

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

30 November 2010

Report of the Management Team

Part 1- Public

Executive Non Key Decisions

1 WHITE PAPER – LOCAL GROWTH: REALISING EVERY PLACE’S POTENTIAL

To set out the key proposals for economic development, housing delivery and changes to the planning system contained in the White Paper.

1.1 Introduction

1.1.1 The Government has recently published a White Paper on local growth setting out a range of proposals that seek to achieve locally driven growth and sustainable development to support national economic measures focused on private sector growth and achieving a ‘fair and balanced’ economy across sectors and regions.

1.1.2 Proposal in the White Paper cover the following three objectives:

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

1.1.3 We set out below the key White Paper proposals under each of the above themes. As a White Paper, this is not a formal consultation document although one specific question is asked about business rates which is dealt with at paragraph 1.3.7 below. A copy of the LGA’s briefing paper on the White Paper is attached as Annex A.

1.2 Shifting Power to the Right Levels

1.2.1 The key proposal to achieve a shift in power to the ‘local’ level and to enable local authorities to fulfil their ‘critical role’ in supporting local economic growth is the abolition of the Regional Development Agencies (RDAs) and the formation of **Local Economic Partnerships** (LEPs) in their place.

- 1.2.2 The White Paper gives more detail on how the transition from RDAs to LEPs will be managed and how the functions of the former RDAs will be redistributed. For the most part, the functions carried out by the RDAs will either be transferred to the LEPs (for example, business advice services, promotion of local carbon economies, influencing local skills provision) or led by existing national bodies with local input from LEPs (for example, UKTI leading on inward investment, Visit England on Tourism, the Skills Funding Agency on skills provision, and the Homes and Communities Agency on regeneration).
- 1.2.3 One issue of importance to West Kent and the rural Leader Programme is that the RDPE (Rural Development Programme for England) is to be retained with a stronger national lead from Defra.
- 1.2.4 As Members will know, a number of proposals (24 to date) for Local Economic Partnerships have now been approved by Government with Kent being included in a large LEP with Essex and East Sussex. Proposals for a Kent and Medway LEP were rejected. Whilst it may be difficult to appreciate the importance of direct geographical and socio-economic linkages between Kent and Essex, the late inclusion of East Sussex, sharing its borders with a significant part of West Kent, could be regarded as an advantageous development locally, potentially helping to shift the focus of future LEP activity away from a single focus on eastern coastal areas and embracing areas to the west which are more rural in nature.
- 1.2.5 There remains, however, significant debate how effective LEPs will prove to be and the larger the area covered by the LEP, the more challenging it will be to achieve agreement to a single common purpose. Government has made it clear that the day to day operation of LEPs will need to be funded from local sources; no Government funding is being made available for this. The White Paper, however, confirms that Government expects the LEPs to undertake a wide ranging role in support of the local economy of its area of coverage and expects LEPs to 'lever in' financial support from the private sector to help with its work. LEPs, along with other public-private partnerships will be able to bid for funding against the new Regional Growth Fund. There is no guarantee of course that such bids will be successful, particularly in the South East, where its needs might be overlooked by a desire on the part of Government to invest in the north, particularly in areas most affected by public sector job losses.
- 1.2.6 There is a concern, therefore, that inadequate resources available to LEPs both to carry out their day to day functions and to invest in important local economic development projects, could lead them to becoming ineffectual 'talking shops' rather than the proactive and catalytic partnerships that the Government clearly aspires them to be.
- 1.2.7 At the local level, there remains a number of issues to be resolved with regard to the governance and operations of the Kent, East Sussex and Essex LEP. For example, it is unlikely that direct district level representation on the LEP will be achievable over such a large and diverse geographical area and as a result, some

form of shared sub regional representation will be imposed which might serve to lessen the Borough Council's influence in its work and priorities.

