LOCAL GROWTH: REALISING EVERY PLACE'S POTENTIAL

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CORRECTION

Paragraph 3.23 of the Local Growth White Paper reads

That is why, for example, nationally important infrastructure projects (such as large scale wind farms and power plants), the supply of aggregate minerals and planning for waste will become responsibility of the Planning Inspectorate's recently announced Major Infrastructure Planning Unit.

The Major Infrastructure Planning Unit will not, however, be responsible for examining applications for aggregate mineral extraction. Nor will it be responsible for examining application on those waste management facilities which fall below the thresholds set out in the Planning Act 2008. Therefore, paragraph 3.23 should read

That is why, for example, nationally important infrastructure projects (such as large scale wind farms and power plants) will become the responsibility of the Planning Inspectorate's recently announced Major Infrastructure Planning Unit.

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Local growth: realising every place's potential

HM Government

Local growth:
realising every place's potential

Presented to Parliament by
the Secretary of State for Business, Innovation & Skills
by Command of Her Majesty

28 October 2010

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Contents

Foreword

Since the new Coalition Government came to power, we have been clear that our first priority is to return the nation's economy to health. One part of that is restoring stability to our public finances, and that is why we are taking the decisive action needed to tackle our national debt. But paying down the deficit is only part of the story. We must also create the conditions that will help business and get the economy growing.

As we do, there is an important question we must ask ourselves: what kind of growth is it we want?

Governments of the past have contented themselves with growth concentrated heavily in some areas of the country but not others, and within a limited number of sectors – notably, financial services. Yet the banking crisis and ensuing recession have proved that model is unsustainable. Crucially, it is also deeply unfair.

So this Coalition Government is determined to do something different. Our ambition is to foster prosperity in all parts of the country, harnessing the great potential across the range of industries in the UK. Opportunity must not be confined to particular postcodes, and hardworking and talented individuals must not be denied the chance to succeed. Instead, we must rebalance our economy, ensuring that growth is spread and prosperity shared.

We are bringing an end to the top down initiatives that ignore the varying needs of different areas. We are creating local enterprise partnerships to bring together business and civic leaders to set the strategy – and take the decisions – that will allow their area to prosper. These partnerships will be equipped to promote private sector growth and create jobs locally. We are also looking to reform the planning system, making it easier for local areas to benefit from the proceeds of development. Further, by creating more directly elected mayors we can foster growth by giving more power to local areas, making municipal decision-making more accountable and responsive to local economic conditions.

The Coalition Government is ambitious for all of our communities, and we recognise that the challenges they face are not the same. So we are also investing in a £1.4 billion Regional Growth Fund over the next three years, which will help areas which depend too heavily on the public sector for jobs, helping create more sustainable private sector employment. This Fund – which is now open for bidding – will help generate new opportunities in these parts of the country. Importantly, it has been designed to reflect the views put to us in the consultation that ran over the summer.

The changes outlined in this white paper are part of a new approach from government, ending the culture of Whitehall knows best. We are looking across the board at how we can hand power back to people, and we'll be putting a Localism Bill to parliament in the coming months. Critically, we are clear that meaningful decentralisation must involve giving local communities more power over their finances. For too long government has talked about this but failed to deliver. We have already significantly reduced ringfencing for local government, committed to allowing councils to borrow against their future tax revenues, and we are actively looking at letting councils have greater discretion over business rates while promoting business and growth.

Our aim is powerful local communities, working with government, allowing the whole country to thrive. That begins with a new kind of growth: one that benefits us all.

Nick Clegg

1 The Case for Change and a New Approach

The Government today outlines a new approach to local growth, shifting power away from central government to local communities, citizens and independent providers. This means recognising that where drivers of growth are local, decisions should be made locally.

The Government will therefore:

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

The subsequent chapters of this white paper provide detail on next steps and proposals for radical reform in each of these areas.

1.1 The Government's economic ambition is to create a fairer and more balanced economy – one that is not so dependent on a narrow range of economic sectors, is driven by private sector growth and has new business opportunities that are more evenly balanced across the country and between industries. The Government is therefore determined that all parts of the country benefit from sustainable economic growth.

1.2 This White Paper sets out how the Government will put businesses and local communities in charge of their own futures, give greater incentives for local growth and change the way central government supports and maintains growth. We will connect people to jobs, help them get the skills they need and equip local areas with the tools they need to create and shape dynamic and entrepreneurial local economies.

1.3 The Government recognises that it cannot create private sector growth, but it can create the conditions that enable UK businesses to be successful. We have good reason to be confident that the private sector can lead the recovery. When general government employment fell by more than 0.5 million after the 1990s recession, following a period of transition, private sector employment added almost 1.5 million jobs in four years. From the end of the 1990s recession to the last quarter of 1999, whole economy employment rose by 1.5 million; this was entirely driven by a 2.2 million increase in private sector employment. However, between the first quarter of 2000 and the start of the recession, more than a fifth of all job creations came from the public sector.[1]

[1] General government employment covers employment in central government and local authorities. It is published by the Office for National Statistics (ONS). Market sector employment covers all workers who are not employed in general government. It is calculated as the residual between whole economy employment and general government employment. General government employment started to fall at the start of 1992 and at the start of 1997 it was around 0.6 million lower. Market sector employment reached its trough in the last quarter of 1992 and was more than 1.4 million higher at the start of 1997. Between the last quarter of 1991 and the last quarter of 1999, private sector employment rose by 2.2 million, while public sector employment fell by 0.7 million. Between the first quarter of 2000 and the first quarter of 2008, private sector employment rose by 1.7 million and public sector employment rose by 0.5 million.

1.4 However, over the last decade the UK's economy became unbalanced and too reliant on public spending, unsustainable levels of debt and on one sector of the economy. Too many parts of the country became over-dependent on the public sector. For economic growth to be sustainable in the medium term, it must be based on private sector investment and enterprise.

1.5 In his speech to the Confederation of British Industry on 25 October, the Prime Minister set out how the Government 's role in promoting growth is to provide a framework that creates the conditions for sustainable growth, and which promotes a new economic dynamism by exploiting the UK's strengths and helping new companies and innovations to flourish. The Spending Review set out the Government's framework for creating the conditions for private sector growth:

- creating **macroeconomic stability**, so that interest rates stay low and businesses have the certainty they need to plan ahead;
- helping **markets work more effectively**, to encourage innovation and the efficient allocation of resources;
- ensuring that it is **efficient and focused in its own activities**, prioritising high-value spending and reducing tax and regulatory burdens; and
- ensuring that **everyone in the UK has access to opportunities** that enable them to fulfil their potential.

1.6 The June Budget established a clear direction for the focus of Government, with measures to support business and restore the UK's competitiveness, including a phased reduction in the main rate of corporation tax. The Spending Review set out how the Government will reduce the deficit, a necessary precondition for sustained growth across the country. It also describes how the tough decisions the Government has taken to prioritise public spending will support a private sector-led recovery and sustainable growth, including protection for research, schools, transport infrastructure, and a Regional Growth Fund.

1.7 Government is also committed to growth that is environmentally sustainable and inter-generationally fair. Indeed efficient and sustainable use of the environment now can stimulate growth through innovation, resource efficiency and new markets, whilst reducing future risks to the economy. The commitment to being the greenest government ever and government for the long term will require 'greening' the whole economy.

1.8 We should not expect the process of rebalancing to be easy. Business has been hit hard by the recession and employment has fallen. Another key part of the Government's approach is an agenda of structural reform to address the reasons for the UK's relatively low productivity. Reforms to the banking, planning and skills systems will help address long standing structural barriers to growth, while welfare reform will play a key role in getting more people into work.

1.9 Government will ensure business has an environment that enables it to compete and invest and provide economically important infrastructure and services that support our country's comparative advantage. We will:

- tackle barriers and bottlenecks that inhibit growth, including: reforming the planning system; encouraging a healthy competition regime; ensuring that our tax and regulatory frameworks are stable and designed to facilitate and encourage investment; engaging internationally to promote stability and ensure that UK businesses can thrive in international markets; increasing our skills base so that more people have intermediate and higher-level skills; and

- invest where it makes sense to do so, for example, in the high quality transport links that are essential to underpinning a successful economy, and enable innovation where places have a comparative advantage or where the market will not step in.

1.10 The previous approach to sub-national economic development was based on a centrally driven target which sought to narrow the growth rates between different regions. Not only did this approach lead to policies which worked against the market, it was also based on regions, an artificial representation of functional economies; for example, labour markets largely do not exist at a regional level, except in London. This therefore missed the opportunities that come from local economic development activity focused on functional economical areas. It also largely ignored the knowledge and expertise of the private sector, local authorities and their local communities. The lack of local accountability for economic development functions also meant that local partners did not feel empowered to lead action to improve economic growth.

1.11 A further feature of earlier approaches was the belief that planning could both determine where growth should happen and stimulate that growth. This approach failed as it went against the grain of markets. Regional and other strategies stifled natural and healthy competition between places and inhibited growth as a consequence.

A New Approach to Local Growth

1.12 Our approach recognises that places have specific geographic, historic, environmental and economic circumstances that help to determine the prospects for growth and the most suitable approach to support the private sector and residents' opportunities.

1.13 The characteristics of a particular place will influence its resilience to reductions in public sector spending and its future private sector growth prospects. Although relevant, it is too simple to consider dependency on public sector employment in isolation; other factors are likely to be just as important in influencing how a local economy rebalances and grows.

1.14 Policy should therefore recognise that the situation will be different for each place and is likely to be particularly affected by factors such as the inherent skills mix or entrepreneurial tradition of the population; business confidence; quality of infrastructure provision; and proximity to trading markets. There has in recent years been a strong focus on the role that agglomeration effects – the concentration of people and businesses within a defined area – can have on economic performance.

1.15 Many economists believe that agglomeration has been key in supporting growth in London, enabling it to play an increasingly prominent role on the world stage. This is being supported, for example through investment in high value transport projects and strategic approaches to planning, led by the Mayor. Such agglomeration effects may also help drive further growth in other areas, including cities and places with particular specialisms.

1.16 This does not equate to a simple 'bigger is better' approach. The evidence shows that many small towns and cities have grown faster than some large towns and cities, demonstrating significant growth in private sector jobs. There can often be a mutually beneficial economic relationship between larger cities and surrounding urban areas, which the Government wishes to support, for example in the eight core city-regions outside London: Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. Government is supporting cities and towns to grow and create jobs through a range of measures, including:

- strengthening leadership through setting up mayors in the 12 largest English cities;
- introducing Tax Increment Finance powers; and
- prioritising transport investment, and reforming the planning regime to help tackle barriers to growth.

1.17 This does not mean that every place will grow at the same rate or that everywhere will, or will want to, become an economic powerhouse. Long term economic trends make differences in economic performance inevitable and these can and do change over time. Our focus should be on giving local areas – councils, communities and businesses – the right tools, incentives, freedoms and responsibility to make their own choices. It is also important that we recognise the characteristics of the rural economy and its contribution to national growth. Nationally-led economic development policy and implementation should be able to demonstrate fair consideration and treatment of all areas.

1.18 This strategy follows the clear direction set for public service reform by the Spending Review; shifting power away from central government to local communities, citizens and independent providers –the Big Society. The Big Society means recognising that where the drivers of growth are local, decisions should be made locally. The Government will devolve real power to communities, giving them a greater say in shaping the shape and future of their economies. The Big Society means widening the diversity of players in local economies, making it easier for the voluntary and community sector to compete in markets. The Government will allow social enterprises to bid to the Regional Growth Fund.

1.19 In recognition of these differences between different places and the need for greater local leadership and accountability for economic growth our new approach to the role of central government in local growth focuses on three key themes that are closely linked to key drivers for growth:

- **Shifting power to local communities and businesses** – every place is unique and has potential to progress. Localities themselves are best placed to understand the drivers and barriers to local growth and prosperity, and as such localities should lead their own development to release their economic potential. Local authorities, working with local businesses and others can help create the right conditions for investment and innovation. Critically, our new approach will enable places to tailor their approach to their circumstances and recognises that places can usefully compete with one another, harnessing self-interest and ambition to grow, increase prosperity and collectively increase the size of the national economy.

- **Promoting efficient and dynamic markets and increasing confidence to invest** – create the right conditions for growth and prosperity and allowing markets to work. Government will ensure a consistent and efficient investment framework for markets to operate within. The right planning framework is a key component to this, and plans to reform the system in order to increase investment and places' comparative advantage are set out in this paper. Alongside this Government will provide incentives to ensure that local communities benefit from development.

- **Focused investment** – tackling barriers to growth that the market will not address itself. The Government will support investment that will have a long term impact on growth. In some cases this means areas with long term growth challenges undergoing transition to better reflect local demand. National and local government policies should work with and promote the market, not seek to create artificial and unsustainable growth. Places that are currently successful may prioritise activity to maximise further growth by removing barriers, such as infrastructure constraints. For other areas the priorities might include ensuring that the conditions for growth exist, attracting new investment and ensuring that local people have the appropriate skills and incentives to participate.

