

All Party Parliamentary Group on Local Growth, Local Enterprise Partnerships and Enterprise Zones

Where next for LEPs? Report of an inquiry
into the effectiveness to date of
Local Enterprise Partnerships

September 2012



Foreword from the Chair of the APPG



I am delighted to introduce the report of our first inquiry, into the effectiveness of Local Enterprise Partnerships (LEPs). Since forming in 2011, the APPG has attracted cross-party support and has connected

Parliament with those driving local growth on the ground.

This is a timely and important inquiry. It is almost two years since local authorities and business leaders submitted initial proposals for LEPs. Since then the economic outlook has remained bleak, with the slowest recovery from recession for decades, and the human consequences are becoming entrenched in many local economies. As the Government is starting to recognise through initiatives such as City Deals, local growth – and the right mechanisms for supporting it – will be crucial to the national economic recovery. This report explores how LEPs can be placed at the heart of a more holistic approach to growth.

This inquiry has heard from over 80 individuals and organisations including business leaders, LEP chairs, councillors and council officers, business and skills bodies, specialist professionals and civil servants. From this, and my own local experience with the New Anglia LEP, there is evidence in some

areas of productive partnerships between business and the public sector, led by business leaders volunteering their time to promote local growth. As localist institutions, however, LEPs have inevitably and rightly varied in their focus, and are recognised as being at different stages of development and effectiveness. Despite this diversity, though, there was a clear consensus that LEPs need genuine devolution of power and influence, sufficient funding and improved connectivity with Government and the national economic agenda in order to succeed.

At the LEP Network Conference in April 2012, the Secretary of State for Communities and Local Government recognised that LEPs are “leading the local charge” for growth, urging LEPs to identify barriers to “getting things done” and demand “what you need to make progress”. Our report aims to do just that, setting out a blueprint for how, in their second phase of life, LEPs can get the powers they need to go for growth. With the need for bold initiatives to drive growth topping the political agenda, we would welcome Government’s response and a timely discussion about how to take these recommendations forward.

Brandon Lewis MP
Chair, APPG Local Growth

Foreword from the sponsor

CH2M HILL is delighted to support the work of the APPG on Local Growth. Its first inquiry will make a positive and timely contribution to the ongoing debate about how to deliver the conditions for business investment into towns and cities across the country. Having worked on many of the world’s largest and most complex infrastructure and urban regeneration programmes including the Panama Canal Expansion, Masdar City and as CLM Delivery Partner to the Olympic Delivery Authority, we see firsthand the extent to which local and national governments are seeking to renew communities, drive growth and attract investment. Increasing competitiveness, local economic development and infrastructure provision, from transport networks to broadband, must be a continued focus for government. Equally, business must play its role too, helping to foster innovation and entrepreneurship and investing in its employees and young people.

Jonathan Refoy CH2M HILL Europe

Summary of recommendations

Recommendations to Government

- 1)** Government needs to trust LEPs and give them time to work without imposing radical changes to the fundamentals of the system or introducing time-consuming bureaucratic requirements.
- 2)** Government should commit to providing a modest amount of core funding to LEPs in order to ensure that they have a basic level of staffing and the ability to act independently and balance different local interests.
- 3)** Government should commit to consolidating funding streams available to LEPs and extending local financing mechanisms to enable LEPs to invest in local economies.
- 4)** Government should commit to negotiating local growth deals which devolve funding and powers to LEP areas, building on the first wave of ‘City Deals’.
- 5)** Government should commit to empowering LEPs to play a greater coordinating role on work and skills provision in their areas, and actively explore how this can be done.
- 6)** Government should maintain high level access to Government for LEPs, ensure consistent communications with LEPs and Enterprise Zones (EZs) across departments and provide a single point of contact on LEP issues.
- 7)** Government should ensure that all departments and agencies are committed to local growth objectives and involve LEPs in setting the national economic agenda.
- 8)** Government should ensure that England’s inward investment offer is aligned with LEPs and particularly with EZs.

Recommendations to LEPs

- 9)** LEPs, supported by Government, need to strike the right balance between formulating a strategic vision for their areas and undertaking project delivery.
- 10)** LEPs need to widen and deepen engagement with a broader spectrum of local businesses and with key sectors in the local economy, industry and the community.
- 11)** LEPs, supported and incentivised by Government, need to collaborate across boundaries, particularly on strategic planning, transport, housing and infrastructure.

Recommendations to local authorities and others

- 12)** Drawing on their unique local democratic mandate, local authorities should show leadership in promoting a business-friendly environment across their whole LEP area(s), and use LEPs to help them collaborate across tiers and boundaries.

Background and previous research

The cross-party All Party Parliamentary Group on Local Growth, Local Enterprise Partnerships and Enterprise Zones was formed in 2011 to raise the profile of local growth issues in Parliament and in Government, connect policymakers with those driving local growth on the ground and provide a forum for information sharing and debate. The effectiveness of LEPs is a key concern for the group.

The creation of LEPs was announced as part of the Budget in June 2010, alongside the abolition of Regional Development Agencies (RDAs). In the Budget, the Government made clear their commitment to:

“Support the creation of strong Local Enterprise Partnerships, particularly those based around England’s major cities and other natural economic areas, to enable improved coordination of public and private investment in transport, housing, skills, regeneration and other areas of economic development.”

