

# **Evidence submitted to the BIS Select Committee consultation on Local Enterprise Partnerships (LEPs) and the Regional Growth Fund (RGF) by Lee Pugalis, Gill Bentley, Lorna Gibbons and John Shutt.**

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## **1. Executive Summary**

- 1.1 **Collaboration** – Sub-national places that lack a history of collaboration and/or a legacy of institutional precedents reflecting similar geographies has proved to be a major barrier for some LEPs and will continue to influence the trajectory of LEPs moving forward. These LEPs require additional government support.
- 1.2 **The geography of LEPs** – In many respects, the move from eight *administrative* regions (excluding London) to 38 sub-regions (excluding London) is of no relative improvement. Incentives are required to encourage cross-border collaboration.
- 1.3 **Establishing LEPs** – There are indications that some LEP board members are disillusioned and discouraged by the slow nature of establishing new sub-national institutions. In addition, many LEPs remain distant from local communities, stakeholders and businesses
- 1.4 **The role and function of LEPs** – Although the potential for LEPs to be flexible is encouraging, many have yet to clarify their precise functions. There is a risk that many LEP strategies/visions will become ‘wish lists’ – with little value beyond performing a promotional and lobbying role.
- 1.5 **Progress to date** – LEPs remain bereft of genuine incentives and tool to deliver; particularly those not granted or successful in bidding for an Enterprise Zone. Expectations of what LEPs can deliver and achieve requires careful management.
- 1.6 **Resourcing LEPs** – Although LEPs have been given the ‘freedom’ to deliver local priorities, short of resources, they have the burden of delivering national priorities which might not be complementary to, or consistent with, local priorities.
- 1.7 **Future directions** – The honeymoon period is now over. LEPs were intended to ‘hit the ground running’, yet they have been hamstrung by a lack of clarity and support from government.

## **2. Evidence-base**

- 2.1 The evidence summarised in this submission is based on the national research project: ***From Regionalism to Localism: Cross Country LEPs***. The aim of this research is to monitor what steps are being taken by LEPs to support businesses to create jobs and support the development of local economies. The research explores the issues arising

from the formation of the LEPs over their first three years, 2010-2013 and is monitoring the journey of the LEPs nationally. LEPs are the chief vehicle for economic development within the context of *localism* but are delivering *national* level initiatives, such as Enterprise Zones. Indeed, they have been set a considerable challenge – uniting business, public and community interests in a way that enables the economic regeneration and growth of local places. The research drills-down to focus on four particular ‘regions’: the North East; Yorkshire and the Humber; the West Midlands and the South West. Some of the project team’s initial and emerging research outputs are appended to this submission.

### **3. Collaborative working, the development of Local Enterprise Partnership submissions and state-sanctioning of bids**

- 3.1 Following the government’s approval of only 24 LEPs in October 2010, it was apparent that LEPs would develop at different speeds and in different ways. This is in part due to pre-existing partnership working arrangements in LEPs localities (Pugalis, 2012).
- 3.2 Some LEPs are in effect ‘rebadged partnerships’, benefiting from years of cross-boundary collaboration and a variety of pre-existing institutional mechanisms such as Multi-Area Agreements. Other localities have lacked a legacy of effective cross-boundary collaboration. This is exemplified by the 62 propositions originally submitted to government, some of which were clearly rival bids and highlighted the fractured nature of larger-than-local development (Pugalis, 2011a).
- 3.3 Sub-national places that lack a history of collaboration and/or a legacy of institutional precedents reflecting similar geographies has proved to be a major barrier for some LEPs and will continue to influence the trajectory of LEPs moving forward. For example, the Black Country LEP already had a strategy; it also had the Black Country Consortium in place and hit the ground running. Other examples include the City Regions of Leeds and Sheffield. On the other hand, the GBSLEP had to develop working relations and processes. It is yet to publish a strategy which is an indication of partner tensions, especially over the Skills Agenda.

***RI – Government should seek to agree tailored special support packages with those LEPs that lack a strong legacy of collaboration or similar institutional antecedents***

### **4. The Geography of LEPs: ‘functional economic areas’?**

- 4.1 The geography of the 39 approved LEPs emphasises the role that local politics performed in determining LEP geographies. This is cause for concern across a series of policy domains, especially transport where it is recognised that most LEP geographies are inappropriate for strategic transport functions.
- 4.2 In many respects, the move from eight *administrative* regions (excluding London) to 38 sub-regions (excluding London) is relatively of no improvement. Analysis of travel-to-work data demonstrates that only a small proportion of LEP geographies can be considered to be valid approximations for ‘functional economic areas’ (Townsend, 2012; Townsend & Pugalis, 2011). Supply chain relationships extend beyond travel to

work areas and require a strategy for business development that transcends LEP boundaries and thus mechanisms to incentivise cross boundary working are essential.

