

Analysis of the Local Growth White Paper



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This briefing sets out the key announcements made in the Government's 'Local growth: realising every place's potential' White Paper and NLGN's reaction. It is broken into three sections: 1) Local Enterprise Partnerships, 2) Directly Elected Mayors and 3) Business Rates.

Local Enterprise Partnerships

The White papers states that: *'Local enterprise partnerships will provide the clear vision and strategic leadership to drive sustainable private sector-led growth and job creation in their area. We particularly encourage partnerships working in respect to transport, housing and planning as part of an integrated approach to growth and infrastructure delivery. This will be a major step forward in fostering a strong environment for business growth.'*

NLGN welcomes moves to try to create a more integrated and locally-led approach to transport, housing and strategic planning through LEPS. We also welcome the confirmation that the Government will make Tax Incremental Financing available to provide much needed new investment to support economic growth.

However, we question whether moves to transfer a range of powers previously held by Regional Development Agencies to Whitehall and arms length bodies is consistent with the Government's vision for localism or plans for locally-led economic growth.

The White Paper states that all public funding for adult skills provision will be routed through the Skills Funding Agency quango to colleges and training organisations. If LEPS, with locally elected leaders and strong business representation, are not given some strategic steer of this funding it will hamper their ability to rebalance their local economies and stimulate growth.

The geographies of LEPS will far more readily match travel-to-work patterns, labour markets and travel-to-learn patterns than national or regional structures. LEPS are ideally positioned to drive a coordinated and intelligent skills strategy, which is far more responsive to the needs of business.

We are also concerned about the minimal level of engagement local authorities and LEPS will have in the Department for Work and Pensions' Work Programme, with commissioning for this welfare-to-work programme centralised in Whitehall.

NLGN also believes that LEPS should have access to a single capital pot for transport, housing, economic development and regeneration.

As previous NLGN research has demonstrated, the success of LEPS depends to some extent on greater integration across Whitehall, a fuller readiness to engage in change, and a willingness to relinquish control and budgets. History suggests such buy-in is hard to achieve. NLGN believes that a number of reforms could help embed the principle of localism at the centre.

- We recommend that the localist spirit of the coalition's Programme for Government should be captured in a new presumption in favour of devolution. Thus NLGN propose that the Government create a new statutory 'duty to devolve'. Where a LEP wishes to have particular flexibilities and powers to drive economic growth, they should be granted if a number of key tests are met. NLGN believe these to be: If a LEP has firm evidence that it is operating at the right spatial level; if it has a strong case for why the desired functions are needed; if it can demonstrate partners have the necessary commitment; if it can give reasonable assurances that it has sufficiently robust governance in place; and if central Government departments are unable to give a compelling reason why new powers should not be granted.
- Whitehall Departments are currently "judge and jury" when it comes to devolution and are open to the charge that they are insufficiently impartial and too institutionally protectionist to make a judgement about whether they should grant new freedoms. The *Enterprise Partnerships Forum* will argue the case for a method of arbitration where appropriate powers, responsibilities and funding are not relinquished by central agencies. Such a function could fall to the BIS Select Committee, for example.

The Government White paper states that it will 'normally expect to see business representatives form half of the board, with a prominent business leader in the chair'.

NLGN believes that it is crucial that any governance arrangement for a LEP has a golden democratic thread. Proper involvement of and direction from business is critical, but this should not take place at the expense of democratic accountability and legitimacy.

Central Government should offer a challenge to LEPs on their business engagement, but should not be prescriptive about the exact nature this should take. We welcome the Government's recognition that it may be appropriate for elected mayors to chair the board of a LEP, but see little reason why local leaders should not also chair LEPs. Many partnerships have already developed governance arrangements that provide clear democratic legitimacy and accountability and the buy-in, input and engagement of leading local entrepreneurs.

Further information

- NLGN has been at the forefront of debates about sub-national governance for many years, driving forward Multi-Area Agreements and campaigning for local leadership of economic development. The thinktank hosts the Enterprise Partnership Forum along with the Institute for Political and Economic Governance (ipeg) at Manchester University. Information is available at <http://www.nlgn.org.uk/public/enterprise-partnership-forum/>
- NLGN aims to stimulate thinking about LEPs. Copies of this publication can be downloaded for free at <http://www.nlgn.org.uk/public/wp-content/uploads/The-Enterprise-Partnerships-Forum1.pdf>