This commitment was reinforced and expounded by the Local Growth White Paper, *Realising every place’s potential* (October 2010). In June 2010, local authorities and business leaders were invited to submit initial proposals for LEPs. By the end of 2011, 39 LEP areas had been approved by the Department for Business, Innovation and Skills (BIS). In their short history, LEPs have garnered much attention and there is already a body of literature covering the experience of defining and establishing LEPs and the varying progress of established LEPs to date. Some of the issues raised in this work, and reflected by some participants in this inquiry, include the following:

- The contrast between RDAs and LEPs in terms of scale and area covered, legal status, statutory powers, budgets and governance, and consequent concerns around the ability of LEPs to deliver (Pugalis 2011; Smith Institute and Regional Studies Association 2012)
- The role of LEPs in attracting foreign direct investment (Fingar / fDi 2012)
- The management of the transition between RDAs and LEPs, particularly the speed with which this took place and the way in which RDA assets were disposed of nationally (Smith Institute and Regional Studies Association 2012)
- The logical basis of LEPs in functional economic geographies, and consequent concerns that a significant minority of LEPs did not reflect functional economic areas – either in terms of recognised city regions or travel-to-work patterns – or that they were at the wrong scale to deliver on economic growth priorities. Suggestions were put forward for a top-down restructuring of LEPs to address this (Centre for Cities 2011; McCarthy et al 2012)
- The wide variations in performance between LEPs, partly attributed to whether areas had well-established, functioning existing partnerships between local authorities and between the public and private sectors, and partly to wide variations in local economic conditions across LEP areas (Institute of Economic Development 2012; LEP Network 2012)
- The possible need for a consistent way of evaluating LEPs and the potential role of government in addressing the wide variations in performance between LEPs, potentially through extending additional powers to LEPs which were functioning well and providing additional targeted support for those which were struggling (Centre for Cities 2011)
- The potential role of LEPs in skills delivery and promoting innovation, and the potential for new funding options for LEPs to facilitate this (157 Group 2011; Work Foundation 2011; New Local Government Network 2012)
- The role of LEPs in infrastructure delivery, potentially through extending existing local funding mechanisms, in addition to the creation of new ones (New Local Government Network 2012; Localis 2012; London Chamber of Commerce and Industry 2012)

Recommendation 1

Government should give LEPs time to work without imposing radical changes to the fundamentals of the system or introducing time-consuming bureaucratic requirements.

This report recommends several improvements to LEP policy and practice, drawing on concerns raised by participants over the structure, powers and function of LEPs, levels of awareness of LEPs in the wider business community and the wide variations between LEPs in terms of strength of partnerships, resources and performance. However, there is a perception from many of those involved in LEPs that effective partnerships are being forged between public and private partners, and recognition that this requires sufficient time and a stable policy environment. Participants from all quarters were keen to emphasise that LEPs are newly formed and still establishing themselves, that they should develop in ways that are unique to their places, and that homogenous outcomes cannot be expected from LEPs of different ages and with different resources, powers and historical partnerships. The importance of sharing best practice through channels such as the LEP Network was emphasised.

“It is important to remember that LEPs are still relatively new organisations and must be given time to embed themselves effectively into the local economy... LEPs based on pre-existing partnerships will have an organic way of working together that has developed over time, but others with less experience might take longer to get used to the new arrangements”
London Chamber of Commerce and Industry

“The Government needs to hold its nerve and continue to lead on LEPs – there are flaws but they can be worked through” Dr Ann Limb, Chair, South East Midlands LEP

“Trust us more and let us get on with it”
Chris Pomfret, Chair, Cornwall and Isles of Scilly LEP

“Let LEPs rumble along and learn”
Martin Yardley, Managing Director, Coventry and Warwickshire LEP

“It is considered to still be early days in the formation of LEPs and they need to be allowed to bed in; be reviewed and refined, but not radically amended, at this stage in their development”
Gloucestershire LEP

“We are obviously monitoring projects locally but the Department for Communities and Local Government (DCLG) have now sent round a spreadsheet demanding details of funded projects. For some places this might be justified as a check, but for the position we are in, this is needless bureaucracy” Cllr David Mackintosh, Leader, Northampton Borough Council

Recommendation 2

Government should commit to providing a modest amount of core funding to LEPs in order to ensure that they have a basic level of staffing and the ability to act independently and balance different local interests.

Participants acknowledged that LEPs are not intended to become large, costly public bodies but noted that they rely heavily on business people giving up their time voluntarily, often with limited core support. There was a broad consensus that modest core funding could help ensure that individual partners, particularly local authorities but also potentially business organisations, did not dominate the LEP's agenda by virtue of providing funding or secretariat services, and that partners with less financial clout, such as district councils, were not excluded. Several participants emphasised the importance of accountability and it was suggested that core funding could be conditional on meeting basic governance and communications standards such as maintaining a LEP website and publishing minutes of meetings and accounts.

