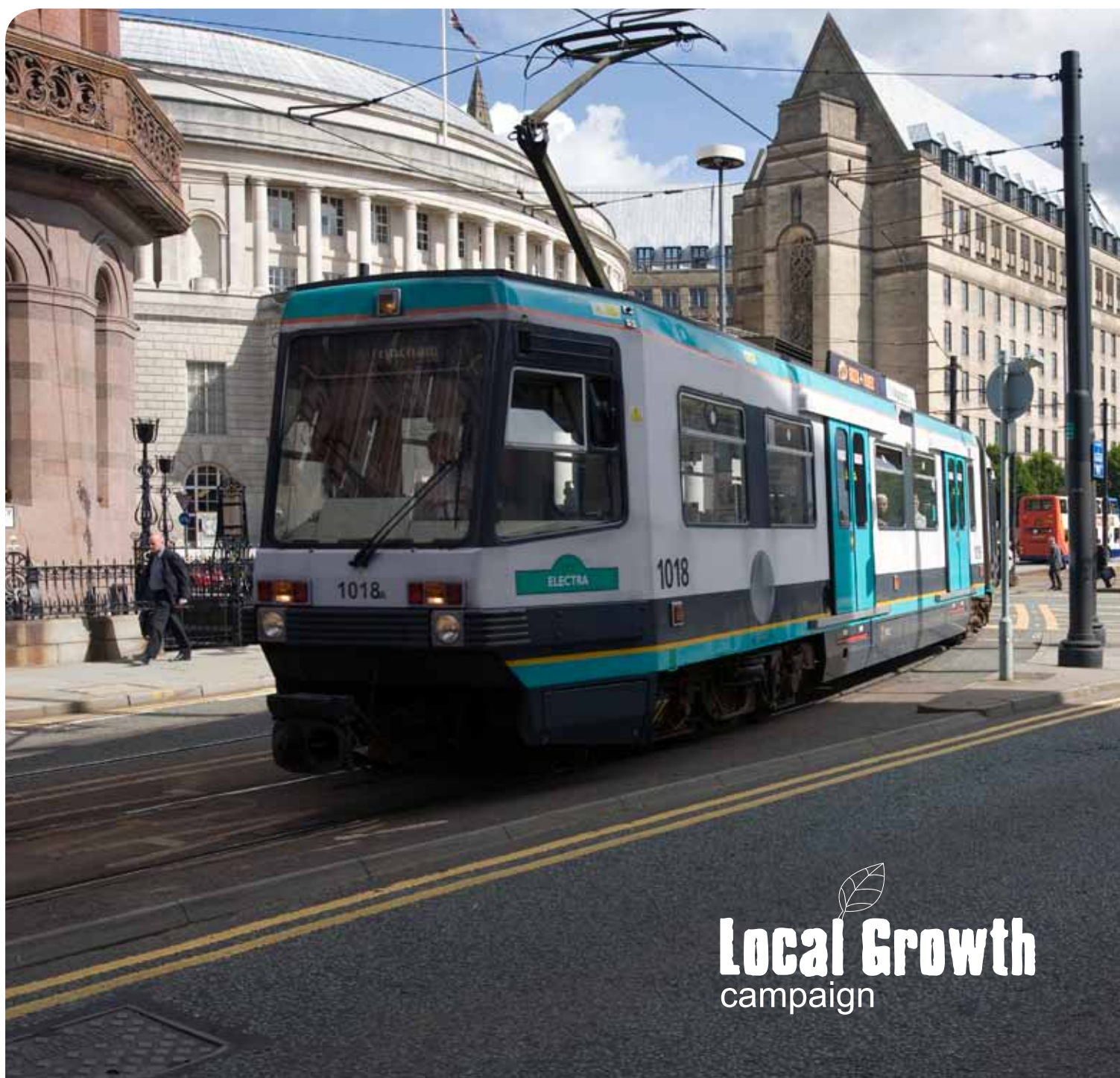
