



**All Party Parliamentary Group on Local Growth,  
Local Enterprise Partnerships & Enterprise Zones –  
Inquiry: Rising to the challenge - how LEPs can  
deliver local growth strategies**

**Memorandum of evidence from CEDOS and ADEPT**

**July 2013**

**The Chief Economic Development Officers Society (CEDOS)** represents Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary Councils in non-metropolitan areas. 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.

**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. The expertise of ADEPT members and their vision is fundamental in the handling of issues that affect all our lives. Operating at the strategic tier of local government they are responsible for crucial transport, waste management, environment, planning, energy and economic development issues. ADEPT membership is drawn from all four corners of the United Kingdom.

# **ALL PARTY PARLIAMENTARY GROUP (APPG) ON LOCAL GROWTH, LOCAL ENTERPRISE PARTNERSHIPS & ENTERPRISE ZONES – INQUIRY: RISING TO THE CHALLENGE – HOW LEPs CAN DELIVER LOCAL GROWTH STRATEGIES**

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

### **Summary of evidence**

- Economic growth should remain the primary focus of LEPs but this should not exclude them from dealing with regeneration and tackling deprivation, which are often inter-related. As local strategic bodies, LEPs should be able to focus upon the issues that most affect their local areas.
- The criteria and themes for strategic plans must be determined locally to meet the particular economic circumstances, needs and opportunities of individual LEP areas. There should be no prescription from Government.
- To have the capacity to maximise their impact on local economic growth, LEPs and local authorities need to have the freedoms, flexibilities and funding to take the decisions and implement the actions that are required in their areas.
- Within Government, better working across Departmental boundaries will be essential but whatever changes are made, Central Government will still lack the essential local knowledge to assess local strategies effectively.
- There must be scope for variation in LEP governance models but there must be clear and unequivocal democratic accountability. The local authority role will be critical and this must be reflected in the governance arrangements.
- The extent to which LEPs currently have formal status varies and the extent to which it is required should be a matter for individual local areas and is likely to depend on the size and nature of LEPs including the number of local authorities that are covered.
- LEPs are overwhelmingly dependent on finance provided by central and local government. Whilst local authorities are continuing to respond to the requirements of LEPS, the resources currently being provided may not be sustainable in the medium to long term as local government faces a further period of spending cuts.
- With additional responsibilities and increased funding, measuring the effectiveness and value for money of LEPs is increasingly important but it must be proportionate with performance indicators relating directly to the outcomes of LEP decisions and action and local partners being able to select indicators that are relevant to local economies and priorities.

- Whilst LEPs with similar characteristics may wish to come together to benchmark performance, LEPs across the country have different economies, challenges and ambitions, which mean that across the board comparison of performance is unrealistic.
- Accountability arrangements need to be robust but sufficiently light touch to enable LEPs to act flexibly and quickly. Government has made clear that local authorities in LEP areas should manage and account for the localised funds. From the feedback we have received, the current arrangements of local authorities acting as accountable bodies are working well.
- It remains to be seen what the national accountability requirements for the Single Local Growth Fund will be but they must be proportionate and light touch. It must not be undermined by bureaucratic and inflexible assessment processes such as those that have been imposed up to now for funding devolved to local areas.
- The further development of the Single Local Growth Fund should be taken forward by the Government as a matter of urgency, with: funding increased in line with Lord Heseltine's recommendations; a long-term commitment and buy-in from across Whitehall Departments; a flexible approach to negotiations that genuinely enables all areas to fulfil their potential for growth; and the competitive allocation model being reconsidered.
- The Fund should be a genuinely single funding pot for local areas, without internal ring fences and operated in a way that minimises bureaucracy and provides local areas with the freedoms and flexibilities to invest the allocations on economic development priorities determined locally.
- The extent to which local partnerships are currently providing place leadership across functional economic areas is likely to vary with the different characteristics of LEP areas including overlapping boundaries and the relationships with City Deals and Local Transport Board areas. Both Government and local partnerships will need to keep the increasing complexity of local economic geographies under careful review.
- It is too early to give an overall view on the extent to which LEPs have the broad local support, recognition and legitimacy to negotiate with Government and influence non-departmental public bodies. This will inevitably take time and being able to show they have effective governance and robust accountability arrangements in place and to demonstrate real achievements in promoting economic growth will be key.

## **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) in response to the APPG's call for evidence on the leadership capacity of Local Enterprise Partnerships. Our evidence focuses on the APPG's key lines of Inquiry and has

been framed in the light of consulting with our members across the country and the ongoing research we are carrying out into LEPs.