***R2 – Government should seek to incentivise LEPs to work on cross-border issues***

**5. Working behind the scenes to get Local Enterprise Partnerships up and running**

- 5.1 Since their inception from 2010 onwards, most LEPs have populated their boards, agreed priorities and produced business plans (Pugalis, 2012). There is a huge variety across the landscape of LEPs in terms of governance, organisational/partnership structures, engagement and collaboration, and communication. Many LEPs remain distant from local communities, stakeholders and businesses. More so, there is a danger that some LEPs have adopted a ‘closed shop’ mentality that risks marginalising many stakeholders crucial to mobilising development and regeneration strategies.

***R3 – All LEPs to publicise how they reflect the principles of localism, clarify how they operate transparently and identify how a wide range of stakeholders can get involved***

- 5.2 Establishing new institutions, whether of a statutory nature or otherwise, takes a considerable amount of time and resources. Due to the looser arrangements of LEPs, from a legislative and legal perspective, the government and other agencies have underestimated and downplayed the significance of this task. Therefore, following the official abolition of the RDAs in March 2012, not all LEPs were in a position to fill the void that had been created. There are indications that some LEP board members are disillusioned and discouraged by the slow nature of establishing new sub-national institutions.
- 5.3 Indeed, due to the voluntaristic nature of LEPs, that lack statutory powers and dedicated resources, the initial concerns that LEPs will prove to be little more than ‘talking shops’ has not subsided (Pugalis, 2011c; Pugalis & Shutt, 2012). There is an inherent danger that LEPs will be swept aside in the near future to be replaced by a new sub-national institutional solution (Pugalis *et al.*, 2012c). Despite the many flaws with the national LEP policy and the haphazard manner in which they are developing, continuity and stability is preferable to a further round of institutional restructuring.

***R4 – Government to provide more support to help embed LEPs within local economies, business networks and sub-national institutional geographies***

**6. The role and functions of LEPs**

- 6.1 Questions have been repeatedly raised about the roles of LEPs (Bentley *et al.*, 2010; Pugalis, 2010, 2011b; Pugalis *et al.*, 2012a). They are not mini-RDAs, but an alternative arrangement based on a voluntaristic model of collective action. Nevertheless, each of these bodies shares a similar scope and objectives. Following the abolition of RDAs, LEPs are in effect the only replacement vehicle for strategic development at the sub-national level; LEPs can be understood as model of sub-national development designed for an ‘age of austerity’ (Pugalis *et al.*, 2012b).

- 6.2 LEPs, potentially, have much more flexibility than the RDAs to focus on and enable what local partners consider is most suitable and advantageous for their territory. Therefore, these sub-regional entities are presented with the opportunity to mesh bottom-up priorities within a broader, strategic framework. However, the marriage between businesses interests and civic leaders may be strained at times – evidenced by the bickering (within and across sectoral/political interests) that has already tarnished the reputation of some partnerships.
- 6.3 As strategic entities operating at the public-private national-local interface, the precise functions of many individual LEPs is yet to be determined. The Local Growth White Paper (HM Government, 2010) is littered with vague roles that LEPs ‘could’ perform, but more than a year after the majority of LEPs were endorsed by government, many of these potential roles have failed to materialise into any tangible functions (Pugalis & Townsend, 2012).
- 6.4 The dilemma of a permissive approach where LEPs are ‘free’ to intervene in the economy as they see fit – so long as they can resource it – is that they strive to appear to be all things to all people. LEPs setting sub-regional priorities are a positive start but it is unclear how these priorities will be delivered (Shutt *et al.*, 2012). There is a risk that many LEP strategies/visions will become ‘wish lists’ – with little value beyond performing a promotional and lobbying role.

