POLICY BRIEFING
Local growth agendas 2016-20

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Summary

- Spending Review/Autumn Statement (SR2015), together with accompanying policy developments, and progress of the Cities and Local Government Devolution Bill through Parliament, has laid the foundations for ambitious and extensive local growth agendas for this parliament (and potentially the 2020s).

- This briefing reviews this policy landscape. It seeks to assist local authorities (LAs) make the most of the opportunities it offers.

- Underpinning the local growth context are devolution and fiscal 'revolutions'. These are stimulating much activity and analysis in formulation and negotiation of devolution propositions and governance reforms (e.g. Combined Authorities [CAs], mayoralities etc); and preparation for imminent consultations on business rates localisation.

- As important as these 'system-changers' are, however, there is much direct local growth work that needs to be undertaken concurrently. Delivering already agreed deals and programmes is a major undertaking. Managing major changes in each of skills and employment, transport and infrastructure, planning, property, housing, enterprise and innovation will be challenging endeavours in their own rights.

- LAs need to plan assiduously to mobilise the capacity and capabilities for each of these changes; consider and determine priorities and sequencing; whilst sustaining the momentum on 'devo-deals'/agreements; and preparing for local government finance transformation.

- This briefing will be of interest to senior LA Members and officers - especially those involved in local growth, devolution, and financial strategies.

Introduction

The national policy context for local growth (and for LAs leadership of it) for at least this parliament will be firmed up in 2016. Policies announced in SR2015 will be implemented, the Cities and Local Government Devolution Bill will become law, and details behind the Local Government Financial Settlement (LGFS) fleshed out.
Hyperlinks above reference relevant LGIU policy briefings on each of these issues. This paper seeks to synthesise and bring these separate analyses up to date (for developments since the Spending Review), in terms of resultant agendas likely to be required from LAs in their leadership and delivery management of local growth.

The 2010-15 context

LAs leadership and management roles for local growth increased in prominence and importance over 2010-15. Especially after 2012, local growth became a considerable national priority - as one response to global recession, public austerity, and the dismantling of regional structures. It also formed a foundation of local ambitions for enhanced devolution of powers and resources - especially in northern city regions.

Over 2012-15, the coalition government negotiated 28 city deals, 39 'local growth deals' (with each of 39 newly-established Local Enterprise Partnerships), and LEP-based European Structural and Investment Fund (ESIF2014-20) programmes.

Typically, government offered city regions or other intermediate tier structures (a very 'mixed bag' of) funding for skills (e.g. youth contracts, apprentices hubs), business support (e.g. growth hubs), transport and infrastructure measures (e.g. single pot funds and joint investment programmes). In return, northern city regions established five Combined Authorities (CAs) - Greater Manchester (GMCA - from 2011), followed in April 2014 by Leeds, Liverpool, North East and Sheffield; whilst other areas offered strengthened local economic leadership and governance.

By 2015, local growth agendas included leadership and delivery management of real substance - e.g.:-

- Local Enterprise Partnership (LEP) strategic economic plans (SEPs), and 39 local growth fund (LGF) 'growth deals' worth over £2bn p.a.
- local leadership and management of £6bn EU (ESIF2014-20), and national (e.g. Regional Growth Fund, Enterprise Zones, rural growth pilots etc) investment programmes
- 28 'city deals', and their evolution, in some areas, towards wider 'devo-deals'

In the months leading up to the General Election (GE2015), Government appeared to offer a much deeper and broader approach to enhanced devolution than hitherto.

In particular, the Greater Manchester Devolution Agreement, and subsequent GMCA measures, introduced the 'metro-mayor' model for sub-national leadership and governance. It also extended the scope of devolution to health and care integration.
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The Chancellor vigorously championed a 'Northern Powerhouse' of the three previous northern regions (anchored by the five core city CAs), and subsequently a 'Midlands Engine' as part of a refreshed 'rebalancing' agenda.

The new Government, and the 'first 200 days'

The pace of enhanced devolution - especially for local growth - accelerated significantly in the first six months following GE2015.

