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Government White Paper - Local growth: realising every place's potential

PDL SUMMARY

A selection of relevant extracts to the Planning Sector can be found below, the main headings have been added by PDL for clarity. For a full version of the White Paper please see www.politicaldevelopments.com/intelligence.html

28th October 2010

Overview

...We are bringing an end to the top down initiatives that ignore the varying needs of different areas. We are creating local enterprise partnerships to bring together business and civic leaders to set the strategy – and take the decisions – that will allow their area to prosper.

The Coalition Government is ambitious for all of our communities, and we recognise that the challenges they face are not the same. So we are also investing in a £1.4 billion Regional Growth Fund over the next three years, which will help areas which depend too heavily on the public sector for jobs, helping create more sustainable private sector employment...

1. The Case for Change and a New Approach

The Government will therefore:

- shift power to local communities and business, enabling places to tailor their approach to local circumstances;
- promote efficient and dynamic markets, in particular in the supply of land, and provide real and significant incentives for places that go for growth...

1.2 This White Paper sets out how the Government will put businesses and local communities in charge of their own futures, give greater incentives for local growth and change the way central government supports and maintains growth. We will connect people to jobs.

1.4 ...Too many parts of the country became over-dependent on the public sector. For economic growth to be sustainable in the medium term, it must be based on private sector investment and enterprise.

1.8 ...Another key part of the Government"s approach is an agenda of structural reform to address the reasons for the UK"s relatively low productivity. Reforms to the banking, planning and skills systems will help address long standing structural barriers to growth, while welfare reform will play a key role in getting more people into work.

1.9 ...We Will:

- tackle barriers and bottlenecks that inhibit growth, including: reforming the planning system;

- invest where it makes sense to do so, for example, in the high quality transport links that are essential to underpinning a successful economy, and enable innovation where places have a comparative advantage or where the market will not step in.
- A further feature of earlier approaches was the belief that planning could both determine where growth should happen and stimulate that growth. This approach failed as it went against the grain of markets. Regional and other strategies stifled natural and healthy competition between places and inhibited growth as a consequence.

Local Growth

A New Approach to Local Growth

1.18 This strategy follows the clear direction set for public service reform by the Spending Review; shifting power away from central government to local communities, citizens and independent providers –the Big Society. The Big Society means recognising that where the drivers of growth are local, decisions should be made locally. The Government will devolve real power to communities, giving them a greater say in shaping the shape and future of their economies.

1.19 ...our new approach to the role of central government in local growth focuses on three key themes that are closely linked to key drivers for growth:

- **Shifting power to local communities and businesses** – every place is unique and has potential to progress. Localities themselves are best placed to understand the drivers and barriers to local growth and prosperity, and as such localities should lead their own development to release their economic potential.
- **Promoting efficient and dynamic markets and increasing confidence to invest** – ...Government will ensure a consistent and efficient investment framework for markets to operate within. The right planning framework is a key component to this, and plans to reform the system in order to increase investment and places" comparative advantage are set out in this paper.

2. Shifting Power to the Right Levels

2.2 Local authorities determine planning priorities, enforce key regulations and are responsible for the public realm, amongst other important determinants of investment and business success. To support this role, Government is intending to provide, through the forthcoming Localism Bill, a general power of competence for local authorities, giving them real freedom to act in the interests of their local communities.

Box 2.A: Local Authorities' Role in Supporting Growth
Local authorities are uniquely placed, via politically accountable leadership, to bring stakeholders together from across all sectors. Key roles include:

- leadership and coordination – using their community leadership role and planning powers to set out a clear framework for local development,
- supporting growth and development through ensuring a responsive supply of land that supports business growth and increases housing supply;
- using their significant land assets to leverage private funding to support growth.

- directly and indirectly influencing investment decisions via the use of statutory powers, particularly through the planning system, which are key determinants of businesses' ability and confidence to invest;
- supporting local infrastructure – transport investment, in particular, is a key enabler of growth.

LEPs

Creating local enterprise partnerships

2.6 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.

