

## WIRRAL COUNCIL

CABINET – 2 September 2010

### REPORT OF THE DEPUTY CHIEF EXECUTIVE/ DIRECTOR OF CORPORATE SERVICES

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#### LOCAL ENTERPRISE PARTNERSHIPS/REGIONAL GROWTH FUND

##### 1. Executive Summary

- 1.1 This report presents Members with an updated position on the establishment of Local Enterprise Partnerships. Members are asked to note the changes taking place nationally, including the abolition of the Regional Development Agencies, the introduction of a Regional Growth Fund and the impact of this on the Liverpool City Region. A suggested consultation response to the Regional Growth Fund is attached to this report. Members are asked to formally endorse Wirral's decision to be part of a Liverpool City Region submission to Government to become an LEP, agree the consultation response and also authorise Officers to work on the actions outlined within the report.

##### 2. Background

- 2.1 The Government signalled its intention to create Local Enterprise Partnerships (LEP's) in the emergency budget on the 22<sup>nd</sup> June 2010. Latest guidance states that the Government is looking for locally elected leaders to work directly with business to lead co-ordinated activity to support local economic development. Any proposed Local Enterprise Partnership should include a combination of upper tier Local Authorities to ensure that a true functional economic footprint and travel to work area is reflected. As part of these changes, Regional Development Agencies will be abolished and the LEP's will have a responsibility for improved co-ordination of public and private investment areas of economic development. In addition, funding for the 4NW (leader's forum) has been stopped following the removal by government of the Regional Spatial Strategy. Discussions are currently ongoing into a residual regional level body to continue in a supervisory capacity to support the LEPs in the region and to effectively monitor residual regional level issues such as planning and major transport schemes. Chief Executives from each sub-region have been tasked to work with business representatives and develop detailed principles for presentation back to the Leaders Board which will meet on the 31<sup>st</sup> August.
- 2.2 Effectively, LEP's should develop a framework that allows local authorities to support growth, including the exploration of models that would allow for business rate and tax incentives to lever in private sector investment. Government proposals, in addition to including economic regeneration matters, also refer to LEP's working to address housing, tourism, planning, major infrastructure projects and transport matters.
- 2.3 It should be noted that the proposal also outlines what the Government sees as functions that are best led nationally and they include; inward investment, sector leadership, responsibility for business support, innovation and access to finance. Many of these functions have previously been led regionally and one of the challenges for Wirral (and any LEP) is how to ensure that these now nationally led functions bring sufficient focus and opportunity for Wirral.

## **Regional Growth Fund**

- 2.4 On 29<sup>th</sup> June, the Government announced the launch of a £1 billion Regional Growth Fund to help areas and communities at risk of being particularly affected by public spending cuts. The fund, which will operate over two years will help areas most dependant on public sector employment as the country makes a transition to private sector-led growth and prosperity.
- 2.5 Both private bodies and public-private partnerships will be able to bid for funding by demonstrating that their proposal will bring in private investment and support sustainable increases in private sector jobs and growth within their area.
- 2.6 A consultation is currently under way on the Regional Growth Fund with a closing date of the 6<sup>th</sup> September.

## **3. Wirral's Approach**

- 3.1 Wirral has for many years operated as part of the Liverpool City Region and via The Mersey Partnership (TMP). We have collaborated in matters relating to economic development, culminating in the production of a Multi Area Agreement addressing four transformational actions for the economy. These are: Super Port, Visitor Economy, Knowledge Economy and Low Carbon Economy. In addition, collaborative work has been undertaken around Housing and Planning and transport via the Merseyside Integrated Passenger Authority.
- 3.2 However, the economic footprint and area of influence on Wirral also spreads across to Cheshire and indeed, North Wales. As a result, Wirral has also been a member of the Mersey Dee Alliance, an area covering Wirral, Cheshire West and Chester, Flintshire, Denbighshire and Wrexham. It is clear therefore that any LEP proposal may not in fact cover all of the economic footprint that influences Wirral, so it is important that whatever route Wirral takes, close working with other areas of influence must remain.
- 3.3 Wirral Council has consulted with neighbouring authorities and business leaders via the Investment Strategy Board and looked at a number of options for the geographical and economic area that an LEP including Wirral might cover.
- 3.4 The Government has invited submissions for Local Enterprise Partnerships, by 6th September.
- 3.5 The activities outlined in this section are a mixture of tried and tested interventions alongside new models of delivery, all of which are designed to drive enterprise and innovation at an efficient unit cost, which also engages the private sector to maximise leverage. The overall strategy, the programmes developed and the projects delivered must:
  - Significantly stimulate enterprise
  - Substantially involve private sector
  - Generate fast cost effective returns
- 3.6 Wirral Waters is one of the UK's largest regeneration projects and provides the potential to transform the economy of Wirral and the wider sub region working with one of the UK's largest developers, Peel Holdings. This presents a huge opportunity, particularly in the context of the Atlantic Gateway proposals, to use new funding models to generate the resources to kick start schemes which will create in excess of 27,000 jobs over the next 30 years.