## **The evolution of LEPs**

**Lord Heseltine suggested LEPs become strategic bodies with a greater role in promoting local economic growth. Should LEPs focus on rebalancing (tackling local deprivation) or growth (competiveness)?**

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

2. Economic growth should remain the primary focus of LEPs but this should not exclude them from dealing with regeneration and tackling deprivation. Often they are inter-related. Deprivation can be a barrier to growth e.g. in terms of educational attainment and skill levels, whilst promoting economic growth can help tackle local deprivation. As the Government has said: "regeneration can remove the barriers to economic growth and help local leaders to strengthen their communities and support people back into work; and, in turn, economic growth can provide opportunities to tackle disadvantage, deprivation and dilapidation – helping to regenerate and breathe life into areas"<sup>1</sup>. As local strategic bodies, LEPs should be able to focus upon the issues that most affect their local areas. There should be no one-size-fits-all approach.

**Should there be common criteria or themes for all LEP strategic plans? If so, what are the themes that should be included (i.e. skills, export, local infrastructure, business support, housing)? Or should this be less prescriptive?**

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

3. Whilst there will be themes that are likely to appear in LEP strategic plans across the country such as skills, infrastructure and business support, the essential point is that LEPs are *local*. There should be no prescription from Government. The criteria and themes for strategic plans must be determined locally to meet the particular economic circumstances, needs and opportunities of individual LEP areas. Moreover, although many LEP areas may have common themes, the solutions could require very different local responses.

**What support do LEPs need from Government to build their capacity as per the Government's commitment in their response to the Heseltine Review? What changes within Government (such as a single accountable Minister for LEPs, as suggested by the BIS Select Committee, or new ways of working to enable LEP strategies to be assessed and negotiated on across departments) may be needed?**

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

4. We strongly support Lord Heseltine's view that local areas are best placed to make the decisions that will deliver jobs and economic growth. To enable them to have the capacity to maximise their impact on growth, LEPs and local

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<sup>1</sup> *Regeneration to enable growth* Department for Communities & Local Government January 2012

authorities must have the freedoms, flexibilities and funding to take the decisions and implement the actions needed to meet the needs and take advantage of the opportunities of their areas. Funding is vital, including the revenue streams to develop and take forward projects for capital expenditure.

5. Overall, Government needs to devolve as many funding streams and responsibilities that can be better delivered locally, as possible. Whilst we welcome the Single Local Growth Fund (SLGF), we are extremely disappointed that its overall value of £2 billion for 2015/16 falls well short of that recommended by Lord Heseltine and, moreover, that a significant part of it will be accounted for by the reallocation of existing local transport and growth funding. We recognise that the Government has said this is 'starting point' and we consider that the further development of SLGF should be taken forward as a matter of urgency. Unless this is done, it will call into question its viability and the contribution it can make to achieve the step change in economic growth the Government desires.

6. As regards changes within Government, its ability to speak with one voice to LEPs is vital. It may well be that a single accountable Minister for LEPs, as suggested by the BIS Select Committee, would be helpful but the positioning and range of responsibilities of such a Minister would need to reflect the fact that the range of issues to be tackled by LEPs relates to the policies and activities of several Government Departments. Certainly better working across Departmental boundaries will be essential and this is not just about enabling LEP strategies to be assessed and negotiated on. Indeed, we would question the ability of Government to be able to assess local strategies effectively. Whatever changes are made, Central Government will still lack the essential local knowledge to do so, especially given the variations in LEP areas by size and economic characteristics. As the Chancellor and the Business Secretary said in the Government's response to Lord Heseltine, it is the local areas and leaders that are best placed to understand and address the opportunities and obstacles to growth in their own communities.

**What governance principles or models best equip LEPs for the new demands being placed on them, and are there examples of effective and ineffective governance in current practice? Are there any lessons, negative or positive, that can be learned from the experience of the Regional Development Agencies in producing and implementing strategies and allocating funds? What support do LEPs need from the new 'What Works' local growth centre?**

**CEDOS/ADEPT views:**

7. The increasing responsibilities and funding for LEPs and Government's expectation that the Single Local Growth Fund will be accompanied by pooling strategic economic development spend and functions across LEP areas underlines the importance of robust and transparent local governance and accountability arrangements being put in place not only for the delivery of LEP strategies but also for making the strategic decisions on the spending of public money. We are aware that a number of areas are currently reviewing their

governance arrangements. These will be assessed as part of our ongoing LEP research project.

