

WIRRAL COUNCIL

CABINET – 25th NOVEMBER 2010

REPORT OF THE INTERIM DIRECTOR OF CORPORATE SERVICES

Local Growth White Paper – Realising every places potential

1. Executive Summary

- 1.1 This report outlines the key principles arising within the Coalition Governments White Paper on Local Growth. The paper sets out a new approach to local economic growth with new powers and governance arrangements. It acknowledges that not everywhere will be an 'economic powerhouse' and that the role of Government is to create conditions for growth rather than drive growth itself. Members are asked to note the key issues arising for Wirral from the paper and agree the next steps outlined within the report for developing projects that meet the criteria of the Regional Growth Fund (RGF).

2. Background

- 2.1 The White Paper "Local Growth – Realising every places potential" is the Coalitions Governments high level strategy for rebalancing the economy. It is driven by the ambition for economic growth and sets out greater incentives for local growth to change the way that Central Government supports and maintains economic growth across the country.
- 2.2 The Government recognizes that it can't create private sector growth but it can create the conditions that enables UK businesses to be successful. The Government will ensure that businesses have an environment that enables them to compete and invest and provide economically important infrastructure and services that supports competitive advantage. Within the white paper, the Government sets out to:
- Tackle barriers and bottlenecks that inhibits growth
 - Reforming the planning system
 - Encouraging a healthy competitive regime
 - Ensuring tax and regulatory frameworks are stable and designed to facilitate and encourage investment, engaging internationally to promote stability and ensure that UK businesses can thrive in international markets, increasing our skills base so that more people have intermediate and higher level skills
 - And invest where it makes sense to do so eg high quality transport links essential to underpinning a successful economy

- Strengthening leadership through setting up mayors in the 12 largest English Cities (Referendums to be held in May 2012)
- Introducing Tax Increment Finance (TIF) Powers

3. Local Enterprise Partnerships

- 3.1 The paper highlights that the Governments will not define LEPs, which are the new partnerships between councils and businesses over sub-regions. There will be no legislation as they are different across the country. But LEPs may need a “legal personality or a specified accountable body in some circumstances, such as if it wished to own assets or contract to deliver certain functions”. This is most likely to be a limited company, but the “constitution and legal status of each partnership will be a matter for the partners, informed by the activities that they wish to pursue.”
- 3.2 Government will “normally” expect to see business representatives form half the LEP board, “with a prominent business leader in the chair”. But directly-elected mayors could also chair the boards.
- 3.3 The white papers sets out the role of LEP’s to:
- Work with Government to set out key investment priorities, including transport infrastructure and supporting or coordinating project delivery
 - coordinate proposals or bidding directly for the Regional Growth Fund
 - support high growth businesses, for example through involvement in bringing together and supporting consortia to run new growth hubs
 - make representation on the development of national planning policy and ensuring business is involved in the development and consideration of strategic planning applications
 - lead changes in how businesses are regulated locally
 - strategic housing delivery, including pooling and aligning funding streams to support this
 - work with local employers, Jobcentre Plus and learning providers to help local workless people into jobs
 - coordinate approaches to leveraging funding from the private sector
 - explore opportunities for developing financial and non-financial incentives on renewable energy projects and Green Deal
 - become involved in delivery of other national priorities such as digital infrastructure.
- 3.4 The government will encourage LEPs to work together where it would result in the “more efficient use of resources and secure a better outcome

than operating in isolation” LEPs will fund their “own day to day running costs” and should aim to lever in private investment.

- 3.5 LEPs will not receive preferential treatment in bids to the £1.4bn Regional Growth Fund – LEPs “therefore may benefit from joining up with other local partners to submit joint bids, or with neighbouring enterprise partnerships, to present co-ordinated bids”
- 3.6 Councils can pool schemes such as New Homes Bonus and possibly the Business Increase Bonus across LEP to “maximise potential benefits”

Policy Implications

- 3.8 The Liverpool City Region LEP received approval from Government at the time of the release of the White Paper. LCR partners now need to establish the LEP formally and agree operating arrangements.
- 3.9 The LCR have established ways of working and the introduction of the LEP should allow more effective working arrangements in respect of the Economy, Housing and Transport. However, there are a number of operational issues to address as a matter of urgency and LCR partners will need to decide on some of the issues arising from the paper, namely LEP supporting structures and key priorities set around economic issues.

