



# **HM Government Growth Review**

## **Views of CEDOS & ADEPT**

**February 2011**

**The Chief Economic Development Officers Society (CEDOS)** provides a forum for Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary Councils in non-metropolitan areas. The Society carries out research, develops and disseminates best practice, and publishes reports on key issues for economic development policy and practice. Through its collective expertise, it seeks to play its full part in helping to inform and shape national and regional policies and initiatives.

**The Association of Directors of Environment, Economy, Planning & Transport (ADEPT)** represents local authority Strategic Directors who manage some of the most pressing issues facing the UK today. The expertise of ADEPT members and their vision is fundamental in the handling of issues that affect all our lives. Operating at the strategic tier of local government they are responsible for crucial transport, waste management, environment, planning, energy and economic development issues. ADEPT membership is drawn from all four corners of the United Kingdom.

## **GROWTH REVIEW – ADEPT/CEDOS VIEWS**

### **INTRODUCTION**

1.1 We very much support the Government's economic policy objective to achieve strong, sustainable and balanced growth that is more evenly shared across the country and between industries. As the Government says, the UK needs to grow sustainably – both economically and environmentally. Achieving this will require both national and local action and across the country, our member's authorities are working hard to ensure our local areas make their essential contribution to sustainable national growth.

1.2 We welcome the publication of 'The Path to Strong, Sustainable and Balanced Growth' and the announcement of the Government's Growth Review as a fundamental assessment of what each part of Government is doing to provide the conditions for private sector success and address the barriers faced by industry.

1.3 The Growth Review report specifically invites business to take part in the Growth Review and to challenge every Government Department on the action it is taking to tackle barriers to growth. Given the importance of local as well as national action to promote and encourage sustainable economic growth, we believe it is also important for local authorities, their local business partners and organisations such as ours to play their full part in the Review.

1.4 With the responsibilities of the members of ADEPT and CEDOS covering key issues of economic development, transportation, planning and the environment in strategic county and unitary local authorities across the country, we are pleased to respond to the Government's invitation to put forward ideas and suggestions about how to improve the conditions for business growth. We welcome the fact that the growth review will be an ongoing process covering the whole Parliament. At this stage we have focused our input on key issues related to the main headings in the Growth Review. We are keen to make a continuing input throughout the rolling programme in relation to our areas of expertise and we look forward to working constructively with the Government as the programme develops.

### **THE IMPORTANCE OF LOCAL AS WELL AS NATIONAL ACTION**

1.5 At the sub-national level, the Government places emphasis on a localist approach to economic development and regeneration. Sustainable local economic development has a crucial part to play in achieving national economic recovery, with local authorities and their business partners working together in local enterprise partnerships that meet the needs of their local and sub-regional areas.

1.6 Our research has demonstrated the importance of effective local action. As our report on taking forward local economic development and

regeneration<sup>1</sup> has shown, despite its impact on local authority finances, county and unitary authorities devoted substantial resources to tackling the recession through their economic development activities. With their first-hand understanding of local economic circumstances, the strategic local authorities moved rapidly to put in place and implement substantial and successful programmes of action to counter the effects of the recession in their areas. Our report gives many examples of successful actions, which are directly relevant to key issues referred to in the Growth Review Report such as infrastructure, business support, sector development and access to finance.

1.7 Looking to the future, the Government's Growth Review report focuses on providing a framework for growth at the national level. We support this but at the same time, it is essential that the connection is made between the national framework and the local frameworks that are being established following the launch of the Local Growth White Paper<sup>2</sup>. Key issues identified as priorities in the Growth Review report such as skills, trade, export promotion, inward investment, business support, access to finance and the transition to a low carbon economy require local as well as national action. To achieve sustainable economic growth, a joined up approach is needed. As part of this, it is important to recognise the key role of the upper tier strategic local authorities in financing, delivering and maintaining Britain's infrastructure; and in boosting enterprise and supporting business and economic opportunity.