- 3.7 In terms of Regional Growth Fund, specifically to Wirral officers recommend that the Council would like to engage with Government to discuss how:
- We can develop a replacement for Grant for Business Investment (GBI) to ensure that Wirral fully utilises its Assisted Area Status
  - We can develop a suitable programme of activity for Inward Investment, ensuring that whichever body assumes national responsibility for this action is accountable and involved in a collaborative manner with Wirral/LEP
  - We can develop a working model for new models of funding such as Tax Incentive Funding (TIF) and Accelerated Development Zones and to potentially pilot them at the Wirral Waters site
  - RGF can support infrastructure requirements such as land remediation and power supply
  - Government can support Wirral's NGA proposals
  - We can develop new and innovative models of unlocking development potential, utilising Council and other public sector as
  - We can ensure Wirral businesses can access finance and other incentives via the national organisation that will assume responsibility
  - We can support Wirral's Port activity and Low Carbon aspirations
  - Wirral can maximise its relationship with its private sector partners to create the investment conditions to make a major step change within the economy.
  - We can support new business start ups

#### **4. Liverpool City Region**

- 4.1 Liverpool City Region Cabinet agreed in principle at its meeting on the 30<sup>th</sup> July 2010 to submit an LEP proposal to Government, subject to formal agreement from each Local Authority.
- 4.2 More work will now go into the development of a structure for the Liverpool City Region LEP and how it will formally respond to the Government consultation. However, it has also been agreed that the Liverpool City Region will enter into dialogue with Government about devolving the following:
- business growth
  - inward investment
  - skills development
  - science and innovation
  - transfer of RDA assets
- 4.3 Initial discussions with the Department for Communities and Local Government have been positive and work is being undertaken to develop proposals for an appropriate structure for the LEP and how it will fit into the current Liverpool City Region governance arrangements. These proposals will be reported to Cabinet as appropriate.
- 4.4 The issue of NWDA assets being secured to use alongside LEP proposals is a critical one. To make programmes such as JESSICA work, we would need to secure agreement from government for the transfer of these assets to LA ownership. The NWDA assets are held in a Public/ Private partnership with a managing agent and the NWDA acting as a sleeping partner. It may not be possible to transfer the asset, but there are other ways around this which need to be fully explored.

## **5. Regional Growth Fund Consultation Response**

- 5.1 A suggested response to the Regional Growth Fund consultation is attached at Appendix A to this report.
- 5.2 Wirral believes that the RGF will need to be allocated on the basis of an agreed and transparent formula relating to a range of factors including levels of deprivation, worklessness and job density. We believe that the funding should be deployed by LEPs in accordance with their agreed strategies for economic growth. However, areas of cross boundary geography, ie local authorities who neighbour an area participating in a different LEP, should also be allowed to collaborate separately to submit proposals that align with the principles of the RGF in terms of working with the private sector on programmes of activity that will support significant levels of job creation.
- 5.3 It is also believed that all LEPs should have the ability to 'top up' their funding by bidding for additional resource on a competitive basis. These proposals should be assessed against their synergy with LEP strategies and their ability to contribute to increasing productivity (GVA) and creating jobs. This additional top up funding also should reflect local strategy if the funding proposals meet the right criteria and demonstrate the ability to increase GVA and create jobs. Therefore, individual Local Authorities should be able to bid to the Regional Growth Fund with viable projects.
- 5.4 The activities outlined in section 3.7 of this report are indicative of the types of interventions that Wirral would like to see supported through LEP's via the Regional Growth Fund.

## **6. Next Steps**

- 6.1 The Deputy Chief Executive will lead the discussions with the LCR partners in terms of the LEP proposals. This will include a formal response to Government on the 6<sup>th</sup> September. It will also include a review of the current governance arrangements.
- 6.2 The LCR will also respond formally to the Regional Growth Fund consultation that also closes on the 6<sup>th</sup> September. Wirral's response, if agreed by Cabinet, will be used to feed into the LCR response.
- 6.3 Wirral officers will work with LCR colleagues to develop a delivery framework for a Regional Growth Fund submission. This is expected to be in December, following the publication of the Governments white paper. Regular updates will be brought to Cabinet.
- 6.4 Wirral officers will also explore the opportunities for developing other RGF proposals both with either neighbouring authorities or a single Local Authority bid subject to the details meeting the requirements of the fund. Proposals will be reported to Cabinet.

