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Government's response to the Heseltine review



Government's response to the Heseltine review

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Foreword

As the UK continues to recover from the worst economic crisis in generations, this Government remains committed to take the bold action necessary to support growth and ensure Britain can compete in the global race.

Lord Heseltine's compelling report, *No Stone Unturned*, reviews all parts of government policy affecting economic growth, with 89 recommendations challenging all of us – politicians, civil servants, business leaders and individuals – to step up and play our part in wealth creation. His report is full of important ideas.

At its heart is a powerful case for decentralising economic powers from central government to local areas and leaders, as those best placed to understand and to address the opportunities and obstacles to growth in their own communities. The Government agrees with this. Just as strong local leadership is what made the UK successful in the past it also has the potential to transform our competitiveness in the present.

The process is already underway. The creation of business-led Local Enterprise Partnerships, greater powers and flexibilities for local authorities, the introduction of the Regional Growth Fund, City Deals and Enterprise Zones are but some of the measures this Government has taken to empower local communities.

We now need to take the next bold step that will turn the tide on the excessive centralisation that shackles local ambition and creativity. This document sets out our ambitious blueprint for unlocking the economic potential this country has to offer.

But Lord Heseltine's report does not stop there. He presents a comprehensive package of measures that, taken together, will transform the environment for business in the UK. And so we are acting across the board on his recommendations.

We are making the changes needed so that right across Whitehall there is a genuine focus on growth in policy development and delivery.

We will step up our engagement with business, working in partnership to develop joint policies for growth and develop a long-term vision for the economy. And we are very clear that Britain remains open for business, attracting foreign companies that bring in new ideas, technologies and skills, stimulate productivity and open new markets for trade.

We will build on the supply-side reforms that are essential to the UK's success in the global race, cutting the burden of regulation, reforming the planning system and addressing the significant under-investment in the UK's infrastructure.

And to ensure that future generations leave school and college with the knowledge, skills and attitudes that make them ready to succeed in the work place, we heed Lord Heseltine's calls to continue to reform England's education and skills system to increase employer engagement, challenge underperformance and emphasise learning outcomes, to match the world's best.

Lord Heseltine has laid down the challenge. This Government is ready to rise to it.



George Osborne
Chancellor of the Exchequer



Vince Cable
Secretary of State for Business,
Innovation and Skills

Executive summary

Following a commission from the Prime Minister, Lord Heseltine presented his report *No Stone Unturned* to the Chancellor of the Exchequer and Secretary of State for Business, Innovation and Skills on 31 October 2012. Lord Heseltine makes a series of recommendations in all aspects of government policy that affect economic growth. The Government welcomes this report.

This document sets out the Government's response. The Government confirms that it is accepting in full or in part 81 of Lord Heseltine's 89 recommendations to dramatically advance the process of decentralisation, unleash the potential of local economies, strengthen partnerships with industry and foster economic growth. In five cases the Government has taken a different view: this document explains why. Three recommendations on the content of the Single Local Growth Fund will be addressed at the Spending Round in June 2013.

This response builds on the significant action the Government has already taken to reduce the deficit, restore economic stability and create the conditions for long-term growth. It complements the Government's ambitious supply side growth agenda set out in the *Plan for Growth*; the Government's industrial strategy to strengthen partnerships with business; and the series of reforms that the Government has pursued in recent Budgets and Autumn Statements. Together with the measures set out in this response, the Government has a comprehensive economic plan to create a stronger, more balanced economy.

The core proposition of Lord Heseltine's report is a decentralised approach that breaks Whitehall's monopoly on resources and decision making, and empowers Local Enterprise Partnerships (LEPs) to drive forward growth in their local areas. Alongside this, Lord Heseltine makes a number of recommendations that strengthen the underpinnings of long-term growth, from changes to the way in which Whitehall supports growth, to strengthening partnerships between government and business, and business and education.

Unleashing local growth – summary of key actions

The Government is undertaking a radical approach to decentralisation that will give business-led LEPs the power to make the choices that are right for their local economies. The Government is:

- creating a Single Local Growth Fund, allocated through a process of negotiation and using competitive tension to strengthen incentives on LEPs and their partners to generate growth;
- asking LEPs to develop new strategic multi-year plans for local growth, which will be the basis on which the Government negotiates deals with each LEP for levers, resources and the flexibility over them; and
- streamlining the management of the EU Structural and Investment Funds in England and aligning priorities on the basis of the plans led by LEPs.

Appropriate accountability structures at local and national levels must first be in place to deliver this step change and it will be up to local areas to determine which governance structure is right for them. The Government is:

- supporting local authorities that wish to create a combined authority or implement other forms of collaboration including conurbation mayors;

- assigning a senior Whitehall sponsor to each LEP to carry out high level engagement, offer strategic challenge to LEPs, and act as champion for the LEP across Whitehall; and
- as part of this, enhancing the arrangements in place for cross-departmental working through the creation of Local Growth Teams, so that senior Whitehall sponsors can deploy these resources more effectively in co-ordinated support of LEPs.

Transforming Whitehall in support of growth – summary of key actions

All government departments will be departments for growth. The Government is transforming Whitehall and its public bodies so that growth is at the forefront of policy development and delivery. The Government is:

- ensuring that all departments have transparent and ambitious growth commitments and that the expertise of Non-Executive Directors (NEDs) is harnessed;
- streamlining public bodies by transferring functions to the local level and the private sector where appropriate;
- forging closer ties between the civil service, businesses and representative bodies to obtain the necessary commercial skills to deliver pro-growth policies; and
- simplifying and standardising the central government procurement framework to speed up procurements and drive value for money for the taxpayer.

Boosting engagement with business – summary of key actions

Lord Heseltine's report emphasises the importance of government boosting its engagement with business and major sectors of the economy. This is a priority for the Government's industrial strategy, which seeks to strengthen partnerships with business to develop joint policies for growth. The Government is:

- driving forward its industrial strategy by creating industrial strategy partnership councils and co-creating strategies in 11 key sectors;
- forging stronger links with researchers, universities and business to develop, support and maintain the UK's world class knowledge base; and
- increasing engagement with foreign and domestic investors including through the expansion of the Strategic Relationship Management (SRM) programme.

Creating the conditions for long-term growth – summary of key actions

The Government's supply-side reform agenda is essential to the UK's success in the global race. While these reforms are already having an impact, there is room for further ambition in some key areas identified by Lord Heseltine. The Government is:

- implementing a new approach to regulators to improve regulatory enforcement and thereby removing unnecessary burdens on business, and lobbying the EU Commission to reduce burdensome EU regulation;
- reforming the planning system to reduce costs and bring speed and certainty to business; and

- addressing under-investment in the UK's infrastructure while providing investment opportunities to the private sector.

Fostering private sector growth – summary of key actions

Lord Heseltine's report sets out a number of recommendations primarily aimed at encouraging businesses to develop and share their capacity for growth. The Government fully endorses this and is supporting the private sector to achieve this. The Government is:

- creating a Business Bank to help address structural gaps in the supply of long-term patient capital to small and medium sized enterprises (SMEs);
- recognising the role of trade associations in improving business performance and encouraging them to undertake reforms to improve their effectiveness;
- enhancing the global competitiveness of UK supply chains, encouraging departments to learn from best practice in the manufacturing sector; and
- encouraging business schools to play a greater part in improving the leadership and management capability of local businesses.

Improving employment outcomes from the education and skills system – summary of key actions

The Government shares Lord Heseltine's goal of reforming England's education and skills system to match the world's best, ensuring that young people leave school and college with the knowledge, skills and attitudes that make them ready to succeed in work. The Government is:

- reforming post-16 vocational provision to ensure that students acquire rigorous qualifications with a clear progression route to employment or higher education;
- forging closer links between employers and education providers to ensure students develop essential skills for the work-place;
- challenging underperformance in schools including providing a new role for the regional director of Ofsted in monitoring underperforming schools;
- placing a greater emphasis on longer-term outcomes of education – progression to higher education and employment – by publishing destination measures;
- publishing data to hold local authorities to account on reducing the numbers of young people not in education, employment or training (NEETs); and
- ensuring businesses can recruit the skills they need from abroad including by streamlining UK immigration rules and reducing backlogs of migration cases.

Implementation – summary of key actions

It is important to make sure these commitments are fully implemented. This will require the right cross-Whitehall machinery to be in place to ensure effective working between all relevant departments. The Government will also use regular ministerial implementation meetings to monitor and provide effective challenge and leadership.

1

Response to the Heseltine review

A comprehensive plan for growth

The Government's economic strategy

1.1 The UK economy is recovering from the most damaging financial crisis in generations following a decade of growth built on unsustainable levels of private and public sector debt. The Government inherited the largest deficit since the Second World War as a result of the financial crisis of 2008 and 2009 and unsustainable pre-crisis increases in public spending. This created the exceptional economic and fiscal challenges that the Government is now addressing. In many countries, recovery over the past four years has been slower than forecast.

1.2 The Government's immediate priority is to reduce the deficit and restore economic stability as essential pre-conditions for growth. The Government is taking decisive action through:

- monetary activism and credit easing, to stimulate demand, maintain price stability and support the flow of credit in the economy;
- deficit reduction, returning the public finances to a sustainable position and ensuring that fiscal credibility underpins low long-term interest rates;
- reform of the financial system, improving the regulatory framework to reduce risks to the taxpayer and build the resilience of the system;
- a comprehensive package of structural reforms, to rebalance and strengthen the economy for the future, including an ambitious programme of infrastructure investment; and
- an ambitious industrial strategy, a long-term whole of government approach to supporting investment and growth, working in partnership with business.

1.3 As a result, the public finances have been restored to a sustainable path and the UK is seen as a relative safe haven. Market interest rates have fallen to near record lows helping to keep interest payments lower for families, businesses and the taxpayer. The labour market has also performed stronger than forecast, with over one million jobs created in the private sector since the first quarter of 2010.¹

The Plan for Growth

1.4 Economic stability that comes from a credible deficit reduction plan is the essential starting point, but in itself is insufficient to put the UK on track to deliver long-term growth. Following extensive stakeholder engagement, the Government set out its comprehensive economic plan to create a stronger, more balanced economy of the future in the *Plan for Growth*.²

¹ These figures exclude the impact of the reclassification from June 2012 of 196,000 employees in some educational bodies from the public to the private sector

² *The Plan for Growth*, HM Treasury and the Department for Business, Innovation and Skills, March 2011

1.5 The *Plan for Growth* sets out an ambitious supply-side growth agenda spanning a range of policies including: cutting red-tape, reforming the planning system, boosting trade and inward investment and reforms to the UK's world class higher education system. The Government has since set out further reforms at progressive Budgets and Autumn Statements and last year announced additional support through UK Guarantees and further improvements to housing and planning. The Government has already delivered:

- a cut in the main rate of corporation tax from 28 per cent in 2010 to 24 per cent today – the lowest of any major western economy. This will fall to 21 per cent by 2014;
- key reforms to schools to raise standards and improve choice for parents, with 2,543 academies now open and 192 free schools either open or approved;
- a programme of infrastructure investment and reform that has helped to increase total public and private UK infrastructure investment from £29 billion a year between 2005 and 2010 to £33 billion between 2010 and 2012;
- over 450,000 new apprenticeships in 2010-11, and a further 500,000 in 2011-12;
- a new emphasis on sustainable growth and cutting over 1,000 pages of planning policy to just 50; and
- support to a further 32,000 UK firms to export through UK Trade and Investment (UKTI), increasing to 50,000 by 2014-15.

1.6 Building on the *Plan for Growth*, in September 2012 the Government set out how it would develop an industrial strategy focusing on business and government working in partnership to establish an approach to support investment and growth. The Government has already taken action on a number of areas of its industrial strategy including: developing a spectrum of support for sectors and strategic partnerships for eleven sectors, supporting business access to finance and emerging technologies, leveraging business support for skills and giving business greater clarity over future public sector contracts. Further details are set out in this chapter.

Going further – response to Lord Heseltine's report

1.7 To compete effectively in the global race the Government needs to build on and extend these reforms. Lord Heseltine's report *No Stone Unturned*³ set out a comprehensive review of all aspects of government policy affecting economic growth. The Government welcomes this report and confirms that it is accepting in full or in part 81 of Lord Heseltine's 89 recommendations (Annex A). In five cases the Government has taken a different view: this document explains why. Three recommendations regarding the content of the Single Local Growth Fund will be taken at the Spending Round later this year.

1.8 This chapter sets out a full and ambitious response to Lord Heseltine's 89 recommendations. It sets out the necessary next steps the Government will be taking as part of its growth strategy to empower every part of the UK economy to raise its game. This response, together with reforms already taken by the Government to reduce the deficit, restore economic stability and create the conditions for long-term growth, represents a comprehensive economic plan to lay the foundations for a stronger, more balanced economy.

1.9 In responding to Lord Heseltine's report, the Government acknowledges the important role of the devolved administrations to foster and promote growth across the whole of the UK. The recommendations in this report largely relate to policy areas that are devolved to Scotland,

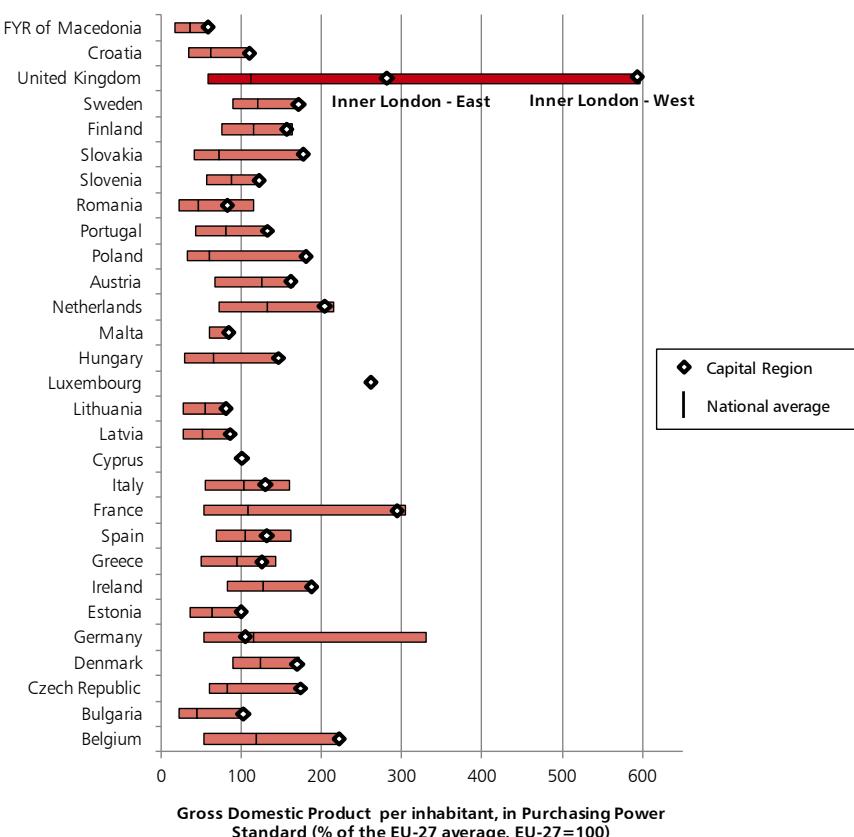
³ *No stone unturned in pursuit of growth*, The Rt Hon the Lord Heseltine of Thenford CH, October 2012

Wales and Northern Ireland such as skills, planning and local growth. Where this is the case, the recommendations and the Government's response apply to England only. However, the issues raised clearly have resonance across the UK and the Government remains committed to working with and supporting the devolved administrations to address similar issues in Scotland, Wales and Northern Ireland. Funding to enable each administration to fulfil their responsibilities is allocated through the block grant in line with the Statement of Funding Policy.

Unleashing local growth

1.10 Over recent decades, London and the south-east have been relied on as the primary source of economic growth in the UK. Despite significant investment in the regions, London, with around 13 per cent of the population, produces around 21.5 per cent of UK Gross Value Added (GVA), and has the highest GVA per head of all regions.⁴ But countries can be more successful when they are driven not just by their capitals, but by multiple thriving centres each with their own strengths. In a study of 124 second-tier cities and 31 capitals in Europe, Professor Michael Parkinson found that countries that spread responsibilities and powers more evenly across all cities are more successful than those with a dominant city.⁵ For example, Germany is home to Frankfurt, a financial centre; the Ruhr, a cluster of industrial cities; and Berlin, its creative centre.

Chart 1.A: Gross Domestic Product (GDP) per inhabitant, in Purchasing Power Standard (PPS), by regions, 2009



Source: Eurostat data

⁴ Regional and sub-regional GVA estimates for London, Office for National Statistics in partnership with GLA Intelligence unit, December 2011

⁵ Second Tier Cities in Europe: In An Age of Austerity Why Invest Beyond Capitals? Liverpool John Moores University, 2012

1.11 In his review of UK growth, Lord Heseltine makes a powerful case for increasing the decentralisation of economic powers in England from central government to local leaders who are best placed to understand the opportunities and obstacles to growth in their own communities. The Government shares Lord Heseltine's vision. Every locality must be able to fulfil its full potential by taking responsibility for decisions and resources that affect their local economies. That is why the Government has taken steps towards a rebalanced economy, where every part of the UK – not just London and the south-east – drives strong and lasting growth. For example, the Government has already removed unnecessary ring-fences in local funding and has allowed local retention of business rates to provide local areas with greater flexibility. Furthermore, the success of the first round of City Deals demonstrates this Government's commitment to decentralisation, empowering Local Enterprise Partnerships (LEPs) and local authorities to reinvigorate local economies.

1.12 The Government is now embarking on the next step, which will dramatically advance the process of decentralisation to unleash the potential of local economies and leaders, strengthen partnerships with industry at both the national and local level, foster economic growth and reverse a century of centralisation. This document sets out how. Autumn Statement 2012 set out an initial direction; the Government now confirms its ambition.

