

# Changing Economic Development Policy, Structures, and Resources in England

Richard Cairns and Craig Renney

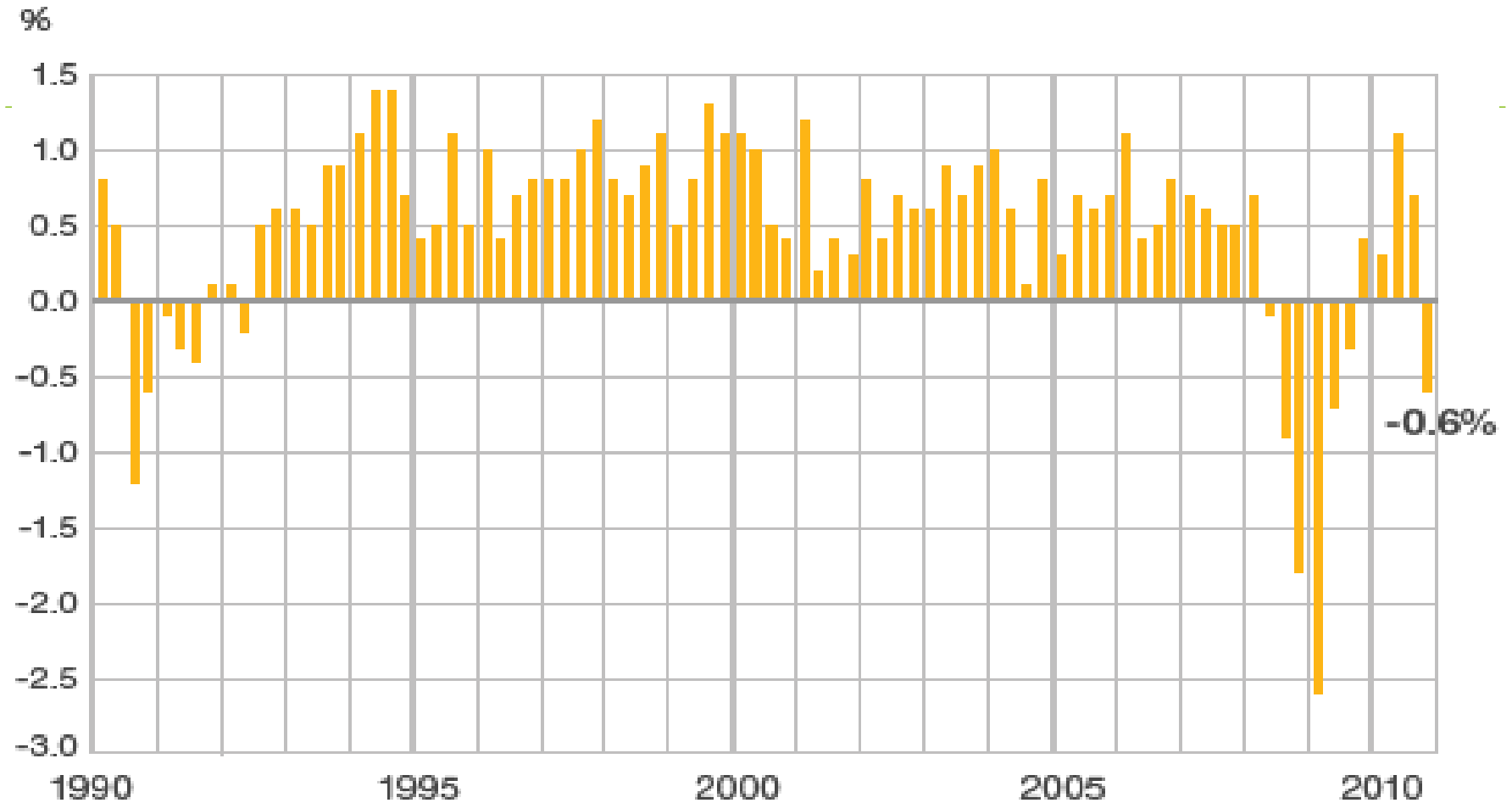
# Content

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- What is the problem?
- Change
  - A New Orthodoxy?
  - Policy Choices
    - Rebalancing
    - Structures
    - Resources
    - Growth
- Questions for Consideration

