelerated Development Zones). Projects within our proposed ADZ are part of Regional Funding Advice. However RFA cannot cover all of the ADZ's infrastructure investment.

19. A power of joint prudential borrowing for capital projects.
20. Government endorsement and support for the ability of local authorities to support economic development and business growth through municipal banking.
21. The power for Community Infrastructure Levy raised in member local authorities to be invested in infrastructure anywhere in the City-Region.
22. The power for member authorities to fund or part-fund capital or revenue projects anywhere within the City-Region.
23. The establishment of a City-Region single capital pot by devolving to the City-Region, on the basis of agreed targets, all indicative or actual RFA and European funds allocated to the City-Region.
24. The Government to commit itself to minimum levels of investment in the City-Region over the medium term in order to help to deliver jointly agreed plans.
25. CLG, Treasury, DfT, BERR, DIUS and DCMS to have a "Duty to Co-operate" with the City-Region in the preparation of the Integrated Strategy and Implementation Plan and the joint investment plans for the City-Region that flow from it, and a Duty to align their investment and spending with those plans.
26. Similar Duties for the HCA and Advantage West Midlands.
27. The establishment of a dedicated Cultural Lottery Fund for the City-Region similar to the ring-fenced Lottery budgets such as 2012, Millennium and Young People, and additional powers to support the development of the City Region's cultural infrastructure.
28. Section 4 skills powers of the Further Education and Training Act 2007, with the addition of commissioning responsibilities, to be devolved in line with an agreement with Government on appropriate City-Region governance structures.
29. Level 3 powers as set out in "Raising Expectations and Increasing Support: Reforming Welfare for the Future (White Paper DWP December 2008)
30. Fifty per cent of benefits savings realised through local worklessness initiatives to be returned to the City-Region without clawback for five years.
31. The power for the City-Region and all relevant agencies to share defined personal operational data relating to workless individuals, with the provision of secure data security and protection protocols, in order to develop personalised action and support plans for them.

32. Involvement as a formal partner in the Digital Britain Strategy – in particular exploring how we could collectively invest in the digital infrastructure to address apparent market failures.
33. Government commitment to a direct dialogue with the City-Region during the process of developing national policy regarding airports, national rail and road infrastructure, public investment in research and universities, housing growth strategy and cultural strategy.

**Note:** - Basically level 3 powers (29) would allow us to take over the agenda setting and contracting of Jobcentre Plus services at local level, with Section 4 (28) allowing us to do something similar for LSC provided services.

### **3. WEST MIDLANDS REGIONAL FUNDING ADVICE (RFA) – ROUND 2**

**What is RFA** – It stands for - Regional Funding Allocations and represents a term for the collection of a range of existing funding allocations / streams (so no new money) and will cover public investment in the region of £1bn per year. To be clear, this is not new monies but funds that the region anticipates coming to the region via AWM (Advantage West Midlands), the Highways Agency, Local Authorities and the Homes and Communities Agency (HCA).

**The RFA Challenge** - Government has provided indicative regional funding allocations for each region for economic development, transport, housing and regeneration and now requires each region to advise on investment priorities. We are also asked for a view on how skills priorities will support this investment. Advice is required for the period upto 2018-2019 and must be submitted by the end of February.

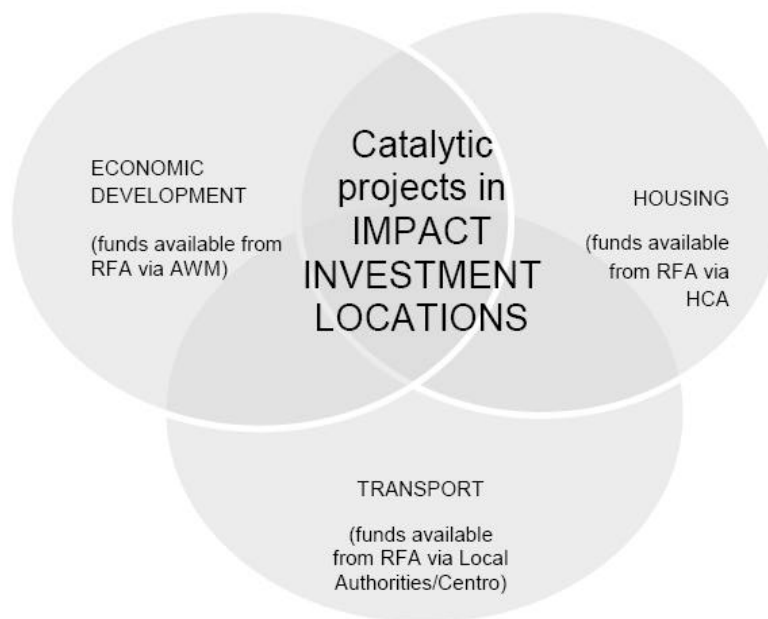
**Importance of RFA** – To secure this money we need to help build the Government's understanding of the challenges that we face and secure the investment we need to take forward our regional priorities. We also need to give confidence to Government that we can deliver schemes, projects and activities on time and to budget.

