

ALL PARTY PARLIAMENTARY GROUP ON LOCAL GROWTH, LOCAL ENTERPRISE PARTNERSHIPS & ENTERPRISE ZONES - INQUIRY INTO THE EFFECTIVENESS OF LOCAL ENTERPRISE PARTNERSHIPS

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

Summary of evidence

- Working well to support LEPs: cooperation between local partners; businesses engagement; local authority support; Government officer support and some Government financial support mechanisms; emerging joint working between LEPs.
- Not working well: limited resources, particularly financial resources; lack of sufficient powers and influence; lack of joined up understanding of/support across key Government Departments, with increasing demands being made; limited effectiveness of the LEP Network.
- A risk that uneven Government recognition and support could lead to a two-tier LEP hierarchy, risking some areas being able to make the most of their potential to contribute to economic growth and job creation.
- Too early to say whether displacement between areas will be a problem but given the experience of the previous wave of enterprise zones in the 1980's, ongoing monitoring and research will be essential.
- Public money has been effective in establishing LEPs but it is too early to assess their impact on economic growth and job creation.
- The Regional Growth Fund would have been much more effective if it had been allocated to LEPs to invest in local projects, particularly given the need for public investment in infrastructure to unlock economic growth.
- The Growing Places Fund, based on allocation rather than competitive bidding, provides the opportunity to kickstart infrastructure projects that have stalled as a result of the economic downturn and public spending restrictions and to give LEPs some capacity to deliver.
- Business leaders who are involved in LEPs are supportive but small and micro-businesses are much less likely to be positive. There could well be an issue in retaining business engagement unless funding aspirations for their areas are met.
- For LEPs to be successful, Government funding is critical. Having made savings from closing the Regional Development Agencies and Government Offices, Government should invest some of this into funding LEPs.

- Government should provide LEPs with sufficient powers and influence, including the ability to influence and hold to account national agencies and national programme providers.
- Local political leadership has been effective in creating a business friendly environment and providing the strong and active support to LEPs that has been critical to their progress so far.
- The support provided by the officers of the Department for Business, Innovation & Skills and the Department for Communities and Local Government is well received.
- Local authority support will continue to be critical to the success of LEPs but the financial and staff resources currently being provided may not be sustainable in the medium to long term as local government faces a further period of spending restraint.
- LEPs need to focus on a small number of strategic priorities and actions where they can add real value and make a difference and try to manage the expectations of their business communities.
- After a period of initial enthusiasm, business engagement and support could wane without demonstrable achievements by LEPs.

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. ADEPT represents local authority Strategic Directors who manage some of the most pressing issues facing the UK today. CEDOS represents Heads of Economic Development in upper tier local authorities throughout the non-metropolitan areas England. Our joint evidence has been framed in the light of consulting with our members across the country.

1. What is working well to support LEPs?

3. From the soundings we have taken, the following are highlighted:

- high levels of cooperation between local partners;
- engagement of businesses and business representative organisations;
- a high level of local authority support;
- Government officer support and some Government financial support mechanisms;

- emerging joint working between LEPs.

4. Local authority involvement and support has been critical at all stages of LEP development:

- consulting widely, identifying key business people, bringing partners together and facilitating formation of LEP Boards;
- providing political and senior officer representation on boards;
- leading on the preparation of bids for LEP approval and for Government funding opportunities;
- providing core financial support and committing significant amounts of staff time to the development and operation of LEPs;
- taking on specific roles e.g. acting as accountable bodies, providing secretariat support, providing specialist advice;
- making things happen to support local economic development through project initiation, development and management.

5. Key areas of Government support have been:

- funding through the Regional Growth Fund (but see paragraph 16 for concerns about its effectiveness), LEP start-up and capacity funds and especially the Growing Places Fund, which uses allocations rather than time-consuming bidding processes with uncertain outcomes;
- LEP Chairs having the 'ear' of Ministers;
- from DCLG and BIS nationally and from BIS Local.

6. Examples of emerging joint working between LEPs include:

- informal working groups such as the 'Eastish' LEPS meeting, which allows a continuation of previous regional working;
- efforts to coordinate activities on key cross-boundary issues in the South West;
- stronger working relations between LEP Chairs and Secretariats in the West Midlands beginning to produce effective joint working around particular issues/barriers to growth/recognised opportunities.

2. What is not working well to support LEPs?

7. Key issues are:

- limited resources, particularly financial resources;
- lack of sufficient powers and influence, including the inability to influence

and hold to account national agencies (e.g. Skills Funding Agency) and national programme providers notably the Work Programme;

- lack of joined up Government understanding of/support for LEPs across key Departments, with increasing demands being made on issues not always related to local priorities;
- limited effectiveness of the LEP Network.

