

HARDTIMES

Briefing 5

Local growth white paper

Can new structures and reduced funding deliver economic development?

The White Paper on Local Growth, published on 28 October, proposes radical changes to the delivery and funding of economic development across England. For older industrial areas that are often still struggling to regenerate from previous recessions, the proposals are of paramount interest. These are the places that will suffer most if the government gets it wrong.

This briefing provides an assessment of the White Paper, set against the background of major cuts in public spending.

- The new Local Enterprise Partnerships, and the proposed shift of power and competence to the local level, have potential attractions
- Extending and boosting the Regional Growth Fund is also welcome
- Exploring ways for local authorities to generate income from businesses and new home building is a step in the direct direction

But...

- How will local authorities cope when faced with massive cut backs and much reduced capacity?
- Where will the Local Enterprise Partnerships in less prosperous areas find funding if large chunks go to areas of 'opportunity' rather than 'need'?
- What progress can really be expected when the Regional Growth Fund provides only a quarter of the previous funding through the RDAs?



Industrial Communities Alliance

Local Enterprise Partnerships

The White Paper says that Local Enterprise Partnerships (LEPs) are about shifting power to local communities and business.

Harnessing the input of business and local authorities makes sense. So does a focus on functional economic areas. But some areas fall more neatly into these than others, and there is a danger that the interests and concerns of the second-tier industrial towns will be overshadowed by the big cities. There are also strategic decisions that may still be better taken at a larger geographic scale.

Of the 62 bids for LEP status, 24 have so far been agreed by government:

Birmingham & Solihull with E. Staffordshire, Lichfield & Tamworth	Lincolnshire
Cheshire & Warrington	Liverpool City Region
Coast to Capital	Nottingham, Nottinghamshire, Derby & Derbyshire
Cornwall & the Isles of Scilly	Oxford City Region
Coventry & Warwickshire	Sheffield City Region
Cumbria	Solent
Gt Cambridge & Gt Peterborough	S.E Midlands
Greater Manchester	Stoke-on-Trent & Staffordshire
Hertfordshire	Tees Valley
Kent, Greater Essex & East Sussex	Thames Valley Berkshire
Leeds City Region	The Marches
Leicester & Leicestershire	West of England

The places not yet on the list include the whole of Durham, Northumberland and Tyne & Wear. Now that bidding for the Regional Growth Fund is underway, LEPs in these places will have to play catch-up.

Even where a LEP is in place, funding is far from guaranteed. As the White Paper spells out:

“Local Enterprise Partnerships....may wish to submit bids to the Regional Growth Fund but will not receive preferential treatment against bids from other private or public-private partnerships.”

Although the LEPs will in effect be replacing the RDAs, the funding position is very different. LEPs do not have any funding of their own - not even to cover basic administrative costs. Will the private sector happily contribute?

Run-down of the RDAs

The transfer of assets and liabilities from the RDAs is looming. The White Paper identifies £1.2bn worth of committed projects and £500m of land assets.

The government expects the RDAs to use the break clauses in contracts to withdraw from committed projects, except in exceptional circumstances where this would represent poor value for money or impact on key projects that might be carried forward by LEPs or others.

The White Paper spells out the framework for asset disposal. There is recognition of the needs of localities, but value for the public purse - presumably the Exchequer - will be a key consideration.

Regional Growth Fund

The government has increased the Fund from £1bn over two years to £1.4bn over three.

The Fund is now open for business. The minimum threshold for bids is £1m. Three rounds are planned. First round bids are invited for individual projects or packages of projects. Bids for programmes will be considered in subsequent rounds after further guidance is issued in early 2011.

The Regional Growth Fund is a challenge fund. There is no guarantee that the areas that really need support will be able to impress the 'judges'. The advisory panel will be chaired by Lord Heseltine along with ten others, only one of whom has a local authority background. Final decisions will be taken by a group of ministers chaired by the Deputy Prime Minister.

