

BROMLEY ECONOMIC PARTNERSHIP

Meeting: Economic Partnership
Date: 9th November 2010
Subject: National and Regional Changes: Update
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1. Recommendations.

The Partnership is asked to:-

- 1.1 Note the updates provided on national and regional changes.

2. Background

- 2.1 This report outlines the key updates in national and regional changes in relation to the work of the Economic Partnership.

3. Local Enterprise Partnerships and the Regional Growth Fund

- 3.1 In May 2010, the Coalition Government announced the abolition of England's Regional Development Agencies (RDAs), signalling the end of the regional tier of government and the emergence of a renewed local approach.
- 3.2 In June, the Government wrote to all English local authorities inviting them to submit proposals around the development of Local Enterprise Partnerships, referred to as LEPs.
- 3.3 LEPs are partnerships between local government and business to carry out local economic development activities, taking over some functions of the RDAs. These partnerships will provide strategic leadership to set out local economic priorities. They will help "rebalance the economy towards the private sector" by creating the right environment for business growth.
- 3.4 It was widely assumed that London boroughs (or groups of boroughs) could not submit LEP proposals, because of London's regional governance arrangements and could not access the Regional Growth Fund (RGF) to support LEP activities.
- 3.5 It was later confirmed that London boroughs could submit LEP proposals, albeit after the original deadline for LEP submissions. There was a lack of clarity on the function, transition arrangements, timescales and funding for LEPs. It was suggested that funding could come from local authorities pooling their resources in addition to coming from the budgets of the abolished RDAs.

- 3.6 Given the confusion over the situation in London, Bromley aligned itself with the existing South London Sub-region. This approach did not deviate from past arrangements and there is an existing framework in place through South London Partnership and South London Business.
- 3.7 South London Partnership submitted an Expression of Interest LEP proposal covering the South London region comprising of Bromley, Croydon, Kingston, Merton, Richmond, Sutton and Wandsworth.
- 3.8 Bromley Council are currently in talks with South London Partnership about developing a full LEP proposal along with the South London boroughs mentioned above. There will be discussion on the roles, structure, accountability, funding and governance. It is expected a proposal will be drawn up for early November. Partners will be consulted on the proposal. An updated briefing note on LEPs will be produced when discussions/proposals have developed.
- 3.9 In June the Government launched the RGF - a £1 billion fund operating in 2011/12 and 2012/13, to provide support for projects that offer significant potential for sustainable economic growth and can create new private sector employment. The fund will particularly help areas and communities currently dependent on the public sector make the transition to private sector led growth and prosperity.
- 3.10 The recent Spending Review announced additional funding for the RGF- increased to £1.4 billion over 3 years, to help promote economic regeneration. However in comparison, the Regional Development Agencies budget was £2.3 billion a year.
- 3.11 LEPs will play an important role in bringing together bids for the RGF, working with key partners such as universities and Chambers of Commerce. Private sector companies and other public-private partnerships will also be invited to bid independently for the fund.

4. Local Economic Assessment (LEA)

- 4.1 Part 4 of the Local Democracy, Economic Development and Construction Act 2009 requires unitary authorities, including London boroughs, to undertake an assessment of the economic conditions within their locality - referred to as 'Local Economic Assessments' (LEAs).
- 4.2 LEAs should provide a comprehensive picture of the local economy. Their primary purpose should be to provide local authorities and partners with a robust analysis of local economic conditions, which in turn, should inform economic policies and interventions.
- 4.3 LEAs will help underpin local strategies such as the statutory Local Development Frameworks (LDFs), local transport plans and housing strategies. The assessment will complement other information in providing a useful source of evidence in considering the performance of local economies and the effectiveness of local partners' actions in support of sustainable economic growth.
- 4.4 In order to help local authorities meet their new requirements, the previous Government produced statutory guidance setting out what LEA's should contain in broad terms. Since the change of Government, the statutory guidance has been removed, thus freeing up local authorities to decide locally how they undertake their

assessments and monitor their local economy. The duty to undertake the assessment remains.

- 4.5 Further details on the LEA duty and its role in economic development are expected to emerge from the Decentralisation and Localism Bill, which is due to be announced in late November 2010. Officers will update Partners in due course regarding any developments on the LEA.

5. Devolution in London

- 5.1 In July 2010, the Mayor of London, the London Assembly and London Councils wrote a joint letter to Eric Pickles, the Secretary of State for Communities and Local Government, proposing a devolution package for London.
- 5.2 The proposals aim to achieve significant savings for the taxpayer through streamlined and more efficient government structures. Within this context, the Mayor, Assembly and London Councils put forward the case for a select transfer of functions and responsibilities from Central Government, accompanied by a sufficient and appropriate transfer of resources.
- 5.3 It is important to note that at this stage there is general consensus among the three bodies to devolve power, particularly in several key areas, but a number of issues will require further discussion.
- 5.4 The priorities for the Mayor are the transfer of Homes and Communities Agency London and London Development Agency functions and resources to the Greater London Authority and the establishment of the Olympic Park Legacy Company as a Mayoral Development Corporation. The priority for the Assembly is to see that robust transparency and accountability arrangements are embedded in any devolution package. The Assembly's powers should be strengthened, particularly in relation to the Mayor's strategies and budget. The priorities for London Councils are to bring resources and decisions as close to Londoners as possible. This will be reinforced by greater borough representation on pan- London bodies.
- 5.5 It is anticipated that the forthcoming Decentralisation and Localism Bill will affect a number of the proposals. In light of this, it is inevitable further discussions will be pursued by all parties concerned.