1.3 Increasing Confidence to Invest

(a) Local Government Finance Issues

- 1.3.1 As Members are aware, local authorities are responsible for the collection of business rates on behalf of central government. Revenues collected are "pooled" at the centre and redistributed as part of the local government finance settlements. In order to provide some incentive for local authorities to support businesses in the local economy, the previous government introduced the Local Authority Business Growth Incentive Scheme (LABGI), which Members may recall this Council benefited from in a relatively modest way during the course of its life.
- 1.3.2 In place of LABGI, the coalition government proposes to introduce a **Business Increase Bonus** scheme to reward authorities where growth in the business rates yield exceeds a set threshold, by allowing them to retain the increase you to a certain level, for a period of six years. It is not clear from the paper how the net cost to the central "pot" would be funded. No doubt this will be clarified in due course.
- 1.3.3 More wide-reaching, consideration is being given as to whether local authorities should **retain the business rates** that have been raised locally rather than pooling them. This is, of course, a debate that has raged for a number of years. The coalition government is actively exploring this option as part of its overarching **Local Government Resource Review**, which is intended to be launched in January 2011. Members will appreciate that, if it is agreed in due course, local retention of business rates will be a radical departure from the current arrangements for funding local government.
- 1.3.4 Clearly, this more radical approach opens up other dilemmas for government to consider including how to fund councils where there are insufficient business rate revenues to support the budget requirement, and conversely how to deal with those councils where the business rate revenue would significantly outweigh current budget levels.
- 1.3.5 The coalition government states that it will take these issues into account and consider a range of options to balance this effect. More local "pooling" arrangements may be one option, but however it is done, inevitably, there would have to be some form of 'equalisation' arrangement.
- 1.3.6 Another strand of the 'investment' proposals is the potential introduction of new borrowing powers to enable local authorities to carry out **Tax Increment Financing (TIF)**. Effectively, local authorities would be able to borrow against predicted growth in business rates to fund capital projects. Members may be aware that this financing tool is widely used in the US, and as part of this new

approach it is anticipated that councils in Scotland will pilot TIF to see how it might work in the UK.

1.3.7 The White Paper (page 29) poses some questions about these potential “incentives”. They are:

1. Would you favour a business rates retention model, as a more radical alternative to Business Increase Bonus?
2. How would such a model change your approach to TIF, if at all?
3. Do you have any specific issues, concerns or proposals in relation to a business rate retention model, or TIF?
4. How should government support local authorities to introduce TIF?

1.3.8 Members of this Council have argued in the past for local retention of business rates and it would seem appropriate to highlight this opportunity rather than backing a less radical Business Increase Bonus. Borrowing against future income streams carries much more certainty if local authorities retain business rates that are raised within their areas, and the LGA have already flagged up their concerns (in liaison with those authorities that have already developed TIF proposals) that the Business Increase Bonus alone would not allow the certainty to borrow over the necessary period. On this basis, we believe our response to the above issues should, in line with previous discussions, ask Government to favour the ‘locally retained business rates’ model in preference to the Business Increase Bonus Scheme. We believe the ability to use TIF would go hand in hand with this model.

(b) Planning and Housing Issues

1.3.9 The White Paper also lays the ground for a major reform to the planning system so that it can actively encourage growth and ensure that local people have a greater ownership in decision making. The main functions of the planning system are identified as providing sufficient housing to meet demand, supporting economic development through infrastructure provision and land use planning and giving people the opportunity to shape the look and feel of their communities.

1.3.10 However, the White Paper characterises the current system as a barrier to development despite what it identifies as “the desire of almost every local community to see more homes, more jobs, extra investment and a better local environment”. It is also recognised that the planning system is bureaucratic and expensive to navigate. In order to address these issues, the Government’s proposed reform of the planning system will actively encourage growth including increasing the supply of housing.

1.3.11 The White Paper recognises that the Government has already taken steps towards the abolition of Regional Spatial Strategies removing a level of strategic planning that imposed development on communities instead of encouraging people to work locally to take ownership of growth. This matter remains the subject of legal challenge. To encourage a cultural change, the White Paper starts

from a positive position about development and introduces a **national presumption in favour of “sustainable development”** which will apply to decisions on all planning applications.