RDA Functions

3.10 Only the “largest” LEPs will be able to “play a strong role” in RDA certain functions that the government considers to be of a national importance. These are innovation, inward investment and international trade. However, it says the new delivery function for national functions, to be set up by UKTI, will be flexible and will “take account of evolving capabilities and priorities of different LEPs”^{3.11} However, LEPs can take on responsibility for low carbon; business advice; tourism; skills and regeneration (working with Homes & Communities Agency). Housing and Transport also feature within the guidance

Policy Implications

- 3.12 The winding up of the RDA’s by 31st March 2012 has the following impact on Wirral:
- 3.13 Removal of General Business Investment (GBI) programme which will not be replaced – this technically removes any financial support for businesses to support investment projects. Merseyside has assisted area status which effectively means the ability to contribute more public support to private sector investment projects to address market failure and

financial viability which is more acute in Merseyside than anywhere else in the North West.

- 3.14 There are a number of issues to be addressed by LEP's as indicated, including how it interfaces with national bodies, such as the UKTI, will be developed.

European Funds

- 3.15 The government are still working on new delivery structures to replace RDAs and will encourage alignment of RGF with ERDF, "where the aims of bids are eligible for support from both funds". A new delivery structure to be announced at Budget 2011, but will be based on principles of increasing local voice in decisions and boosting private sector investment.

Policy Implications

- 3.16 Merseyside still receives a significant amount of ERDF resources, and much of this will need to be aligned with LEP resources over the next 24-36 months until the end of the programme. There may be a requirement for lobbying on the arrangements post Budget 2011 to reflect Merseyside status as a transition region.

RDA Assets & Liabilities

- 3.17 There is no clear way forward on the management of RDA assets. Assets are to be divided between DCLG and BIS. BIS will take on the "disposal" of business and technology related assets and DCLG taking on the "disposal" of land and property. The key principles of disposing RDA assets and liabilities will be:
- assets will be disposed of together with the associated liabilities wherever possible;
 - the aim will be to achieve the best possible outcome for the region consistent with achieving value for the public purse
 - the existing statutory framework governing RDAs remains in place and will continue until new legislation comes into force. In practice, this will mean that disposal decisions will continue to reflect the RDAs statutory purposes particularly the need to further the economic development and regeneration within the relevant area
 - in considering the candidates taking over the asset or liability, the planned new
 - owner must be capable of ensuring the asset will prosper within its custody or that any liabilities will be properly handled

- local demands and ambitions are met, so far as possible, by the proposed approach to disposal/transfer;
- that a reasonable balance is reached as part of disposal/transfer between national deficit reduction, national policy aims and local ambitions/opportunity;
- that an appropriate balance is struck between the purpose behind an assets purchase and the views of localities on best use; and
- that an appropriate balance between capacity, risk and the Governments commitment to localism is ensured.

Policy Implications

- 3.18 Wirral supports a North West proposal for the management of RDA assets in that they will be managed by the HCA in the short term with a longer strategy of transferring the assets to LA's or LEPS. The main issue is to ensure that a 'firesale' is avoided.

Existing RDA contracts

- 3.19 Will be managed down and RDAs will be expected to exit from projects "unless doing so will offer poor value for money or would impact upon key flagship projects which might be continued by local authorities, LEPS or other successor bodies". It is expected that RDAs will look to exit from contractual commitments by exercising break clauses or through renegotiation. In all instances, it is expected that RDA's will ensure that delivery partners and contractors are involved in any discussions from the outset.