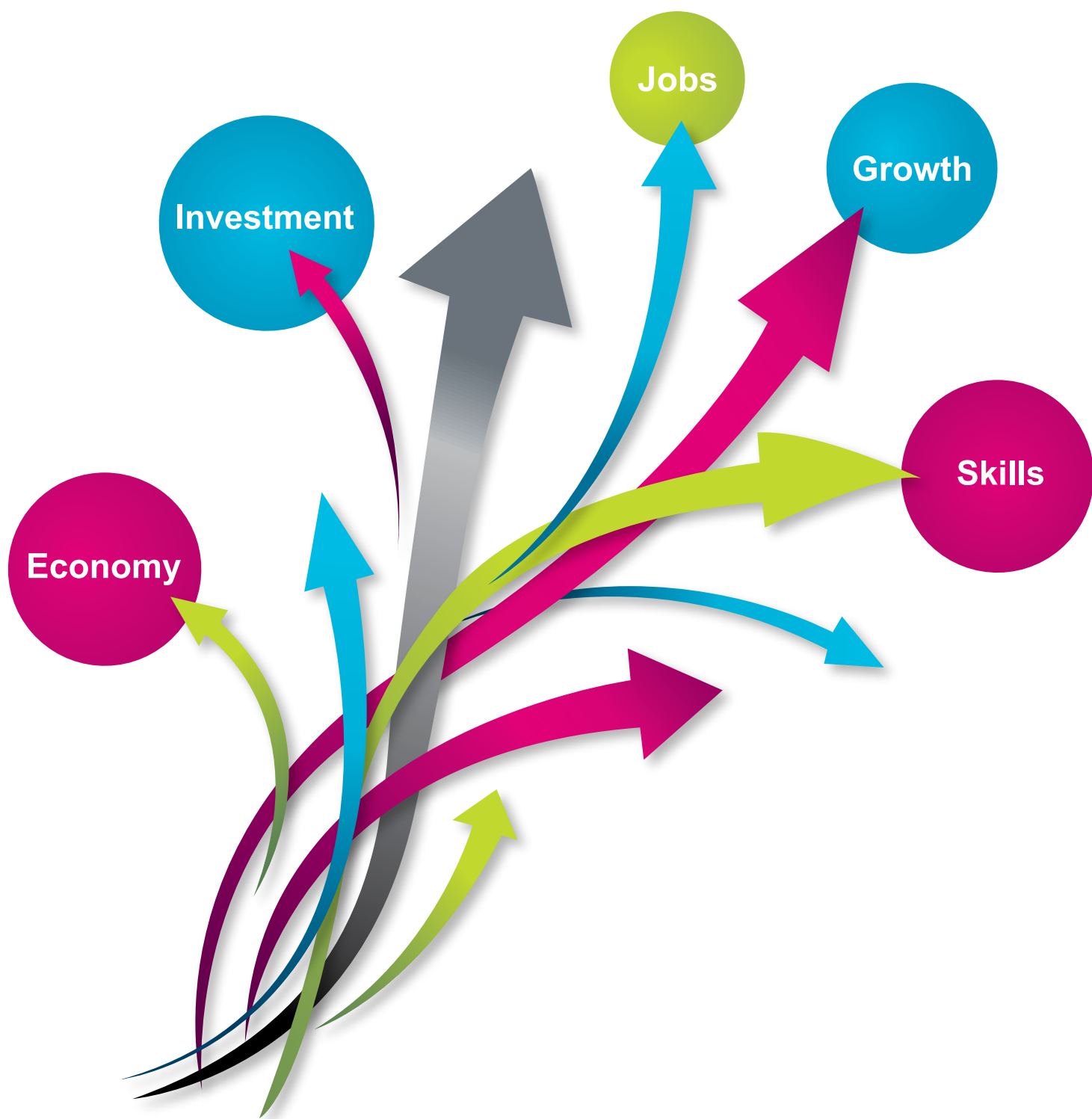