Empowering Local Enterprise Partnerships

1.13 The Government is undertaking a radical approach to decentralisation that will give business-led LEPs the power to make the choices that are right for their local economies. The Government is:

- creating a Single Local Growth Fund, allocated through a process of negotiation and using competitive tension to strengthen incentives on LEPs and their partners to generate growth. The Government will review all funding streams identified by Lord Heseltine but sees three areas in particular as critical to the success of the Fund: transport, housing and skills. The Fund will be operational by April 2015 and further details will be set out at the Spending Round in June 2013, where due consideration of the implications for the devolved administrations will also be outlined;
- asking LEPs to develop new strategic multi-year plans for local growth, which will be the basis for Government to negotiate deals with each LEP for levers, resources and the flexibility over them. Funding for local areas from the Single Local Growth Fund will reflect the quality of strategic proposals put forward by LEPs;
- providing an additional £10 million per year as announced at Autumn Statement 2012, to boost capacity within LEPs to support the development and delivery of their multi-year plans. While the Government will provide support, it firmly believes that LEPs should remain small, responsive, business-led organisations and avoid becoming local bureaucracies;
- making available a new concessionary Public Works Loan Board Rate (PWLB) to an infrastructure project nominated by each LEP (excluding London), with the total borrowing capped at £1.5 billion. **The PWLB project rate will be introduced from 1 November 2013 and further details on allocation and access are being published alongside this response.** This will support the strategic development of LEPs in working with their local authorities to identify and deliver a local priority infrastructure project; and

- streamlining the management of the EU Structural and Investment Funds⁶ in England, aligning priorities on the basis of the plans led by LEPs. This will include the European Regional Development Fund, the European Social Fund and part of the European Agricultural Fund for Rural Development.

1.14 In implementing Lord Heseltine's proposals the Government will apply lessons learned from the existing City Deals process, which has already seen the decentralisation of significant responsibilities.

Box 1.A: City Deals

Cities and their wider economic areas account for 74 per cent of the UK's population and 78 per cent of UK jobs.⁷ The Government has taken decisive action to give cities, as engines of economic growth, the powers and tools they need to drive growth through City Deals.

The Government has already concluded deals with Greater Birmingham and Solihull, Bristol and the West of England, Greater Manchester, Leeds City Region, Liverpool City Region, Nottingham, Newcastle and Sheffield City Region. In Leeds for example, the Apprenticeship Training Agency (ATA) – a joint venture company between the city council and Leeds City College – has recently been established and is expected to become operational shortly. This will contribute to the creation of 2,500 new apprenticeships for young people across Leeds City Region. In total the cities have estimated that this first wave of deals will create 175,000 jobs over the next 20 years and 37,000 new apprenticeships.

The second wave of City Deals has invited 20 cities and their wider areas to compete for deals that will see the Government devolve powers in exchange for responsibility for delivering growth locally. As with the Single Local Growth Fund decisions, the Government will prioritise proposals that put forward robust and ambitious means of delivering economic growth plans, including through the use of Local Development Orders and other means of simplifying the planning decision process for local businesses.

1.15 Chapter 2 sets out further detail on the Single Local Growth Fund.

Reforming local and central government in support of localism

1.16 The bold actions set out here will require local authorities to re-engineer how they promote growth and deliver services, and come together across the functional economic area represented by the LEP. Central government will also support this agenda and the capacity of LEPs. The Government will:

- support local authorities that wish to create a combined authority or implement other forms of collaboration (for example, shared management), including through a £9.2 million Transformation Challenge Award;
- not stand in the way of areas that would like to voluntarily pursue unitary status but believes it would be preferable for local authorities to focus on coming together to share their operations;
- seek legislation for directly-elected mayors on combined authority boundaries, where local areas want this;**

⁶ These funds have been previously referred to as the Common Strategic Framework Funds.

⁷ *Unlocking growth in cities*, HM Government, December 2011

- assign every LEP a senior Whitehall sponsor who will work with them to understand their priorities and ensure that Whitehall policies take into account their impact on a particular place; and
- enhance the arrangements in place for cross-departmental working through the development of Local Growth Teams, so that senior Whitehall sponsors can deploy these resources more effectively in co-ordinated support of LEPs.

1.17 Further details are set out in Chapter 2.

Transforming Whitehall processes in support of growth

1.18 Lord Heseltine states that a key role for government is to set a clear growth strategy and to provide leadership for the overall direction of the UK economy, and he is right. That is why the Government has set out its comprehensive *Plan for Growth* to put the economy on a more stable footing. Implementation is an essential part of this. The Government ensures that progress towards its growth strategy is made fully transparent and has published updates alongside each Budget and Autumn Statement. The latest report will be published alongside Budget 2013. Regular discussions and challenge on growth implementation takes place in Cabinet discussion led by the Prime Minister as well as in supporting Committees such as the Growth Implementation Committee, chaired by the Chancellor of the Exchequer. The Prime Minister has also mandated that all departments are departments for growth, which is reflected in the personal objectives of all Permanent Secretaries. But more can be done.

1.19 The Government believes that cultural change is needed across all Whitehall departments and their public bodies, ensuring that growth is at the forefront of policy development and delivery. In line with Lord Heseltine's recommendations, the government will:

- ensure that growth is core to all departmental business plans, including harnessing the private-sector expertise of Non-Executive Directors (NEDs) and their experience of using effective management information to deliver these plans;
- streamline the functions of public bodies by transferring the functions of government to the local level and private sector where appropriate, and where they are better placed to deliver services;
- ensure that civil servants forge closer ties and interactions with businesses and representative bodies and obtain the necessary commercial skills to deliver pro-growth policies; and
- simplify and standardise the central government procurement framework to speed up procurements and drive value for money for the taxpayer.

Putting growth at the centre of business planning

1.20 In line with Lord Heseltine's recommendation, the Government will continue to undertake significant actions to ensure that growth is a focus of the business plans of all departments. Annually published departmental business plans, which articulate policy and implementation priorities, will set out publicly how each department contributes to the Government's growth agenda. Departments will set out significant, time-bound growth actions, progress against which will be tracked on the Government's business plans website⁸ with explanations published for any slippage, in line with other key policy and implementation actions.

⁸ Business plans are published on the Number 10 website <http://transparency.number10.gov.uk/>

1.21 The Government recognises the private-sector expertise and experience that NEDs can bring to departments. The Government continues to seek NED expertise on areas such as performance indicators, operational implications of policy proposals and effective management of departments in business planning, as well as in supporting the delivery of departmental growth commitments.

To increase the ability of NEDs to challenge departments and hold them to account on their growth commitments, the Government accepts Lord Heseltine's recommendation and departmental NEDs will have access to officials supporting growth implementation. Underpinning departmental planning and under the guidance of NEDs, the Government is simplifying and improving the quality of operational management information to enable departments and the public sector to have a tighter grip on how they spend their budgets and their costs, outputs and impacts in line with the principles recommended by Lord Heseltine.

1.22 Alongside this, **all departments should work with their Chief Scientific Advisers on developing their growth commitments.** The collective Chief Scientific Advisers Committee meets regularly with the Technology Strategy Board (TSB) and the heads of the Research Councils. This forum will be used to discuss departmental growth commitments.

Streamlining the functions of government

1.23 The renewed focus on departmental business planning will enable the Government to focus on another key aim in the reform of Whitehall: streamlining central government. The Government agrees with Lord Heseltine that it should devolve where possible the functions of public bodies to the private sector and the local level to enable greater efficiency in the delivery of services. Since 2010, the Government has taken significant steps to streamline the number of public bodies. This has already resulted in a 25 per cent reduction and will ultimately reduce the number by a third. Following the Public Bodies Review 2010,⁹ all remaining non-departmental public bodies (NDPBs) will undergo a Triennial Review – a fundamental review of their purpose and functions during which greater devolution of their functions will be considered. Recent examples of action the Government has taken include: the transfer of British Waterways to the care of Canal and River Trust, the new waterways charity; and outsourcing the work of the Audit Commission's in-house audit practice to private sector audit firms.

1.24 Building on this, **the Government is currently testing the viability of a joint venture for Remploy Employment Services, bringing in expertise and investment from a private and/or third sector partner.** Further details will be set out shortly. In addition, the Government will be rolling out new 'Rights to Provide', enabling employees to request or bid to take over the services they deliver, and will continue to look at opportunities for transferring more functions to the local level, private sector and new alternative models for delivery. This includes the creation of public service mutuals, which offer significant potential to drive growth through expansion and diversification of services. The Government's £10 million Mutual Support Fund offers potential mutuals the support they need to spin out of the public sector. The number of mutuals has increased from just nine in 2010 to at least 66 today, delivering around £1 billion worth of public services.

1.25 The Government also agrees with Lord Heseltine that public bodies need to take greater responsibility for economic growth and wealth creation. A new Peer Network Group will enable departments to explore how best to work with public bodies in considering their potential for supporting wealth creation when developing business plans, so that these opportunities are translated into tangible actions. In addition, **the Government will review its guidance on Triennial Reviews of public bodies to consider how to give greater significance to the wealth creation**

⁹ Available at <http://www.number10.gov.uk/news/public-body-review-published/>

potential of these bodies, strengthening the requirement already in place to consider and determine whether alternative commercial models could be better used to deliver these functions.

Introducing private sector skills into the civil service

1.26 As identified by Lord Heseltine, the civil service must embody a wider set of skills, including engaging with the private sector to enable creative solutions, transform public services and drive growth. The Government is therefore producing a five year capabilities plan for the civil service to identify which skills and capabilities are in deficit and to determine how gaps will be filled.

1.27 As a first step towards addressing an identified skills gap, the Government will focus on strengthening commercial, procurement, digital, and change management skills within the civil service in line with the findings of the *Civil Service Reform Plan*.¹⁰ On commercial skills, Infrastructure UK (IUK) and the Major Projects Authority (MPA) are currently undertaking a review of Whitehall's ability to deliver infrastructure projects, with further details set out at Budget 2013. In line with Lord Heseltine's recommendations on government procurement, the Government has established a Procurement Reform Programme which, alongside other objectives, seeks to develop the commercial skills of all civil servants and enable a greater focus on delivering the most important projects.

1.28 The Government agrees with Lord Heseltine on the importance of allowing departments the flexibility to recruit professionals with the required skills where there is a business need and the skills do not exist in the civil service. There is already scope to agree to higher salaries where they are needed, subject to Ministerial approval. As set out in the *Corporate Governance Code*,¹¹ all departments are expected to include NEDs in their Governance and Nominations Committees, which focus on remuneration and other related issues.

1.29 Improving interchange and learning between the private and public sector is essential in ensuring that the civil service obtain valuable insights into how business operates and how government policy impacts on them. The Government will therefore encourage greater interaction with private sector professionals through secondments and training opportunities.

From April 2013, subject to their individual development need, all new entrants to the Graduate Fast Stream will have the opportunity to undertake a secondment either in the private sector (including small and medium sized enterprises), in local government, or third sector organisations. In 2014 between 200 and 300 secondments are expected to take place. Similar arrangements will be developed for talented individuals at more senior levels as part of the High Potential Stream.

1.30 The Government agrees with Lord Heseltine that Civil Service Learning should have a greater private sector ethos. Civil Service Learning is now delivered through Capita – and its private sector supply chain – and is a commissioner of training, not a direct provider. Given this, Civil Service Learning cannot be privatised or its services sold overseas. However, in line with Lord Heseltine's recommendation and the renewed focus on fostering links between the public and private sectors, the civil service can now train alongside private sector professionals including in joint sector master classes, leadership programmes and mentoring.

1.31 In accordance with Lord Heseltine's recommendation, a new central role for NEDs has been established in both the selection and appointment of Permanent Secretaries. NEDs must now be consulted on the person specification and the most suitable mode of recruitment to

¹⁰ *The Civil Service Reform Plan*, HM Government, June 2012

¹¹ *Corporate governance in central government departments, code of good practice 2011*, HM Treasury and Cabinet Office, July 2011

fill a Permanent Secretary post. They will also participate in the panel sifting and interviewing of applicants.

Simplifying and standardising government procurement

1.32 In addition to boosting commercial and procurement expertise at the centre, the Government has also introduced a radical programme of procurement reform to simplify, standardise and speed up central government procurement, drive value for money for the taxpayer, and provide greater certainty for business. All but the most complex procurements should be completed within 120 working days. The Government has also eliminated burdensome Pre-Qualification Questionnaires for procurements below European Union (EU) thresholds in most Whitehall departments and advertises all central government opportunities over £10,000 on Contracts Finder, a government procurement portal, to promote greater transparency. This has resulted in an increased proportion of central government spend with small businesses from 6.5 per cent in 2009-10 to 10 per cent in 2011-12, an increase of around £1.3 billion.

1.33 The Government is driving greater value from central government procurement through the aggregation of spend on common goods and services, which has saved over £700 million between 2010 and 2012. The Government is also publishing pipelines of upcoming future procurement opportunities, which provides industry with greater certainty as to the Government's future needs and introduces greater pre-market engagement.

1.34 The Government agrees with Lord Heseltine that, where appropriate, departments and significant agencies should recruit Chief Procurement Officers to lead on procurement. Furthermore, as part of the Government's Procurement Reform Programme, from April 2013 there will be reporting lines from the Government's Chief Procurement Officer to commercial directors that will strengthen the focus on pan-government objectives and improve performance assessment.

1.35 Lord Heseltine advocates that a general duty should be placed on all public bodies, to ensure they adhere to procurement standards. The Prime Minister's advisor on enterprise, Lord Young, is also considering the role of public procurement standards in supporting SMEs and micro-businesses and is due to publish his second report later this year. **Following this work, the Government will consult on high level standards, which all public bodies should be looking to achieve.** In addition, the Government will continue to ensure that tools such as Contracts Finder are available to the wider public sector and encourage local government and public bodies to make use of them. The Government will also continue to actively investigate cases of complaints of poor procurement practice in local government and the wider public sector.

Boosting engagement with business

1.36 Lord Heseltine's report emphasises the importance of government increasing its engagement with business and major sectors of the economy that are crucial to economic growth. This is a key priority of the Government's work on industrial strategy. Building on Lord Heseltine's recommendations, the Government will therefore:

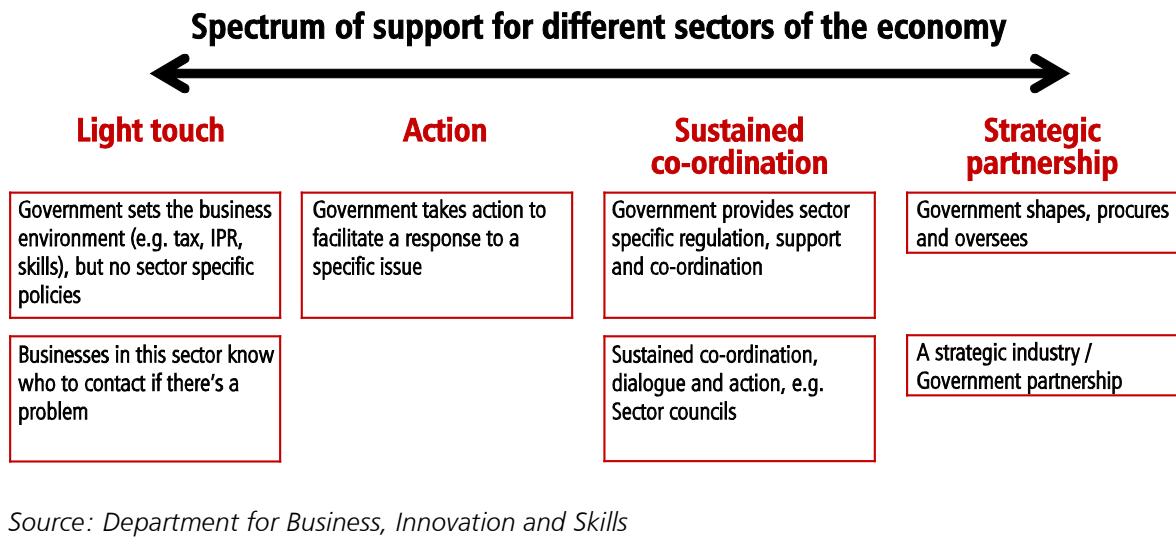
- continue to drive forward its industrial strategy and strengthen partnerships with business to provide confidence and spur business investment;
- continue to forge stronger links with researchers, universities and business to develop, support and maintain the UK's world class knowledge base; and
- increase engagement with foreign and domestic investors including the expansion of the Strategic Relationship Management (SRM) programme.

Building stronger partnerships with industry

1.37 In September 2012, the Secretary of State for Business, Innovation and Skills set out the Government's approach to industrial strategy.¹² As part of this, the Government committed to establishing or developing existing sector council arrangements in the sectors where the Government is developing and implementing strategies with business. This will improve interaction with industry and show leadership in sectors that have the greatest growth potential and where government action can have the greatest impact. Progress has already been made in establishing these. In line with Lord Heseltine's recommendation, the Government has created industrial strategy partnership councils in sectors including automotive, aerospace, nuclear, construction, offshore wind, and oil and gas.

1.38 The Government is working closely with business to develop a spectrum of support for sectors (Chart 1.B), which allows all sectors of the economy to form a relationship with government at the most appropriate level. The Government is developing strategic partnerships strategies in 11 sectors. *The strategy for UK life sciences one year on*¹³ was published in December 2012, and the Government and industry will co-create individual strategies in the automotive, aerospace, life sciences, agri-tech, professional business services, information economy, construction, education, nuclear, oil and gas, and offshore wind sectors by the summer. These sector strategies will set out actions for industry and government.

Chart 1.B: Spectrum of support for different sectors of the economy



¹² Industrial Strategy: UK Sectoral Analysis, Department for Business, Innovation and Skills, BIS Economics Paper No.18, September 2012

¹³ Strategy for UK Life Sciences one year on, HM Government, December 2012

1.39 As part of the industrial strategy, the Government is also:

- supporting emerging technologies – £600 million of capital investment announced at Autumn Statement 2012 is being used to support the development and commercialisation of eight great technologies (further details in Box 1.B);
- supporting small businesses to access finance – the Government is establishing a Business Bank to address structural gaps in the supply of finance to small businesses. An advisory group chaired by Sir Peter Burt has been established to advise on the direction and priorities of the Bank (further details on page 29);
- leveraging business support for skills – the Government has launched the second round of the Employer Ownership Pilot, which brings in private sector investment and gives business greater control over how funding is spent; and
- providing greater certainty over public sector procurement – publishing a pipeline to give business greater clarity over future public sector contracts. This now stands at £84 billion of potential opportunities.