(c) Local Community Planning

- 1.3.12 Although the detail remains scarce, at the centre of the proposed reforms to the planning system is the creation of **Neighbourhood Plans** designed to give local communities greater freedom to bring forward more development than set out in the Local Authority Plan. These Neighbourhood Plans will need to respect the overall national presumption in favour of sustainable development and meet local housing need.
- 1.3.13 The White Paper also puts forward new **Right to Build** powers enabling local communities to deliver small scale development without the need for a separate planning application. Again there is no detail of how this will be implemented or how the Local Planning Authority will be involved.
- 1.3.14 Under a new system, local authorities will be expected to produce what is described as a **Local Development Plan** under simplified and streamlined procedures and timescales. Importantly, the White Paper says that where neighbourhoods choose not to develop a Neighbourhood Plan the Local Plan will be used to guide development in that area. Although it is not expressly stated, it would seem to follow that where Local Neighbourhood Plans are prepared they would take precedence over the Local Planning Authority’s own Plan. It is not clear from the White Paper what the precise status and relationship of the two plans would be and importantly what the process for bringing a neighbourhood plan to the equivalent of ‘adoption’ would be.

(d) Reducing Bureaucracy

- 1.3.15 The White Paper notes that the Government are currently working on proposals to reduce regulatory burdens on the development industry through continuing amendments to the detailed regulations governing the development control system but also through a review of non planning consents.
- 1.3.16 The Government are also fundamentally reforming national policy in the form of a simple **National Planning Framework** covering all forms of development to set a positive context for local decision making.

(e) Encouraging Collaboration

- 1.3.17 The White Paper notes that through the forthcoming Localism Bill there will be a new to **statutory** duty co-operate on local authorities public bodies and some private organisations involved in plan making. This seems right in order to provide a greater onus on all those involved to properly plan for the future whether it be in terms of land use and development needs or infrastructure and service provision.

1.3.18 It is also noted that planning issues often affect communities spanning traditional administrative borders. In this context Local Enterprise Partnerships (LEPs) are given encouragement to work with partner planning authorities to develop strategic planning frameworks and interestingly it says that if constituent local authorities agree, LEPs may also take on other planning activities including enabling the timely processing of applications for strategic development and infrastructure. Again there is no more detail on how such a function would be implemented, or indeed governed given the uncertainty about the structure of LEPs themselves.

1.3.19 Nevertheless, the White Paper notes that the vast bulk of planning decisions should take place at the local level although some nationally important decisions will become the responsibility of the Planning Inspectorate's recently announced **Major Infrastructure Planning Unit**.

(f) Local Incentives for Growth

1.3.20 A major thrust of the White Paper is to provide local incentives for the delivery of growth. A significant part of this is to be the introduction of the **New Homes Bonus** as a way of providing financial incentives to encourage local housing development, rather than imposing development through the imposition of top-down targets through previous regimes. The New Homes Bonus is designed to return the debate over housing to the local level and encourage local authorities and their communities to meet local need.

1.3.21 Starting in 2011/12 the New Homes Bonus scheme will match fund the additional council tax for each new home built or brought back into use for each of the 6 years after that home is built. This is a potentially major factor for the future of local Government finance but there are some key issues, such as the distribution of funds, to be settled. The Government has very recently issued a full consultation paper on the proposed model for the implementation of this initiative and a full report will be made to the Special Cabinet meeting on the 15 December.

(g) Commentary on Planning Issues

1.3.22 There is clearly a great deal of clarification and detail that needs to be brought to the proposed reforms to the planning system that will be important to ensure that all parties are clear about their role in any new arrangements and to create the certainty that the new Government wishes to promote for the development industry as well as local communities. In the meantime there are some general points that are worth stating and particular areas where clarity will be vital.