## **7. Financial implications**

- 6.1. There are no direct financial implications arising as a result of this report but it should be noted that the changes to the current arrangements that are in place at the Liverpool City Region level will be made as part of this process. Current functions such as TMP and Merseyside Policy Unit will need to be reviewed as part of the process.

## **6. Staffing implications**

- 6.1. The development of LEP proposals and RGF bids will be managed using existing officer time within existing resources.

## **7. Equal Opportunities/Equality Impact Assessment (EIA)**

- 7.1. All of the activities outlined promote equal opportunities.

## **8. Community Safety implications**

- 8.1. There are no direct Community Safety implications arising from this report.

## **9. Local Agenda 21 implications**

- 9.1. None as a direct result of this report.

## **10. Planning implications**

- 10.1 LEP's will have planning implications but at this stage it is not clear what these will be. Future reports will update members on these issues.

## **11. Anti-poverty implications**

- 11.1 All of the activities outlined will help to reduce poverty and deprivation.

## **12. Human Rights implications**

- 12.1 There are no implications arising directly from this report.

## **13. Social Inclusion implications**

- 13.1 The approach outlined helps to promote social inclusion.

## **14. Local Member Support implications**

- 14.1. There are no implications arising directly from this report.

## **15. Background Papers**

- 15.1 Background papers to the national policy changes and the consultations relation to Local Enterprise Partnerships and Regional Growth Fund can be obtained by contacting Alan Evans on 691 8426.

## **Recommendations**

Members are asked to:

- i.) Formally endorse Wirral's decision to be part of a Liverpool City Region submission to Government to become an LEP;
- ii.) Agree the consultation response and
- iii.) Authorise officers to work on the actions outlined within the report.

**J. WILKIE**

Deputy Chief Executive/Director of Corporate Services

## **Regional Growth Fund Consultation Wirral Council Response**

### **Background**

Wirral Council welcomes this opportunity to comment on the Regional Growth Fund consultation which sets out the Government's commitment to promoting economic growth within the English regions.

Wirral suffers from significant economic challenges which are set out below. However, the area also has some major economic opportunities which have the potential to transform the local economy by working with the private sector to create the right conditions for investment. As part of the Liverpool City Region submission for Local Enterprise Partnership (LEP) status, Wirral recognises the importance of working in partnership with its City Region partners but also takes into account the functional economic relationship with other neighbouring authorities.

### **Economic Profile**

Wirral consistently ranks below the regional average on a range of enterprise and competitiveness indicators. In short, Wirral has:

- The lowest GVA per capita in England
- The second highest concentration of Worklessness in disadvantaged communities in England
- Extremely low Job Density rate
- Low levels of VAT registered businesses
- Skills disparities
- A number of poorly performing employment sites and a limited office market

Wirral also has an over-representation of businesses serving low value, local markets, and too few firms are able to access new technologies to develop new products and services and improve efficiency. Added to all of this, Wirral has a higher dependence on the public sector than regional and national averages with nearly 10% higher more public sector employees than England and 8% more than the North West. This makes the area vulnerable in respect of the impact of public sector spending reductions.

Wirral's Investment Strategy has been in place for the last four years to address these challenges. Whilst significant progress has been made, there are still huge challenges ahead. The relationship with the private sector has improved considerably.

Wirral's Investment Board has an influential and experienced membership including key private sector figures that can support new approaches to delivery. Additionally, the Wirral Business Forum, launched in October 2008 now has over 1300 members which is helping the Council to better engage with businesses with support and signposting on a range of interventions.

Alongside this, one of the UK's largest regeneration projects, Wirral Waters provides the potential to transform the economy of Wirral and the wider sub region working with one of the country's largest developers, Peel Holdings. This presents a huge opportunity to use new funding models to generate the resources to kick start schemes which will create in excess of 27,000 jobs over the next 30 years.

This consultation response sets out Wirral's enthusiasm and commitment to working with Government to design, implement and pilot new and innovative activities to stimulate economic growth and support strategic regeneration schemes.

## **Regional Growth Fund**

### **General Comments**

We believe that the RGF will need to be allocated on the basis of an agreed and transparent formula relating to a range of factors including levels of deprivation, worklessness and job density. We believe that the funding should be deployed by LEPs in accordance with their agreed strategies for economic growth. However, areas of cross boundary geography, ie local authorities who neighbour an area participating in a different LEP, should also be allowed to collaborate separately to submit proposals that align with the principles of the RGF in terms of working with the private sector on programmes of activity that will support significant levels of job creation.