8. Because the circumstances and scale of LEP areas differ, there must be scope for variation in the governance models selected. However, whilst a 'one-size fits all' approach to governance will be inappropriate, we consider there must be clear and unequivocal democratic accountability. The fact is that LEPs lack a specific democratic mandate, which necessarily limits how far they should or may wish to take determinative decisions on key issues and therefore how effective they can be. The local authority role will be critical and this must be reflected in LEP governance arrangements.

### **LEPs and value for money**

**Do LEPs need a formal status which is not contingent on their constituent local authorities? What is the current balance between private and public sector financial contributions to the running of LEPs and the delivery of local programmes, and is this sustainable?**

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

9. The extent to which LEPs currently have formal status varies and the extent to which it is required should be a matter for individual local areas and is likely to depend on the size and nature of LEPs including the number of local authorities that are covered.

10. As regards the balance between private and public sector contributions to the running of LEPs, our research indicates that they are overwhelmingly dependent on finance provided by central and local government. In this context, ADEPT and CEDOS have consistently made the point that the actions of LEPs will depend crucially on local authorities, especially the upper-tier and unitary authorities, having the resources to continue to be able to provide support and invest in local economic development. Whilst local authorities are continuing to respond to the funding requirements of LEPs, this should not be taken for granted. In our joint evidence to the APPG's previous Inquiry into LEPs, we emphasised that local authority support will be critical to their 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 cuts. The recent spending review has underlined this point, with local authority spending, administered through the Department for Communities and Local Government, to be cut by a further 10% in 2015/16 following the 33% cut in central government funding to councils in the current spending round period 2011/12-2014/15.

**How do and how should LEPs measure their effectiveness and value for money?**

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

11. With their additional responsibilities and increased funding, measuring the effectiveness and value for money of LEPs is increasingly important. At local

level, the strategic unitary and county councils are making a considerable investment in terms of finance and elected member and staff time. With the severe pressure on local authority budgets, the need to ensure that LEPs are providing real and measurable added value to the economic development activities of councils and other local partners is vital.

12. At the same time, it is essential that performance measurement is proportionate, with key indicators relating directly to the outcomes of LEP decisions and actions and the necessary data being as easy as possible to collect/acquire. A one-size-fits-all approach should be avoided and it will be important:

- for local partners to be able to select indicators that are relevant to local economies and priorities;
- to distinguish between contextual and performance indicators and recognise that broad indicators of local economic health, whilst providing a basis for defining operational objectives and economic development actions, are too susceptible to external influence to be a reliable guide to the impact of local actions;
- that performance measurement acknowledges that economic development is a long-term activity.

13. It is also important to recognise that strategic actions including leadership, advocacy and lobbying often make critical contributions to the achievement of successful outcomes on the ground but are not always susceptible to measurement. It is important to recall the dictum attributed to Albert Einstein: "Not everything that counts can be counted and not everything that can be counted, counts".

14. With regard to the availability of data for both performance and contextual indicators, Government should play its part by ensuring that relevant timely data is made available e.g. UKTI/HMRC information on inward investment and exports, both of which likely to be priority areas for many LEPs and for which currently there are significant gaps in the intelligence available.

15. Finally, whilst LEPs with similar characteristics may wish to come together to benchmark performance, the fact is that LEPs across the country have different economies, challenges and ambitions, which mean that across the board comparison of performance is unrealistic.

**How and to whom are LEPs accountable for the administration of public funds, and how should this evolve to assure accountability whilst allowing local partnerships to act flexibly and quickly? How well are the current arrangements of local authorities acting as accountable bodies working?**

**CEDOS/ADEPT views:**

16. The additional responsibilities of LEPs and the introduction of the Single Local Growth Fund mean that the issue of their accountability is increasingly

important. Ministers, Parliament and the National Audit Office will need to be assured that proper accountability arrangements are in place as will local elected members, the public and the media, both locally and nationally.

17. Thus there is a national and local interest in the accountability of LEPs and it is not yet clear where the balance will lie in practice but as local organisations, the principle focus is at the local level. The Government's response to Lord Heseltine made clear that it will be for the local authorities in LEP areas to manage and account for the localised funds. The Single Local Growth Fund will require robust and transparent local governance and accountability arrangements, which must cover the decisions on the uses to which it is put as well as the delivery of projects and programmes. This is further intensified by the expectation in the Government response of pooling local authority economic development spend and functions across LEP areas alongside the introduction of the Single Fund.