# Whats the problem, exactly?

## UK GDP growth, quarter on previous quarter



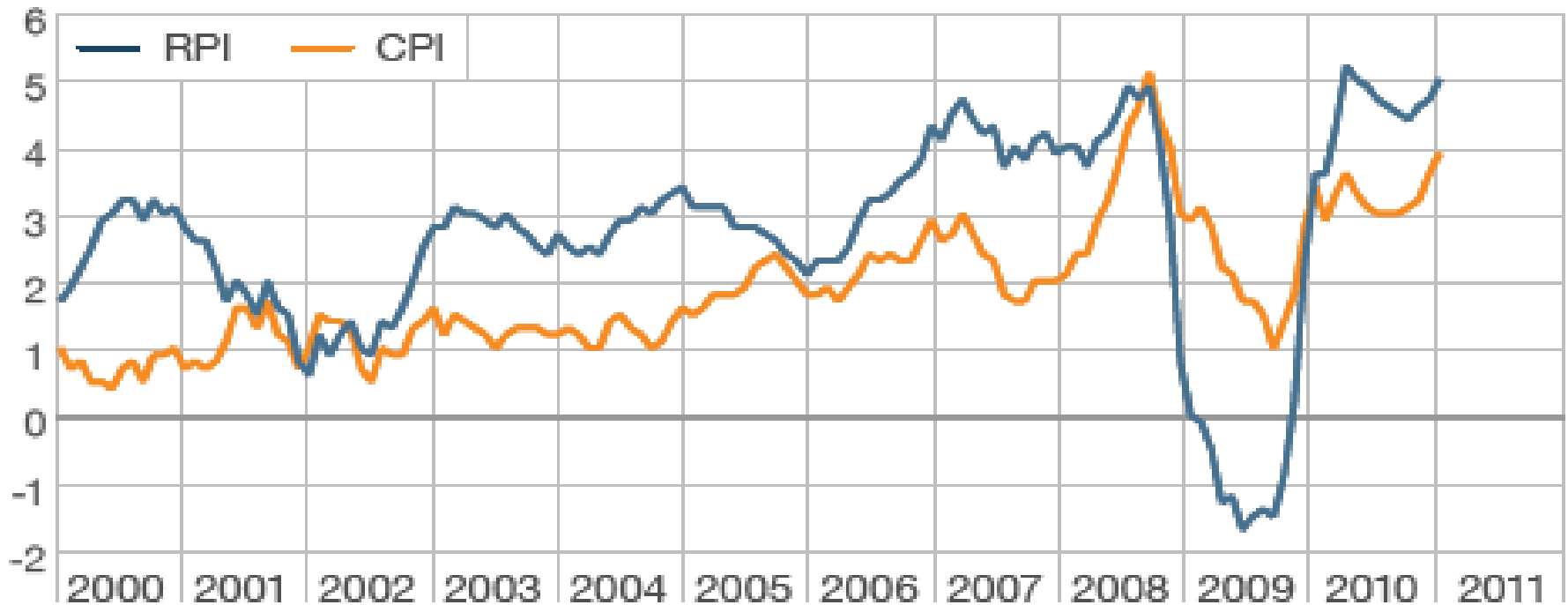
Source: ONS

# Whats the problem, exactly?

## Inflation 2000–2011

Percentage change over 12 months

%

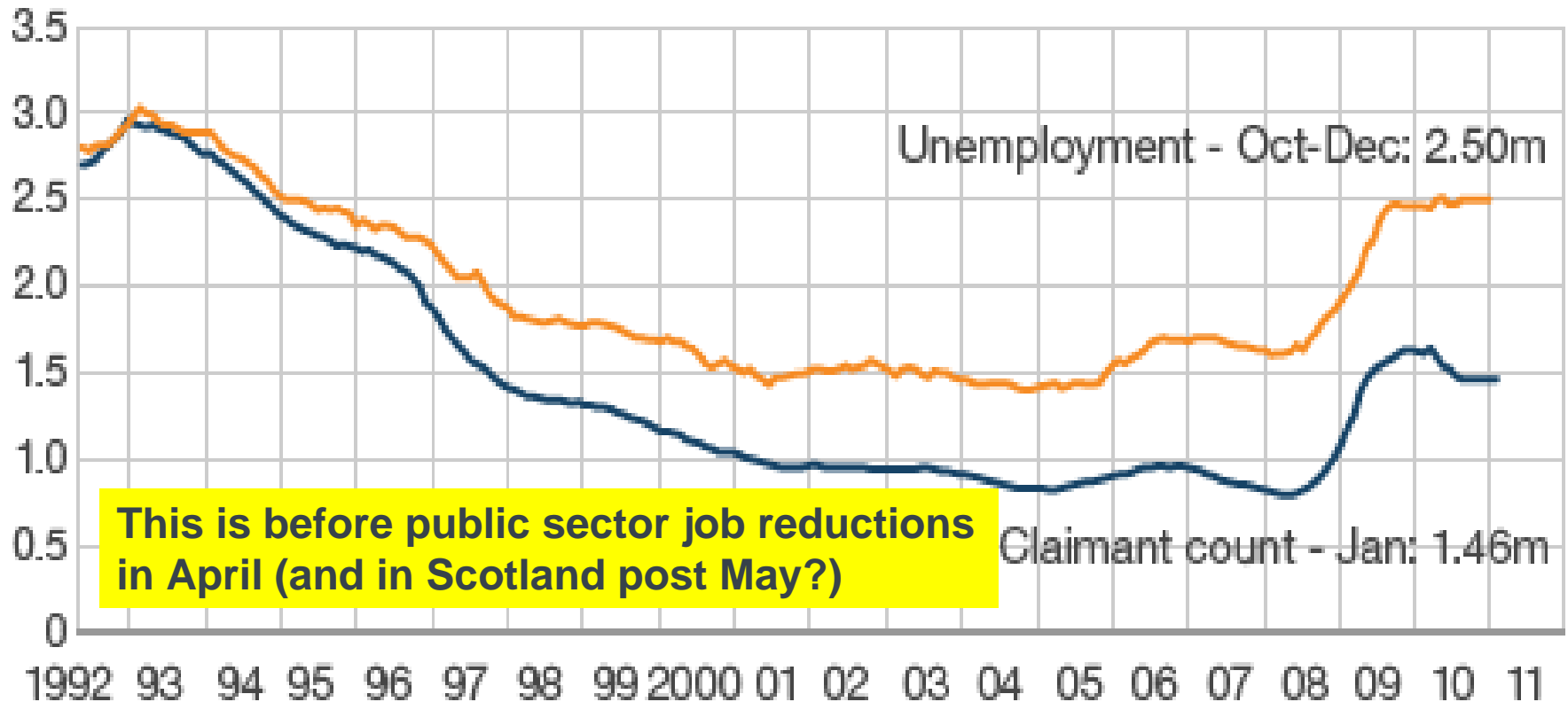


Source: ONS

# Whats the problem, exactly?

## Unemployment in the UK 1992-2011

Number, millions