People in Places – the Role of the Labour Market

1.20 Underlying our new approach is a strong belief that the role of the individual matters as much, if not more, than the role of place. Government and individuals themselves must improve the options available to them and in so doing enable everyone to contribute to, as well as benefit from, the opportunities arising from economic growth. We are asking local partnerships, led by business, to develop a strategy for growth that uses and grows local talent, meets the needs of local people, and helps to contribute to national economic growth.

1.21 The UK has a dynamic, skilled and flexible labour market but the previous model of growth was unbalanced, with too many people trapped out of work and unable to contribute to or share in the country's prosperity. Getting more people working is not only good for growth – it helps more people share in the proceeds of growth. Action Government is taking includes:

- ensuring that society rewards work; removing the barriers to job creation and improving the incentives for individuals through welfare and employment law reform; reducing taxation for the lowest paid; a temporary reduction in employer National Insurance Contributions for qualifying new businesses in selected countries and regions[2];
- a new Work Programme; giving greater flexibility and incentives to private and voluntary sector organisations to work with partners to help people back to work;
- connecting people to jobs; reforming social housing and maintaining investment in local transport; and
- reform of the Further Education and skills system; we will shortly be publishing a new skills strategy setting out how we will deliver vocational training driven by the choices of learners and employers, rather than by central planning and control.

UK-wide Growth

1.22 The majority of the proposals in this document will apply to England only, as most of the policies discussed are devolved to the Scottish Executive, Welsh Assembly Government, and Northern Ireland Executive. For example the Welsh Assembly Government published their own strategy *Economic Renewal: A New Direction* in July 2010. The Government is looking forward to co-operating with the Devolved Administrations to promote growth.

What will success look like?

1.23 The Government's overarching economic policy will be judged on whether it delivers strong, sustainable and balanced growth of income and employment over the long-term. More specifically, the changes set out below are focused on: promoting growth that is broad-based industrially and geographically; creating a business environment that competes with the best internationally; and ensuring everyone has access, including future generations, to the opportunities that growth brings.

1.24 We believe that these changes will not only help produce a growing economy, but also heighten civic pride, with businesses and communities increasingly enabled to help themselves grow.

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[2] The measure will apply in Scotland, Northern Ireland and Wales, and the following English regions: the North West, North East, Yorkshire and Humber, West Midlands, East Midlands and South West.

2 Shifting Power to the Right Levels

By shifting power to the right levels we will increase democratic accountability and transparency, and ensure that public expenditure is more responsive to the needs of local business and people. By abolishing Regional Development Agencies and agreeing to the establishment of the first phase of 24 local enterprise partnerships we will encourage a more responsive approach to the needs of local business, and people by:

- supporting local authorities' existing role in fostering and sustaining growth;
- putting local business leadership at the helm of bodies that represent real economic geographies;
- continuing to support the Capital's role as we rebalance our national economy; and
- managing the wind down and closure of the RDAs to maximise value and take the opportunity to look again at key European funding for economic development.

2.1 Decision-making and delivery mechanisms should operate at the most appropriate geographical levels, based on specific market failures and maximising efficiency and effectiveness. National and strategic infrastructure will always require a national perspective to provide business with the clarity and consistency it needs, which is why we have recently published our National Infrastructure Plan. However, local communities and businesses are in the best position to understand and respond to the opportunities and needs of their own economies and this Government is determined to give them the tools and the incentives to do this.

2.2 The Government will enable and encourage local ownership and leadership of action to address local economic priorities instead of imposing solutions from the centre. Although their role in the community often goes much further, the role of business and local enterprise partnerships is outlined below. Therefore the part of local authorities is critical to successful growth (as set out in Box 2A below). Local authorities determine planning priorities, enforce key regulations and are responsible for the public realm, amongst other important determinants of investment and business success. To support this role, Government is intending to provide, through the forthcoming Localism Bill, a general power of competence for local authorities, giving them real freedom to act in the interests of their local communities.

2.3 We also intend to create directly elected mayors in the 12 largest English cities, subject to confirmatory referendums and full scrutiny by elected councillors. Mayors, with their strong, visible and accountable local leadership, will play an important role in ensuring that our biggest cities are genuine drivers of economic growth. These mayors will also work closely with neighbouring council leaders on issues such as transport, the strategic approach to planning and wider economic priorities. This may include mayors chairing the board of local enterprise partnerships.

Box 2.A: Local Authorities' Role in Supporting Growth

Local authorities have a critical role to play in supporting the economy of their area and have a wide array of levers at their disposal, which can support or indeed inhibit the area's comparative advantages and business' ability to compete. Local authorities are uniquely placed, via politically accountable leadership, to bring stakeholders together from across all sectors. Key roles include:

- leadership and coordination – using their community leadership role and planning powers to set out a clear framework for local development, helping to provide certainty for business and investment, overcome coordination failures and manage externalities and competing interests;
- supporting growth and development through ensuring a responsive supply of land that supports business growth and increases housing supply;
- using their significant land assets to leverage private funding to support growth. In many places, opportunities to include other parts of the public estate in asset-based vehicles exist;
- directly and indirectly influencing investment decisions via the use of statutory powers, particularly through the planning system, which are key determinants of businesses' ability and confidence to invest;
- supporting local infrastructure – transport investment, in particular, is a key enabler of growth. The Spending Review prioritised economically significant local transport projects;
- support for local people and businesses, including regeneration, business support and employment programmes, working with nationally led schemes;
- providing high quality services, such as schools and transport, that directly support businesses' investment confidence and individuals' life chances;
- keep markets fair by maintaining trading standards and provide wider services and investment that increase the attractiveness of an area; and
- leading efforts to support and improve the health and well-being of the local population, promoting independence and rehabilitation to ensure that all individuals have the maximum opportunity to benefit from work, and to contribute to the local economy. [1]

Creating local enterprise partnerships

2.4 The Government has acted quickly on its commitment in the coalition agreement to establish local enterprise partnerships. At Budget, we confirmed our commitment to abolish Regional Development Agencies. In June we invited businesses and councils to come together to form local enterprise partnerships whose geography properly reflects the natural economic areas of England. The Government wishes to see partnerships which understand their economy and are directly accountable to local people and local businesses.

[1] The Coalition Government through the NHS White Paper has signalled a major shift in the role of LAs to secure better life chances for local communities, working in partnership with GPs, social services and Public Health

2.5 The vision is in direct contrast to the previous arrangements, which were based on administrative regions that did not always reflect real functional economic areas. Previous arrangements also involved significant complexity and duplication of responsibilities, which led to increased costs to the public purse.

2.6 Local enterprise partnerships will provide the clear vision and strategic leadership to drive sustainable private sector-led growth and job creation in their area. We particularly encourage partnerships working in respect to transport, housing and planning as part of an integrated approach to growth and infrastructure delivery. This will be a major step forward in fostering a strong environment for business growth.

2.7 We envisage that local enterprise partnerships could take on a diverse range of roles, such as:

- working with Government to set out key investment priorities, including transport infrastructure and supporting or coordinating project delivery;
- coordinating proposals or bidding directly for the Regional Growth Fund;
- supporting high growth businesses, for example through involvement in bringing together and supporting consortia to run new growth hubs (see Annex B);
- making representation on the development of national planning policy and ensuring business is involved in the development and consideration of strategic planning applications;
- lead changes in how businesses are regulated locally;
- strategic housing delivery, including pooling and aligning funding streams to support this;
- working with local employers, Jobcentre Plus and learning providers to help local workless people into jobs;
- coordinating approaches to leveraging funding from the private sector;
- exploring opportunities for developing financial and non-financial incentives on renewable energy projects and Green Deal; and
- becoming involved in delivery of other national priorities such as digital infrastructure.

Box 2.B: Greater Manchester

Local authorities in Greater Manchester have recognised the power of a collective approach to planning, economic development and resource allocation. There is a shared view that, while not one place, Greater Manchester is one economy with one labour market. Work recently undertaken through its private sector-led Business Leadership Council has deepened the understanding of market demand and the economic relationship between places. Local authorities are using this evidence to put in place a framework so that Greater Manchester can best use planning, investment and other tools to respond to market signals and give confidence to the private sector. This builds on the findings of the Manchester Independent Economic Review, which sets out analysis on a range of significant opportunities and challenges, which Greater Manchester has subsequently sought to address through an integrated strategy.

The framework will be used to ensure investment is targeted at projects that deliver the best returns for the benefit of Greater Manchester as a whole. Greater Manchester has already established the Evergreen Fund, which is supported by JESSICA (European Regional Development Funds) funding, the European Investment Bank and has leveraged at least £300 million of private funding. This is intended to be a new investment model for supporting projects over the next decade across Greater Manchester and in other parts of the North West.

2.8 To secure effective business engagement and ensure a strong focus on the needs of the local economy, it is vital that business and civic leaders work together. The Government will normally expect to see business representatives form half the board, with a prominent business leader in the chair. Partnerships will want to work closely with universities, further education colleges and other key economic stakeholders. This includes social and community enterprises, which play an important role in creating local economic growth through providing jobs and training, delivering services and helping create community wealth in some of the most deprived parts of the country.

2.9 The Government does not intend to define local enterprise partnerships in legislation. Governance structures will need to be sufficiently robust and clear to ensure proper accountability for delivery. Partnerships will differ across the country in both form and functions in order to best meet local circumstances and opportunities. A partnership may need legal personality or a specified accountable body in some circumstances, such as if it wished to own assets or contract to deliver certain functions. The constitution and legal status of each partnership will be a matter for the partners, informed by the activities that they wish to pursue.

The emerging local economic development landscape

2.10 By 6 September the Government had received 62 responses to its request for outline proposals for local enterprise partnerships, covering every part of England outside London. These proposals demonstrated a wide spectrum of ambitious ideas, such as pooling budgets, innovative financing, aligning policies and infrastructure priorities. The Government has been impressed by the quality of many of the proposals and the radical new approaches of some. They identify the variety of challenges facing individual local economies and put forward new ways of tackling them.

2.11 All proposals were reviewed by Ministers against the criteria set out in the initial invitation letter, with a particular focus as follows:

- **Support from business** – this was a particularly important factor, especially whether the proposal demonstrated direct engagement with a broad range of local businesses (including SMEs), not just organisations that represent business and commerce. Sustained business engagement is essential in the long-term if partnerships are to realise the economic potential of the area.
- **Economic geography** – whether the geography proposed represents a reasonable natural economic geography and whether the geography is supported by business and is sufficiently strategic.
- **Local authority support** – whether there is sufficient support from the local authorities whose areas are covered by the partnership proposal.
- **Added value and ambition** – whether the proposal sets out a clear vision in terms of local economic priorities and demonstrate how it will create the right environment for business and growth, over and above that which would otherwise occur.

2.12 Where proposals have met these key benchmarks, the Government is keen that the partnerships concerned maintain momentum and move quickly to formally establish their board as set out in paragraph 2.8 above.

2.13 At this point, they will be formally recognised as a local enterprise partnership. Government has written to all those who put in proposals with feedback against the criteria above. 24 partnerships have been told that they are considered ready to establish their boards. These are shown in Annex A, demonstrating the geographical reach of this first phase of local enterprise partnerships. However, the Government recognises that other places will need longer to build on progress to date and develop their vision and it will welcome revised proposals from such places as they become ready. Government will enter into a discussion with partnerships about delivering the economic vision for their area, in parallel with progress to establish appropriate boards and governance arrangements.

2.14 The Government wishes to encourage cooperation between partnerships where this would result in a more efficient use of resources and secure a better outcome than operating in isolation. This cooperation need not be restricted to neighbouring partnerships and will be particularly important where partnerships share a common interest, such as the need to support important industrial clusters. The aerospace industry, for example, has important clusters in both the North West and the South West. The Government will also encourage groups of partnerships which contain key sector clusters to work collaboratively with the relevant national industry bodies. Likewise it will encourage collaboration around particular themes, for example, tourism.

Funding

2.15 Local enterprise partnerships will be expected to fund their own day-to-day running costs and will also want to consider how they can obtain the best value for public money by leveraging in private sector investment. Local enterprise partnerships and proposed partnerships may wish to submit bids to the Regional Growth Fund, but will not receive preferential treatment against bids from other private or public-private partnerships. Local enterprise partnerships may therefore benefit from joining up with other local partners to submit joint bids, or with neighbouring local enterprise partnerships, to present co-ordinated bids.

2.16 The Government is also introducing strong financial incentives to support growth. Local enterprise partnerships will have a vital role to play in supporting pro-business approaches and therefore maximising the potential to benefit from this scheme. In recognition of the need to prioritise and work collaboratively across local authority partnerships to realise growth, some local authorities, through a local enterprise partnership, may therefore want to use shared incentive revenue streams to directly support economic development projects.

