

APPG on Local Growth, Local Enterprise Partnerships and Enterprise Zones

Memorandum of Written Evidence

Cross Country LEPs Research Group
August 2012

APPG ON LOCAL GROWTH, LOCAL ENTERPRISE PARTNERSHIPS AND ENTERPRISE ZONES - MEMORANDUM OF WRITTEN EVIDENCE

Presented by the Cross Country LEPs Research Group: Gill Bentley (Birmingham Business School, University of Birmingham; Lorna Gibbons (Borough of Poole); Dr Lee Pugalis (Northumbria University); and Professor John Shutt (Harris Research Partnership and Newcastle University).

EXECUTIVE SUMMARY

1. WHAT'S WORKING WELL TO SUPPORT LEPs

Innovative Practice: We see evidence of innovative practice. LEPs say that they are supported in this: They have the ear of Ministers, which enables them to try to get government to take action; Companies are involved and are working together to make things happen.

2. WHAT'S NOT WORKING WELL TO SUPPORT LEPs

Lack of resources available to LEPs: The LEPs do not have a budget; they have no staff; are using Local authority staff to do the work. Funding via the Start-up and the Capacity Fund equates to an average of approximately £237,000 per LEP over a four year period and is insufficient.

The geography of LEPs: Issues extend beyond the boundaries of a LEP area. Cross border collaboration is difficult; Out of step with EU *regional* policy funding and for 2014-2020 period.

3. WHY ARE SOME LEPs DEVELOPING QUICKER THAN OTHERS?

Collaboration: LEPs are developing quicker where Local Authorities have prior partnership arrangements. LEP areas that lack a history of collaboration and/or a legacy of institutional precedents are slower to develop. Local Authorities also lack capacity to serve LEPs.

4. WHAT ARE THE VIEWS OF BUSINESS AS TO THE EFFECTIVENESS OF LEPs?

Lack of funding: There are indications that some LEP board members are disillusioned and discouraged by the slow nature of LEPs and lack of funding. Some may walk away if the LEP does not receive some funding and powers.

5. HOW EFFECTIVE IS, AND HAS BEEN, THE ROLE OF WHITEHALL IN SUPPORTING LEPs

Although LEPs have been given the 'freedom' to deliver local priorities, they have the burden of delivering national priorities through eg EZ, RGF, GPF, which might not be complementary to, or consistent with, local priorities. LEPs work by influence and have been hamstrung by a lack of clarity and support from government about what their remit is. LEPs will struggle to implement City Deals.

6. WHAT LESSONS ARE THERE FOR MOVING FORWARD?

Give LEPs a budget and staff; ensure Local Authorities have the capacity to support LEPs especially on City Deals; Incentivise cross border LEP working; LEPs without a history of partnership working need to recognise that partnership building takes time; LEPs are expected to do everything, but can't - need to manage expectations to stop businesses walking away; LEPs need to be able to address *local* economic problems and priorities ; Devolve/localise decision making to local authorities/LEPs in particular on RGF; funding should not go to individual companies on piecemeal basis but to support industry development and rather than on infrastructure projects; Need to take a strategic approach to economic development; need to look at new ways of financing companies and to sustain demand in the economy.

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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 focuses 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.

Our perspective is more theoretical, at the level of principles but nonetheless we refer to case examples that support our contentions. This is not to be seen as anecdotal evidence but qualitative evidence. LEPs are different so generalisations are difficult to make. We offer critique, as we come from a position of being in favour of RDAs, some of us played a part in their establishment; LEPs represent the fragmentation of those governance arrangements. We are concerned about the extent of localism of the LEPs. However as a critical friend, we are suggesting ways of improving the workings of LEPs; there are barriers to LEPs working successfully and given they are ‘the only show in town’, they need to be made to work.

We present answers to some of the questions posed by the APPG.

1. WHAT'S WORKING WELL TO SUPPORT LEPs?

Innovative policy practices:

- We see evidence of innovative practice (See Table 1). LEPs say that they are supported in this.
- They have the ear of Ministers, which enables them to try to get government to take action;
- Companies are involved and are working together to make things happen.

Table 1: Innovative practice in LEPs

LEP	Innovative practice
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.

2. WHAT'S NOT WORKING WELL TO SUPPORT LEPS

Lack of resources/powers available to LEPs:

- The RDAs were legitimised and well resourced with budgets and staff to address the task of securing regional economic development; the NAO report praised RDAs.
- LEPs in contrast are not defined in legislation and do not have a statutory role: They have no powers as such. Work by influence (working to some extent). Want more powers eg more control over disposal of RDA land eg Greater Birmingham and Solihull LEP (GBSLEP).
- There are also issues of accountability especially as LEPs are being set up as private companies; raises the issue of the role of elected members in this process – There is a democratic deficit.
- The LEPs do not have a budget.
- They have no staff (though Coventry LEP has engaged 2 staff); using Local authority staff to do the work.
- Funding via the Start-up and the Capacity Fund equates to an average of approximately £237,000 per LEP over a four year period and is insufficient. Based solely on the actual funding profile the likelihood of LEPs to making a tangible difference appears more than difficult.