## **REMOVING BURDENS & PROMOTING GROWTH**

1.8 A core focus of the Growth Review report is on the removal of barriers to growth and reducing burdens on business. There is to be "a fundamental assessment of what each part of Government is doing to provide the conditions for private sector success and address the barriers faced by industry". In our view, the identification of barriers needs to take place at the local as well as the national level and for this the Government should recognise the important role of Local Economic Assessments.

1.9 As well as taking action to reduce burdens on business, it will be important for Government Departments to continue to reduce the burdens and remove the barriers that limit the effectiveness of local action to promote and support sustainable economic growth. We welcome the steps the Government is already taking to reduce the burden of too much reporting and inspection on local authorities and the reduction in the overlong chain of economic development decision-making with the abolition of the unelected regional development agencies. However, there needs to be continued vigilance and action needs to be taken to tackle the barriers that remain and in some cases that could be intensified, for example as a result of:

- too many local resources being taken up by time consuming and uncertain competitive and other bidding processes;

<sup>1</sup> *Recession & Post-Recession – Taking Forward Economic Development & Regeneration* CEDOS/ADEPT September 2010

<sup>2</sup> *Local Growth: Realising Every Place's Potential* October 2010

- having to 'jump through too many different hoops' to gain access to different funding streams with different application processes, criteria and performance monitoring arrangements

## **SUPPORTING BUSINESS GROWTH**

1.10 The Growth Review report rightly draws attention to the vital importance of the UK's 4.8 million small and medium-sized enterprises (SMEs) to the economy. The Government plans to focus the business support hitherto provided by regional business links through a national web site and a national call centre. This underlines the importance of locally responsive support services and the role of Local Enterprise Partnerships and local authorities - business support programmes have been identified in the Local Growth White Paper as an example of the key role of local authorities in supporting local business. As the White Paper said "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".

1.11 Our report 'Recession & Post-Recession – Taking Forward Economic Development & Regeneration' gives many examples of locally tailored business support. It will be essential that resources are available to enable continued local action to support businesses if the drive to achieve sustainable economic growth is to succeed. The Growth Review report refers to the plans to support high growth businesses through a network of growth hubs to provide them with access to specialist coaching, mentoring, investment-readiness advice. To achieve the Government's policy of growth being more evenly shared across the country, ready access to these growth hubs must be available to businesses throughout the country. This underlines the importance of the close involvement of the new Local Enterprise Partnerships in the development and roll out of this network.

## **ACCESS TO BUSINESS FINANCE**

1.12 The Growth Review report rightly emphasises that maintaining a flow of finance to viable businesses is vital to ensure they have the resources to invest and grow, and that innovative ideas have the backing they need to break into the market. The report refers to a comprehensive package of Government and industry-led measures. It is important also to recognise the contribution of locally led initiatives to invest in and assist local businesses. For example, Essex County Council has set up its *Banking on Essex* initiative, East Sussex County Council has deposited an additional £20 million of its normal cash flow to enable its bank to improve access to loans for county businesses, new loan schemes have been launched in Staffordshire and Wiltshire; Shropshire Council has set up the *Shropshire Business Enterprise Fund*, whilst Hull City Council and Lancashire County Council have expanded their already successful *Acorn* and *Rosebud* loan schemes. These and other local authority initiatives are making an

important contribution to helping businesses survive and develop, with actions tailored to meet specific local needs<sup>3</sup>.

## **INFRASTRUCTURE**

1.13 As the Growth Review report says, high quality economic infrastructure is particularly important to support a competitive, growing economy. We welcome the fact that the Government has prioritised public spending on infrastructure. In our view, investment in infrastructure is a pre-requisite for supporting sustainable economic growth. Whilst the announcement in the Spending Review of some £39 billion of transport investment in specified road, rail and underground schemes is welcome, there remains an overall need for continued investment in infrastructure – in transport, the provision of employment land, high speed broadband - to unlock the growth potential of local areas across the country.

1.14 In this context, we believe ongoing action at sub-regional level will be a vital part of meeting our critical infrastructure needs. While nationally important infrastructure will rightly be prioritised and controlled at a national level, there is a need to recognise that the strategic unitary and county local authorities have a key leadership role in meeting many of this country's transport and communications needs both in terms of maintaining current systems and investing in, delivering and influencing improvements to highways and public transport, involvement in the interface between road and rail transport and in initiatives to take advantage of ITC developments including, critically, high-speed broadband.