1.40 While the Government recognises the value that effective trade associations can provide in the development of industrial policy, it is not for government to nominate the trade associations it will choose to interact with. The Government is aware that in some sectors there is a need for representation by more than one body and it is for sectors to identify how they might best be represented and develop proposals for rationalising the number of bodies representing them.

Supporting a world-class knowledge base

1.41 The UK's knowledge base is world class and a source of international comparative advantage:

- with four of the top six universities in the world, the UK's research base is second in the world only to the USA, and is the most productive country for research in the G8, in terms of citations and publications per pound spent;¹⁴
- researchers in the UK have won 77 Nobel Prizes for science and technology, more than anywhere else in Europe;¹⁵ and
- the World Economic Forum (WEF) Global Competitiveness Report now ranks the UK 2nd in the world, ahead of the USA, for university-industry collaboration in research and development.¹⁶

1.42 To make sure that the UK stays ahead in the global race, the Government is creating an environment in which research and innovative businesses can thrive and take advantage of the technologies of tomorrow. Despite enormous pressure on public spending, £4.6 billion per year was allocated for science and research programmes over the four years of the Spending Review period. In addition to the £1.9 billion capital funding for science and research originally allocated for 2011-15, the Government has also invested an additional £1.5 billion in science, research and innovation, and including most recently £600 million at Autumn Statement 2012 for supporting the eight great technologies. This will ensure that the UK continues to reap the benefits of science, research and innovation.

¹⁴ *International Comparative Performance of the UK Research Base*, Department for Business, Innovation and Skills, November 2011

¹⁵ *Ibid*

¹⁶ *The Global Competitiveness Report 2012-2013*, World Economic Forum, 2012

Box 1.B: The eight great technologies

In January 2013, the Government set out how it would use the £600 million announced for science at Autumn Statement 2012 to support the eight great technologies which will propel the UK to future growth and help it stay ahead in the global race:

- £189 million for big data and energy efficient computing to build on the research base's capacity for analysing big data sets, in areas like earth observation and medical science;
- £25 million of additional funding for the National Space Technology Programme for the development of commercial products and services using space technology and data from space-based systems;
- £35 million for centres of excellence in robotics and autonomous systems to be created in and around universities, innovation centres, science parks and enterprise sites to bring together the research base and industry;
- £45 million for new facilities and equipment for advanced materials research in areas of UK strength such as advanced composites, high-performance alloys, low-energy electronics and telecommunications;
- £30 million to create dedicated research and development facilities to develop and test new grid-scale storage technologies, helping the UK capitalise on its considerable excess energy production, saving money and reducing the national carbon footprint;
- £50 million for vital upgrades to research equipment and laboratories;
- £25 million to develop the Advanced Metrology Laboratory at the National Physical Laboratory in Teddington, allowing scientists there to undertake cutting edge research in measurement science; and
- £65 million for world-leading research institutes, focussed around the development of Rothamsted Research Campus, Aberystwyth, Harwell Oxford and SciTech Daresbury.

1.43 In 2011, the Government set out its *Innovation and Research Strategy for Growth*.¹⁷ A key principle of this strategy, also identified by Lord Heseltine, is the importance of inward investment and the role of government in leveraging the UK's world class research base and hi-tech sectors when marketing the UK overseas. UKTI and the TSB, in conjunction with Research Councils and other innovation stakeholders are committed to working closer together on marketing. UKTI and the TSB routinely undertake a range of joint activities including missions and events with a focus on marketing the UK's strengths overseas. The Government commits to fully exploiting these partnerships and working with stakeholders to find more effective ways to market the UK's research and innovation excellence, including through the GREAT branding that has proved effective across a range of sectors.¹⁸

1.44 Lord Heseltine advocates the need for the Government's support for innovation to be better connected to localities. As part of its' commitment to empowering local areas, the Department for Business, Innovation and Skills and the TSB will build on existing work to develop a more strategic approach in engaging devolved administrations, local partners and

¹⁷ *Innovation and Research Strategy for Growth*, Department for Business, Innovation and Skills, December 2011

¹⁸ The GREAT campaign is designed to use the platform of the Olympic and Paralympics Games in 2012 to showcase Britain's capabilities, to promote and enhance our reputation abroad and to maximise the economic potential of the Games.

working within new sub-national arrangements including LEPs. This will include: raising awareness of TSB programmes with local partners and encouraging them to inform local businesses of innovation programmes and funding opportunities; drawing on national and local intelligence to help shape future TSB programmes; and offering guidance to partners to align activities with the national framework.

1.45 The Government agrees with Lord Heseltine that timely, consensus-based use of standards play a vital role in ensuring that the knowledge created in the UK's research base is commercialised and brought to market. **The British Standards Institution and the TSB have agreed to explore four pilot technology areas – synthetic biology, assisted living, cell therapy and offshore renewable energy – where they will work together to consider how and when standards can support the development of emerging technology areas and whether more detailed projects should be taken forward.** This work will consider the international context and whether the UK will gain a significant first mover advantage from early standards development.

1.46 Lord Heseltine underlined the importance of public procurement as a means of fostering and supporting innovation and identified that the Government needs to build its capability as an intelligent lead customer for innovation by developing a single source of expertise. The Government agrees with this analysis and the TSB as the UK's innovation agency, operates in the space between government and business in providing the knowledge and expertise, such as in connection with the Small Business Research Initiative (SBRI) programme (Box 1.C), to help government work with business to develop innovative solutions to challenges faced by the public sector. The Government will build on this existing work and see the TSB as the central source of expertise, working collaboratively with government departments and partners in the innovation system.

Box 1.C: The Small Business Research Initiative (SBRI)

SBRI is a competition-based procurement programme managed and delivered for the Department for Business, Innovation and Skills by the TSB. SBRI provides a mechanism to enable public sector organisations to find innovative solutions for specific public sector challenges and allows them to access a wide range of technologies, industries, and innovative companies. SBRI has 120 full competitions, which have so far awarded over 1,200 contracts with a value of over £100 million. This has stimulated the development of a wide range of innovative solutions from small companies, many of whom have subsequently secured additional private sector investment and formed wider commercial partnerships to take their products to market.

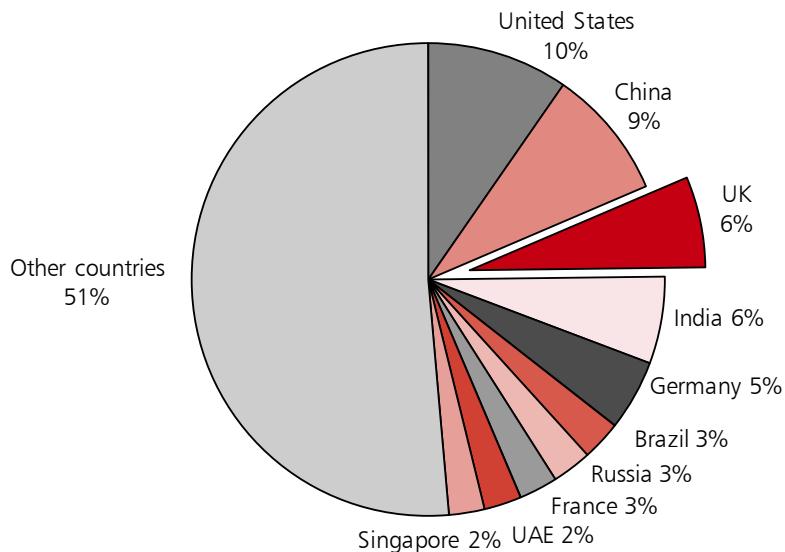
A strategic approach to inward investment

1.47 The Government's position on inward investment is clear: the UK is open for business. The Government believes that direct investment by foreign companies can bring in new ideas, technologies and skills, stimulating productivity and growth in UK firms and opening up new markets for trade. Inward investors account for around half of UK manufacturing output and around 40 per cent of services output;¹⁹ and the UK is the third largest destination in the world by the share of inward Foreign Direct Investment (FDI) projects based on the five year average,

¹⁹ International Trade & Investment the Economic Rationale for Government Support, Department for Business, Innovation and Skills, Economics papers no.13, May 2011

behind the US (10 per cent) and China (9 per cent).²⁰ Furthermore, in 2011-12, inward investment by 1,400 companies safeguarded or created more than 112,000 jobs.²¹

Chart 1.C: Share of Annual FDI Projects by Destination Country (5-year average: 2008-12)



Source: Financial Times fDi database

1.48 Lord Heseltine's review notes that inward investment has on balance been a force for good for the UK but remarks on the lack of engagement by successive UK governments in takeovers by foreign investors. The Government is committed to open markets and is equally committed to engaging with companies and investors to promote investment which benefits the UK economy.

1.49 UKTI's SRM programme is an important example of how the Government is establishing better relationships with key exporters and both foreign and domestic investors. **At Autumn Statement 2012, the Government accepted Lord Heseltine's recommendation to double the number of companies enrolled in the SRM initiative by April 2013 and this will be achieved by Budget 2013.** The Government will seek to double the number of companies managed again by 2015 and will ensure that every department has the dedicated staff to support this commitment.

Creating the conditions for long-term growth

1.50 The Government has a key role to play in creating the conditions for long-term sustainable growth in the UK. Supply-side reforms are essential to the UK's success in the global race and to ensure that UK businesses are competitive both here and in important export markets, and that the UK is attractive to inward investors. While the Government has already taken substantial action to support structural reform in the UK, further reform is needed in key areas. The Government is therefore building on a number of recommendations specified by Lord Heseltine:

- implementing a new approach to regulators to improve regulatory enforcement and thereby removing unnecessary burdens on business, and lobbying the EU Commission to reduce burdensome EU regulation;

²⁰ fDi Intelligence, Financial Times Ltd, 2013

²¹ Plan for Growth Implementation Update, HM Treasury and the Department for Business, Innovation and Skills, December 2012

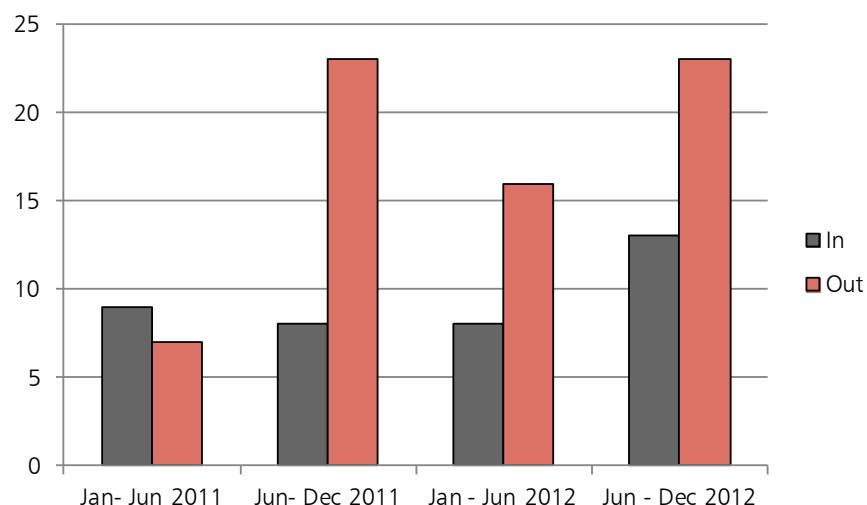
- reforming the planning system to reduce costs and bring speed and certainty to business; and
- addressing under-investment in the UK's infrastructure and providing investment opportunities for the private sector.

A new approach to regulation and regulators

1.51 The cumulative additional cost to business of new regulations introduced between 1998 and 2010 is estimated at nearly £90 billion a year.²² Lord Heseltine identifies the importance of regulatory reform in boosting long-term economic growth. The Government shares this view and reducing the burden of regulation on business continues to play a central part in the Government's growth strategy. By December 2012, the Government had already reduced the net burden of regulation on business by almost £840 million by operating a One-in, One-out rule for new regulation. This rule, combined with independent scrutiny of analysis, commitment to exempt or mitigate the impacts on the smallest businesses and a commitment to review and sunset new regulations where appropriate is changing how Whitehall approaches regulation.

1.52 The Government has also committed to abolishing or substantially reducing at least 3,000 regulations through the Red Tape Challenge. For example, the Government is implementing employment tribunal reforms to save business in total over £40 million per year and significantly rationalising the complexity of building rules and regulations for house builders. The Government is now going further: it has increased its ambition to One-in, Two-out, launched in January 2013, and will shortly launch a second phase of its ongoing drive to tackle red tape.

Chart 1.D: Comparison of regulations coming in and going out²³



Source: Department for Business, Innovation and Skills

1.53 Through the Focus on Enforcement initiative, which was announced at Budget 2012, the Government has been working with industry to examine the way regulation is enforced by national and local regulators in a wide variety of sectors. These reviews are ongoing and are looking, amongst other things, to simplify procedures and remove unnecessary duplication between agencies. Focus on Enforcement reviews have shown that the way regulation is enforced can be just as problematic to industry as the regulation itself and that improving

²² The Burdens Barometer 2010, British Chambers of Commerce, May 2010

²³ The numbers presented here cover regulations that are only in the scope of One-in, One-out and do not cover EU regulations, financial services and fees. The 'Ins' figure only includes those regulations that have a net cost to business.

enforcement can also significantly reduce burdens and remove barriers. Lord Heseltine's report identified similar issues. The Government has already acted to address his recommendations through a package of reforms announced at Autumn Statement 2012 and is making good progress. The Government has:

- recently consulted on placing a legislative duty on non-economic regulators to have regard for growth and take account the economic impacts of their actions; and on a shorter and more accessible version of the Regulators Compliance Code, which will ensure that regulators are properly applying the principles of better regulation and provide those they regulate with minimum standards;
- initiated work to require regulators to quantify and publish, in advance of implementation, their assessment of the costs and benefits of all changes to their policy and practices that have a financial impact on business. The new regime is already being developed and applied with pioneer regulators with the final system to apply to other regulators from July 2013;
- placed regulators under a duty to bear down on their costs and explain transparently how their costs and fees have been calculated. Any necessary amendments to memorandums of understanding and framework documents between departments and regulators will be made by 1 April 2013;
- launched a Focus on Enforcement Review of non-economic regulator appeals processes, including looking at how customers can ask for an independent second opinion to address concerns raised about weaknesses in current arrangements; and
- begun a review of the appeals framework for decisions made by economic regulators, with the aim of making appeals against economic regulators' decisions quicker and more efficient. The Government will consult on the new framework by summer 2013.

1.54 In addition to these measures, the Government agrees that all departments should consider the effect of regulations on the sectors they most impact. Each department should welcome and invite views of industry on the drafting of new regulation and take into account those views during consultations.

Promoting the better regulation agenda in Brussels

1.55 Up to half of all regulations that impact on UK businesses originate from the EU. That is why the Government is actively pursuing its better regulation agenda in Brussels. The Government is making significant progress: an exemption for micro-enterprises from new EU proposals where appropriate; persuading the Commission to publish in March 2013 an SME scoreboard, which details progress to date against its existing commitments to reduce burdens on SMEs; and influencing the Commission to launch a new REFIT programme to eliminate unnecessary costs arising from EU regulation and to ensure the body of EU legislation remains fit for purpose. A key part of this success has been engaging and influencing early in the process of EU policy-making. The Government will continue to actively promote and pursue its better regulation goals in Brussels, including stepping up senior ministerial engagement with this agenda.

Reforming the planning system

1.56 As rightly identified by Lord Heseltine, planning decisions in England can be lengthy and bureaucratic, raising costs for business and adversely impacting on growth. While the Government has taken radical steps to overhaul the planning system and tackle delays, more

needs to be done. In 2011-12 only 58 per cent of major planning applications were determined within the required 13-week timetable.²⁴ Furthermore there are very significant variations in the performance of different local councils and the proportion of major decisions made on time in the very poorest performing authorities can be as low as 17 per cent.²⁵

1.57 The Government therefore believes that local authorities must be at the centre of improvements to planning. In support of this, the Government is promoting more transparent reporting of local authority performance on planning and is working with the Local Government Association to increase the use of planning performance agreements for major schemes. These commit both applicants and planning authorities to a clear timetable for determining proposals. The Government is also legislating to allow planning applications for major developments to be submitted directly to the Planning Inspectorate, if the local planning authority has a track record of consistently poor performance in the speed or quality of its decisions.

1.58 In line with Lord Heseltine's recommendation, the Government has powers to intervene, where appropriate, in planning applications at any stage before determination. The Planning Inspectorate can act on behalf of the Secretary of State for Communities and Local Government, to consider all planning issues involved before making a recommendation. Applicants may also appeal to the Secretary of State for Communities and Local Government if no decision has been reached within the statutory period of 13 weeks for major applications and eight weeks for others. Going further, the Government has recently asked the Planning Inspectorate to divert resources towards prioritising all major economic and housing related appeals, to ensure applicants receive a response in the quickest possible time. The Government has also recently consulted on options to speed up planning appeals and for a new fast-track procedure for some small commercial appeals.

1.59 The Government also agrees with Lord Heseltine that Local Development Orders (LDOs) can bring speed, certainty and reduced costs to the planning process. 40 LDOs have been put in place within Enterprise Zones and elsewhere with many more in the pipeline. The Government is also in discussion with the Local Government Association to streamline the process for using LDOs through the Growth and Infrastructure Bill. The Government will continue to encourage local authorities across the country to make better use of LDOs and other planning simplification measures, including those that can help to support investment in Enterprise Zones. Together with the use of Special Development Orders (SDOs) for larger developments where appropriate, the Government will continue to make use of existing tools to speed up decisions in the planning system.

1.60 Lord Heseltine recommended that the Government Property Unit (GPU) should work with local authorities to identify and publish details of surplus and derelict public land in the Electronic Property Information Mapping Service (e-PIMS) database so the land can be brought back into use. The Government has made good progress on this, and a new public funding portal was launched in January 2013 to improve the awareness of e-PIMS information and the availability of surplus assets initially for the public, voluntary and commercial sectors. In addition, **the GPU and the Local Government Association have identified 12 local authority pilot areas to work with for 2013-14: Bristol, Chester and Cheshire West, Essex, Hampshire, Hull, Leeds, Nottingham, Portsmouth, Sheffield, Surrey, Warrington, Worcestershire, where the assets of central government and the wider public sector can be brought together into a programme which achieves best value.** These pilots will work closely with Community Budgets and City Deals already in place.

