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To: Regeneration and Economic Development
Policy Overview and Scrutiny Committee

17 November 2010

Subject: LOCAL ENTERPRISE PARTNERSHIP

Classification: Unrestricted

Summary:

Earlier this year, the Government announced the abolition of Regional Development Agencies and invited groups of local authorities and businesses to bring forward proposals for new Local Enterprise Partnerships.

In October, the Government announced its support for 24 LEP proposals nationally. These include one covering Kent, Essex and East Sussex. At the same time, the Government published the Local Growth White Paper. This sets out the Government's approach to local economic development, including the potential roles of LEPs and the establishment of a new Regional Growth Fund.

This paper:

- Sets out the current status of the Kent, Essex and East Sussex LEP proposal;
- Summarises the main features of the Local Growth White Paper, including the establishment of the Regional Growth Fund; and
- Sets out the next steps in taking the Local Enterprise Partnership and related work forward

The Committee is asked to note this report.

1. Introduction

1.1. The Government's approach to local economic development was signalled shortly after the election, with the abolition of the architecture of regional government. In particular, the Regional Development Agency, SEEDA, will be wound up in 2011/12. In view of the wider public spending background, the Government has also been clear that future local economic development activity will be based around less public subsidy, reduced administrative overhead and increased private sector leverage.

- 1.2. In place of the Regional Development Agencies, the Government wrote to local authorities and business in early summer inviting proposals for Local Enterprise Partnerships by 6th September. As previously reported to the Regeneration and Economic Development Policy Overview and Scrutiny Committee, a proposal for a Kent and Essex LEP was submitted by this deadline, with the support of KCC. Government received some 58 LEP proposals by the deadline.
- 1.3. Following the submission of our Kent and Essex LEP proposal, the opportunity emerged in October to work more closely with East Sussex, which had submitted a separate LEP proposal in the summer. This reflected concerns that any LEP should be of strategic scale and capable of making a case for devolution of resources and powers given substantial competition from the Northern and Midland city regions. The addition of East Sussex also reflects shared priorities around coastal regeneration, the development of the rural economy (including the importance of rural broadband) and key transport infrastructure improvements. The Leaders of Kent, Essex and East Sussex County Councils, together with the chairs of the main local business consortia therefore wrote to the Secretaries of State proposing a combined Kent, Essex and East Sussex LEP bringing together the two existing proposals.

2. Local Enterprise Partnerships and the Local Growth White Paper

- 2.1. The Government published *Local Growth: Realising Every Place's Potential*, the Local Growth White Paper, on 28 October. This announced the first 24 LEPs (covering about two thirds of the country) to secure Government backing. The Kent, Essex and East Sussex LEP is among these. We have now received a formal letter from Ministers asking us to progress the establishment of a LEP Board and a successful launch event was held at the Houses of Parliament on 1 November.
- 2.2. The White Paper states that Government “does not intend to define LEPs in legislation”: There will therefore be no specific governance template for LEPs, other than that they must be equal partnerships between business and local government. However, the White Paper does provide an extensive list of roles that LEPs could potentially take on or influence, ranging from business support to bringing forward strategic sites to strategic planning. It is likely that LEPs will have different roles in different places, depending on local need and priorities, and these are likely to be determined through a negotiated and incremental process between Government and individual LEPs.

3. Other measures within the Local Growth White Paper

Regional Growth Fund

- 3.1. The White Paper also provides details of the establishment of a new Regional Growth Fund (RGF), worth £1.4 billion over three years from April 2011. This will replace a number of other funding streams (including Growth Areas Fund and the Thames Gateway programme).

- 3.2. RGF will operate as a challenge fund, with no ringfencing and no specific geographic eligibility. However, private sector leverage and demonstrable private sector job creation will be key criteria for successful bids. Bids are also only invited from the private sector or from public-private partnerships and it is clear that public sector only proposals will not be acceptable. While proposals to RGF can be made without reference to the LEP, it is anticipated that where LEPs exist, they will have a role in coordinating and assisting proposals.
- 3.3. The closing date for the first round of RGF proposals is 21 January 2011. Competition will be very high and schemes that do not solidly meet the leverage and job creation criteria are unlikely to be successful.

Regional Development Agency assets

- 3.4. The majority of SEEDA's property assets are either in Kent or in South Hampshire. With the abolition of the RDAs, these assets will need to be vested elsewhere. Within the White Paper, there is scope for transfer to local ownership, sale or national retention, with decisions made on an individual basis.

Growth incentives

- 3.5. The White Paper outlines three main incentives for local authorities to deliver housing and employment growth:
- New Homes Bonus: This will match fund the additional Council Tax for each new home and property brought back into use for six years after the home is built. The allocation of this resource between authorities in two-tier areas is unclear at present.
 - Business growth incentives: Government intends to introduce a business increase bonus scheme, allowing local authorities to retain growth in business rates above a threshold. The White Paper also trails the prospect of measures to allow retention of locally-raised business rates, to be considered through a wider review of options for business growth incentives
 - Tax increment financing: The introduction of TIF has already been announced. The White Paper proposes that this is introduced through a bid-based system with a series of pilot projects approved initially.

Business support

- 3.6. The existing landscape for business support services will change substantially, with the reduction of Business Link to a national, largely web-based service. However, the White Paper also commits to the establishment of a series of 'Growth Hubs' supporting high-growth companies, probably operating on a LEP or sub-regional basis.
- 3.7. A more comprehensive note on the Local Growth White Paper and its implications for Kent is attached as Annex 2.

4. Next steps

- 4.1. Following the go-ahead from Government, we are now able to progress the establishment of an interim Board for the Kent, Essex and East Sussex LEP, with a view to setting up a full Board by the next financial year. It is anticipated that initial proposals for governance – based on the principles of subsidiarity set out in the original Kent and Essex LEP proposal – will be brought forward later this month.
- 4.2. Work is also underway to develop a proposal for a recyclable investment fund that can bring key regeneration sites under local control and attract private sector investment to bring them forward. Similar funds have been established elsewhere in the country (notably in Greater Manchester), and this may prove a strong candidate for Regional Growth Fund investment. We are in the process of appointing consultants to develop a viable model, in consultation with District authorities, Medway Council and (as the current owner of significant assets) SEEDA.
- 4.3. Finally, with the changes to the business support landscape and reduced overall funding, there is a need for a strategic review of the support offer in Kent and work is currently under way to take this forward.

5. Recommendations

- 5.1. The Committee is recommended to note the contents of this report.

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7 November 2010

Background Documents:

Annex 1: Letter to the Secretaries of State for Communities and Local Government and Business, Innovation and Skills proposing a Kent, Essex and East Sussex LEP

Annex 2: Local Growth White Paper: Summary and relevant issues for Kent

Local Growth: Realising Every Place's Potential, the Local Growth White Paper
<http://www.bis.gov.uk/policies/regional-economic-development>