“LEPs have recently made representations to Government for further limited core support, to be matched by local partners. Government understands that if LEPs are to be successful key drivers of local growth... they need to be properly resourced” Department for Business, Innovation and Skills and Department for Communities and Local Government

“A lack of core funding for LEPs, combined with the exponentially fragmenting ED project funding smorgasbord, is having a debilitating impact on growth. LEPs lack the capacity to realize opportunities and vast swathes of senior management time are deployed in trying to... piece the bits of the funding egg back together” Buckinghamshire Thames Valley LEP

“The LEPs are working with far too few direct resources and need some central Government assistance to build their capacity to a level that can deliver” Matthews Associates Ltd

“We would certainly not be suggesting that funds should be provided to re-establish infrastructure which has previously been dismantled – but... LEPs need... sufficient funds to develop and deliver an independent strategic view. At the moment they are reliant either upon the goodwill of local authorities gifting or seconding staff and covering the costs of secretariat services, or perhaps others undertaking that role, for example Chambers of Commerce. In both these cases there are risks about impartiality and independence, not to mention the potential for competitive advantage over other similar bodies” National Enterprise Network

“The most significant constraint for SEMLEP is the lack of funding for the core team. Local authorities all contribute to SEMLEP's core funding and the Start-Up and Capacity Funds have been most welcome. However, the part-time executive and administrative support, which is all that can be provided at present, struggles to fulfil the essential tasks necessary... SEMLEP has identified 6 showcase sectors of Advanced Technology and Manufacturing, High Performance Engineering, Creative Industries, Logistics and the Green and Visitor Economy. There is a strategic Board lead to take forward a plan for growth in each... It has been difficult to progress this work as quickly as we would have liked” South East Midlands LEP

“The amount of money given needs to be enough for independence, but... it's a fine balance as if too much is available, bodies may take the attitude that they don't need partners” Dr. Andy Wood, Chief Executive, Adnams and Chair, New Anglia LEP

Recommendation 3

Government should commit to consolidating funding streams available to LEPs and extending local financing mechanisms to enable LEPs to invest in local economies.

The number of different funding streams and initiatives, and the Government's emphasis on competitive bidding, were felt to be counterproductive. LEPs, local authorities and businesses all reported that developing bids was too resource-intensive, while the allocation-based approach taken by the Growing Places Fund (GPF) received considerable support. Participants from all sectors felt that the uneven distribution of EZs and Regional Growth Fund (RGF) funding and the variations in EZ incentives across the country risked imbalances between LEPs and between local authority areas within LEPs. Retention of business rates from EZs was recognised as a helpful strategic focus. Participants felt that there was scope to explore how LEPs, particularly those without EZs, could generate funding; to consider incentives for business rate pooling across LEP areas; and to consider how LEPs could recoup and reinvest the rewards of infrastructure investment resulting in business rate base growth or job creation.

“Partnerships have had to compete for government funds such as RGF, Enterprise Zones and RGN pilots. The Government recognises that this has had resource implications for LEPs, and in the approach to GPF and elements of start-up funding, an allocation methodology has been used. Government believes that competition between LEPs can be positive in securing the strongest possible focus on growth by local partners” Department for Business, Innovation and Skills and Department for Communities and Local Government

“We would strongly welcome a more joined up approach between Government departments that ensures greater alignment of funds with similar objectives” Devon County Council

“The widespread ‘bidding for funding pots’ Government model... is a wasteful and inefficient use of public and private sector time”
Federation of Small Businesses (FSB) East Sussex

“The Growing Enterprise Fund, from the Enterprise M3 LEP, which my business recently gained funding from, was well thought through and comprehensible. However our recent RGF3 application required 2 months’ full time work and specialist help... beyond the reach of most small and medium sized enterprises (SMEs)”
Michael Hamburger, Director, Wey Holdings Ltd

“We collectively need to come together to think more creatively about what LEPs need to succeed and how that can be enabled.... running LEPs on a shoestring, and ad-hoc funding for key outcomes, will only get us so far” Greater Birmingham and Solihull LEP

“Areas that need to be urgently considered include the creation of a local revolving funding pot from (in part) pooled business rate growth retention, Business Rate Supplements, New Homes Bonuses, Community Infrastructure Levy, local authority land ownership and greater leverage from local pension funds... [this] would allow local projects to proceed which otherwise would be unlikely to secure central funding” Heart of the South West LEP

“Although business rate retention will accrue to the relevant local authority there will be benefits in those rates being pooled (potentially with other local authorities) into an economic development investment fund. However, without statutory or policy backing the LEP may not have the clout to achieve this. If it has, the LEP could play a significant part in determining the economic priorities for such a fund”
British Property Foundation

Recommendation 4

Government should commit to negotiating local growth deals which devolve funding and powers to LEP areas, building on the first wave of ‘City Deals’.

A significant issue identified by participants was the disparity in powers and resources between LEPs involved in the recent wave of ‘City Deals’, which granted new powers, funding and discretion over economic growth outcomes to English core cities, and LEPs unconnected to a core city. Some participants felt that the focus of City Deals on local authority partnerships could marginalise the private sector. Several participants across sectors felt that there was considerable potential – particularly in view of the Government’s professed openness to negotiation – for deals to be negotiated with LEP areas with good governance and buy-in, a viable economic area and strong growth capacity. Following the City Deals model, LEP areas would define their own priorities for growth and develop an ask to Government for devolution of powers and local consolidation of disparate funding streams. Local direction of national work and skills spending, new infrastructure funding and pooled local economic investment funds are measures included within some City Deals which could see considerable interest from LEPs.