**The Joint Strategy and Investment Board** - (JS&IB) is operating in 'shadow' form to provide strategic oversight and sign off the RFA submission to Government. The Board comprises members of AWM's Board and the Regional Forum of Leaders and will work closely with the Regional Minister and funding agencies. It is supported by an officer Advisory Group.

**Strategic Context** - JS&IB agreed that the strategic framework for RFA is provided by the RSS in full and RES in full and articulated for RFA purposes as - Closing the £10bn Output Gap by –

- Sustaining and strengthening the West Midlands' economy
- Delivering urban and rural renaissance – including housing growth and provision of affordable homes

- Expanding skills and employment

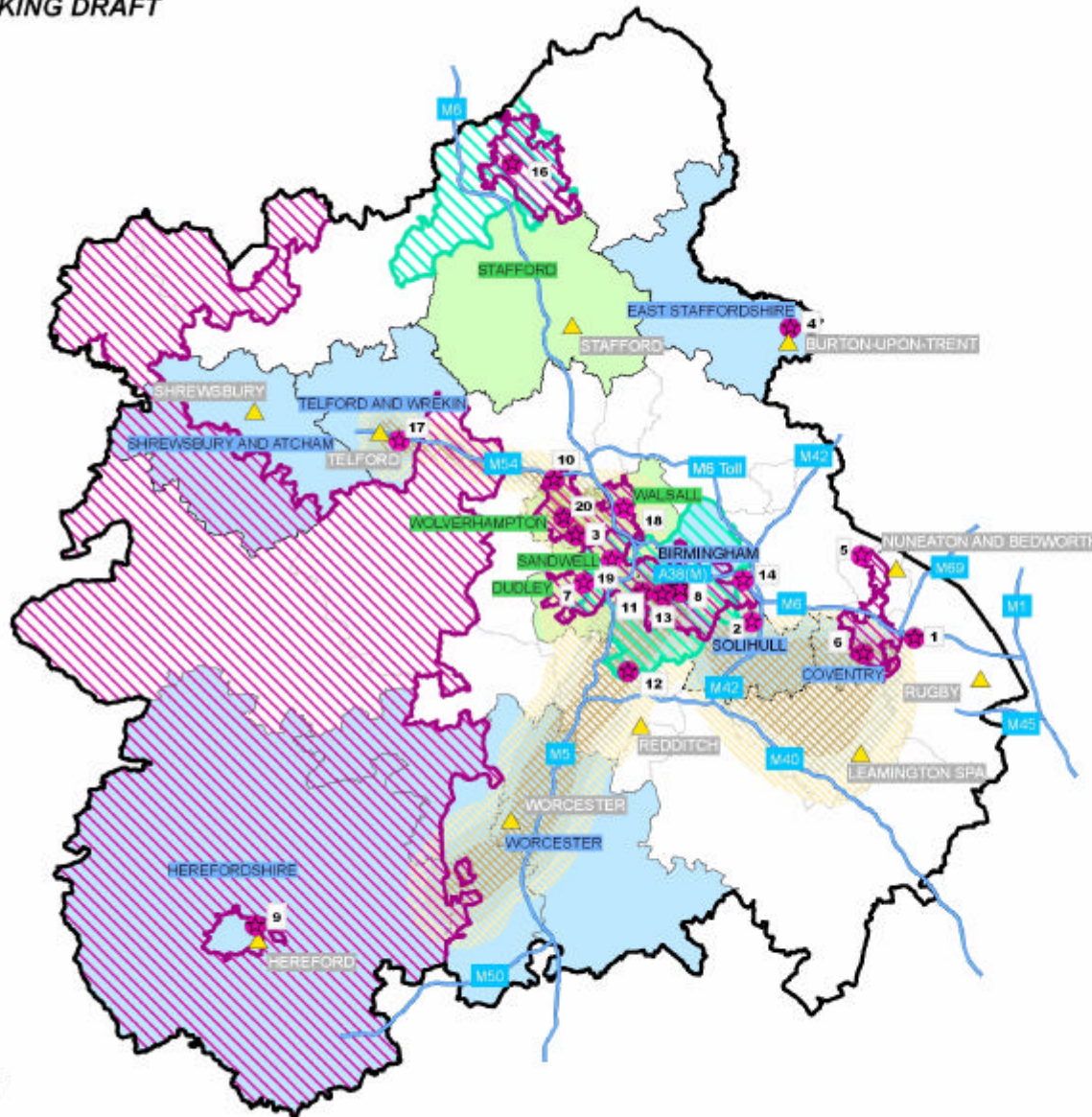


**Impact Investment Locations** - Under each of the above headings, RFA will identify a series of Impact Investments Locations, which reflect the priorities identified in the RSS/RES and, in headline terms our proposed interventions that will have a real impact on our economic growth and regeneration ambitions, through dint of their size and location. These will demonstrate the approach that is the cornerstone of the submission; where funding from a variety of sources is used to secure significant impact in regeneration and/or growth terms.

The map on the following page details these Impact Locations throughout the West Midlands



WORKING DRAFT

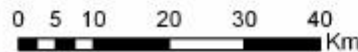


**Key**

- Impact Investment Locations
- 1 Ansty
- 2 BIA Runway Extension
- 3 Bilston Urban Village
- 4 Burton Regeneration
- 5 Camp Hill Regeneration
- 6 Coventry City Centre/NDC Regeneration Programme
- 7 Dudley Town Centre/Brierley Hill
- 8 Eastside
- 9 Edgar Street Grid
- 10 i54
- 11 Icknield Port Loop/Birmingham and Sandwell Western Corridor
- 12 Longbridge/South West Birmingham Corridor
- 13 New Street Station
- 14 North Solihull Regeneration
- 15 Rural Affordable Housing Programme\* (not mapped)
- 16 Stoke on Trent City Centre (including Business District and University Quarter)
- 17 Telford Town Centre Regeneration