²⁴ *Growth and Infrastructure Bill Impact Assessment*, Department for Communities and Local Government, December 2012

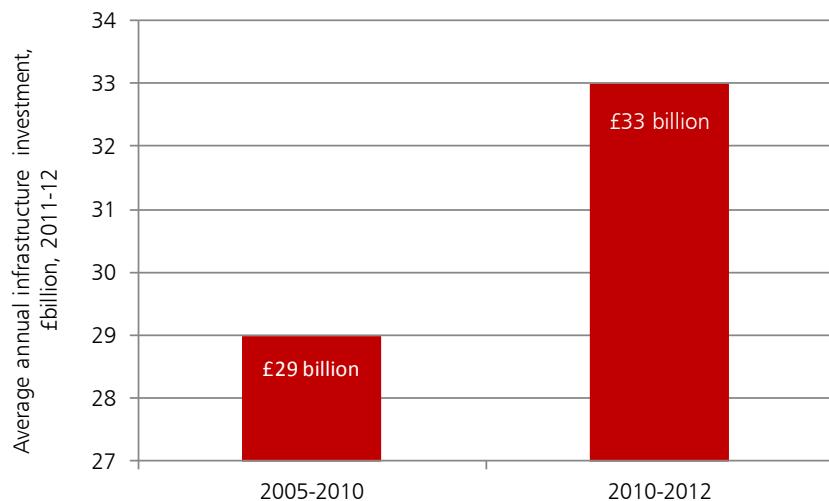
²⁵ *Growth and Infrastructure Bill Impact Assessment*, Department for Communities and Local Government, December 2012

Developing the UK's Infrastructure

1.61 Infrastructure forms the backbone of a modern economy and is vital to long-term economic growth. However, years of under-investment have left the UK's infrastructure bursting at the seams and struggling to keep pace with the demands of a growing population. To address this, the Government has made infrastructure a central part of its growth agenda, for instance committing £5.5 billion in additional infrastructure investment at Autumn Statement 2012, including up to £1.5 billion for the road network. This builds on the £6.3 billion of additional infrastructure spending announced at Autumn Statement 2011, as well as the £9.4 billion supported investment in the High Level Output Specification programme, the biggest investment in the railways since Victorian times.

1.62 Furthermore, the Government is taking a more strategic approach to infrastructure investment and set out for the first time a long-term plan for the UK's infrastructure in the *National Infrastructure Plan*.²⁶ It prioritises the top 40 projects that are critical for the UK's economic future and includes a forward looking investment pipeline, consisting of £310 billion of projects, which gives greater clarity and certainty to investors.

Chart 1.E: Average annual infrastructure investment in the UK, public and private



Source: HM Treasury estimates using data from company accounts, regulators, Office for National Statistics and government departments.²⁷

1.63 Lord Heseltine highlights the importance of encouraging private and pension fund investment in the UK's infrastructure. The Government is actively supporting and encouraging private investment, including providing up to £40 billion of guarantees to support major infrastructure projects, including up to £1 billion for the Northern Line extension to Battersea. The National Association of Pension Funds and the Pension Protection Fund have also now secured £1 billion of investment capital and ten pension funds as founding investors in the Pensions Infrastructure Platform. This is a welcome development which will bring more investment to UK infrastructure assets.

1.64 The Thames Gateway project is highlighted by Lord Heseltine as crucial to future UK competitiveness. The Government agrees. Through the 2011 Localism Act the Government has

²⁶ *National Infrastructure Plan; update 2012*, HM Treasury and Infrastructure UK, December 2012

²⁷ Infrastructure investment estimates are indicative and reflect the information held within government on infrastructure investment and other public sources of information. Data about purely private investment is subject to greater uncertainty than that for public sector or regulated investment. To enable analysis some observations have been estimated to provide annual breakdowns of totals and to fill gaps in the information available.

provided the tools to enable the Mayor of London to designate any area of land in Greater London as a Mayoral Development Area and to set up Mayoral Development Corporations to manage the regeneration process provided he has the support of the London Assembly in doing so. For example, to support the delivery of a sustainable Olympic legacy, the Mayor has already taken advantage of this new power and set up the London Legacy Development Corporation. Following localisation of the Thames Gateway Development Corporation, local authority leaders in London, Kent and Essex have developed a streamlined governance model – the Thames Gateway Strategic Group (TGSG) - to focus on strategic priorities and targeted solutions to realise the areas potential. It includes private-sector representation including the chairs of the south-east and London LEPs.

1.65 The Government recognises that maintaining the UK's international connectivity is critical to long term economic growth, but without an agreed evidence base or political consensus, it will not be possible to deliver a lasting solution that is right for the UK. A long-term approach is required to secure the UK's competitiveness and London's status as a centre of global trade. The Government has therefore asked the Airports Commission to present an interim report by the end of this year, which will set out its assessment of the nature, scale and timing of steps needed to maintain the UK's global hub status. It will set out recommendations for immediate actions to improve the use of existing runway capacity in the next five years, consistent with credible long-term options. In the short-term, the Government continues to undertake a package of measures to make the best use of existing airports, encourage investment and improve surface access provision to the benefit of air passengers and the wider economy.

1.66 A secure and affordable supply of energy is crucial to economic growth. Lord Heseltine advocates a definitive UK energy policy that will give certainty to the sector to invest. The Electricity Market Reform will bring about the biggest transformation of the UK's electricity sector since privatisation. Measures have been included in the November 2012 Energy Bill to give the certainty that investors need to build new nuclear, carbon capture and storage and renewables in the UK, for example:

- Contracts for Difference (CfDs) – long term contracts that provide stable revenues for investors in low carbon energy projects at a fixed level known as a strike price. CfDs will provide long-term certainty for investors in low carbon generation. This will lower the cost of capital and help developers secure the large upfront amounts of capital investment required;
- the creation of a government-owned company to act as a single counterparty to the CfDs to give investors confidence to enter into new long term CfDs for low carbon electricity projects; and
- powers to introduce a Capacity Market – allowing for capacity auctions from 2014 for delivery of capacity in the winter of 2018-19, to help ensure the lights stay on even at times of peak demand.

1.67 The Government also provided certainty to gas investors through the *Gas Generation Strategy*²⁸ which was published alongside Autumn Statement 2012. This set out the Government's view of the future role of gas and the measures being taken to ensure sufficient investment. It made clear that by setting a sustainable and affordable cap on the Levy Control Framework out to 2020 (£7.6 billion per year), the Government is seeking to provide certainty for investors in both low-carbon energy sources and gas. In addition, the Government

²⁸ Gas Generation Strategy, Department of Energy and Climate Change, December 2012

announced in October 2012 that it would engage with industry to develop a targeted tax regime for shale gas.

Fostering private-sector led growth

1.68 The UK is one of the best places in the world to do business. The UK now ranks 8th in the WEF's Global Competitiveness Report 2012-13, up two places from 2011-12;²⁹ and ranks 7th in the World Bank's Ease of Doing Business report (Chart 1.F).³⁰

Chart 1.F: Rankings of the UK and comparator economies on ease of doing business



Source: *Doing Business, Economy Profile: United Kingdom*

1.69 Despite this, further reform is required, in particular for small businesses that still have problems accessing finance and support. While the Government has a key role in creating the conditions for growth, the private sector also has an important role in developing and sharing their capacity for growth. Lord Heseltine sets out a number of recommendations aimed at encouraging this. The Government endorses this, and is supporting the private sector by:

- creating a Business Bank to help address structural gaps in the supply of long-term patient capital to SMEs;
- considering how best to improve co-ordination of business support, to help small businesses navigate the diverse market;
- recognising the role of trade associations in improving business performance and encouraging them to undertake reforms to improve their effectiveness;
- enhancing the global competitiveness of UK supply chains, learning from best practice in the manufacturing sector; and
- encouraging business schools to play a greater part in improving the leadership and management capability of local businesses.

²⁹ Global Competitiveness Report 2012-2013, World Economic Forum, 2012

³⁰ Doing Business, Economy Profile: United Kingdom, World Bank, 2013

Ensuring small businesses can access finance and support

1.70 The UK's SMEs are responsible for almost half of the £900 billion private sector output and 60 per cent, or almost 14 million, of private sector jobs. However, the financial crisis has impacted on SMEs' ability to access credit. The Government has already taken action to ease the flow of credit to SMEs, through, for example, the Enterprise Finance Guarantee and the Bank of England Funding for Lending Scheme, both of which encourage the banks to increase lending.

1.71 As announced at Autumn Statement 2012, the Government is also creating a Business Bank that will deploy £1 billion to address structural gaps in the supply of finance to SMEs, in particular the supply of long-term patient capital, as advocated by Lord Heseltine; and to bring together the range of existing government access to finance interventions for SMEs. The Government is keen to explore joint investment opportunities with the private sector as a way of maximising the reach and impact of the Business Bank. This could include partnership with private finance providers or the design and financing of wholesale finance products delivered by lenders to businesses. Details on progress towards establishing the Business Bank will be set out in March 2013.

Improving the business support landscape

1.72 The Government agrees with Lord Heseltine's analysis that SMEs require further support to fulfil their full potential. There is a wide range of advice and support available to small businesses but they often struggle to find what they need. There is therefore a clear need to improve co-ordination in the market for business advice. The Government recognises the important part local chambers of commerce play, both in representing the interests of businesses and in the provision of business advice at a local level. However, at the local level, the Government believes LEPs are best placed to aid the creation of strong and stable locally based private sector support networks for business, working with chambers, other bodies, private sector providers and other local partners. The Government encourages these organisations to work closely together to provide more engagement and support at the local level, and to agree the best way of providing a single, efficient, local signpost service for SMEs to find the help available in their area.

1.73 The Government agrees with Lord Heseltine that businesses should be made better aware of the advantages of membership of local chambers and other relevant business support bodies and the services they provide. **The Government will therefore draw local authorities' attention to Lord Heseltine's report and encourage them to make available information on local businesses paying business rates, taking account of data protection legislation.**

1.74 For its own part, the Government has already undertaken a major reform of the business support landscape. This includes providing support services online and via a helpline, fostering the development of a network of 27,000 business mentors available through mentorsme.co.uk, and supporting the growth of 4,000 high-growth potential firms through Growth Accelerator since its launch in May 2012. The development of the Business Bank to bring support for SMEs together will complement this. It is important to assess how the market is responding to these changes. **The Government will engage with stakeholders on how best to improve co-ordination and help small businesses navigate the diverse market for business support. The Government will publish a statement of government policy in the summer.**

Encouraging trade associations to improve their standards

1.75 Trade associations can have an important role in providing support to their members in activities such as training, skills development, mentoring and supply chain development. The Government endorses Lord Heseltine's recommendations for the Trade Association Forum (TAF)

to share best practice and set out minimum requirements for the standard of trade associations, create a competency framework to promote increased professionalism, and develop an enhanced directory of associations:

- TAF is currently revising its Code of Practice on minimum requirements for the standard of trade associations with plans to consult its members and produce a revised version by autumn 2013;
- TAF is working with MemberWise and the Professionalism Group on the development of a competency framework. The framework is being piloted with four member organisations with a view to releasing a web-based toolkit in 2014; and
- TAF has a directory of trade associations on its website and plans to explore options for using this platform to create a much-improved, comprehensive and user-friendly product that captures several layers of information, depending on user need.

Sharing best practice on supply-chain programmes

1.76 As identified by Lord Heseltine, large companies that head-up supply chains can have a huge influence on the quality, performance and prospects of their suppliers and the companies beneath them. Enhancing the global competitiveness of UK supply chains can significantly further growth in a particular sector. For example, through the Advanced Manufacturing Supply Chain Initiative (AMSCI), the Government has provided £245 million to help improve the global competitiveness of UK manufacturing supply chains, which includes £120 million that was announced at Autumn Statement 2012. The Government will analyse and share the cross-government experience of AMSCI to assist departments if they wish to utilise the programme.

Box 1.D: AMSCI - supply chain collaboration to build a new proving factory of low carbon technologies in the automotive sector

£12.8 million of AMSCI funding has been awarded to a collaboration of 11 partners from all levels of the supply chain to design and build a proving factory to enable mass production of new low carbon technologies in the automotive sector. The lead partners are Productiv and Tata Steel, with nine supporting partners. The project was established to address a persistent market failure in the UK automotive sector where small technology developers lack the ability to meet the commercial and process demands of vehicle manufacturers.

The proving factory will include two facilities: manufacturing and assembly. The facilities will be staffed by local workers, trained in the local area. The project is estimated to contribute £1 billion to UK growth by successfully industrialising UK developed green technologies and manufacturing them cost effectively in the UK, and will create over 1,200 new jobs.

Improving the leadership and management capabilities of local businesses

1.77 The Government also recognises the importance of improving the leadership and management capability of local businesses and believes that business schools have an important role to play. Growth Accelerator is already working closely with business schools to provide tailored support to strengthen leadership and management skills in high-growth potential businesses. **Lord Young also encourages this and has asked the Association of Business Schools to lead a national programme, which recognises and encourages innovation and good practice in the relationship between business schools, their faculty and students, and local small businesses.** The Government welcomes this initiative.

Improving employment outcomes from the education and skills system

1.78 Lord Heseltine's review highlights the vital importance of the education system to the economy. The Government shares the goal of reforming England's education and skills system to match the world's best. By creating an autonomous education system, driven by high quality teaching and stretching qualifications, the Government will ensure that young people leave school and college with the knowledge and skills that make them ready to succeed in work and contribute to growth. In line with Lord Heseltine's recommendations, the Government is:

- challenging underperformance in schools, including providing a new role for the regional director of Ofsted in monitoring underperforming schools;
- radically reforming post-16 vocational provision to ensure that students acquire rigorous qualifications with a clear progression route to employment or higher education;
- placing a greater emphasis on longer-term outcomes of education – progression to higher education and employment – by publishing destination measures;
- forging closer links between employers and education providers to open up students' awareness of opportunities in local, national and international labour markets and develop essential skills for the work place;
- publishing data to hold local authorities to account on reducing the numbers of young people not in education, employment or training (NEETs); and
- ensuring businesses can recruit the skills they need from abroad including by streamlining UK immigration rules and reducing backlogs of migration cases.

Challenging underperformance in schools

1.79 The performance of many of the UK's schools is world class. However, the Government strongly agrees that underperformance cannot go unchallenged. In England, Ofsted Inspectors focus sharply on those aspects of schools' work that have the greatest impact on raising achievement, in particular, the achievement of pupils; the quality of teaching; the behaviour and safety of pupils and the quality of leadership in, and management of, the school. All schools that have either achieved poor examination results over a number of years; been judged by Ofsted to have serious weaknesses; or are judged as requiring special measures, are in scope to become sponsored academies. Quick progress will be made at these schools with heads, governors, sponsors, local authorities and central government all playing their part. The Secretary of State for Education can and does intervene where rapid progress is not being made. By the end of 2012, 200 of the worst performing primary schools were converted to sponsored Academies. 184 underperforming secondary schools are currently in the pipeline for becoming sponsored Academies.

1.80 Lord Heseltine's report concludes that Ofsted should have additional powers to intervene swiftly where there is underperformance. The Government has agreed that Ofsted should use its powers to increase monitoring of schools that are underperforming. This work is being led by regional directors in Ofsted, who will oversee teams of HM Inspectors. Ofsted is also currently consulting on a new framework to inspect local authorities on their school improvement functions. Furthermore, HM Chief Inspector at Ofsted has announced a programme of work between January and April 2013 in which Ofsted will undertake simultaneous inspections of weak schools in up to six local authority areas. This started with inspections in Derby and Portsmouth.

Reforming vocational education

1.81 High quality vocational education can play a vital role in developing young people's leadership and management skills and preparing them for success in the workplace, as Lord Heseltine recognises in his report. The Government is radically reforming post-16 vocational provision through the introduction of 16-19 Study Programmes in response to Professor Alison Wolf's Review of Vocational Education.³¹

1.82 From September 2013, funding for 16-19 education will shift from a per qualification to a per student basis allowing schools and colleges to offer their students personalised and stretching education programmes that have clear progression routes to employment or higher education. Work experience and work-related learning will be a core element of Vocational Study Programmes, and will include English and maths for those who have not yet achieved an A-C grade at GCSE. This directly responds to employers' concerns that young people lack the employability skills, including literacy and numeracy, which are essential for the workplace.

1.83 Further to this, the Government is proactively working with employer representatives to remove the barriers that deter some employers from offering work experience places. For example, the Government has successfully removed regulations requiring employers to carry out Criminal Records Bureau (CRB) checks on employees who supervise or work with students on work experience. The Government will continue to cut red tape and reduce the legislative burden on business to help increase the supply of work experience places.

Improving progression from education into work

1.84 The Government believes that young people's progression into education or employment is a powerful measure of the success of educational institutions. In his report, Lord Heseltine recognised that the Department for Education has led the way in the creation of destination measures, which were published for the first time in July 2012. These are new pieces of information that parents and students can use in choosing between places to study, and provide an incentive to institutions to ensure that young people are able to progress. From 2013, the Government plans to include employment destinations in the data, giving a measure of how well institutions develop their students' employability. In addition, for the first time, later this year, destination measures for 16 year olds will be incorporated in school performance tables. This is a significant development in England's accountability regime, putting the onus on schools and colleges to consider the effectiveness of their provision in helping young people to develop and progress.

1.85 It is also essential that young people are able to make informed choices about their options after leaving school or college. To help facilitate this, the Government is extending the requirement for schools to secure independent and impartial careers guidance for their pupils to cover ages 12-18 and applying a similar requirement to colleges through their funding agreements.

Forging links between employers and the education system

1.86 Employers can play a vital role in the preparation of students for the world of work, helping to raise their aspirations, increase their understanding and develop essential skills. The Government agrees with Lord Heseltine that schools, colleges and training providers should work more closely with the private sector and ensure that young people have the skills they need to thrive in employment or as entrepreneurs.

