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HOUSE OF COMMONS
LONDON SW1A 0AA

Dear Colleague

Strengthening local economies

Last year we set out our policy for strengthening local economic development in our paper *Control Shift*. In line with our commitment to review detailed aspects of implementation we thought it would now be helpful to confirm the key elements of our policy.

The Regional Development Agencies (RDAs) are the remains of John Prescott's failed experiment of regional government. Since they were formed in 1999 they have spent £17 billion, yet the gap between the greater south east and the rest of the English regions has widened. So, whilst we recognise the RDAs have had some local successes, we believe that the current arrangements can be improved. The Government has tacitly admitted this by deciding to cut RDA budgets by £300m last year.

We want to strengthen local economic development and urban regeneration. We need organisations involved in delivering economic growth to be at their most efficient and entirely focused on helping businesses, creating jobs and delivering regeneration.

We have already pledged to hand housing and planning powers back to local planning authorities.

We also want to see lines of accountability for development bodies going to local government and the local business communities, but equally we need to re-establish clear national leadership for key business policies. So, for example, we will overhaul small business support and we will end the counter-productive competition overseas between UK Trade & Investment (UKTI) and English RDAs.

We intend to strengthen local economies by enabling business and elected local authorities to come forward with proposals for new local enterprise partnerships to replace the regional bodies.

The boundaries of local enterprise partnerships will reflect natural economic areas. If the local authorities and businesses in a given region decide that the current regional boundary reflects their local economic area and decide to form a regionally based local enterprise partnership, then, in line with our principle of localism, we will respect their view, under the new arrangements.

Business will have a strong voice under the new arrangements. At least fifty per cent of the boards of the new partnerships will be representatives from local commerce and industry and a leading local business person will chair each new partnership.

We are drawing up detailed plans which will ensure that the transition to local enterprise partnerships will be smooth, allowing for the appropriate fulfilment of ongoing projects, grants and contracts, including projects which also draw on EU Structural Funds.

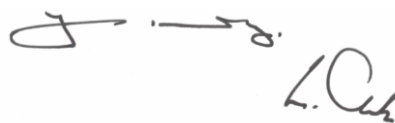
In London, the LDA is different to other RDAs. It is funded centrally, but run by the elected Mayor. For this reason we believe it is for the Mayor and not Whitehall to determine the future of the LDA.

Alongside our proposals to provide new financial incentives, such as the Business Increase Bonus, we believe this policy will represent a new deal for local regeneration and economic development: namely locally-led agencies working in real economic areas, which bring business and civic leaders together in focused effective partnerships.

Yours ever



Caroline Spelman MP



Rt Hon Ken Clarke MP

Q&A

1. Are you scrapping our RDA?

We want to reform the system, not scrap it.

That's why, for example, we're going to give housing and planning powers to your local council, instead of a regional body. That's also why we will give power to local authority and business leaders to replace RDAs with local enterprise partnerships.

These partnerships will work together to take the lead in promoting local economic development and regeneration, working to local priorities, not national policy made in Whitehall.

2. Can we keep our regional agency?

We want to re-focus regional economic agencies back onto the things that matters, namely renewing local economies.

So, we will reform the system by enabling your local councils to replace the existing agency with a new partnership between themselves and local business, to focus on things like regeneration and jobs. This will mean elected councils and local businesses deciding local economic priorities.

Secondly, the boundaries of the partnerships will reflect natural economic areas. If a clear majority of local authority and business leaders decide that the current boundaries of their RDA genuinely reflect their local economic area, then we will respect their view, under the new arrangements.

3. What will your policies mean for our area?

A genuine partnership between local councils and businesses, focused on producing and then implementing a clear strategic plan for the regeneration and economic development of your area. We are also giving councils new powers over planning and housing, alongside new financial incentives to promote new business and jobs.

So national economic priorities will be handled in Whitehall, but local economic development will be decided locally.

4. Will business have a say?

Yes, local businesses will have a strong voice under the new arrangements. At least fifty per cent of the boards of the new partnerships will be representatives from local commerce and industry and a leading local business person will chair each new partnership.

5. Why should business have so much power?

We think local businesses have the experience and knowledge needed to help promote local economies. They will have to work in partnership with local councils and this will strengthen their accountability.

6. Will we lose our money?

We have no intention of renegeing on current commitments. We are drawing up detailed plans which will ensure that the transition to local enterprise partnerships will be smooth, allowing for the appropriate fulfilment of ongoing projects, grants and contracts, including projects which also draw on EU Structural Funds.

Equally, the new partnerships will retain local discretion over funds secured from Whitehall. So under a Conservative Government local people will decide how best to spend the money they secure, to tackle local priorities.

We are also providing new local financial incentives to councils. First a new Business Increase Bonus, whereby above average additional business rate revenue from new business activity in your area, will be retained for six years, by the relevant local council. This could create substantial local funds to meet local needs. Second, we will give councils complete freedom to offer local business rate discounts, funded locally. This could really help run down areas or high streets.

7. Why is London being treated differently?

The London Development Agency is unique – funded centrally, but run by the elected Mayor. For this reason we believe it is for the Mayor and not Whitehall to determine the future of the LDA.