

Economic development, investment and growth

Purpose of report

To enable the Executive to have a discussion on the future of councils' economic development role, and to update the Executive on RDA functions that relate to councils' interests in promoting local growth and attracting inward investment.

Summary

The report, which reflects discussion in the Economy and Transport Board under Cllr Box's chairmanship,

- Describes the emerging government policies;
- Highlights the variety of approaches being taken by different Ministers and departments;
- Assesses the opportunities and risks those policies present for local government; and
- Recommends an approach to the LG Group's future work supporting and representing councils that makes the most of the opportunities and mitigates the risks.

Recommendation

The Executive is invited to comment on the paper and endorse the proposed approach, which will help to shape our strategic approach to lobbying and support to councils over the next year.

Action

Officers and lead members to reflect the Executive's views in future lobbying work and support to councils.

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Investment and Growth

Emerging government policies for economic development

1. The government has made significant cash cuts to planned departmental budgets and to grants to councils; but it has equally made changes to the ways it wants public money to be spent.
2. Some of those changes relate to the structure of government expenditure and the institutional arrangements through which it will be channelled. These kinds of changes are easy to understand and take a position on.
3. But some changes also – intentionally or not – will affect the way in which government intervention is intended to have an impact on the economy. These are harder to deal with, not least because they (i) require us to get our heads around a quite unaccustomed way of doing business and (ii) tempt us to expend a lot of effort taking a view on whether this different model of government action is likely to work or not.
4. A catalogue of what the government is doing to change the main economic development levers which it inherited might look like this:

Policy area	New approach	Budget (£ million)	Intended beneficiaries of spend	Localisation or centralisation of RDA role?
Business advice	National website and call centre [under the Business Link brand]	Negligible	SMEs	Centralisation
Innovation subsidies	Technology strategy board	£200 million	Wide range of businesses	Centralisation
Export and inward investment promotion	UK Trade and Investment	£270 million	Wide range of businesses	No change in principle; some LEPs may develop contracts for UKTI role
Manufacturing support		Approx £50 million	Manufacturing businesses	No change

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Policy area	New approach	Budget (£ million)	Intended beneficiaries of spend	Localisation or centralisation of RDA role?
Enterprise Allowance Scheme	DWP	N/A	Unemployed people	No change

5. Such a catalogue covers the issues paragraph 2 refers to. If councils hoped that the government would devolve the RDA's budgets for direct intervention in the economy, they would be right be disappointed. With budgets shrinking and bureaucratic empires under threat, Whitehall – which in the case of the policies described in the table means BIS and DWP – has played a defensive Spending Review game, with much success.

6. There is also an issue about the future of RDA assets where the Local Growth white paper promises that a balance will be struck between deficit reduction and local ambition. RDAs are currently drawing up exit strategies from their assets and liabilities, with HCA assistance on land and property assets. We have been seeking assurance on 2 major points – firstly, that local authorities are consulted in the process, and secondly that the decision-making takes account of the wider value for money considerations, including costs to council taxpayers, and local economic development. CLG are now encouraging local authorities to get in touch if they are concerned about the future arrangements for a particular asset. The Chair of the Economy and Transport Board has written to Mark Prisk MP, Minister for Enterprise, seeking a meeting with the Minister which lead members of the Board will join.

7. But what that analysis above leaves out of account is what is new in the Coalition's policies. The second catalogue, below, looks beyond the RDA wind-down to what government has been doing more generally on economic development.

Policy area	New approach	Budget (£ million)	Intended beneficiaries of spend	Localisation or centralisation of RDA role?
Financing of infrastructure	TIF; CIL; BIB	Depends on local growth, but potentially large		Localisation

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Policy area	New approach	Budget (£ million)	Intended beneficiaries of spend	Localisation or centralisation of RDA role?
Business taxation	Localising business rates	Depends on local growth		Localisation
Local economic development strategy	Local Enterprise Partnerships	Depends on local decisions		Localisation
Unemployment	Enterprise Allowance Scheme	N/A	Unemployed people	No change
	Work Programme	Up to £3 billion a year	Ditto	No change
Skills	Customer choice and local market influence	£3.7 billion in 2011-12	Adults over 19s	Deregulation
Regeneration	Regional Growth Fund	£1.5 billion over three years	Depends on bids	A national bidding pot
Broadband	Broadband Delivery UK	£810 million to 2015	Principally rural communities	Localisation

It is worth comparing the sums of money at stake in the two lists.

Risks and opportunities

8. The distinction is clear. If local government's ambition was to benefit from the devolution of quango budgets, it has not been met, and there is scant sign that it will be. But if local government wanted to be left alone by national plans and strategies and given the tools to do the job it wanted, and the authority to exercise leadership over other publicly funded bodies in its place, the position looks much more open and interesting. Of course, councils and the LG Group on their behalf were looking for both kinds of policy change from the new government. The question for us now is how we balance our emphasis between what Whitehall isn't willing to give us, and what it is.

9. Whitehall's reluctance to devolve decision-making about former quango budgets and responsibilities creates a risk that central government and its agencies will continue to interfere locally, intervene unhelpfully, and challenge local decision-making. We need to manage that risk in two ways:

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- 9.1 For the Group, by continuing to lobby, where the opportunity exists, for central interventions to be structured in a way that aligns with council and LEP geography, so that there remains scope for joint decision-making and partnership;
 - 9.2 For councils, often working in LEPs, by actively seeking to engage local agencies of government in constructive joint working based on local democratic priorities.
10. The genuinely devolutionary policies of the government are still embryonic. They will generate no money and no economic development until councils are given the green light to exercise new powers. That creates a different kind of risk: that they come to nothing. There are three main ways to manage that risk:
- 10.1 At national level, continuing to champion and lobby for these new powers so that they do not lose momentum or get watered down as legislation proceeds;
 - 10.2 Locally, starting to develop convincing plans for how we will use the new powers to promote developments that local electors and national politicians recognise as worth having;
 - 10.3 In general, not waiting for the government to act: there is real resistance in parts of Whitehall to these policies and it will take advantage of inertia.

Even on an optimistic view, however, we are likely to face a period where conventional funding for development has dried up, and new models have not yet been legislated for or implemented. We will need to keep arguing for decisions to be made at pace.

What the LG Group needs to do

11. The LG Group needs, we suggest, to focus its representation and support on the following issues:
 - 11.1 Keeping up momentum for devolutionary change, through our lobbying and media work, where the government's direction of travel is positive and devolutionary;
 - 11.2 Lobbying to mitigate the risks inherent in the government's reluctance to devolve more thoroughly;
 - 11.3 Supporting councils to develop the capacity to take full advantage of the opportunities available: in particular, that may mean a much stronger emphasis than hitherto on developing councils' capacity to provide political leadership and direction to other partners, and to navigate the complexity of relationships with the local private sector.