London – a world city

2.17 The Mayor has a pivotal role to play in ensuring the capital can grow sustainably, particularly given his responsibility for transport and strategic planning, and on economic development issues of pan-London significance. London boroughs also have a key role to play, working together and with the Mayor, in supporting this growth. The future of economic development delivery arrangements in London will take account of the Mayor's democratic mandate and the Government's commitment to localism.

2.18 The Government has already invited the Mayor and partnerships of London Boroughs and business leaders to jointly consider the case for local enterprise partnerships in London, so that any proposals represent a shared vision between the local and Greater London level. The Mayor could work with local enterprise partnerships in making bids to the Regional Growth Fund, either in bidding directly for funding or in coordinating bids from within London. As with local enterprise partnerships elsewhere, this might comprise a package or programme of projects. Any proposals would be considered by Lord Heseltine's Advisory Panel alongside other bids.

2.19 Earlier this summer, the Mayor, London Assembly and London Boroughs also submitted a package of joint proposals for further devolution to London, which included proposals to fold the London Development Agency (LDA) into the Greater London Authority (GLA).

2.20 The Government will also abolish the LDA as part of its response to the joint proposals from the Mayor, London Assembly and London Boroughs earlier this summer for further devolution in London. The GLA will assume responsibility for the bulk of the LDA's activities, gaining new development powers. This will enable the Mayor, working with boroughs and the private sector, to provide clear leadership for the continued regeneration and growth of London, rather than the current fractured arrangements which have led to duplication and confusion. Some activities may cease or be transferred elsewhere reflecting the need for a greater policy lead nationally, and discussions on this will continue with the GLA. We will be responding to the other joint proposals from London shortly.

Box 2.C: The Thames Gateway

The Thames Gateway has long been recognised as having significant growth potential with its proximity to London, good transport links and development opportunities. But we simply can't control everything that happens in such a vast area from Whitehall nor should we. Therefore we are decentralising its leadership: in future, local government, including the Mayor in London, and local enterprise partnerships will drive forward the growth of the area by working with business to unlock the potential of the Thames Gateway. Government will in future be a partner in the Thames Gateway, supporting business and local leaders.

Managing the Transition from Regional Development Agencies

2.21 In taking forward the new framework, including consideration of existing Regional Development Agency (RDA) activity, we will look to devolve functions to the local level wherever it makes sense to do so. There are also some functions which are best co-ordinated or delivered at the national level. These include functions where there are significant economies of scale at that level; where there are national or international market failures; or where consistent national delivery is important. For the activities of national importance, with consequent seriousness of any failure, only the largest local enterprise partnerships might have the confidence and resources to play a strong role in their future.

2.22 However, the new delivery framework for functions led at the national level will be flexible and take account of the evolving capabilities and priorities of different local enterprise partnerships. Depending on the function, this may include delivery at the national level and by individual local enterprise partnerships or by groups of partnerships. In some cases it will also involve devolving directly to even lower levels, for example, allowing skills funding to follow customer demand. It is important to recognise that leadership can exist at more than one level: national leadership does not necessarily imply a monopoly of power and responsibility, and there will be scope to share and pool power and responsibility between national and local levels.

2.23 There are also a number of current functions provided by the RDAs which will simply stop. These include the provision of new small scale Grant for Business Investment, regional workforce skills strategies and some sectoral activities.

2.24 Based on the principles outlined in this White Paper, we have fully considered the role of local enterprise partnerships in delivering former RDA functions. Although these roles will vary across the country depending on priorities and capability they can be summarised as follows:

RDA Functions

- **Business advice** – local enterprise partnerships could be best placed to provide businesses, especially small and medium sized enterprises, with locally focused information and advice. For example understanding the skill set of the local populace, identifying existing local support networks and working with existing partners' expertise, for example, Jobcentre Plus and Chambers of Commerce, to understand what will deliver growth, what is achievable and how to achieve it.

- **Innovation** – as a BIS sponsored body, the Technology Strategy Board will be the main delivery body for supporting innovation, incentivising business innovation for the national benefit. This will include the establishment of an elite network of Technology and Innovation Centres, based on international models such as the Fraunhofer Institutes in Germany. Local enterprise partnerships may make proposals in relation to other innovation infrastructure in which RDAs had a financial stake, and will play a key role in advocacy and relationship functions.

- **Low carbon** – some local areas have clearer opportunities for delivering low carbon enterprise and growth than others. It will be for local enterprise partnerships to make the most of their areas of strength or comparative advantage through coordination of industry and local partners. Local enterprise partnerships will also need to consider what local green infrastructure issues they can address to enable growth in this area. Where these opportunities and barriers are of national significance the Government will continue to provide a leadership role.

- **Inward investment/international trade** – inward investment can offer significant opportunities for delivering growth. UKTI is presently developing a framework to deliver inward investment activity and it is clear that effective delivery will require strong partnership working between central government and local levels. Local enterprise partnerships can play a key role in these partnerships and may have a role in bidding to be a delivery agent for nationally commissioned trade development support.

- **Tourism** – RDAs have previously played a role in tourism. Going forward a strong emphasis will be put on leadership at the local level, particularly by local tourism businesses. VisitEngland can play a supporting role at the national level. Local enterprise partnerships, given their local expertise could play a role in co-ordinating this activity and actively engaging with the private sector.

- **Skills** – the RDA's role in skills strategy setting and commissioning training provision will cease and in future all public funding for adult skills provision will be routed through the Skills Funding Agency to its network of approved and quality assured colleges and training organisations. We will encourage local enterprise partnerships to develop effective working relationships with partners to meet local demands.

- **Regeneration** – outside London, the Homes and Communities Agency will continue to have an important role. The Agency will work through local enterprise partnerships to integrate business and local government needs.

2.25 More detail on the Government's new approach to delivery of interventions to support economic development is set out in Annex B.

Winding down the RDAs

2.26 The closure of the RDAs was confirmed in the June Budget and we are committed to working to ensure an orderly transition from RDAs to the new delivery landscape.

2.27 The RDAs are expected to cease activity by March 2012 and are already winding down their activities. However, it is possible that there may be some residual activity to be managed out beyond that date.

2.28 The RDAs have current commitments of £1.2 billion worth of projects and programmes, as well as approximately £500 million of land assets, many of these balanced by liabilities. Over their lifetime the RDAs have shared a combined single pot budget of £21 billion. Some of the larger RDAs, predominately those in the North of England, have each been responsible for around 6,000 projects since their creation in 1998. The RDAs' substantial forward commitments reflect the long-term nature of RDA activities which often involve land, property, equity investment and regeneration activities spanning many years, and in some cases decades.

Legislation

2.29 The RDAs were created by primary legislation through the Regional Development Agencies Act in 1998 and legislation will therefore be required to abolish them. For the eight RDAs outside London this will be through the Public Bodies Bill. For the London Development Agency it will be the Localism Bill, since changes to the government of London more generally are also being made through that Bill.

2.30 Where functions have been devolved to the RDAs, subsequent to their formation and where they will continue, it will be possible to ensure future delivery in advance of legislation being passed by revoking the devolution under the existing RDA Act.

Process

2.31 BIS, as the sponsor department of the RDAs, is leading the programme for the closure of the RDAs, working closely with CLG and HM Treasury as well as the other single pot contributing departments. The key strands of the closure programme are managing out the collective RDA assets, liabilities, commitments and staff resources.

Staffing

2.32 The RDAs currently employ around 3,000 staff and we recognise that the transition and closure period will be unsettling for them, and throughout this process we will aim to ensure that all staff are treated fairly. Some of the decisions relating to which RDA functions might continue and where they will be transferred to, are set out in the previous section and in more detail in Annex B. Some decisions are still to be made and we will aim to clarify these as quickly as possible. Any transfer of staff will be managed in line with TUPE ((Transfer of Undertakings (Protection of Employment) Regulations), and COSOP (Cabinet Office Statement of Practice on Staff Transfers in the Public Sector) processes, as applicable.

2.33 It is also important that we recognise the wealth of knowledge and experience of the staff in the RDAs. We will seek to ensure that the relevant knowledge built up by the RDAs over the years is not lost as this will be an important asset. BIS will be working closely with the RDAs to ensure that this knowledge is captured and that the process for managing the knowledge management handover to successor bodies, including local enterprise partnerships, is managed appropriately.

European funds administered by the RDAs

European Regional Development Fund (ERDF)

2.34 The European Regional Development Fund (ERDF) provides match funding for economic development. The overall ERDF allocation for programmes within England for the period 2007-13 is some €3.3 billion (approximately £2.8 billion), which can be spent up until end 2015. The Government is working on new delivery structures to replace delivery by the RDAs to ensure that the ERDF programmes continue to be implemented with minimal disruption. We will also encourage alignment of the Regional Growth Fund with ERDF, where the aims of bids are eligible for support from both Funds.

2.35 The Government believes that it is important that any new delivery structure increases the local accountability for ERDF investment decisions to improve the impact of the fund in terms of the growth and jobs it supports. Any future delivery structure should also look to increase the private sector leverage of the fund and minimise the administrative burden. We will look at good practice from other countries such as Wales which achieves 60 percent private sector match funding across its ERDF competitiveness programmes.

2.36 Government has announced elsewhere in this white paper its commitment to strengthening the tools that local areas have to promote growth – specifically through new borrowing powers to enable authorities to carry out Tax Increment Financing and changes to the business rate regime. In line with this approach, we have been developing proposals to strengthen the advisory role for local authorities and local enterprise partnerships on the ERDF 'Programme Monitoring Committees' for each region. This would provide a clear voice for local areas to consider ERDF bids in light of the needs and priorities for businesses in local areas.

2.37 Government is also seeking to increase the role of the private sector in economic development. ERDF is already being used in this way, for example in the recently launched JEREMIE and JESSICA schemes. Venture capital and loan schemes are important drivers of economic development and key components of the Government's growth and rebalancing agenda.

2.38 All new structures of management and delivery of ERDF will have to be approved by the UK audit authorities and the European Commission. This is to ensure compliance with the regulations and protect the financial and legal interests of Government and delivery partners, including other private sector investors.

2.39 To inform the new delivery structure, the Government is working with local authorities, universities and other stakeholders to carefully develop the framework within which ERDF will operate. The new delivery structure will be announced at Budget 2011.

Rural Development Programme for England

2.40 The Rural Development Programme for England (RDPE) is a European funding programme aimed at farmers and other rural businesses, which is expected to continue for the rest of the current programme period (2007-2013). The socio-economic elements of the programme, (known as Axis 1 and 3) are currently delivered by RDAs. The Programme applies across rural England and must comply with complex EU (Common Agricultural Policy) rules.

2.41 Significant fragmentation of the delivery arrangements for RDPE would be likely to increase the risks and costs of the programme, and a national approach to delivery for the remainder of the programme is therefore envisaged. However, RDPE already includes a strong local element. The Leader approach is focused on community-led delivery of the Programme's priorities, based on local decision-making by community partnerships in rural areas known as Local Action Groups. The Leader approach could provide a basis for further engagement with local enterprise partnerships and local authorities.

2.42 The Government will therefore ensure post-RDA delivery and will minimise disruption for potential beneficiaries, based on a stronger national lead by Defra for the remainder of the programme period (2007-2013) and a sub-national network of delivery support which delivers efficiencies but provides locally accessible support.

RDA Assets and liabilities

2.43 Ensuring effective management of the RDAs ongoing assets and liabilities will be crucial to a successful transition to new arrangements. The Government believes that it will need to draw upon relevant expertise from across the public sector to achieve this ambition.

2.44 The RDA's hold a number of assets and liabilities. These range in type from land and property, to business and technology related assets and loan books. BIS and CLG have a shared interest in disposing of these assets in a way which creates maximum long-term value for the economy and local areas, and maximises receipts to the departments. This will require a collaborative approach and close working relationships between the departments. It will also need a division of labour between departments, with CLG managing the disposal of land and property, and BIS the disposal of the business and technology related assets. This will take place within a strong governance framework for RDA closure, led by BIS with CLG and HM Treasury membership of the Transition Board.

2.45 RDA asset management will be based upon a clear series of shared principles. The primary considerations will be as follows:

- assets will be disposed of together with the associated liabilities wherever possible; and
- the aim will be to achieve the best possible outcome for the region consistent with achieving value for the public purse.