Alongside the 2015 Queen's Speech, Government introduced the Cities and Local Government Devolution Bill. This gives effect to the GMCA agreement(s), and also provides an enabling legislative framework for the rest of England.

In response to a government invitation, thirty eight areas - including three in Scotland and Cardiff in Wales - responded to a government September 2015 deadline to make further proposals for devolution. Always including local growth, their ambitions extended to wider public services reform, health and care integration, and other bespoke areas. By the time of the Spending Review (SR2015) 'agreements' had been announced with Cornwall (a single unitary council area), Sheffield, North East, Tees Valley, West Midlands, and Liverpool City Region.

Alongside these negotiations, the Chancellor made the 'devolution revolution' announcement that, by 2020, local authorities will be able to retain all business rates revenue collected locally (estimated at £26billion). They will be able to reduce those rates (and collect less). Elected (metro) mayors might be able to raise rates for infrastructure projects with the support of local businesses.

Other departments were also progressing major policy changes central to many local growth ambitions. For instance, the Housing and Planning Bill 2015-16 seeks to "kickstart a national crusade to get 1m homes built by 2020" - both introducing major reforms of the planning system, and shifting housing supply regimes towards home ownership (especially 'starter homes'). The skills landscape is being profoundly changed by policies to rationalise FE colleges and post-16 provision (through 'Area Reviews'), consultation on an apprenticeship levy on employers, and a Green Paper on HE teaching and research. Energy, which is of specialist interest in a number of geographies, was seeing major investment agreements (e.g. with the Chinese Government and EDF) about the next generation of nuclear power stations.

There was anticipation and expectation that these and other major changes would be given greater clarity and certainty in the 25 November 2015 Spending Review. How far this is the case is described and analysed in the next section of this briefing.

SR2015 and the 2016-20 agenda for local growth

The Spending Review and Autumn Statement 2015 sets out government's intentions for the four year spending period to the end of the decade.
There is much in SR2015 that is relevant and important for LA leadership of local growth. This section summarises the direct elements of local growth agendas.

The first thing to recognise about SR2015 is that only three paragraphs (of the 154 page SR2015 ‘blue book’) are titled ‘local growth’. Paragraphs 1.250-1.252 confirm:

1. **Continuation of a £2bn p.a. Local Growth Fund** (LGF) to 2021 - including local growth deals allocations made by the previous government and, presumably, future bidding rounds for later in this parliament

2. **26 new enterprise zones (EZs)** are created (including 8 extensions to existing EZs), in addition to two announced in the March 2015 Budget - making 44 in all. An interactive map of the zones - now covering 108 sites - is [hyperlinked here](#).

3. **Support for HS2 'local growth strategies'** - with Old Oak Common (London) and Birmingham Curzon street specifically highlighted.

As important as these three policies are (see below) LA leadership of local growth also needs to recognise and respond to many more significant policies throughout the 'blue book':-

4. **In terms of skills and employment:**

   a. the **apprenticeship levy** will be introduced in April 2017 at a rate of 0.5% of an employer’s paybill, to deliver 3 million apprenticeship starts by 2020 [1.172-1.176]

   b. a major **restructuring of post-16 education and skills** will be delivered through *area reviews*, new National Colleges and Institutes of Technology, opportunities for 6th Form Colleges to become Academies (or join multi-academy trusts), expansion of 'tuition fee loans', and further reforms of Adult Skills [1.170-1.171 & 1.177-1.179]

   c. **HE teaching and research reforms**, progressing the recent Green Paper, including widening access, teaching and research excellence frameworks, enabling of new university establishments [1.180-1.184]

   d. a number of **employment programme reforms** (which may be within the scope of devolution agreements) including support to assist those with health conditions back to work [1.106]

