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## **Local Economic Growth**

### **Purpose of report**

For discussion and direction.

### **Summary**

This paper sets out proposals for delivering the Board's agreed priorities, in light of recent developments and announcements related to economic development, including:

- City Deals
- EU funds
- Welsh devolution
- Rewiring roundtables
- Autumn Statement

### **Recommendation**

The Board is asked to discuss and provide a steer.

### **Action**

Officers to take forward as directed by members.

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## **Local Economic Growth**

### **Background**

1. In September, Economy and Transport Board members agreed that future work on local economic development should advance twin objectives:
  - 1.1. First, to help councils maximise opportunities to secure the tools and levers they need to support local economic development within the current system, and;
  - 1.2. Second, to revive the debate about and refresh the case for ambitious devolution, particularly with a view to influencing 2015 election manifestos.
2. This paper sets out proposed activities for delivering these objectives, in light of recent policy developments, and invites members' views on the proposals.

### **Maximising opportunities in the current landscape**

#### City Deals and Growth Deals

3. Progress on the Wave 2 City Deals has started to pick up. Four of the 20 areas negotiating in the second wave have now reached agreement with the Government:
  - 3.1. The Preston-South Ribble-Lancashire City Deal has a significant focus on putting in place the strategic transport infrastructure needed to unlock development. The Deal involves the creation of an infrastructure investment fund, with the expectation that this will enable the fast-tracking of over 25 years of development into less than 10 years.
  - 3.2. The Thames Valley Berkshire City Deal has a significant focus on tackling youth skills and unemployment, aiming to reduce youth unemployment by 50 per cent over three years. The Deal will enable the investment of £2.4 million from the Youth Contract to support a new approach to providing a single, integrated point of access for employment and skills opportunities in the area.
  - 3.3. The Greater Ipswich City Deal also has a strong focus on supporting young people, with plans to introduce a new Youth Jobcentre as the delivery vehicle for the Youth Guarantee to help young people into education or work.
  - 3.4. The Southampton and Portsmouth Deal has a significant focus on maximising the impact of marine and maritime assets by unlocking critical employment and housing sites. The Deal will enable the assembly of public/private sector land and funding packages to support the provision of enabling infrastructure.
4. Cabinet Office officials have indicated that agreements on several more Wave 2 City Deals are expected to be announced in the coming weeks. As it is not expected that negotiations with all wave 2 areas will be concluded by January/February, there is likely to be a period of overlap with the Growth Deals negotiating process. We understand that

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an announcement should be shortly forthcoming on how Growth Deal negotiations will be managed, including the lead department, which appears to have been a contentious issue within Government.

5. It has been evident in the second wave of City Deals that the Government's commitment to making a core package of powers and levers available to all areas has fallen by the wayside. What Wave 2 areas have been allowed to even put on the table for discussion is considerably narrowed from the scope offered to Wave 1 Deals and it seems entirely likely that Growth Deals will be even more constrained. There is a real risk that the "bespoke negotiation" process will effectively give departments a greater opportunity to minimise what they put on offer.
6. The LGA could play a role in helping to strengthen local partners' hand in the Growth Deal negotiations. We propose to do this bringing member authorities together in the new year to enable them to learn from the experiences of authorities involved in the Wave 1 and 2 City Deals, discuss how to leverage influence within their Local Economic Partnerships (LEPs) and put collective pressure on the departments that have historically been most resistant to devolution.
7. Members' views on such an event, as well as reflections on other ways that the LGA can support councils and partners to make the most of Growth Deals, are invited. We recognise that there may be sensitivities about sharing intelligence in the midst of a competitive funding process, but there is scope to focus the LGA's activities on areas where there would be a strong advantage to a collective approach, i.e. reviving the core package offer.

EU funds

8. LGA lobbying secured the localisation of £5.3 billion EU Structural and Investment funds for 2014-2020 through LEP areas, but several aspects of programme management and delivery are yet to be developed. The national EU funding Programme Growth Board (PGB) has been set up to design and agree arrangements. The local government delegation comprises the LGA Chairman, Cllr Sir Merrick Cockell, Cllr Sir Albert Bore (Leader of Birmingham City Council) and Cllr Ian Stewart (Cumbria County Council and South Lakeland District Council).
9. The first PGB took place in September. At that meeting, local government members recommended that the Board should be strategic in nature and agreed that all major decisions affecting the funds' delivery and management are made by consensus and in partnership. To make sure decisions made by the Board are final, our members also called for Ministers to be present at future meetings. The Government agreed to this, and the PGB Terms of Reference and work programme were rewritten. Cllr Sir Merrick Cockell, wrote to both Michael Fallon and Baroness Hanham reiterating these decisions, suggesting the LGA draft a paper on key issues for local areas going forward.
10. The second PGB meeting took place on 6 November. Our members pressed for key issues to be resolved well in advance of the programme's live running, and that they are injected with a good dose of local decision-making. The issues were set out in an LGA paper tabled at the meeting. It was an important opportunity to convey these to the DCLG

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Minister, Baroness Stowell, who chaired the meeting, and is responsible for one of the key EU funds – European Regional Development Fund (ERDF).