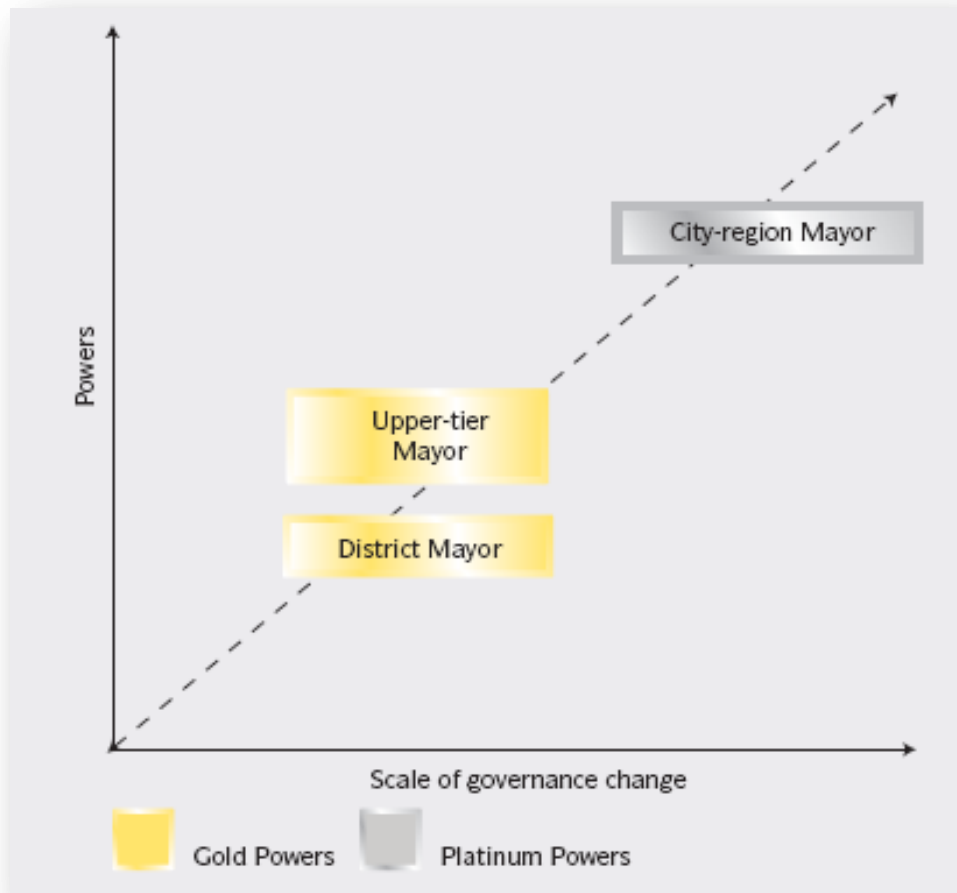
Directly Elected Mayors

NLGN has been the primary advocate of directly elected mayors to provide strong, visible and accountable leadership for over a decade. It is important that the Government has reaffirmed its commitment to have mayors in England's 12 largest cities in the White Paper and recognised the important economic leadership role they should play.

We believe that with their strong visibility and accountability, directly elected mayors have a unique mandate to provide powerful leadership and community engagement in their areas through these challenging times and beyond.

The introduction of open primaries for the selection of mayoral candidates would help reinvigorate our democracy and improve civic engagement. Such reform would heighten further the democratic advantage of the mayoral mandate as distinct from conventional approaches. We believe that a more rigorous candidate selection process to select mayoral candidates will serve to improve civic engagement, increase participation, empower communities, open-up politics and revive interest in our democratic institutions.

We also propose a new devolutionary framework for mayors: a 'gold' tier for local authority mayors and a 'platinum' tier for city-region mayors. Such a model would not only incentivise individual councils to adopt and retain the mayoral model, but promote the more difficult path of pooling sovereignty and creating cross-local authority city-region mayors where appropriate. Unless there are genuinely significant devolutionary incentives, we suspect that the inertia ingrained in the existing political structures will prevent further change from occurring voluntarily and weaken the chances of successful confirmatory referendums.



For Further Information:

- A free copy of NLGN's latest report on the mayoral agenda 'New Model Mayors: Democracy, Devolution and Direction' is available for download at <http://www.nlgn.org.uk/public/2010/new-model-mayors-democray-devolution-and-direction/>.
- NLGN hosts the Mayoral Forum, which offers practical support to this elected mayors, facilitates regular meetings, offers learning and peer support for the mayors, and disseminates key messages and lessons to stakeholder groups including central and local government, media and the public. Further information is available at <http://www.nlgn.org.uk/public/elected-mayors/>

Business Rates

The White Paper states that, *'in line with the coalition agreement, Government has been developing proposals for a Business Increase Bonus scheme to reward those authorities where growth in the*

business rates yield exceeds a threshold, by allowing them to keep the increase – up to a certain level – for a period of six years’.

It goes further however, stating that: *‘As work on decentralisation and the Spending Review has progressed, the Government has also been examining other, more radical, options. In particular, we have considered ways of enabling councils to retain locally-raised business rates. This would go further than the Business Increase Bonus scheme, with incentive effects likely to be stronger and more predictable, over longer time periods’.*

NLGN welcomes this business rate announcement and has been calling for the localisation of business rates for several years. We believe it offers exciting possibilities to give locally elected councils greater financial autonomy and provides a powerful incentive for local economic growth. Key, however, will be thinking carefully and innovatively about how more economically disadvantaged areas could be supported under any revised structure, including through wider reform to the local government finance system.

The White Paper states that ‘businesses would have the right to hold a binding vote on any local authority proposals to introduce a local supplement on business’.

NLGN believes that it should be a fundamental constitutional principle that there are no special vetoes on public policy decisions for a class or classes of individual or organisations – and that the final arbiter of decisions on taxation and expenditure should rest with the people and the representatives they elect.

We would urge the Government to consider whether an obligation to consult local businesses on business rates changes would be more appropriate given that locally accountable politicians have been elected to make decisions of this nature.

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