“The Government should negotiate Wave 2 City Deals with LEPs wherever the LEP reflects economic geography and has genuine commitment from all partners. City Deals could allow LEPs to develop bespoke growth plans for their area, and negotiate the policy support and funding to put their plans into action. Tools and funding, once developed, should be made available to other LEPs that meet qualifying criteria. However, the LEP model has limitations in relation to City Deals, and does not provide a complete match with the geography at which Wave 2 Deals are likely to be negotiated, so does not provide a model that will work in all places”
Centre for Cities

“We very much hope to be able to negotiate directly with Government in the future to secure the freedoms and flexibilities we need to unlock growth in the local economy. Government needs to encourage and support locally distinctive approaches” Stoke-on-Trent and Staffordshire LEP

“Despite the Black Country not being a Core City, we believe that ‘Unlocking Growth in Cities’ provides us with an opportunity to progress implementing our growth strategy in these difficult economic times through extending our partnership working” Black Country LEP

“There is a danger that LEPs will divide between a first tier, able to take advantage of the opportunities afforded by the growth dividend that may flow from EZs, City Deals, etc and a second tier unable to benefit from these developments” British Property Foundation

“Greater devolution of funding/activities by Government Departments such as DWP along the lines of those proposed in the first wave of City Deals. It is not always a question of ‘new money’ but of using the sums already being spent in an area better. In this way fragmentation can be avoided and resources targeted at what the locality really needs” Tees Valley LEP

“In the short-term the LEPs need a mix of real powers and so far few commentators feel that they have them, especially on the ability to raise finance.... the [Local Government Resource] Review stopped short of making it absolutely clear that local authorities and LEPs have genuine finance raising powers (such as bond issuing powers) to get things done locally. Perhaps the proposed ‘city deals’ now being unveiled (July 2012) may go further on this”
Regional Studies Association

Recommendation 5

Government should commit to empowering LEPs to play a greater coordinating role on work and skills provision in their areas, and actively explore how this can be done.

The policy area where most participants felt LEPs should have more influence was work and skills, specifically in addressing the mismatch between local job markets and future employment trends, and the skills base and training provision available in local areas. Though many LEPs reported good work in building relationships between educational institutions and businesses, it was noted that that funding structures did not incentivise training providers to maximise employability, and that many functions and funding streams had been centralised. LEPs felt that they had little influence over the significant expenditure channelled through the Department for Work and Pensions (DWP) Work Programme and the Skills Funding Agency. There was also a feeling that too many agencies were involved, with youth worklessness provision being particularly fragmented. Government should ensure that LEPs have the political and practical support, such as access to data from Government agencies and Work Programme primes, to exert influence in this area.

“LEPs need to tackle and facilitate the ‘soft’ business advice/skills economic issues related to growth, not just the ‘hard’ infrastructure issues. Underlying economic capacity through people is as important to address as more bricks, tarmac, cable and track” FSB East Sussex

“Within the EZ, companies require skills and are desperate for apprenticeships but there is no relationship between this need and these employers and the FE sector.... If the focus is only on new jobs and not on training, there is a risk of losing what’s already there with business moving elsewhere in the country. An example is Church’s Shoes, which is seeing its workforce retiring without enough new people coming in as trainees”
Cllr David Mackintosh, Leader,
Northampton Borough Council

“For decades councils have witnessed schemes scatter provision across their areas, with little scope for local partners to shape, quality assure, join-up or add local specificities to the vast majority of schemes.... Without it, there is a risk that support will not reach young people that need it most, and that where it is accessed, it does not connect with their aspirations or circumstances” Local Government Association

“Public agencies, beyond our Local Authority partners, could do more in making data available to LEPs and seeking real engagement with LEPs. This is particularly challenging in areas such as skills which is a key priority for us but one where we face difficulties in obtaining funding and performance data in particular” Stoke-on-Trent and Staffordshire LEP

“Training providers... are businesses in their own right and driven by what fits their business model, as opposed to what training really needs to be delivered” CITB ConstructionSkills

“As an employer it is difficult to find technically qualified and experienced personnel... [we need to] obtain business support to gear the educational system to providing a literate workforce with appropriate technical and practical skills [and] involve successful business stakeholders in education and local government decisions” Michael Hamburger, Director, Wey Holdings Ltd

“Skills is a practical example of where the business community through the LEP should be able to hold the local training provider network to account” Sue Kirby, Membership and External Affairs Manager (Midlands), EEF the manufacturers’ organisation

Recommendation 6

Government should maintain high level access to Government for LEPs, ensure consistent communications with LEPs and EZs across departments and provide a single point of contact on LEP issues.

While LEPs largely felt that their level of access to Ministers and civil servants and the availability of BIS Local services were positive aspects of the LEP setup, some participants also felt that more consistency in policy and communications across departments was needed, as LEP and EZ policy falls between BIS and DCLG and also involves HM Treasury and other departments. Respondents felt that approaches from Government to LEPs were sometimes uncoordinated across departments, potentially leading to unrealistic expectations or a failure to involve or communicate with LEPs; particular concerns were raised in this regard about the Treasury. In addition, the lack of a single Government point of contact on LEP issues sometimes resulted in delays, inhibited the coherent communication of local growth policy to business and the public, and acted as a barrier to business engagement with LEPs.

“Our relationship with BIS Local is exemplary”
Alex Pratt OBE JP, Founder, Serious Brands Ltd and Chair, Buckinghamshire Thames Valley LEP

“Central Government officials from BIS and CLG have been very supportive and have consistently taken issues back to their respective Departments and provided advice. However, at times this advice could have been provided more quickly”
South East Midlands LEP

“Government departments all engage or want to engage with LEPs. DWP, DCLG, BIS, the Department for Environment, Food and Rural Affairs (DEFRA) and UK Trade and Investment (UKTI) all provide different levels of support and asks of LEPs and there is a lack of coordinated initiatives, approach or engagement” Lorna Gibbons, writer and blogger on LEPs

“Lack of communication with the Treasury is a real issue [and] there is still a tendency for departments to act as ‘gatekeepers’ rather than develop a more ‘partnership-based’ culture”
Black Country LEP

