THINKING NEW ECONOMY: 
BRIEFING 09

Economic Growth White Paper 2010

SOURCE: Central Government

RELEASE DATE: October 2010

SUMMARY

This long-awaited White Paper sets out the actions the new administration is taking to bolster economic growth. Several opportunities arise for Greater Manchester, and in particular for its businesses. A new structure is created - the Greater Manchester Local Enterprise Partnership – around which to test, develop and coalesce strategic economic thinking, and to take the initiative in realising economic opportunities. One of these is the Regional Growth Fund, which is now open for business, and it is clear that maximum value for bids will be realised through a clear over-arching investment strategy. This milestone document also deals with business support. On the one hand, there are details of slimming down and central management; on the other, the door is left ajar both for larger LEPs to be more central to the construction of arrangements, and for LEPs generally to try to construct specific arrangements. In areas of crucial importance such as inward investment, trade, strategically directing European funding, increasing tourism and innovation, well-organised LEPs, and broader strategic partnerships at a higher spatial level, should be able to play a direct or influential role in determining how resources are spent to maximise private sector opportunity. The paper also flags important changes in local government powers, such as on planning, and finances, in particular a broader power to borrow against future revenue. The intention of these changes is incentivising places like Greater Manchester to go for growth by enabling them to keep and reinvest more of the proceeds of that growth. There are many elements set out that can be used to help realise Greater Manchester’s goals.

ESTABLISHING LEPs

Greater Manchester’s LEP is one of the most substantial and cohesive in the UK, and the paper recognises that “the largest” LEPs may have particular roles, such as in ensuring the transition from Regional Development Agencies is smooth and rapid – aided very much in GM’s case by work already done with partners including areas also confirmed as having LEPs in Cheshire & Warrington, Cumbria and the Liverpool City Region. The GM LEP should play a key role in setting out, substantiating, and challenging investment priorities, and leveraging in private sector funding. It should also focus on ensuring the right conditions exist for high growth businesses and to co-ordinate and maximise the chances of succeeding in bidding to the Regional Growth Fund, as well as considering how other funding streams such as European funding and Evergreen can best be brought to bear to maximise economic growth.

Greater Manchester has already moved rapidly to establish a shadow LEP, whose essential task will be to manage the open recruitment process for the full LEP, based on Nolan principles. The full LEP should be in place by 1 April 2011. The shadow LEP is headed up by the Chair of the Business Leadership Council and includes the private sector chairs of the Manchester family of organisations, including the Greater Manchester Chamber of Commerce, along with the Chair and vice chairs of AGMA. The LEP would be well-placed to add value in areas such as the below.

Business advice – Given that government funded activity is declining and becoming more centrally-managed, there may be a key role for the LEP coalescing the efforts and tools of other partners, such as The Chamber of Commerce and Jobcentre Plus, to ensure that individuals and businesses in GM are able
to take full advantage of available services, from the high-value research end of the spectrum, for example significant grants now to be awarded by the Technology Strategy Board, to the first rung on the ladder for a start up that the Enterprise Allowance Scheme may represent to a jobseeker starting her own business. The LEP may also seek to generate more bespoke activity, for example high growth programmes that play to GM strengths. The paper confirms the National Insurance Contributions holiday that means today a business can save as much as £50k in its first year by establishing itself in Manchester instead of London.

**Innovation** – This is clearly one such area, and the White Paper highlights two signature initiatives that may be of great interest to Greater Manchester: the development of a small number of Technology and Innovation Centres and economic Growth Hubs, that will act, amongst other things, as feeders into the TICs. GM’s world-class academic centres of excellence and existing infrastructures will also see potentially great value here, and the LEP has a role in maximising various efforts and acting as an effective advocate and builder of relationship capital with the key private sector players. Low carbon, another area of comparative advantage in GM, is also flagged throughout the paper, and the LEP will want to capitalise on local assets and initiatives already underway.

**Inward investment and international trade** – This is a key area of economic development that all major cities, from London to Los Angeles are highly active in, and ensuring that Greater Manchester’s efforts are working in the most mutually-productive way with the emerging national framework is highly important work that again the LEP is be envisaged in the paper to play a key partnership role in. Success in this field is a vital element for delivering sustainable growth, as well as for ensuring that the landing of foreign investment maximises local opportunities in terms of supply chains, skills, premises and local investor development.

