

The Local Growth White Paper and its implications for cities

Paul Swinney, November 2010

The Coalition's [White Paper](#) on Local Growth signalled a new approach to local economic growth with a menu of new powers and governance arrangements. The paper reflects key messages and arguments from our *Agenda for Growth* research this year. For example, it acknowledges that not everywhere will be an 'economic powerhouse' and that the role of Government is to create conditions for growth rather than drive growth itself.

Below we set out and provide some analysis of the proposals set out in the White Paper on local enterprise partnerships, the Regional Growth Fund, local government financing and planning.

Local Enterprise Partnerships

The paper states that the Government will:

- Approve 24 local enterprise partnership submissions and will look at future submissions on a bid by bid basis;
- Encourage partnerships to take an integrated approach to growth and infrastructure delivery through transport, housing and planning;
- Expect partnerships to have a board with at least 50 percent business representation and a business chair (previously announced);
- Will not automatically define partnerships in legislation, but will allow individual partnerships to pursue this if required;
- Expect partnerships to be self funded;
- Allocate decision making on different policies to those it deems operating at the most appropriate spatial level and based on the capabilities of specific partnerships; and
- Dispose of RDA assets by striking a balance between deficit reduction, local ambition and opportunity, and national policy aims.

The Centre for Cities welcomes the Government's emphasis that local enterprise partnerships should focus on the wider drivers of growth, such as transport, housing and planning. As set out in our recent [Firm Intentions](#) paper, partnerships should aim to improve the general business environment as a top priority, as it is this that impacts most on private sector growth. But for partnerships to have any real influence over these wider drivers they will need funding in the longer term. We would like the Government to revisit its position on funding for partnerships in the future.

It's also good to see that Government has stated that it wants decisions to be made at the [right spatial level](#). We strongly welcome the emphasis on devolving decision-making wherever possible, while recognising that there are some decisions which will be more appropriate to take at a regional or national level rather than at a partnership or neighbourhood level. Powers should not be devolved just for devolution's sake.

Regional Growth Fund

The paper sets out that the Regional Growth Fund will:

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

The top line aims of the Regional Growth Fund have not changed from those set out in the Government's consultation for the fund; it will still be aimed principally at areas that will be hit hard by public sector cuts. [The Centre for Cities has questioned](#) whether this is the best way to stimulate sustainable private sector job creation with a limited amount of funding.

Our recent submission to the [Spending Review](#) recommended that in the short term, more of the fund focuses on areas with the greatest potential to create private sector jobs.

We also argued that the fund should be extended ([as it was in the Spending Review](#)) and that more money should focus more on poorly performing places in later years, as the recovery takes hold. But the acknowledgement that bids will be assessed on a travel to work area basis may give more flexibility to support private sector job creation where it is most likely to occur. And, as we proposed in [Firm Intentions](#), the leveraging of ERDF money to bids will also allow Government to maximise the impact of the Regional Growth Fund.

Local Government Finance

The paper sets out that the Government will:

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

We welcome the announcement that the Coalition will consider relocalising the business rate and have set out in separate notes more detailed analysis on the [relocalisation of the business rate](#) and [Tax Increment Financing](#). We expect more detail in the Coalition's review of local government finance.

Planning

The paper sets out that the Government will:

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

Given planning's importance in encouraging local growth, the simplification of the planning system is welcome. We hope that a pro-growth, incentive-based planning system will allow buoyant cities to expand, easing pressure on their housing markets and [allowing people across the UK to access the opportunities that are available in these cities](#). The recognition that local authorities need to benefit financially from any growth will help underpin changes in the planning system. More details will be given in a forthcoming review of the planning system.

Summary

For years, devolution has been promised by parties in opposition and then Government has not delivered on its commitments. This Local Growth White Paper sets a new tone and a clear commitment to devolve more power from the centre. If this commitment translates into action, it will give cities more autonomy and flexibility to improve their economies, support business and support job creation – all the activities that will enable the UK to thrive in recovery. The priority now has to be putting these proposals into practice and making a difference to economic growth and prosperity on the ground.

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