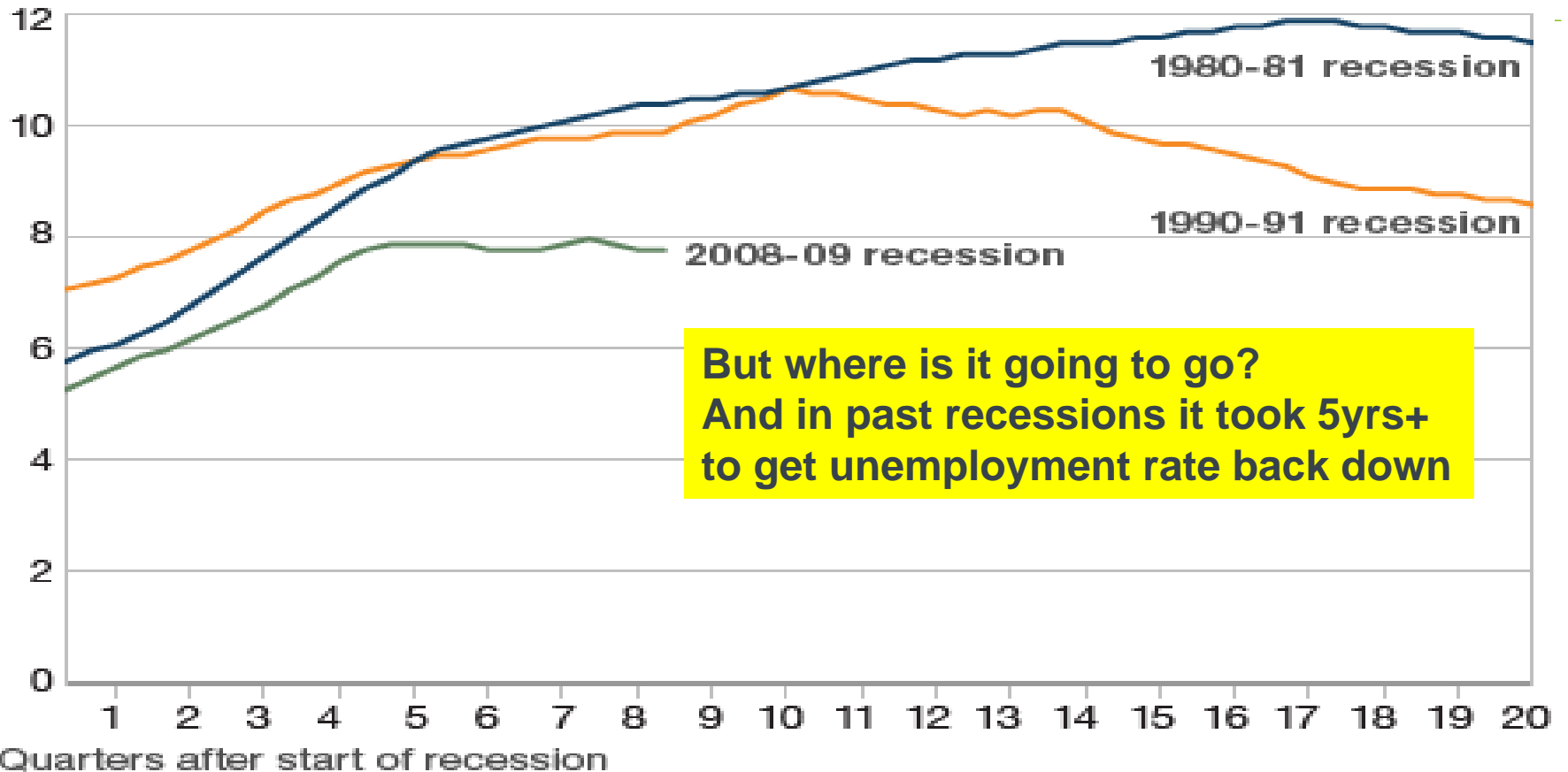


Source: ONS

# Whats the problem, exactly?

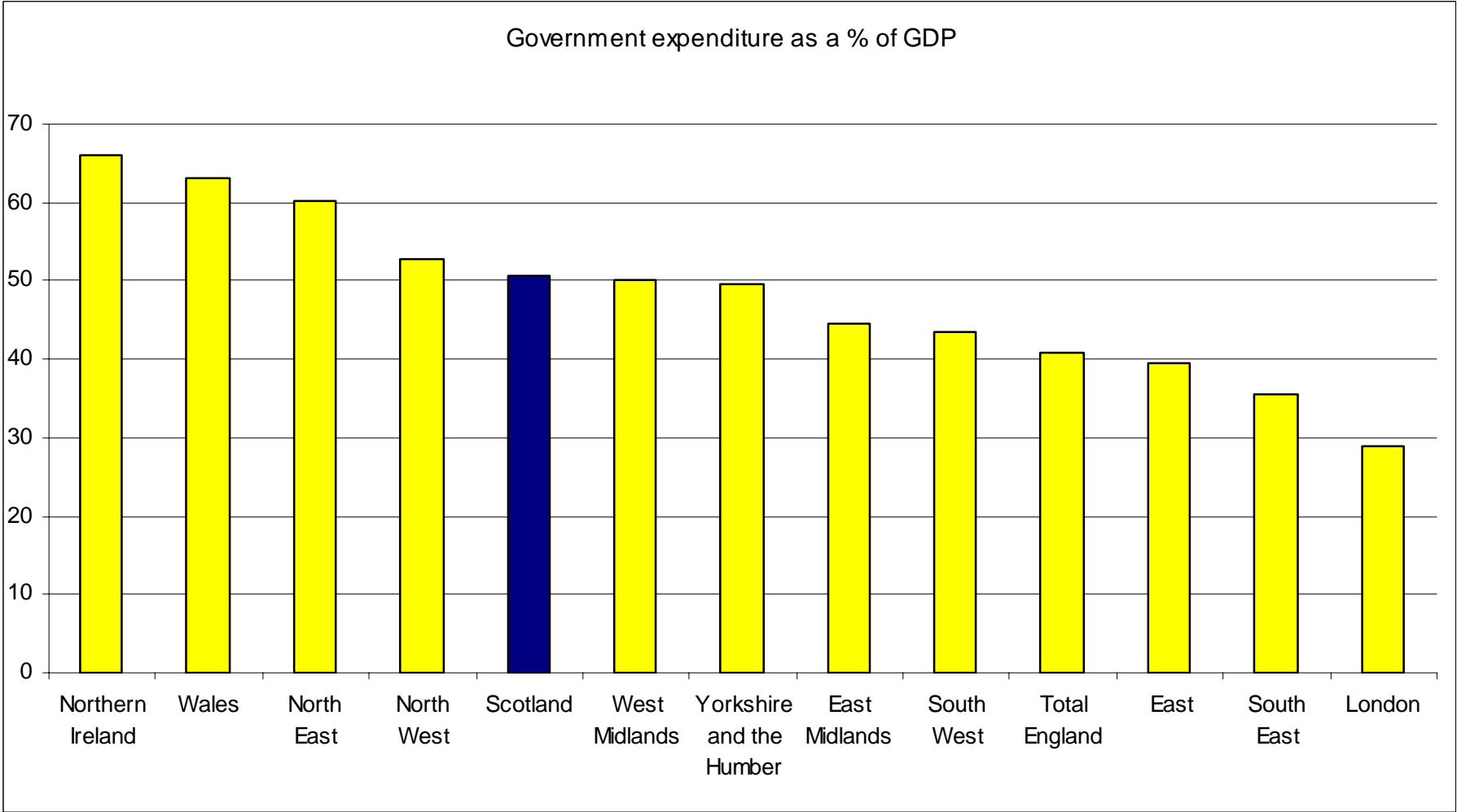
## Comparing recessions

Rate of unemployment



Source: ONS

# Public Sector Dependency





Recession



Inflation



Unemployment



Cuts

'Four Horsemen of Apocalypse'

