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Pocket Watch – Going for Local Growth

Introduction

Local determinism has become the Government mantra for stimulating growth. George Osborne signed up to it when he accepted Lord Heseltine's hefty Report on the subject last year and the Government is about to set out a model for it shortly. It's even proposing to set up a 'What Works for Local Growth' Centre later this year.

But which is more important: funding or influence? Vince Cable thinks both and said so clearly in his **speech** to the Local Government Association last week: *"the principle I'm most keen to get across today is that local power is as much predicated upon influence as it is on direct control of funding."* He went on to validate the point by announcing three pilots to test out how LEPs might exercise influence over local course provision working closely with local FE colleges. Elsewhere in the skills system, Enterprise Zones, leading cities, employer groups, Catapult Centres let alone LEPs and Local Authorities are variously being granted greater leverage over local economic and skills planning and delivery. The aim is to create a more vibrant economic growth strategy that is primarily driven by those closest to local economic and labour market needs.

Freedom and flexibility offer a heady mix but can they deliver without access to appropriate levels of funding? The question has become more pertinent following the Chancellor's latest spending decisions which saw the share of public funding committed to the Single Local Growth Fund, the so-called single pot, sliced to £2bn for each of the years 2015/16 to 2019/2020, a long way short of Lord Heseltine's proposed £49bn. The Government has argued that the Heseltine figure was cumulative whereas the £2bn is annualised, that private investment is increasingly being drawn in, that a considerable budget will be handed over to LEPs from out of the new EU Growth Programme and that other sources of funding are also being channelled through local partnerships, all of which will bring the total available to LEPs to at least £20bn by 2020/2021.

So just what sources of funding are available for local growth activity?

Local Growth Funding

In its recent spending **announcements**, the Treasury listed six funding sources that either already are or soon will be available for local economic and skills activity.

In the case of the Single Local Growth Fund, they will be available to LEPs through a bidding process to central Government in the form of Growth Deals. These in turn will be based on local economic and skill plans developed by LEPs and where for example the work with other local players such as FE colleges and Local Authorities comes in. Access to 2014 EU funds will also be dependent on submitted investment plans from individual LEPs while other funds such as for example the established Regional Growth Fund are available more widely to employer groups, public/private partnerships as well as LEPs, also through a bidding process. In all, the six listed sources are as follows:

1. Regional Growth Fund. This Fund, initially worth £1bn, was set up in the early days of the Coalition to help stimulate local economic growth and private sector investment in jobs and enterprise through a competitive bidding process. The Government is hoping the Fund will deliver half a million jobs and while an NAO Report last year suggested that job creation was taking longer than anticipated, the Fund has just completed its fourth round of bids and has had its funding recently extended by £300m a year for each of 2016, 2017, taking its total to £3.2bn. So far £380m has been allocated to LEP and City Deal programmes
2. City Deals. The City Deal programme was launched in 2011 to give leading cities greater freedom and autonomy over managing their local economy including skill needs,

apprenticeship numbers and so on. Details are set out in agreements negotiated between central Government and the city concerned. The first eight 'core' cities which include Birmingham, Bristol, Greater Manchester, Leeds, Liverpool, Nottingham, Newcastle and Sheffield are hoping to generate 175,000 new jobs and 37,000 new apprenticeships over the next two decades. A second wave of cities was announced earlier this year and will be completing respective 'Deals' by early next year. Currently nearly £500m has been set aside for this programme for up to 2020

3. Growing Places Fund. Like City Deals, this Fund was set up in 2011 to help LEPs move quickly on infrastructure projects that might bring economic benefits. The aim was to free up LEPs so that they could kickstart local projects such as roads and house building which in turn could generate jobs and local returns and stimulate local economies. Currently £730m has been made available for this Fund up to 2020
4. Public Works Loan Board. This Board already offers loans at preferential rates to Local Authorities and other public sector bodies typically to undertake local priority infrastructure projects. From November this year, a small sum of money, £1.5bn will be set aside for bids from LEPs
5. EU Funding. The current EU funding cycle is drawing to a close and for the next round which runs from 2014 -2020, the three existing separate funds of the European Social Fund (ESF,) the European Regional Development Fund (ERDF) and some of the European Agricultural Fund for Rural Development (EAFRD) will be brought together to create a more coherent set of EU Structural and Investment Funds (ESIF.) In total this will amount to around £9bn for the UK of which just over £5bn will be made available to LEPs in return for growth strategies, submitted in the first instance by this September
6. Single Local Growth Fund. Originally proposed by Lord Heseltine as a way of bringing together into a single pot a plethora of different funding streams, this Fund will start small scale in 2015 with £2bn carved out of the skills, housing and transport budgets. Under the latest spending announcements, the Government will add £2bn a year for every year of the next Parliament and in time may be able to build on these humble beginnings though a lot will depend on how quickly the economy recovers. LEPs will be able to bid into this Fund on submission of a local strategic plan known as a Growth Deal

In summary

Skills, training and growth policy is, as Vince Cable acknowledged, still "evolving" but a clear feature of it, driven no doubt partly by economic necessities as much as by political conviction, is the transition from central 'state' planning towards local determinism. The Government still holds the lead on the Growth Plan, the Industrial Strategy and the purse strings but believes that by handing over responsibility for planning and delivery to a local level, things will happen more quickly and local needs be better served.

The downside is some frayed edges, it's not quite clear for instance where national strategies end and local ones begin, a lack of clarity about accountability and obviously the fragility of the economy. The plus side is the greater energy and commitment that can come from local ownership, a better fit between supply and demand and a resurgence of local communities.

Most Parties have bought into the vision, the issue now is to translate this into a reality.



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