1.15 The CEDOS/ADEPT Recession report provides a whole range of examples of county and unitary local authorities planning and delivering key infrastructure investments. However, despite prioritising public spending on infrastructure in CSR10, the fact remains that capital funding for local authorities is set to be reduced by 45% over the spending review period, which underlines the increasing importance of local authorities having the freedom to explore new innovative sources of capital financing to support necessary infrastructure. In this context, we welcome the announcement in the Local Growth White Paper to enable tax increment financing (TIF) to allow local authorities to borrow against growth in their local business rates. See below for further consideration of this.

## **PLANNING**

1.16 Planning is a positive and proactive activity that is fundamental to sustainable growth, quality of life and providing certainty for investors and local communities. We recognise that although the planning system has some firm foundations and provides certainty for developers, changes are needed to make it more efficient, effective and responsive.

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<sup>3</sup> For more details see *Recession & Post-Recession – Taking Forward Economic Development & Regeneration* CEDOS/ADEPT September 2010

1.17 The Growth Review report states that the Government is committed to “reforming the planning system so that it supports economic growth by providing the right land in the right place for development, enables an increased supply of housing that the country needs, and ensures the timely delivery of infrastructure”. The reforms are intended to “ensure that the planning system incentivises growth with development driven from the bottom up, understands and is more responsive to changing demands of business, and is less bureaucratic”. The aim is a planning system that will encourage growth and provide increased confidence to investors.

1.18 The Growth Review report refers to the Local Growth White Paper and refers specifically to the plans to:

- create a Major Infrastructure Planning Unit to deliver a fast-track, democratically accountable planning process for nationally significant infrastructure projects;
- create a presumption in favour of sustainable development in a way that supports economic growth;
- incentivise housing growth through a New Homes Bonus to encourage local authorities and communities to be more supportive of local housing growth;
- reform the Community Infrastructure Levy to make it a more powerful incentive for local communities to support growth through funding for infrastructure;
- fundamentally reform and streamline national planning policy and guidance, and prepare and present to Parliament a simple and consolidated national planning policy framework covering all forms of development; and
- introduce a new duty that will place a statutory obligation on local authorities and public bodies, crucial to effective plan-making, to cooperate and to further support the delivery of effective cross-boundary strategic planning.

1.19 The Government’s reforms to the planning system are included in the Localism Bill, which is currently being considered by Parliament. As part of the reforms, the Bill will abolish Regional Spatial Strategies and will introduce a new right for communities to draw up ‘neighbourhood development plans’, which will “allow people to come together through a local parish council or neighbourhood forum and say where they think new houses, businesses and shops should go”<sup>4</sup>.

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<sup>4</sup> *A Plain English Guide to the Localism Bill* Department for Communities & Local Government January 2011

1.20 We support a number of the changes the Government proposes to introduce:

- streamlining national planning policy and guidance into a single national planning policy framework covering all forms of development, which needs to be completed as soon as possible to help guide local areas on national priorities;
- a presumption in favour of sustainable development that supports economic growth, for which the national planning policy framework will need to provide a clear definition at the national level, whilst giving some opportunity for local interpretation;
- a new duty to cooperate requiring local authorities and other public bodies to work together on planning issues and support the delivery of effective cross-boundary strategic planning;
- New Homes Bonus - We agree with the principle of rewarding local authorities where growth takes place and in our response<sup>5</sup> to the recent consultation paper, we suggest ways in which we think the impact of the scheme can be enhanced to increase its potential to incentivise house building and regeneration and achieve the objective of building the types of homes people want and need, in the places that people want them.

