

# **BUSINESS INNOVATION & SKILLS COMMITTEE: INQUIRY INTO THE NEW LOCAL ENTERPRISE PARTNERSHIPS**

## **JOINT MEMORANDUM OF EVIDENCE FROM THE CHIEF ECONOMIC DEVELOPMENT OFFICERS SOCIETY (CEDOS) & THE ASSOCIATION OF DIRECTORS OF ENVIRONMENT, ECONOMY, PLANNING & TRANSPORTATION (ADEPT)**

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### **Executive summary**

We welcome the move to Local Enterprise Partnerships (LEPs) based on 'functional' economic areas, with the prospect of focusing more effectively on distinctive local/sub-regional needs and requirements rather than one-size-fits-all solutions being imposed.

**Functions** - The functions of LEPs should be determined by the local partners to meet the particular needs and circumstances of their areas. We are concerned at the potential implications of the Government statement that some RDA functions are best led nationally, such as inward investment, sector leadership, responsibility for business support, innovation and access to finance. Central Government clearly has an important role in these and other areas of economic development activity but where they are seen as local/sub-regional priorities, so too will Local Enterprise Partnerships.

On some key issues, there will be a need to distinguish between governance and strategic advice as on planning and transport where local authorities have legal responsibilities but might look to the Local Enterprise Partnership for strategic guidance.

Given that Local Enterprise Partnership delivery proposals will encompass some or most of the current responsibilities of the RDAs, additional local authority legislative powers are likely to be required including compulsory purchase and powers to use funds as equity in local asset based delivery vehicles.

**Resources & value for money** - Local Enterprise Partnerships will offer a real opportunity to increase value for money in delivering sub-national economic development by bringing together and devolving the functions and funding streams currently undertaken by a number of national and regional organisations.

To be successful, the issue of resources for LEPs will be crucial. At the same time as taking action to tackle the public sector deficit, there is real potential to achieve the necessary resources through efficiency savings from simplifying delivery and taking a place-based approach to economic development funding. Action by local authorities will be essential to the success of Local Enterprise Partnerships. This will require the issue of providing the necessary resources for local authority economic development and regeneration to be addressed as a matter of urgency

**Regional Growth Fund** - In the context of its stated objectives, we would wish to emphasise the importance of the Fund being flexible enough to meet different needs

in different places and for all areas of England being eligible to apply for funding. To secure sustainable economic recovery and growth, we need to unlock the potential of all areas and sub-regions to make the most of this country's economic opportunities. It will be important that areas whose proposals for creating LEPs do not find immediate favour with the Departments, are not disadvantaged in accessing the Regional Growth Fund.

**Coordination issues** - Given the Government's commitment to promote decentralisation and democratic engagement, end the era of top-down government and promote the radical devolution of power, it must recognise that Local Enterprise Partnerships will wish to develop their roles and functions to meet different economic needs and circumstances across the country.

There will continue to be a need to work across boundaries and for cooperation between Local Enterprise Partnerships but this should not involve coordination being imposed in any pre-conceived regional context. It should be a matter of LEPs working together by mutual agreement on areas of joint interest. Where action is needed at a broader regional level, this can be facilitated through a partnership approach between elected central and local government, although groups of Local Enterprise Partnerships who wish to cooperate on a regional basis should be able to do so.

**Structure & governance** - We support Local Enterprise Partnerships normally having Boards made up of equal representation of local authority and business representatives, with a prominent business leader as Chair. Governance arrangements need to be sufficiently robust and transparent to provide a sound basis for long-term investment decisions to underpin economic recovery and sustainable growth. To ensure LEPs have the confidence of the local communities they serve, accountability, in particular local democratic accountability, will be crucial.

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## **Introduction**

1. This Memorandum of evidence is submitted jointly by the Chief Economic Development Officers Society (CEDOS) and the Association of Directors of Environment, Economy, Planning and Transportation (ADEPT)
2. The Association of Directors of Environment, Economy, Planning & Transport (ADEPT) represents local authority Strategic Directors who manage some of the most pressing issues facing the UK today. ADEPT membership is drawn from all four corners of the United Kingdom. The expertise of ADEPT members and their vision and drive is fundamental in the handling of issues that affect all our lives. Operating at the strategic tier of local government they are responsible for delivering public services that relate to the physical environment and the economy.
3. The Chief Economic Development Officers Society (CEDOS) provides a forum for Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary Councils in non-metropolitan areas, which together represent over 47% of the population of England and provide services across over 84% of its land area. The Society carries out research, develops and disseminates best practice, and publishes reports on key issues for economic

development policy and practice. Through its collective expertise, it seeks to play its full part in helping to inform and shape national and regional policies and initiatives.