³¹ *Wolf Review of Vocational Education, Government Response*, Department for Education, 2011

1.87 The Government encourages direct employer links with schools, as a way of inspiring and informing young people. Lord Heseltine noted the benefits of new University Technical Colleges and Studio Schools in involving employers directly with the education system. Alongside these programmes, all schools can join successful free initiatives such as Inspiring the Future and Business Class, as well as local initiatives that aim to connect schools with the business world and capitalise on the expertise that employers can offer. LEPs and other local networks can facilitate this engagement.

Box 1.E: Case study: Inspiring the Future initiative

The Government is working with the Education and Employers Taskforce on 'Inspiring the Future'. This scheme was launched in July 2012 and aims to recruit professionals to volunteer from a variety of sectors to give inspirational and informative talks about their careers to students in state schools. This gives young people the chance to gain valuable insights into different jobs and careers. The Government is leading by example in supporting the initiative by encouraging civil servants to take part in the scheme.

1.88 As Lord Heseltine highlights, local employers also have an important role to play in school governance. It is essential that governing bodies are made up of people with the necessary skills and experience to enable them to carry out their demanding functions, including successful business people. The Government does not believe in dictating who sits on governing bodies but it agrees that business leaders should seek opportunities to get involved with school and college governance, and will continue to encourage business leaders to take advantage of the government-funded Governors' One-Stop Shop, a free service which helps schools and colleges to recruit skilled governors from the business world.

1.89 A skills system that is responsive to local needs can help drive economic growth. To ensure that local businesses can shape the pipeline of talent emerging from local further education (FE) institutions, at Autumn Statement 2012, the Government agreed that LEPs would have a new strategic influence over skills policy in accordance with Lord Heseltine's analysis. LEPs will be responsible for setting local skills strategies and chartered status for FE colleges is now dependent upon having taken into account the skills priorities of local LEPs. The Government is reforming the delivery landscape so that employers have direct influence over qualifications and learning programmes and by ensuring that LEPs are represented strongly on college governing bodies. The Government will also encourage LEPs to have a seat on FE colleges' governing bodies, with colleges also represented on LEP boards.

1.90 The Government also fully agrees with Lord Heseltine that business and universities should have closer engagement to ensure courses are relevant and build employability skills. It is important for businesses and higher education institutions (HEIs) to take ownership and to develop collaboration in ways that best suit local skills priorities and characteristics. In line with Lord Heseltine's recommendations, the Government is reforming the skills and higher education system to give businesses the power and responsibility to define the skills needs of their sectors and to work with HEIs to develop new ways to meet them:

- the Government is rewarding universities that are most effective in business engagement through Higher Education Innovation Funding (HEIF) for English HEIs, which is being maintained at £150 million per annum for 2011-15;
- the Employer Ownership Pilot provides an opportunity for employers to work with partners to develop innovative approaches to meeting their skills needs. £340

- million has been provided up to 2015-16, with £90 million allocated in round one, attracting £115 million contribution from employers;
- the Government is supporting the establishment of a National Centre for Universities and Business (NCUB), to gather evidence, bring together university and business leaders, support engagement between stakeholders and share best practice with graduate employability a key focus; and
 - sector councils that are being created by business in response to the Government's industrial strategy will also focus on skills issues.

Box 1.F: Case study: Hewlett Packard tailored degree courses

Hewlett Packard (HP) works with a number of universities to provide HP-tailored degree courses. Staffordshire University recently announced an academic partnership with HP to help develop new IT degree courses and provide internships and mentoring for students. The partnership will help equip students with the attitudes, skills and essential attributes of employability, enterprise and entrepreneurship to secure a rewarding career in an increasingly global market.

With operations in over 170 countries HP will not only provide Staffordshire University with IT technology and solutions, but will help facilitate global opportunities for students through its international network and partners. Staffordshire University and HP will also work to collaborate on research into areas such as networking, sustainability, information security and 'cloud 7'.

1.91 The Government also agrees with Lord Heseltine that the higher education system should equip graduates with skills that industries need and that there is a role for business to invest in those skills. Businesses, alongside HEIs, are already driving change. For example, KPMG has developed an innovative new programme to broaden access into the accountancy profession. The scheme enables young school leavers to gain work experience, an accounting degree from leading universities, such as Durham, Exeter and Birmingham, and a professional accountancy qualification, with all tuition fees paid by KPMG and a starting salary in the region of £20,000. Furthermore, the National Centre for Universities and Business has been formed as a single focus for information on business-university collaboration.

Supporting young people not in education, employment or training (NEETs)

1.92 The Government agrees with Lord Heseltine that youth unemployment should be a priority for every area and that action to support young people NEET is best taken at a local level. Local authorities are already under duties to ensure that all NEET young people are supported into education or training. The Government will be publishing more data more often to hold local authorities to account for the delivery of these duties. Local authorities are able to access funding to meet these duties through central government grants. These grants are not ring-fenced in order to allow maximum flexibility for local authorities. In the future, the Government will consider the role of LEPs in supporting this work as part of decisions taken on the Single Local Growth Fund in the Spending Round later this year.

Ensuring businesses can recruit the skills they need from abroad

1.93 The UK welcomes the best and brightest from abroad with skills that are crucial to UK growth. But the Government agrees with Lord Heseltine that more can be done to step up engagement with business to ensure they understand the Government's rules on skilled worker

immigration. The Government is working in consultation with business users to develop an easy-to-use pre-application guide to the sponsorship process and a programme of outreach events to inform and reassure businesses about compliance issues. The UK Border Agency (UKBA) holds regular focus groups with business and has established a business user forum chaired by the Confederation of British Industry.

1.94 The Government currently reviews its immigration rules at least every five years to assess their effectiveness and whether their objectives could be achieved with less regulation. But, the Government is putting in train a programme of work to identify opportunities for improvement. As a first step, **UKBA will be carrying out a review of how the application and enforcement of immigration rules in relation to skilled and highly skilled migrants can be improved. This review will include involvement by UKBA's Business User Forum and will report internally to Lord Taylor.** Following on from this, other areas, such as the visit visa arrangements, will be identified for review. As an additional step towards ensuring immigration law is fit for purpose **the Home Office will be working with business and stakeholders, including the Immigration Law Practitioners Association, to review the structure and format of the immigration rules under the Open Policy Making initiative.**

1.95 The Government shares Lord Heseltine's ambition to clear historic backlogs of cases while dealing with new cases efficiently and effectively. The UKBA is using temporary staff to speed up processing and tackle delays. In addition, UKBA recently deployed 1,000 existing employees to the frontline to ensure it can continue to target backlogs and is making progress in this area: in November 2012, UKBA closed the controlled archive of old asylum cases and is now working through the Migration Refusals Pool. Alongside this, UKBA is working to ensure those that have no right to be in the UK either leave or do not enter the UK in the first place. Overseas, UKBA has ambitious plans to increase the number of interviews in the coming year and, in-country, it is improving enforcement performance through closer working with other agencies. It is continuing to make best use of the detention estate by working with other partners in the justice system. It is bringing together all existing removals resource nationally into a centralised National Removals Command.

Implementation

1.96 It is important to make sure these commitments are fully implemented. This will require the right cross-Whitehall machinery to be in place to ensure effective working between all relevant departments. The Government will also use regular ministerial implementation meetings to monitor and provide effective challenge and leadership.

2

Unleashing potential: Local Growth Deals

A vision for local growth

2.1 The Government agrees with Lord Heseltine that there is a powerful case for increased devolution of economic powers away from central government. Just as strong local leadership is what made the UK successful in the past it also has the potential to transform our competitiveness in the present. This response is about enabling that: giving places the autonomy and encouragement they need to build growth.

2.2 The Government has already taken action to help bring this ambition to life, including:

- promoting the establishment of Local Enterprise Partnerships (LEPs) – 39 strategic partnerships between local business leaders, local authority leaders and other partners;
- allowing the local retention of business rates – incentivising local areas to prioritise growth and keep 50 per cent of the proceeds;
- creating the Growing Places Fund and the Regional Growth Fund – providing support to LEPs and local authorities for local projects and programmes;
- introducing City Deals – negotiating bespoke deals with cities and their LEPs to give them the powers and tools they need to drive local economic growth;
- establishing Enterprise Zones – areas around the country that support both new and expanding businesses by offering incentives, creating local jobs and growth; and
- removing £7 billion of ring-fences from local government at Spending Review 2010.

2.3 Now is the time for a step change to further erode the excessive centralisation that shackles local ambition and creativity. **This response implements Lord Heseltine's key recommendation and commits to creating a Single Local Growth Fund in England from April 2015, and devolving responsibilities, influence and growth-related spending on the basis of strategic plans developed by LEPs.**

2.4 The Government wants every place to be able to fulfil its potential for growth, unleashing enterprise and bringing jobs and prosperity to communities. The first wave of City Deals has shown what places can do if Whitehall gives them control. Local areas will get new levers to help them do this, but they must also take responsibility for decisions, and look beyond narrow local authority boundaries to plan strategically over true functional economic geographies. They must innovate and take calculated risks based on their knowledge of how their local economy functions and where the opportunities for future growth lie.

2.5 The Government therefore proposes to devolve resource and responsibility to those places which can demonstrate credible and compelling economic leadership. Local areas will receive powers and budgets previously held nationally in order to pursue local priorities, and local leaders will take on accountability for economic outcomes. Funding and flexibility will reflect the quality of the strategic proposals put forward by LEPs, the commitment of local authorities to work more efficiently and effectively across the LEP area, as well as local need.

2.6 The Government will support areas in building their strategic economic planning capacity so they are able to take advantage of these new levers, whilst ensuring that LEPs remain small, strategic, business-led organisations.

2.7 The Single Local Growth Fund applies to England only, reflecting the fact that economic development is devolved to the Scottish Government, the Welsh Government and the Northern Ireland Executive. The funding that will form the Single Local Growth Fund would have been allocated in England only.

Principles for effective partnership

2.8 The Government believes that every part of the system has a role to play in unlocking growth, and the best outcomes will be achieved by central government, LEPs and local authorities working together.

Central government

2.9 To this end, the Government will:

- devolve increasing resources and responsibilities to areas to empower them to deliver growth;
- support all areas to increase their capacity to take on this new challenge;
- remove central ring-fences to allow greater local pooling of resources and collaboration across an economic area;
- work with local areas to establish reasonable transparency and evaluation processes that are proportional to the size and scale of the funding that is devolved and the capacity of an area; and
- ensure coherence between the Single Local Growth Fund and existing initiatives.

2.10 The Government will not:

- burden LEPs with competing priorities from the centre or introduce new local growth initiatives that need to be implemented in a different way.

Local Enterprise Partnerships

2.11 In 2010, the Government invited local areas to come forward with proposals for LEPs. 39 were approved on the basis of support from the business community and local authorities, and that their coverage represented a significant functional economic geography. The Government agrees with Lord Heseltine that local businesses and council leaders are best placed to set the strategic direction for an area, which is why LEPs (who bring these key actors together) will be asked by the Government to lead the development of strategic plans for local growth, consistent with national priorities.

2.12 LEPs will:

- remain high level, business-led, strategic bodies, bringing together local leaders and businesses;

- shape priorities within an area by leading the development of a strategic plan, including as part of this an investment strategy for EU Structural and Investment Funds (the EU SI Funds);¹
- consult with all relevant local actors in compiling their strategic plan – including local businesses, local business groups, universities, further education colleges and local community groups;
- retain the right to review their boundaries in light of experience and the increased responsibilities that will be placed on them; and
- strengthen links with their constituent local authorities, and look to their local authority members to deliver the LEP strategy and EU SI Funds investment strategy.

2.13 LEPs will not:

- become unwieldy bureaucracies.

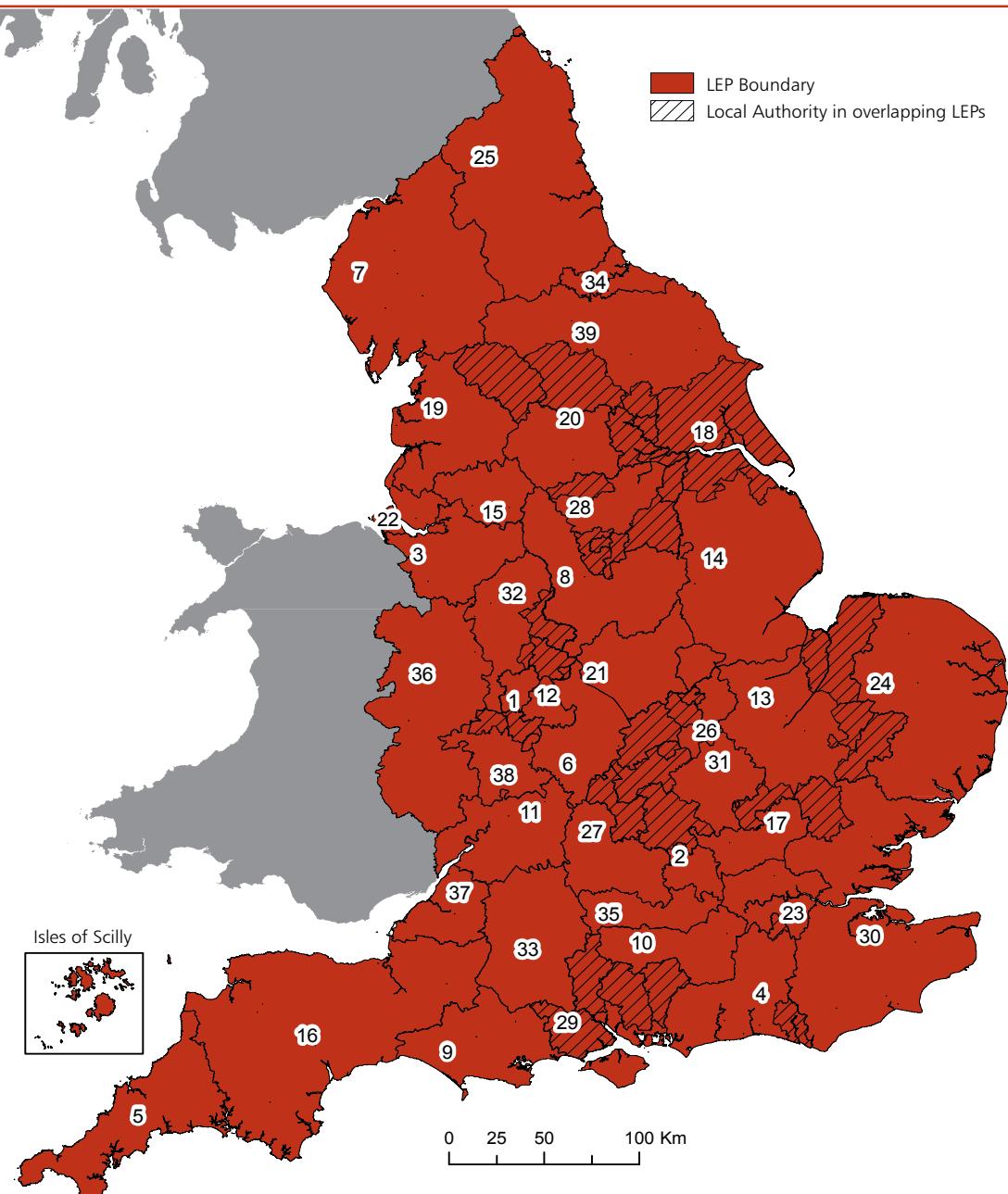
Local authorities

2.14 Local authorities will:

- use these new levers to enable them to prioritise growth alongside service delivery;
- support the LEP(s) they are part of, and demonstrate their commitment to making collective strategic decisions, including delivering the agreed investment plans and delivering efficiencies;
- pool strategic economic development spend and functions, and support LEPs in securing match funding for EU SI Funds;
- co-ordinate land use planning functions and align adopted local plans, including the use of Local Development Orders, across local authorities in a LEP area;
- manage and account for the localised funds through binding and long lived decision making structures such as a joint leaders committee as a minimum, or combined authority (preferable), or other similar arrangement; and
- collect and report publicly on key economic development metrics and conduct evaluations.

¹ These are the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Funds (EMFF). They have been previously referred to as the Common Strategic Framework Funds.

Chart 2.A: Local Enterprise Partnerships



- | | | |
|---|---|--|
| 1 Black Country | 14 Lincolnshire | 28 Sheffield City Region |
| 2 Buckinghamshire | 15 Greater Manchester | 29 Solent |
| 3 Cheshire and Warrington | 16 Heart of the South West | 30 South East |
| 4 Coast to Capital | 17 Hertfordshire | 31 South East Midlands |
| 5 Cornwall and the Isles of Scilly | 18 Humber | 32 Stoke and Staffordshire |
| 6 Coventry and Warwickshire | 19 Lancashire | 33 Swindon and Wiltshire |
| 7 Cumbria | 20 Leeds City Region | 34 Tees Valley |
| 8 Derby, Derbyshire, Nottingham and Nottinghamshire | 21 Leicester and Leicestershire | 35 Thames Valley Berkshire |
| 9 Dorset | 22 Liverpool City Region | 36 The Marches Enterprise Partnership |
| 10 Enterprise M3 | 23 Pan London | 37 West of England |
| 11 Gloucestershire | 24 New Anglia | 38 Worcestershire |
| 12 Greater Birmingham and Solihull | 25 North Eastern Local Enterprise Partnership | 39 York, North Yorkshire and East Riding |
| 13 Greater Cambridge & Greater Peterborough | 26 Northamptonshire | |
| | 27 Oxfordshire | |

Source: Produced by Neighbourhoods Analysis Division, DCLG

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Data Sources: OS Boundary-Line

Box 2.B: Examples of effective joint working

LEPs have been in existence for a relatively short time, but there are already powerful examples of what local business leadership and strong partnerships across local authorities can deliver. For example:

- **Sheffield City Region LEP** is establishing a combined authority. This will create a strong, stable and effective governance structure across the area. It will support strategic decision-making and resource pooling across the authorities in the LEP.
- **The Black Country LEP** has worked with all local authorities in its area to develop a single, consistent approach to dealing with planning applications. All local authorities will now unify the supporting documents needed.
- **Leeds City Region LEP** has agreed on a joint procurement framework for major construction projects designed to cut red tape reducing costs and processing time.
- **Cornwall and Isles of Scilly LEP** has led public and private sector partners in identifying key transport priorities. The top priority has been to seek a solution to dualling the 2.8 mile Temple to Higher Carblake section of the A30, removing a bottleneck. The Department for Transport provided £30 million at Autumn Statement 2012, with Cornwall Council expecting wider economic benefits in excess of £117 million.

