**Sustainable Growth Board**

**Focus on Sustainable Economic Growth**

10 April 2024, 15.30-17.00

Meeting Notes

1. Welcome
    - Anthony Payne, as chair (standing in for Chris Henning), welcomed everyone to the meeting

2. Presentations
a) Localis/IMPOWER research into councils' role in economic growth – Joe Fyans, Localis
    - Work on whole place transformation and budgeting – what it might look like going forward
    - Presentation to incoming Government
    - Aim – put together a positive case for transformation (policy recommendations)
    - Methodology – started in February 2024 with a data and desk-based study
    - Series of regional countrywide round tables on the themes of finance, workforce skills, and service areas covering economic development, digitalisation, and AI – first one in Manchester on 9 April 2024.
    - Final report (30,000 words) to be launched at LGA conference 2-4 July 2024 in Harrogate
    - Call for evidence – case studies, council strategies

b) Financing sustainable economic growth – Dan Mansfield, Director and Laurence Diment, Assistant Director, UK Infrastructure Bank (UKIB)
UK Infrastructure Bank
Launched June 2021
Core objectives:
- To help tackle climate change, particularly meeting the government's net zero emissions target by 2050.
- To support regional and local economic growth through better connectedness, opportunities for new jobs and higher levels of productivity.

Six priorities were established for the operation of the firm to meet the two above objectives:
- To achieve policy objective and generate a positive financial return over time, to tackle climate change, support economic growth, and reduce the burden on the taxpayer
- To operate in partnership with private and public sector entities together
- To prioritise investments which lack a significant amount of private sector financing
- To operate independently of the shareholder while meeting conditions imposed thereby
- To exist as a long-lasting institution and provide long-term capital through its investments
- To have the flexibility to respond to differing market conditions in order to deliver on its mandate

The bank's total capital is £22bn, consisting of:
- £5bn of equity from the Treasury, of which £1.5bn can be drawn down a year for the first 5 years
- £7bn of debt which can be borrowed from the Debt Management Office or private markets with an annual borrowing limit of £1.5 billion subject to an overall borrowing limit of £7 billion

- £10bn of guarantees (with the UK Infrastructure Bank taking over the management of the UK Guarantee Scheme), with up to £2.5 billion in guarantees being able to be issued in any year, subject to an overall limit of £10 billion. £4 billion local authority debt finance (lending), and local authority advisory service (free).

Priority sectors – clean energy, transport, waste, water, digital, mixed infrastructure, heat networks, electric vehicles, solar.

- Funding versus financing – need constant income stream for sustainable growth to unlock investment e.g., energy savings in a decarbonised building to repay the loan, land value capture, or devolution deals. UKIB is flexible in relation to project needs/matching the income stream.
- 20 projects, focussed on short-term interventions e.g., Bradford Southern Gateway (transport and wider regeneration project). Main railway station – install a 'through line' (still selecting a 'preferred station' site) rather than the current 'in' and 'out', electrify the line to Manchester, and link to the West Yorkshire mass transit project. Other public realm investment outside the station. Working with City of Bradford MDC on different delivery models and high-level financing programmes.

<u>Questions and Comments</u>

- Manchester round table discussion – economic development not a statutory duty, and the need to use the private sector.
- *Mickey Green* - Somerset Council, happy to provide a case study about working with 'This is Gravity Ltd' to attract the Agratas Gigafactory to Somerset, and to ensure the potential growth benefit is maximised.
- What is the attitude of UKIB to risk? Guarantees mainly related to private sector lending – looking at revenue guarantees for private sector-focussed projects. UKIB lends to local authorities on a corporate basis.

*Anthony Payne* - Plymouth City Council, noted 5 areas for discussion:

a) Devolution – patchwork quilt of devolution deals, with different levels (1, 2, 3 and 4) creating confusion; not all areas covered.
b) Funding – inconsistent criteria; economic growth tends to be at the 'hard', not 'light', end. Danger of running out of tools, cannot just be loans, needs gap funding as well.
c) Income – Plymouth economic development money is £23m – but added £700,000 to that which benefits council coffers (not a budget). City Council is growth driven, which comes from the top – runs its own commercial estate.
d) Structure – economic development is a non-statutory function. Need to maintain capacity as the driver for economic growth by including every function such as culture, theatre, and museums.
e) Capacity – need to maintain and develop skills within the LA workforce; if they are lost, getting them back is impossible – need blended mix of own skills and buying in skills.

Overall, how to make economic growth quicker, faster and better.

*Joe Fyans* – mixture of powers and areas. Labour Party talks about Functional Economic Areas/sub-regions – way to go (?), but funding at sub-regional level would not fill the capacity gap. Current income is from a broken fiscal system of business rates, a property tax based on more successful businesses, which is out of date.

*Claire Watts* – East Riding of Yorkshire Council, worked hard to maintain capacity, which is difficult without European 7-year funding cycles. 23% of economic development is council funding, and if £1 is removed from the budget it actually removes £4.

*Dan Mansfield* – competitive bidding takes time and resources, especially in relation to transport projects. Silo working of Government departments e.g., LEVI grants. Possibility of investments in EV fleets (to lower electricity costs), solar canopies on car parks to feed buildings, and small-scale railway station projects.

*Lee Harris* – West Sussex County Council, nowhere near a Combined Authority, but bank lending rates better than elsewhere. How do you get the balance between a 2 or 3 tier world and a big, Combined Authority? *Joe Fyans* commented that tiers favour Unitarization, but this then focusses on less democratic accountability.

*Emma Blackham* – South Gloucestershire Council, difficult to have revenue funding for non-statutory services and difficult to argue for funding for economic development in an area that is already growing, need for up-front revenue funding. West of England devolution a good thing but there is a risk of creating bureaucratic processes within a MCA.

*Kamal Panchal* – LGA, to be partly fair to DfT and also DLUHC they get the need for revenue. It has come with buses, cycling and EV charging funding, and also high streets and towns. Would be so much better if it all came in one lump so that councils could best determine how to prioritise... *Mickey Green* responded, saying: I agree with this more enlightened approach. Only bit I'd have caution on is that funding coming to LAs without any ring-fencing whatsoever risks being swallowed by social care due to the broken national systems.

*Anthony Payne* – need budgets to create income streams, and look for other ways of getting funding. Projects that do not have an income stream are important, but they need to be affordable for the local authority.

Next meeting – 12 June 2024, joint with the Planning Working Group, and focussing on an accelerated planning system, local plan-making reforms, planning issues including Biodiversity Net Gain (BNG), Local Nature Recovery Strategies (LNRS), nutrient neutrality, Nationally Significant Infrastructure Projects (NSIPs), and infrastructure upgrades (electricity, and sewage treatment works).