Economic Growth and Infrastructure Summit 27 March 2013
South East England Councils
Rt Hon Michael Fallon MP, Minister for Business and Enterprise
Keynote Speech

Thank you for the introduction – and thank you for your invitation to speak to you today.

I'm very pleased to be here to share the Government's vision for the future of local economic growth with you - a vision that was strengthened at Budget, and in our response to Lord Heseltine's review.

The Government's priority is to create the conditions for growth. We need to get the economy moving again. And, as a Government we believe that growth at local level will happen when local leaders are responsible for driving that growth.

And that when it comes to local growth, Government needs to invest – but it shouldn't be Government dictating the terms.

It should be you.

Let me explain what I mean.

The South East is the powerhouse of the UK economy. Between 2010-11, GVA for the South East was 3.06% - the highest rate of GVA growth in any part of the country. And much higher than the national growth rate.

Over forty thousand new enterprises started up in the South East in 2011 – this was second only to London. Despite the current economic climate, this was actually *higher* than the figures recorded in 2009 and in 2010.

We know that growth in the South East drives growth across the country. And Government has been playing its role. Investing in infrastructure. Making capital available to kick-start stalled developments.

Into transport. Housing projects. Business parks.

Last July we announced approval for the new East West Rail link (£270m) between Oxford, Bicester, Aylesbury, Milton Keynes and Bedford, to be operational by the end of 2017. This could create up to 12,000 new jobs and contribute a £38m annual uplift to the South East economy.

Crossrail is a £14.5billion joint investment that will 10% uplift in London's rail capacity, enable congestion relief and create vital new transport infrastructure to support London's economic growth. There will be spill-over effects across the South East.

We're investing £6billion into the Thameslink Project.

Plans to increase rail capacity, upgrade signalling and create hundreds of jobs on Sussex's railways over the next five years were unveiled by Network Rail in January.

We’re challenging you to do things differently. To make the resources you have go further.

But how do we know where to put this funding? How do we know which projects will yield the highest jobs growth? Where capital expenditure will lever in the greatest amount of private sector funding? Where doing things differently could result in better use of limited resources?

That's right. We ask you.

We've put our faith in Local Enterprise Partnerships, in which councils of course have a fifty percent stake. Asked them to get the best out of their public and private sector people. Given local partners a way to work together to share finance, and to share sovereignty across functional economic areas. We’ve asked you to put your hands in your own pockets too from council tax resources.

And the results of devolution are encouraging.

Across the South East, we've handed out £144 million in Growing Places Fund. The GPF is a major opportunity for local areas to work together to identify and prioritise the infrastructure they need for growth. As of February 2013, you told us that 83% of capital GPF had been allocated to projects. Oxfordshire are using their £8.4 million to ‘unlock’ critical infrastructure around the Science Vale Enterprise Zone.

The South East has received just over £109m from the £600m Local Sustainable Transport Fund, which will fund eighteen small projects in the South East. In addition, Reading, Surrey and South Hampshire received money for larger sustainable transport projects.

And we're delighted that some growth projects in the South East have been successful in securing a chunk of Regional Growth Fund monies. In the Solent, RGF is being used to help entrepreneurs through business start-up and financing schemes.

It would be easy for you to be complacent. You could sit back and let the rest of the country catch up. After all, the South East is already growing more strongly than the rest of the country.

But you realise that this is no time for complacency. You realise – better than anyone – that as a country we’re in a global race. That we need to compete to survive. And that the South East has a lot to offer.

It is clear that there’s untapped growth potential out there - businesses that want to expand and take on more staff and increase their exports. You know that with a bit of strategic investment, it’s going to be possible to make growth happen even faster. You also know that investors want to come here.

You also know that there is still scope to deliver services more efficiently, freeing up money for vital economic development work.

When we asked you, for example, to come forward with City Deal proposals, you stepped up to the challenge with bold, innovative ideas.

All twenty of the Deals that LEPs and local authorities across the country came forward with were approved. Along with the eight from the first round announced last year, we've now got twenty-eight City Deals across the country.

In the South East we've got Brighton and Hove tackling a lack of suitable employment accommodation for start-ups and growing businesses in the eco-tech sector.

Oxford developing a “knowledge spine” of enterprise and innovation hubs to provide support and accommodation for start ups and businesses in the knowledge economy.

Reading involving businesses in skills delivery, and increasing the participation of 16-24 year olds in employment, education or training.

Portsmouth and Southampton working together to address the complex challenge associated with unlocking the growth and diversification of their Maritime Sector - enabling infrastructure and land assembly in seven key sites that will unlock investment worth £1.5bn.