5. **Transport, infrastructure and housing investments**, including:

   a. £61bn investment in **transport infrastructure** over this parliament - including both major national schemes like HS2, but also large local amounts for capital investment, maintenance, and development of new schemes. A number of specific schemes are identified - including significant sums for policies like Northern Powerhouse [1.195-1.200]
b. A further £60bn investment in other infrastructure - some of which is spatially specific (e.g. Hinkley Nuclear Power Station). A new national Infrastructure Delivery Plan will be published in Spring 2016, presumably on the advice of the new National Infrastructure Commission [1.191]. Of further interest will be the encouragement for Local Government Pension Funds to jointly establish up to six instruments akin to 'Sovereign Wealth Funds' able to invest further in infrastructure [1.138].

c. a 'Five point plan' for housing investment, focused on low cost home ownership (200,000 new starter homes), 'help to buy' schemes, new garden cities/communities, and a number of regeneration and enabling development programmes [1.145-1.148]

6. Planning and property reforms - particularly aimed at 5 c above include:-

   a. further reforms to streamline, speed up and enhance local planning performance - through the Housing and Planning Bill 2015-16 [1.146]

   b. Incentives for LA asset disposal and area-based approaches to public land utilisation - selling £4.5bn of surplus land and property by 2020/21 said to be able to generate 160,000 homes [1.297]

7. Although not always explicitly in the 'blue book', SR2015 also confirmed major changes in the enterprise and innovation landscape, with:-

   a. closure of national Business Growth Service (including MAS and Growth Accelerator programmes) by March 2016 as part of BIS cuts - partly compensated by a further £12m.p.a. for LEP-based growth hubs (approximately £300k per LEP!)

   b. the establishment of a new body for national research and innovation support - Research UK - bringing together Research Council and Innovate UK. Innovate UK shall also henceforth put more emphasis on non-grant (e.g. loan) financial products (as opposed to grants)

As can be seen above, each of these areas of policy are very extensive in their own rights - let alone taken as a whole. Further analysis on how to manage these agendas appears in the Comment section below. However, it must be recognised that the local growth agendas are set in a post-SR2015 landscape of:-

8. Continuing reductions in local government spending - a 'real terms [spending] reduction of 1.7% per year' [1.241], although other SR2015 interpretations place this figure much higher
9. A 'devolution revolution' whose 'headlines' include:–

a. 100% business rates retention under a post-UBR regime by 2020

b. deepening and broadening of 'devolution agreements' over major expenditure areas - e.g. skills, employment, transport, health and care integration - for 'qualifying' leadership and governance arrangements

Cities and Local Government Devolution Bill

Giving effect to the 'devolution revolution' ambitions of SR2015 will be facilitated by passing of the Cities and Local Government Devolution Bill. This is now expected to be achieved in early 2016.

SR2015 did not announce any new ‘devo-deals’ - and some of the policies may require some renegotiation of the existing GMCA and six other agreements. However, submitters of the 38 September 2015 devolution propositions continue to develop and negotiate their submissions.

The Bill passed report stage and third reading in the Commons, with amendments, on 7 December 2015. A number of proposed amendments caused considerable controversy - notably those that allow districts or counties to establish or join a Combined Authority without the other’s consent. This was interpreted by some as potentially enabling districts to join city region CAs (and even mayoralities) that discharge functions like transport, without the agreement of the county council.

The amendments will be considered prior to a final Bill being sent for Royal Assent.

Local Government Financial Settlement

On 17 December 2015, Secretary of State for Communities and Local Government announced the 2016/17 provisional local government financial settlement. As one would expect, this reflected the SR2015 announcements in the round - with real term spending reductions and reforms to business rates, council tax 'flexibilities', Better Care Fund, New Homes Bonus confirmed.

Many of these changes will have major local growth implications (of a variety of characters). At the same time, the most important still have to be worked through in detail by government - in consultation with councils. At the same time, government is offering LAs the opportunity to agree four year settlements - from April 2016 - to give certainty and stability in the run up to full localisation of business rates.

