

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

Agenda Item No.

meeting date: 16 NOVEMBER 2010
 title: LOCAL GROWTH WHITE PAPER
 submitted by: CHIEF EXECUTIVE
 principal author: MARSHAL SCOTT

1 PURPOSE

1.1 To inform Committee of the recent White Paper, Local Growth : realising every place's potential.

2 BACKGROUND

2.1 The White Paper, Local growth: realising every place's potential, was published on 28 October 2010. It outlines Government's economic ambition which is to create a fairer and more balanced economy, that is not so dependent on a narrow range of economic sectors, is driven by private sector growth and has new business opportunities that are more evenly balanced across the country and between industries. The Government believes that its proposals for development of the economy will complement the radical reforms to the public sector demanded by the Comprehensive Spending Review (CSR).

2.2 The White Paper has focussed on three themes in the Government's approach to local growth. These are:

- **Shifting powers to local communities and businesses** - The Government has acknowledged that every place is unique and has potential to progress. The White Paper says that localities themselves are best placed to understand the drivers and barriers to local growth and prosperity and should lead their own development to release their economic potential.
- Promoting efficient and dynamic markets and **increasing confidence to invest** - The White Paper says that the Government will ensure a consistent and efficient investment framework for markets to operate within and that the right planning framework is a key component to this.
- **Focused investment** - The Government has said that it will support investment that will have a long term impact on growth.

3 SHIFTING POWER TO THE RIGHT LEVELS

3.1 The Government believes that decision making and delivery mechanisms should operate at the most appropriate geographical levels.

Local Enterprise Partnerships

3.2 In the White Paper, the Government has shown that it believes that LEPs could take on a range of roles relating to sustainable private sector-led growth and job creation, including:

- Working with the Government to set out key investment priorities.
- Co-ordinating proposals or bidding directly for the Regional Growth Fund.

- Supporting high growth businesses.
 - Making representation on the development of national planning policy and ensuring business is involved in the development and consideration of strategic planning applications.
 - Leading changes in local regulation of businesses.
 - Strategic housing delivery.
 - Working with local employers, Jobcentre Plus and learning providers to help people into jobs.
 - Co-ordinating approaches to leveraging funding from the private sector.
 - Exploring opportunities for developing financial and non-financial incentives on renewable energy projects and Green Deal.
 - Involvement in delivery of other national priorities such as digital infrastructure.
- 3.3 The Government does not intend to define local enterprise partnerships in legislation and the constitution and legal status of each LEP will be decisions for the partners involved in the LEP.
- 3.4 LEPS will be responsible for their own day to day running costs. LEPS will be able to submit bids to the Regional Growth Fund but will not be given preferential treatment against other bidders.
- 3.5 24 local enterprise partnerships have so far been approved. The position in Lancashire however, is still being discussed but hopefully will be resolved soon.

Abolition of Regional Development Agencies

- 3.6 Regional Development Agencies (RDAs) will be abolished. The Government intends to devolve the functions of the RDAs to the local level wherever this makes sense but believes that there are some functions which are best co-ordinated or delivered at the national level. The Government has also said that some of the current functions of the RDAs will simply stop.
- 3.7 The Government is working on new structures to replace delivery of European Regional Development Fund (ERDF) allocation by RDAs and will look at good practice from other countries. The Government has also said that it will ensure delivery of the Rural Development Programme for England (RDPE) after abolition of the RDAs, based on a stronger national lead by Defra and a sub-national network of delivery support.
- 3.8 The primary considerations in RDA asset management will be the principles that: assets will be disposed of together with associated liabilities wherever possible, and the aim will be to achieve the best possible outcome for the region consistent with achieving value for the public purse. The Department for Communities and Local Government (CLG) will manage the disposal of land and the Department for Business, Innovation and Skills (BIS) will manage the disposal of business and technology related assets.
- 3.9 The White Paper has said that the RDAs will need to review their current contractual commitments and seek to exit from projects unless this would offer poor value for money or would impact upon key flagship projects which might be continued by other bodies.

Other Proposed Actions

- 3.10 Other actions which the Government mentioned in the chapter on shifting power to the right levels are:
- The introduction of a general power of competence for local authorities through the Localism Bill to be laid at the end of November.
 - The introduction of directly elected mayors in the 12 largest English cities, subject to confirmatory referendums and full scrutiny by elected councillors.