LGA local growth campaign

Findings to date and an interim update

February 2012





Foreword



It is difficult to escape the daily news headlines on the state of our national economy. The predominant debate in politics and around our kitchen tables is about jobs, business and consumer confidence, the

continuing credit squeeze and Eurozone and global uncertainties. Whilst the headline news and figures are national, the impacts are local. And my own view is that it is at the local level that the solutions to a more prosperous national economy can be found.

While the institutional landscape has changed recently with the emergence of local enterprise partnerships (LEPs) and the abolition of regional development agencies (RDAs), councils remain one of the key drivers of growth. Councils' continued work on economic growth is therefore vital. However, there is a need for a wide debate in the local government sector which demonstrates our renewed ambition and sets some new boundaries in our thinking.

This is why the LGA is supporting a campaign on local growth. Whilst this government has taken some major steps in the direction of this argument we are gathering evidence on what more is needed to make local ambition for our local economies work. We are asking civic and

business leaders to share their perspectives on local growth. We are doing this through:

- a series of town hall debates; following a launch event at Local Government House in November, we have held town hall debates in Leeds, West Midlands and Wakefield. LGA members have also invited views in through other events and regional discussions. More town hall debates are planned for Cambridge, Newcastle and Devon.
- a series of essays from business and civic leaders, and highly regarded commentators and think tanks.
- a set of evidence gathering and analytical papers on key issues identified to date.

All of this will inform our green paper on growth that will be published in the summer. This will form the basis for our discussions with government on what barriers need removing, and what further opportunities can be explored.

We are mid-way through this debate and I feel this is a good time to take stock of what we have heard to date and I hope it will inspire others to share their ideas and thoughts. For me, there are two over-riding messages emerging from the debates:

England is made up of different local economies. The nuances are highly local. National strategies and initiatives often fail to recognise these local differences and are less effective as a result.

The levers of economic growth – skills, infrastructure, transport, investment, export, etc – are too centralised and local government needs to push hard for decentralisation.

What we have heard at the Town Hall debates so far is that we need to localise skills, strengthen the partnership between education and business, and demonstrate that regeneration funding should be devolved and pooled (building on the Growing Places Fund) and extend the City Deals more widely to other cities and places.

Finally, local government leaders must look at their own ways of supporting economic development - new approaches and skills are required to unlock local economic wealth and talent. Councils have always adapted and led the way for their communities through challenging times and I am confident in our ability to redefine our work to accommodate unprecedented national and international circumstances. There is an important role for the LGA in supporting councillors and councils to develop and network successful approaches to promoting local growth.

This paper sets out the early evidence and some of the issues which have been raised to date. I invite you to contribute to our debate. You can do this by emailing lgalocalgrowthcampaign@local.gov.uk or visiting our website www.local.gov.uk



Cllr Peter Box
Chair of LGA Economy and Transport Board



What leaders have told us so far...

Nationally, the economic statistics are very concerning – the economy contracted by 0.2% in the last quarter of 2011, and before Christmas we heard from the Office for Public Responsibility that growth for the whole of 2012 revised down to 0.7%, unemployment will peak at 8.7% and youth unemployment is already at over 1 million.

But do these figures disguise the way local people and businesses experience the economy? There are significant differences between places – for example the number of young people not in education, employment or training is less than 10% in York, but over 25% in Barnsley.

This is not a crude north/south divide – there are places that are struggling and prospering across the UK – for example average earnings are £530 per week in Warrington and £402 in Hastings.

These imbalances and local variations in economic performance and the inability of successive governments to let go of the micro-economic levers strongly suggests a new approach is needed, one that targets interventions much more effectively at circumstances at a local economic level.

What are the main themes emerging from our campaign so far?:

Councils are just doing it

One consistent message from civic leaders has been that councils have been driving economic development for over a century – from the founders of modern local government who built our cities to the modern-day innovators who are driving the Green Deal. There is a clear view that we continue to claim our space as the traditional drivers of local development.

In the West Midlands, Tata Motors recently announced a £355m investment in low-emissions engine plant capacity creating 750 skilled jobs. Local political leadership was key to this deal by investing in a junction to the nearest motorway.

In the Greater Cambridge and Greater Peterborough areas business and civic leaders have been successful in getting agreement to improvements in the capacity and performance of the A14, which is critical to the local economy. This agreement will now help unlock new housing development and employment locations as well as helping existing enterprises go about their business.