A blueprint for the future

2.15 The UK economy needs all places to fulfil their potential in order to be competitive in the global race. The aim at the heart of these proposals is to devolve meaningful power and funding through a negotiation, using competitive tension to ensure there are real incentives for growth. However, **the Government recognises the differences between places, including in the form and capacity of LEPs as they currently exist. To that end, the Government wants to introduce a new framework for local economic development that can respond flexibly to current circumstances and to changes in capacity and ambition over time.**

2.16 The proposed design outlined below represents the Government's vision for giving local areas the power they need to effect change, including the creation of a Single Local Growth Fund and influence over other important funding streams. Paragraph 2.46 onwards will outline the process to April 2015 in more detail.

Creating a Single Local Growth Fund

2.17 Lord Heseltine set out a compelling vision of a decentralised approach to local economic growth, breaking Whitehall's monopoly on power forever. As part of this, he proposed the pooling of funding for economic growth from central government departments, without ring-fences, which could be used flexibly to meet local priorities. The entire fund would be flexible across geographies and policy areas.

2.18 The Government shares Lord Heseltine's view of the need to pursue a radical approach to decentralisation, and believes in giving business-led LEPs the power to make the choices that are right for their local economies. The Single Local Growth Fund is a significant prize for local areas, both in terms of funding and flexibilities on offer. The Government believes that LEPs and local leaders are best placed to understand the opportunities and barriers to growth in their areas, and to overcome the functional silos of Whitehall.

2.19 At Autumn Statement 2012, the Government set out its commitment to a Single Local Growth Fund, and Lord Heseltine identified a number of funding streams that could be included in it. All of these will be considered carefully with the following criteria in mind:

- whether national or local decision-making best achieves the desired outcomes;
- whether there are significant national level economies of scale or scope, that clearly outweigh any potential efficiency gains from devolution;
- whether there is clear evidence that spillovers and allocative efficiency gains operate predominantly at national not local level;
- whether there is clear evidence that there are no efficiency gains to be realised from enabling greater local tailoring and coordination of service provision; and
- whether there is a significant risk of moral hazard from sub-national decision making.

2.20 Full details of the size and content of the Single Local Growth Fund will be announced alongside the Spending Round later this year. **There are three areas which the Government sees as critical to the success of the Single Local Growth Fund: transport, housing and skills. The Single Local Growth Fund must include elements of all three budgets if it is to give local areas influence over the levers that matter for growth.** As part of the Spending Round, the Government will also review all the other funding streams that Lord Heseltine identified and will seek further alignment between skills and employment programmes. The Government will also ensure that the EU SI Funds are aligned with the Single Local Growth Fund.

2.21 The Government believes that there is a very strong case for elements of the transport budget, such as the funding for major local transport schemes, to be included as such spending is integral to economic development. The Government has already begun to devolve this funding in a way that aligns with LEPs. The Government will build on the work which has been done so far, and ensure a smooth transition between the ongoing devolution process and the Heseltine reforms, so that the Government can move seamlessly towards integrating transport funding into the Single Local Growth Fund. The Government therefore expects all Local Transport Bodies (LTBs) to maintain momentum and continue to develop their assurance frameworks and provisional programmes of schemes.

2.22 Likewise, housing plays a key role in the local economy and the Government expects that some housing funding will be included in the Single Local Growth Fund to enable integrated decisions on housing, planning and transport solutions that maximise local growth.

2.23 The Government is reforming the skills system, looking at ways to put more control in the hands of employers and trainees rather than providers, such as through the Employer Ownership Pilot, Advanced Learning Loans and the response to the Richard Review. LEPs can play a crucial part in this, ensuring that local provision meets the needs of local employers and trainees and building much stronger links with the business community. It is important to continue the focus on transferring control to employers and maintain a nationally funded apprenticeship system. However, the Government believes that including an element of skills funding within the Single Local Growth Fund is important in order to give LEPs the ability to influence provision, particularly for local small and medium sized enterprises (SMEs).

2.24 As there are very close links between employment and skills programmes, the Government will examine closely the options for aligning employment support programmes with LEPs and the Single Local Growth Fund. For those employment support programmes which are currently UK-wide, we will work with the devolved administrations to consider the best approach for managing the funding streams in Scotland, Wales and Northern Ireland.

2.25 Work will continue ahead of the Spending Round to determine what within these funding streams should be included in the Single Local Growth Fund, and to assess the case for the other funding streams Lord Heseltine highlighted. This is in the context of the Government's priority to reduce the deficit and ensure the public finances remain stable. This will inevitably require tough choices, including across those areas where funding will be transferred to the Single Local Growth Fund.

2.26 There are some funding streams where the principles set out above point strongly to the majority of spend continuing at a national level. This is certainly the case for innovation funding, where specialisation not duplication is essential. For example, concentrating resources on creating national centres of excellence that are globally competitive, such as the National Composites Centre in Bristol. But where local areas can make a case that they could deliver better results if the funding was devolved, the Government will listen.

Box 2.C: Local Authority Transport Majors

In September 2012, following a period of consultation, the Department for Transport set out its proposals for the devolution of funding for local major transport schemes from 2015.

In January 2013, the Department for Transport provided each LTB with an indicative population-based funding level but was clear that these figures were purely assumptions to be used for planning purposes. They are based on the total amount of funding for local major schemes in the Spending Review 2010, distributed between LTBs on the basis of population (2017 forecast). The actual allocations will be determined in future Spending Rounds.

The Department for Transport was clear in the guidance issued that there was a need to be responsive to evolving agendas, particularly in relation to the Government's response to the Heseltine Review. However, the planning for new schemes and programmes cannot be delayed if the Government is to maintain the momentum of new infrastructure that is vital to the economy. The Government therefore expect all LTBs to continue developing their assurance frameworks and provisional programmes of schemes.

2.27 The new Single Local Growth Fund represents only part of the picture: LEPs will have strategic influence over a much broader set of resources. For example, some of the significant amount of spending by local authorities on economic development could be pooled or spent alongside LEP budgets.² To support this, Government has also announced it is allowing local authorities access to cheaper borrowing, through the Public Works Loan Board (PWLB), for a local priority infrastructure project nominated by each LEP to a total of £1.5 billion of borrowing (excluding London). The PWLB project rate will be introduced from 1 November 2013 and the Government is publishing details of what LEPs need to do to access this new rate alongside this response.

2.28 The Government is also taking this opportunity to streamline its management of the EU SI Funds. The final budget for these funds has yet to be agreed by the European Parliament. The Government will work with the devolved administrations to make allocations to areas across the UK.

2.29 A significant proportion of England's share of the EU SI Funds will be notionally allocated to LEPs. While these funds cannot be included in the Single Local Growth Fund due to European

² The Government does not hold a detailed breakdown of the amount of local authority expenditure which supports strategic economic development. It will however include some proportion of capital expenditure by local government on services such as transport and housing, which in 2011-12 totalled just over £20 billion.

funding rules, they will sit alongside the Single Local Growth Fund, and LEP investment strategies for EU SI Funds should be aligned with the LEP strategic plans. EU SI Funds require match funding, and, while some of this will come from government (and the Single Local Growth Fund) it will be important to ensure as far as possible that there is match funding from the private sector. LEPs, with a business leadership, will be well placed to deliver this.

Box 2.D: The Greater Birmingham Project

Following the publication of *No Stone Unturned*, the Greater Birmingham and Solihull LEP approached Lord Heseltine and asked him if he would work with them to explore the opportunities that could arise in the Greater Birmingham and Solihull LEP area if the economic recommendations in *No Stone Unturned* were implemented.

The resulting Greater Birmingham Project, published on 17 March, shows the potential for substantial benefits that could be achieved if the recommendations are accepted. The report cites 10 'Big Ideas' that would only be possible with enhanced local control and flexibilities over the resources for economic growth, including delivery of the M42 Economic Gateway, sector growth acceleration, driving up skills by improving links between businesses and schools and an integrated approach to unlocking growth in priority communities.

The report makes a strong case for changes to the present system, both locally and nationally. It also recognises that changes to local governance are needed, and sets out the LEP's intention to establish a Supervisory Board of local authority leaders to provide oversight and democratic accountability. The Greater Birmingham Project will provide the framework for the Greater Birmingham and Solihull LEP's strategic plan.

Growth Deals

2.30 The allocation of the Single Local Growth Fund and any flexibilities will be through a process of negotiation, where areas can make their case and central government can understand the capacity and governance that underpin local plans. There must also be competitive tension, to strengthen incentives on LEPs and their partners to unleash local areas to generate growth, and drive collaboration, creativity, commitment and ambition. Allocations to LEPs from an un-ring-fenced single Fund will drive efficiencies and ensure funding delivers the greatest benefits across the country. The Government expects that every LEP would receive something from this process, but the exact offer will depend on the quality of individual LEP plans.

2.31 At Autumn Statement 2012, the Government announced that LEPs will be expected to develop a strategic growth plan consistent with national priorities. In developing the plans, LEPs and local authority members will be expected to work with all relevant local partners, including the local chambers of commerce, other business bodies and the wider business community. These multi-year plans will provide investment confidence for businesses and local authorities and build on any existing plans the local area has. They will also link up with ongoing public programmes, for example existing City Deals or Enterprise Zones. It is expected that local authorities or other bodies, and not LEPs themselves, will deliver programmes and projects, ensuring that there are proper democratic and financial accountability structures in place.

2.32 This plan will be the basis on which the Government negotiates deals with each LEP for new levers, resources and flexibility over them. It needs to set out the LEP's vision, rationale, priorities, capacity and governance (including governance arrangements across its constituent local authority members). It will also include a high-level investment plan setting out anticipated activities and associated investment, as well as resources available from both local authorities

and the private sector. LEPs will be asked to work with local authorities to put in place bespoke approaches to land use planning, including the use of Local Development Orders or other means to simplify the planning process for economically important projects.

2.33 All plans should include milestones and anticipated outcomes. These plans will take on different forms and emphases to reflect local priorities. Any plan will need a strong analytical base, driven by evidence of what works, and should exploit the potential for economic growth across the whole area served. This will not become a process of micro-management, so the emphasis will be on governance, capability, strategy and growth.

2.34 Following submission of a plan, there will be a period of negotiation and discussion between each individual LEP and central government (see Box 2.E for assessment criteria). An iterative approach will allow central government to support both tried and tested proposals, and more innovative ideas where they have genuine potential. Those areas with the best plans will receive more from the Single Local Growth Fund. The iterative process will help to mitigate the risk of local areas missing out on greater benefits due to a lack of understanding of the assessment process or criteria.

2.35 The LEP plan (including governance arrangements) will be assessed with the unique characteristics of the local area in mind and will inform decisions on the final level of the resources, levers and flexibilities allocated to a place. Looking at plans in this way will help to reflect the variability between areas. **Given the defined nature of the Single Local Growth Fund, these discussions will happen over a set timeframe with final decisions taken at a single point.** The timing of these discussions will be specified at the Spending Round later this year. There could also be discussions on further powers, freedoms and influence over government activity and spending outside the Single Local Growth Fund.

2.36 Over time, an incentive element could be introduced to reward those that deliver on their plans and achieve real economic benefits, and past performance will be taken into account when the Government considers future allocations.

Box 2.E: Negotiations would consider a number of criteria including, for example:

- strength of plans for **effective pooling of economic development spend and functions** across the LEP area, including the degree to which these funds will be revolving, what private sector leverage has also been secured and whether there is a **co-ordinated approach to strategic spatial planning**;
- **clarity of prioritisation** of key strategic projects and vision for the area, based on the LEP's and local leaders' understanding of the area's **competitive advantage**, and unique combination of strengths and challenges, including how this fits with national growth priorities;
- **level of ambition** demonstrated by bottom-up plans and targets for leveraging investment and for **additional outputs and outcomes**;
- strength of evidence of **deliverability**, including skills and resources of the LEP, and the level of **support and commitment of wider partners**;
- the **strength of governance arrangements in place**, including the decision making structures for local authorities, such as a combined authority, and for joint LEP and local authority decision-making on spend; and
- plans for **transparent publication of data** on key quantitative metrics such as increase in job numbers, Gross Value Added and commercial floorspace, and for formal evaluation.

Accountability

2.37 Devolution of economic leadership and growth funding to local leaders offers an important opportunity to strengthen local democratic and financial accountability.

2.38 Councils, working closely with the LEPs they are part of, will take on increasing levels of accountability to voters on determining economic development priorities, designing interventions, managing additional public money and delivering growth. Decisions on strategic issues and major investment projects will be made by LEPs and their local authority members and delivered or commissioned by local authorities. Funds will be paid to either a lead local authority or to a combined authority. Accountability to the wider business community is also provided through the LEP. The involvement of senior local politicians provides a strong and direct link back to local people.

2.39 Governance must be robust, proportionate and transparent, and should draw on the recommendations in the Department for Communities and Local Government (DCLG) report *Accountability: Adapting to decentralisation*.³ Departmental accounting officers are responsible for assuring Parliament that local spending financed by government grants meets high standards, including delivering value for money. To do this there must be a robust local accountability system in place, with local Section 151 officers⁴ and democratically elected councillors responsible for ensuring that public money is managed with propriety and regularity, and value for money.

2.40 The Government will need assurance that taxpayers' money is being spent well. This is why negotiation on the strategic plan will be iterative, and the decision on both amount and

³ *Accountability: Adapting to decentralisation*, Department for Communities and Local Government, September 2011

⁴ Under Section 151 of the 1972 Local Government Act, 'every local authority shall make arrangements for the proper administration of their financial affairs, and shall secure that one of their officers (known as the section 151 officer or chief finance officer) has responsibility for the administration of those affairs.'

flexibilities that each area will receive will be bespoke. Specifically, where places have not yet made the transition to effective governance and joint working across the LEP area, there will be central controls on how the Single Local Growth Fund can be spent, based on the strategic plan and discussion process described above, and a greater emphasis on central monitoring and evaluation.

Reforming local and central government in support of localism

2.41 Lord Heseltine recommended that the new requirements for LEPs to produce a strategic plan, as well as the decentralisation of funding through the Single Local Growth Fund, should require local authorities to radically re-engineer how they promote growth and deliver services. To prioritise growth effectively authorities will need to come together across the functional economic area represented by the LEP, pooling resources and functions. In parallel, local authorities will also need to maximise the efficiency of their service delivery.

2.42 The Government shares Lord Heseltine's view of a future where local authorities put economic development at the heart of all they do:

- collaborating, including with private sector partners across a functional economic area;
- combining their operations for service delivery, including with other public and private sector service providers; and
- building strong and accountable leadership, including, where they want this, a leader elected by the people of that economic area.

2.43 The Government will legislate as necessary to make this all possible, but does not intend to impose additional duties on local authorities.

2.44 The Government has therefore committed to support local authorities that wish to create a combined authority or implement other forms of collaboration (for example, shared management), including ensuring that the existing legislation is fit for purpose. **The Government also accepts Lord Heseltine's recommendation for conurbation mayors and intends, at the next available opportunity, to seek legislation for such mayors where the authorities want this, as well as for any other provision necessary to make the existing legislation fit for purpose.** Lord Heseltine also recommended that all local authorities should hold whole council elections every four years. The Government has already made it easier for local authorities to do this through the Localism Act 2011, and, **whilst leaving this for local choice, the Government welcomes the adoption anywhere of four-yearly whole council elections.**

2.45 Lord Heseltine saw the pursuit of unitary status as being a significant step towards the future he wanted. While the Government will not stand in the way of areas that would like to voluntarily adopt this approach where this would unambiguously result in greater efficiencies, the Government believes it would be preferable for authorities not to be distracted by structural change but to focus on coming together to share their operations both across frontline service delivery and back office. **To incentivise and facilitate the development of such combined arrangements the Government announced in February 2013, a £9.2 million Transformation Challenge Award to support those local authorities which are at the cutting edge of innovation in developing such arrangements.**

Box 2.F: An example of LEP areas improving governance

In the North East LEP area, the seven local authorities have already formed a Leadership Board to further deepen collaboration on economic and transport policy. The Leadership Board has now resolved to create a statutory body within the legislative framework for combined authorities by 2014. Working with the business, further education and higher education members of the North East LEP Board, this body will lead a shared vision for economic growth in the area, with transport and skills as areas of immediate priority. The Government welcomes this development and looks forward to working with the new statutory body to devolve resources over time.

Next steps

2.46 The world outlined in this chapter is a very different place from the world today, and local authorities, LEPs and central government will all need to make significant changes to the way they operate to realise this vision together. We envisage a progressive process in which freedoms and flexibilities on economic development are gradually devolved to areas as local leaders take on and grow into their new responsibilities. **What this document announces is the start of a journey. The Government expects to build on it as the capacity, ambition and experience of local areas grows.**

Capacity building

2.47 The period between now and April 2015 will be a critical time for local areas to get themselves ready to take on their new roles. The Government is supporting LEPs to boost capacity and enable them to carry out their new responsibilities, while ensuring that they remain small, strategic, business-led organisations with strong support from their partner local authorities.

2.48 The Government has already offered £10 million core funding to all LEPs (£250,000 per LEP per year), to be matched locally by partners. This will provide important core support for the LEP board to drive forward their partnership priorities. Autumn Statement 2012 announced a further £250,000 per LEP per year for LEPs to develop their strategic plans. This additional funding will also be used by LEPs to develop their EU SI Funds investment strategies from April 2013.

2.49 In recognition of the key role envisaged for LEPs in transport, the Department for Transport provided an additional £5 million to LEPs in 2012-13. Although LEPs will have discretion on the use of this funding, it is hoped that it will improve their capacity to play a leading role in transport, including participation in LTBs (see Box 2.C).

Box 2.G: Supporting LEP development

BIS Local has worked with the Derby, Derbyshire, Nottingham, Nottinghamshire (D2N2) LEP, Nottingham City Council, the Homes and Communities Agency and Boots Healthcare to negotiate the financial and legal arrangements to secure a £25 million investment to unlock the infrastructure requirements on the Nottingham Enterprise Zone.

