

The Future for Local Economic Development

CLES Summit 13 July 2010
Michael Ward, Chair, CLES
Board

1: Introduction

Two questions:

- What's going on?
- What should we be doing about it?

2: Contents

- Timeline
- Public spending
- The Spending Review
- The White Paper
- From RDAs to LEPs
- Finance for business
- Employment programmes
- Housing and the HCA
- London is different
- Headline messages
- What should we do now?

3: What do we know?

“There are known knowns. These are things that we know that we know. There are known unknowns. That is to say, there are things we now know we don't know. But there are also unknown unknowns. These are things we do not know we don't know.”

Donald Rumsfeld, 12 February 2002

4: The Paradox of Local Economic Development

- Unemployment set to rise
- Regional machinery being dismantled
- Local development the only show in town

BUT

- Very little money
- Much reverts to centre

5: The timeline I

2010

8 June	Start of spending review
22 June	Budget
29 June	circular from BIS/CLG requesting proposals on LEPs. Start of consultation on functions, governance etc
“Before the summer recess”	Green Paper on business finance
“Summer”	White Paper on Sub National Economic Development
6 Sept	Closing date for initial proposals for LEPs
Sept/Oct	Coalition Party Conferences

6: The timeline II

20 Oct	Announcement of outcome of spending review
Nov	Introduction of Public Bodies Bill, including abolition of RDAs; Localism Bill, including powers etc for LEPs
2011	
March	Budget End of existing welfare to work contracts

7: The timeline III

Transition periods:

- Sept 2010-Sept 2011: “Respond to proposals and facilitate establishment of LEPs”
- July 2010- April 2012: “terminate” and “transfer” RDA functions; complete RDA stand-alone major projects
- Oct 2011-April 2012: dispose of RDA assets

8: Public Spending I

Inherited position

Previous government had made major cuts:

For the period 2011-12 to 2013-14:

- Total spending was frozen in real terms
- Current spending: +0.8% per annum
- Investment spending: - 19.2% per annum

9: Public Spending II

Incoming Government:

- Limited (£2bn p.a) further cuts in *investment* (capital);
- Further £30bn p.a. in *current* expenditure
- Detail of how these are to be achieved will come in Spending Review in October 2010

10: Spending Review I

Limited room for manoeuvre.

Budget implies overall cuts of 25%, but:

- Pledge of no cuts in NHS, international aid;
- Some protection likely for schools, defence
- IFS conclude that other departmental limits would have to be cut by 33% - includes much of BIS and CLG, Home Office, Justice, Transport and Housing

11: Spending Review II

Spending Review Criteria:

- Is the activity essential to meet Government priorities?
- Does the Government need to fund this activity?
- Does the activity provide substantial economic value?
- Can the activity be targeted to those most in need?
- How can the activity be provided at lower cost?
- How can the activity be provided more effectively?
- Can the activity be provided by a non-state provider or by citizens, wholly or in partnership?
- Can non-state providers be paid to carry out the activity according to the results they achieve?
- Can local bodies as opposed to central government provide the activity?

12: The White Paper

June Budget states:

“The Government will publish a White Paper later in the summer setting out its plans for a new approach to sub-national growth.”

Confirmed in 29 June announcement, which refers to White Paper on local and regional growth.

13: From RDAs to LEPs I

Coalition agreement:

“We will support the creation of Local Enterprise Partnerships – joint local authority-business bodies brought forward by local authorities themselves to promote local economic development – to replace Regional Development Agencies (RDAs). These may take the form of the existing RDAs in areas where they are popular.”