1.21 The Growth Review report underlines the importance cross-boundary strategic planning. With the decision to abolish Regional Spatial Strategies, there is a strong case for carrying out strategic planning at a level between national and local levels. Local needs cannot be addressed in isolation<sup>6</sup> and strategic planning at larger than local level is necessary to prevent a haphazard approach between new housing, economic priorities and supporting infrastructure. In our view, delivering sustainable economic growth requires strategic planning to be carried out at the sub-regional level. This should form part of a reformed planning system with county and unitary councils leading on strategic spatial plans working through robust sub-regional partnerships.

1.22 Whilst we strongly support the Government's localism agenda, we do have concerns about the potential adverse impact the introduction of a new right for communities to draw up 'neighbourhood development plans' could have on achieving economic growth. There is a real risk that plans drawn up by local communities could give rise to a new wave of 'nimbysism' that could undermine the sustainable growth agenda and put economic recovery at risk. In our view, it will be essential for the detailed proposals for neighbourhood development plans to be drawn up in a way that minimises this risk. A balance needs to be struck and we consider

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<sup>5</sup> *CLG Consultation on the New Homes Bonus – Views of CEDOS & ADEPT* December 2010

<sup>6</sup> See ADEPT evidence to the Communities and Local Government Select Committee's Inquiry into the abolition of Regional Spatial Strategies September 2010

that the introduction of neighbourhood plans must take place alongside provision for effective strategic sub-regional planning.

1.23 Overall, it is vital that the reforms are developed with the input of practitioners who understand what works well and what does not in the current system. In this context, we stand ready to work with Government to achieve a practical way forward that provides a sound planning system that, as the Growth Review report says, reconciles competing economic, social and environmental considerations – and one that supports both the localism agenda and the drive for sustainable economic growth.

## **SECTORS**

1.24 The Government's strategy places a focus on the specific barriers faced by different sectors, which will be informed by a much greater level of dialogue with the private sector to help Government become more responsive. The Growth Review report refers to the need to take a forensic look at all sectors of the economy with initially an assessment of the potential for Government action in 6 sectors chosen to reflect the challenges set out in the report: advanced manufacturing, digital and creative industries, business and professional services, retail, construction, and healthcare and life sciences.

1.25 It will be important that the intention to cover *all* sectors of the economy is carried through as soon as possible. As the report says "the UK needs broad-based growth that comes from all sectors of business, and that builds on the UK's existing strengths. An example is the food production sector, which is strategically important in terms, for example, of food security and environmental impact, and as an important user of innovation and technology, it is a driver of demand for input from higher value sectors.

1.26 We consider that Local Economic Assessments for local areas across the country should be highlighted as an important source of information to bring a spatial dimension to understanding the potential for growth in different sectors of the economy, the barriers to sectoral growth, and to help identify the next and subsequent groups to be looked at. This is another area that exemplifies the need for a joined up approach between central and local government to promote sustainable economic growth.

## **FOCUSED PUBLIC SPENDING – RESOURCES FOR LOCAL ECONOMIC DEVELOPMENT**

1.27 We agree that the Government should focus on supporting private sector growth and investment. We also welcome the prioritisation in the spending review of resources that promote growth such as the financial investment in adult apprenticeships. However, the achievement of sustainable economic growth requires action at local/sub-regional level as well as at the national level. We have referred above, for example, to the importance of local action in supporting business and the vital role of local authorities in providing the infrastructure to support growth. The recent

Local Growth White Paper acknowledged that the local authority role is critical to successful growth including:

- supporting local infrastructure, with transport investment, in particular, a key enabler of growth;
- support for local people and businesses, including regeneration, business support and employment programmes;
- providing high quality services, such as schools and transport that directly support businesses“ investment confidence and individuals“ life chances.

1.28 The Local Growth White Paper referred to supporting the local authority role in fostering and sustaining growth. In this context we welcome positive steps such as the creation of Local Enterprise Partnerships and the provision for a general power of competence in the Localism Bill. However, we continue to be very concerned that the spending cuts facing local authorities as a result of the Spending Review could severely compromise the ability of local authorities to support business, enterprise and the sustainable economic recovery of their areas. This could put at risk the ability of local authorities to continue to take a lead in supporting the economic recovery and regeneration of their areas. It could jeopardise the ability of local authorities to play their full part in the new Local Economic Partnerships and could undermine local and sub-regional economic recovery. As part of our current research, we will be assessing the impact of spending cuts on the delivery of local economic development and regeneration.

