

# Local Growth White Paper: Summary and relevant issues for Kent

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The Government published *Local Growth: Realising Every Place's Potential* on 28 October. This sets out the Government's approach to local economic development, including the establishment of the new Regional Growth Fund and the creation of Local Enterprise Partnerships.

This note summarises the key proposals within the White Paper and their implications for economic development in Kent.

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## 1. Local Enterprise Partnerships

### *LEP geography*

The White Paper announces support for 24 of the outline Local Enterprise Partnership proposals submitted to Government in September.

For us, the **Kent, Essex and East Sussex LEP has been approved**, and we can now move forward in setting it up. The three County Councils have also received a formal letter from Ministers asking us to progress the establishment of the LEP Board. Moving forward, the White Paper promises that LEPs will be 'formally recognised' once Boards have been set up.

### *LEP roles and responsibilities*

The Government "does not intend to define Local Enterprise Partnerships in legislation", and remains vague about specific LEP roles and responsibilities. It is likely that LEPs will have different roles in different parts of the country, at least initially. The Paper lists – in various places - a very long list of roles that LEPs could *potentially* take on or influence, ranging from "ensuring business is involved in the development and consideration of strategic planning applications", to support for the delivery of the new Work Programme to support for high growth business. Further clarity will need to emerge over time through what looks to be a negotiated and incremental process between Government and individual LEPs.

This means that there is no definition of the legal form that a LEP will take, nor a specific governance template. The Kent, Essex and East Sussex proposal as submitted to Government is based on an unformalised strategic partnership arrangement, with delivery taking place through a range of delivery agencies.

### *LEP funding*

As anticipated, LEPs will need to cover their own running costs. However, they may submit proposals for Regional Growth Funding (see below).

We should not expect detailed guidance on the establishment of the LEP, or specification of the functions that Government expects from it. Although the details of the LEP concept remain uncertain, we do now have a LEP in place, which gives us a head start over much of the country. However, much will need to be done over the coming months to negotiate the detail with Government

## 2. Regional Growth Fund

The Government announced the establishment of a Regional Growth Fund in the summer. The White Paper and the Spending Review provide further details of the Fund allocation process.

### *Financial scale*

The Regional Growth Fund will be worth £1.4 billion over three years. The value of the Fund breaks down as follows:

£m	2011/12	2012/13	2013/14
Revenue	215	205	420
Capital	280	300	0
Total	495	505	420

Surprisingly, RGF is 60% revenue (although was previously trailed as being a mainly capital fund, and is largely referred to in the White Paper in capital terms). The Paper suggests that there will be some flexibility in converting revenue to capital, although this is rather vague.

### *Bidding criteria*

RGF will operate as a challenge fund, with no ringfencing, no specific geographic eligibility and largely flexible criteria. However:

- Private sector leverage will be a key criterion for successful bids
- The minimum threshold for bids is £1 million, although there is scope for packaging smaller projects (see below)
- Bids are invited from the private sector or from public-private partnerships. However, **public sector only bids will not be accepted**
- Where established, LEPs are expected to play a role in 'coordinating and assisting' bids for their area

In addition, schemes seeking RGF funding should in particular:

- Create private sector growth. **"Bids will be required to demonstrate and quantify the number of additional private sector jobs they are creating"**
- Demonstrate 'significant' private sector leverage
- Demonstrate how projects will create sustainable private sector growth, especially in areas 'over-dependent' on public sector employment (this will clearly be a challenge for proposals from the South East)
- Demonstrate additionality
- Demonstrate value for money in terms of wider economic impact

DfT has contributed to the RGF pot, so there is scope for investment in transport schemes where they meet the above criteria.

### *Process*

Bids can be made in the form of standalone projects, packages of coherent projects or broader strategic investment programmes. Where programme proposals are put forward, they will need to be matched by other investment and 'demonstrate a clear overarching strategy for a specific geographical area'.

There is **no** requirement for such a 'specific geographical area' to be coterminous with a LEP area.

The first round of bidding is now open and closes on 21 January, with two further rounds anticipated over the lifetime of the Fund. The White Paper anticipates that less than half of the Year 1 funds will be allocated in the first round – however as the Fund will probably be heavily oversubscribed, and given the tendency for administrative delay and underspend in new programmes, it might be sensible for Government to allocate more than this.

Following the first round, Government anticipates decisions by the end of the financial year. Recommendations will be made by a previously announced private sector panel chaired by Lord Heseltine, with decisions made by Ministers. It appears that the recommendation and decision-making process will operate on a national basis, rather than with any regional filter – likely to be a complex process to run from the centre. It is also worth noting that various other statements from ministers have suggested additional uses for RGF (such as the recent letter from Grant Shapps referring to the role of RGF in bringing forward housing schemes).

Competition for RGF will clearly be very high. However, the emphasis on private leverage and hard job creation is (in the White Paper itself at least) clear: schemes that do not solidly meet these criteria – especially in the South East – are unlikely to meet with success. Timescales are now fairly short to submission of first round bids, and we will need to move quickly. However, Government is already two months behind on its summer timetable and will find it hard to get schemes appraised and approved by the end of March. The pressure to allocate funds is therefore likely to be strong – reinforcing the value of strong first round proposals.

### **3. Thames Gateway and Growth Areas**

The Spending Review stated that the separate Thames Gateway funding programme is to cease. However, the Thames Gateway remains cited as a priority in the White Paper, with increased local government control over the governance process. Work to achieve this is already well advanced with the involvement of North Kent partners.