The final settlement is likely to be presented to the house in February 2016.
SR2015, the Cities and Local Government Devolution 'Act' (when passed), and the Local Government Financial Settlement of November - December 2015 has confirmed, that by the end of the decade, local government will have been transformed from the position in which LAs entered the decade. Leadership and management of local growth will be a major part of that transformation. How LAs might deliver this is the subject of the final section(s) of this briefing.

Comment

Preamble

The challenges embedded in the narrative above are many and major. What is quite interesting about the three major November-December 2015 milestones is that, although they amount to a clear, radical direction of travel, the 'real purposes' and the details of the journey remain largely outstanding.

In terms of 'real purposes', it is still unclear what 'grand project' Government's (or at least the Chancellor's) evident commitment to decentralisation is intended to achieve. At times it is can be about:-

- incentivising local growth (everywhere) or especially in cities
- economic rebalancing - especially towards GMCA/Northern Powerhouse
- shrinking the state and/or public services reform
- health and care integration
- meeting grand societal challenges (from sustainable development to aging to energy resilience etc)

At times it can seem to be about all or any combination of these 'big ideas'.

In terms of 'devils in the detail', how business rates localisation will actually work, and will it enable (alongside council tax flexibilities etc) local government financial sustainability remains work in progress. A number of commentators are sceptical that 'the numbers add up'. It is also still uncertain what devolution deals will be done, with whom, and on what terms. It is extremely unclear where the 2016-20 reforms will leave lower growth, high dependency areas and their councils. And, there appears to be no 'Plan B' if, for instance, the 'numbers don't add up', or 'events' intervene (e.g. ...
At one level, these uncertainties are opportunities for proactive LA leadership to strongly influence the outcomes of these issues. At another, it requires Members and Officers to spend an awful amount of time and effort on spotting and exploiting opportunities, and shaping/tailoring these issues for their local areas. This is asking a lot in capacity and resourcing terms in a continuing period of relative austerity.

What this 'comment; section can do, however, is offer some thoughts on planning and managing the local growth part of these agendas.

Towards a local growth framework and checklist

The SR2015 local growth implications need to be looked at 'in the round'. A number of them are inter-related. The briefing author has put together the checklist below to provide a framework for a more holistic local growth leadership and management:

**Figure One: A checklist for local growth agendas 2016**

| Assuring delivery of 2012-15 agendas and their 2016-20 extensions | • SEPs, LGF and Growth Deals  
• ESIF and other progs (RGF, GFP, PWLB etc)  
• EZs (including new ones), UEZs and non-EU USPs  
• City Deals and 2015 ‘devo-deals’, Rural Growth pilots |
|---|---|
| Skills and employment reforms | • Post-16 area reviews and managing FE and Colleges transformations  
• Preparing for adult skills devolution  
• Establishing apprenticeship levy and workforce training arrangements  
• Influencing reforms of employment programmes  
• Connecting with HE Research and Teaching reforms  
• Considering labour market implications of schools reforms |
| Physical investments | • Local Plan revisions and performance regime  
• Transport infrastructure investment programmes  
• Influencing bus and rail franchising  
• Leveraging national infrastructure plan (e.g. HS2, energy etc)  
• Starter Home, housing investment pots and LA contributions to new housing  
• LA and public land disposal, development strategies and delivery management |
| Enterprise and Innovation | • Closure of national business growth ‘programme’, and consequential developments of local Growth Hub(s)  
• UKTI reforms and new ‘pitch book’  
• Establishment of Research UK and new ways of working for RCs and Innovate UK  
- see also HE under skills & employment  
• Science and Innovation Audits and their consequences |
| Doing local growth within the context of fiscal and devo ‘revolutions’ | • Getting business rates localisation ‘right’ and managing the wind-down of RSG  
• Using Council tax flexibilities, other revenue-raising opportunities and disposal receipts  
• Balance between LA level, intermediate tier leadership and governance (esp if CA or mayoralty)  
• pan-regional priorities (e.g. Powerhouse, Engine etc)  
• Renegotiating 2014-15 devo deals and agreeing new deals  
• Turning the devo deals into deliverable programmes |
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are deserving of detailed intelligence and analysis - but the length of this briefing does not allow that here.