“There is always the need to ensure that differing Government Departments coordinate policy initiatives so as not to confuse or lead to delay in delivery by LEPs. An example of this is the Treasury’s insistence that Business Rate Uplift income to the LEP be limited to 150 ha which could compromise our Investment Plan”
Tees Valley LEP

“Leicestershire has prioritised the low carbon industry for growth. The Department for Energy and Climate Change (DECC) are saying that the Green Deal will create 65,000 jobs, without speaking to LEPs about how this might actually happen on the ground” Andrew Bacon, Director, British Gas Community Energy and Chair, Leicester and Leicestershire LEP

“Pace of change in policies to support economic growth is still too slow and the lack of progress in breaking down departmental siloes to deliver ‘joined-up’ government is a significant barrier to growth and is disappointing. Other departments are now ‘jumping on the bandwagon’, expecting to use LEPs as their delivery vehicles for their policies – but not providing resource or investment to do that” Swindon and Wiltshire LEP

Recommendation 7

Government should ensure that all departments and agencies are committed to local growth objectives and involve LEPs in setting the national economic agenda.

Participants identified some public agencies as being well aligned with LEPs' objectives. However, it was felt that other agencies and some Government departments were insufficiently aware of LEPs' role, while some agencies were identified as being obstructive to LEPs' progress on local growth. Further to this, a range of participants questioned whether LEPs should play a greater role in informing the national economic agenda, and identified several areas where they felt LEPs should have more influence, notably on skills and inward investment as mentioned elsewhere but also innovation, green economy initiatives and former RDA assets.

“LEPs [are seen] as a convenient but marginal device in the big policy game-changers of economic growth. For instance: only two mentions of LEPs in the National Planning Policy Framework... and in the Plan for Growth, [LEPs were given] no mentions in big strategic choices – confined to RGF, GPF, and EZ roles” David Marlow, Managing Director, Third Life Economics Ltd

“The inability of LEPs to influence and hold to account national programme providers is another concern. Leicestershire engaged unsuccessfully early on with Work Programme providers and has proved to be a difficult area” Leicester and Leicestershire LEP

“CWLEP currently has a planning application in which will result in 15,000 jobs but we are up against an objection from English Heritage around the view from a Roman fort... agreement around the importance of growth, not at all costs but as a priority, needs to be reflected across agencies” Martin Yardley, Managing Director, Coventry and Warwickshire LEP

“Under our collective efforts to ‘remove barriers to growth’ it is vital that Government plays its part across the piece rather than perpetuate the previous silo approach... Government Departments and organisations such as the Department for Transport (DfT), Highways Agency, Environment Agency, Natural England, Sport England and others must seek to enable development... this message needs to be cascaded down... in order that those at the coal face receive the clear message of ‘enablement not frustration’!” Worcestershire LEP

“We would also like to see absolute and holistic support for the LEPs across all public agencies... particularly in the context of the more ‘difficult’ discussions and decisions about ceding power of funding streams and assets” Heart of the South West LEP

“Influence over key components for growth is weak – e.g. Highways Agency, Technology Strategy Board (TSB), Skills Funding Agency, Ministry of Defence” Buckinghamshire Thames Valley LEP

“LEPs establish a meaningful dialogue... with business [which] also provides vital market intelligence... that will help public sector organisations and Government departments such as local authorities, TSB, UKTI and BIS respond positively to the future growth needs of business. We would encourage Government to introduce light touch mechanisms, perhaps through BIS Local, to help national policy makers take advantage of local LEP market intelligence so a local flavour can be reflected in national policy” Enterprise M3 LEP

“Consideration should be given to seconding staff from national public agencies to LEPs to enable the new partnerships to formulate policy on key issues” Cheshire and Warrington LEP

Recommendation 8

Government should ensure that England’s inward investment offer is aligned with LEPs and particularly with EZs.

Although Memoranda of Understanding have been established between UKTI and LEPs, many LEPs still felt that there was a lack of understanding from UKTI in particular of the need for sector-specific marketing offers, joined up across England, in order to attract foreign investment. Government should look to realign UKTI’s work towards this and ensure that business, through LEPs, has a voice in determining national policy. One practical suggestion was for UKTI to release inward investment data broken down by LEP area. Participants also noted that marketing LEP areas and EZs involved significant costs which were often difficult to meet from existing revenue, and questioned whether centrally held funding could be devolved in this area.

“It would be helpful if Central Government could... emphasise the importance of Enterprise Zones to bodies such as the Technology Strategy Board”
South East Midlands LEP

“Local authority officers have been required [by UKTI] to undertake 3 separate training session in order to have access to the pipeline of inward investment opportunities. This is very onerous”
Lorna Gibbons, writer and blogger on LEPs

“It would make sense for UKTI and LEPs to think about an ‘Invest in England’ approach that would harness emerging resources and ensure greater coordination. This would provide LEPs with a vehicle to compete with other parts of the UK for inward investment” Adam Breeze, Founder, Breeze Strategy Ltd

“LEPs and EZs... commented on the need for greater links with UKTI in order to maximize overseas investment opportunities. Although there is currently some coordination, a more programmed approach, fully resourced, coordinated and performance monitored is seen as being required” Centre for Entrepreneurship, Manchester Metropolitan University

“A number of the functions previously fulfilled by RDAs – most notably attracting inward investment, driving innovation and enabling access to finance – are not performed by LEPs and are now performed by central government... IED is unconvinced of the merits of this centralisation. In particular, running inward investment from the centre will not work in our view” Institute of Economic Development

“UKTI, while developing its contacts with the LEP, tend to think only in terms of cities... when liaising with possible inward investment opportunities. The Gatwick Diamond is working hard to raise awareness of the opportunities for inward investment in this area of the LEP but how can we, and C2C generally, get support from central UKTI?”
FSB West Sussex

“If LEPs are to be able to assess real trends and understand their role in inward investment, then UKTI figures must be made public, rather than the annual partial release of aggregated figures with no local breakdown. UKTI could and should release anonymised data simply showing each project, its location, source country, jobs created and industry. Until we see a more transparent breakdown, there will always be the suspicion that these results are distorted by projects which have little real impact on economic growth”
Adam Breeze, Founder, Breeze Strategy Ltd

Recommendation 9

LEPs, supported by Government, need to strike the right balance between formulating a strategic vision for their areas and undertaking project delivery.