City Deals are another step towards something big. A radical new wave of devolution.

Lord Heseltine’s review, published in October last year, called for local leaders to make the South East powerhouse even stronger. To grow it, we need to hand back the responsibility, the decision-making, the funding, to the people who know best how to use them locally.

Lord Heseltine has looked back to the heyday of British growth, across 250 years of economic history. And what he’s pointed out, quite simply, is that growth in the past happened when local leaders had free reign to get on with the job. When entrepreneurs were allowed to get to get on and do, without being bogged down by red tape.

He wants us to get back there again.

There’s a long tradition of Ministers commissioning reviews, then locking them away never to be seen again. Gathering dust.

But we didn’t. In fact, last week we announced that of Heseltine’s 89 recommendations, we were accepting – in full or in part – 81. With a further three to be considered as part of the Spending Review.

We are allocating funding to local areas through a single Local Growth Fund, negotiated through a Local Growth Deal. Every Local Enterprise Partnership will receive some funding through their Deal, however an element of competitive tension will make sure there are crystal clear incentives for Local Enterprise Partnerships to drive improvement in their areas. That fund will come into effect in April 2015, so it’s not too soon to be planning for it. Government is clear that the inclusion of housing, transport and skills funding will be crucial to its success.

We’re asking Local Enterprise Partnerships now to develop new strategic multi-year plans for local growth consistent with national priorities, on which funding will be based.

We are also taking the opportunity of the new seven-year Structural Funds to streamline the management of the EU Common Strategic Framework funds in England, aligning priorities on the basis of the plans led by Local Enterprise Partnerships.

We’ll support councils that want to save money by creating combined services.

We’re going to work with you to reform the planning system to reduce costs, speed things up and increase certainty for businesses.

We’ll be getting our own shop in order too. Making sure growth commitments are absolutely embedded across Government. Creating local growth teams to give you single points of contact on day-to-day issues. Making the Civil Service more commercially-minded.

We’ve already introduced senior sponsors for every Local Enterprise Partnership – senior Whitehall civil servants with a remit to work with you to break down barriers and drive growth.

Implementing Lord Heseltine's recommendations is going to be the next big thing.

Now what you got last week was a clear sense of the direction in which we're heading. Which means you can start planning.

The Spending Round to set Whitehall Departments’ budgets for 2015/16 is happening this summer – so you’ll know within the next few months exactly how much is going into the single local growth fund. Local Enterprise Partnerships are going to be able to start spending EU Structural funds in mid-2014, and the single local growth fund will come on stream in April 2015.

So it’s crucial that LEPs use this year to prepare. To consult, to put governance arrangements in place, to write strategic plans and to build capacity.

And although LEPs are in the driving seat, it’s crucial that all local partners including local authorities play their part.

I know that many authorities are facing financial challenges.
But I also know that there is still huge appetite to invest in the growth agenda. To be a part of this. To do things differently.

I don’t think you’d be here today if you didn’t feel that way.

As you know, from April councils will keep more of the money they raise in business rates. So you should start seeing some returns on all the work you’re putting in.

And there’s a bit more of an incentive for you - even amongst those of you who don't have City Deals – to find new ways to grow your local economies.

I know that Buckinghamshire are talking to UKTI about how they can strengthen their inward investment offer. What does a rural area like Buckinghamshire have to offer? A workforce that’s more skilled than anywhere in the country.

I know that Kent County Council is investing heavily to attract foreign direct investment, seeking to place Kent as a destination of choice for overseas investors. They’re promoting the Discovery Park Enterprise

Zone in Sandwich, and the availability of financial support through the Expansion East Kent programme.

These areas have identified their USPs. When you get down to it like that, everywhere has something to offer.

So we all have a role to continuing the recovery. And let's not forget the IMF forecasts that we will grow faster this year and next year than France or Germany.

We have to work together.

We'll do what we can nationally. The Business Bank will address gaps in business financing and get finance out to small businesses, and we'll keep working to get the £600mn of capital investment in emerging technologies announced at Autumn Statement 2012 out of the door.

We'll keep targeting capital funding at road, rail and other major infrastructure projects.

But you need to work with us. Need to invest in businesses, in infrastructure, in housing, in people.

So today I'd say to you - keep collaborating with us. Keep investing. Keep making the most of what you have to lever in that private sector finance – finding ways to work smarter, better and more efficiently.

And above all, keep talking to us. You need to tell us where we're getting it wrong. We're here to listen – and there will be lots of opportunities like this one today for you to tell us what you think.

Thank you.

Word Count: 1942 (19½ mins)