14: From RDAs to LEPs II

Never mind the words, follow the money:

- Since election, £270 m cut from RDAs
- 20% + formula from London/SE/E/SW
- 10% + formula from others
- Comes on top of significant pre election cuts in 2008 and 2009

15: From RDAs to LEPs III

Individual RDAs:

North East	£32.9m	15%
Yorkshire	£40.3m	18.8%
North West	£52.0m	18.1%
West Midlands	£37.1m	18.6%
East Midlands	£28.3m	22.7%
EEDA	£28.3m	22.7%
SEEDA	£23.3m	22.3%
SWERDA	£27.8m	19.5%

16: From RDAs to LEPs IV

Government announcement 29 June:

- Government “committed to reforming our system of sub-national economic development by enabling councils and business to replace the existing Regional Development Agencies.”
- Councils invited to submit bids for LEPs by 6 September
- *Normally* equal representation of business and local government, with business in the chair
- LEPs to reflect “functional economic areas”

17: From RDAs to LEPs V

- *OUT* go RDAs – “bloated regional quangoes” (Pickles)
 - Private sector chair
 - Local government/business/third sector board
- *IN* come LEPs
 - Equal numbers business/local government
 - Private sector chair

18: From RDAs to LEPs VI

Some functions revert to central government:

- Inward investment
- Sector leadership
- Business support
- Innovation
- Access to finance, eg Venture Capital Funds

19: From RDAs to LEPs VII

Some unanswered questions:

- What will they do?
 - physical development? Infrastructure?
- Will they be able to act/spend themselves? Or will they rely on accountable bodies?
- Will they have any money?
- What happens to Business Link?
- For what sort of areas will they be formed?
- What role (if any) in relation to Welfare to Work?
- ...and what would local authorities like them to do?

20: Finance for Business I

The Regional Growth Fund

- Announced in Budget and in 29 June statement
- Details to follow in White Paper
- £1bn for 2011/12 and 2012/3
- “To help areas and communities at risk of being particularly affected by public spending cuts.”
- Open to private sector and to public private partnerships
- Projects must: “bring in private investment and support sustainable increases in private sector jobs and growth in their area.”

21: Finance for business II

Green Paper “before summer”:

- “will consider the broad range of finance options for businesses of different sizes including bank lending, equity and corporate debt;”
- “As part of the government’s strategy to encourage investment in growing companies in areas overly dependent on public sector employment, the Green Paper will consider the evidence, and identify any barriers to the supply of finance in such areas.”

22: Employment Programmes

- All existing welfare to work programmes, including Flexible New Deal, ending in 2011
- Working Neighbourhoods Fund and Future Jobs Fund also ending
- All existing contracts ending
- New Work Programme launching in 2011
- New contracts being awarded from Autumn 2010
- Increased role for voluntary and community sector proposed
- Much unease among existing providers...

23: Housing and the HCA

- Substantial budget reductions - £230 million in current year as part of May £6bn package
- More to come in Spending Review
- Shapps: “The Homes and Communities Agency will stay. But I think it needs to operate in a genuinely local way – at the invitation of local people who want to improve their communities. So it will be smaller, more strategic – with the HCA’s functions being delivered under local leadership. It will be much leaner. To use the jargon I see it as an enabling and investment body.”
- Will it have a capital programme? To do what?

24: London is different I

- Coalition Agreement: “we will abolish the Government Office for London”
- Proposals from Mayor to:
 - fully devolve HCA in London to Mayor
 - wholly absorb LDA into GLA
 - exercise wider powers over skills and employment through LSEB
 - turn Olympic Legacy Company into a Mayoral Development Corporation
- Mayoral proposals welcomed but not (yet) agreed by Government
- But likely that LEP proposals will not operate in London

25: London is different II

Unanswered questions:

- How much of the LDA's budget will it retain as part of the GLA? And for how long?
- What will happen in London to the RDA services which are going to central government? (inward investment etc?) What about Business Link in London?
- What resources will the London HCA retain?

26: Headline messages

- Picture clarifying – but still plenty of “known unknowns”
- Watch the money not the structures
- Don’t make the mistake of assuming the LEPs will inherit the RDA funding
- Centralization as well as decentralization
- London is different

27: So what do we do now?

- Make the case in the spending review for regeneration and economic development programmes, using the criteria
- Respond to the White and Green papers
- Don't get hung up on structures
- Retain capacity – in local government, in organisations like CLES