A broad range of participants considered that LEPs – with their current level of resources – are more suited to setting deliverable economic and strategic priorities for their areas, and using their influence to promote delivery through key partners, than to direct project delivery. However, business bodies pointed out that tangible outcomes were crucial – particularly to smaller businesses with fewer resources to devote to speculative work – in order to gain and retain business buy-in among the wider business communities in which LEPs operate. Participants recognised that LEPs are increasingly being called upon to act as commissioners for a number of funding streams. There was a consensus that there are many different expectations of LEPs and some participants felt that it would be helpful to refine and clarify expectations of LEPs across Government to help address this.

“One of the main problems LEPs face is getting the balance right between strategic direction and delivery of projects/services. With the plethora of funding opportunities being targeted at LEPs there is the potential that they will drift into a focus on the micro management of bids and projects rather than setting a strategic vision for the growth of their area. It is important to ensure that LEPs themselves do not become unwieldy delivery bodies but rather use their influence to deliver through key partners, and keep their focus on providing strategic direction and an overview of project delivery” Business West

“LEPs are strategic bodies, and should not get involved in direct delivery, particularly where others are better placed or already active”
Coast to Capital LEP

“The ability of LEPs to deliver is questionable. They look better equipped to take decisions on economic priorities and investment”
British Property Foundation

“LEPs need to focus on key strategic priorities and actions where they can add real value and make a difference, communicate this to their wider business communities and try to manage expectations” Chief Economic Development Officers’ Society (CEDOS) / Association of Directors of Environment, Economy, Planning and Transport (ADEPT)

“The LEP will need to evidence its achievements on economic growth and job creation by this date, if it is to be regarded as more than a high-level strategic think-tank” FSB West Yorkshire

“LEPs are not provided with central funding to undertake their roles yet Central Government Departments expect them to do a host of undertakings. This includes monitoring of new initiatives, allocation of resources and increasingly, be a consultee on Government initiatives. LEPs are also being approached by local government as a consultee on their policies. In the last fortnight, the Liverpool City Region LEP has had dialogue with BIS, CLG, DfT, Department of Health, DEFRA, and other agencies of Government Departments where in each case, the Department or Agency expects the LEP to be playing a specific role. Government needs to think seriously about how this is to be resourced if it continues to expect LEPs to convey a private sector led view in response. The risk is that LEPs will be reliant on public sector capacity and the private sector view will be sidelined” Liverpool City Region LEP

Recommendation 10

LEPs need to widen and deepen engagement with a broader spectrum of local businesses and with key sectors in the local economy, industry and the community.

A range of participants presented concerns and evidence that awareness of LEPs and their role was low in some localities and industry sectors. In particular, it was noted that small businesses were less likely to be engaged with LEPs.

Though this was partly a resourcing issue, industry representatives felt that the focus of LEPs was often on large businesses and foreign investment, whereas nurturing supply chains, promoting new enterprise and supporting SMEs is as important in terms of economic resilience and job growth. Some participants advocated improved representation for particular business sectors and aspects of the economy. The rural economy, property development, construction, retail, the community and voluntary sector and social enterprise were raised in particular and it was suggested that LEPs could consider creating dedicated sub-groups to ensure a balance of interests fed into decision-making. Participants raised concerns that a perceived lack of a voice, opaque decision-making processes and lack of tangible outcomes would make it difficult to attract and retain business interest in LEPs. It was emphasised that board-level representation was only part of the issue.

“In October 2011... only 23% of small businesses in Kent and Medway were aware of the SELEP. 73%... said that SELEP would not help their business”
FSB Kent and Medway

“Despite awareness raising campaigns, some businesses continue to see LEPs as a direct replacement for RDAs and assume a similar remit and budget. Many business leaders are looking for increased resources for their areas and their view on the effectiveness of LEPs is likely to depend on whether or not their funding aspirations can be met” CEDOS / ADEPT

“There are 28 LEP regions represented between the EEF representatives present here and their view on LEPs is largely damning, cynical, even ‘What’s a LEP?’” Sue Kirby, Membership and External Affairs Manager (Midlands), EEF the manufacturers’ organisation

“There is a high cost for small and micro businesses to attend such meetings: the actual cost of attending in fuel and parking, the actual lost time to the business and the lost potential of not being in the business. This triple-whammy is not recognised by the LEP structure”
Matthews Associates Ltd

“I fear that we could see businesses disengaging unless they can see results in the next 12 months – maximum” Matthews Associates Ltd

“The amount of publicity about the establishment of the Local Enterprise Partnerships has generated a good degree of interest... however... in the main it is the same people involved in these new structures which were involved in previous incarnations. It is still unclear how much involvement there is from a larger number of businesses and private sector representatives who are new to economic development structures of any kind” National Enterprise Network