11. Three main issues were raised. Firstly, EU agreements and national strategies must be flexible enough to enable local, multi-funded projects to flow. LEPs must be able to pursue local, priorities as long as they are not inconsistent with the national agenda and EU regulations. The rumoured merger of DWP and DCLG EU funding duties should be expedited to create one programme co-designed with local partners. Secondly, national opt-in programmes which offer LEPs match funding must show clear added value to local need, and be based on local negotiation. LEP areas opting in must be fully involved in commissioning so they know what they are buying. And lastly, all local areas are looking to achieve streamlined processes from strategy right through to operation. Simplification should be the key objective for any system set up to manage the future funding.
12. The Chairman will be taking forward discussions with Baroness Stowell, and will suggest a further meeting with and Baroness Stowell and Michael Fallon ahead of the third PGB in February 2014, to be attended by European Funding Commissioner, Johannes Hahn.

**Reviving the debate - Rewiring public services**

13. Alongside the work to support councils to maximise opportunities in the short-term, environment, we also have our eye on the long-term horizon. Members agreed that the LGA has a vital role to play in keeping the devolution debate alive and we propose to achieve this through two streams of activity:
  - 13.1. demonstrating that the current system is broken and holding back growth.
  - 13.2. making a business case for rewiring to deliver economic growth.
14. To demonstrate that the system is broken and provide the rationale for reform, we propose to deliver two pieces of work. The first will map the fragmentation of the current policy and funding landscape, supplemented by case studies to illustrate how this impedes the development of a range of different local economies. The second will analyse the costs of bidding to show the financial and opportunity costs for councils and businesses that result from having to jump through bureaucratic hoops for resources rather than focusing attention on action on the ground.
15. The second stream is linked to broader LGA work to detail the “local treasury” proposal set out in *Rewiring Public Services*. To that end, work is underway to model what a local treasury could look like and a presentation was made to the LGA Executive on 21 November. We propose to deliver a couple of pieces of analysis to demonstrate how “rewiring” could unlock growth. The first one would model what a place-based budget for growth could deliver, with a view to showing that greater value for money and leveraging of private investment could be achieved by pooling and localising funding for economic development at the level of a functional economic geography. The second will identify key fiscal levers that have been devolved to the subnational level in other countries, with the aim of provoking a debate about the competitive edge that other places may have when it comes to attracting investment and industry as a result of these freedoms.

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16. The LGA has been engaging the sector in the Rewiring campaign, including testing out early ideas about the design and operation of a local treasury. One of the ways we have done this is through running regional events. Events have so far been held in the South West on 12 November and for the South East on 13 November, focusing on financial sustainability and economic growth. There has been broad support for detailing the local treasury proposal, with an emphasis on getting away from the name itself and focusing on the principles that would underpin it and demonstrating what it could deliver. Other messages included that:

- 16.1. councils recognise the importance of investing in growth-generating services but this is increasingly difficult against a backdrop of ongoing funding cuts.
- 16.2. an honest debate is needed about LEPs' capacity, geography and democratic legitimacy, particularly with public funds increasingly at stake.
- 16.3. all areas and types of council need to have a seat at the table as economic development is needed in all parts of the country.
- 16.4. the growth agenda needs to be joined up with other agendas such as welfare reform and the Troubled Families initiative.

**Influencing 2015 election manifestos**

17. The Rewiring work is intended to be responsive to the “big picture”, with a particular view to influencing election manifestos. We are thus keeping an eye on two live national debates: devolution to Scotland and Wales and the future path of public spending. With respect to the first, the Government published its response to the Silk Commission on devolution to Wales on 18 November. It contained proposals to give the Welsh Government control over business rates, stamp duty and landfill tax. It has also opened the door to the creation of new taxes in Wales, subject to agreement with the UK government. This announcement provides another platform for our campaign for the same freedoms to be extended to English local government so that English people have as great a say over national and local priorities as people in Scotland, Wales and Northern Ireland.

18. Secondly, we are likely to learn more about the future path of public spending when the Chancellor of the Exchequer delivers the Autumn Statement on 5 December. At this stage of the parliamentary cycle, it is unlikely that any radical new policy or funding announcements will be made. Nevertheless, the LGA will be seeking to capitalise on the Autumn Statement to reinforce our core messages. Our pre-statement submission sent to the Treasury demands a period of financial stability to allow councils to plan for the largest, most sustained cuts to the funding for local services since the war and warns that any further cuts will impede councils' ability to help the economy move into full recovery.<sup>1</sup> We have also signaled that with other public budgets squeezed as well, public service reform is more vital than ever – hence our Rewiring campaign. As usual, the LGA will provide an on-the-day briefing. DCLG officials are not yet able to confirm the date of the

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<sup>1</sup> <http://www.local.gov.uk/documents/10180/11531/LGA+Autumn+Statement+submission/bf576500-baca-49c3-af41-ae2263241857>

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local government finance settlement, but, going on past form, it seems likely to be published the week commencing 16 December.

**Timescales**

- Mapping exercise to demonstrate the fragmentation of the current policy and funding landscape (end of January)
- Analysis of the costs of bidding for different funding pot (end of January)
- Conference to help councils prepare for involvement in Growth Deal negotiations (early February)
- Fiscal levers devolved to other countries (mid-March)
- Modelling of a place-based budget for growth (end of May)
- A business summit to securing endorsement of Rewiring proposals (late spring)