However, in terms of leadership and management of local growth, it is suggested that a checklist like this is established, and kept 'live' - to ensure that councils are 'keeping in view' post-SR2015 developments that shall definitely be progressed, and which are likely to impact on local growth in their areas.

A further challenge of this exercise is for individual councils to determine how far and when they need to address individual items locally; when at an intermediate tier (e.g. CAs, LEPs, impending devolution agreements); and when they need to take pan-regional views and/or roles (e.g. Northern Powerhouse, Midlands Engine).

In it for the long haul...

Alongside detailed local growth work, and opportunistic responsiveness to often arbitrary government deadlines, major lessons of the 2010-15 experience is the need to be prepared to invest (time and energy as much as resources) in these areas of work consistently over much longer terms than parliamentary or political cycles.

- 'Devo-deals' and governance reforms take a long time to deliver, and 'the devil is in the detail'. Notwithstanding difficult negotiations, the easy bit of the process is the (sound-bite) announcement of the agreement. Typically, city deals took between 12-18 months after signing to come into effect. Similarly, most of the measures announced during and around SR2015 may not reach full fruition in some areas until the 2020s.

- There are significant capacity and capability challenges to influencing and delivering these agendas - especially in a continuing period of fiscal constraint. These constraints are at both national and local levels. At intermediate levels (e.g. CAs, mayoralities, LEPs), will some LAs (and elected Mayors) wish to replicate the independent capacity for local economic development currently only available significantly in London and GMCA?

- There has been little analysis or common understanding of the knock-on consequences of individual deals on the overall policy and financial system - although these are huge. There is some provision in the Cities and Local Government Devolution Bill for the Secretary of State to consider this - but is there the capacity and commitment to do the analysis? As remarked above, what will be the impact of these changes on chronically low growth, high dependency areas; on areas of intense administrative and economic geography conflicts; or in areas where councils are facing 'crisis' or 'failure'?

- A 'deal'-based, competitive approach to devolution has been promoted by government as recognising 'one size doesn't fit all', encouraging innovation in local proposals. At the same time, it is criticised as giving most of the powers (of patronage) to central government; leading to very uneven outcomes on grounds that are difficult to explain/justify 'fairly'. A number of commentators...
(including political parties and, at times, LGA) have proposed 'constitutional conventions', independent 'devolution commission(s)' or other means to embed legal sustainability, and mediate for greater fairness between negotiating teams and between outcomes/approvals achieved

• Alongside this, there remains significant scepticism and even opposition to this process from some parts of central government and its agencies. It will be a challenge to create purposeful, place-based relationships with the new government agencies (e.g. Research UK) which were formerly 'a-spatial'.

• The post-GE2015 devolution process to date has largely been a conversation between central and local government leaders. There has been lip-service played to the roles and responsibilities of partners (e.g. like business and universities currently only through the LEP Chairperson), and of other councillors (e.g. through overview and scrutiny provisions). There has been little public engagement - particularly around imposition of metro-mayors in the light of their rejection in most cities which held referendums in 2012. However, the local growth items above require sustained partner engagement and commitment, and greater than hitherto community participation. Again, this is about long-term relationships rather than one off tasks.

Conclusions

The briefing attempts to provide an overview of an intimidating set of inter-related and overlapping agendas. It is revealing that after over five years as Chancellor, having negotiated 28 local growth oriented city deals and 39 local growth deals, with many months and the resources of the civil service to prepare SR2015, the Chancellor has only managed to provide a skeletal direction of travel for leadership and management of local growth 2016-20.

Local government will need to put considerable flesh on these bones to realise the opportunities identified here. However, that investment of time, energy, and resources potentially offers very high returns to LAs, their areas and communities.

Related briefings

Spending review and autumn statement 2015 - analysis, December 2015

Business rates devolution, November 2015

Health and social care devolution: A commentary October 2015
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Dealing with devolution - update  September 2015

English devolution and intermediate tiers of governance  December 2014

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