**Tourism** – Again, the paper signals a retreat from central funding and emphasises leadership of the local level, with member-led Destination Management Organisations, together with the LEPs, seen as the cog in the system on increasing visitors, and in particular the business tourism that is so vital to the GM economy.

**Skills, European funding and regeneration** – This areas are not a focus of the White Paper, with confirmation that skills funding will be routed through the Skills Funding Agency, regeneration outside London through the Homes and Community Agency (although Greater Manchester already has an effective devolutionary model in place), and a new delivery structure for European funding to be detailed in the Budget in 2011.

**INCENTIVISATION OF LOCAL AUTHORITIES TO “GO FOR GROWTH”**

Much of the argumentation of the paper is around the case for re-engineering the fiscal and planning framework to tilt Local Authorities role more towards development, not least through changes to the business rate regime, the Business Increase Bonus and mechanisms such as “Tax Incremental Financing” that would enable localities to borrow more up front and so take more of the profits of development. If the forthcoming local government finance review does indeed move towards enabling Authorities to retain business rates, that would signal a potentially radical change, as would any move towards a “London pool” model that enables the redistribution of business rates across boundaries. Other crucial factors are leadership and cross-boundary co-operation, Greater Manchester being a case study in their value. The paper singles out GM as having “recognised the power of a collective approach to planning, economic development and resource allocation. There is a shared view that, while not one place, Greater Manchester is one economy with one labour market. The MIER is cited, which is consistent with the paper’s broader thrust about “agglomeration” being “key in supporting growth”.

**Planning reform** - The White Paper has much to say on changing the approach to planning so it is perceived as a tool that encourages rather than impedes economic growth. It flags a new presumption in favour of sustainable development, new right to build powers for local communities and further reform and
streamlining of planning policy. Clearly, the LEP will have a view on strategic planning functions, in particular through the link to infrastructure and co-ordinating approaches to investment.

**Housing** – Increasing housing investment is also a strong theme, with incentives like the New Homes Bonus scheme detailed for Local Authorities to unlock development land, for deregulation of the private rented sector and to support demand through support for the mortgage market. The LEP may have a strategic role or view, and may also be useful in conceiving how land assets might be used to leverage more private funding to support growth. Housing is also a key part of the “sense of place” with an area’s attractiveness also important for growth.

**THE REGIONAL GROWTH FUND (RGF)**

The RGF is now open for business, with a call open until 21 January 2011 for the first tranche of the £1.4bn within its gift, of which at least £580 million will go on capital projects. LEPs are uniquely-placed to bring together, and make the case for, the broad strategic framework within which integrated packages of projects can be brought together to create a more compelling proposal. The LEP can also seek to bring in complementary funding, for example from the Evergreen Fund of at least £300m, European (ERDF) funds and synergies with the Business Growth Fund, which has some £1.5 billion of capital for viable businesses determined to grow.

**RGF mechanism** – The RGF is an open challenge fund. An advisory panel, headed by Michael Heseltine (who launched it in Greater Manchester) will order the bids and suggest parameters, but a select group of Ministers, headed by Nick Clegg (who was alongside) will decide. Bids are encouraged from the private sector and public-private partnerships.

**Content of bids** – The first call is for stand-alone projects, and packages of those bundled together, but not for “programmes”, which can be bid for in later rounds. Investment in infrastructure, that connects people to job opportunities and maximises agglomeration benefits will be a strong contender, but bids must support “in particular those areas and communities that are currently dependent on the public sector [to] make the transition to sustainable private sector-led growth and prosperity. Also with great merit will be bids stimulating private sector investment by tackling barriers to growth (such as skills) and investment in green technology. The part-funding of research and development, training and productivity-boosting technology are all within the remit. GM, under the auspices of its LEP, will therefore likely be looking partnership bids of individual projects that can then be intermediated and packaged to present a strategic proposal. The minimum threshold for each project is £1m. Bids with significant private sector funding will be prioritised.

**Partnership and complementary funding** – Bids with significant private sector funding will be prioritised. This seems a highly important aspect, with credit for active collaboration with partners such as Work Programme contractors, and projects which, though they must need RGF money to implement, nonetheless have funding for example from access to finance programmes, the Green Investment Bank, Evergreen or European funds.