

ANNEX B: Press release on new LGA analysis

COSTLY GOVERNMENT BUREACRACY IS HOLDING BACK GROWTH, COUNCILS AND BUSINESSES WARN

Businesses and councils are being hamstrung in their efforts to create jobs, build homes and invest in new infrastructure because of costly government-imposed bureaucracy and significant delays.

New research, published today by the Local Government Association, reveals for the first time the true cost to councils and businesses of negotiating the maze of Whitehall bureaucracy when applying for growth funding. It shows the public purse is having to spend tens of millions on bidding for its own money.

Local authorities and business today issue a joint call for government to scrap an inefficient and outdated system that channels funding for local growth through more than 100 separate pots and instead devolve money to local councils and businesses directly through a single investment fund.

They are warning that the current system is hurting the economy by creating significant delays in delivering projects and generating confusion and frustration for businesses

In 2012 Lord Heseltine recommended that government stops allocating funds in “penny packets”, with departments distributing funding to local areas according to their own particular objectives, timetable and requirements. The Government subsequently agreed that funding for local growth should be brought together into a single pot without internal ring fences.

However, new LGA-commissioned research published today shows that government funding for growth is becoming even more fragmented with the number of funding streams now having doubled since Lord Heseltine’s report.

The research shows that:

- There were 124 funding schemes for local growth and regeneration across 20 departments and agencies, amounting to over £22 billion in 2013-14. About half of these required local authorities, businesses and charities to bid for money.
- The average cost of putting together funding bids for local authorities alone was about £30,000. It also cost local authorities an estimated 33 days in officer time, per bid.
- To illustrate what this means, the overall cost to the public sector of bidding for the Local Pinch Point fund alone may have been in the order of £6 million, based on the average cost of preparing a bid and the number of bids submitted. This equates to about 7 per cent of the annual value of that fund.
- Only a small minority of applicants are receiving formal grant offers within six months. Most are waiting up to a year and many are waiting even longer.

Cllr Peter Box, Chair of the LGA’s Economy and Transport Board, said:

“Millions of pounds and hundreds of days of officer time are tied up just trying to access funding

“This is proving completely counterproductive to our efforts to create jobs, build homes and develop the infrastructure we need to get our economy growing.

“The complex maze of bureaucracy Whitehall is clinging on to appears to have been designed to create work for civil servants rather than jobs for the people in the rest of the country.

“It is farcical that government persists with a system which requires millions of pounds of public money to be spent on bidding for funds from the public purse, whilst creating uncertainty for businesses and investors. Councils and businesses want to spend this money on improving the economy, not reams of costly bureaucracy.

“Local government has great ambition to get on with the job of building homes, creating jobs, supporting businesses and investing in new infrastructure, but has been hamstrung by funding cuts and by a convoluted system not fit for purpose.

“Local economies are complex and national funding streams are not as coordinated, flexible and responsive as we need them to be in order to get projects off the ground in good time.”

Last June, the Government established the £2 billion Local Growth Fund to help solve the problem of too many funding streams. However the fund pulls together just six of the 124 funding streams identified by the LGA research and it amounts to less than 10 per cent of what the Government currently spends on local growth and regeneration.

These findings are being published as local civic and business leaders anxiously await news about how much funding they will receive to promote local economic growth.

John Allan, National Chairman of the Federation of Small Businesses, said:

“This research clearly shows the problems that result from having such a fragmented system for promoting regional economic development.

“Having so many different funding streams each with their own timetables and objectives makes it very difficult to produce programmes that impact meaningfully on businesses.

“It also wastes resources on bidding processes that could be better used elsewhere. What is required is a far more co-ordinated approach focused on fewer schemes that actually work over the longer term.”

Alex Pratt, Chairman of the Local Enterprise Partnership (LEP) Network, said:

“The research findings illustrate the unhealthy extent to which the over-centralisation and fragmentation of strategic influence over the factors of production has led to damaging instability, inefficiency, and delays in realising economic opportunities.

“Economic and business development require long term consistent approaches that fully reflect the needs on the ground and against which businesses can plan with certainty and not the haphazard, last minute, bureaucratic surprises often characterised by national silo responsibilities.”

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