8. Of these, the issue of resources is particularly important for many LEPs. For Government funding, LEPs have very considerably reduced financial support compared to the former Regional Development Agencies (RDAs). LEPs depend to a significant extent on financial support and officer time provided by the partner local authorities. However, the reality is that in the current climate of local government spending reductions, local authorities do not have sufficient resources to meet the shortfall in LEP funding. Moreover, as funding pressures on local authorities continue to build, their ability to continue to provide their current levels of operational support for LEPs could be threatened.

9. So far, the ability to attract private sector funding has been very limited, especially in LEP areas with a high proportion of SMEs and micro-businesses. It is recognised, however, that LEPs have to prove their worth to the business community before it would be realistic to expect them to contribute significant time and funding.

3. Why are some LEPs developing quicker than others and what are the consequences for this in terms of both local and national economic growth and job creation?

10. There are a number of reasons, primarily:

- not all LEPs were established at the same time; the first group was approved in October 2010 and the most recent over a year later;
- some LEPs developed from previously existing sub-regional partnerships e.g. Multi Area Agreements with support and delivery mechanisms already in place, whilst others have had to start from scratch;
- the considerable variation in LEPs by area, population and the extent to which they cross administrative boundaries, has affected the time required to get new partnerships up and running;
- the varying economic characteristics of LEPs and differences in the range and complexity of issues that need to be addressed;
- some areas having access to a greater level of Central Government resources and support than others;
- the approval/establishment of Enterprise Zones in some LEP areas has

helped to provide an early priority for action and galvanise partners.

11. It does not necessarily follow that those that have taken more time to develop will be unable to catch up but there is a risk that uneven Government recognition and support e.g. the focus so far on core cities for city deals, could lead to a two-tier LEP hierarchy. Whilst it is too early to assess the consequences for economic growth and job creation, there could be a risk of some areas being unable to make the most of their potential for economic growth and job creation. This could result in some local areas growing faster than others, perhaps at the expense of their neighbours, with consequences for displacement of economic activity, workforce migration and skill shortages.

4. Is the issue of displacement between areas a particular cause for concern?

12. From the soundings we have taken, views are quite evenly divided. Where there are concerns, the focus is on the possible impact of Enterprise Zones both in terms of inter-area and intra-area displacement of business activity and workforce/skills and also if intra-area displacement takes place, the strain this would put on LEP partnerships themselves.

13. In areas where displacement is not seen as a particular issue, there are references, for example, to displacement being minimised by a focus on priority areas that are very specific to the area; measures being put in place to ensure that businesses can only benefit from incentives when they are moving into an Enterprise Zone to grow and expand; and to the focus being on sector specific foreign direct investment.

14. In terms of any actual evidence, it is too early to say but given the experience of the previous wave of Enterprise Zones in the 1980's¹, ongoing monitoring and research will be essential.

5. How effective has the use of public money been to date?

15. The use of public money has been effective in establishing LEPs across the country but it is too early to assess the impact of LEPs and initiatives such as Enterprise Zones on economic growth and job creation.

16. There are real concerns in many areas about the effectiveness and value for money of the Regional Growth Fund (RGF), particularly its criteria and the time consuming and resource intensive competitive bidding process. In our view, the RGF would have been much more effective if it had been allocated to LEPs to invest in local projects, given the need for public investment in the infrastructure to unlock economic growth. In this context, the opportunity provided by the

¹ A report for the Work Foundation (Do Enterprise Zones Work? February 2011) refers to evidence from previous Enterprise Zones suggesting that up to 80% of the jobs they created were displaced from other areas.

Growing Places Fund (GPF), based on allocation rather than competitive bidding, to kickstart infrastructure projects is welcomed. There are significant capital projects across the country that have stalled as a result of the economic downturn and public spending restrictions. GPF should enable at least some of these to proceed and in doing so it will help to demonstrate LEPs capacity to deliver.

17. The ability to recycle the funding through the creation of rolling infrastructure funds is supported, although it is clearly challenging to create an effective recycling model in areas in receipt of smaller amounts of GPF. Equally the revolving fund model can impose a constraint on the types of scheme which can be funded.