***R5 – LEPs to produce Action Plans that identify committed cross-sector resources and partners contributions to be used as a basis for negotiating with government bespoke territorial budgets, powers and flexibilities***

## **7. Progress to date in leading, enabling and delivering local growth and regeneration**

- 7.1 Expectations for LEPs to lead, influence and act are set to intensify. Heightened by the fragile economic climate, a gamut of different interests and organisations are asking what LEPs can do for them – contributing to ever lengthier wish lists. Many government departments have ‘asks of LEPs’. Income streams from Enterprise Zones, such as business rate retention, and contracting direct with government will help *some* LEPs, although this raises issues relating to financial sustainability of those LEPs that lack an Enterprise Zone and/or other income generation tools.

***R6 – Government to identify a ‘menu’ of powers, financial levers and tools available to LEPs***

- 7.2 Each of the 39 LEPs has made progress over the past 12-18 months. There is some evidence of innovative practice (see table). The West of England LEP has launched a business support website, the Black Country LEP has developed a business friendly planning charter and Greater Birmingham and Solihull LEP are creating a more efficient regulatory environment. In terms of direct support to businesses, infrastructure enhancements and other measures, progress has been more limited although there are numerous examples of practice.

**Table: Innovative practice in LEPs**

<b>LEP</b>	<b>Innovative practice</b>
Coventry and Warwickshire	The LEP office is located in Jaguar Land Rover at Gaydon. Local authorities and other partners have provided funds to resource two members of staff. A Delivery Board has been set up and a 'LEP Access to Finance Group' is facilitating interactions between businesses and financiers.
Dorset	Committed to the creation of a 'DIY' Enterprise Zone in the Port of Poole, Portland Port and Bournemouth Airport.
Marches	Developed a £1.5million Redundant Building Grant Scheme to provide capital grant support of between £3,000 and up to £50,000 to small businesses and start-ups to transform redundant buildings into a base for their enterprises and to bring unused buildings back into productive economic use. (using regional growth fund)
Plymouth	Has utilised Regional Growth Fund resources to establish a programme that awards grants to small businesses that have struggled to access finance through other means.
York, North Yorkshire and East Riding	Collaborating with local banks and the British Banking Association to develop a Certificate in Business Growth.

7.3 Despite some positive examples, expectations of what LEPs can deliver and achieve requires careful management. Central government have repeatedly stated that LEPs may benefit from choosing three things to focus on and doing these well. However, this is difficult in practice as regeneration and growth strategies tend to target multifaceted issues. The different roles, shapes and development trajectories of LEPs reflects the Coalition administration's policy preference for localism, but also aligns with their preference of enabling policies that tend to better support those 'who help themselves'. More critical interpretations view such a policy ethos as 'backing winners', which could exacerbate social divides (Pugalis, 2011a; Pugalis *et al.*, 2012c). LEPs remain bereft of genuine incentives and tool to deliver; particularly those not granted or successful in bidding for an Enterprise Zone.

***R7 – Government to conduct a midterm review of LEPs with a specific focus on how LEPs are helping to 'rebalance' the economy and supporting areas with the highest levels of unemployment***

## **8. Resourcing LEPs and government support**

8.1 LEPs lack core delivery funding from government. Central government funding for LEPs through the Start Up Fund and the Capacity Fund, equating to an average of approximately £237,000 per LEP over a four year period, is clearly insufficient (Shutt *et al.*, 2012). Based solely on such a funding profile the likelihood for LEPs to make a tangible difference to the regeneration, restructuring and prosperity of sub-regions appears to be wishful thinking. What little resources are available have to be bid for on a competitive basis. Therefore, an uneven landscape of sub-national development is evolving across England.

- 8.2 Direct private sector financial contribution to the operation of LEPs has been minimal. A simplistic view that the private sector will fill the void vacated by a retrenching public sector is a fallacy.
- 8.3 All four of Yorkshire's LEP chairs recently expressed frustration at the number of initiatives and funding pots being launched, stating that the approach being taken threatens to overwhelm the LEPs. They argue that it will ultimately result in a poor return on the government's investment.
- 8.4 Although LEPs have been given the 'freedom' to deliver local priorities, short of resources, they have the burden of delivering national priorities which might not be complementary to, or consistent with, local priorities. Consequently, local room to manoeuvre and the freedom to act notionally open to LEPs have been stymied by the practicalities of operating on 'fresh air'.
- 8.5 The central peculiarity of the Regional Growth Fund (RGF) is that it is centrally managed at a time when regional machinery has been dismantled and the word 'region' banished in Whitehall. If LEPs' non-statutory spatial development strategies are to have purchase across their sub-regions then they require a formal role in the assessment of RGF applications.