Policy Implications

- 3.20 One of the Wirral contracts that has been fundamentally affected by this approach from the NWDA is the Intensive Start Up Support (ISUS) which has seen an overall reduction of the programme funding. The programme is expected to run until 31st March 2012, but the level of during for 2011/12 is yet to be confirmed.

4. Regional Growth Fund (RGF)

- Minimum bid set at £1m but smaller projects can be brought together into a strategic package
- Public sector only bids NOT accepted
- Three bidding rounds – first round to close on January 21. Conditional offers resulting from successful RGF bids will be announced in April 2011.

- 4.1 Bids can be for projects, programmes, or project packages with the key criteria: sustainable private sector growth; rebalancing the economy; additionality (ie- would not go ahead without RGF support); value for money; state aid compliance
- 4.2 An Independent Advisory Panel is to seek a balance between twin objectives of stimulating enterprise in areas with significant potential for economic growth and supporting those struggling areas that are overly dependent on the public sector.
- 4.3 All areas of England are eligible to bid “although some parts of the country, particularly where there is currently high employment, low-levels of deprivation and a vibrant private sector, may struggle to demonstrate how they meet the second objective of the Fund” (ie- that they are struggling)
- 4.4 RGF will be aligned with ERDF as much as possible and will look for “synergies” with the Business Growth Fund to be established by Business Finance Taskforce
- 4.5 The leverage of private sector funding against RGF will be key criterion for successful bids
- 4.6 Not prescriptive on type of projects that can bid but mentions investment “where we have a comparative advantage “and infrastructure provision to remove barriers to private sector-led economic growth - “This might include part funding research and development, training or productivity-boosting technology”.
- 4.7 Infrastructure provision “might include interventions to improve housing supply; services such as energy and transport; or land remediation and improvements to the physical environment, where it can be demonstrated that these would unlock specific business investments that lead to sustainable employment.”
- 4.8 RGF will be managed as a challenge fund with no ring-fencing and no preferential status to any type of bidder. There is clearly a debate going on within Government about whether schemes should be capital or revenue in nature. Guidance indicates a favour for infrastructure job creation projects, hence the line in the guidance about the ability to ‘change resource allocations into capital’. There is no doubt however, that revenue projects will be considered, especially where there are direct private sector jobs associated.

Policy Implications

- 4.9 RGF presents the biggest single opportunity for all LA's in England to support economic growth and innovation. Wirral is progressing a number of key projects to assess them for readiness for Round One. Only bids which are submitted in partnership with the private sector will be considered. Government guidance has indicated that housing and transport projects will be considered for RGF, but most focus will be the activity that creates jobs.

5. Other Funding Mechanisms

- 5.1 The paper sets out a number of new funding mechanisms in addition to the Regional Growth Fund.

Business Rates

- 5.2 The Government will bring forward proposals to enable councils to offer local discounts on business rates. Local authorities that host renewable energy projects will be able to keep the business rates that they generate.
- 5.3 The government to consider a more "radical options" to enable councils to retain locally raised business rates in local government finance review – it says this would go further than proposed Business Increase Bonus, which would operate in similar way to New Homes Bonus. Proposals will be launched in the local government resource review in January. Options to balance the unevenness in business rates yield in different areas across the country will also be considered, such as a London-pool that could be used to redistribute business rates from high yield areas to lower yield areas

Policy Implications

- 5.4 The Local Authority Resource review will set any proposals out in more detail but care needs to be taken as Wirral's business base does not offer a high yield and details of the proposals are critical for understanding how this could work in Wirral.

Tax Increment Financing

- 5.5 The Government will introduce Tax Increment Financing, which will require legislation. TIF to be introduced through a bid-based process, with lessons from "a set of initial projects" (ie- pilots) that will "inform future use of the power". There will be more details in the Local Government Resource review in January.

Policy Implications

- 5.6 New models of funding strategic projects that promote economic growth are critical to the success of Wirral's Investment Strategy. JESSICA and TIF will become increasingly important and it essential that Wirral continues to develop the skills to implement and use the new models in line with the Councils priorities set out within the Investment Strategy.