4. CEDOS and ADEPT welcome the opportunity to submit evidence to the Business, Innovation & Skills Committee's Inquiry into the new Local Enterprise Partnerships. Our joint evidence focuses in particular on the key topics identified in the Inquiry announcement.

### **Our overall position**

5. Our research shows that below the national level, the sub-region is the key economic layer. In this context, we welcome the move to Local Enterprise Partnerships focused on 'functional' economic areas at the sub-regional level. In contrast to the present regional system with Regional Development Agencies whose Boards are appointed by and responsible to Central Government, the move to Local Enterprise Partnerships offers the prospect of focusing more effectively on distinctive local/sub-regional needs and requirements rather than one-size-fits-all solutions being imposed. With a devolved approach to which the Government has stated its commitment, it is important that Local Enterprise Partnerships, their functions and the areas they cover are locally determined and agreed.

6. For Local Enterprise Partnerships to be successful and to play their full part in securing national economic recovery and sustainable growth, the issue of resources for LEPs and local authorities will be crucial. At the same time as taking action to tackle the public sector deficit, there is real potential to achieve the necessary resources through efficiency savings from simplifying delivery and taking a place-based approach to economic development funding.

### **The functions of the new Local Enterprise Partnerships and ensuring value for money**

#### **CEDOS/ADEPT views:**

#### **Functions**

7. If there is to be genuine devolution of responsibility, the functions of the new partnerships should be determined by the local partners to meet their particular local/sub-regional needs and circumstances. It is, of course, likely that a number of key activity areas will be common to many Local Enterprise Partnerships and we broadly support the statement in the letter of 29 June 2010 from the Secretaries of State<sup>1</sup> that Local Enterprise Partnerships will want to create the right environment for business and growth in their areas, by addressing issues such as planning and housing, local transport and infrastructure priorities, employment and enterprise and the transition to a low carbon economy. On some key issues, there will be a need to distinguish between governance and strategic advice as on planning and transport where local authorities have legal responsibilities but might look to the Local Enterprise Partnership for strategic guidance.

8. However, Government must guard against any temptation to re-impose a one-size-fits-all approach. In this context, we are concerned at the potential implications

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<sup>1</sup> Letter from the Secretary of State for Business, innovation & Skills and the Secretary of State for Communities & Local Government to Local Authority Leaders and Business Leaders 29 June 2010.

of the statement in the letter of 29 June that some of the functions of the RDAs “are best led nationally, such as inward investment, sector leadership, responsibility for business support, innovation and access to finance”. Central Government clearly has an important role in these and other areas of economic development activity but where they are seen as local/sub-regional priorities, so too will Local Enterprise Partnerships.

9. Inward investment is a case in point. To be successful, it must rely on a detailed knowledge of the local economies, gaps in supply chains, key growth sectors, property and land availability, labour supply and key local contacts. This will only be possible if inward investment has an important element of local ownership. Worklessness and the level and availability of skills are other important examples. Tackling worklessness will be a major issue for Local Enterprise Partnerships across the country if they are to achieve sustainable economic growth and employment opportunities spread throughout their communities. Skills are a critical component of economic growth. Ensuring local skills and training delivery match both the needs of local employers and of local residents will be essential in driving economic prosperity. Thus, Local Economic Partnerships ought to be able to take overall responsibility for the development and delivery of a local skills strategy covering all age ranges.

### **Value for money**

10. The approach to delivering economic development in this country has become too complex with national, regional, sub-regional and local layers and a large number of organizations and funding streams involved. There has been too much filtering of funding through too many layers of bureaucracy; of having to ‘jump through too many different hoops’ to gain access to different funding streams with different application processes, criteria and performance monitoring arrangements. There is considerable scope for achieving efficiency savings by simplifying delivery, de-layering and reducing burdens.

11. The introduction of Local Enterprise Partnerships will offer a real opportunity to increase value for money in the delivery of sub-national economic development providing a place-based approach is taken by bringing together and devolving the functions and funding streams currently undertaken by a number of national and regional organisations. In doing this, it is important to emphasise that value for money is not just about making savings. It is about cost-effectiveness and a devolved approach to economic development will only be effective if there are sufficient resources to support it. For this, it is vital that a sufficient proportion of the savings from de-layering is made available to Local Enterprise Partnerships to enable them to perform their essential role in leading and supporting the economic recovery of their areas. It is also important that they have the security to enable local authorities and their partners to commit to the necessary long-term investment.

12. The pursuit of value for money must not result in any unnecessary burdens being imposed by a re-introduction of centrally imposed targets and reporting/inspection regimes. The best way of ensuring value for money is to have effective local accountability and in particular accountability through the local government democratic process.