2.46 In considering particular cases the following considerations will also apply:

- the existing statutory framework governing RDAs remains in place and will continue until new legislation comes into force. In practice, this will mean that disposal decisions will continue to reflect the RDAs statutory purposes particularly the need to further the economic development and regeneration within the relevant area;
- in considering the candidates taking over the asset or liability, the planned new owner must be capable of ensuring the asset will prosper within its custody or that any liabilities will be properly handled;

- local demands and ambitions are met, so far as possible, by the proposed approach to disposal/transfer;
- that a reasonable balance is reached as part of disposal/transfer between national deficit reduction, national policy aims and local ambitions/opportunity;
- that an appropriate balance is struck between the purpose behind an asset's purchase and the views of localities on best use; and
- that an appropriate balance between capacity, risk and the Government's commitment to localism is ensured.

2.47 Any disposals will need to take account of the above principles and be State Aid compliant. Government will seek to engage with local partners as part of this process. There will be no automatic presumption in favour of a disposal to any particular local authority or local enterprise partnership.

Legal Commitments

2.48 The RDAs have substantial current and future commitments that will need managing down in order to achieve final closure, as well as an orderly transition to successor bodies. Managing these commitments will be completed within the funding envelope agreed in the Spending Review.

2.49 In order to manage down commitments the RDAs will need to review their current contractual commitments and seek to exit from projects unless doing so will offer poor value for money, or would impact upon key flagship projects which might be continued by local authorities, local enterprise partnerships or other successor bodies.

2.50 It is expected that RDAs will look to exit from contractual commitments by exercising break clauses or through renegotiation. In all instances, we will encourage RDAs to ensure that delivery partners and contractors are involved in any discussions from the outset.

3 Increasing Confidence to Invest

Both businesses and communities need to feel that investment will be rewarded and they can work together to produce an economically, socially and environmentally sustainable future. Government is committed to reforming the planning system, so that it actively encourages growth. Reforms will ensure that people have greater ownership of the planning system. Actions proposed include:

- introducing a national presumption in favour of sustainable development, which will apply to decisions on all planning applications;
- giving local communities will also have new Right-to-Build powers;
- fundamentally reforming and streamlining national planning policy and guidance, presenting to Parliament a simple national planning framework; and
- placing a new statutory duty to cooperate on local authorities, public bodies and private bodies that are critical to plan-making, such as infrastructure providers.

Government will create a framework of powerful incentives for local authorities to deliver sustainable economic development, including:

- the New Homes Bonus scheme, starting in 2011-12, will provide a simple, powerful and transparent incentive for local authorities to support new housing development;
- considering options to enable councils to retain locally-raised business rates in the Local Government Resource Review; and
- bringing forward proposals that will enable local authorities to offer local discounts on business rates.

To provide local authorities and with a new tool for enabling additional investment to go ahead we will introduce new borrowing powers to enable authorities to carry out Tax Increment Financing.

3.1 The planning system has three main functions:

- to give people the opportunity to shape the look and feel of their communities, including to protect and promote important environmental and social interests;
- to provide sufficient housing to meet demand; and,
- to support economic development through the provision of infrastructure and by using land-use planning to support economic activity.

3.2 However, as it currently stands, the planning system is the wrong way around, alienating communities through centrally imposed policies and targets. As a consequence, the planning system is often seen as a barrier to development, despite the desire of almost every local community to see new homes, more jobs, extra investment and a better local environment. This has been a problem not just for local residents, but for businesses and entrepreneurs who find the planning system bureaucratic and expensive to navigate. Instead of local communities having incentives to encourage growth, they suffer the costs of development, in terms of pressure on land and local services but receive little of the benefits.

3.3 The Government is committed to reforming the planning system, whilst retaining protection of important of environmental and social interests, so that it actively encourages growth by providing the right land in the right place for economic development, increasing the supply of housing that the country needs and ensuring the timely delivery of infrastructure. Our reforms will ensure people have greater ownership of the planning system. Central government will limit its involvement in the planning system, for example in issues of national importance such as key infrastructure and sustainability projects, meaning that the endless and costly tiers of bureaucracy which do so much to inhibit growth are swept away.

3.4 We also need to ensure that local communities which opt for growth are able to reap the benefits from doing so, changing the culture of planning so that the default position is in favour of development. Neighbourhoods will welcome growth because they will be sharing in the gains it produces, and because they will be able to shape how economic development looks and where it happens, subject to the requirements of national policy.

Action so far

3.5 The Government wants to create a new planning system where development is driven from the bottom up. We took early action to signal our intentions for the planning system by committing to abolish Regional Spatial Strategies. These represented many of the failings of the current planning system: they have been expensive, slow to prepare, and have alienated people. They imposed development on communities, pitting them against development and creating local opposition instead of encouraging people to work together to take ownership of growth and shape their communities.

Restoring Confidence

3.6 We want to transform the planning process from an impediment to economic development into a means of encouraging growth. This must start from a positive assumption about development, to give confidence to people and greater certainty to businesses.

3.7 A key part of planning reforms will therefore be to introduce a national presumption in favour of sustainable development, which will apply to decisions on all planning applications. This will support the strategic provision of new homes, offices, schools and other developments that help drive the growth of our economy. This will provide more certainty to developers and investors, as well as communities.

Passing power to communities

3.8 Communities will be centre-stage in the reformed planning system. They know their areas better than anyone and should benefit from development.

3.9 At its heart, that means giving every neighbourhood the chance to shape its own development through the creation of neighbourhood plans, which will give local communities greater flexibility and the freedom to bring forward more development than set out in the local authority plan. Neighbourhood plans will need to respect the overall national presumption in favour of sustainable development, as well as other local strategic priorities such as the positioning of transport links and meeting housing need.

3.10 Local communities will also have new Right-to-Build powers, enabling them to deliver small-scale development without the need for a separate planning application. By following a simplified neighbourhood planning process, these powers will enable communities to respond quickly to changing development needs.

3.11 Under our reforms, local authorities will be expected to produce local development plans. We will simplify and streamline the procedures and timescales for local authorities to prepare these, so that communities are better able to understand and influence them. Where neighbourhoods choose not to develop a neighbourhood plan, as set out above, the local plan will be used to guide development in that area.

3.12 These locally produced plans will establish the key strategic framework on infrastructure, deal with issues such as economic growth requirements, will be drawn up so they have regard to national policy, and will provide the basis for local planning decisions and planning by local communities. This will ensure that every local authority puts in place the foundations for local economic growth.

3.13 These changes will provide much needed clarity for business on our priorities, enabling better investment decisions as well as sending a clear message that this country is an excellent place to locate business.

Box 3.A: Community Energy

Community energy is one area in which neighbourhood and local planning can enable communities to make a significant difference in their ability to develop schemes. Through research under the Low Carbon Community Challenge and the development of support programmes such as Community Energy Online, DECC is confident that communities can be provided with the information they need to plan community-scale energy efficiency projects and low carbon energy projects, such as Combined Heat and Power and district heating. Communities such as West Oxford and Ashton Hayes have already come together in social enterprises to buy and install a range of small scale renewable energy technologies such as hydro and solar. These technologies are on community land or buildings and provide free electricity and an income stream to the community.

Reducing bureaucracy

3.14 In order for the planning system to help, not hinder development, it needs to be light-touch, fast and responsive, as highlighted by the Killian Pretty Review of 2008. Whilst some changes have already been made, still more could be done to remove unnecessary barriers to expansion for businesses, large and small.

3.15 The recently published Development Management Procedure Order, which consolidated seventeen previous Statutory Instruments on the rules surrounding planning applications, provides a good starting point for this work. We are also working to implement the recommendations of the Penfold Review of non-planning consents, to reduce further the regulatory burdens on the development industry.

3.16 In addition, the Government will fundamentally reform and streamline national planning policy and guidance, presenting to Parliament a simple national planning framework which will cover all forms of development. This framework will set out clearly our national economic, social and environmental priorities and how they relate to each other.

3.17 The framework will provide a transparent and positive context for local decision making and, allied to the new presumption in favour of sustainable development, will increase investor certainty about how planning decisions will be made. This will send a clear message to international business that Britain is open for investment and help to facilitate the ease of international businesses locating, moving within or staying in the UK. UKTI state that complexities in the planning system are among the top five issues deterring inward investment into the UK.

3.18 We will also reduce the total regulatory burden on the house building industry over the Spending Review period – including the planning system's costs and consequential impacts.

Encouraging collaboration

3.19 Good planning relies on the right people and groups sharing information and working together to make the best decision for their areas on issues that span localities. The Government will introduce requirements for collaboration, to make sure that happens.

3.20 We propose, through the Localism Bill, to place a new **statutory duty to cooperate** on local authorities, public bodies involved in plan-making and on private bodies that are critical to plan-making, such as infrastructure providers. There will also be a new requirement for large-scale developers to consult with others in the local community before submitting planning applications. This will benefit local communities by engaging them at an early stage, as well as businesses who should see faster and more positive consideration of their proposals if they address issues early on.

3.21 Planning issues often affect communities spanning traditional administrative borders. That is why local enterprise partnerships can take on a vital role in working with neighbourhoods and local authorities to foster sustainable economic growth. Many of the outline partnership proposals have identified helping planning authorities with infrastructure delivery, overcoming barriers to development delivery and co-ordinating approaches to investment. Local enterprise partnerships will be free to work with partner planning authorities to develop strategic planning frameworks to address economic development and infrastructure issues. If constituent local authorities agree, they may also wish to take on other planning related activities, including enabling the timely processing of applications for strategic development and infrastructure.

3.22 The vast bulk of planning decisions should take place at the local level, either through neighbourhoods, individual authorities, or through groups of authorities collaborating across boundaries. However, some nationally important decisions need to be taken at the national level – by democratically accountable Ministers.

3.23 That is why, for example, nationally important infrastructure projects (such as large scale wind farms and power plants), the supply of aggregate minerals and planning for waste will become the responsibility of the Planning Inspectorate's recently announced Major Infrastructure Planning Unit.

Local authority incentives and support for growth

3.24 In concert with our planning reforms Government will create a framework of powerful incentives for local authorities to deliver sustainable economic development, including for new homes and businesses. Changes to the local government finance system will reward those authorities that go for growth by ensuring that they receive real benefits for hosting housing and economic development. The following section sets out the measures that Government will introduce to achieve this.

The New Homes Bonus

3.25 The current local government finance system does not provide the right incentive or rewards for councils to build new homes as little of the economic gain from new development is captured by the local community. A particular issue is that any increases in a local authority's council tax base are reflected in its formula grant allocation, thereby reducing the financial return from new homes. As a result, local communities and their elected representatives on local councils object to many proposed developments.

3.26 The previous government tried, and failed, to remedy this by imposing development through the imposition of top-down targets. The Housing and Planning Delivery Grant (HPDG) was introduced with the intention of improving housing delivery. However, HPDG was ineffective and complicated and local authorities could not rely on it as a sufficient and stable incentive. In fact it coincided with a sustained shortfall in housing development; in 2009, there were just 118,000 completions, the lowest level of house building in England in peace-time since 1923-24.

Box 3.B: The role of housing in driving growth

Housing can be an important source of economic growth, particularly at a local enterprise partnership level. The recent recession had a severe impact on housing construction, with output falling by around a third from its pre-recession peak. However, this also means that the sector has clear potential to grow. It could therefore play a major role in leading the economy back towards growth and improving the long-term competitiveness of the UK economy. This potential has been demonstrated in UK growth over the past six months, which showed construction output – of which housing is a major part – growing by 14 per cent between the first and third quarters of 2010, making a major contribution to the strength of whole economy GDP growth. Housing can also play a key role in supporting an efficient labour market, which is critical to economic growth. A more strategic role for housing and planning at the LEP level could help maximise the UK's house building supply response and the wider economic recovery.

3.27 Rewarding rather than penalising councils for new homes is not only fairer, but will be far more effective than the failed top-down regional targets.

3.28 The government's New Homes Bonus is the cornerstone of the new framework for incentivising housing growth. The scheme will ensure that communities and local authority decision-makers enjoy the benefits of growth and not just the costs. It will return the ownership of this debate to a local level and encourage local authorities and local communities to develop their housing in way that meets local need, both in terms of numbers and sensitively to local concerns. Local authorities will need to lead this debate with their communities.

3.29 Starting in 2011-12 the scheme will match fund the additional council tax for each new home and property brought back into use, for each of the six years after that home is built. Central government will help establish the scheme with support of £196 million in the first year and £250 million for each of the following three years. The New Homes Bonus will be a simple, powerful, transparent and permanent feature of the local government finance system. A consultation will shortly be published setting out the government's proposed model for implementation.

Incentives for Growth: the Local Government Resource Review

3.30 Under existing arrangements, non-domestic rates (or business rates) revenue collected by local authorities is pooled for redistribution to local authorities in England. So while local authorities have a vital role to play in supporting the local economy, there is limited direct fiscal incentive to do so. The Government has been considering changes that could provide a much stronger incentive to councils, particularly through the business rates regime.