2.7 We envisage that local enterprise partnerships could take on a diverse range of roles, such as:

- to set out key investment priorities, including transport infrastructure and supporting or coordinating project delivery;
- coordinating proposals or bidding directly for the Regional Growth Fund;
- making representation on the development of national planning policy and ensuring business is involved in the development and consideration of strategic planning applications;
- strategic housing delivery, including pooling and aligning funding streams to support this;
- coordinating approaches to leveraging funding from the private sector;

2.9 The Government does not intend to define local enterprise partnerships in legislation. Governance structures will need to be sufficiently robust and clear to ensure proper accountability for delivery... The constitution and legal status of each partnership will be a matter for the partners, informed by the activities that they wish to pursue.

Funding

2.15 Local enterprise partnerships will be expected to fund their own day-to-day running costs and will also want to consider how they can obtain the best value for public money by leveraging in private sector investment...

Planning

3. Increasing Confidence to Invest

Both businesses and communities need to feel that investment will be rewarded and they can work together to produce an economically, socially and environmentally sustainable future. Government is committed to reforming the planning system, so that it actively encourages growth. Reforms will ensure that people have greater ownership of the planning system. Actions proposed include:

- introducing a national presumption in favour of sustainable development, which will apply to decisions on all planning applications;
- ...local communities will also have new Right-to-Build powers;

- ...reforming and streamlining national planning policy and guidance, presenting to Parliament a simple national planning framework; and
- ...new statutory duty to cooperate on local authorities, public bodies and private bodies that are critical to plan-making, such as infrastructure providers.

Government will create a framework of powerful incentives for local authorities to deliver sustainable economic development, including:

- the New Homes Bonus scheme, starting in 2011-12, will provide a simple, powerful and transparent incentive for local authorities to support new housing development;
- options to enable councils to retain locally-raised business rates

3.1 The planning system has three main functions:

- to give people the opportunity to shape the look and feel of their communities, including to protect and promote important environmental and social interests;
- to provide sufficient housing to meet demand; and,
- to support economic development through the provision of infrastructure and by using land-use planning to support economic activity.

Passing power to communities

3.8 Communities will be centre-stage in the reformed planning system. They know their areas better than anyone and should benefit from development.

3.9 At its heart, that means giving every neighbourhood the chance to shape its own development through the creation of neighbourhood plans, which will give local communities greater flexibility and the freedom to bring forward more development than set out in the local authority plan.

3.10 ...Right-to-Build powers, enabling them to deliver small-scale development without the need for a separate planning application. By following a simplified neighbourhood planning process, these powers will enable communities to respond quickly to changing development needs.

3.11 ...local authorities will be expected to produce local development plans. We will simplify and streamline the procedures and timescales for local authorities to prepare these, so that communities are better able to understand and influence them. Where neighbourhoods choose not to develop a neighbourhood plan, as set out above, the local plan will be used to guide development in that area.

3.12 These locally produced plans will establish the key strategic framework on infrastructure, deal with issues such as economic growth requirements, will be drawn up so they have regard to national policy, and will provide the basis for local planning decisions and planning by local communities. This will ensure that every local authority puts in place the foundations for local economic growth.

Box 3.A: Community Energy
Community energy is one area in which neighbourhood and local planning can enable communities to make a significant difference in their ability to develop schemes...DECC is confident that communities can be provided with the information they need to plan community-scale energy efficiency projects and low carbon energy projects, such as Combined Heat and Power and district heating.

Reducing bureaucracy

3.14 In order for the planning system to help, not hinder development, it needs to be light touch, fast and responsive, as highlighted by the Killian Pretty Review of 2008. Whilst some changes have already been made, still more could be done to remove unnecessary barriers to expansion for businesses, large and small.

3.15 The recently published Development Management Procedure Order, which consolidated seventeen previous Statutory Instruments on the rules surrounding planning applications, provides a good starting point for this work. We are also working to implement the recommendations of the Penfold Review of non-planning consents, to reduce further the regulatory burdens on the development industry.

