



Japan Local Government Centre, London

Monthly Report for January 2011 (England) – Local Growth White Paper

Background

In May 2010 the Coalition Agreement between the Conservatives and Liberal Democrats stated that the Regional Development Agencies would be abolished and replaced by Local Enterprise Partnerships. Both parties had contested the May 2010 General Election committed to their abolition. In June 2010 the (Liberal Democrat) Business, Innovation and Skills Secretary Vince Cable and the (Conservative) Communities and Local Government Secretary Eric Pickles wrote to all local authority leaders and chief executives to invite bids for LEPs by early September. While 56 bids were received, in many cases their boundaries were overlapping and in several cases the Government indicated that they were not of sufficient quality to progress, so it would allow their creation in batches according to a 'traffic light' system. Unease was also apparent between ministers and the two departments in terms of whether it would be central government who would approve their creation or if it would be settled locally among councils.

In December 2010 the Department for Business, Innovation and Skills announced that a further three LEPs had been approved and in January 2011 the Prime Minister David Cameron announced the establishment of a £4m (over four years) LEP Capacity Fund to underpin the partnerships' research and intelligence activities. A further LEP was also announced in January.

Local growth: realising every place's potential

The Local Growth White Paper was published by the Department for Business, Innovation and Skills on 28 October 2010. Launched by Deputy Prime Minister Nick Clegg, the White Paper develops further previous Government announcements about the implementation of its Regional Growth Fund and how the delivery of sub-national economic regeneration will be undertaken following its earlier announcement concerning the abolition of the Regional Development Agencies, as well as announcements in the June Budget and Spending Review on local government finance.

The White Paper states that the Government's approach to local growth will be to:

- shift power to local communities and business, enabling places to tailor their approach to local circumstances
- promote efficient and dynamic markets, in particular in the supply of land, and provide real and significant incentives for places that go for growth; and

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- support investment in places and people to tackle the barriers to growth

It also says that the Government believes that *“over the last decade the UK’s economy became unbalanced and too reliant on public spending, unsustainable levels of debt and on one sector of the economy. Too many parts of the country became over-dependent on the public sector. For economic growth to be sustainable in the medium term, it must be based on private sector investment and enterprise.”* It criticises previous approaches based on *“the belief that planning could both determine where growth should happen and stimulate that growth. This approach failed as it went against the grain of markets. Regional and other strategies stifled natural and healthy competition between places and inhibited growth as a consequence.”* As such it recognises that *“places have specific geographic, historic, environmental and economic circumstances that help to determine the prospects for growth and the most suitable approach to support the private sector and residents’ opportunities.”*

The Government supports the view of many economists that agglomeration has led to beneficial levels of growth in urban areas: *“agglomeration has been key in supporting growth in London, enabling it to play an increasingly prominent role on the world stage. This is being supported, for example through investment in high value transport projects and strategic approaches to planning, led by the Mayor. Such agglomeration effects may also help drive further growth in other areas, including cities and places with particular specialisms.”* As such it wishes to extend London’s economic success to the eight ‘Core Cities’ outside of the capital: *“There can often be a mutually beneficial economic relationship between larger cities and surrounding urban areas, which the Government wishes to support, for example in the eight core city-regions outside London: Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. Government is supporting cities and towns to grow and create jobs through a range of measures, including: strengthening leadership through setting up mayors in the 12 largest English cities; introducing Tax Increment Finance powers; and prioritising transport investment, and reforming the planning regime to help tackle barriers to growth.”*

A summary of the main points of the White Paper follows.

Local Enterprise Partnerships

The White Paper states that the Government will:

- approve 24 local enterprise partnership submissions and will look at future submissions on a bid by bid basis
- encourage partnerships to take an integrated approach to growth and infrastructure delivery through transport, housing and planning
- expect partnerships to have a board with at least 50 percent business representation and a business chair (previously announced)

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- will not automatically define partnerships in legislation, but will allow individual partnerships to pursue this if required
- expect partnerships to be self funded
- allow partnerships to play a greater role in local tourism promotion, working with Visit England nationally;
- allocate decision making on different policies to those it deems operating at the most appropriate spatial level and based on the capabilities of specific partnerships; and
- dispose of RDA assets by striking a balance between deficit reduction, local ambition and opportunity, and national policy aims

Regional Growth Fund

The White Paper sets out that the Regional Growth Fund will:

- aim to stimulate sustainable private sector employment, particularly in areas currently dependent on the public sector. Bids will be assessed on their capacity to support travel to work areas with a dependence on the public sector.
- encourage alignment of £2.8 billion of the European Regional Development Fund (ERDF) with Regional Growth Fund bids
- look for business or public-private bids and will not accept public sector only bids
- have a threshold of £1 million for bids; consortia can be used to reach £1million
- have a roadshow between November 2010 and February 2011 to advise potential bidders; and
- close the first round of bidding (which will be one stage only) on 21 January 2011. This round will only allocate half of the first year's money. Second round bidding will open soon after and will be done in two stages.

Local Government Finance

The White Paper sets out that the Government will:

- use a consultation on local government finance to inform the Local Government Resource Review, which will be launched in January. This will potentially open the door for the relocalisation of the business rate and will further set out its position on Tax Increment Financing, which will begin as a bid based system; and
- introduce the New Homes Bonus scheme, starting in 2011-12, to incentivise local authorities to build houses

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Planning

The White Paper sets out that the Government will:

- implement a national presumption in favour of sustainable development
- expect local authorities to produce local development plans which set out a strategy for infrastructure development and economic growth to create greater clarity and certainty for businesses considering investment
- limit its involvement to planning decisions of national importance, which the Major Infrastructure Planning Unit will look at, and aim to create a bottom up planning system; and
- continue to streamline the planning system in line with the recommendations in the Killian Pretty Review of 2008

London

The White Paper sets out that the Government will:

- support proposals by the Mayor of London and the London Boroughs for any Local Enterprise Partnerships for the capital and allow the Mayor to either bid directly for Regional Growth funds or coordinate bids from any LEPs
- abolish the London Development Agency and fold its operations into the Greater London Authority
- respond to the joint proposals from the GLA and London Boroughs on restructuring London government shortly

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