by Michael Newlyn © 2008

# A new orthodoxy

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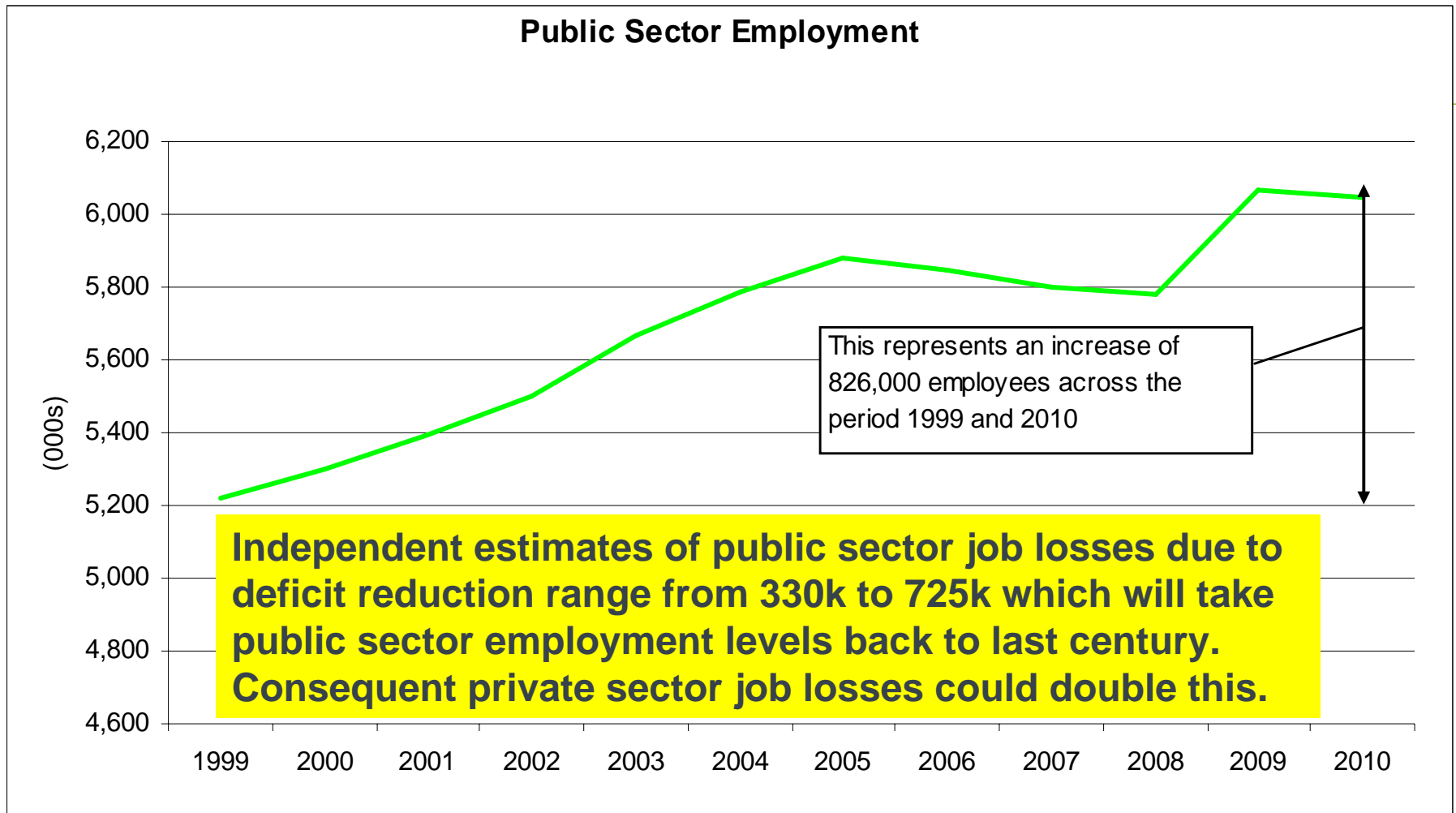
- Radical departure from the 'Market Failure' model of New Labour
- Ambition of government reduced
- Back to the future for government spending
- Supply-side reforms promoted over demand-side

# What is to be done?

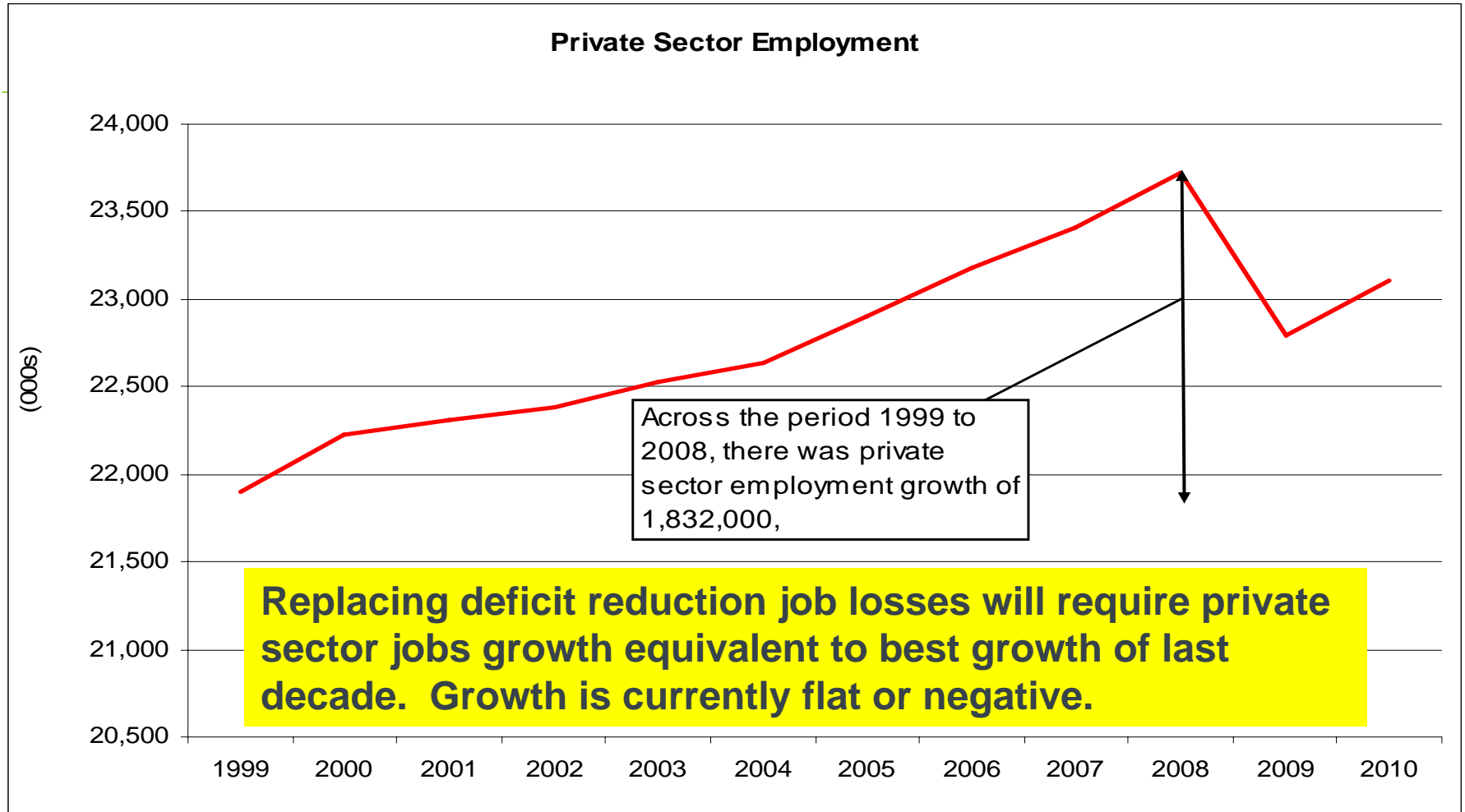
- Cut the deficit in 5 years by reducing public sector spend and increasing taxation (80:20 split)
- Rebalance the economy from public to private jobs in those places most dependent on public expenditure
- Changing Structures and Localism
- Challenge of Resources
- Creating Growth