18. At the same time, accountability arrangements will need to be sufficiently light touch to enable LEPs to act flexibly and quickly. From the feedback we have received, the current arrangements of local authorities acting as accountable bodies for LEPs are working well. It remains to be seen what the national accountability requirements for the Single Local Growth Fund will be. We consider they should be proportionate and light touch. The Single Fund must not be undermined by bureaucratic and inflexible assessment processes such as those that have been imposed up to now for funding devolved to local areas. These have been far from 'light touch'. Too often they require full compliance with 'The Green Book' e.g. for road schemes of over £5 million.

### **What improvements should be considered by Government in further developing the Single Local Growth Fund?**

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

19. As we have said, the overall value of the Fund of £2 billion for 2015/16 is a very considerable disappointment and we consider that its further development should be taken forward by the Government as a matter of urgency. In doing so, we would urge that:

- funding should be increased in line with Lord Heseltine's recommendations in which he has identified funding streams held nationally of at least £49 billion that that would be put to better use if they are brought together into a single fund and devolved to local areas;
- there should be buy-in from across Whitehall Departments, with SLGF covering all the budgets that support growth including significant parts of the budgets identified by Lord Heseltine;
- a flexible approach is taken to Single Fund negotiations to ensure that the allocations maximise the opportunity for local areas across the country to play to their strengths and contribute to national economic recovery and genuinely enable all areas to fulfil their potential for growth; all LEP areas

with strong agreed strategies for growth should be able to negotiate local growth deals without delay;

- LEPs are provided with a long-term commitment that enables them to have the resources to drive the delivery of economic development and growth over a sustained period of time;
- the Fund should be a genuinely single funding pot for local areas, without internal ring fences and operated in a way that minimises bureaucracy and provides local areas with the freedoms and flexibilities to invest the allocations on economic development priorities determined locally;
- the competitive allocation model should be reconsidered. In our view it could work against the need for the certainty of funding that long-term planning to secure sustained business growth requires and could result in widening economic disparities. It could also lead to more bureaucracy and militate against the speedy, effective and targeted action needed to achieve local economic growth.

### **Local leadership, collaboration and legitimacy**

**To what extent are local partnerships currently providing place leadership across a functional economic area, and what are the barriers to this? How far do divisions – political, institutional or personal – between local authorities, particularly those of different types (e.g. county and district) or different political affiliations, affect LEPs’ ability to provide leadership across a functional economic area? In the context of incentivising authorities to collaborate, what more is needed to help improve strategic and operational collaboration between local authorities across functional economic areas?**

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

20. Currently, we have insufficient information to provide an overall view on this. There is, however, likely to be variation given:

- that some LEPs cover areas with longer traditions of partnership working than others, for example 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; and
- the considerable variation in LEPs by area, population, the extent to which they cross local administrative boundaries and the issue of overlapping LEP boundaries.

21. In considering place leadership, it is important to recognise that there is no universal approach to defining functional economic areas. They can and do vary significantly according to the particular issues being dealt with. For example, major transport infrastructure projects are likely to impact on a far wider area than schemes that target long-term worklessness, which may focus on much

more localised areas at the neighbourhood level or below. The question of place leadership is also affected by overlapping boundaries, which are particularly significant in some areas of the country, and their relationships with City Deals and Local Transport Board areas. Both Government and local partnerships will need to keep the increasing complexity of local economic geographies under careful review.

**To what extent do LEPs have the broad local support, recognition and legitimacy to negotiate with Government on behalf of a functional economic area, and what is needed to reinforce this? Similarly, do LEPs currently have the authority they need to influence non-departmental public bodies to improve conditions for growth?**

**CEDOS/ADEPT views:**

22. It is too early to give an overall view, not least because of the variation in LEPs referred to earlier. Developing broad local support, recognition and legitimacy will inevitably take time. Being able to show that they have effective governance and robust accountability arrangements in place and to demonstrate real achievements in promoting economic growth will be key. So too will developing and retaining business engagement amongst small and micro-businesses as well as larger firms. This is a key issue especially in areas with comparatively few large businesses. LEPs must develop an in-depth understanding of their local business needs and a plan for achieving and sustaining the engagement of the wider business community. Again being able to demonstrate real achievements will be vital.

**How and how well do the activities of LEPs currently relate to the democratic processes of their constituent local authorities, and what improvements could be suggested?**

**CEDOS/ADEPT views:**

23. Currently, we have insufficient information to provide an overall of the position across the country. This is an issue which we will be pursuing in the next phase of our LEP research.