The Regional Growth Fund represents only a fraction of the funding that was previously available to the regions through the RDAs. There is a good case therefore for targeting the areas of greatest need. The White Paper makes no promises but does say that the parts of the country where there is currently high employment, low deprivation and a vibrant private sector "may struggle" to demonstrate their case for funding.

European funding

EU funding to Britain in the present 2007-13 spending round is worth around £1bn a year. With three years still to run, allocations dispersed by the soon-to-be-defunct RDAs are in danger of stalling. The White Paper acknowledges the need to keep the funding flowing but says a new structure will not be announced until Budget 2011. The delay is worrying.

The White Paper says that, where possible, EU funding should be aligned with the Regional Growth Fund. This is sensible, but there are still issues of timing, the transition from the RDAs and Commission approval of new arrangements. Is a massive under-spend looming?

Grants for Business Investment

The White Paper announces the termination of the Grants for Business Investment (GBI) scheme formerly operated by the RDAs. Only grants for projects of national significance will continue to be available from central government.

This is a hammer-blow to regional development. GBI (and its predecessors) has been a key feature of regional policy since the 1970s and has a proven track-record, confirmed by the government's own research, of creating and protecting private sector jobs in Britain's less prosperous areas.

The effective abolition of GBI runs directly contrary to the government's stated aims of promoting private sector jobs and rebalancing the economy away from reliance on London and the South East. The English Assisted Areas will be doubly disadvantaged in attracting inward investment because Scotland intends to continue its version of GBI.

Planning

The White Paper places a lot of emphasis on creating a planning system that is more supportive of development. A national presumption in favour of development is to be introduced. This shouldn't raise too many concerns in less prosperous parts of the country where development has generally been welcomed, but the finer details will need scrutiny when they emerge.

Homes and Communities Agency

The HCA seems to have a future, at least for the moment. The White Paper says that:

"Outside London, the HCA will continue to have an important role at the request of local authorities and under local leadership by providing expertise on housing and physical regeneration. Regeneration should be targeted on areas most in need of support. The Agency will work through new LEPs, integrating business and local government needs and building on the collaborative approach in working up Local Investment Plans."

Local government finance

The White Paper includes plans to allow local authorities to retain more rate revenue. The aim is to reward authorities for delivering growth.

- Starting in 2011-12, there will be a **New Homes Bonus**. This will match fund the additional council tax for each new home and property brought back into use for each of the six years after that home is built. This is expected to be worth £196m in the first year and £250m a year thereafter.
- The government is developing proposals for a **Business Increase Bonus** that will reward authorities where growth in the business rate yield exceeds a threshold, by allowing them to keep the increase - up to a certain level - for a period of six years.
- The government also intends to introduce **Tax Increment Financing** that will allow local authorities to borrow against future additional uplift in their business rate base.

Some £20bn of business rates currently collected by councils is handed over to central government and then redistributed. The government will consider a number of options for business rates as part of a Local Government Resource Review.

Many local authorities will welcome the opportunity to retain more of the rate revenue they collect. However, it is the most prosperous parts of the country where growth is strongest, rather than England's older industrial areas, that probably have most to gain from the new proposals.

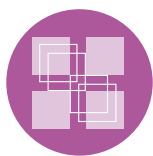
Who we are

The **Industrial Communities Alliance** was formed in 2007 to represent local authorities in the industrial areas of England, Scotland and Wales.

The Alliance brings together two longer-established local authority associations - Coalfield Communities Campaign and SteelAction - together with local authorities from other industrial areas. It builds on ten years' successful collaboration under the banner of the Alliance for Regional Aid and a track record of successful lobbying by its predecessors extending back to the 1980s.

The aims of the Alliance are

- to articulate the needs of Britain's traditional industrial areas
- to attract resources for regeneration
- to press for balanced growth within and between regions
- and to provide a framework for information sharing between member authorities.



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