3.31 The Local Authority Business Growth Incentive scheme was introduced in 2005-06 as a means of providing this incentive, but critics of the scheme claimed it was bureaucratic, opaque and unfair. The Government is clear that local authorities need a transparent, understandable and predictable set of incentives, if they are to be effective.

3.32 In line with the coalition agreement, Government has been developing proposals for a **Business Increase Bonus** scheme to reward those authorities where growth in the business rates yield exceeds a threshold, by allowing them to keep the increase – up to a certain level – for a period of six years. Where there is additional growth in subsequent years, the authority would also retain that growth. This would provide a clear, strong incentive to all councils to seek long term sustainable growth in their business rate base, and ensure that local communities factor in economic growth when taking decisions about how their local area should develop.

3.33 As work on decentralisation and the Spending Review has progressed, the Government has also been examining other, more radical, options. In particular, we have considered ways of enabling councils to **retain locally-raised business rates**. This would go further than the Business Increase Bonus scheme, with incentive effects likely to be stronger and more predictable, over longer time periods. Changing the system to allow retention of business rates would mean that many local councils are set free from dependency on central funding. We would also expect the proportion of councils to whom this would apply to increase over time. This would represent a radical departure from the way in which the existing local government finance system operates.

3.34 In considering this option, the Government is clear that businesses should not be subject to locally imposed increases in the burdens of taxation that they do not support. We have already made clear that businesses would have the right to hold a binding vote on any local authority proposals to introduce a local supplement on business rates (as already applies for Business Improvement Districts). This is a principle that we remain firmly committed to. Equally, we will ensure that all councils will have adequate resources to meet the needs of their local community; rewarding growth is also about fairness in the local government finance system.

3.35 The coalition agreement also set out plans to undertake a **Local Government Resource Review**. Local business rate retention will be considered within this review, which we intend to launch in January after a period of consultation on the proposals in this document. This is a significant opportunity to consider a range of options to provide genuine incentives for local economic growth through the business rates regime, and to equip local authorities with the tools to support that role. Local authority, business and other stakeholder views will be vital in informing the Government as we carry out this work.

3.36 The Review will need to consider a number of important issues in relation to this more radical option, including:

- how to fund councils where locally raised funding would be insufficient to meet budget requirements and control council tax levels, as well as councils who do not collect business rates, such as upper tier authorities;
- the position of councils whose business rate yield would be significantly higher than their current spending; and
- how to ensure that proposals retained a genuine incentive effect and reward for promoting growth.

3.37 Consideration of these issues should take into account the national picture, due to the significant variations in need and current business rate yield, in different parts of the country. We will however consider a range of options to balance this. For example, until 1990, the Government operated a 'London pool'. The pool enabled a re-distribution of business rates from London Boroughs with higher yields to those with lower yields and significant pressures. We will also consider how allowing greater retention of business rates could give councils, particularly those in London and other major urban conurbations, access to significant business rate funds to support activities of economic significance.

Tax Increment Finance

3.38 To support such activity, Government is committed to strengthening the tools that councils have to promote growth, including through providing more freedom to local authorities to make use of additional revenues to drive forward economic growth in their areas.

3.39 We will introduce new borrowing powers to enable authorities to carry out Tax Increment Financing (TIF). This will require legislation. In determining the affordability of borrowing for capital purposes, local authorities take account of their current income streams and forecast future income. Currently, this does not factor in the full benefit of growth in local business rates income. TIF will enable them to borrow against future additional uplift within their business rates base. Councils can use that borrowing to fund key infrastructure and other capital projects, which will further support locally driven economic development and growth. They will need to manage the costs and risk of this borrowing alongside wider borrowing under the prudential code.

3.40 Depending on responses to the proposals outlined above, in particular the retention of locally raised business rates, we anticipate that TIF would, at least initially, be introduced through a bid-based process. Lessons from a set of initial projects will inform future use of the power. This will help minimise the risks to both local and central government associated with the introduction of TIF, with Government and local authorities working together to understand the risks involved and develop a shared approach to implementation.

3.41 The Local Government Resource Review is an opportunity to consider the implications of the proposals described above and develop options to take them forward through legislation. To inform the Review, the Government is working with local authorities and other stakeholders to carefully develop the policy and legislative frameworks for TIF.

Box 3.C: Local growth and the business rates system

1. Would you favour a business rates retention model, as a more radical alternative to Business Increase Bonus?
2. How would such a model change your approach to Tax Increment Finance, if at all?
3. Do you have any specific issues, concerns or proposals in relation to a business rate retention model, or Tax Increment Finance?
4. How should Government support local authorities to introduce Tax Increment Finance?

Views should be sent to GrowthIncentives@communities.gsi.gov.uk by 1 December 2010.

Renewable Energy Projects

3.42 The UK Government has a legally-binding target of generating 15 percent of energy from renewable sources by 2020 and is committed to delivering a huge expansion of UK renewable energy over the next decade. To meet this commitment we will work with communities to make the most of opportunities both onshore, for example wind, bio-energy and hydropower, as well as offshore. The Government recognises that communities hosting renewable energy installations play a vital role in meeting a national need for secure, clean energy, and believes that it is right that these communities should be rewarded for the contribution such installations make to ensure the UK has a secure supply of energy and reduces CO_2 emissions from energy.

3.43 We will therefore ensure that those local communities that host renewable energy projects are rewarded by allowing them to keep the business rates they generate. It will of course be for local authorities to consider how best to use those funds. The Local Government Resource Review will consider how business rates retention for Renewable Energy Projects will fit with the other business rates incentives proposals set out above.

3.44 In addition to this the efficiency of Feed-In Tariffs will be improved at the next formal review, rebalancing them in favour of more cost effective carbon abatement technologies. This will save £40 million in 2014-15.

National Insurance Contributions reduction

3.45 In addition to the above, in the June Budget Government announced a National Insurance Contributions (NICs) holiday from 22 June 2010 until 5 September 2013, which aims to help areas currently dependent on the public sector transition to a more sustainable private sector-led model of economic growth. This means that, during a three year qualifying period, new businesses that start up outside of the Greater South East[1] will get substantial reductions in their employer NICs.

3.46 The NICs holiday therefore encourages the formation of new businesses by reducing the costs of taking on staff, providing support in the vital early stages of business development and growth.

3.47 In order to ensure affordability, the holiday is limited to the first ten employees taken on in the first 12 months of the business. For each of these, the holiday will last 12 months and the maximum amount an employer can benefit for any single employee is limited to £5,000.

3.48 The government expects that hundreds of thousands of businesses will be formed in the targeted areas over the life of the holiday and that most of these will be able to benefit from the scheme.

[1] The measure would apply in Scotland, Northern Ireland and Wales, and the following English regions: the North West, North East, Yorkshire and Humber, West Midlands, East Midlands and South West.

4 Focused Investment

The Government will make strategic investments where there is a market failure and where it makes sense for it to do so, prioritising public spending to ensure that investments have a long term impact on growth, such as tackling congestion and increasing our housing supply. We will also seek a better balance between public and private investment. The Regional Growth Fund is an important part of this agenda, providing opportunities to rebalance our economy and support places that are currently dependent on public sector jobs. The White Paper confirms that:

- the Regional Growth Fund will increase from the £1 billion announced at Budget to £1.4 billion, and priority will be given to bids that bring significant private sector funds and ensure sustainable employment growth;
- the Fund will run over three years instead of two, have no internal ring-fences, provide for programme as well as project funding and the minimum threshold for bids will be set at £1million; and
- the Regional Growth Fund is now open to bids from all places – the first round of bidding launches alongside this White Paper and will close in January 2011.

Spending Review also announced other significant investments to promote growth, outlined in this chapter.

4.1 There are areas where it makes sense for central Government intervention to tackle market failures. These include:

- investment in infrastructure – working with the market to enable growth and tackle barriers, such as transport congestion, improving connections between and within cities, towns and villages to connect people to job opportunities and maximise agglomeration benefits;
- strategic intervention where it can achieve economic transformation and private sector growth, such as enabling enterprise to stimulate private sector investment, by tackling barriers to growth and investing in new green technology in strategic locations;
- supporting areas facing long term growth challenges manage their transition to whatever is appropriate for them; and
- encouraging foreign investment and indigenous companies to export, especially where we have a comparative advantage.

4.2 However, central government intervention should support local decisions rather than drive them. It is also a priority of the Government to establish a better balance between public and private investment in the economy. The Regional Growth Fund, announced at the Budget, is a key component of this rebalancing agenda.

Regional Growth Fund

4.3 The Regional Growth Fund will be used to encourage private sector enterprise, create sustainable private sector jobs and help places currently reliant upon the public sector make the transition to sustainable private sector led growth. It will complement, without duplicating, other rebalancing interventions, such as access to finance, banking reform, the work programme and other mechanisms to promote sustainable growth, including the Green Investment Bank.

4.4 The Government consulted on the design of the Regional Growth Fund over the summer. Over 340 responses were received from a wide range of respondents including representatives of the business community, local government and academia; demonstrating the potential demand for support for projects that will help stimulate economic growth. A summary of the views received and the Government's response accompanies this White Paper. The detail of the design of the Fund, set out below, takes those views into account.

Fund objectives, timetable and activities

4.5 The objectives of the Regional Growth Fund remain largely as originally set out. These are to:

- stimulate enterprise by providing support for projects and programmes with significant potential for economic growth and create additional sustainable private sector employment; and
- support in particular those areas and communities that are currently dependent on the public sector make the transition to sustainable private sector-led growth and prosperity.

4.6 These objectives are not mutually exclusive and it will be within the remit of the Independent Advisory Panel, led by Lord Michael Heseltine, to seek a balance in the range of projects recommended to Ministers that fulfils both objectives over the life of the Regional Growth Fund.

4.7 All areas of England are eligible to bid for the Regional Growth Fund, although some parts of the country, particularly where there is currently high employment, low-levels of deprivation and a vibrant private sector, may struggle to demonstrate how they meet the second objective of the Fund. In addition to the information presented in the bid, decisions on successful bids will therefore take into account intelligence from the DWP led Labour Market Group, which will be actively monitoring and anticipating which areas are most at risk of future job losses. Such an approach will enable decisions to reflect the shifting economic landscape and to ensure that, over the lifetime of the Fund, projects are prioritised on the basis of both their contribution to growth and prosperity, and their wider contribution to rebalancing the economy.

4.8 In light of consultation responses, Spending Review announced that the Regional Growth Fund will be increased from the £1 billion reported at Budget to £1.4 billion. This has been resourced from within the envelope set out at the Spending Review and is made up from contributions from the Department for Transport, Communities and Local Government and DEFRA. There will be £580 million capital and £840 million resource funding. The inclusion of resource funding reflects the need to retain the flexibility we may need to meet the needs of successful bids, which we cannot predict in advance. Subject to the needs of successful projects we will therefore allow resource funding to be converted to capital.

4.9 In line with responses to the consultation and recognising the reality of capital spend, it has been decided to revise the timeframe for operation of the Regional Growth Fund. The Fund will still operate from April 2011, as originally stated, but will now be operational until the end of April 2014. As detailed in the Spending Review, the size of the fund will be broadly the same in each year of the Fund and bids should seek to reflect this profile. The Regional Growth Fund will be subject to HM Treasury's Consolidated Budgetary Guidance, including on end-year flexibility. The effectiveness of the Regional Growth Fund will be reviewed after two years.

4.10 As described in Chapter 2 we will also encourage alignment of this £1.4 billion with European Regional Development Funds, wherever bids are eligible for support from both Funds.

4.11 Leverage of private sector funds against the Regional Growth Fund will be a key criterion for successful bids. The Business Finance Taskforce announced on 13 October that it would be establishing a bank equity fund to help ensure better access to finance and improve customer relationships. The 'Business Growth Fund' will be £1.5 billion, built over a number of years, to provide capital for viable businesses which want to invest and grow. We will explore ways that the Regional Growth Fund can be used to complement the Business Growth Fund as the position on bank equity develops.

4.12 The first round of bidding is now open for receipt of project proposals and will close on 21 January 2011. Further detail on the bidding timetable is set out below.

4.13 Government has deliberately avoided an approach that is overly-prescriptive in terms of what sorts of bids will be accepted, in order to encourage a wide range of project and programme proposals to come forward and those bids to be innovative.

4.14 Some projects that the Regional Growth Fund might support include investment where we have a comparative advantage and infrastructure provision to remove barriers to private sector-led economic growth. This might include part-funding research and development, training or productivity-boosting technology.

4.15 Infrastructure provision might include interventions to improve housing supply; services such as energy and transport; or land remediation and improvements to the physical environment, where it can be demonstrated that these would unlock specific business investments that lead to sustainable employment.

Box 4.A: The role of transport in growth

The transport sector itself, through the research and development of innovative transport technologies, is working to develop the new skills and jobs that will be needed to support a low carbon economy in the future. The Government is committed to investing in future transport infrastructure, and has taken the hard decisions about priorities, to secure the transport investment that will support the national economic recovery.