# Rebalancing?

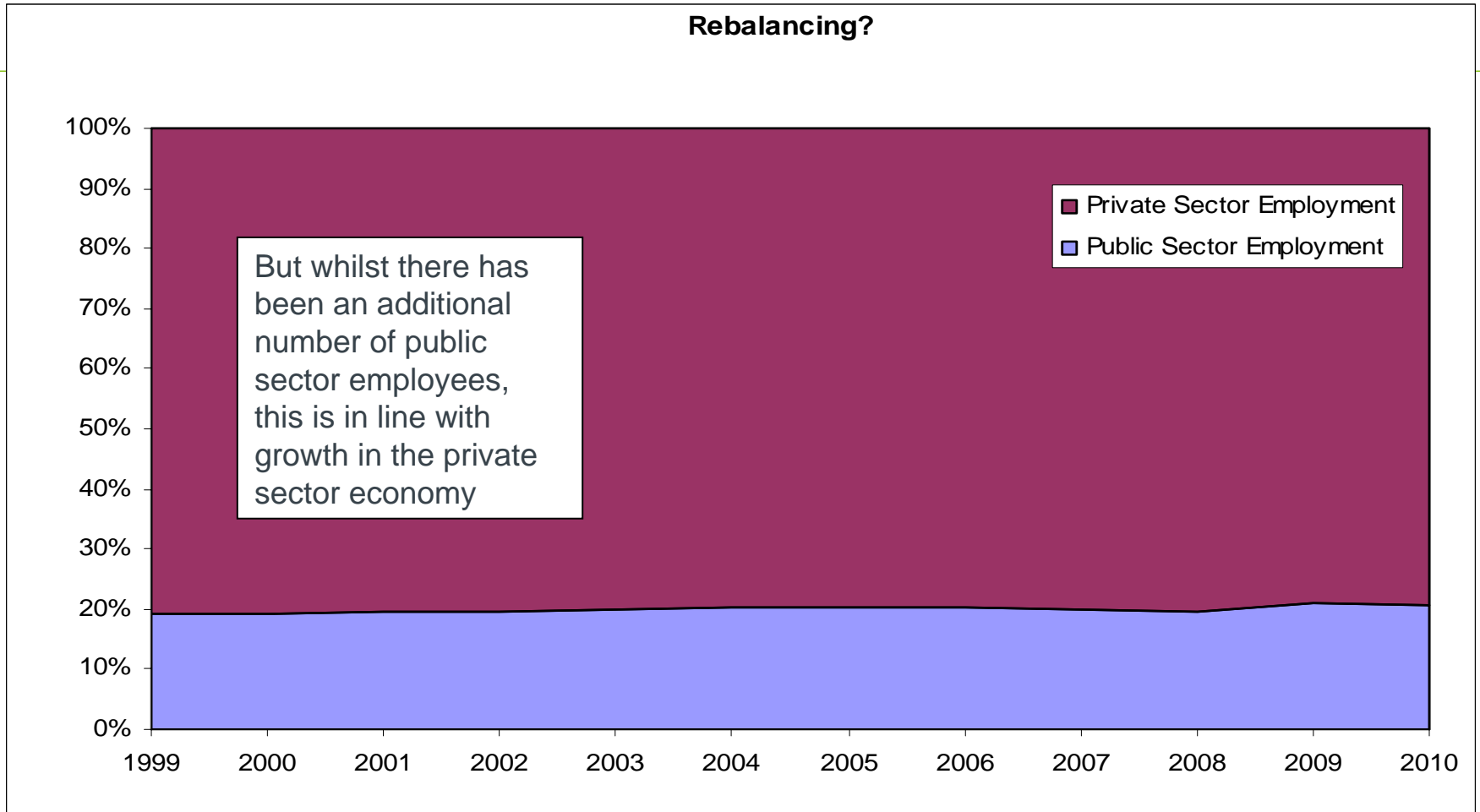


# Rebalancing?

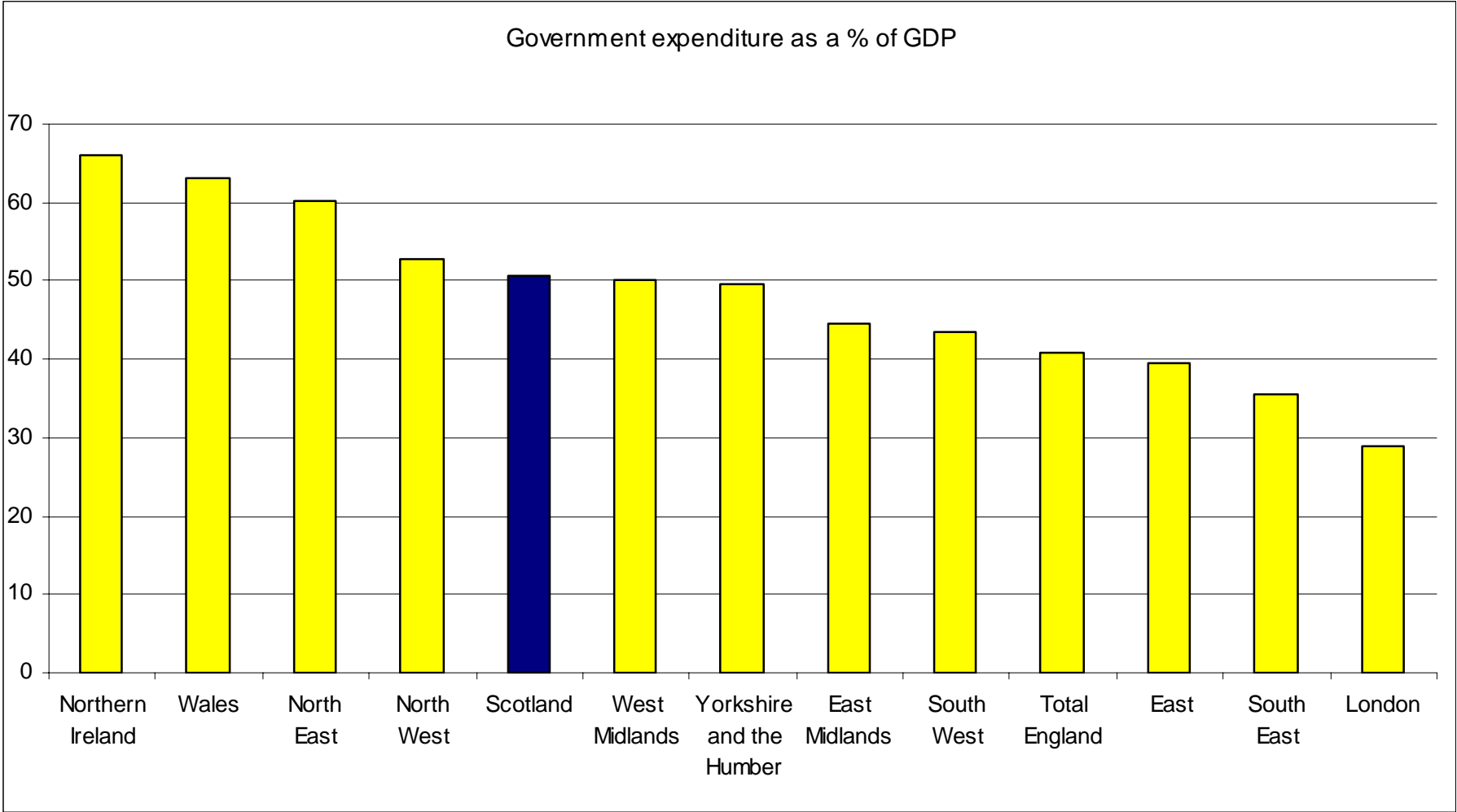


# Rebalancing?

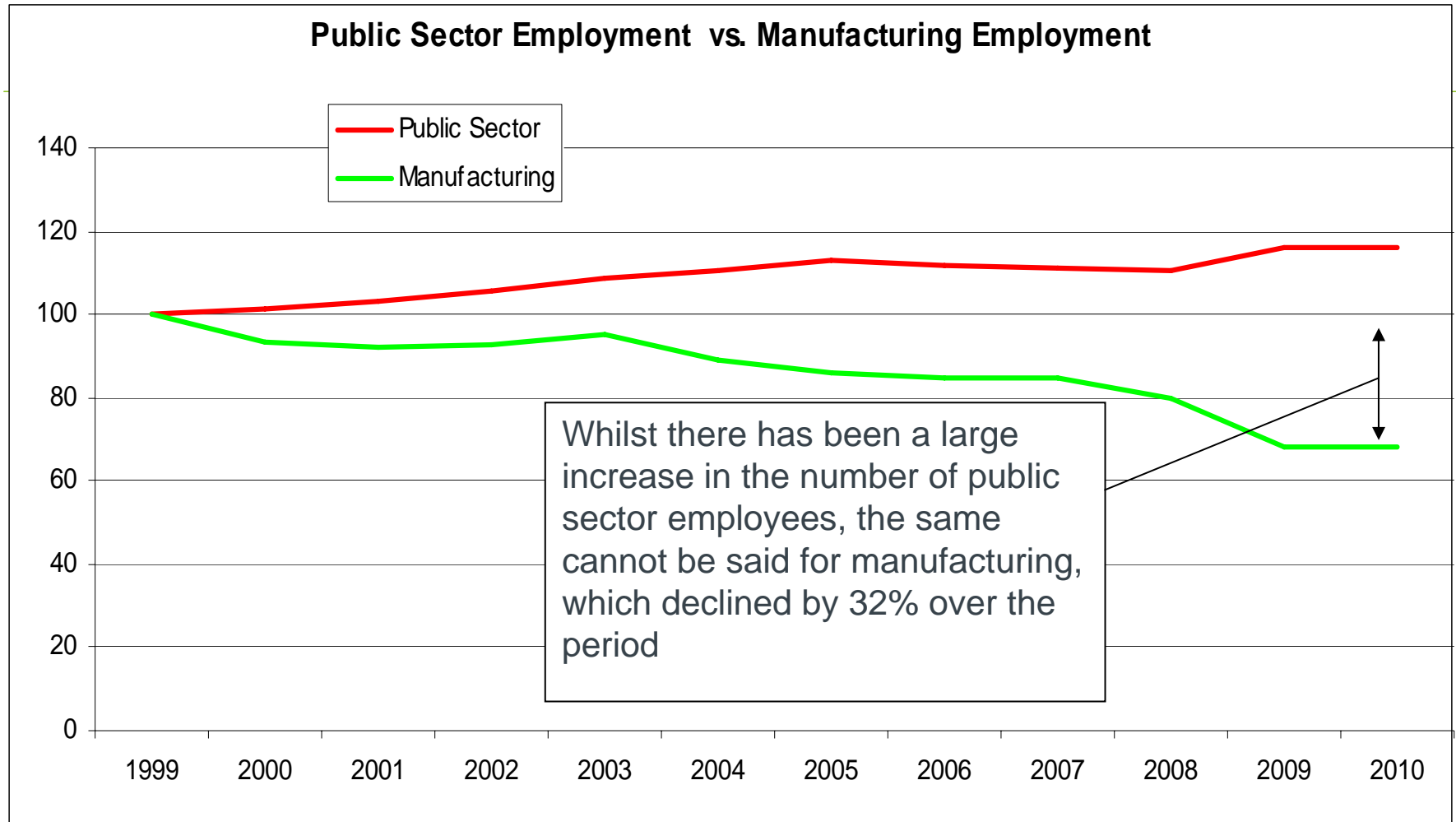
Rebalancing?



# Public Sector Dependency



# Rebalancing?



# Local growth: realising every place's potential

Presented to Parliament by  
the Secretary of State for Business, Innovation & Skills  
by Command of Her Majesty

28 October 2010

# Policies to encourage growth

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- Lower corporation tax to attract investment
- Welfare reform to make work pay
- New Enterprise Allowance
- Changes to planning to enable growth
- Elected Mayors to drive growth
- 'Free Councils' and Tax increment financing powers
- Closure of RDA's & creation of LEPs
- Regional Growth fund
- Growth hubs for high growth SME's
- Closure of business link replaced by website and call centre
- Business Mentoring
- Technology & Innovation Centres (£200m)
- Innovation, international trade, and finance centralised at BIS...