6. Mayor of London's Economic Development Strategy (EDS)

- 6.1 The Economic Development Strategy sets out the Mayor's vision with respect to the London economy, and how it can be realised. The Mayor's ambitions are for London to be the World Capital of Business, and to have the most competitive business environment in the world; to be one of the world's leading low carbon capitals, for all Londoners to share in London's economic success and for London to maximise the benefits of the 2012 Olympic and Paralympic games.
- 6.2 Following the public consultation in the autumn of 2009, the Mayor has published a final version of the EDS for London. The final version does not differ notably from the public consultation draft, with the main aims and objectives remaining the same. The Strategy is a 'high-level' document, with details on spending to emerge in the future.

- 6.3 An implementation Plan will be published in autumn 2010, which will set out how the Mayor will work with partners to deliver his vision for London and to champion the Capital. This Plan is expected to provide more detail than the Strategy and officers will update Partners on any relevant developments.

7. The London Plan

- 7.1 The Examination in Public (EiP) of the Replacement London Plan took place at City Hall over the summer of 2010 and concluded recently in late October. Structured discussions took place before an independent panel on selected matters arising from the panel's consideration of the draft Replacement London Plan and of responses to the consultation. Bromley Council participated in a number of discussions, including housing and Strategic Outer London Development Centres (SOLDs).
- 7.2 The panel will write a report to the Mayor recommending changes to the draft Plan, which the Mayor can accept or reject. Following this, the Mayor sends a final version of the Plan to the Secretary of State, who decides whether any further changes are needed. It is expected the Mayor will publish a final version in 2011.

8. Comprehensive Spending Review

- 8.1 The Chancellor of the Exchequer, the Rt. Hon. George Osborne MP, revealed details of the Spending Review on 20 October 2010, covering the four years from 2011-12 to 2014-15. Highlights of the Spending Review are set out in paragraphs 8.2 – 8.12.
- 8.2 Ring-fencing of all local government grants (with the exception of schools grants and a public health grant from 2013) will end in 2011-12.
- 8.3 Local Area Agreement (LAA) Reward Grant has been stopped. There will be no further payments of LAA Reward Grant against the 2008-11 LAA targets in the next Spending Review period. All designations of local improvement targets in local authority LAAs have been revoked and local authorities are free to amend or withdraw targets from LAAs as they see fit. Those targets which remain within LAAs will not be monitored by CLG.
- 8.4 The Government has announced that councils choosing to freeze their local council tax levels in 2011-12 will receive funding equivalent to a 2.5% increase in council tax for that year for the entire Spending Review period (£700m has been set aside to fund this policy each year). Spending on Council Tax Benefit (CTB) is to be reduced by 10% and CTB to be localised from 2013-14.
- 8.5 Funding for adult apprenticeships (25 year olds plus) will be increased by £250 million a year by 2014-15 equating to around 75,000 more adult apprenticeships nationally. The Government will continue to fund basic skills provision and will protect and reform Adult Community Learning. Within Further Education (FE), individuals will now have to contribute to fund Level 3 qualifications via student loans to meet tuition fees (repayment levels varying with income). The Government confirms that it will move to an all-age career service (currently there is Connexions for young people and the Adult Advancement and Careers Service).

- 8.6 Capital spending reduction is in line with the previous government plans. It is prioritising economic infrastructure supporting growth, the transition to a low carbon economy and private sector investment in infrastructure e.g. plans for a Green Investment Bank.
- 8.7 The Regional Growth Fund will be extended from 2 to 3 years. This means an extra £0.4 billion in 2013/14. The total fund now stands at £1.4 billion. The government will also reform the way it delivers European Regional Development Funding (ERDF) linking it with the RGF in future and reinvesting revenue from its assets. This could have implications for London's share of ERDF in the longer term but it is too early to tell.
- 8.8 Further detail on Tax Increment Financing (TIF) and future incentives to boroughs to promote economic growth will be set out in a White Paper on local growth later in the year.
- 8.9 Business Support: The government will provide £200 million a year by 2014-15 to support manufacturing and business development and will continue the Enterprise Finance Guarantee scheme for small businesses.
- 8.10 Draft legislation on a Bank Levy will be published and should be in place by end of the year. This will generate around £2.5 billion of annual revenues. London-based banks will be large contributors to this. The government will also take forward a Financial Activities Tax on profits and remuneration with international partners.
- 8.11 The banks will also establish a £1.5 billion Business Growth Fund to provide capital to small businesses.
- 8.12 As previously mentioned, Local Enterprise Partnerships (LEPs) are to take over the role of the Regional Development Agencies (RDAs), providing strategic leadership to set out local economic priorities and grow the local private sector.

9. Localism Bill

- 9.1 Since the change of Government there have been numerous outline proposals and policies, but a lack of detail and clarity on their implementation. It is anticipated the forthcoming Decentralisation and Localism Bill, along with a White Paper on economic growth (both due November 2010), will provide details on planning, housing, localism, LEPs and economic powers.
- 9.2 Any changes impacting on the work of the Partnership will be reported in due course.