Transport plays a crucial role in supporting economic development and creating the opportunities for growth. Millions of people every day rely on our transport networks to go to work and to access essential services, such as hospitals and schools. Businesses rely on our national and international connectivity to offer services and deliver goods, and to drive growth opportunities across different sectors and in different places.

This may be one of many sectors that are well placed and attracted by the flexible terms of application to the Regional Growth Fund.

Eligibility of bids

4.16 There was widespread support in response to the consultation to operate a flexible fund. There will be no ring-fences within the Regional Growth Fund and no preferential status attached to any one type of bidder. The Regional Growth Fund will be managed as a challenge fund and all bids will be considered on their individual merits. Detailed criteria for bids are set out below. However, successful bids are expected to be those that demonstrate a compelling contribution to delivery of sustainable increases in private sector employment and economic growth. A flexible approach will also be taken in terms of responding to bids with an offer of funding in the form of grants or repayable loans, and this position will be reviewed on an on-going basis by the Advisory Panel and Ministers.

4.17 The consultation question on a minimum threshold of £1 million received a mixed response, some favouring a higher threshold, others not. It has been decided to operate the Fund on the basis of a minimum threshold of £1 million in support of strategic packages or stand alone projects. This will ensure that the Fund is not spread too thinly across the country and has a real and evident impact. It does not rule out smaller projects, which should be presented as a coherent package, collectively meeting the needs of local economic strategies, or that could be managed through investment bodies operating Regional Growth Fund programmes (see below). The level of the minimum threshold will be reviewed by the Advisory Panel at the end of the first bidding round. In general, support for smaller projects will be handled through programmes. However, if synergies between the bank equity 'Business Growth Fund' and the Regional Growth Fund develop we may seek to take account of these in the bidding process.

4.18 Bids are invited from the private sector (including social enterprises) and also from public-private partnerships. Bidding partnerships may come together that include a combination of large companies, SMEs, and/or social enterprises, working with public partners including local authorities, universities and colleges, and local trusts and agencies (to give but a few examples). Where they are established, local enterprise partnerships and other developing or established economic development partnerships are expected to play a role coordinating and assisting bids for their area, and may bid where they are suitably constituted with clear business presence and leadership of their boards. Public sector-only bids will not be accepted, although parts of some schemes may ultimately be delivered by the public sector.

Form of Bids

4.19 Bids will take three forms: stand-alone projects; project packages; and programme proposals.

A. Projects

Some private sector or partnership bids will comprise individual projects that make a specific and significant contribution in their own right to the core aims of the Regional Growth Fund. These bids will individually need to meet the minimum bidding threshold of £1 million.

B. Project packages

Project packages will either a) bring together a number of small (less than £1 million) projects in a coherent way that collectively meets the minimum bidding threshold, or b) represent a strategic partnership of individual projects that individually already meet the threshold, but collectively present a more compelling proposal. There may be a role here for local enterprise partnerships and other economic strategy groups to identify and co-ordinate project packages, in some cases bringing together individual projects that might not otherwise present an eligible or strong bid.

C. Programmes

Proposals are also invited from individual bodies or partnerships for strategic investment programmes, the collective aim of which meet the criteria of the Regional Growth Fund. This is designed to make provision for a collaborative approach to delivering smaller end proposals that are too diffuse to be included within specified project packages, yet fall within the broader remit of a strategy for economic growth. This form of proposal will enable social enterprises and investment practitioners to support partnerships and businesses with high growth potential.

There will be a separate bidding form and guidance for programme proposals, which will be made available in early 2011. Programme proposals are therefore not included within the first bidding round. However, the Government is keen to see early innovative programme bids as soon as possible.

In general terms, programme proposals will need to demonstrate a clear over-arching investment strategy for a specific geographical area; demonstrating the additionality of the programme in terms of significant private sector growth and/or leverage and create sustainable private sector jobs. Proposals will not have to provide a detailed description of every ultimate scheme beneficiary. Programme proposals will in their entirety be subject to the minimum threshold of £1 million and it is expected that the Regional Growth Fund investment will be match funded by other sources of investment. The investment group or organisation putting forward the proposal will commit to acting as the accountable body for the investment made and due diligence will be carried out in contract with that body. Such proposals will be subject to contractual conditions as with any offer from the Regional Growth Fund and the level of onward investment control will be subject to contract negotiation.

Criteria

4.20 Full details of the principles for the Regional Growth Fund interventions and the rationale for support are set out in the application form and associated guidance which is available from the Regional Growth Fund Website[1]

4.21 Proposals submitted as project and project package bids for support from the Regional Growth Fund should meet the following criteria, as set out in the application guidance:

Sustainable private sector growth

- Create additional sustainable private sector growth, including social enterprise. Bids will be required to demonstrate and quantify the number of additional private sector jobs they are creating.
- Demonstrate that the proposal has financial backing from the private sector. Bids should demonstrate that they have significant private sector leverage; this will be a key consideration in assessing bids. Match funding leveraged in as private sector investment needs to demonstrate a real stake in the outcome of the project or programme. The expectation will be clear, demonstrable, leverage. Contributions in-kind, while legitimate, will need to prove additionality, i.e. that the in-kind contribution would not materialise without support from the Regional Growth Fund to the project or programme.
- Provide a coherent commercial narrative for the proposal and be clear on key risks and how they will be mitigated.

Rebalancing the economy

- Bids should set out the extent to which people living in areas where the local economy is reliant on the public sector will benefit and demonstrate how the bid will create sustainable private sector led growth and prosperity. The proximity of sustainable private sector job creation to local economies currently reliant on the

[1] http://www.bis.gov.uk/policies/regional-economic-development/regional-growth-fund

public sector (based on Travel to Work areas) will be important in the overall assessment of a bid.

Additionality

- Demonstrate that the proposal is unlikely to go ahead in the absence of Regional Growth Fund support – evidencing commercial and market failure arguments.
- Identify the minimum amount of Regional Growth Fund support required for the proposal to progress.

Value for money

- Demonstrate value for money, as set out in the Treasury Green Book[2].
- Demonstrate the impact of the bid, and that the proposal fits with the economic priorities of the area as a whole, where possible linking to a wider economic vision which has private sector commitment and support from the community.
- Proposals should set out how the funding will be spent by the end of the lifetime of the Regional Growth Fund with a clear plan for benefits realisation.

State Aid Compliance

- Ensure that the terms of Regional Growth Fund support and the delivery of that support is compliant with European State Aid rules.

4.22 In addition to these core criteria, bidders are encouraged to demonstrate, where possible, how their proposal will contribute to green economic growth[3].

4.23 Many bids to the Regional Growth Fund may also be eligible for funding from ERDF. In these instances, we will minimise the bureaucracy of the application processes and make sure all investment decisions are aligned where it is relevant to do so.

Bidding process

4.24 We expect that there will be at least three bidding rounds over the lifetime of the Fund. Bids should reflect the profile of the Fund. Bidding for round one is now open. This round will close on 21 January 2011. This first round is a single stage round and only complete bids will be accepted. We anticipate allocating no more than half of the first year's allocation of the Fund in the first round, which has been limited to ensure ongoing availability in future rounds.

4.25 Announcement of a second round is anticipated soon after closure of the first round. The second round will be carried out over a longer total period and involve two stages; with an initial stage inviting expressions of interest for consideration by the Advisory Panel, followed by an invitation for full bids. Further details on the second round will be announced in early 2011. Potential bidders that will not be in a position to meet the deadline for the first round should start developing expressions of interest for the second round. They can also access bidder support as outlined below.

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[2] Bidding guidance is provided on the Regional Growth Fund website, including links to guidance on State Aid Rules and the Treasury Green Book framework. The bidding form is structured to support bids within the Green Book framework by requiring information that demonstrates the framework principles.

[3] The Coalition Government is committed to developing a sustainable green economy and it is expected that economic growth should be underpinned by environmentally sound principles. Where possible this should be demonstrated in bids to the Regional Growth Fund but it is recognised that the focus of some proposals will have minimal direct impact on the environment. Where a local economic development strategy prioritises green economic growth, a bid should seek to demonstrate how the aim of the project contributes to meeting those local priorities.

Governance and management of the Fund

4.26 It was announced on 23 July that Lord Heseltine will chair the Fund's independent Advisory Panel, supported by Sir Ian Wrigglesworth as deputy chair. The full membership of the independent Advisory Panel is set out in Box 4B below.

Box 4.B: Regional Growth Fund Independent Advisory Panel Members

- Lord Heseltine, Chair
- Sir Ian Wrigglesworth, Deputy Chair
- Felicity Goodey (Businesswoman, former senior BBC journalist)
- Tony Greenham (Programme Head, New Economics Foundation)
- Richard Lambert (Director General, CBI)
- Jon Moulton (Chairman, Better Capital equity group)
- Caroline Plumb (Entrepreneur, Freshminds)
- David Rowlands (Chair of Gatwick Airport Limited and Angel Trains Group Limited)
- Mark Seligman (Chartered Accountant and Banker, Credit Suisse)
- Andrew Shilston (Finance Director, Rolls Royce)
- Lord John Shipley (Former Leader Newcastle City Council)
- Tony Venables (Academic Economist, Oxford University)

4.27 The role of the Advisory Panel is to provide an independent strategic view to Ministers on how the Fund should be most effectively deployed. It will have a key role in identifying a range of projects that fulfil both of the Fund's core objectives and ultimately ensuring delivery of a balanced portfolio of projects. The panel may also from time to time invite independent advice, for example from academics with a respected overview of the economic landscape, to help them assure delivery of a balanced portfolio of projects.

4.28 Final decisions on recommendations put forward by the Advisory Panel will be made jointly by a ministerial group under the Chairmanship of the Deputy Prime Minister, comprising the Secretary of State for BIS, Secretary of State for CLG, Secretary of State for Transport, Secretary of State of DEFRA and the Chief Secretary to the Treasury. Ministers from the Department for Work and Pensions will be invited to present findings from the Labour Market Group to inform the panel's decisions. This group collectively has the power to ratify, amend or reverse recommendations made by the Advisory Panel. Ministers will be supported by a team of officials. Support will also be provided to Lord Heseltine's Advisory Panel.

4.29 The Advisory Panel is appointed to operate for two years as decisions are made on successful bids. Its role (and the role of individual Panel Members) will be reviewed at the end of this period as part of an overall review of the Regional Growth Fund as a whole. Any continued role of the Panel would require reappointment.

Support for bidders

4.30 Detailed guidance on the bidding process is available from the Regional Growth Fund website. A series of regional roadshows are planned to run between November 2010 and February 2011 to provide networking opportunities for potential bidders; and include the opportunity to attend appraisal clinics with advice available on bidding criteria and the application process. This will include guidance on State Aid rules and the Treasury Green Book framework within which the Growth Fund is operated. Further information on the programme of roadshows will be available from the Regional Growth Fund website in due course.

Further information

4.31 Further detailed information on the Regional Growth Fund, including guidance on the bidding process and the application form, is available from the Regional Growth Fund Website.