# Structural changes – Localism

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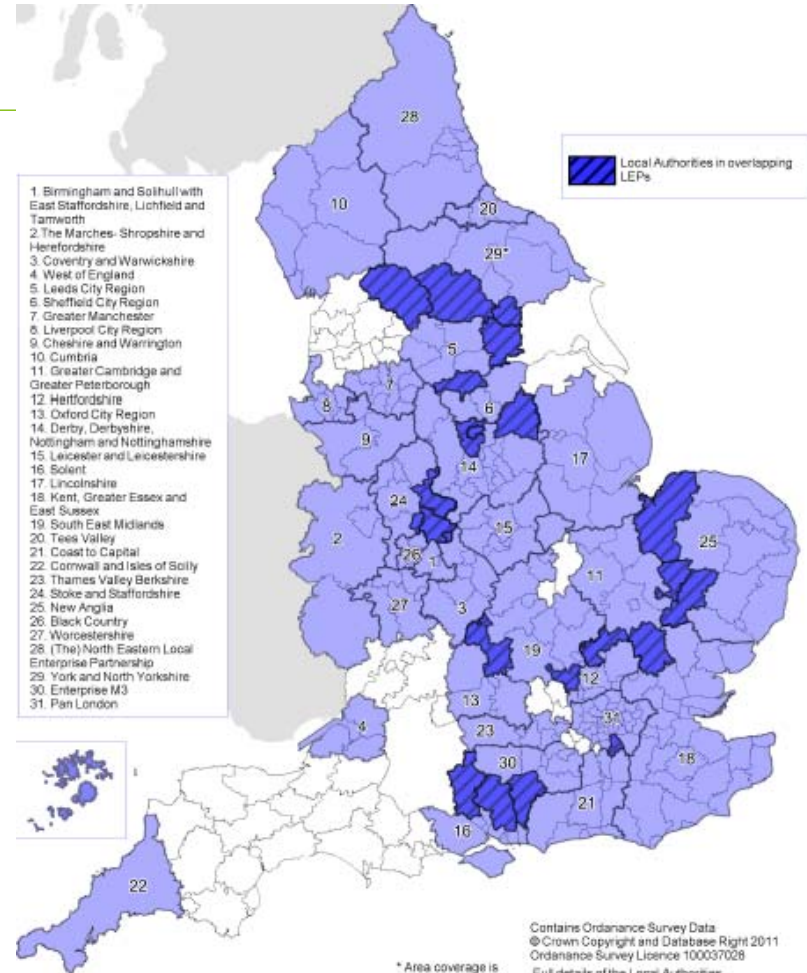
- Ctrl + F – Regions – Delete All?
- Resurrection of ‘local’ in economic development
  - Local Economic Partnerships
  - Neighbourhood Development Plans
- Removal of central prescription
- City Mayors

# From RDAs to LEPs

RDA's abolished  
Govt Offices  
closed



BIS creates 7  
Local Offices



Contains Ordnance Survey Data  
© Crown Copyright and Database Right 2011  
Ordnance Survey Licence 100037028  
Full details of the Local Authorities  
(District/ Unitary) covered by each LEP  
can be found on the BIS website.

\* Area coverage is  
currently under  
discussion

# Resources

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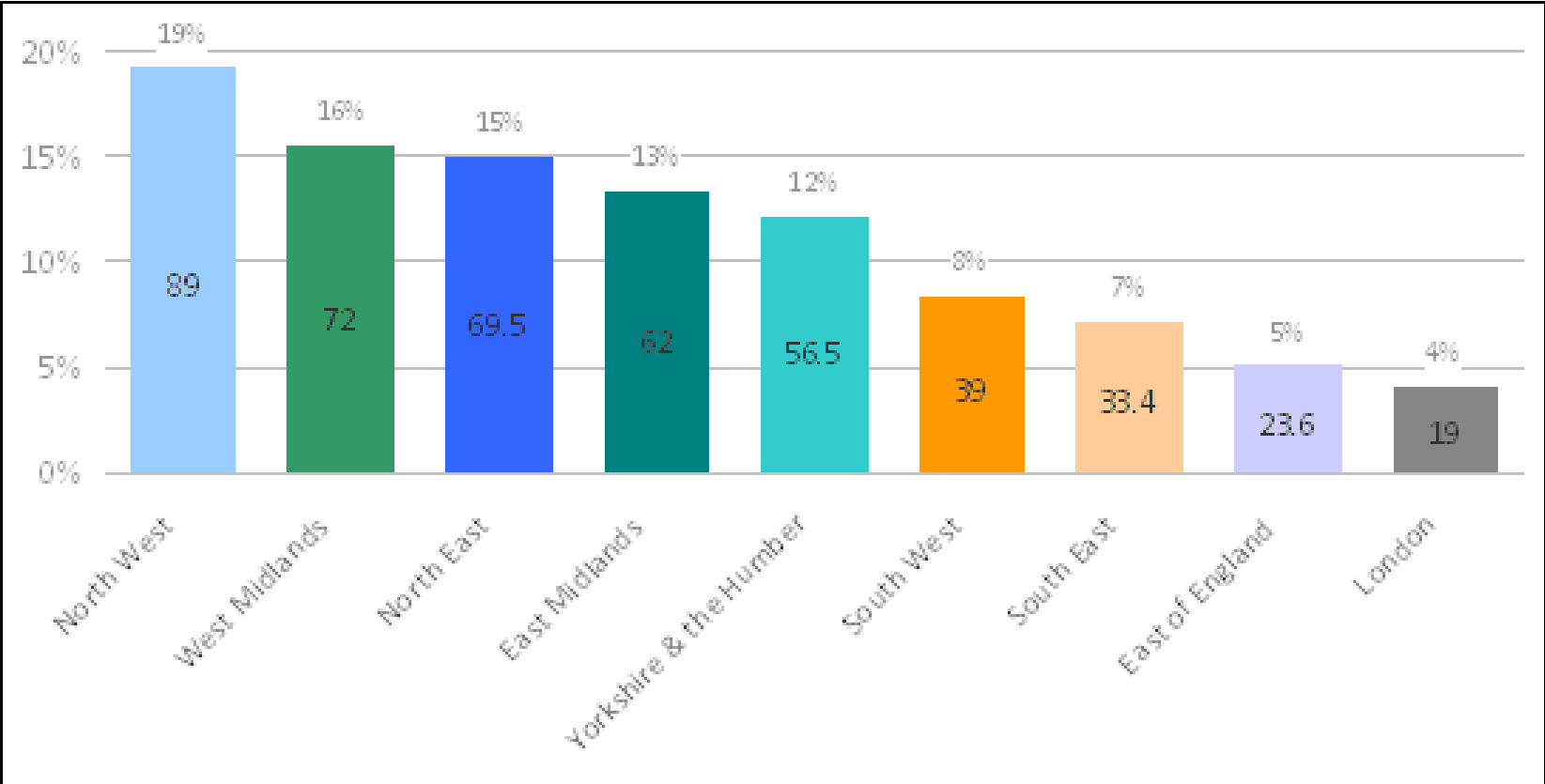
- RDA's spent £2.46bn in 09/10. Heavily skewed to the North and Midlands
- Regional Growth Fund - £1.42bn over three years - heavily skewed anywhere
- LEP's - £4m capacity development meant to be self-financing
- Loss of 81% of funding per year
- Distributional impact
- Then add GO's, LSC's, HCA, WNF, amongst others to this fall.