Planning

- 5.7 The paper confirms pre-announced planning reforms, including presumption in favour of sustainable development, community right-to-build, and a streamlined national planning framework. The creation of neighbourhood plans will give local communities greater flexibility from the Local Authority plan.
- 5.8 New statutory duty to cooperate on councils, public bodies, and private bodies that are critical to plan-making, such as infrastructure providers (ie- Network rail).

Policy Implications

- 5.9 Wirral welcomes the review and awaits the detail.

New Homes Bonus

- 5.10 Will match fund the additional council tax for each new home and property "brought back into use" (NB – note the phrasing, this means refurbished homes can also qualify, it seems, which is key for regeneration areas) – for six years after home is built. This will start in 2011/12 with a consultation published shortly.

Policy Implications

- 5.11 Wirral welcomes the New Homes Bonus as it could provide some key support to the principles of the Investment Strategy and will respond to the consultation.

6. Wirral Projects

- 6.1 Officers are working on a number of key projects to respond to the Regional Growth Fund opportunity. These are being developed in time for the 21st January submission date.
- 6.2 These projects are being developed in partnership with the Private Sector. Officers are looking at proposals to support several key manufacturing operations, supporting economic growth through developing key supply chains, promoting sustainable energy projects and low carbon economy activity.
- 6.3 Officers are seeking to develop a replacement programme for General Business Investment (GBI) to offer key financial support to big investments in Wirral utilizing the boroughs assisted area status, but only where employment growth is demonstrated.
- 6.4 The Merseyside Urban Development Fund, which utilises ERDF and is to be managed by the IGLOO consortia will apply for RGF resources to complement the ERDF in offering development finance to support investment activity across Merseyside.
- 6.5 Other potential projects include innovation support, training facilities linked to private sector opportunity. Business Support is also a key facet within the development of Wirral projects, including proposals for the continuation of a business start programme.
- 6.6 Wirral Officers are leading the development of a prospective HMRI replacement programme primarily focusing on finishing off the activity that has been started along with partner Authorities from the New Heartland pathfinder. Future reports will be brought back to Cabinet on this matter.
- 6.7 Update reports will be brought back to Cabinet in December and January.

7. Financial implications

- 7.1 RGF presents the biggest single opportunity for all LA's in England to support economic growth and innovation. Wirral needs to have viable projects worked up in partnership with the Private Sector to maximise the investment of RGF in the Borough. Additionally, Wirral needs to ensure that it has the skills and the tools to develop new funding models for regeneration in line with the policy guidance within the white paper. It is critical that Officers work quickly to understand the new models and maximise the potential to use them in Wirral.

8. Staffing implications

- 8.1 Regional Growth Fund could provide opportunities for the continuation of some key externally funded activities, namely HMRI, albeit within a reduced capacity.

9. Equal Opportunities/Equality Impact Assessment (EIA)

- 9.1 Any new programmes of activity arising from the white paper policy development will need to be subject to an EIA.

10. Community Safety implications

- 10.1 None are a direct result of this report.

11. Local Agenda 21 implications

- 11.1 None as a direct result of this report.

12. Planning implications

- 12.1 There are no direct planning implications arising from this report.

13. Anti-poverty implications

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

14. Human Rights implications

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

15. Social Inclusion implications

- 15.1 The approach outlined helps to promote social inclusion.

16. Local Member Support implications

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

17. Background Papers

17.1 Copies of the white paper can be found on the Department for Business Innovation and Skills website or copies and other background papers can be obtained by contacting Alan Evans on 0151 691 8426.

Recommendations

Cabinet are asked to:

- i.) Note the contents of the White Paper and the policy implications for Wirral that are detailed within the report;
- ii.) Authorise Officers to continue to develop the projects set out within Section 6 with update reports to be brought to members in December and January Cabinet meetings.

Kevin Adderley
Interim Director of Corporate Services