1.3.23 The existing system is characterised as preventing rather than promoting growth. That is not our experience in Tonbridge & Malling or indeed other parts of Kent where the planning system has facilitated major housing and economic development schemes. In areas of Green Belt or AONBs, a degree of restraint is understandable and there is nothing to suggest that a new National Planning Framework will reduce these levels of constraint.

- 1.3.24 There seems to be a fundamental misconception behind the White Paper that there is a “desire from almost every community to see new homes built”. Indeed across the region there is a popular view that is emerging that many communities that see localism as an opportunity to restrict rather than enable further development. A change in this culture in order to meet local needs for development will be a challenge that will need to be addressed.
- 1.3.25 There is an assumption that economic development needs are matched by the local communities’ enthusiasm for such development.
- 1.3.26 There is a presumption throughout the White Paper that local objections to development will be overcome by financial incentives and, by implication, that most local objections result from a lack of financial support from development. The New Homes Bonus is likely to bring very substantial financial incentives to local authorities that promote new development and it will be a challenge to demonstrate the benefits that local communities might realise.
- 1.3.27 Recent rates of construction in Tonbridge & Malling have been at a higher pace than that envisaged by the Regional Spatial Strategy due to the imaginative forward planning strategy that the Council has been able to employ to address local housing and other needs. Even at that level of development the identified local housing needs were not able to be met in full. There will be a dilemma for the new planning system in how it sustains levels of development that reflect demonstrable local needs.
- 1.3.28 There needs to be a consistent definition of the words “local community” and “neighbourhood”, where the responsibility lies for producing neighbourhood plans and what ultimately constitutes the statutory development plan, if indeed there is to be one, and by what process such plans will be scrutinised, if at all. Neighbourhood planning presents a good opportunity for real participation by local communities in the planning system, but will require resourcing and clarity of approach.
- 1.3.29 There needs to be a clear definition of “sustainable development” bearing in mind the presumption in its favour.

1.4 Focused Investment

- 1.4.1 As mentioned above, the Government is introducing a **Regional Growth Fund** (RGF) with two main objectives:
- To encourage private sector enterprise by supporting projects with significant potential for economic growth and creating additional sustainable private sector employment
 - To support in particular those areas and communities that are currently dependent upon the public sector to make the transition to sustainable private sector–led growth and prosperity.

- 1.4.2 The RGF is to be a competitive challenge fund spread over several rounds and is open to applications from the private sector or public/private partnerships (including LEPs). The intention is for funding support to be given for projects that might otherwise not happen and which will create sustainable employment and infrastructure provision to remove the barriers to private sector-led growth.
- 1.4.3 Whilst all areas of England are eligible to bid, Government states that in areas with a vibrant private sector (potentially large parts the South East, for example) bidders may struggle to meet the second objective set out at 1.4.1 above. Successful projects will be those that can demonstrate that the financial support will create additional economic activity. Leverage of private sector funding will need to be a crucial element in any bid. Bids that seek to promote, for example, capital investment in new transport infrastructure provision, could only be successful if private sector funding had been secured as part of the overall funding package. The RGF is aimed at larger scale investments with a minimum award set at £1M.
- 1.4.4 The White Paper also sets out a number of proposals in relation to support for **economic development delivery**. For brevity, these are set out in summary at Annex B to this report.

1.5 Legal Implications

- 1.5.1 Not an issue at this stage.

1.6 Financial and Value for Money Considerations

- 1.6.1 As dealt with above.

1.7 Risk Assessment

- 1.7.1 N/A

1.8 Equality Impact Assessment

- 1.8.1 See 'Screening for equality impacts' table at end of report

1.9 Recommendations

- 1.9.1 That the content of the above report **BE NOTED**;
- 1.9.2 That the Borough Council **INDICATES** to Government its wish for Business Rates to be retained locally in preference to the introduction of the Business Increase Bonus model.

Background papers:

Nil

contact: David Hughes, Steve
Humphrey, Sharon Shelton

David Hughes

Chief Executive
On behalf of the Management Team

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	This report merely draws attention to proposed changes in Government Policy.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	As above
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.