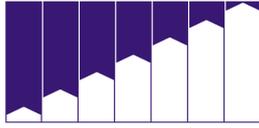


CEDOS



Chief Economic
Development
Officers' Society

Working for Economic Development

Taking forward the Single Local Growth Fund

CEDOS views

May 2013

Chief Economic Development Officers Society

The Chief Economic Development Officers Society (CEDOS) represents Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary Councils in non-metropolitan areas, which together represent over 47% of the population of England and provide services across over 84% of its land area. 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.

Taking forward the Single Local Growth Fund - Views of the Chief Economic Development Officers Society (CEDOS)

Introduction

1. We very much welcome the Government's commitment to increasing the devolution of economic powers and resources to local areas. We strongly support the centrepiece of the Government's announcements in response to Lord Heseltine's review – the creation of the Single Local Growth Fund. We recognise that there is much to be done to develop the detail of the Fund, ready for the announcements in the forthcoming spending review. Getting this detail right will be critical to ensuring its success in achieving the Government's aims of:

- achieving a step change away from away from centralisation to enable local areas to unlock local growth; and
- enabling every place to be able to fulfil its potential for growth, unleash enterprise and bring jobs and prosperity to communities.

1.2 In our view there are a number of issues that are critical to the success of the Fund:

- the overall amount of the Fund;
- the extent of buy-in across Departments;
- putting in place an effective allocation process and providing long-term certainty of funding;
- providing local areas with the necessary freedoms and flexibilities with minimum bureaucracy;
- enabling local authority support;
- ensuring effective local governance and accountability;
- the pace of devolving funding across the country.

1.3 This paper offers our views on these critical issues to assist the process of developing the detail of the Single Fund and providing a solid foundation for its success. We will be very pleased to discuss the individual points further with colleagues in Departments.

The size of the Fund

1.4 If the Single Local Growth Fund is going to be instrumental in delivering the step change that Government envisages, the overall level of funding must be substantial. Lord Heseltine in his report and subsequently has identified funding streams held nationally of between £58 and £70 billion that that would be put to better use if they are brought together into a single fund and devolved to local

areas. We are very concerned at reports that the eventual figure could fall well short of this¹. In our view, if the level of devolved funding falls short of Lord Heseltine's ambition, it will threaten the viability of the Fund and its ability to make a real difference to enabling local areas across the country to fulfil their growth potential and maximise their contribution to national economic recovery.

Buy-in across Departments

1.5 Ensuring the Single Fund can provide the necessary level of devolved funding requires buy-in from across Whitehall Departments. In his report, Lord Heseltine set out an indicative list of central budgets that would be more effectively managed by local leaders, which includes significant parts of the skills, local infrastructure, employment support, housing, regeneration and business support budgets held by central government. The Government response refers to the Single Fund including elements of the transport, housing and skills budgets with the case for the other funding streams identified by Lord Heseltine still to be assessed.

1.6 CEDOS considers that in the spending review, the Government must ensure that all Departments support the drive to deliver local growth. The Single Local Growth Fund should cover all the budgets that support growth including significant parts of the budgets identified by Lord Heseltine. We would be extremely concerned if the criteria listed in paragraph 2.19 of the Government's response were to be used as an excuse for Department's to avoid a whole-hearted commitment to supporting the Single Fund. We agree with the Local Government Association (LGA) that the onus should be on Government to demonstrate why any fund would achieve better outcomes by continuing to be held centrally².

Putting in place an effective allocation process and providing long-term certainty of funding

1.7 The Government has announced its intention of allocating the Single Growth Fund through a process of negotiation and using competitive tension for which the LEP strategic multi-year plans will form the basis. CEDOS urges the Government to

- take a flexible approach to Single Fund negotiations to ensure that the allocation of the Fund maximises the opportunity for local areas across the country to play to their strengths and contribute to national economic recovery and genuinely enables all areas to fulfil their potential for growth;
- provide LEPs with a long-term commitment that enables them to have the resources to drive the delivery of economic development and growth over a sustained period of time.

¹ Including a view attributed to the Business Secretary, who is reported to have said "I think the upper limit is not where we're at" in an interview following the LEP Network conference – Regeneration & Renewal 19 April 2013

² LGA briefing on the Government's response to the Heseltine Review 19 March 2013

1.8 In this context, we question the intention to base the allocation process on a competitive model. This could work against the need for the certainty of funding that long-term planning to secure sustained business growth requires and could result in widening economic disparities. It could also lead to more bureaucracy and militate against the speedy, effective and targeted action needed to achieve local economic growth.

Providing local areas with the necessary freedoms and flexibilities with minimum bureaucracy

1.9 It is vital that the Single Fund is operated in a way that minimises bureaucracy and provides local areas with the freedoms and flexibilities to invest the Single Fund allocations on economic development priorities determined locally. We emphasise the importance of implementing Lord Heseltine's recommendation that "central government should identify the budgets administered by different departments which support growth" and that "these should be brought together into a single funding pot for local areas, *without internal ring fences*".

Enabling local authority support

1.10 The crucial role of local authorities in supporting Local Enterprise Partnerships has been underlined in research by CEDOS³. As is clear from the Government response to Lord Heseltine, the success of the Single Local Growth Fund will depend on the ability of local authorities to continue to provide their essential level of support to LEPs and the drive for local economic growth. It is vital that as well as devolving the substantial powers and resources called for by Lord Heseltine, the spending review delivers a sustainable settlement for local government that enables local authorities to continue their pivotal role in promoting economic recovery and growth. As the LGA has said further cuts to council spending in the 2015/16 spending round would have a devastating impact on councils' ability to support local businesses and stimulate growth⁴.

Ensuring effective local governance and accountability

1.11 The Government response to Lord Heseltine includes an expectation that the Single Local Growth Fund will be accompanied by pooling strategic economic development spend and functions across LEP areas. This will require robust local governance and accountability arrangements not only for the delivery of LEP strategies but also for making the strategic decisions on the spending of public money. For this, there must be clear and unequivocal democratic accountability for these decisions.

The pace of devolving funding across the country

1.12 We welcome the Government's intention for all LEP areas to have the opportunity to negotiate a local growth deal but we do not agree with the claim in the Government's response to Lord Heseltine that the intention for every LEP

³ Local authorities, Local Enterprise Partnerships and the growth agenda CEDOS/ADEPT January 2013

⁴ LGA response to Heseltine announcement 19 March 2013

to be able to enter into negotiation for a local growth deal by the end of this parliament, will ensure that no place gets left behind. We are very concerned at the prospect of some areas, especially county areas, having to wait until the end of 2015 to negotiate a deal. This could undermine the collective contribution of LEPs to national economic recovery. This is underlined by a recent report⁵ for the County Councils Network which has demonstrated the significant contribution that county areas make to the national economy including generating over half of the Gross Value Added in England outside London.

1.13 It is our view that all LEP areas with strong agreed strategies for growth should be able to negotiate local growth deals without delay. Only in this way will Government be able to realise its ambition of enabling every place to be able to fulfil its potential for growth, unleash enterprise and bring jobs and prosperity to communities.

⁵ Counties and economic growth Shared Intelligence April 2013