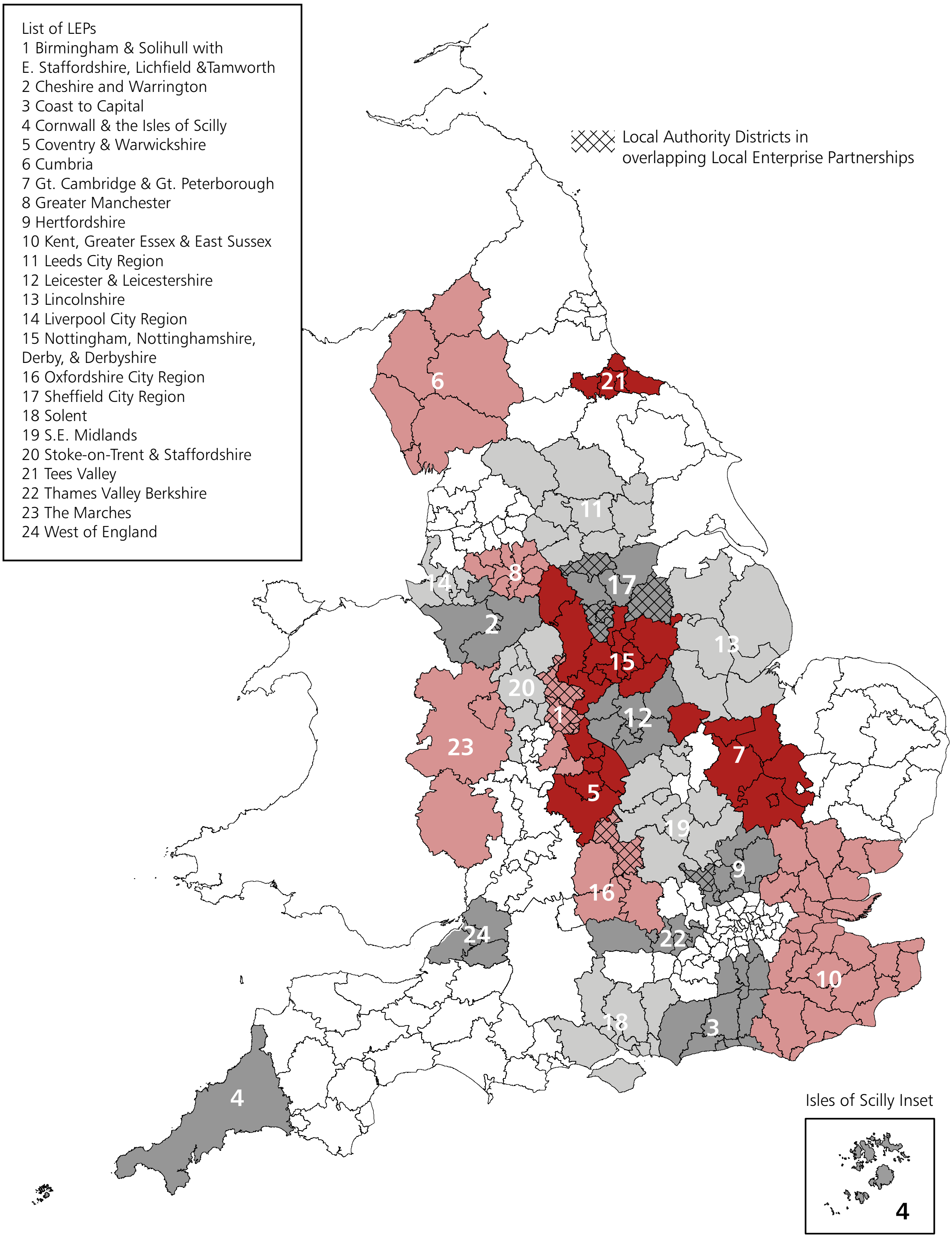
Other sources of Strategic Investment through the Spending Review

4.32 In addition to the Regional Growth Fund, Government announced significant capital investment at Spending Review to promote growth. These investments focused on infrastructure that underpins economic growth, including transport, communication and low-carbon technology and maintaining existing public assets in all regions in England.

4.33 Announcements included:

- enhancements to regional and urban transport systems, for example investment in Crossrail;
- £530 million of investment in broadband, benefiting a total of around two million households, including in some of the most remote areas of the UK. As part of this investment, the Government will also pursue broadband pilot projects in Cumbria, North Yorkshire, and Herefordshire, benefiting thousands of residents in these areas;
- support for low-carbon energy and climate change adaptation, including the creation of a UK-wide Green Investment Bank that will be capitalised with a £1 billion spending allocation and additional proceeds from the sale of Government-owned assets, to catalyse significant additional investment in green infrastructure; and
- £200 million a year by 2014-15 to support manufacturing and business development, with a focus on supporting potential high growth companies and the commercialisation of technologies.

A Local Enterprise Partnerships Proposals



Produced by the Geographic Analysis team, ASD

Kilometres
0 15 30 60 90

Data Sources:
OS Boundary Line

B Summary of Future Economic Development Delivery

Support for business

Business improvement

B.1 Business works through relationships with people businesses trust – usually other business people. Business people get most of their external advice from peer networks or from their accountants and banks. For most businesses, it is the private sector which can best provide the most professional, customer focused help for small firms and the Government's role is to facilitate that help and make the market work better for business.

B.2 The Business Link regional services, provided by the RDAs, have been the principal channel through which businesses have been able to access the Government's business support offer. They have also played a role in signposting businesses to other sources of advice and guidance including from the private sector. At £154 million per annum, the costs of this support have been high and the generalist nature of these regional services means the support has often been poorly targeted, for example, towards so-called "lifestyle" businesses that have no aspiration to grow. There are more efficient, effective and targeted ways to use public money to provide the kinds of business improvement help that businesses need. More services are now available online, including through businesslink.gov, which is valued by businesses, and the internet offers a key way to provide time-poor businesses with easily accessible information at a time and place when they need it and to help them find the resources they need. And businesses want face to face advice from people who they know and trust, particularly from other business people local to them who are deeply knowledgeable and can share their personal experience of being in business.

B.3 In future, greater prioritisation of Government support is required, focusing only on those areas where it can really add value. Businesses need to know how they will benefit from seeking external advice, especially strategic advice that has the potential to radically transform a business. They need to find the right advice quickly and be able take it up with confidence.

B.4 There will be two primary routes for all small and medium-sized enterprises (SMEs) across England to access Government-funded business advice:

- through a national website – www.businesslink.gov.uk. We are investing in improvements to the website to provide for more user generated content, easier navigation, personalised services and more links to private and voluntary sector advice and tools. The Government will focus on providing advice on regulation and transactions with government and wider online business advice and help will increasingly be developed and provided by those who can do it best – other businesses.
- a national call centre to provide telephone assistance for those businesses without internet access or who cannot find the help they need on the web.

B.5 In addition, DWP is supporting start-ups amongst the unemployed. The New Enterprise Allowance scheme will give an unemployed person entering self-employment the support they need to start a successful business. This will include Job Seekers Allowance equivalent for up to six months and mentoring and access to loan finance of up to £1,000. The aim is to support the creation of 10,000 new businesses, with scope to go further in future years.

B.6 The Government is also working with mentoring organisations, business groups and banks to develop and implement a national business mentoring strategy to increase awareness and access to business-to-business mentoring.

B.7 Government also has a role in fostering growth. We will focus on doing this in two ways:

- by tackling the impact of regulation. Regulation is enforced and applied across England both by regulators operating at national level, and by local authorities. The Government wants to ensure that where it is enforced, regulators do so in a way that supports rather than impedes business growth. We will be working to ensure that regulation is enforced at the right level to support this aim, and in a way that ensures an appropriate level of accountability to business.
- by funding the establishment of "growth hubs" which will provide access to specialist strategic advice, coaching and mentoring to firms with high growth potential as they go through periods of rapid and dynamic change and bring a package of growth related services into one place around the firm. Growth hubs will act as a catalyst for growth by bringing together firms with high growth potential with finance and equity networks and other professional and knowledge services. Growth hubs will work closely with Technology and Innovation Centres as well as the majority of high growth potential firms who are not technology based. In order to target firms that have the greatest potential for growth, growth hubs will need to be delivered by specialist business support providers operating a highly distributed model that reaches across the areas covered by local enterprise partnerships.

B.8 The Government will also continue to drive a simpler approach to the support it offers and provide a framework business can understand and navigate. We will simplify the Government-funded offer for business support, re-launching a streamlined Solutions for Business support portfolio with a much clearer focus on improving business performance and growth. The portfolio will be targeted at activities where a Government lead is required, for example, on supporting complex trade deals and challenging technology developments.

B.9 We expect that local enterprise partnerships will have a very important role in supporting enterprise and businesses in their areas. Their role in bringing together public and private partners, under business leadership and at a local level, means that they will be well placed to develop strategies and take action on a range of issues such as:

- promoting a more entrepreneurial culture, for example through business engagement in schools and start-up training in further education colleges;
- encouraging and supporting business start ups, including in more disadvantaged communities where self employment can help regenerate communities and build economic activity;
- helping existing businesses to survive and grow;
- encouraging networks and mentoring, for example through local women's business networks;
- developing the infrastructure for successful business communities.

B.10 Local enterprise partnerships will, better than government, be able to harness local businesses and partners to support enterprise activities such as these. To assist those investing resource in developing business support packages locally, the Government will share work that has already been carried out with business on the Solutions for Business portfolio, avoiding local enterprise partnerships having to develop these materials for themselves. This will also help the broader business community by ensuring more consistency in the way such help is offered and described.

Support for innovation

B.11 Innovation is central to the task of restoring the UK economy to long-term growth. The Technology Strategy Board will be the main delivery body for supporting business innovation. From next year, its role will be strengthened to also include responsibilities previously discharged by the Regional Development Agencies, including all business assistance programmes like "Grant for R&D", simplifying the way in which companies seek and receive support for technology-based innovation. The exception to this is Designing Demand which would be led by BIS.

B.12 Government departments will continue to provide policy leadership and support for innovation in low carbon and renewable technologies in close collaboration with the Technology Strategy Board.

B.13 We have also planned the establishment of an elite network of Technology and Innovation Centres, based on international models such as the Fraunhofer Institutes in Germany. These would have to complement existing institutions and focus on where the UK already holds a technological lead and where the market opportunities are promising. The Technology Strategy Board would oversee their creation, management and long-term funding.

B.14 Local enterprise partnerships will be given opportunities to make proposals in relation to other innovation infrastructure in which RDAs had a financial stake, and will play a key role in advocacy and relationship functions.

Sector Policy

B.15 The Government will continue to provide national leadership on framing policies towards sectors of national importance. Local enterprise partnerships will also have a key role to play and the Government will wish to work with them to ensure that local issues affecting such sectors are fully taken into account in national policy. Additionally, some local enterprise partnerships whose catchment areas include a high concentration of a particular national sector will be able to contribute valuable insight into how Government policy affects that sector.

B.16 It will be important, however, to ensure that competing local interest in particular sectors does not undermine the UK's ability to attract new investment from global companies or result in fragmentation or duplication of support for sectors. Clearly, local enterprise partnerships will wish to respond to local needs and wishes, and government will offer advice and guidance on the wider national picture to help inform local enterprise partnership decisions.

B.17 The Manufacturing Advisory Service (MAS) will continue to provide specialist no-nonsense support and advice to manufacturers, helping them thrive in an increasingly competitive market place. MAS has always striven to develop and adapt in line with the evolving needs of manufacturers: this will not change. The service will have a clear national structure but will be delivered to companies locally across England. MAS will help manufacturers rise to the challenges and opportunities that will be set out in more detail in the forthcoming Manufacturing Framework.

B.18 *The Government will shortly be setting out its skills strategy and response to its recent skills consultation. Within this, a refocused network of business-led Sector Skills Councils and National Skills Academies will work with employers to ensure skills provision is tailored to employers' needs and that learners have timely and relevant information to inform their career choices.*

Green, low carbon economic growth

B.19 The Government's approach to policies for growing the green economy will be based on the following elements:

- low carbon, green innovation – innovation is particularly important to the development of the green economy, given the fact that many of the technologies are new and require further investment in research, development and demonstration (R, D&D) before they are ready for market. Strategic innovation investment will be taken forward centrally, including support for nationally significant research, demonstration and testing centres;
- green infrastructure – local enterprise partnerships will need to consider what local infrastructure issues they can address to enable growth in this area. Many low carbon infrastructure projects will cross local enterprise partnership boundaries, for example, grid infrastructure, ports infrastructure (for renewable energy manufacture and deployment) and Carbon Capture and Storage. Where this is the case, particularly where there are large infrastructure issues, these will be best taken forward nationally;
- stimulation of supply chains – the Government's role will include facilitating the development of UK-based supply chains in developing green markets where there are significant opportunities, but information barriers exist. This includes offshore wind, marine energy and the civil nuclear industry. The Government will look to provide local enterprise partnerships and industry with information and support to ensure that businesses throughout the country are made aware of emerging business opportunities; and
- green Low Carbon Clusters – it will be for local enterprise partnerships to make the most of their areas of strength or comparative advantage. This will often mean local enterprise partnerships playing a co-ordinating role, bringing together industry with local partners such as skills bodies, planning, and business. Central Government can play a role in supporting local enterprise partnerships with information about supply chains (as described above) and in helping local enterprise partnerships join with other relevant institutions elsewhere in the country, for example academic institutions with expertise in particular sectors or technologies.

Box B.1: Support for low and ultra low carbon vehicles

The developing UK sector in low and ultra low carbon vehicles is one example where a number of local enterprise partnerships will have a close interest within a framework of national policy leadership. The sector is dominated by foreign-owned globally competitive companies and employs hundreds of thousands of workers across the UK. The industry considers a coherent policy approach to supply chain, technology and charging infrastructure challenges essential to seize the opportunities, which the transition to low carbon road transport presents. The Government is committed to achieving lower carbon transport as part of its wider national commitment to tackling the causes of climate change. The Government will therefore continue to provide sector leadership at a national level (including through the Automotive Council) and to work towards greening the industry and supporting the development, testing, demonstration and production of key low carbon technologies across the UK. Equally, the Government will look to work with local enterprise partnerships to ensure their views and those of who they represent are fully taken into account.

Tourism

B.20 The Government will place a strong emphasis on leadership by local tourism interests, in particular, local tourism businesses. It is intended that VisitEngland will play a supporting role at the national level, and will provide expertise and help in enabling local tourism bodies to develop their own tourism strategies and to work together, where joint activity is desirable.