- 18 Walsall Waterfront/Housing Regeneration
- 19 West Bromwich Town Centre
- 20 Wolverhampton City Centre

\* Housing market needs of dispersed communities for affordable housing are addressed through high priority programmes of multi-locational interventions. This is especially true in the West and South Housing Market Areas with their critical affordable housing needs programmes.

- ▲ Settlements of Significant Development
- ▨ Regeneration Zone (Policy PA2/RR2)
- ▨ Pathfinder Areas
- ▨ High Technology Corridors
- Growth Point Authorities (2nd round)
- Growth Point Authorities (1st round)



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**WM Impact Investment Locations**

**For Walsall** we submitted a package containing four elements, as follows;

**Walsall Strategic Centre and Housing Regeneration Programmes:** aim to deliver three major regeneration initiatives to aid the development of the strategic centre of Walsall, complemented by housing regeneration that delivers the right mix of tenure to attract and retain the workforce required to service employers needs, they include;

The first element, '**The Walsall Gigaport**' project, is a strategic mixed-use office/commercial/residential development with 'next generation' access broadband. We (the council and WRC) are currently working with AWM officers to develop proposals for £22million (£19m over the next 3 years) of public investment to lever in an estimated £240m of private sector investment.

The second element, '**The Walsall Waterfront**', will be seeking approximately £21million of public investment, £4million from AWM for the development of the Lex site, and £16,8million from HCA for affordable housing. This proposal builds upon other investment at the Walsall Waterfront, adjacent to the town centre, where AWM [£13.8m secured for Waterfront North] investment has almost completed the remediation of brown field land for development and gap funding. High quality design is critical to providing a mixed-use scheme attracting some £150m of private sector investment over the lifetime of the project to 2019.

