

## **Supporting Council's ambition for local economic growth**

### **Summary**

This report sets out councils' long term experience of driving local economic growth and looks at the current issues regarding delivery (including the partnership work with Local Enterprise Partnerships).

It recommends that the Board develops a debate in the sector which establishes a clear local ambition for economic growth.

### **Recommendation**

The Board is asked to comment on the paper.

### **Action**

Officers to produce a delivery plan, based on Members comments.

**Contact officer:**

Ian Hughes and Philip Mind

**Position:**

Head of Programmes/Senior Adviser

**Phone no:**

020 7664 3101/3243

**E-mail:**

[ian.hughes@local.gov.uk](mailto:ian.hughes@local.gov.uk) / [Philip.mind@local.gov.uk](mailto:Philip.mind@local.gov.uk)

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**SUPPORTING COUNCILS' AMBITION FOR ECONOMIC GROWTH**

**Introduction**

1. Local government has a long and honourable tradition of driving economic growth. Its work in this area can be traced back to the founding fathers of modern local government at the end of the 19<sup>th</sup> century, with the development of public works in large cities to deal with sanitation and infrastructure. In more recent times, during the recession of the 1980s, local government broke new ground in delivering local economic development programmes which delivered, for example, local employment programmes to deal with the decline of manufacturing and high levels of unemployment.
2. In the immediate past, our work in this area was often in partnership with regional development agencies, as they provided funding for many of the infrastructure and employment programmes that were driven by local government.
3. Thus our record and history in this area is vast. However, the sector's offer needs to be refocused. We are entering a new era which is being defined by new institutions, such as local enterprise partnerships (LEPs), where much less public finance is available. There will also be a stronger emphasis on improving people's skills to compete in a global economy (rather than a concentration on physical regeneration programmes).

**Delivering local economic growth in the 2010s**

4. One year on from the government announcement of the first LEPs, there is an opportunity to create a new, focused, national debate about the ambition of councils for local economic growth.
5. Local government has lobbied for the devolution of economic budgets and powers. Some budgets have been localised (for example, local councils are broadband delivery partners). New powers are in the pipeline, for example tax increment financing, allowing councils to secure the fiscal benefits of growth. However, many central controls remain which need to be challenged. Compared to the economic powers enjoyed by local leaders in other developed nations, our own local powers are limited.
6. At present, much debate on local economic development is centred on the development of LEPs. There are risks to this focus as our work could be hampered by institutional debates. Rather we should develop an agenda

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about what could be done, that stretches our ambition for localism and which recognises the economic challenges facing different places – for example, the different challenges facing urban, rural and mixed economies. In summary, we need to create a debate on the key economic issues facing local economies and the role that local leaders can and could play in delivering economic recovery.

**What are the drivers of local growth?**

7. The government's own ambition for national economic growth is well articulated:
  - to create the most competitive tax system in the G20
  - to make the UK the best place in Europe to start, finance and grow a business
  - to encourage investment and exports as a route to a more balanced economy
  - to create a more educated workforce that is the most flexible in Europe.
8. This language may not resonate or create ambition in localities. For example, local places do not generally compete on tax. So what is the narrative underpinning local ambition for economic growth? We could develop an agenda from which we can help to highlight the importance of the local role and that is sensitive to the fact that economic development will not be the exclusive right of any one institution, but will rely on partnerships which are effectively led from localities.

**Helping to renew the local government ambition for local economic development and growth**

9. The Board is invited to consider leading a debate about the future of local economic development. This could be based around the following themes:

The ambition that councils **should** have:

- What local economic, social and transport powers would leaders of councils and businesses in other developed economies hold to develop their local economy? How do they compare with England and would they work here?
- Securing and using new local taxation powers.

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The ambition that councils **do** have:

- The roles of different institutions – business-led LEPs and councils; what are the emerging strengths and weaknesses of LEPs; the future sources of tension and what will make LEPs successful.
- Maximising our resources: What would you do if Enterprises Zones, RGFs, the New Homes Bonus, CIL and EU funds were merged into a single community programme for a LEP and how can council maximise the opportunities from bringing different levers together?
- Using people power: How we harness the young people and the unemployed in local leading markets? How do we maximise the local returns to investing in education, skills and training so that local people compete effectively for jobs in a global economy?
- Enabling local approaches that might depart from national economic policy approaches, for example on job creation or careers advice and guidance.

**Delivering a revitalised debate on our ambition for growth**

10. Board members would play a leading role in creating this debate. It could be delivered through discussion papers from members, the LG Group, think-tanks and commentators. It could focus on a series of town hall meetings around specific themes (led by Board members in their own areas). We could also use e-comms through twitter and other social media.
11. We would also need to develop a clear outcome. For example, a *Budget for Local Growth* – a submission to the Chancellor early in the New Year in time to influence the Budget 2012 that outlines the measures councils need to support local growth.
12. Members are asked to consider this proposal, comment on the general principles and make suggestions for delivery.

**Contact officer:** Ian Hughes and Philip Mind  
**Position:** Head of Programmes/Senior Advisor  
**Phone no:** 020 7664 3101/3243  
**E-mail:** [ian.hughes@local.gov.uk](mailto:ian.hughes@local.gov.uk) / [Philip.mind@local.gov.uk](mailto:Philip.mind@local.gov.uk)