There is no specific reference to other Growth Area programmes within the White Paper, although the Spending Review is clear that Growth Area funding streams (like Thames Gateway) are now rolled into Regional Growth Fund.

### **4. European funding**

#### ***ERDF***

The White Paper and Spending Review contain an aspiration to align ERDF with Regional Growth Fund, and a commitment to put in place new delivery structures to replace the RDAs and to be announced in Budget 2011. It is not clear yet what form these structures will take, although they will contain a stronger role for local authorities and LEAs.

#### ***Rural Development Programme for England***

The Paper proposes a national approach, led by DEFRA, but with sub-national delivery taken forward at community level.

#### ***Other European funding***

There is no reference to Interreg or ESF funding and transition from the current RDA role.

## **5. RDA assets and wind down**

It appears that RDA wind down costs will not be taken from Regional Growth Fund, although the White Paper is not specific on this point.

RDA assets will be handled “in a way which creates maximum long-term value for the economy and local areas and maximises receipts to the departments”. This is what we would expect Government to say and is consistent with earlier messages – so clearly opportunities for local solutions, but equally the potential for national retention or private sale on an individual basis.

## **6. Planning**

The White Paper makes reference to potential roles for Local Enterprise Partnerships in developing ‘strategic planning frameworks’ with constituent local authorities (along the lines of the voluntary Local Infrastructure Plans suggested in *Open Source Planning*). There is also a reference to a strategic housing role at the LEP level (although what this means is unclear) and a role for LEPs in expressing strategic transport priorities to national Government.

## **7. Growth incentives**

### ***New Homes Bonus***

New Homes Bonus is an incentive for local authorities to bring forward housing. From next year, it will match fund the additional Council Tax for each new home and property brought into use for six years after the home is built. There is no reference to the allocation of this resource between authorities in two-tier areas, or the purposes to which it should be put (although the implication is that it is unringfenced).

### ***Business growth incentives***

Government has previously trailed a business increase bonus scheme as a replacement for LABGI, allowing authorities to retain growth in business rates above a threshold. There are no further details other than a restatement of the intent to develop this system. However, the White Paper also trails the prospect of various measures to allow retention of locally-raised business rates (including those generated through renewable energy projects). This is to be dealt with through a wider review of options for local authorities to offer incentives for business growth, and an initial consultation is set out in the White Paper.

### ***Tax increment financing***

The introduction of TIF has already been announced. As expected, the White Paper proposes that this is introduced through a bid-based system with a series of pilot projects approved initially (presumably Treasury will want an upper limit on the number of schemes anyway).

## **8. Business support and innovation**

### ***Business Link/ national support offer***

Business Link is being substantially reduced, with a central national website and call centre providing the generic first port of call for business advice. The White Paper also contains a commitment to re-launch a ‘streamlined’ Solutions for Business portfolio, with the implication that this will be run on a national basis.

There is also a commitment to the establishment of **Growth Hubs** supporting high-growth companies. The concept appears similar to that of the IGT, with the implication that they would operate on a LEP/ sub-regional basis, albeit associated with the network of Technology & Innovation Centres (see below).

### ***Local business support***

In addition to the national offer, a number of potential roles for local partners are cited, including education-business links, encouraging start-ups, support for business development in disadvantaged communities, etc. This will continue to be linked with the Solutions for Business portfolio.

### ***Innovation***

The Technology Strategy Board will be the lead agency for business innovation. As previously announced, Government will also be establishing a network of 'elite' Technology & Innovation Centres (similar to the concept trailed by the previous Government).

Remaining innovation activity currently undertaken by the RDAs may potentially transfer to LEPs should LEPs want to make a case for it.

### ***Sectors***

There will still be a national Government lead on 'sectors of national importance', with LEPs seen as responding to local demand. Specifically:

- **Manufacturing:** Manufacturing Advisory Service will continue, with a new Manufacturing Framework to be produced in due course
- **Low carbon:** A fairly basic approach set out so far, but with an emphasis on the role of LEPs in exploiting local opportunities
- **Tourism:** The White Paper presents a dual role between VisitEngland at the national level and local Destination Management Organisations (e.g. Visit Kent), with the disappearance of the role of the RDAs

### ***Inward investment***

The White Paper implies a national/ local duality, with:

- National support pulling together the various offers from within the UK and presenting them to potential investors; and
- Support around the local needs of investors (premises, skills, supply chain, etc).

LEPs are seen as central to future arrangements, but it is unclear how much central direction Government propose for local delivery organisations.

LEPs are also envisaged as having a role in bidding to be delivery agents for nationally-commissioned trade development support (e.g. signposting businesses to UKTI trade services)

### ***Venture capital***

The White Paper calls for 'greater coherence, streamlining and consistency' in the various venture capital and loan funds sponsored by the RDAs (which include Finance South East). This implies stronger national oversight and coordination, which may well make sense given the limited size of some VCLFs.

### ***Grants for Business Investment***

This scheme will end with the closure of the RDAs.

As expected, the implication is of a core – and diminished – ‘national spine’ of business support, supplemented by action undertaken at local level. However, the White Paper retains some commitment to the national Solutions for Business product range, with some products currently offered on a local/ regional level (e.g. support for high growth business) potentially being offered nationally.

## **9. Economic intelligence and analysis**

The White Paper commits Government to undertaking a national programme of economic intelligence and analysis to support LEPs and other partners. This may relate to some elements of the intelligence role undertaken by the RDAs and regional Business Links.

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