

British  
Chambers of  
Commerce  
The Ultimate Business Network

# Local and Regional Government Policy Brief

Updated: December 2009

The British Chambers of Commerce believes that economic development and business growth must take greater prominence in local government and regional agencies.

## Summary

**Local councils, city-regions and regional economic development agencies need to effectively co-ordinate the delivery of regeneration, planning, skills, business support, local regulation, transport, policing and environmental services in a way that better supports local economic development and business growth.**

**The BCC supports further devolution, so that more decisions are made at the right level to deliver relevant local outcomes. However, business wants meaningful involvement in these decisions, and in the delivery of actions that support local business growth. Tick-box engagement and the proliferation of partnership bodies must cease.**

**Business makes a major financial contribution to the cost of local services, though this contribution is nationally set and redistributed. This financial contribution increases the case for greater transparency and accountability in local spending. The BCC believes that, while sensible local flexibilities that do not increase the overall business tax burden should be explored, the entire local funding system needs to be made simpler, fairer and more accountable.**

**Businesses want to see their local areas develop and grow, with the right conditions in place to enable them to create wealth and prosperity. Whatever structures and processes are in place, visible leadership and effective co-ordination of the delivery of economic outcomes are essential to achieving this objective.**

## The Problem

Local authorities, Regional Development Agencies (RDAs) and other local public agencies currently do not adequately support economic development, restricting the ability of local areas to meet their potential. Many of the root causes of this problem lie with central government.

Not all local authorities demonstrate the necessary leadership, capacity and understanding of the private sector that businesses want to see.

RDAs have played a strategic economic role in some regions, and have co-ordinated the delivery of important economic functions since their creation. However business views of the value and performance of RDAs do vary between regions.

Too much business engagement in regional and local decision-making constitutes 'talking-shop' meetings or tick-box consultations.

Support for sub-national economic growth is hindered by the structure of the business rate system, which does not adequately provide transparency, support investment, or incentivise business growth.



## Evidence

- In January 2009, the BCC produced a joint report with the Local Government Association, *Back to Business: Local Solutions*, highlighting areas where businesses and local authorities have worked together to tackle the recession. However, in a March 2009 survey, 51% of business respondents were not aware of any local recession-fighting schemes, and 21% thought relations with their council had worsened through the downturn.<sup>1</sup>
- A March 2009 Price Waterhouse Coopers assessment of RDA performance concluded that every £1 of RDA spend added £4.50 to regional economic performance<sup>2</sup>, while the Centre for Cities found that only London and the North East had improved average regional economic growth rates between 2003-2006.<sup>3</sup>
- Business rates make up £24 billion of UK Government's £496 billion tax receipts<sup>4</sup>, and represent an average of around three per cent of business turnover. The UK has one of the highest rates of business property taxation in the EU.<sup>5</sup>

## Recent Government Policies

The Government has removed the business rate relief provisions available for empty properties, given local authorities a new power to levy a Business Rate Supplement (with specific safeguards for local firms), and set up a deferral scheme for 2009-2010 bills. The Valuation Office Agency is overseeing a revaluation of rateable values for properties in 2010, which could see some businesses facing large rises. It has also been pursuing the payment of backdated rate payments in port areas. The BCC is campaigning for a less punitive approach.

The Local Democracy, Economic Development and Construction Act will mean new Local Authority Leaders Boards agreeing Single Regional Strategies with RDAs (replacing the current Regional Economic Strategy, Regional Spatial Strategies and Regional Assemblies), new statutory City Regions, and a new Local

Authority Economic Assessment Duty. The 2009 Budget announced that there will be City Region pilots in Leeds and Manchester, which are strongly supported by local business communities in both areas.

During 2009 a further round of government facilitated council restructuring saw new unitary councils established in Cornwall, Durham, Northumberland, Shropshire and Wiltshire, and two new unitaries established within Bedfordshire and Cheshire. Ongoing piecemeal local government restructuring confuses many businesses.

## Opposition Positions

The Conservative Party's headline policy on RDAs remains unclear - and is a considerable source of uncertainty for businesses. However, it is clear that the Conservatives would abolish all regional planning processes, and enable local authorities to supersede RDAs by forming new, sub-regional enterprise partnerships.

They propose a Business Increase Bonus scheme (allowing any council whose amount of annual business rate rises by more than the national rate to keep the additional funds for six years), a discretionary local authority power to levy business rate discounts (where they can be funded through savings elsewhere), and would allow local firms to back or block a Business Rate Supplement proposal through a ballot.