***R8 – Government to provide LEPs with a central role in awarding and distributing national economic development and regeneration funds, such as the RGF***

- 8.6 Funding such as the £500m plus Growing Places Fund is not without specific strings attached – contradicting the rhetoric that targets and top-down control are a thing of the past. This is a *localism of constrained freedoms*, where central government resources are released for a particular purpose, but deliverability is determined locally (Bentley & Pugalis, forthcoming). Nevertheless, the funding landscape is set to change. Major transport funding could be channelled through LEPs, or groups of LEPs, in 2015, as well as some EU funding 2014-2020 (Pugalis & Fisher, 2011, 2012). Funding of this type is far more preferable to short-term bidding rounds, which may enable LEPs to engage in longer-term, strategic projects.

***R9 – In addition to competitive bidding initiatives, Government to provide longer-term funding for each LEP to help tackle entrenched economic challenges***

- 8.7 Many LEPs have reported that barely a day goes by without a request from government. This issue is exacerbated by the lack of cross-departmental coordination. More so, if government expects LEPs to respond in a timely fashion to the whims of Whitehall then government should be prepared to compensate LEPs for this service.
- 8.8 Interdepartmental government support is needed – for far too long Whitehall rivalries have restricted the efficacy of supposedly integrated policies. For example, the ambivalence of the relationship of the Department for Work and Pensions with LEPs appears to continue this trend. If LEPs are to help regenerate local economies, then they require more traction across all central government departments.

***R10 – Government to conduct a cross-departmental review of how national policies interface with LEPs***

## **9. Future directions**

- 9.1 Due to the non-statutory nature of LEPs there is no single model LEP – legal status, governance and board composition, priorities, functions and resources all differ to lesser or greater degrees. Some LEPs appear to be more proactive and others appear to be more reactive. The former is making ‘asks’ of government whereas the latter are waiting for the next ‘ask of LEPs’.
- 9.2 Symbolically at least, LEPs are the primary body at the sub-national scale for coordinating the delivery of development and enabling growth. LEPs differ in their style and composition, therefore different directions of travel can be expected and at different paces. Operating in the absence of a dedicated central government budget, expectations on what LEPs can achieve and influence need to be carefully managed. LEPs cannot be all things to all people; locally-contingent prioritisation is required. There is the opportunity for proactive LEPs to go beyond ‘asks’ of government and make calls for a new deal for LEPs (perhaps similar to City Deals).
- 9.3 There is a danger that the more reactive LEPs will merely perform the role as a conduit for delivering national policies and initiatives, which could significantly undermine the localism agenda. Additional central government funding is likely to come with many strings attached that would contradict the localism mantra of LEPs – perceived to be free from Whitehall interference.

***R11 – Government are recommended to agree bespoke LEP Deals with every LEP that indicates a willingness to do so. In the first instance, LEP Deals should learn from and refine the City Deals exercise***

- 9.4 LEPs were intended to ‘hit the ground running’, yet they have been hamstrung by a lack of clarity and support from government. Even those cross-boundary entities that seamlessly morphed into LEPs have struggled to maintain momentum, especially as many of these ‘rebadged partnerships’ have less capacity and resources than when there was less onus on them to deliver (as they were operating in tandem with well resourced regional machinery). The honeymoon period is now over. Not only those businesses actively engaged in the governing and work of LEPs, which is less than 1% of the total business base, but the remaining 99% of businesses along with broader stakeholders will quickly view LEPs as empty vessels if they fail to make a tangible difference to the sustainable development and regeneration of localities.
- 9.5 LEP entities – should trial, investigate and aim to stretch the avowed freedoms bestowed from the centre. If LEPs are to make a positive difference then they ought to pursue a development agenda on their own terms (reflecting locally informed priorities) as well as national objectives. Too often localism has been ‘passed’ from the centre with too many strings attached, which have thwarted local ingenuity and responsiveness.

