

Local Government Association (LGA) briefing on the Government's response to the Heseltine Review

19 March 2013



Background

On 31st October 2012 Lord Heseltine made 89 recommendations in his report “*No stone unturned in pursuit of growth*”, looking at all aspects of government policy that affect economic growth. (See the LGA’s on the day [briefing](#).) Lord Heseltine supported the LGA view that we need a more place based approach to drive economic growth in England and stated that too many decisions are taken in Whitehall.

On 18 March, HM Treasury and Department for Business Innovation and Skills published the Governments’ response to the Heseltine review¹ confirming their agreement with the case for decentralising economic powers from central government to local areas and leaders.

The Government accepted in full or, in part 8, of the 89 recommendations from the Heseltine Review. It will address another three at the spending round in June 2013 and five recommendations were rejected, decisions which the LGA agrees with.

LGA key messages:

- The LGA has long been making the case for devolution of growth-related powers and levers, so this announcement that the Government shares our vision that decentralisation can unleash the growth potential of local economies is positive.
- The Government has described its response to the Heseltine report as a “*first step*” and much of the response either reaffirms current national policy or makes new devolutionary proposals for 2015, with any budgets dependent on future reviews. We would urge a faster delivery timetable to support local ambition for growth.
- We are pleased that the Government has responded to our call for Local Growth Deals to be made available to all areas through a negotiated process. We believe that this approach will help ensure that all local partnerships with ambition and innovative ideas are able to drive economic growth.
- However, the viability and success of Local Growth Deals will be contingent on the strength of the spending review’s Single Local Growth Fund.
- Lord Heseltine has identified between £58 to £70 billion in funding streams currently held nationally that could be put to better use if they

Briefing

¹ Available at http://www.hm-treasury.gov.uk/d/PU1465_Govt_response_to_Heseltine_review.pdf

were devolved. We would be very disappointed, and would question the viability of this proposal, if the single pot fell short of Lord Heseltine's ambition.

- We are supportive in principle of the commitment to align European Union Strategic Investment funds with the Single Growth funds, but it is critical that all Departments commit to the EU Growth Programme model, and not fund the majority of provision through separate national contracts/programmes outside of this model, which would undermine the notion of alignment against local priorities.
- We have a concern about the disjuncture between future Local Growth Deals for Local Enterprise Partnership (LEP) areas and the current City Deals for city regions. We would like early discussions with BIS to ensure that future economic geography is not further complicated.

Key announcements within the response

Local Growth Deals

- From 2015, the Government will negotiate Local Growth Deals with each LEP that will cover their allocation of a new Single Local Growth Fund and new levers and flexibilities to support growth.
- These deals will be developed through a process of negotiation on the basis of LEPs' strategic growth plans.

LGA view

- We have been calling for Local Growth Deals to be extended to all localities so this is a major win for the LGA's member authorities.
- We are very disappointed that some areas of England, especially counties, will have to wait until 2015 for such deals. There is a clear case for those localities with innovative ideas for growth to be allowed to negotiate their deals immediately.
- We are pleased with the recognition that Deals are best developed through negotiation rather than bureaucratic bidding processes.
- We need urgent discussions with BIS to ensure that the development of LEP Deals and City Deals do not complicate English economic geography further.

Local Single Growth Fund

- The Government confirmed its commitment to creating a Single Local Growth Fund and identified three areas as being critical to its success: Skills, Transport and Housing.
- Full details of the size and content of the Single Local Growth Fund will be announced alongside the Spending Round later this year.
- Access to the Single Local Growth fund will be via the strategic plan developed and negotiated with government by the LEP.
- The Single Local Growth Fund will be allocated through a process of negotiation with an element of "competitive tension" that appears likely to inform each LEPs' share of the Fund.

- Funds will then either be paid to a lead local authority or to a combined authority and it is expected that local authorities or other bodies (rather than LEPs themselves) will deliver programmes and projects to ensure there are proper democratic and financial accountability structures in place.

LGA view

- The acceptance of the Heseltine recommendation that a single local growth fund be developed is a positive step but ultimately local areas will judge the success of the fund by its contents.
- Lord Heseltine has recently upwardly revised his recommendation of the amount of funding that should be devolved to local areas to £70 billion. We would support the devolution of all of these funds through the Single Fund and believe that the onus is on Government to demonstrate why any fund would achieve better outcomes by continuing to be held centrally.
- In recognition of business opinion that certainty is critical to inspiring investor confidence, we would question the need for any competitive element to the allocation of resources.
- The LGA supports the proposal to channel the funding through local authorities so they can act as the delivery agents for the LEPs. This will be essential to ensure a democratically accountable and financially transparent delivery system, which LEPs can only provide if their local authority partners take on this role.