1.29 We recognise, of course, the need for fiscal consolidation and public sector debt reduction. At the same time, we believe there is scope for resources for local economic development to be released by rationalising funding streams to focus collective effort to maximum effect. A cross-agency place-based approach is needed to reduce administrative costs and central constraints that lead to inefficiency. In the Spending Review it was announced that community budgets will be established in 16 local areas to pool departmental budgets for families with complex needs, and rolled out to all local areas over the Spending Review period. We agree with the Local Government Association that the Government should not limit the policy objectives that community budgets can be linked to and that a genuinely localist approach would allow organisations in the local area to pool budgets for whatever purpose they choose so as to provide the best services for local people. We believe there is considerable potential for this in economic development, where it is important to focus not just on local public services working together to deliver savings, important though this is. It is essential that *all* levels of funding and intervention are covered.

1.30 Regional Growth Fund (RGF) – We welcome the introduction of the Regional Growth Fund on which we submitted our joint views to last year’s

consultation<sup>7</sup>. We consider the RGF has the potential to play an important part in helping to achieve regional and sub-regional growth in this country. However, its scope must be put into perspective. It will reinstate only a relatively small proportion of the very significant reductions that are being made in support for the regions. Already there are reports of the demand for the RGF in the first bidding round very significantly outstripping the funding available.

1.31 Tax Increment Financing (TIF) – In the light of the financial constraints facing local government and not least because of the urgency for local authorities to address local infrastructure requirements, ADEPT and CEDOS have called for more freedom for local government to explore alternative means of raising finance, including tax increment financing, to enable it to play its full part in renewing and improving Britain's infrastructure<sup>8</sup>. We welcome, therefore, the intention to enable tax increment financing to allow local authorities to borrow against growth in their local business rates. We await details of how TIF will be implemented before we can assess fully its potential.

1.32 Business Growth incentives – We support the Government's intention set out in the Local Growth White Paper to provide real and significant incentives to support local growth. CEDOS put forward its views on alternative approaches (business growth incentive/business rate retention) to the consultation within the Local Growth White Paper on local growth and the business rates system<sup>9</sup>. Whatever approach is ultimately decided on, it must provide for a genuine long-term incentive to support sustainable local growth. At the same time, it must have the flexibility to unlock the economic potential of all areas and include an appropriate mechanism to ensure that "fair consideration and treatment of all areas" is achieved. Within 2 tier local government areas there needs to be a realistic basis for distribution of business growth incentive/retained business rates. This should be in proportion to the spend on relevant services that support economic development, including capital investment and recognise that it is the upper tier authorities that often undertake the greater amount of activity, as well as taking the strategic approaches to economic development.

## **PROMOTING OPPORTUNITIES ACROSS THE COUNTRY**

1.33 As we have said, we strongly support the Government's economic policy objective to achieve sustainable and balanced growth that is more evenly shared across the country. The need to reduce public borrowing must not result in an increasing focus on a small number of areas of the country. We must avoid the trap of an unbalanced focus on the large city

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<sup>7</sup> HM Government consultation on the Regional Growth Fund CEDOS/ADEPT Views September 2010

<sup>8</sup> See *Supporting Sustainable Economic Recovery* ADEPT Position Statement June 2010 and *Recession & Post-Recession – Taking Forward Economic Development & Regeneration* CEDOS/ADEPT September 2010

<sup>9</sup> *Local Growth White Paper – Consultation on local growth & the business rates system – CEDOS Views* November 2010

regions. As our research<sup>10</sup> has shown, we need to unlock the potential of all areas and sub-regions if we are to make the most of this country's economic opportunities and secure a sustained recovery. It is essential that this is recognised in the distribution of national and regional resources, including the Regional Growth Fund and business growth incentives, and in making and prioritising investment decisions.

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<sup>10</sup> *Making the Most of Our Economic Potential – Looking Beyond the Core Cities.*  
ADEPT/CEDOS 2007