In response to Pfizer's decision to withdraw from their Sandwich site, putting at direct risk 2,400 jobs in the pharmaceutical industry, Kent County Council worked with Dover District Council and other public sector and business leaders to create the East Kent Recovery and Growth Package. This will provide support to business and investment in infrastructure. By packaging various sources of funding and support, including Enterprise Zone status and RGF, over 700 jobs are to be retained on site, with work continuing to realise the sites full potential.

The Greater Manchester LEP recently launched an investment framework to spend on priority projects aimed at driving economic growth. It will use funding from a range of sources, both capital (RGF, Growing Places Fund, Evergreen, unallocated ERDF) and revenue (enterprise zone revenue, pooled business rates, community infrastructure levy and section 106 planning agreements), available to the Greater Manchester LEP and the GMCA (Greater Manchester Combined Authority) in supporting the Greater Manchester Strategy. In many cases, the economic benefit of each pound invested is maximised through recycling to enable further projects to progress and be developed.

In Kirklees and the Leeds City region they are building on their strong manufacturing base across a number of sectors based on engineering which includes a concentration of world class companies, a strong manufacturing services sector, a national reputation in the creative and digital sectors, and an innovative partnership with the University of Huddersfield. Their key account programme works with 150 of the most significant employers across the district - the majority in manufacturing - acting as a facilitator to articulate business needs, overcome hurdles, put in contact with business support partners, promote research and development. Businesses are offered micro-business grants, audits and advice to help boost the green economy.

There are many other examples that show that councils are willing to take risks, and that councils and their partners already have ambitious plans to use new financial instruments such as Tax Increment Finance, municipal bonds, Public Works Loan Board, land and asset backed vehicles to stimulate growth and new jobs in their areas.



How can we do more and what further opportunities can be explored?

Whilst it has been clear that councils' cannot substitute for the private sector in creating jobs, the role of local government is critical in creating the right environment for business and employment to flourish.

Within this context, some key themes are emerging so that we can be even more effective in delivering growth.

Fit for purpose skills system

One of the biggest recurring themes at the town hall debates has been that our education and skills system need to be better at providing the skills people need to succeed in the labour market.

What we have heard:

- That our further and higher education systems need to be better at delivering the qualified people that current and future employers need; and that we need to move to a funding model that better rewards job outcomes, progression to higher skills and attracts private investment.
- That young people who have been through further and higher education are not leaving equipped with the right tools for the world of work; the challenge to the higher education sector is to better prepare students for a future working life by becoming more like work places by, for example, adopting a revised term structure.

The 'geography' of economic recovery

Whilst councils and their LEP partners have been tasked with the delivery of economic growth, via the town hall debates Councillors and officers have told us that the levers available to them are limited or require resources to be spent to stitch together national programmes that are run on a mismatched geography, and this is further worsened where government departments fail to join up around functional economic geography.

Many decisions about micro-economic policy are taken nationally in separate government departments or quangoes. They don't always fit with the needs of places, investment decisions nor placed-based economics. Issues raised:

- Can agencies such as the Highways Agency work better with councils and local partners so that their road infrastructure investments are more in tune with business and population growth?
- Local partners are disappointed with the delays and the bureaucracy attached to the Regional Growth Fund (RGF) which exemplifies that competitive bidding rounds based on national criteria lead to greater bureaucracy and less effective distribution of resources.

- The work of the CLG Select Committee calling for a joined-up regeneration budget for councils and LEPs (rather than a stream of national initiatives) has had wide-ranging support.

Transport

Key questions have been raised about our national transport programme and whether it is being considered as a primary instrument of growth. Evidence from both Scotland and the Netherlands showed that their transport programmes were being driven by economic and employment objectives and the growth potential of localities. The objectives of the Department for Transport were focused on the transport system, rather than on transport as a lever of growth.

At the Leeds debate which looked at this issue in depth, the more radical calls were for a first principles challenge of the role of transport policy.

- Should we offer an evaluation/assessment model for a scheme which is based on a better balance between economic value and technical merit?
- How do we join up the various devolved initiatives on buses, rail and road into coherent local programmes?