## **The Regional Growth Fund, and funding arrangements under the LEP system**

### **CEDOS/ADEPT views:**

#### **Regional Growth Fund**

13. The Government's consultation paper on the Regional Growth Fund (RGF) states that it will be important in providing access to the investment needed to make the priorities of Local Enterprise Partnerships happen. In the context of its stated objectives, we would wish to emphasise the importance of the Fund "being flexible enough to meet different needs in different places"<sup>2</sup> and for all areas of England being eligible to apply for funding. To secure sustainable economic recovery and growth, we need to unlock the potential of all areas and sub-regions to make the most of this country's economic opportunities and recognise this in the distribution of resources and in making and prioritising investment decisions. In this context, the RGF consultation suggests the Fund will support projects with *significant* potential economic growth. The judgement on what constitutes '*significant*' growth will be crucial and it is important to recognise that in some areas comparatively small projects can have a significant impact on their economic future.

#### **Overall funding arrangements**

14. Whilst we welcome the announcement of the Regional Growth Fund, on its own the Fund will not provide Local Enterprise Partnerships (LEPs) across the country with the resources necessary to play their full part in helping to secure economic growth. The current intention is for £1 billion to be spread over the 2 years 2011-12 and 2012-13. Moreover, whilst the RGF Consultation Paper refers to Local Enterprise Partnerships being tasked with a lead role in coordinating funding through the RGF and that "proposals that have the backing of the local enterprise partnership will be looked upon favourably", access to the fund will not be restricted to LEPs.

15. A devolved approach to economic development will only be effective if there are sufficient resources to support it. The importance of a sufficient proportion of the savings from de-layering being made available to Local Enterprise Partnerships has been referred to above. It also needs to be recognised that action by local authorities will be crucial to the success of Local Enterprise Partnerships. The importance of the local authority economic development role has been underlined in the CEDOS/ADEPT report "Recession & Post-Recession – Taking Forward Economic Development & Regeneration" (July 2010). In the report we emphasise that, as an 'unprotected area', the scale of the public sector spending cuts ahead could seriously put at risk the ability of local authorities to continue to take a leading role in supporting the economic recovery and regeneration of their areas and sub-regions. Ensuring the success of Local Enterprise Partnerships will, therefore, require the issue of providing the necessary resources for local authority economic development and regeneration to be addressed as a matter of urgency

16. The Government has announced the intention to provide incentives for local authorities to deliver sustainable development, including for new homes and businesses. There is a strong case for these to include an incentive linked to business growth. In addition and not least because of the urgency for local

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<sup>2</sup> *Consultation on the Regional Growth Fund* HM Government July 2010

authorities and Local Enterprise Partnerships to address local infrastructure requirements, other steps need to be taken and funding options explored. The standard and resilience of our infrastructure has a direct relationship to the growth and competitiveness of our economy and it is important we continue to invest in infrastructure to support the recovery and stimulate sustainable long-term growth.

17. Looking beyond the immediate term, a truly devolved approach to economic development needs to be underpinned by more locally derived resources. There is a strong case for more radical action by re-localising business rates and for local government to have more flexibility and freedom to explore and use new and innovative means of raising finance. These resource issues are considered in more detail in our joint report<sup>3</sup>.

### **Government proposals for ensuring co-ordination of roles between different LEPs**

#### **CEDOS/ADEPT views:**

18. So far there is no clarity on Government proposals for co-ordinating the roles between different Local Enterprise Partnerships, for which presumably we must await the forthcoming White Paper. Given the Government's commitment to promote decentralisation and democratic engagement, end the era of top-down government and promote the radical devolution of power<sup>4</sup>, it must recognise that Local Enterprise Partnerships will wish to develop their roles and functions in different ways to meet different economic needs and circumstances across the country.

### **Arrangements for co-ordinating regional economic strategy**

#### **CEDOS/ADEPT views:**

19. Our research and that of the Local Government Association has shown that immediately below the national level, the sub-region is the key economic layer<sup>5</sup>. The Government refers to Local Enterprise Partnerships covering 'functional' economic areas. In our view, these should normally be at the sub-regional scale. Nevertheless, 'functional' economic areas, however well defined, can never be self-contained. There will continue to be a need to work across boundaries and for cooperation between Local Enterprise Partnerships, particularly neighbouring ones.

20. However, if there is to be genuine devolution of power and responsibility, the key principle is that coordination should not be imposed in any pre-conceived regional context. It should be a matter of Local Enterprise Partnerships working together as appropriate and by mutual agreement on areas of joint interest. Where action is needed at a broader regional level, this can be facilitated through a partnership approach between elected central and local government, although where groups of Local Enterprise Partnerships wish to cooperate on a regional basis, they should be able to do so.