2.50 As centres of innovation and knowledge in a local area universities can play an important part in driving growth and 35 of the 39 LEPs have a university on their Board. Building on the Wilson Review of Business-University Collaboration published in February 2012, **the Government has asked Sir Andrew Witty, CEO of Glaxo Smith Kline and Chancellor of Nottingham University, to lead a review to explore how universities can support LEPs and other local actors to drive growth**

in their area and to disseminate best practice. This will report to the Secretary of State for Business, Innovation and Skills and the Economic Affairs Committee of Cabinet in the summer.

2.51 Local relationship management and support is provided for LEPs and local authorities from BIS Local and the Department for Communities and Local Government. **The Government has now also put in place senior Whitehall sponsors for each LEP (drawn from across economic departments) to carry out high level engagement, to offer a strategic challenge to LEP areas and act as champion for the LEP area across Whitehall.** The Government recognises that it needs to do more to mobilise its own resources at a local level behind LEPs' growth priorities, offering coherent support across the range of departmental interests and activities that affect LEPs' ability to deliver their vision for growth. **To this end, we will be enhancing the arrangements in place for cross-departmental working through the development of Local Growth Teams, so that senior Whitehall sponsors can deploy these resources more effectively in co-ordinated support of LEPs.**

2.52 In looking forward to their enhanced role LEPs and local authorities will wish to take stock of their capability and consider where their partnership needs to build capacity.

Box 2.H: What Works Centre

The What Works Centre for Local Economic Growth will analyse, synthesise and disseminate the evidence relating to interventions that promote local economic growth. The primary customers for the outputs of the centre will be decision makers and practitioners working in, and with, LEPs and local authorities, who are responsible for the generation and use of evidence.

The tendering process opened on 4 March 2013 and the deadline for applications closes on 25 April 2013, with a decision expected to be announced in July. The Centre will have core funding of £1 million per annum over an initial three year term, jointly funded by the Economic and Social Research Council (50 per cent), the Department for Business, Innovation and Skills and the Department for Communities and Local Government (both 25 per cent).

Progressive transition to 2015

2.53 In this context, the Government envisages a progressive transition towards substantial devolution of economic development funding by 2015-16.

2.54 Some cities, notably London, already benefit from additional flexibilities in relation to economic development. These additional flexibilities will not be affected whilst the Government seeks to implement the Single Local Growth Fund.

2.55 The Government also views the City Deals process as the start of the dialogue on the move to a Single Local Growth Fund. We will draw on the process that has encouraged collaboration for wider economic benefit in exchange for greater freedoms – both within and without the 28 areas that already have a deal or been invited to negotiate one. This means that every LEP will have a similar discussion by the end of this parliament and will ensure that no place gets left behind.

2.56 In addition to growth, the health of local economies also requires reforms to local public services to deliver better outcomes at lower costs, and the Government is committed to spreading innovation from the Whole Place Community Budget pilots to support other places.

2.57 From April 2013, the Government will begin implementation of its delivery model for the EU SI Funds for the 2014-2020 period in England, with strategic decision-making devolved to LEP areas (see below). **Spending of EU SI Funds will likely begin in mid-2014, and the funds will therefore provide a useful 'head-start' for the Single Local Growth Fund ahead of April 2015.**

2.58 The Spending Round scheduled for 26 June 2013 will set departmental budgets for 2015-16 and will determine the size of funding streams transferred to the first Single Local Growth Fund. This is an important milestone in realising the Government's ambitions, although beyond 2015-16 the Government agrees with Lord Heseltine that areas need certainty over funding amounts over a longer time horizon in order to plan strategically for growth.

EU Structural and Investment Funds (the EU SI Funds)

2.59 The Government agrees with Lord Heseltine's recommendation to streamline its management of EU SI Funds in England, reduce the number of programmes and associated bureaucracy, and align local allocations from the funds with the Single Local Growth Fund.

2.60 The ERDF, the ESF and part of the European Agricultural Fund for Rural Development (EAFRD), which is specifically directed at rural areas, will be brought together into an 'EU SI Funds Growth Programme' with a streamlined governance structure. The Growth Programme's top priorities are innovation, research and development, support for SMEs, low carbon, skills, employment and social inclusion. The European Maritime and Fisheries Fund will be aligned with the Growth Programme, and available to LEPs on a competitive basis.

2.61 The large majority of the funds in the EU SI Funds Growth Programme will be notionally allocated to LEP areas. The allocations will be confirmed after the EU Budget for 2014-2020 has been agreed between the European Parliament and Member States.

2.62 Each LEP will lead the development of an EU SI Funds investment strategy, which will form part of, and align with, the LEP's strategic plan. The LEP's EU SI Funds investment strategy will need to cover the whole LEP area. In developing its investment strategy, the LEP will work with and reflect the interests of a broad range of economic, social and environmental partners, including businesses, civil society, rural partners and further and higher education institutes. LEPs will also be encouraged to collaborate with other LEPs which have similar thematic priorities in order to maximise impact.

2.63 LEP EU SI Funds investment strategies will identify local sources of public and private sector match funding investment, including the Single Local Growth Fund, where this is needed. They will also set out where LEPs wish to take advantage of sources of national match funding.

2.64 In order to assist LEPs in the development of their EU SI Funds investment strategies, the Government will issue initial guidance at the end of March 2013. This initial guidance will be developed further, in collaboration with LEPs and their partners, with a view to issuing detailed guidance in the summer of 2013.

2.65 LEPs will be supported by local teams from the Department for Communities and Local Government, the Department for Work and Pensions, the Department for Environment, Food and Rural Affairs (the Managing Authority departments for ERDF, ESF and EAFRD respectively) and the Department for Business, Innovation and Skills in the development of their EU SI Funds investment strategies throughout 2013. LEPs will be asked to submit the first drafts of their strategies to the Government in the autumn of 2013 with the final versions being submitted in January 2014.

2.66 After EU SI Funds investment strategies have been agreed with Government in early 2014, LEPs and their partners will implement them. Managing Authority departments and key delivery partners will continue to undertake the day-to-day administration of the funds in a simplified and streamlined way.

2.67 The UK will be obliged by EU regulation to meet spending and performance targets throughout the 2014-2020 programme period. The Government plans to review the

implementation of each LEP's EU SI Funds investment strategy in 2017 and 2019. If any LEPs are not able to deliver their agreed targets then funding may be redistributed to make best use of it.

2.68 LEPs will draw on the additional £250,000 given to them by the Government from April 2013 to build the capacity and capability they will need to develop their EU SI Funds investment strategies in 2013. This recognises the significant overlap and alignment between development of EU SI Funds strategies and Single Local Growth Fund strategic plans. To support LEPs in the implementation of their EU SI Funds investment strategies in 2014-2020, the Managing Authority departments will look at how Technical Assistance from the SIF Growth Programme can be used to assist LEPs and local partners.

LEP geography

2.69 The Government upholds the principle that the determination of LEP boundaries rests with local partnerships. Business and civic leaders are best placed to understand how their local labour markets and their economies work in practice and where there are important linkages that cross shared local authority and other LEP boundaries. This approach to LEP boundaries has resulted in a number of overlaps and varying scales of LEP areas; this reflects economic reality. 37 local authorities are in more than one LEP.

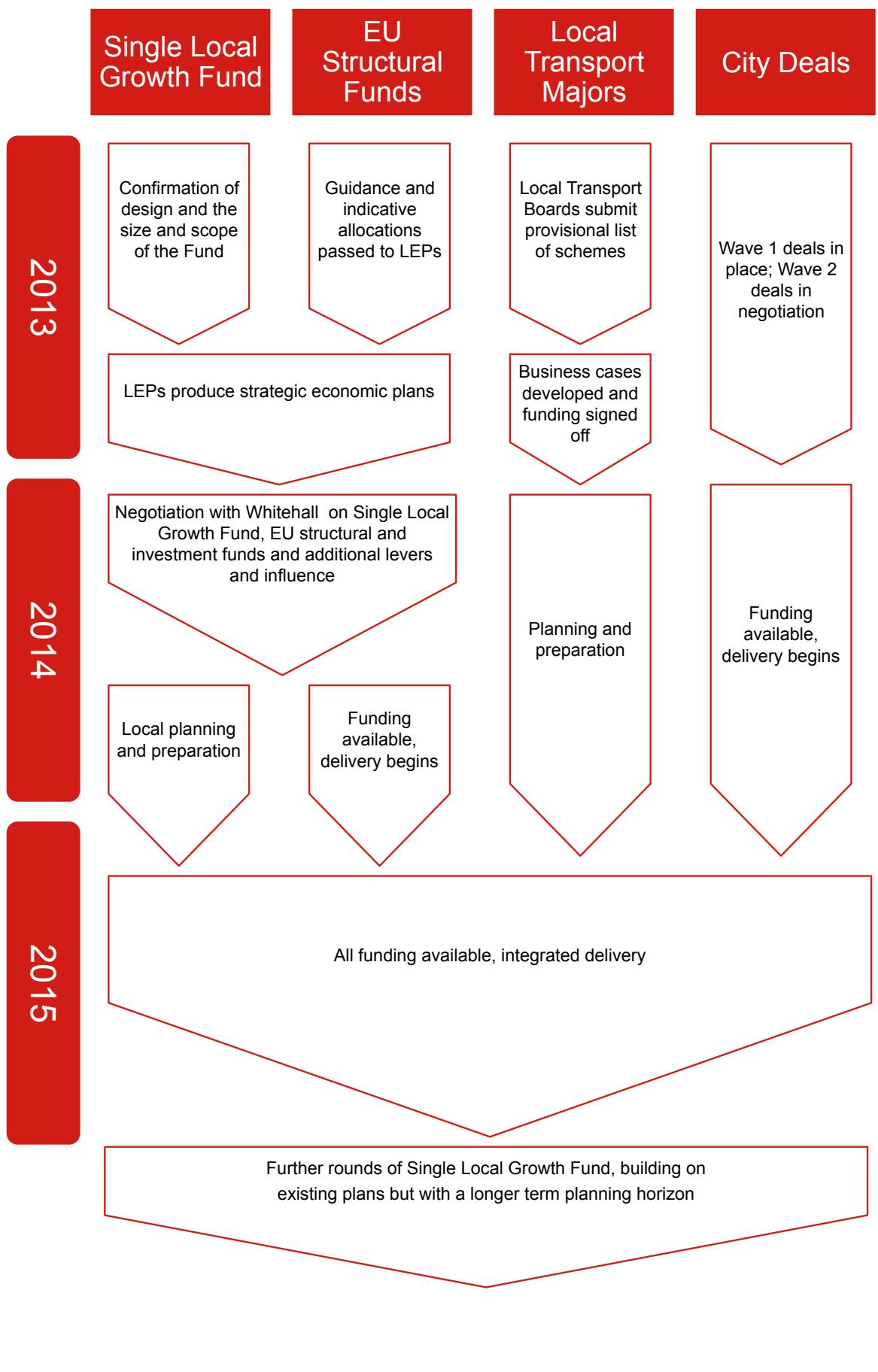
2.70 LEPs have developed significant flexibility and innovation in partnership and collaborative working. Where there are overlaps in geography or where an economic opportunity spans more than one LEP area, pragmatic solutions have been agreed which work on the ground. For example there is joint work between Leeds City Region LEP and York, North Yorkshire and East Riding LEP to capture the economic benefits from the 2015 Tour de France which will start in Yorkshire. Solent and Enterprise M3 have drawn a notional boundary across the overlapping districts reflecting the distinctive economic geographies; this means that any overlap is an administrative one only. Further, **LEPs or districts with a shared focus, even if they represent opposite corners of the country, are invited to work together where it makes sense to do so.**

2.71 In a small number of cases since their inception, LEPs have amended their original boundaries. **The Government will not stand in their way if, in the light of experience and their enhanced role, LEPs want to make further changes**, subject to support from business, from civic leaders and an assessment that this represents a significant functional economic area.

Conclusion

2.72 The Government recognises that the plan set out above is the first step towards a new model of local economic growth. **The Government will be setting out further details at the Spending Round, and would welcome views from any interested parties.**

Chart 2.B: Timeline



A

Government's response to Lord Heseltine's recommendations

Table A.1: The Government's response to Lord Heseltine's 89 recommendations

No.	Recommendation	Government response	Paragraph no.
1	Central government should identify the budgets administered by different departments which support growth. These should be brought together into a single funding pot for local areas, without internal ring fences.	Accept	2.30
2	Local partnerships should bid for funds from central government on a competitive basis. Bids should be for a minimum of five years starting from 2015/16.	Accept	2.30
3	Government should streamline its management of EU Structural and Investment Funds (previously EU Common Strategic Framework Funds) in England, strip out the bureaucracy of multiple programmes and align local allocations from the four funds with the single funding pot.	Accept	2.28
4	Taking full account of the Government's national growth strategy, all LEPs, in collaboration with local stakeholders, should lead the development of a long term strategy and business plan for their area that will be used to bid for economic growth funds from central government.	Accept	2.32
5	The Government should allocate LEPS up to £250,000 of new public funding, resourced through departmental efficiency savings and underspends, in each of years 2013/14 and 2014/15 specifically to devise their local economic strategies, and create the foundations for their implementation.	Accept	2.48
6	The Government should invite LEPs to review their boundaries within a three month period to ensure they have a good match with their functional economic market area and that they do not overlap.	Accept in part	2.69
7	In light of the new role and vision for LEPs, each LEP should ensure that their board has the necessary skills and expertise to deliver their expanded functions and pay particular attention to the representation of employees from both private and public sector.	Accept	2.52
8	At the earliest opportunity civil servants based across the country should be brigaded into Local Growth Teams, structured around clusters of LEPs, primarily tasked with joining up government and local partners in the areas of their responsibilities to facilitate, identify and realise economic opportunities.	Accept	2.51
9	Ministers and permanent secretaries should be associated with individual LEPs, not to advocate individual plans but to add an understanding of place to the existing culture of function.	Accept in part	2.51

10	Local authorities should have a new overarching legal duty to have regard to economic development in the exercise of all their activities and functions. Where local authorities share a functional economic market area they should be required to collaborate on economic development.	Accept in part	2.41
11	All two-tier English local authorities outside London should pursue a path towards unitary status. The Government should encourage this and work with authorities to clarify the process and enable it to happen.	Reject	2.45
12	Proposals for formal collaboration between local authorities that reinforce the standing of the LEP and enhance the partnership with the private sector across a functional economic market area, should be encouraged and prioritised for government approval. All proposals to move to unitary or combined authority models should be scrutinised by the Prime Minister's Growth Council.	Accept	2.44
13	The Government should remove all legislative barriers that are preventing local authorities from collaborating within functional economic market areas, including moving to a unitary status.	Accept in part	2.43
14	Local authority council members should be elected using the same electoral cycle across England where the whole council is elected at the same time every four years.	Accept in part	2.44
15	Legislation should be passed to enable combined local authorities, and other combinations of authorities, that wish to elect a conurbation mayor to do so	Accept	2.43
16	The Government should produce an overarching and long term National Growth Strategy and its vision for wealth creation, with concrete commitments against which it can be held to account.	Accept	1.50
17	A new National Growth Council should be established, chaired by the Prime Minister and with a strong, cross-government focus on driving growth and wealth creation.	Accept in part	1.18
18	Operational responsibility for implementation of the National Growth Strategy should rest with a designated minister, supported by a secretariat.	Accept	1.18
19	Government should establish a shadow Growth Council of permanent secretaries and Non-Executives chaired by the designated minister to drive implementation of the Growth Strategy across all departments.	Accept in part	1.21
20	Departments should include a growth commitment in their annual business plans setting out their contribution to the Growth Strategy over the previous year and planned action for the coming year. This should explicitly include how departments will use the economic levers available to them to support growth over the long term.	Accept	1.20
21	The role of Non-Executives in the development of growth commitments and departmental business plans should be strengthened and formalised. Non-Executives should have access to the Growth Council secretariat to support their enhanced role.	Accept	1.21

22	Departments should work with the public bodies they sponsor to ensure they explicitly consider their potential for wealth creation when developing business plans.	Accept	1.25
23	Government must continue to look at opportunities for devolving or transferring the functions of public bodies to the local level or to the private sector.	Accept	1.23 – 1.24
24	A Whitehall management information system must be introduced and should encompass management and financial data as set out in Annex F.	Accept	1.21
25	The Cabinet Office should work with departments to remove restrictions on departments recruiting externally for key skills and professionals – including disapplying general pay ceilings, recruitment freezes and redeployment pool policies. In making recruitment decisions, departments should focus on controlling their total salary costs. Where a recruitment breaks a pay ceiling, departmental Non-Executives should give their approval to the process and the appointment.	Accept	1.28
26	Departmental Non-Executives should be able to make recommendations on the appointment of permanent secretaries.	Accept	1.31
27	Barriers to secondments between the public and private sectors should be removed and secondment programmes in government departments should be reinvigorated.	Accept	1.29
28	Civil service Learning should develop courses aimed at encouraging public and private sector people at all levels to train together.	Accept	1.30
29	Civil service Learning should be recreated as a commercial body to train civil servants to perform more strategic roles and develop expert policy knowledge, and to market its services overseas.	Accept in part	1.30
30	Government departments should offer all major sectors of the economy the opportunity to form a relationship with government.	Accept	1.38
31	The Department and the sector should agree an appropriate level of interaction which is endorsed by the Growth Council. Each relationship should be set out in departmental growth commitments.	Accept	1.38
32	Lead departments should coordinate the Government's interaction with each sector, ensuring there is a constructive dialogue with mutual understanding and shared ownership of outcomes.	Accept	1.37
33	An Industry Council should be established for each formal partnership between government and a sector.	Accept	1.37
34	Government departments and industry sectors should jointly nominate lead trade associations to represent sectors in their dialogue with government and encourage the private sector to bring about a major rationalisation of trade associations to enhance the quality of the debate.	Accept in part	1.40
35	Government should increase the number of companies managed through the Strategic Relationship Management model and this should be used by all government departments.	Accept	1.49