3.16 ...the Government will fundamentally reform and streamline national planning policy and guidance, presenting to Parliament a simple national planning framework which will cover all forms of development. This framework will set out clearly our national economic, social and environmental priorities and how they relate to each other.

3.17 The framework will provide a transparent and positive context for local decision making and, allied to the new presumption in favour of sustainable development, will increase investor certainty about how planning decisions will be made. This will send a clear message to international business that Britain is open for investment and help to facilitate the ease of international businesses locating, moving within or staying in the UK. UKTI state that complexities in the planning system are among the top five issues deterring inward investment into the UK.

3.18 We will also reduce the total regulatory burden on the house building industry over the Spending Review period – including the planning system's costs and consequential impacts.

Encouraging collaboration

3.20 We propose, through the Localism Bill, to place a new statutory duty to cooperate on local authorities, public bodies involved in plan-making and on private bodies that are critical to plan-making, such as infrastructure providers. There will also be a new requirement for large-scale developers to consult with others in the local community before submitting planning applications. This will benefit local communities by engaging them at an early stage, as well as businesses who should see faster and more positive consideration of their proposals if they address issues early on.

3.21 Planning issues often affect communities spanning traditional administrative borders. That is why local enterprise partnerships can take on a vital role in working with neighbourhoods and local authorities to foster sustainable economic growth. Many of the outline partnership proposals have identified helping planning authorities with infrastructure delivery, overcoming barriers to development delivery and co-ordinating approaches to investment. Local enterprise partnerships will be free to work with partner planning authorities to develop strategic planning frameworks to address economic development and infrastructure issues. If constituent local authorities agree, they may also wish to take on other planning related activities, including enabling the timely processing of applications for strategic development and infrastructure.

3.22 The vast bulk of planning decisions should take place at the local level, either through neighbourhoods, individual authorities, or through groups of authorities collaborating across boundaries. However, some nationally important decisions need to be taken at the national level – by democratically accountable Ministers.

3.23 That is why, for example, nationally important infrastructure projects (such as large scale wind farms and power plants), the supply of aggregate minerals and planning for waste will become the responsibility of the Planning Inspectorate's recently announced Major Infrastructure Planning Unit.

Incentivising Development and Growth

The New Homes Bonus

3.28 The government's New Homes Bonus is the cornerstone of the new framework for incentivising housing growth. The scheme will ensure that communities and local authority decision-makers enjoy the benefits of growth and not just the costs. It will return the ownership of this debate to a local level and encourage local authorities and local communities to develop their housing in way that meets local need, both in terms of numbers and sensitively to local concerns. Local authorities will need to lead this debate with their communities.

3.29 Starting in 2011-12 the scheme will match fund the additional council tax for each new home and property brought back into use, for each of the six years after that home is built. Central government will help establish the scheme with support of £196 million in the first year and £250 million for each of the following three years... A consultation will shortly be published setting out the government's proposed model for implementation.

Incentives for Growth: the Local Government Resource Review

3.32 ...**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. Where there is additional growth in subsequent years, the authority would also retain that growth. This would provide a clear, strong incentive to all councils to seek long term sustainable growth in their business rate base, and ensure that local communities factor in economic growth when taking decisions about how their local area should develop.

3.33 ...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.. .

3.35 ...**Local Government Resource Review**. Local business rate retention will be considered within this review, which we intend to launch in January after a period of consultation on the proposals in this document. This is a significant opportunity to consider a range of options to provide genuine incentives for local economic growth through the business rates regime, and to equip local authorities with the tools to support that role...

Tax Increment Finance

3.39 We will introduce new borrowing powers to enable authorities to carry out Tax Increment Financing (TIF)... In determining the affordability of borrowing for capital purposes, local authorities take account of their current income streams and forecast future income... TIF will enable them to borrow against future additional uplift within their business rates base. Councils can use that borrowing to fund key infrastructure and other capital projects, which will further support locally driven economic development and growth...