6. What are the views of business as to the effectiveness of LEPs?

18. From the soundings we have taken, those business leaders and representatives involved directly in LEPs or who have had some personal engagement through attending events are supportive. However, whilst larger businesses are more likely to be engaged in LEPs, small and micro businesses are much less likely to be positive or to have even heard of LEPs. A warning note is sounded in the latest annual business survey carried out by East Sussex County Council, which included 2 questions on the local LEP: although 38% of businesses had heard of the LEP, 68% said that they did not expect it to benefit their business much or at all, compared to only 3% saying they believed it would to a great or significant extent. However, it is still early days for LEPs and with businesses having to focus on coping with the impact of the continuing economic problems, it is to be expected that business awareness of LEPs, especially amongst small companies will take time to develop.

19. There could well be an issue in retaining business engagement, especially in areas with comparatively few large businesses, unless a difference is seen directly by business. In this context, we have reports that 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.

7. What more could be done by public agencies to support the programme?

20. The most critical things are in the hands of Government. It needs to:

- take a more joined-up approach and improve the alignment of national policies and initiatives with LEPs, for example, skills and EU funding programmes and provide for a greater devolution of local responsibilities and decision-making;

- require statutory bodies such as the Environment Agency, Natural England, Homes & Communities Agency to engage and work with the LEPs to help address issues and ensure local priorities can be delivered;
- provide LEPs with more operational and project funding and sufficient powers and influence, including the ability to influence and hold to account national agencies and national programme providers;
- consider providing increased incentives for key stakeholders to align and pool resources within a LEP area to support local economic growth;
- move away from the increasing pre-occupation with the core cities as the key drivers of growth.

21. For LEPs to be successful, Government funding is critical, especially in a situation where local authorities do not have sufficient resources to provide increased support. Having made savings from closing the RDAs and Government Offices, Government should invest some of these into funding LEPs. It should provide adequate funding to provide a sound and stable basis for LEPs to realise their potential.

22. Future project funding should be by allocation rather than a bidding process and should be based on a 'single pot' model. Government should facilitate the pooling of some of the national resources that support economic growth e.g. for skills and employment support and devolve some of these to a local level to enable activities to be focused more effectively on the needs and opportunities of local economies.

8. How effective is, and has been, the role of local political leadership both in supporting LEPs and in creating a business friendly environment?

23. The evidence from across the country is that local political leadership has been and continues to be effective in creating a business friendly environment and providing the strong and active support to LEPs that has been critical to the progress made so far. To give just one example from one of our members:

"Local political leadership has been very effective in ensuring that LEPs have an ability to function at all. This has covered everything from day to day running costs and provision of practical secretariat support through to support at a strategic level in delivering priorities and ensuring local authority delivery aligns with Board priorities to maximise outcomes, for example around simplifying planning procedures, developing new approaches in housing delivery and aligning capital programme funding with LEP priorities". (Marches LEP)

9. How effective is, and has been, the role of Whitehall in supporting LEPs and EZs and enabling successful economic growth?

24. There is widespread acknowledgement of the support provided by officers of the Department for Business, Innovation & Skills and the Department for Communities and Local Government as illustrated by the following:

- "BIS Local and DCLG in particular have been supportive of both our LEP, progressing the development of our Enterprise Zone and in supporting our key messages with Whitehall colleagues" (Cambridgeshire);
- "There has been strong support from DCLG and BIS and this has facilitated some high level and positive discussions within Government on key issues of importance to the LEP" (Warwickshire);
- "The BIS Local team has given good support making good connections between national schemes and local activity". (Lincolnshire);

25. There is, however, a need for more to be done by Government particularly in terms of provision of funding and a more joined-up approach across all relevant Departments (see question 7 above).

10. What lessons are there moving forward?

26. Key lessons:

- The time it will take for LEPs to become fully effective should not be underestimated particularly for LEPs that lack a history of partnership working across the area they cover; time spent in building relationships and a sound partnership is a good investment.
- Local authority support will be critical to LEP success but the financial and staff resources currently being provided may not be sustainable in the medium to long term as local government faces a further period of spending restraint. Unless there is seen to be a real boost in to local economies including an increase in businesses leading to an uplift in business rates, local authorities may be forced to review their support.
- Government needs to provide more operational and project funding to put LEPs on a sustainable financial footing, using an allocation process rather than competitive bidding
- In distributing resources and devolving powers to LEPs, Government needs to enable all areas, not just core cities, to realise their full economic potential. Equally it must recognise the importance of investing in success alongside investment to address the economic problems.
- Government needs to ensure joined-up support across Departments and to enable LEPs to influence policy and to hold to account relevant national agencies;

- 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.
- Business engagement and support is essential but not yet sufficiently broadly based. Without demonstrable achievements it could wane after a period of initial enthusiasm has passed. LEPs must have an in depth understanding of local business needs and how to achieve and sustain the engagement of the wider business community.