36	Every government department should recruit a Chief Procurement Officer at competitive market rates, reporting direct to the permanent secretary, to lead the procurement and delivery of major projects and improve the capabilities of their procurement cadre. The department's Non-Executives should approve the selection process and appointments.	Accept	1.27, 1.34
37	The Cabinet Office should place a general duty on all public bodies, setting out the procurement standards to which they should adhere, by providing a pan-government procurement strategy, legislating if necessary.	Accept in part	1.35
38	The Government should go further in its plans to build strategic relationships with industry, ensuring that the long term impact on technological advantage and the UK industrial base are taken into account in the procurement of specialist technologies.	Accept	1.39
39	The Government should continue to commit to the long term stability of the core funding of science and research, at a level which keeps pace with our international competitors.	Accept	1.42
40	UKTI should work with the Technology Strategy Board and the Research Councils to strengthen the marketing of the UK as an inward investment destination on the back of our world-renowned research excellence.	Accept	1.43
41	The Department for Business, Innovation and Skills and the Technology Strategy Board must set out a clear statement explaining how they and other government agencies will work with LEPs and the devolved administrations to better connect national strategy with local initiative.	Accept	1.44
42	All government departments, working through the Chief Scientific Advisers Committee, should consult with the Technology Strategy Board and Research Councils UK on the development of their growth commitments.	Accept	1.22
43	Rather than setting up duplicate teams across government, a single source of expertise for innovative procurement should be established that builds on existing work and successful mechanisms. This resource should help to aggregate demand and coordinate activity around shared innovation challenges, provide expertise, coordination and guidance, and scale up and develop innovative procurement initiatives.	Accept	1.46
44	The British Standards Institution, Technology Strategy Board and Research Councils UK should work together to ensure that new standards are set earlier in the development of new technologies in the UK.	Accept	1.45
45	The Government should survey the practices and procedures of all regulators involved in conjunction with the sectors affected with a view to simplifying procedures and avoiding unnecessary duplication between agencies.	Accept in part	1.53
46	Government should involve the private sector in drafting regulations so it is a collaborative process. It should invite trade associations, through the lead associations for their sectors, to submit precise redrafting of existing regulations prior to wider consultation on any changes.	Accept in part	1.54

47	Through its review of both the Principles of Economic Regulation and the Compliance Code for non-economic regulators, the Government should impose an obligation on regulators to take proper account of the economic consequences of their actions.	Accept	1.53
48	In preparing for any review process, regulators should invite the lead sectoral trade association (or a national body in the case of horizontal regulators) to analyse and publish evidence on the impact of the regulator's activities – both what it does and how it does it – on the businesses affected. This published evidence would then be available for analysis and comment by other interested parties.	Accept in part	1.54
49	Regulators should set out their service standards and cost recovery policies clearly, showing how much they will charge under what circumstances.	Accept	1.53
50	Regulators should publish policy statements showing how they will ensure that their decisions are both internally consistent across their geographic area, and consistent with those of any other bodies which regulate the same businesses.	Accept	1.53
51	All regulators should adopt systems of earned recognition and meet the cost of inspections carried out at the discretion of the regulator within any recognition period.	Accept in part	1.53
52	All non-economic regulators should publish policies showing how their customers can ask, without prejudice, for an independent second opinion on a regulatory decision or requirement.	Accept in part	1.53
53	The Government must continue to promote the British interest in Europe and all secretaries of state with EU business affecting their department should make bi-annual trips to Brussels to influence decision making throughout the EU policy making process. All departmental ministers with EU business should consider every proactive step possible to put Britain on the front foot at the negotiating table.	Accept	1.55
54	Government departments should develop greater capacity to identify forthcoming EU regulations well in advance.	Accept	1.55
55	The Planning Inspectorate should be given powers to investigate planning decisions proactively. The Government should also consider on a rolling basis all the possible options to inject urgency and purpose into the planning system.	Accept in part	1.58
56	The Government should consider the effectiveness of Local Development Orders and extend their use after consultation with affected parties to establish best practice.	Accept	1.59
57	The Government should consider using Special Development Orders to speed up specific planning decisions of strategic significance.	Accept	1.59
58	The Government Property Unit should work with local authorities to identify and publish details of all surplus and derelict public land on the ePIMS database so that LEPs and local authorities can collaborate to bring this land back into reuse in support of the local economic strategy.	Accept	1.60

59	The Government should set up a new Development Corporation under an independent chairman from the private sector, comprised of representatives of central government, the Mayor of London, London boroughs, Kent and Essex councils and with a majority of members from the private sector and related disciplines. It should not exceed 20 members. Once created the Corporation should be given the powers it needs to drive its vision for future growth. It should be able to bid for its funds from the single pot.	Reject	1.64
60	The Government should accept the need to clarify urgently its preferred solution to the problem of airport capacity in the South East and indicate that preference whilst making its implementation conditional on the outcome of the next election.	Reject	1.65
61	The Government needs to set out a definitive and unambiguous energy policy, including the supporting financial regime, to give the sector the certainty to invest.	Accept	1.66
62	The Government should initiate discussions through the Bank of England and, in cooperation with the appropriate regulators, seek one or more solutions to enable UK pension funds to invest in UK infrastructure assets. The Government should ensure that best practice applies to both public and private sector pension fund investments.	Accept	1.63
63	The chambers of commerce could benefit from an enhanced legal status to support their role as coordinating hubs for business support and engagement at local level. The Government should consider legislating to give chambers basic statutory functions, whilst guaranteeing their continuing independence from government. It should provide for compensation if government opts out of these arrangements.	Reject	1.72
64	Government and the private sector should collaborate to create a strong and stable, locally-based, private sector business support infrastructure. This should be centred on an enhanced role for chambers of commerce. At the minimum, government should pursue option 2 and take all appropriate steps to secure its implementation.	Accept in part	1.72
65	Local authorities should publish the list of all businesses paying non-domestic rates so that chambers and other business representative bodies can identify businesses in their area more reliably, and seek to draw them into the local businesses support initiatives. There should be exceptions for businesses where the identification of business premises could give rise to security concerns.	Accept	1.73
66	An updated Code of Practice for Trade Associations should be developed. It should be given teeth by making compliance with the Code a condition for membership of the Trade Association Forum.	Accept	1.75
67	The Trade Association Forum should press ahead with the development of a competency framework for individuals to drive up professionalism within trade associations.	Accept	1.75
68	The Trade Association Forum should develop an enhanced directory of associations which is easily navigated through keyword searches.	Accept	1.75

69	In developing their economic plans, LEPs and chambers should consider ways in which leadership and management capabilities in local businesses can be raised making full use of local networks, local training providers and businesses themselves. Plans could, for example, incorporate commitments from large corporates and leading mid-size businesses to help raise leadership and management capacities in their supply chains.	Accept	1.77
70	The development of leadership and management skills should be integrated, where appropriate, into the education and skills system at every level, from schools through to higher education and vocational skills training. We need to see individuals having opportunities to develop their leadership and management capabilities earlier on in their working lives, alongside the development of technical or academic competencies.	Accept	1.81 – 1.82
71	As part of their growth commitments, departments should set out plans for sector-based supply chain programmes, learning from the experiences of the Advanced Manufacturing Supply Chain Initiative.	Accept in part	1.76
72	Government should ensure the availability of long term patient loan capital to growing businesses which do not want to dilute their equity. It should give serious consideration to tasking the new Business Bank to provide this either by itself or in partnership with the Business Growth Fund.	Accept	1.71
73	The Government should take a greater interest in foreign acquisitions from the perspective of the UK's industrial strategy priorities, using an enhanced sector knowledge and expertise. Government should do far more to engage with potential foreign investors in our core sectors to secure commitments to developing the UK research, skills and supply base, and in exceptional cases to discourage unwanted investments. We should underpin this by signalling a greater readiness to use existing powers in the Enterprise Act 2002 to allow ministers to consider takeovers and mergers to ensure our long term industrial capabilities are given proper consideration.	Reject	1.48
74	All failing schools should be subject to the intervention process forthwith. There should be a clear timetable within which an improvement strategy for each school is agreed, with the education authorities using their powers to intervene if the head teacher and governors fail to act. If local authorities delay, central government should intervene.	Accept	1.79
75	The regional directors being appointed to lead Ofsted's new regional structure should be given formal powers to act swiftly where they identify problems in local schools.	Accept in part	1.80
76	Business engagement should be incorporated far deeper into the school curriculum in order to develop young people's understanding of business, increase their employability, and further their understanding of career and future training options and where they might lead. LEPs should consider how they engage with local schools and work with chambers to facilitate this.	Accept	1.87

77	The bureaucracy and paper work around work experience and work placements must be streamlined. DfE must be clear about what is absolutely necessary. Government must then ensure the removal of all regulations and requirements that place unnecessary burdens on employers, schools and colleges.	Accept	1.83
78	All boards of governors in secondary schools should include two influential local employers, at least one of whom should have good connections with the wider business community. This could be coordinated by the local chambers of commerce.	Accept in part	1.88
79	Local authorities should publish the Destination Measures for all secondary schools in their areas alongside academic attainment so that parents can make better informed choices, and to incentivise schools to give a higher priority to developing the employability of their leavers.	Accept	1.84 – 1.85
80	The existing budget lines for adult careers advice should be included in the single funding pot. Each LEP, as part of its local economic plan, should consider how careers advice is best provided in its area to meet the needs of both the adult population and the requirement under the Education Act 2011 for careers advice in schools.	To be decided as part of the Spending Round	-
81	The budget for vocational training for learners aged 19 and over, and all funding currently set aside for apprenticeships for those aged 16 and over, should be devolved to local areas through the single funding pot described in Chapter 2. This therefore calls into question the continuation of the Skills Funding Agency. Each LEP should incorporate skills needs within their local economic plans driven by the needs of local employers and the practical experience of FE colleges.	To be decided as part of the Spending Round	-
82	All FE learning providers must consult and agree their provision with LEPs to ensure that the courses they offer to 16-18 year olds reflect local labour requirements. In addition, any vocational courses delivered by FE providers to learners of any age must conform to the defined national standards set by employers and industry.	Accept	1.89
83	Action to address NEETs is best taken at the local level. Resources to tackle the problem should therefore be available from the single pot. Youth unemployment will not be a problem or priority for action in every area, but where it is, LEPs working with local authorities, employers and other local partners should develop proposals for reducing NEET numbers as part of their local economic plans.	To be decided as part of the Spending Round	1.92
84	Industry Councils should work with the higher education sector to ensure that courses are relevant, incorporate placements in industry, and match the skills for which there is demand. Government needs to consider incentives to encourage and develop this further.	Accept	1.90
85	Higher Education courses should, where appropriate, be a collaboration between employers and universities. For shortage subjects for which there is strong employer demand, universities and employers should develop models where a commitment from firms of between a third and a half of a student's course fees will commit the student to working for that employer for a fixed number of years after graduation. This should be taken forward by the relevant Industry Councils.	Accept	1.91

86	The Home Office should undertake a targeted communication programme to improve business understanding of the skilled worker immigration rules to align perception and reality.	Accept	1.93
87	Government should review the regulations relating to immigration policy as part of the Red Tape Challenge process.	Accept in part	1.94
88	Government should accelerate the pace at which it is tackling illegal immigration, overstayers and the backlog of residency applications. It should do this through a significant but temporary redeployment of public sector people and resource. The backlog should be tackled on a task and finish basis, with clear targets and milestones, so that the redeployment does not become permanent.	Accept	1.95
89	An experienced implementation team should be set up in the centre of government, including secondees from the private sector, LEPs and local authorities.	Accept	1.96

B

Local Enterprise Partnerships

LEP area	Local Authorities	Population 2011	Economic output (£) ¹
Black Country	Dudley, Sandwell, Walsall and Wolverhampton	1,141,700	14,800
Buckinghamshire Thames Valley	Aylesbury Vale, Chiltern, South Buckinghamshire, Wycombe	506,600	22,100
Cheshire and Warrington	Cheshire East, Cheshire West & Chester, Warrington	903,000	20,900
Coast to Capital	Brighton and Hove City Council, London Borough of Croydon, Surrey County Council, West Sussex County Council, Adur, Arun, Chichester, Crawley, Horsham, Mid Sussex, Worthing, Mole Valley, Reigate and Banstead, Tandridge, and Lewes district councils, Epsom and Ewell district	1,926,700	22,300
Cornwall and the Isles of Scilly	Cornwall Council and Isles of Scilly	536,000	13,000
Coventry and Warwickshire	Coventry, Warwick, Stratford-on-Avon, Rugby, North Warwickshire, Nuneaton and Bedworth	863,500	18,800
Cumbria	Cumbria County (Copeland, Carlisle, Eden, Allerdale, South Lakeland and Barrow and the Lake District National Park)	499,800	16,000
Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2)	Amber Valley, Ashfield, Bassetlaw, Bolsover, Broxtowe, Chesterfield, Derby, Derbyshire Dales, Erewash, Gedling, High Peak, Mansfield, North East Derbyshire, Newark and Sherwood, Nottingham, Rushcliffe, South Derbyshire	2,110,300	17,000
Dorset	Dorset County Council, Bournemouth, Poole, Christchurch Borough, East Dorset district, North Dorset district, Purbeck district, West Dorset, Weymouth and Portland Borough.	745,300	17,700
Enterprise M3	Basingstoke & Deane, East Hampshire, Guildford, Hart, New Forest, Rushmoor, Test Valley, Winchester, Surrey Heath, Waverley, Woking	1,633,900	24,200
Gloucestershire	Cheltenham, Cotswold, Forest of Dean, Gloucester, Stroud, Tewkesbury	598,300	19,300
Greater Birmingham and Solihull	Birmingham, Solihull, East Staffordshire, Lichfield, Tamworth, Bromsgrove, Cannock Chase, Wyre Forest and Redditch.	1,946,500	16,900
Greater Cambridge and Greater Peterborough	Cambridge, East Cambridgeshire, Fenland, Forest Heath, Huntingdonshire, Kings Lynn and West Norfolk, North Hertfordshire, Peterborough , Rutland, St Edmundsbury, South Cambridgeshire, Uttlesford	1,371,300	21,700
Greater Manchester	Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford, Wigan	2,685,400	17,400
Heart of the South West	East Devon, Exeter, Mendip, Mid Devon, North Devon, Plymouth, Sedgemoor, South Hams, South Somerset, Taunton Deane, Teignbridge, Torbay, Torridge, West Devon and West Somerset	1,667,100	15,600
Hertfordshire	Broxbourne, Dacorum, East Herts, Hertsmere, North Herts, St Albans, Stevenage, Three Rivers, Watford, Welwyn Hatfield	1,119,800	22,800
Humber	East Riding, Kingston Upon Hull, North and North East Lincolnshire.	918,000	15,200
Lancashire	County of Lancashire, including Blackpool and Blackburn with Darwen	1,461,300	15,200

LEP area	Local Authorities	Population 2011	Economic output (£) ¹
Leeds City Region	Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, Selby, Wakefield and York, along with North Yorkshire County Council	2,954,700	17,300
Leicester and Leicestershire	Blaby, Charnwood, Harborough, Hinckley and Bosworth, Leicester, Melton, North West Leicestershire and Oadby & Wigston	980,800	19,000
Greater Lincolnshire	Boston, East Lindsey, Lincoln, North Kesteven, North East Lincolnshire, South Holland, South Kesteven, West Lindsey	1,042,000	15,000
Liverpool City Region	Halton, Sefton, Knowsley, Liverpool, St. Helens and Wirral	1,506,500	14,500
London	All London boroughs and the City of London	8,204,400	34,500
New Anglia	Babergh, Breckland, Broadland, Forest Heath, Great Yarmouth, Ipswich, Kings Lynn and West Norfolk, Mid Suffolk, North Norfolk, Norwich, St Edmundsbury, South Norfolk, Suffolk Coastal, Waveney	1,589,600	16,100
North Eastern	Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland	1,933,400	15,000
Northamptonshire	Northampton, East Northamptonshire, Kettering, Corby, South Northamptonshire, Wellingborough, Daventry	694,000	19,700
Oxford City Region	Cherwell, Oxford, South Oxfordshire, Vale of White Horse, West Oxfordshire	654,800	21,900
Sheffield City Region	Barnsley, Bassetlaw, Bolsover, Chesterfield, Doncaster, North East Derbyshire, Rotherham and Sheffield	1,735,700	15,000
Solent	Hampshire County Council, Portsmouth City Council, Southampton, Isle of Wight, plus the following districts: East Hampshire, Eastleigh, Fareham, Gosport, Havant, New Forest, Test Valley, Winchester	1,547,200	19,800
South East	Ashford, Basildon, Braintree, Brentwood, Canterbury, Castle Point, Chelmsford, Colchester, Dartford, Dover, Eastbourne, Epping Forest, Gravesham, Harlow, Hastings, Lewes, Maidstone, Maldon, Medway, Rochford, Rother, Sevenoaks, Shepway, Southend on Sea, Swale, Tendring, Thanet, Thurrock, Tonbridge and Malling, Tunbridge Wells, Uttlesford, Wealden	3,987,700	16,000
South East Midlands	Aylesbury Vale, Bedford, Central Bedfordshire, Cherwell, Corby, Daventry, Kettering, Luton, Milton Keynes, Northampton, South Northamptonshire	1,715,600	20,100
Stoke-on-Trent and Staffordshire	Stoke CC & Staffordshire County Council. Partnership covers 8 district/ borough councils in Staffordshire.	1,098,300	14,900
Swindon and Wiltshire	Swindon, Wiltshire	684,000	20,400
Tees Valley	Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland, and Stockton-on-Tees.	663,000	15,600
Thames Valley Berkshire	Bracknell Forest, Reading, Slough, West Berkshire, Windsor and Maidenhead, Wokingham	863,900	30,700
The Marches	Herefordshire, Shropshire and Telford & Wrekin.	657,600	15,700
West of England	Bath & North East Somerset, Bristol City, North Somerset and South Gloucestershire (all unitary)	1,070,100	22,000
Worcestershire	Redditch, Bromsgrove, Malvern Hills, Wyre Forest, Wychavon and Worcester City Council.	566,600	15,200
York, North Yorkshire and East Riding	Craven, East Riding of Yorkshire, Hambleton, Harrogate, Richmondshire, Ryedale, Scarborough, Selby, York	1,133,700	15,900
England			20,700

¹ Economic output per head, 2009 £

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