

# Local growth: realising every place's potential

28<sup>th</sup> October 2010



## Headlines

- The Government has published a White Paper setting out its approach to local growth.
- Central to the White Paper's proposals is a commitment to ensuring that local areas are able to take a lead in developing economic growth through Local Enterprise Partnerships, decentralising decisions on investment and an expansion of the financial options open to councils with plans for Tax Increment Finance and outline proposals for greater discretion over business rates.
- The White Paper follows the Government's Spending Review which set out real terms reductions of 28% in local authority grant over the next four years. It offers access to a £1.4bn Regional Growth Fund.

## LG Group key messages

- It is very encouraging that the Government has recognised the key role for local government, working with business, in leading economic development.
- The LG Group believes that the local government finance system should be sustainable, coherent and responsive to local authorities' strategic objectives. We want a finance system that provides genuine local financial accountability and clear incentives for authorities to lead economic development.
- We welcome the government's consideration of ways for councils to retain locally raised business rates. Local government should benefit fully from growth in business rates income and the way it does so should be clear and transparent. The government's proposals must ensure that councils retain the full benefit of the business rates income that, by 2014-15, could exceed the Formula Grant allocated in last week's Comprehensive Spending Review.
- For local enterprise partnerships to be successful and secure the strong participation of business, they must have the power to take the key strategic decisions about business, employment and skills provision, so that what is provided fits the needs of local businesses and local people.
- We need to be realistic about addressing entrenched economic challenges; specifically that private sector led growth is likely to vary greatly from place to place. Between 1998 and 2008 private sector jobs grew by 25% in Brighton and Milton Keynes, and by 16% in Preston. However they fell by 16% in Stoke and 6% in Blackpool. Some places will have the double whammy of low private sector job creation and high public sector employment – 31% of jobs in Blackpool are currently public sector jobs.

# Briefing

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## **Local growth White Paper in detail**

### **Local government finance**

- The Government has announced it will consider options to enable councils to retain locally-raised business rates in the Local Government Resource Review expected at the start of 2011. Councils will be able to offer local discounts on business rates and businesses would have the right to have a vote on any local supplement on business rates.
- A Business Increase Bonus scheme is also being considered, as a less radical alternative. This would reward councils where growth in the business rates yield exceeds a threshold by allowing them to keep the increase for a period of six years.
- The White Paper also expands on the Government's plans to introduce Tax Increment Finance and allow councils the new borrowing powers to enable this.
- The White Paper asks for views, by 1 December, as to whether the more radical business rates retention model, as opposed to the Business Increase Bonus, is favoured; and how this would affect authorities' approach to TIF.

### ***LG Group View***

- It needs to be clear how the proposals for Business Increase Bonus would be funded. If it is funded by top-slicing formula grant then there could be losers as well as winners.
- We strongly welcome the proposals for councils to retain locally-raised business rates along the lines along which the LGA has been arguing since its inception. We provided a technical solution to deal with the issues raised by the White Paper in our December 2006 submission to the Lyons Review.
- We also welcome the new borrowing powers to enable authorities to carry out Tax Increment Finance. These powers should be made available to all local authorities as quickly as possible, without the need for a bid-based process.
- Retaining locally based business rates within a framework will allow councils the certainty to make TIFs work. The LGA has heard from councils which have developed TIF proposals that the Business Increase Bonus alone would not allow them the certainty to borrow over the period required.
- The LGA looks forward to working with government on the Local Government Resource Review towards developing a system for financing local councils which provides genuine local financial accountability. The proposals in the White Paper around local government finance are a strong first step.

### **The role of local authorities in supporting growth**

- The White Paper recognises the critical role of local authorities in leading the development of the local economy and their democratic mandate to bring people together locally from all sectors to promote growth.
- This role includes support for local people and businesses, including regeneration, business support and employment programmes working

with nationally led schemes.

- On RDA assets – Communities and Local Government will manage the disposal of land and property, whilst the Department for Business, Innovation and Skills will manage the disposal of business and technology related assets
- The Regional Growth Fund will increase from £1 billion to £1.4 billion over 3 years, with a minimum threshold for bids set at £1 million and is open for the first round of bids