# What is RGF for?

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- Create additional sustainable private sector growth;
- rebalance the economy toward those areas currently dependent on the public sector;
- would not otherwise go ahead without support from the Regional Growth Fund;
- offer value for money; and
- state aid compliant.
- The minimum threshold for bids is **£1m**.

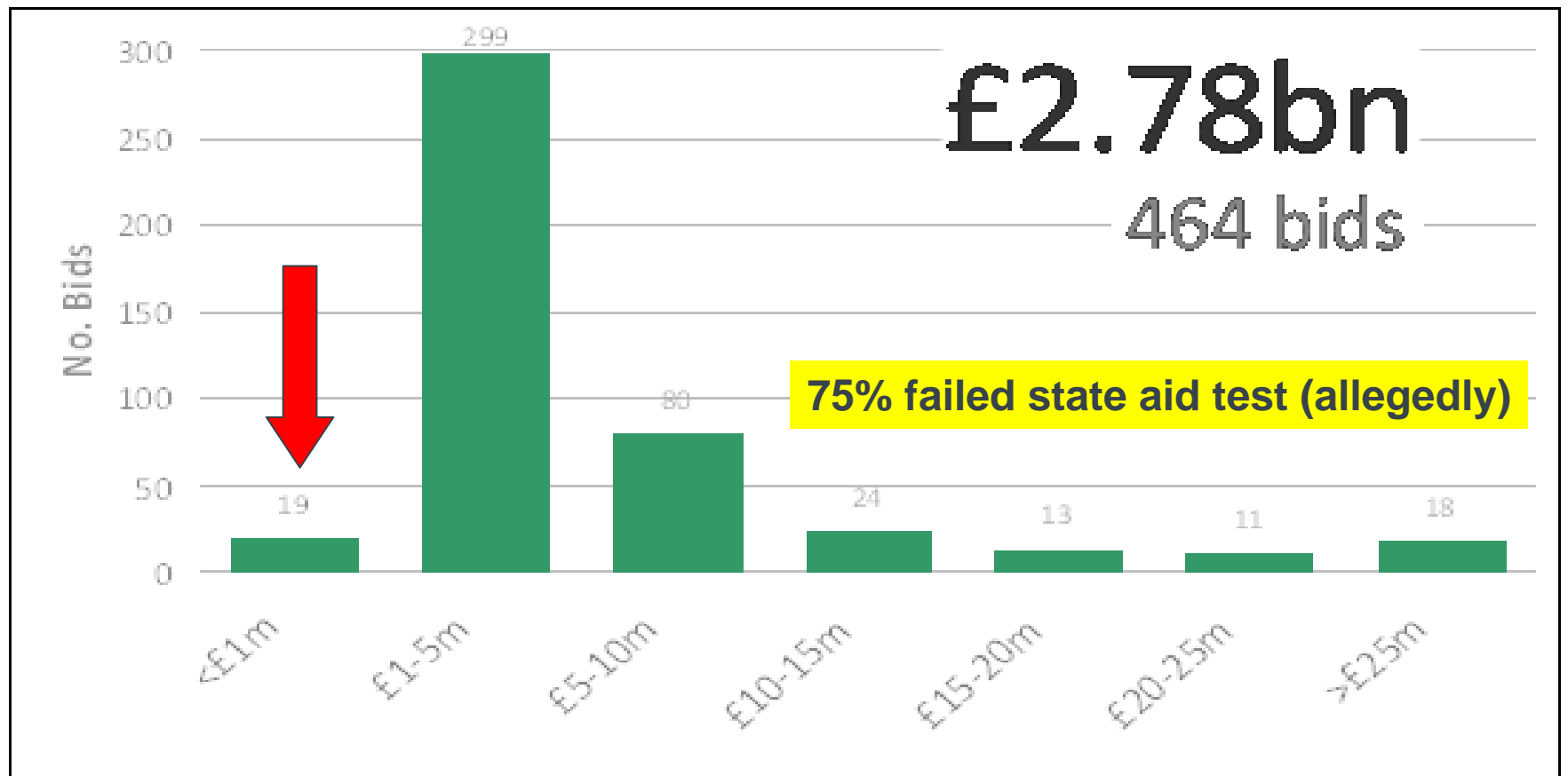
# Regional Growth Fund



# RGF Round 1

Budget £0.47bn

Minimum bid £1m



# Creating Growth

## Role of Government

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- creating **macroeconomic stability**, so that interest rates stay low and businesses have the certainty they need to plan ahead;
- helping **markets work more effectively**, to encourage innovation and the efficient allocation of resources;
- ensuring that it is **efficient and focused in its own activities**, prioritising high-value spending and reducing tax and regulatory burdens; and
- ensuring that **everyone in the UK has access to opportunities** that enable them to fulfil their potential.

# The Plan for Growth

## **To create the most competitive tax system in the G20**

- The lowest corporate tax rate in the G7 and among the lowest in the G20
- The best location for corporate headquarters in Europe
- A simpler, more certain tax system

## **To make the UK one of the best places in Europe to start, finance and grow a business**

- Improving the UK's ranking in major international indices of competitiveness
- A lower domestic regulatory burden
- More finance for start-ups and business expansion
- An increase in the proportion of planning applications approved and dealt with on time

## **To encourage investment and exports as a route to a more balanced economy**

- Ensure the UK remains one of the top destinations for foreign direct investment (FDI)
- An increase in exports to key target markets
- An increase in private sector employment, especially in regions outside London and the South East
- Increased investment in low carbon technologies

## **To create a more educated workforce that is the most flexible in Europe**

- Supporting more apprenticeships than any previous government
- Home to more of the world's top universities than any other country except the USA
- An increase in the participation of 16-24 year olds in employment or learning
- Narrowing the educational attainment gap, allowing everyone to meet their potential
- Lowest burdens from employment regulation in the EU

# For your consideration...

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- Impact of UK policy:
  - Deficit reduction/Public spending
  - Public sector jobs
  - Corp tax regime & company base
  - ED budgets
- Can/should Scotland be different?
- Scottish Enterprise v LEPs
- Metro Mayoral cities v GEAD
- Enterprise Zones and FDI
- Planning policy shift (presumption in favour of growth)