

Regional Update

REPORT OF THE HEAD OF STRATEGIC ECONOMIC DEVELOPMENT

1.0 Why has this report come to the Committee?

- 1.1 The purpose of this report is to update members on significant national and regional developments impacting upon the economic prosperity of the city, with particular reference to the implications of the Government White Paper “Local Growth :Realising Every Place’s Potential”.
- 1.2 The report will provide a context for the work of the Committee and help to inform the Committees policy review into the development of the low carbon economy.

2.0 Current Position

Background

- 2.1 The Government White Paper “Local Growth : Realising Every Place’s Potential” sets out the Government’s role in empowering locally driven growth, encouraging business investment and promoting economic development.
- 2.2 The White Paper follows the direction set by the Spending Review in calling for power to be transferred from central government to local communities while seeking to reduce the public spending deficit and set the conditions for a private sector led recovery.
- 2.3 The White Paper envisages a rebalancing of the economy and the encouragement of sustainable growth by focusing on three key themes:
 - Shifting power to local communities and businesses, by creating dynamic local enterprise partnerships;
 - Increasing confidence to invest;
 - Focused investment, by tackling barriers to growth that the market will not address itself.
- 2.4 For local communities this means ensuring that everyone has access to opportunities that growth brings and everyone is able to fulfil their potential.

Role of Local Authorities in Supporting Growth

- 2.5 The White Paper argues that by shifting power to the right levels, democratic accountability and transparency will increase and public expenditure will be more responsive to the needs of local business and people.
- 2.6 The role of local authorities is therefore seen as an important element in successful growth (to support this, Government is intending to provide a general power of competence for them in the forthcoming Localism Bill). Key roles will include:
- using community leadership role and planning powers to set out a clear framework for local development;
 - supporting growth and development through ensuring a responsive supply of land that supports business growth and increases housing supply;
 - using land assets to leverage private funding to support growth;
 - directly and indirectly influencing investment decisions via the use of statutory powers, particularly through the planning system supporting local infrastructure – transport investment, in particular, is seen as a key enabler of growth;
 - support for local people and businesses;
 - providing high quality services and leading efforts to support and improve the health and well-being of the local population.

Local Enterprise Partnerships

- 2.7 Local Enterprise Partnerships (LEP) are intended to bring together businesses and local authorities in order to set the strategy and vision of economic growth in an area. The Government has agreed initially to the formation of 24 LEPs based on levels of support from local business, reasonable natural economic geography, local authority support, and added value and ambition. Their role is envisaged to include where appropriate:
- working with Government to set out key investment priorities;
 - coordinating proposals or bidding directly for the Regional Growth Fund although they do not have an exclusive role in this respect;
 - supporting high growth businesses e.g. through involvement in bringing together and supporting consortia to run new growth;
 - 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;
 - 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;
- becoming involved in delivery of other national priorities such as digital infrastructure.

2.8 The White Paper indicates that the only LEP proposal for this region that is to be approved at this stage will cover Tees Valley. The Government has indicated that it wishes to see fewer LEP geographies than the five put forward within the North East. Sunderland and South Tyneside had proposed a single LEP. Further discussions are being held to prepare a proposal for a single LEP covering Northumberland, County Durham and the Tyne and Wear authorities.

Closure of Regional Development Agencies

- 2.9 The Government has already announced the disbandment of the Regional Development Agencies (RDA), including One Northeast. It is proposed that some functions of the RDAs will be devolved to the local level for delivery through LEP's. Some, where there are significant economies of scale, will be co-ordinated at a national level and some functions, including the provision of new small scale Grant for Business Investment, regional workforce skills strategies and some sectoral activities, will cease.
- 2.10 The Government envisage that this will encourage a more responsive approach to the needs of local business and people by putting local business leadership at the helm of bodies that represent real economic geographies.

Regional Growth Fund

- 2.11 The Government sees the Regional Growth Fund as an important opportunity to rebalance the economy and support places that are over dependent on public sector employment.
- 2.12 The Regional Growth Fund has been set at £1.4 billion and priority will be given to bids that bring significant private sector funds and are seen as promoting sustainable employment growth. The Fund will run over three years, have no internal ring-fences, provide for programme as well as project funding and the minimum threshold for bids will be set at £1million.
- 2.13 The first round of the Regional Growth Fund is now open to bids for fully developed projects led by the private sector and will close on 21 January 2011. Bids are invited from the private sector (including social enterprises) and from public-private partnerships. Public sector only bids will not be accepted. Leverage of private sector funds against the Regional Growth Fund will be a key criterion for successful bids. All

areas can bid, but those that are judged to have the capacity to generate private sector growth without public intervention may struggle to show how they meet the criteria.

- 2.14 Further guidance for later rounds of bidding, including programme proposals, will be issued in early 2011. Consultations are being held to consider potential bids that would benefit the city in line with the objectives of the economic master plan which are similar in many respects to the criteria for the Regional Growth Fund in seeking to promote private sector investment and low carbon growth.

Other Proposals

- 2.15 The White Paper also contains the Government's commitment to reforming the planning system, in order to encourage growth and economic development. 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
 - 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
- 2.16 Consideration is also being given to options to enable councils to retain locally-raised business rates in the Local Government Resource Review (to be launched in January after a period of consultation). 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.
 - Considering ways to go further than the above by bringing forward proposals that will enable local authorities to offer local discounts on business rates.
 - To provide local authorities with a new tool for enabling additional investment to go ahead, Government will introduce new borrowing powers to enable authorities to carry out Tax Increment Financing.
 - Government will work with communities to make the most of renewable energy opportunities, both onshore and offshore;

those that host these projects will be allowed to keep the business rates they generate.

3.0 Recommendation

3.1 Members are recommended to note the report and raise comments or questions at the meeting.

4.0 Background Papers

Government White Paper “Local Growth : Realising Every Place’s Potential”

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