“Businesses with an opinion seem to classify LEPs as large organisations involving local authorities, who do not communicate or necessarily understand smaller businesses” FSB Wessex

“Some LEPs feature no representatives of the SME sector on their boards. There is therefore a risk that LEPs tend to reinforce current power structures which channel funding to big infrastructure projects and away from the SME economy, which is what actually supports rural economies in the main. Many of the projects put forward actively undermine local resilience, and this is a cause for considerable concern. There is a sense that the proposals of some LEPs are actively working against vital aspects of rural economies (for example one of the key projects of one LEP is a supermarket regional distribution centre)”
Commission for Rural Communities

“The CLA accepts that the LEP structure is a new approach and it is important to recognise that it is too early to judge. Indeed, the example of the New Anglia LEP, where progress has been made on broadband, there is a dedicated Food and Farming Group and the LEP are responsible for the Defra Green Economy pathfinder project, illustrates what can be done where there is effective leadership and a joined up approach. Unfortunately, there appear to be few such examples” Country Land and Business Association

“In many cases ‘business boards’ were set up to give a more diverse representation from the business community. We very much welcome this.... However, evidence from some of the FSB’s regions is that in practice these are often being marginalised or used for ‘post consultation’ on decisions already made by the main board. It is important that maximum use is made of the time and expertise of those volunteering and that their voice is genuinely heard. If not there is a risk that businesses will become increasingly disillusioned to the point that they disengage” Federation of Small Businesses

“LEPs should consider setting up a wider consultative forum as part of their structure that will give local businesses and residents the opportunity to input into the LEP’s decision-making processes” British Retail Consortium

“Of over 500 board members across all 39 LEPs, only 72 (14%) are female.... Ethnic diversity of the boards appears to be markedly worse. Only 7 LEPs have any representation from the voluntary sector.... This distinct lack of engagement with the third sector is a missed opportunity if LEPs are to be really representative and reflect the aims and aspirations of their localities. There also seems to be a lack of support for the small business sector and local economies and a focus on high profile projects to the detriment of those that can best deliver on multiple outcomes including environmental and economic inclusion”
Friends of the Earth

“There is a need for LEPs to move away from thinking around a standard set of economic indicators as a barometer for progress, and more towards understanding the prerequisites needed for success – i.e. the strength of their local cross sector networks”
Centre for Local Economic Strategies

“We have misgivings about the structure of the LEP, which should have a clear leaning towards business rather than to the Local Authorities... It may be worth investigating opportunities for secondments to the LEP from the private sector, rather than the local authorities taking on the administrative tasks. Accountability to the business community must also be improved”
Mid Yorkshire Chamber of Commerce

Recommendation 11

LEPs, supported and incentivised by Government, need to collaborate effectively across boundaries, particularly on strategic planning, transport, housing and infrastructure.

Numerous participants emphasised the need for LEPs to engage with strategic planning and infrastructure issues and for Government to support and incentivise cooperation between LEPs in these areas. The bodies proposed to govern devolved local major transport funding allocations may provide a vehicle for groups of LEPs to cooperate on strategic issues. Other considerations include the extension of the Duty to Cooperate to LEPs, LEPs' role in influencing national infrastructure priorities, whether LEPs should be statutory consultees on planning applications and how to ensure accountability when LEPs influence decisions in these areas.

“LEPs need to engage with the planning system... to succeed... LEP priorities must be... linked to Local Development Frameworks to create the right environment for business space development and housing requirements to support business growth” District Councils Network

“LEPs could usefully do with more resources/ support from central and local government to develop and formalise their strategic planning role and local delivery mechanisms, as in the current climate, this arena could be where significant economic achievements could be made, as well as providing a strong legacy for the future” Gloucestershire LEP

“Closer working has given the private sector a more detailed understanding of why blockages exist – for example it's easy to say that the planning system is at fault for a delay, without understanding what that actually means – often it's a statutory consultee which is holding up the process” Martin Yardley, Managing Director, Coventry and Warwickshire LEP

“The Growing Places Fund and the devolution of DfT's major local transport funding provide the best opportunities to encourage cross-LEP collaboration.... The Government should allocate both Funds to groups of LEPs on the condition they work on infrastructure decisions that reflect the functional economic area of cities” Centre for Cities

“Freight transport in particular tends not to be confined to local authority or LEP boundaries... rail freight [routes] may transit several regions. Therefore consortia of LEPs need to work together to plan strategic transport projects” Freight on Rail

“Government Departments should develop a greater understanding of the role of... national infrastructure spending... in generating local economic growth and regeneration. Properly planned and targeted infrastructure spending could significantly help LEPs.... It is not sufficient to confine LEPs investment role to transport spending.... many infrastructure spending decisions are made on apparently narrow criteria by individual Government departments that overlook significant potential positive externalities” Royal Town Planning Institute

“Infrastructure has always been the catalyst for economic development; ports, canals, railways, motorways, airports and now the internet. No rural area can survive without it.... LEPs to ensure that the UK has the broadband infrastructure to support growth” Wey Holdings Ltd

“Oxfordshire LEP is determined to work positively with LEPs across its immediate borders. A number of initiatives have been put in motion... We believe that such a joined up approach needs to be mirrored by central Government” Oxfordshire LEP

Recommendation 12

Drawing on their unique local democratic mandate, local authorities should show leadership in promoting a business-friendly environment across their whole LEP area(s), and use LEPs to help them collaborate across tiers and boundaries.