Role of Local Government

- A clear role is set out for local government, as is the importance of democratically elected councillors being responsible for ensuring proper use of public resources.

LGA view

- The Government has rightly acknowledged the role of local government in driving growth. Councils already work effectively with their LEP partners to drive growth and we will want to have an honest discussion with Government to ensure that there is capacity and resources at a local level to drive the devolved agenda.
- It must be acknowledged that local economic development is a discretionary service which could be undermined by further reductions in local government funding.
- From 2013/14 local authorities will retain a share of business rates collected locally. The government should consider increasing this share and allow the sector to retain the proceeds of growth in the business rate without a corresponding reduction in grants from central government.

EU Funds

- The Government will also seek to ensure that EU Structural and Investment (SI) Funds are aligned with the Single Local Growth fund

through streamlining their management and aligning priorities on the basis of the plans led by LEPs.

LGA view

- We are supportive of the proposal to join up EU funds but will need to make a further assessment once the detail has been considered.
- For the spending of EU funds to be locally responsive in practice, it will be critical for all Departments to commit to the EU Growth Programme model and not fund the majority of provision through separate national contracts or programmes outside of this model, which we feel is a risk.

Planning

- The Government confirmed a number of previously-announced reforms to the planning system to reduce costs and bring speed and certainty to business.

LGA view

- Councils are supportive of the removal of unnecessary bureaucracy in the planning process and are therefore pleased that government has reversed its original opposition and accepted our proposals to make it easier to streamline Local Development Orders.
- With 400,000 homes with planning permission that have yet to be built by developers, it is clear that the planning system is not the main barrier to unlocking development. More upheaval and fundamental reform of the planning system will hinder, not help the drive for growth.
- Through the Growth and Infrastructure Bill, the Government is creating a centralised target driven process for major applications that will focus on speed rather than quality, undermine local democratic decision making and require an increase in resources at the Planning Inspectorate that would be better spent on services locally.
- 87% of all planning applications were approved in 2011/12, representing a 10 year high. Targets on speed of decision making could risk reducing the level of approvals if councils cannot take the time to get the right decision.
- Where problems exist, these will be most effectively dealt with through supporting improvement in planning services and the LGA has argued for councils to be given the opportunity to improve their performance before decisions on major applications are removed from the local democratic process. The Planning Advisory Service (PAS) is a key part of that sector led response. The LGA and DCLG have agreed new governance arrangements for PAS that will allow for stronger leadership from the sector in shaping a support offer to councils that will be responsive to councils' needs.
- We also support a faster appeals process. However we are concerned that the additional caseload placed on PINs by the Government's proposals will add burdens to the system and could detract resources from work to approve local plans. We will continue to work to support councils in achieving best value for public sector assets and on increasing the use of planning performance agreements.

Skills

- The Government believes that including an element of skills funding within the Single Local Growth Fund is important in order to give LEPs the ability to influence provision, particularly for local small and medium sized enterprises (SMEs).
- It will also examine closely the options for aligning employment support programmes with LEPs and the Single Local Growth Fund.

LGA view

- While we are pleased that an element of skills funding will be included within the Single Local Growth Fund, we are disappointed that the Government is not seizing the opportunity to reform the skills system on a more ambitious scale, as set out through our Hidden Talents project².
- We would be keen to support further radical thinking on how to unlock value by aligning employment and skills programmes within LEP areas.

Transport

- The Government indicated that it believes that there is a case for elements of the transport budget (such as the funding for major local transport schemes) to be included as such spending is integral to economic development.

LGA view

- While we welcome this recognition from the Government, local major transport funding has already been devolved (although there is still some concern about the impact of creating a multiplicity of local governance arrangements by establishing Local Transport Boards in addition to LEPs).
- We are disappointed that the Government response does not adequately recognise that decisions about major national transport projects also have an impact on local economic development and as such, local areas need to have more of an influence over those projects as well.

² Further information is available at <http://www.local.gov.uk/hidden-talents>