***R12 – LEPs to put the government’s localism mantra to the test by developing innovative proposals that seek a return of powers to localities***

## **10. Recommendations**

*R1 – Government should seek to agree tailored special support packages with those LEPs that lack a strong legacy of collaboration or similar institutional antecedents*

*R2 – Government should seek to incentivise LEPs to work on cross-border issues*

*R3 – All LEPs to publicise how they reflect the principles of localism, clarify how they operate transparently and identify how a wide range of stakeholders can get involved*

*R4 – Government to provide more support to help embed LEPs within local economies, business networks and sub-national institutional geographies*

*R5 – LEPs to produce Action Plans that identify committed cross-sector resources and partners contributions to be used as a basis for negotiating with government bespoke territorial budgets, powers and flexibilities.*

*R6 – Government to identify a ‘menu’ of powers, financial levers and tools available to LEPs*

*R7 – Government to conduct a midterm review of LEPs with a specific focus on how LEPs are helping to ‘rebalance’ the economy and supporting areas with the highest levels of unemployment*

*R8 – Government to provide LEPs with a central role in awarding and distributing national economic development and regeneration funds, such as the RGF*

*R9 – In addition to competitive bidding initiatives, Government to provide longer-term funding for each LEP to help tackle entrenched economic challenges*

*R10 – Government to conduct a cross-departmental review of how national policies interface with LEPs*

*R11 – Government are recommended to agree bespoke LEP Deals with every LEP that indicates a willingness to do so. In the first instance, LEP Deals should learn from and refine the City Deals exercise*

*R12 – LEPs to put the government’s localism mantra to the test by developing innovative proposals that seek a return of powers to localities*

## **APPENDIX**

Key research reports and papers produced by the Cross Country LEPs Research Group:

Bentley G (2011a) *From RDAs to LEPs: a new localism? Doomed to failure?* Regional Studies Association Conference London December.

Bentley G (2011b) ‘The Death of Regionalism in England’ *Regional development and policy - challenges, choices and recipients*, RSA Annual International Conference. 17-20 April. Newcastle: Regional Studies Association (RSA).

- Bentley G, (2011c) Local economic development and local enterprise partnerships in Raine J and Staite C eds *The World Will Be Your Oyster? Perspectives from INLOGOV on the Localism Bill* Birmingham: INLOGOV, University of Birmingham.
- Bentley G, (2012) Local economic development and local enterprise partnerships in Raine J and Staite C eds *The World Can Be Your Oyster. Reflections on the Localism Act of 2011* Birmingham: INLOGOV University of Birmingham.
- Bentley, G., Bailey, D. & Shutt, J. (2010) 'From RDAs to LEPs: A New Localism? Case Examples of West Midlands and Yorkshire', *Local Economy*, 25(7), pp. 535-557.
- Bentley, G. & Pugalis, L. (forthcoming) 'New directions in economic development: localist policy discourses and the Localism Act'.
- HM Government (2010) *Local growth: realising every place's potential* (London, The Stationery Office).
- Pugalis, L. (2010) 'Looking Back in Order to Move Forward: The Politics of Evolving Sub-National Economic Policy Architecture', *Local Economy*, 25(5-6), pp. 397-405.
- Pugalis, L. (2011a) 'Look before you LEP', *Journal of Urban Regeneration and Renewal*, 5(1), pp. 7-22.
- Pugalis, L. (2011b) 'The regional lacuna: a preliminary map of the transition from Regional Development Agencies to Local Economic Partnerships', *Regions*, 281, pp. 6-9.
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- Pugalis, L. & Shutt, J. (2012) 'After Regions: What Next for Local Enterprise Partnerships?', *Regions*, 286(2), pp. 23-25.
- Pugalis, L., Shutt, J. & Bentley, G. (2012c) 'Local Enterprise Partnerships: Living up to the hype?', *Critical Issues*, 4, pp. 1-10.

- Pugalis, L. & Townsend, A. R. (2012) 'Rebalancing England: Sub-National Development (Once Again) at the Crossroads', *Urban Research & Practice*, 5(1), pp. 159-176.
- Shutt, J., Pugalis, L. & Bentley, G. (2012) 'LEPs – living up to the hype? The changing framework for regional economic development and localism in the UK', In: Shutt, J., Pugalis, L. & Bentley, G. (Eds) *Changing Gear - Is Localism the New Regionalism?*, pp. 12-24 (London, The Smith Institute and Regional Studies Association).
- Townsend, A. R. (2012) 'The functionality of LEPs - are they based on travel to work?', In: Townsend, A. R. (Ed) *Changing Gear - Is Localism the New Regionalism?*, pp. 35-44 (London, The Smith Institute and Regional Studies Association).
- Townsend, A. R. & Pugalis, L. (2011) 'A novel approach to spatial development: England dismantles its regions!', Regional development and policy - challenges, choices and recipients, RSA Annual International Conference, Newcastle, 17-20 April.