Many participants felt that public / private cooperation was a key benefit of the LEP structure, and that active local authority involvement was crucial both strategically and democratically. In many cases LEPs were seen as a vehicle for improved cooperation between local authorities across boundaries. Participants felt that to be effective, local authority leadership should prioritise the economic interests of the whole LEP area over narrower concerns. Partnership working between district and county councils, and a lack of engagement between some LEPs and district councils, were identified as particular issues in some two-tier areas.

“C2C has been very fortunate to be supported by all four upper tier/unitary authorities.... Their Leaders or Deputies serve as C2C Board members. The district councils are engaged via the C2C Forum and via the five Area Partnerships...The financial support [from local authorities] has been significant and without it C2C would not have been able to form and operate for the first 18 months... Local authorities have played a key role in Growing Places, helping to identify suitable projects and lending expertise” Coast to Capital LEP

“Joint development across 4 local planning authorities (under business leadership) of a ‘Business Friendly Planning Approach’ launched in December 2011 and attracting national best-practice interest” Black Country LEP

“The Inquiry should consider the merits of introducing a ‘Duty to Cooperate’ with district councils on county and unitary authorities that operate in a LEP” Rushcliffe Borough Council

“Gloucestershire is striving hard to help integrate spatial planning and economic development to assist growth and local economic vibrancy. This objective is accompanied by a marked improvement within our business community in understanding the challenges and difficult choices often to be made in effective local planning. However this area of work is also resulting in a challenge of the public sector to do things differently, which requires careful relationship management”

Gloucestershire LEP

“The funding of LEPs wasn’t properly thought through; which in many cases has meant little separation or independence of the LEP from any dominant Local Authorities. It’s difficult to play an interdependent coalescing role in a place if you are yourself wholly dependent on those to whom you need to apply some discipline on occasion”

Buckinghamshire Thames Valley LEP

“Successful LEPs are characterised by the active involvement of senior local authority representatives not by local authorities trying to dominate the partnership” Cheshire and

Warrington LEP

“Housing in particular is a policy area where delivery is often undermined by disagreement between neighbouring authorities. LEPs are in a position to help overcome these problems by catalysing collaboration and exploring solutions, while avoiding areas where their lack of democratic accountability is a barrier” Centre for Cities

“There has to be an effective locally agreed ‘representation’ mechanism to hear the voice of Districts.... This could hinder the longer term development of LEPs if not addressed” District Councils Network

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Thank you to all those who participated in the inquiry:

Black Country LEP; Bolsover District Council; Breeze Strategy; British Property Foundation; British Retail Consortium; Buckinghamshire Thames Valley LEP; Business West; Can-Do Project; Chief Economic Development Officers Society and the Association of Directors of Environment; Economy; Planning & Transport; Centre for Cities; Centre for Enterprise; Manchester Metropolitan University; Centre for Local Economic Strategies; Centre for Urban and Regional Development Studies, Newcastle University; Cheshire & Warrington LEP; CITB ConstructionSkills; Coast to Capital LEP; Commission for Rural Communities; Cornwall and Isles of Scilly LEP; Cornwall Council; Country Land and Business Association; Coventry and Warwickshire LEP; Coventry University Business School and Birmingham Business School; Creative Skillset; Cross Country LEPs Research Group; Cumbria LEP and Cumbria County Council; Department of Business, Innovation and Skills; Department of Communities and Local Government; Devon County Council; District Councils Network; Dr. John Harrison, Loughborough University; Dr. Martin Dare-Edwards; EEF - the manufacturers' organisation; Enterprise M3 LEP; Federation of Small Businesses (national); Federation of Small Businesses - Coventry and Warwickshire; Federation of Small Businesses - East Sussex; Federation of Small Businesses - Kent and

Medway; Federation of Small Businesses – Wessex; Federation of Small Businesses – West Sussex; Federation of Small Businesses - West Yorkshire; Freight on Rail; Friends of the Earth; Gloucestershire LEP; Greater Birmingham and Solihull LEP; Hampshire County Council; Heart of the South West LEP; Institute of Economic Development; Leicester and Leicestershire LEP; Liverpool City Region LEP; Local and Regional Economic Development Programme, University of Birmingham; Local Government Association; London Chamber of Commerce and Industry; Lorna Gibbons; Matthews Associates (UK) Ltd; Mid Yorkshire Chamber of Commerce; Middlesbrough Council; National Enterprise Network; National Farmers' Union; National Skills Academy for Environmental Technologies; New Anglia LEP; Newark and Sherwood District Council; Northampton Borough Council; Northamptonshire Enterprise Partnership; Oxfordshire County Council; Oxfordshire LEP; Regional Studies Association; Royal Town Planning Institute; Rushcliffe Borough Council; Sheffield City Region LEP; South East Midlands LEP; Staffordshire County Council; Stockton-on-Tees Council; Stoke-on-Trent & Staffordshire LEP; Swindon & Wiltshire LEP; Tees Valley Unlimited LEP; Third Life Economics; University of Surrey and Surrey Research Park; West of England LEP; Wey Holdings Ltd; Worcestershire LEP

The APPG launched its call for evidence in June 2012. Three verbal evidence sessions were held at Parliament in July and written evidence submissions were accepted until August. A copy of the call for evidence is available at www.appglocalgrowth.org

The Officers of the APPG on Local Growth would like to thank Westminster City Council, which has coordinated this inquiry and report in its capacity as Secretariat to the APPG.

For any queries related to this report or the APPG, including how you could get involved and support its future work, please contact:

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