The third element '**The Darlaston Strategic Development Area (DSDA)**' is close to a major national network (M6) and falls within the Walsall Strategic Centre area of interest covered by our Urban Regeneration Company, the Walsall Regeneration Company (WRC) and is looking to secure a total DfT investment of £33million (£23million over the next 3 years) to deliver the Transportation elements of scheme, enabling access and egress to the variety of employment land / opportunity sites, covering some 54 developable acres, opening these sites up for active development by others with the potential for up to 4500 new jobs in two phases.

To compliment the Strategic Centre, the '**Housing Regeneration Programmes**' [Walsall Strategic Regeneration Framework] aim to restructure the housing markets across a number of Walsall's district centres and neighbourhoods, seeking to ensure mixed tenure and appropriate / affordable housing is delivered to attract and retain the right mix of residents to service our current and anticipated employment needs.

The 'Evolve' town centre and northern corridor programme is supported by HCA, with current investment estimated at £15m approved to support land acquisition / clearance. In order to deliver the mix, tenure and affordability of housing required, we need a further public investment of £162m during the next 10 years, with a requirement of around £16million over the next 3 years to deliver 349 affordable units.

Total units planned are up to 7,000 new houses, of which 2,710 should be 'affordable'. 3,000 jobs should be created in construction and end use businesses.

We presented our case at a Star Chamber event earlier in the year, which was followed by an assessment of their deliverability by external consultants. This assessment gave us an overall score of amber (using a RAG rating system), which means that our projects; “have an identified number of risks, which will affect the deliverability within the next 3-4 years, however it may be possible to implement measures which could bring forward certain projects”.

The following table sets out the RAG (Red Amber Green) assessment of our schemes at a point in time (February 2009)

### Assessment of Walsall’s RFA 2 Projects (February 2009)

Programme Profile		The delivery of strategic regeneration projects of commercial, housing, and infrastructure and mixed use schemes.				Project Score	Project Value
		Scoring Criteria					
No.	Projects	Funding	Risks	Deliverability	Impact and benefit		
1	Walsall Waterfront	2	2	2	3	2	£171m
2	Walsall Gigaport	1	1	1	3	1	£262m
3	Darlaston SDA (Master planning stage)	1	1	1	1	1	TBC
4	Walsall Housing Regeneration Programmes	1	2	2	3	2	Circa £1bn
No.	Transport Projects						
1	Darlaston SDA	1	1	2	3	1	£33m (DfT)

### Next Steps

The RFA submission needs to be with Government Office by the end of February. Between now and then work commissioned by the Joint Strategy and Investment Board will continue to:-

- develop the text to ensure our messages are clear and focussed,
- finalise the deliverability testing via consultants Davis Langdon

- finalise the budgets tables

#### **4. Accelerated Development Zones (ADZ's)**

**Accelerated Development Zones (ADZ's)** are where you calculate the effects of an improvement, in Walsall's case we would like to invest (from 2013) some £40million in improvements to Junction 10 of the M6 Motorway, with the aims of improving traffic flow, especially across the junction for people crossing the motorway, currently a major issue.

These improvements are then funded from Business Rate receipts arising from additional (would not have happened without improvements) or accelerated (would have happened anyway but at a later time) business growth within the catchment areas directly benefiting from the improvements.

In short the Treasury will allow us (the council) to keep these additional Business Rate receipts to repay the costs of the scheme, and once repaid they will go to the Treasury in the normal ways.

We have been working with PWC (Price Waterhouse Coopers), the appointed consultants working for the City Region, to ensure that the above potential ADZ` for Walsall is included, which it now is.

Risk is however the big issue, we will effectively be signing up to a collective risk of £1.03bn across the Region, which at the Walsall level is the £40million to deliver the Junction 10 scheme. The Risk is our individual and collective ability to re-pay this from the additional business rates we have calculated will arise from this scheme, if they are not realised who picks up this liability?

Discussions are on-going between the City Region and government, who we feel may trial a number of pilot ADZ schemes to see how they work and to evaluate the risk etc. We await the details from this process, which we feel could also be announced on March the 9<sup>th</sup> as part of the budget statement.

I will update you on where we are at the Scrutiny Committee meeting if further details are available following the March 9<sup>th</sup> Budget announcements.

I will produce further briefing notes as details of both the above and other existing / new initiatives, like Multi Area Agreements (MAA's) and Economic Assessments begin to build momentum and clarity is available.

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