

Terms of Reference for the Sub-national Economic Development and Regeneration Review

To identify ahead of the 2007 Comprehensive Spending Review how to further improve the effectiveness and efficiency of existing sub-national structures in England – including governance, incentives and powers – and identify options going forward that maximise value for money and deliver changes on the ground to:

- strengthen economic growth so that the Government achieves its ambitions as set out currently in the Regional Economic Performance Public Service Agreement (PSA) target; and
- deliver regeneration and neighbourhood renewal to meet the Government's objectives for tackling disadvantage as set out in the neighbourhood renewal PSA target.²

The study will build on progress made since 1997 to devolve decision-making to regional and local levels including city-regions, for example through the Northern Way. It will develop the analysis set out in several Government publications including *Devolving decision making: 2 – Meeting the regional economic challenge: Increasing regional and local flexibility*, *Productivity in the UK: 4 - the local dimension*, *National Strategy for Neighbourhood Renewal*, *Jobs and Enterprise in Deprived Areas*, *Making the Connections – final report on Transport and Social Exclusion*, *State of the English Cities Report* and *Improving the prospects of people living in areas of multiple deprivation in England*.

To address this objective, the study will:

- consider the optimal geographical levels for governance and decision-making for functions directly linked to successful economic development and regeneration of deprived areas;
- map the current governance arrangements and incentives for encouraging economic growth and regeneration at all sub-national levels, establishing in particular the interfaces between regional and local institutions;

¹ Make sustainable improvements in the economic performance of all English regions by 2008, and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. *Joint target held by HM Treasury, the Office of the Deputy Prime Minister and the Department of Trade and Industry.*

² Tackle social exclusion and deliver neighbourhood renewal, working with departments to help them meet their PSA floor targets, in particular narrowing the gap in health, education, crime, worklessness, housing and liveability outcomes between the most deprived areas and the rest of England, with measurable improvement by 2010. *Target held by the Office of the Deputy Prime Minister.*

- establish the value for money and effectiveness of key current interventions for encouraging regional economic growth, and develop proposals for improvements, including:
 - through a zero-based assessment of the Regional Development Agencies (RDAs), which will identify ways to enhance their role in promoting strategic economic development at the regional level; and
 - working with the DTI-led work on business support simplification and the review of the RDAs, to develop a clear rationale for business support programmes delivered regionally and sub-regionally, and setting out a substantial rationalisation of the same, including their delivery systems and relationships with national-level interventions;
- build on existing work to identify the key drivers of neighbourhood renewal and regeneration, addressing in particular how socially excluded groups and deprived areas can both share in and contribute to sub-national economic growth; and
- establish the value of money and effectiveness of interventions aimed at tackling spatial deprivation, including targeted regeneration funding e.g. Neighbourhood Renewal Fund (NRF) and the New Deal for Communities (NDC), and mainstream funding, including drawing on DCLG work on housing investment and mixed communities.

Many elements of this study will inform the development of the programme of simplification of business support also announced in the Budget 2006. Likewise, early work on that programme should make a significant contribution to the objectives of this study.

The study will report to the Chief Secretary to the Treasury ahead of CSR 2007.

The review can be contacted at: **economicdevelopmentreview@hm-treasury.gov.uk**