All LEPs should have the ability to 'top up' their funding by bidding for additional resource on a competitive basis. These proposals should be assessed against their synergy with LEP strategies and their ability to contribute to increasing productivity (GVA) and creating jobs. This additional top up funding also should reflect local strategy if the funding proposals meet the right criteria and demonstrate the ability to increase GVA and create jobs. Therefore, individual Local Authorities should be able to bid to the Regional Growth Fund with viable projects.

#### **Q1. Are there benefits to be had from allocating different elements of the fund in different ways?**

We recognise the importance of allocating a proportion of RGF to individual LEPs and believe that this should be done where LEPs can demonstrate the existence of an agreed strategy and private sector engagement and on the basis of an agreed formula as set out above.

We believe that Local Authorities should also be allowed to seek on a competitive basis additional RGF funding for programmes which can clearly demonstrate consistency with locally defined economic growth strategies which should be strongly linked to the RGF priority of increasing private sector led economic growth.

This should include areas of cross boundary geography, ie local authorities who neighbour an area participating in a different LEP, and allowed them to submit proposals that align with the principles of the RGF in terms of working with the private sector.

LEPs should also be able to demonstrate the ability to utilise the funding in a renewable way by using the funding to leverage in additional funding or assets which in turn generate a return on public investment i.e. supporting new models of regeneration funding such as Tax Increment Funding (TIF).

#### **Q2. What type of activities should the fund support and how should the fund be best designed to facilitate this?**

The RGF should be focused on programmes of investment that are consistent with LEP strategies and which can deliver significant and sustained long term economic growth. We do not advocate replicating the programmes of financial support offered by Regional Development agencies, but in cases where significant public investment has resulted in the creation of jobs, investment should continue. This is applicable to Inward Investment support

in Merseyside which maximizes the ability to utilise state aid levels by offering investment support to companies.

We recommend that priority should be given to bids that demonstrate new and innovative partnership models between the public and private sector which are capable of leveraging additional investment, which generates a return to the growth fund and places it on a self-sustaining footing. Consideration should also be given to bids that demonstrate the ability to link together cross-cutting government projects (e.g. linking the RGF to the Work Programme to maximise size and impact of a project). Specifically to Wirral, we would like to engage with Government to discuss how:

- We can develop a replacement for Grant for Business Investment (GBI) to ensure that Wirral fully utilises its Assisted Area Status
- We can develop suitable programme of activity for Inward Investment, ensuring that whichever body assumes national responsibility for this action is accountable and involved in a collaborative manner with Wirral/LEP
- We can develop a working model for new models of funding such as Tax Incentive Funding (TIF) and Accelerated Development Zones and to potentially pilot them at the Wirral Waters site
- We can support growth through incentivised targeted recruitment and training by developing procurement systems as a tool to directly address worklessness/unemployment
- RGF can support infrastructure requirements such as land remediation and power supply
- Government can support Wirral's NGA proposals
- We can develop new and innovative models of unlocking development potential, utilising Council and other public sector as
- We can ensure Wirral businesses can access finance and other incentives via the national organisation that will assume responsibility
- We can support Wirral's Port activity and Low Carbon aspirations
- Wirral can maximise its relationship with its private sector partners to create the investment conditions to make a major step change within the economy.
- We can support new business starts

### **Q3. Do you think that these are the right criteria for assessing bids to the Regional Growth Fund?**

Given the relative scarcity of resource we would argue that the focus on economic growth should be the prime driver and should be firmly linked to the ability to generate sustained increases in GVA or jobs. The fund should also service national growth priorities whilst maintaining a keen focus on locally defined priorities as identified by the respective LEP or LA area.

With one of the objectives of the fund being to encourage private sector growth and prosperity in communities typically reliant on the public sector the development of alternative, innovative growth models could also be prioritized.

There does appear to be some tension between the stated requirement to demonstrate the ability to leverage private sector investment and the need to demonstrate market failure. It might be that an RGF funded project does not address a complete market failure but rather it provides intensive support in projects that can lever private sector investment to create a required critical mass that will overcome the market failure.

Merseyside requires additional support from the public sector to address market failure and commercial viability. RGF should not be used just as GAP funding but land remediation and infrastructure support will be critical to address some of the deep rooted economic problems within the economy.

**Q4. Do you think we should operate a two-stage bidding process?**

If clear criteria are outlined then all bidders into the fund should be clear on what is required to ensure any submission receives full consideration – negating the need for a two-stage process.

**Q5. Should a Regional Growth Fund become a long-term means of funding activity that promotes growth?**

Yes. Whilst the focus of this first round of the RGF should be on delivering GVA growth and employment growth in the private sector, it should not just be seen as conventional gap financing and should be deployed to support new partnership models involving the private and public sectors to lever investment with a return to the RGF whilst retaining some support to address market failure and commercial viability.