Building on the City Deals

In terms of targeting future public resources: for any future local difficulties, rather than await a new national initiative is there a case for targeting future public funded stimulants? So, rather than relying on a nationally distributed RGF is a more coherent and integrated approach required to delivery and investment within places? Community Budget pilots have demonstrated the potential of such an approach for complex families - a more radical shift to this kind of working across a wider set of policy issues and places would reap significant reward and get a better return.

The City Deals have been widely welcomed as an important step towards decentralisation along with the Cities Minister's commitment to extend the deals more widely.

But it is clear that there is an appetite in local government for a more whole sector deal on decentralisation that pulls together the flexibilities agreed within the City Deals and extended more widely allowing a much more effective targeting of micro-economic policy.

Commercialising innovation

Councils traditionally have been strong supporters of supporting innovation and its contribution to business growth, for example through provision of grants/loans or incubation space. Whilst this will be the topic of February's town hall event in Cambridge, it is felt that more can be done through local partnerships of public, private and higher education sector to maximise the local impact from centres of talent, such as universities.

What is our relative position in innovation compared to European and worldwide competitors? Are new growth opportunities, such as health and green energy/economy opportunities being exploited? Some universities are excellent at supporting commercialisation but can they be doing more to recognise their own economic footprint and make it beneficial to the local economy?



Topics to be explored further

Via our campaign we are hearing how councils are grasping existing and new powers to help stimulate local economies. However, there has been a clear challenge to councils from our partners (especially in business) for stronger local leadership. Below are some issues raised that we plan to explore further through the second part of our campaign.

Trade/ export

At all the debates that have taken place so far, the council's role in attracting inward investment and ensuring infrastructure in place for export has been raised. How do councils work together with overseas business to attract investment in their local areas? Whilst there are some good examples of this happening, there are cultural barriers that need removing to allow councils to be brave and innovative in working with overseas investors.

What more can we learn from our international colleagues? In New Zealand, there is an advanced team approach, with sub-regions agreeing specialities and working together to the same agreed outcome, which enables investors and local agencies to work together in a coordinated way.

The Jaguar investment in West Midlands further highlighted how investors value a clear leadership role from local councils. How do councils provide this and confidently take on a role?

This issue will be explored further at the March "town hall" meeting in EU House in London.

Economic footprint/local procurement

Councils are continuing to work to create the best environment for growth (rather than create jobs), and there are direct levers that councils have to use, including their purchasing power. This is a clear lever of growth, but councils may not have radically changed the way they deal with commissioning as the economic crisis has unfolded. A related issue has been whether EU procurement rules hamper council's ability to stimulate the local economy through local purchasing.

Culture and skills

Whilst the emerging evidence from our campaign is that councils are 'getting on with it' many leaders feel that councils themselves need to continue to adapt to the changing world of economic development if they are to do their best in supporting private sector growth. Lead councillors taking part in LGA member development workshops have stressed the importance of:

- The private and public sector working better together for growth.
- Councils and public sector working together to incentivise growth – especially without significant regeneration budgets.
- The different leadership styles and roles that councils will need to play.
- Knowing their local economies - their strengths and weaknesses. This means being clear about local economic assets, the nature of demand and competition and how they can support local growth and development.

Conclusion

The issues in this paper represent what we are being told via our 'Town hall debates' and the early ideas emerging from our campaign to date- they are not LGA policy. We hope this paper helps stimulate discussions in your own councils and across your LEP areas. The LGA local economic growth campaign will continue into spring 2012. We will publish our way forward in a Green Paper that is driven by local ambition for growth and to push for decentralisation to allow a more effective, targeted response to our economic challenges.

If you wish to take part in our campaign, then please come along to one of our forthcoming town hall debates. You can find details of these on our local growth campaign web page www.local.gov.uk/localgrowth. Alternatively, you can write in or email the LGA on lgalocalgrowthcampaign@local.gov.uk







Local Government Association

Local Government House
Smith Square
London SW1P 3HZ

Telephone 020 7664 3000

Fax 020 7664 3030

Email info@local.gov.uk

www.local.gov.uk

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