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<sup>3</sup> *Recession & Post-Recession – Taking Forward Economic Development & Regeneration* CEDOS/ADEPT July 2010

<sup>4</sup> The Coalition *Our Programme for Government* May 2010

<sup>5</sup> *Making the Most of Our Economic Potential – Looking Beyond the Core Cities* ADEPT/CEDOS 2007

## **Structure and accountability of Local Enterprise Partnerships**

### **CEDOS/ADEPT views:**

21. As regards structure, we support the approach of Local Enterprise Partnerships normally having Boards made up of equal representation of local authority and business representatives, with a prominent business leader as Chair. We welcome the Government's willingness to "consider variants from this"<sup>6</sup> but consider that with a devolutionary approach, this should be a matter for the local partners themselves. The essential thing is for the governance arrangements to be sufficiently robust and transparent to provide a sound basis for long-term investment decisions necessary to underpin sound economic recovery and sustainable growth. It will be important to ensure Local Enterprise Partnerships have the confidence of the local communities they serve. For this accountability, in particular local democratic accountability, will be crucial.

### **The legislative framework and timetable for converting RDAs to LEPs, the transitional arrangements, and the arrangements for residual spending and liability of RDAs**

#### **CEDOS/ADEPT views:**

22. A plan published by the Department for Communities & Local Government<sup>7</sup> states that it will facilitate the establishment of Local Enterprise Partnerships between Sept 2010 – Sept 2011, with Partnerships in place, RDAs dissolved and their powers transferred in full by April 2012. The Localism Bill, which will include the creation of Local Enterprise Partnerships to replace Regional Development Agencies is to be introduced in November 2010, with the expectation of enactment in November 2011. Meantime it has been reported that the Department for Business, Innovation & Skills anticipates that some LEPs will be in place before the end of this year to shadow the RDAs, an arrangement that could enable bids for the Regional Growth Fund to be submitted to meet the first deadline proposed for the end of December 2010.

23. On the issue of legislation, given that Local Enterprise Partnership delivery proposals will encompass some or most of the current responsibilities of the RDAs, additional local authority powers are likely to be required including compulsory purchase and powers to use housing and regeneration funds as equity in local asset based delivery vehicles. The loss of the compulsory purchase powers of RDAs, which are much more extensive than local authorities currently have, would be a retrograde step.

24. Whilst we consider that RDAs should be wound down as quickly as possible, the immediate timetable for getting LEPs underway in advance of the White Paper and the October Spending Review is extremely challenging particularly for areas that do not have existing well established sub-regional arrangements. It will be important that areas whose proposals for creating Local Enterprise Partnerships do not find

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<sup>6</sup> Letter from the Secretary of State for Business, innovation & Skills and the Secretary of State for Communities & Local Government to Local Authority Leaders and Business Leaders 29 June 2010

<sup>7</sup> *Draft Structural Reform Plan* Department for Communities & Local government July 2010

immediate favour with the Departments are not disadvantaged in accessing the Regional Growth Fund.

25. As regards residual projects and their associated spending, with their agreement, these should be transferred to the strategic (upper-tier) local authorities, except for high risk or broad regional projects which, with the agreement of the local authority(ies), should be transferred to Central Government. Similarly the assets of the RDAs should be transferred to the upper-tier authority in which they are located (providing the authority agrees), although there may be some 'toxic' assets e.g. large, high-risk regeneration schemes, which would need to transfer to Central Government.

### **Means of procuring funding from outside bodies (including EU funding) under the new arrangements**

#### **CEDOS/ADEPT views:**

26. The Local Enterprise Partnership structure with strong, visible partnerships between the public and private sector should generally be well placed to procure external funding. The key issue will be the transfer of European funding arrangements that are currently managed by the RDAs. Much will depend on the outcome of discussions, which are no doubt going on between the Government and the European Commission and on the availability of match funding following the October Spending Review.

27. It will be important that the flow of funds through European programmes is not disrupted, and that within each region partners consider possible transition arrangements for the remainder of the current programme. Providing match funding is made available, a possible approach could be an arrangement whereby accountability, funding and staff are transferred to one of the LEPs or local authorities operating in each applicable region and for that LEP to manage the funds on behalf of local partners.

28. Looking to the future, bids for EU funding and negotiations with the European Commission work most effectively at the regional level which would require LEPs to work together to achieve a strong collective relationship with the Commission. An alternative could be national management with consortia of LEPS/local authorities with common interests bidding to run elements of programmes. Whatever approach is taken, it will be important that local areas are able to access available EU funding programmes. Given match funding requirements, the extent to which they are able to do so will very much depend on the resources available to local authorities and LEPs.