The Liberal Democrats want to make RDAs responsible to elected assemblies or local authority partnerships, and devolve powers, planning responsibilities and funding to sub-regions. They would give powers to vary business rates to local authorities, but reduce rates for small businesses through a Business Rates Allowance.

<sup>1</sup>Monthly Business Survey, British Chamber of Commerce, March 2009.

<sup>2</sup>Impact of RDA spending - National Report, Department for Business, Enterprise & Regulatory Reform, March 2009.

<sup>3</sup>The Future of Regional Development Agencies, Centre for Cities, December 2008.

<sup>4</sup>Budget 2009, HM Treasury, April 2009.

<sup>5</sup>Final Report, Lyons Inquiry into Local Government, March 2007.




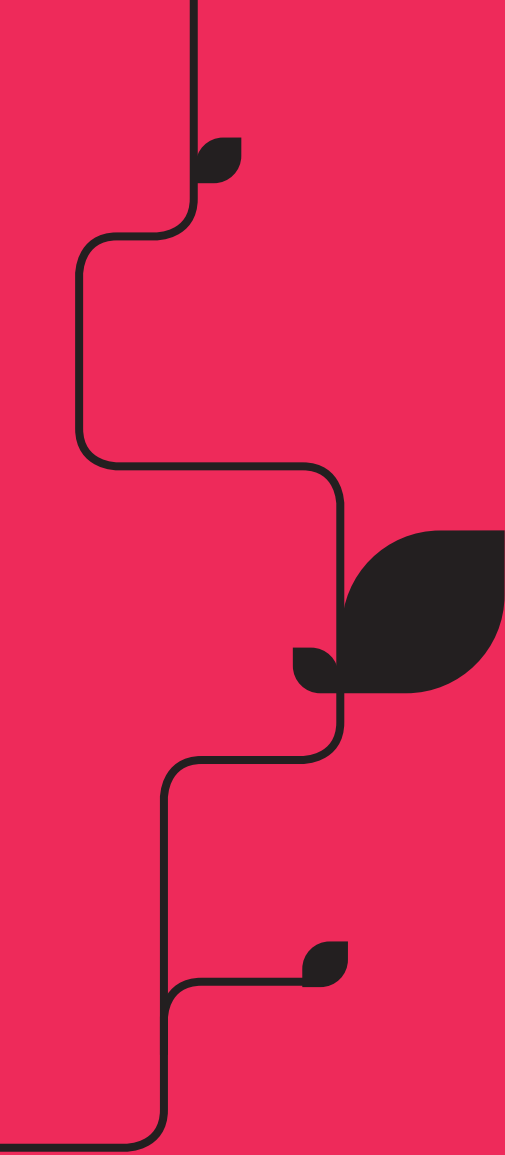
## BCC Position

**Local Government** – More decisions can and should be made at a local and sub-regional level. Greater autonomy, simpler funding streams, and more streamlined assessment arrangements are needed to achieve this. This must, however, be accompanied by stronger leadership, more effective delivery and meaningful involvement of the private sector in local decision-making and delivery. While most of this can be worked out locally, reforms such as elected mayors, statutory sub-regional arrangements, duties to provide information to the private sector, and promotion of the best examples of business engagement should be undertaken where they would clearly support economic growth.

**RDAs** – There is a case for retaining a body focused on economic development between the national level and the local authority level – but this need not necessarily be an RDA in its present form. If RDAs continue in some or all areas of England, they need to be stripped of their non-economic functions, and have a strong strategic focus on growth. In areas where abolition of RDAs is considered, current functions, such as business support and catalytic investment, must continue to be provided to the private sector without disruption.

**Business Rates** – Greater local financial flexibilities that do not increase the overall business tax burden, such as Accelerated Development Zones or Tax Increment Financing, are needed to enable local growth. However, any local financial powers that increase the business tax burden should be subject to a vote, along the lines of existing Business Improvement Districts. The local business taxation landscape does need to be reformed and simplified to provide greater accountability and value for money for businesses. There should also be stronger incentives for economic growth. Other mechanisms, such as the creation of shared taxes or meaningful incentives for economic development, also require further consideration.





#### APPLICABILITY

England only. In Scotland, please contact Garry Clark at the Scottish Chambers of Commerce on 0141 204 8337 or [gclark@scottishchambers.org.uk](mailto:gclark@scottishchambers.org.uk), for business views on local and regional government.

#### CONTACTS

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