B.21 Future delivery of tourism activities will be the responsibility of Destination Management Organisations (DMOs). DMOs should be membership and partnership bodies defined by local tourism businesses, attractions and interests, with management directly responsible to members, and with boundaries established by the DMOs themselves.

B.22 As the role of the RDAs recedes, it is expected that DMOs will be formed through existing tourism support bodies, councils, local business networks and new local enterprise partnerships, on the initiative of local tourism interests. DCMS and VisitEngland will work with Government Departments and public and private sector partners to support DMOs and local enterprise partnerships in the transition from the RDA framework.

Film and Creative Industries

B.23 As part of the Government's review of Arms Length Bodies we have announced that we are abolishing the Film Council. We are currently reviewing the model that is necessary to support the film industry. The Regional Screen Agencies which have, alongside the RDAs, played a role, in supporting both film and the wider creative industries at the regional level are developing plans for their future structure. Government is still considering the future delivery of the funding for this network.

Support for Inward Investment

B.24 Attracting foreign direct investment (FDI) is crucial to support growth. The UK's competitive advantages compared with other key competing nations when promoting the UK to overseas investors is most effectively deployed at the national level. Effective local engagement is, however, essential to successfully landing and sustaining FDI. The most effective network for supporting the attraction and retention of FDI will require strong partnership working between central government and local levels.

B.25 UK Trade & Investment (UKTI) is presently developing a framework to deliver support for FDI functions in England. This framework will be organised around two operational principles.

The first is the provision of national, sectoral support (effectively the front line, UK based sales force pulling together the various propositions from within the UK and presenting these offers to potential investors, and also delivering investor development services to those foreign-owned companies of national significance). The second principle is the provision of support around the more local needs of investors (accessing local resources and partnerships and producing the detailed information about local propositions – for example information about supply chains, premises, planning, skills, access to universities – and local investor development). The people providing this support will be geographically dispersed around England, and sited (ideally) near to key clusters of excellence.

B.26 The delivery organisation will be a focal point for connection into local and private networks, including local enterprise partnerships. This will need to cover:

- provision of information from the local level on the local offer (and why it carries international or national comparative advantage) and a means of ensuring that such information remains up to date; and
- arrangements to discuss UKTI's high-level approach to FDI.

B.27 Local enterprise partnerships will be an important part of this process and new channels of communication will be established with them. Separate arrangements will be made by UKTI with London and the Devolved Administrations, reflecting the different governance structures in place in those areas.

Box B.2: Targeting of support for inward investment in Birmingham

Research by IBM-PLI for Birmingham City Council and Marketing Birmingham has identified the cost-quality issues which drive investment and location decisions of international corporations and mapped these against Birmingham's strengths and other attributes. It has highlighted those sectors where Birmingham's comparative advantage was clear and where marketing and relationship development efforts would be most fruitful. These sectors include shared services and near-shoring which is exemplified by the successful recent establishment of Deutsche Bank's DBOI operation, and life sciences/ clinical trials as exemplified by The Binding Site whose Freelite product is emerging as the global standard test for multiple myeloma. To identify these strengths the IBM-PLI research involved a mix of analysis of investment trends to the city over the last decade and discussions with representative businesses in the sectors involved, looking both at factors that had influenced their investment decisions and forward trends.

International Trade

B.28 The delivery of support for companies to grow their businesses through trading internationally is already led at the national level by UKTI, with delivery contracted out at sub-national level to a number of delivery organisations.

B.29 Local enterprise partnerships may have a role, with local partners, in bidding to be a delivery agent for nationally commissioned trade development support. They may wish to have roles in signposting businesses to UKTI trade services and sector specific initiatives; ensuring any locally-funded international trade initiatives are integrated with national activity; and ensuring the international trade needs of local companies and clusters are understood and fed into the development of UKTI national programmes. UKTI will put in place a mechanism for ensuring an interface with local enterprise partnerships in relation to local delivery and priorities.

Capital market failures

B.30 Government will also invest in measures to address market failure in capital markets – debt and equity markets for growing SMEs. As this is a national market failure, and as equity funds and debt instruments need to have a significant size and expert management to attract investors and provide value for money, this activity will be led and managed at national level – whilst ensuring that interventions are available in every part of the country.

B.31 The venture capital and loan schemes (VCLFs), currently led and supported by RDAs, are important drivers of economic development and key components of the Government's growth package and regional rebalancing. There is a clear rationale for driving greater coherence, streamlining and consistency in the establishment and management of all existing and future publicly backed VCLFs, using a strong national framework which can provide oversight, expertise and potential to offer better value for money in managing Government's stake in regional funds.

B.32 The Government is applying three underlying principles to how delivery of these funds should be managed in the future:

- a national structure of oversight and management function maximises the specialist skills and knowledge of Capital for Enterprise Limited (CfEL) as the government's centre of expertise in SME finance interventions;
- a delivery structure is retained whereby fund management, referral and investment decisions remain sited in the areas that funds are commissioned; and, that national oversight and management incorporates a supporting structure of local engagement and input. This presents a potential role for Local Enterprise Partnerships' strategic voice and as a source of rich insight in to the needs and priorities for businesses in local areas; and
- new structures of management and delivery remain compliant with rules set out by ERDF and protect the financial and legal interests of Government and delivery partners including other private sector investors.

Grant for Business Investment (GBI)

B.33 GBI is a national scheme providing grants on a selective basis to support sustainable investment and job creation projects in the assisted areas of England. For all but the largest cases, the scheme has been delivered by the RDAs.

B.34 RDA provided GBI will cease with the closure of the Agencies. BIS will, however, consider large scale cases on an exceptional basis. This decision reflects both the need to address the budget deficit and the shift in focus from nationally-led to locally-driven policies to deliver economic growth. Options are being explored for managing those projects that have not come to an end by 1 April 2012.

Economic intelligence and analysis, and rapid response to economic shocks

B.35 Local enterprise partnerships will have an important role in responding to the needs of their local economies. Rapid response to economic shocks, such as floods or major business closures which affect more than one locality, would need to be coordinated at a higher level. The Government will bring together local partners to co-operate and share information and to plan and jointly deliver support. In addition, the Government will undertake a programme of economic intelligence and analysis – bringing together business facing intelligence with consistent national analysis.

2012 Olympic and Paralympic Games

B.36 With only two years to go until the start of the Games, it is imperative that key activities to ensuring the whole of the country makes the most of the potential economic, social and sporting benefits of the 2012 Olympic and Paralympic Games continue.

B.37 The delivery model for this continuing activity is still being developed. As local enterprise partnerships emerge they may be interested in taking on those in the London 2012 business network.

Support for individuals

Employment

B.38 Growth in private sector employment will be key to mitigating the job losses in the public sector and ensuring that places have the opportunity to grow their economies. However, some local authority districts were losing private sector jobs even during a period of growth and some areas have a high dependency on public sector jobs. Very often dependency on the public sector has been caused by a weak private sector.

B.39 DWP and Jobcentre Plus are concerned with getting people back into work and off benefits as soon as practically possible. Local enterprise partnerships will have a role in creating the right conditions to increase private sector jobs in their areas, working together with DWP and Jobcentre Plus. DWP is particularly concerned that those who are unemployed are not left to become long-term unemployed especially in those areas where private sector growth has been relatively weak. The active labour market regime and Work Programme will help address this.

B.40 Jobcentre Plus can actively support local enterprise partnerships through advice and guidance on the local labour market and ensure they work coherently with the college sector and Work Programme providers, including in disadvantaged localities. Jobcentre Plus engagement with local enterprise partnership boards will also be important as a way of ensuring that this alignment of services is built in at a strategic as well as delivery level.

B.41 Local enterprise partnerships could have an important role in supporting the delivery of the Work Programme locally. The way that DWP designs support is changing and therefore the way that local partnerships influence that design will also change. Central Government will not specify what support must be delivered but will leave that design work to contracted providers. The primary route for influencing design will therefore be to work with providers to ensure that local needs and priorities are reflected in service delivery. This will give an unprecedented opportunity to help influence the support that is put in place.

B.42 There are a number of policy areas where there is a need to finalise transition from RDA activity either to local enterprise partnerships, to Jobcentre Plus or to DWP. Further work is under way to clarify how regional recovery and co-ordination of redundancy support will be delivered in future. Depending on the focus of individual local enterprise partnerships, they may want to work with Jobcentre Plus in responding to cases of major redundancies.

Improving Workforce Skills

B.43 The Government is committed to freeing colleges and training organisations from central control and bureaucracy, so they can decide the training offer which responds directly to what well informed individual learners and employers want. Colleges and training organisations will be encouraged to form self-organised networks so they can engage more easily with local enterprise partnerships to agree skills priorities and how they can best be delivered. The priority is to develop networks of flexible and responsive colleges and training organisations where the relationship between the college or training organisation and their direct customers takes primacy and colleges are free to respond to the real demand demonstrated by employers and individual citizens.

B.44 The RDAs' role in skills strategy setting and commissioning training provision will cease and in future all funding for adult skills will be routed through the Skills Funding Agency, which will distribute to a network of quality assured colleges and training providers

B.45 We will encourage local enterprise partnerships to develop effective working relationships with the further and higher education sector and engage directly with their networks of colleges and training organisations in order to agree how to generate the demand for agreed strategic priorities locally – which may include helping to build employer ambition through spreading good practice – and to agree with learning providers and other stakeholders action to ensure provision meets demand.

16-19 Skills

B.46 Government has announced the removal of the requirement on local authorities to come together in sub-regional and regional planning groups, with local authorities working together to meet local needs as they see fit. Local authorities should include 16-19 provision in their wider education vision for their areas and will want to influence and shape that provision. It is for them to decide how they will do this. However, in many places there are highly effective 14-19 partnerships between authorities and providers which might be the place to continue the development of shared understanding of the needs of young people.

Investment in infrastructure and places

Planning

B.47 Local enterprise partnerships could take on a strategic planning role linked to their objectives of fostering sustainable economic growth. Many of the outline partnership proposals have identified a clear interest in undertaking strategic planning functions linked to infrastructure delivery, overcoming barriers to development delivery and co-ordinating approaches to investment. Partnerships will be free to develop strategic planning frameworks to address economic development and infrastructure issues which relate to economic geography. They may also wish to take on other planning related activities, including enabling the timely processing of applications for strategic development and infrastructure.

Broadband and super-fast connectivity

B.48 Broadband Delivery UK is leading a national programme to deliver the best superfast broadband network in Europe by 2015, ensuring at the same time that virtually everybody has access to a decent level of broadband connectivity. There could be a role for local enterprise partnerships to provide local leadership of projects and interventions working in close partnership with communities and local agencies as well as with the private sector, with BDUK providing overall co-ordination and strategic guidance.

Transport

B.49 The Government has already committed to looking at the involvement of local enterprise partnerships in taking decisions on local strategic transport priorities. The Department for Transport will work with partnerships either individually or in strategic consortia on what the priorities are and how they can be delivered. Local enterprise partnerships can immediately begin to demonstrate their scope of influence by engaging with local transport authorities on their local transport plans and partnering bids to the Local Sustainable Transport Fund.

Regeneration

B.50 Outside London, the Homes and Communities Agency will continue to have an important role at the request of local authorities and under local leadership by providing expertise on housing and physical regeneration. Regeneration should be targeted on areas most in need of support. The Agency will work through new local enterprise partnerships, integrating business and local government needs and building on the collaborative approach in working up Local Investment Plans. The approach that will be put in place is built around the following strands:

- handing more power to communities to drive regeneration;
- supporting places to generate investment and enabling communities by providing the tools to decide what happens and where; and
- bringing its resources to bear for the benefit of local areas.

Housing

B.51 House building investment has for decades been constrained by the lack of land supply, over regulation, a volatile (and hence uncertain) market for builders that also encourages unhelpful land speculation, and the lack of house building-enabling infrastructure. It is no accident that investment in housing output in the UK is amongst the lowest in the developed world – at only 3.5 per cent of GDP (Germany 5.5 per cent, France 6.25 per cent).

B.52 Given the highly constrained position of housing supply in England, both by international and historic standards, policy reforms to relax these constraints and unleash investment, including from international investors, in housing output could result in significant dividends – using our economic resources more efficiently by allowing investment in the economy to rebalance to where the returns are highest.

B.53 The Government has therefore committed to establishing the right conditions to draw in that investment through its proposals for reforming the planning system; providing incentives for local authorities and communities for unlocking land for development; de-regulation of the private rented sector, and supporting demand through support for the mortgage market.

B.54 The more strategic role for housing and planning at the level of local enterprise partnerships could also be an important part of the process to increase investment in housing output, and the Government will consider what role partnerships can play in maximising the UK's house building supply response to the wider economic recovery.

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