4 INCREASING CONFIDENCE TO INVEST

Planning

- 4.1 The Government has said that it is committed to reforming the planning system so that it actively encourages growth. In the White Paper, it referred to the early action it took to signal its intentions for the planning system by committing to abolish Regional Spatial Strategies. Its proposed further actions include:

- Introduction of a national presumption in favour of sustainable development, which will apply to decisions on all planning applications.
- New Right-to-Build powers for local communities, which would allow them to deliver small-scale development without the need for a separate planning application.
- Presenting to Parliament a simple national planning framework, having reformed and streamlined national planning policy and guidance.
- Introduction, through the Localism Bill, of a new statutory duty to co-operate on local authorities, public bodies and private bodies.

- 4.2 The National Infrastructure Plan also referred to the importance of an efficient planning regime to encourage investment and set out some detail of the expected timing of some of the Government's actions. These include an expectation that the Localism Bill will be part of a radical reboot of the planning system, helping to facilitate sustainable development and the provision of infrastructure.

Incentives and Support for Growth

- 4.3 The Government intends to introduce the following incentives for local authorities to deliver sustainable economic development:
- A New Homes Bonus scheme, which will match fund the additional council tax for each new home and property brought back into use for six years after that home is built. The Government will help establish the scheme, with support of £196 million in the first year and £250 million for each of the following three years.
 - A Business Increase Bonus scheme, under which local authorities would be allowed to keep the increase in business rates above a specified threshold and up to a certain level, for a period of six years.
 - The Government will consider an option of local business rate retention, as part of the Local Government Resource Review.

Tax Increment Financing

- 4.4 The Government intends to introduce new borrowing powers to enable authorities to carry out Tax Increment Financing (TIF). TIF is a mechanism through which the anticipated returns on investment can be used as a security for forward funding of that investment. TIF would initially be introduced through a bid-based process and lessons learned from a set of initial projects would inform future use of the power.

The Government intends to use the Local Government Resource Review to consider the implications of proposals for TIF and develop options to progress them through legislation.

Renewable Energy

- 4.5 The Local Government Resource Review will consider how business rates retention by local authorities for renewable energy projects would fit with the other proposals mentioned earlier in this note for business rate incentives such as through a Business Increase Bonus scheme.

Focused Investment

- 4.6 Regional Growth Fund - has been established and will make £1.4 billion funding available from April 2011 until the end of April 2014 to support projects that will help to stimulate economic growth. Its objectives are to:
- Stimulate enterprise by providing support for projects and programmes with significant potential for economic growth and create additional sustainable private sector employment; and
 - Support in particular those areas and communities that are currently dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity.
- 4.7 The first round of bidding for funding is now open and will end on 21 January 2011. All areas of England are eligible to bid for the Regional Growth Fund. Bids have been invited from the private sector and public private partnerships but public sector only bids will not be accepted. In future it will be possible to make bids for stand-alone projects; project packages; or programmes (where there is a collaborative approach to proposals that are too diffuse to be included within specified project packages but are within the broader remit of a strategy for economic growth). However, programme bids are not included in the first bidding round. A separate bidding form and guidance for programme proposals is expected to be made available early in 2011. The minimum bidding threshold is £1 million and support for smaller projects is expected to be handled through programmes.

Bids are expected to meet the following criteria:

- Create additional sustainable private sector growth.
- Demonstrate that the proposal has financial backing from the private sector.
- Provide a coherent commercial narrative for the proposal and be clear on key risks and how they will be mitigated.
- Show the extent to which people living in areas where the local economy is reliant on the public sector will benefit and show how the bid will create sustainable private sector led growth and prosperity.
- Demonstrate that the proposal is unlikely to go ahead without Regional Growth Fund support.
- Identify the minimum amount of Regional Growth Fund support required.
- Demonstrate value for money.
- Demonstrate the impact of the bid and that it fits with the economic priorities of the area as a whole.
- Set out how the funding will be spent by the end of the Regional Growth Fund, with a clear plan for benefits realisation.

- Ensure the delivery of the Regional Growth Fund support is compliant with State Aid rules.
- 4.8 An Independent Advisory Panel, chaired by Lord Heseltine, will consider all bids submitted to the Regional Growth Fund and make recommendations to Ministers on which to approve. As well information presented in bids, decisions on bids will take into account information from the Department for Work and Pensions (DWP) led Labour Market Group, which will monitor and anticipate which areas are most at risk of future job losses. Final decisions on bids will be made jointly by a ministerial group chaired by the Deputy Prime Minister.
- 5 CONCLUSION
- 5.1 The general thrust of the White Paper is to place much of the decision making in the hands of local communities and make them responsible for the future growth and prosperity of their area. Growth will be rewarded by financial incentives. The process appears much more bottom up than top down central government control.
- 5.2 If members want a copy of the full White Paper it can be downloaded from <http://bis.gov.uk/assets/biscore/corporate/docs/L/PU1068%20-%20Local%20growth> or I can make copies available on request.

CHIEF EXECUTIVE