### ***LG Group view***

- We agree that local government has a key role to play in the support of local people and businesses – but for local enterprise partnerships to be successful and secure the strong participation of business, they must have the power to take the key strategic decisions about these support programmes and skills provision, so that what is provided fits the needs of local businesses.
- The LG Group has campaigned for the decisions about local economic development to be made locally – on the basis of real economic geography - and welcomes the announcement of the first phase of 24 local enterprise partnerships.
- We are also pleased that government has an open door to those places where it has not announced a local enterprise partnership.
- Local enterprise partnerships have a key role to play in the functions previously discharged by the RDA – business advice, innovation, low carbon, inward investment, tourism, skills and regeneration. Some partnerships will have an ambition to play a major role in these issues that goes beyond what is proposed in the white paper. For example, on skills, LEPs have an ambition to play a strategic role, in a demand led system, dealing with local market failure and ensuring that provision meets the needs of local businesses.
- Local enterprise partnerships have a strong interest in the handling of RDA assets and liabilities in their place – in many cases, RDA assets are essential to the future economic development of places, and to the future success of regeneration projects. We are pleased that the government has recognised this point and in considering particular cases will seek to meet local ambitions, the views of localities and their wider commitment to localism. It will be important for local government to be represented on the Transition Board that will oversee this process.
- We welcome the £400 million increase in the Regional Growth Fund, that it will be available to all areas of England, open to different types of bid and that the minimum threshold has been set at a relatively low level which also allows for project packages. Local enterprise partnerships have a key role to play in co-ordinating proposals from their areas to ensure they are consistent with local economic priorities. We would urge government to keep the bureaucracy on bidding to a minimum.

### **Planning and housing**

- The Government plans to introduce a national presumption in favour of sustainable development which will apply to decisions on planning applications and wants to streamline national planning policy and guidance.
- A new homes bonus scheme, starting in 2011-12 with its costs supported by £196m in the first year and £250m for each of the

following three years. Further details are expected in a consultation to be announced shortly.

- There will be a new statutory duty to cooperate on local authorities, public bodies and private bodies that are critical to plan making, such as infrastructure providers.

### ***LG Group View***

- Councils recognise the important role development plays in stimulating local growth and sustainability. Supporting the development and growth of local areas is about balancing spatial planning decisions with appropriate capital investment to support the right combination of infrastructure.
- It is important to ensure that development brings real and visible changes for local people. Such important decisions are best taken by democratically elected councils and groups of councils working together to plan effectively for the needs of their areas.
- The LG Group acknowledges that housing is a vital part of the local economy and welcomes the moves to establish a new homes bonus which could work to stimulate house building and offer significant financial benefits to local neighbourhoods.
- However, it will be important to ensure that the scheme incentivises the right kind of housing where it is needed. In some areas this might occur through reinvesting in blighted neighbourhoods as well as building new housing in areas of high demand. We await further details of the incentive in the forthcoming consultation paper including, crucially, the funding arrangements.
- Councils fully support the principle that planning decisions should be based around the needs and aspirations of local people and there are many examples of this taking place effectively locally. Elected councils, both individually and across wider areas, play a central role in ensuring that democratic and representative decision making balances the interests of, and considers the impact on, all sections of the community.

### **European funds administered by the RDAs**

- The government proposes designing a spending approach to deliver the remainder of the European Regional Development Fund (ERDF) programmes with minimum disruption, to replace delivery by the RDAs and to strengthen local influence over decision-making through greater representation on the Programme Monitoring Committees. The new delivery structure will be announced at Budget 2011.
- To take a national approach to deliver the remainder of the Rural Development Programme for England, to replace delivery by the RDAs, maintaining some local delivery through the local action groups.

### ***LG Group View***

- We are pleased Government has responded positively to our call to spend the remaining ERDF with minimum disruption, while taking steps to ensure local authorities can shape investments to meet local economic need. Greater council involvement in project development and appraisal will also be important for ensuring allocations address

local priorities and for helping attract match-funding from local private and public sector sources.

- A national approach to managing the remaining Rural Development Programme for England risks disconnecting investment from unique circumstances in places. It should not lead to an over-concentration on national priorities, and must offer a more streamlined administrative approach for project beneficiaries. Local action groups will be crucial for the effective engagement of local communities in spending.
- Looking ahead, it is important that future EU programmes for 2014 – 2020 are spent in a cheaper, more coherent and locally responsive way. In the LGA report '*EU funds and place-based budgets*' we set out an approach for achieving this where the ERDF, European Social Fund, and Rural Development Programme are spent through a set of single programmes at the sub-national level, while giving local authorities or LEPs the opportunity to manage local packages of EU funds.

### Transport investment

- Government will prioritise transport investment as a key enabler of growth and particularly encourages local enterprise partnerships to work together to integrate transport investment.
- Transport will be a strong candidate for funding from the Regional Growth Fund and LEPs should engage with local authorities on their local transport plans and by partnering bids to the Local Sustainable Transport Fund. The White Paper also reaffirms government's commitment to support development of a market for low and ultra low carbon vehicles.

### **LG Group View**

- It is good that Government has recognised that investment in transport infrastructure underpins economic growth. However transport investment must be planned in conjunction with other infrastructure required to support communities.
- It is also essential that this investment is made a matter for local decision making, so that councils and local enterprise partnerships, rather than central government, can decide how investment can best support local economies. It is disappointing, therefore, that they will be required to use up scarce resources to design and submit bids for funding through the Sustainable Transport Fund.
- The LGA will continue to argue for an end to separate bid-based funding pots and funding decisions on local transport being taken in isolation from other investment needs by central government.

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### **Further Information**

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