Regional Growth

4. Focused Investment

The White Paper confirms that:

- the Regional Growth Fund will increase from the £1 billion announced at Budget to £1.4 billion, and priority will be given to bids that bring significant private sector funds and ensure sustainable employment growth;
- the Fund will run over three years instead of two, have no internal ring-fences, provide for programme as well as project funding and the minimum threshold for bids will be set at £1million; and
- ...the Regional Growth Fund is now open to bids from all places – the first round of bidding launches alongside this White Paper and will close in January 2011.

Regional Growth Fund

Fund objectives, timetable and activities

4.5 The objectives of the Regional Growth Fund remain largely as originally set out. These are to:

- stimulate enterprise by providing support for projects and programmes with significant potential for economic growth and create additional sustainable private sector employment; and
- support in particular those areas and communities that are currently dependent on the public sector make the transition to sustainable private sector-led growth and prosperity.

4.7 ...In addition to the information presented in the bid, decisions on successful bids will therefore take into account intelligence from the DWP led Labour Market Group, which will be actively monitoring and anticipating which areas are most at risk of future job losses....

4.9 ...The Fund will still operate from April 2011, as originally stated, but will now be operational until the end of April 2014. As detailed in the Spending Review, the size of the fund will be broadly the same in each year of the Fund...

4.10 we will also encourage alignment of this £1.4 billion with European Regional Development Funds,

Eligibility of bids

4.17 ...It has been decided to operate the Fund on the basis of a minimum threshold of £1 million in support of strategic packages or stand alone projects...

4.18 Bids are invited from the private sector (including social enterprises) and also from public private partnerships. Bidding partnerships may come together that include a combination of large companies, SMEs, and/or social enterprises, working with public partners including local authorities, universities and colleges, and local trusts and agencies (to give but a few examples)... local enterprise partnerships and other developing or established economic development partnerships are expected to play a role coordinating and assisting bids...

B: Summary of Future Economic Development Delivery

B.9 We expect that local enterprise partnerships will have a very important role in supporting enterprise and businesses in their areas. Their role in bringing together public and private partners, under business leadership and at a local level, means that they will be well placed to develop strategies and take action on a range of issues such as:

- promoting a more entrepreneurial culture, for example through business engagement in schools and start-up training in further education colleges;
- encouraging and supporting business start ups, including in more disadvantaged communities where self employment can help regenerate communities and build economic activity;
- helping existing businesses to survive and grow;
- encouraging networks and mentoring, for example through local women's business networks;
- developing the infrastructure for successful business communities.

Transport

B.49 The Government has already committed to looking at the involvement of local enterprise partnerships in taking decisions on local strategic transport priorities. The Department for Transport will work with partnerships either individually or in strategic consortia on what the priorities are and how they can be delivered. Local enterprise partnerships can immediately begin to demonstrate their scope of influence by engaging with local transport authorities on their local transport plans and partnering bids to the Local Sustainable Transport Fund.

Housing

B.51 House building investment has for decades been constrained by the lack of land supply, over regulation, a volatile (and hence uncertain) market for builders that also encourages unhelpful land speculation, and the lack of house building-enabling infrastructure. It is no accident that investment in housing output in the UK is amongst the lowest in the developed world – at only 3.5 per cent of GDP (Germany 5.5 per cent, France 6.25 per cent).

B.52 Given the highly constrained position of housing supply in England, both by international and historic standards, policy reforms to relax these constraints and unleash investment, including from international investors, in housing output could result in significant dividends – using our economic resources more efficiently by allowing investment in the economy to rebalance to where the returns are highest.

B.53 The Government has therefore committed to establishing the right conditions to draw in that investment through its proposals for reforming the planning system; providing incentives for local authorities and communities for unlocking land for development; de-regulation of the private rented sector, and supporting demand through support for the mortgage market.

B.54 The more strategic role for housing and planning at the level of local enterprise partnerships could also be an important part of the process to increase investment in housing output, and the Government will consider what role partnerships can play in maximising the UK's house building supply response to the wider economic recovery.