LEPs as Functioning Economic Geographies

- LEPs defined by TTWA; functioning geography is wider than this; should have been defined by supply chain relationships. (Some dispute City Region concept as well).

- Requires cross boundary working especially on Transport issues; makes it more imperative that Transport monies allocated to Groups of LEPs or LAs; emphasises the problem of fragmentation the result of establishing LEPs.
- LEPs based on FEG, puts us out of step with the rest of the European Union.

3. WHY ARE SOME LEPS DEVELOPING QUICKER THAN OTHERS?

LEPs are developing quicker where Local Authorities have prior partnership arrangements:

- In consequence the LEP is able to take a more strategic role in securing local and national economic growth and job creation.
- Where they already had a Strategy: eg Black Country LEP had Black Country Consortium in place; hit the ground running. Had new strategy in place in no time; set up working groups. (Also Liverpool, Leeds and Sheffield - the City Regions where partnership working is well established).
- GBSLEP did not have a consortium in place; have had to build a partnership; Strategy not yet published; some indications that it is not easy partnership; some inter-authority (political differences) and Board tensions. Especially over the Skills Agenda. There is inter-authority tension; Birmingham is seen as dominant LA in the region.
- Capacity of Local Authorities to support LEP: Local Authority economic development departments are experiencing cut backs, this affects their capacity to serve LEPs, especially on City Deals (see below).

4. WHAT ARE THE VIEWS OF BUSINESS AS TO THE EFFECTIVENESS OF LEPS?

Will private sector interests continue to be involved in LEPs:

- LEP Network national conference session suggests that the lack of funding is an issue and if LEPs do not receive government funds for development projects, many business people will not continue to do be involved.
- Businesses are giving a lot of their time for free as well as working in important jobs. eg Andy Street, Chair of GBSLEP is MD of John Lewis Partnership. (There may be an issue about paying fees to cover costs of being involved? – LEPs are voluntaristic).
- Public/Private sector conflict is an issue eg Coventry LEP Chair resigned.
- LEPs want to be also seen as having an effect so... they want a budget.

5. HOW EFFECTIVE IS, AND HAS BEEN, THE ROLE OF WHITEHALL IN SUPPORTING LEPS AND EZS AND ENABLING SUCCESSFUL ECONOMIC GROWTH.

Most development funds come via government:

- Leads to questions about the extent of localism and autonomy of LEPs and role of Whitehall in supporting LEPs: LEPs have been hamstrung by a lack of clarity on what they can and should do.
- Spending decisions of Whitehall might not accord with LEP priorities. (Leeds City Chair – Neil MacLean).
- LEPs have to bid for funds under the various schemes (York LEP; B Dodd).
- Funding is decided by central government: Almost acting like Merlin with a wand, bestowing funds on LEP locality; are mainly for infrastructure projects but need funding for direct support to businesses.

- We critique the austerity strategy; cutbacks mean economy is demand deficient.
- Plethora of schemes – 62 schemes; Seen as ‘Initiative-itis’ by Yorks LEP Chairs
 - **RGF** – goes directly to companies. Decided by Ministerial Committee; Is piecemeal and non strategic ie does not relate to industries. Sectoral Industrial policy needed. Other issues: slow payout (Sheffield CR Chair); deadweight - could go to companies that don’t need it.
 - **Enterprise Zones** – Make bid but decided by government; bestowed on LEP localities.
 - **Growing Places Fund** – had to bid for it; allocation decided by Government; goes to the Local Authority as accountable body. Bestowed on locality. (We recognise LEPs/Local Authorities can use it how they want).
 - **City Deals** – decided by Government might give some autonomy but goes to Local Authority; but LEPs are struggling to implement City Deals without having the resources to work on the key issues eg skills and apprenticeships, digital infrastructure, low carbon economy and so on; If County deals are next County Council level staff have even less resources for economic development compared to urban areas.
 - Concerns about the allocation and management of Structural Fund Programmes 2014-2020 – Eric Pickles says that LEPs will not be managing agents for the funds; so the question is will DCLG ‘Regional’ teams be retained?

6. WHAT LESSONS ARE THERE FOR MOVING FORWARD?

- Award LEPs a budget and staff; or ensure Local Authorities have the capacity to carry out functions for LEPs; LEPs/Local Authorities need capacity to implement City Deals and Counties, if County Deals if these are introduced.
- Incentivise cross border LEP working, especially on Transport issues.
- LEPs without a history of partnership working need help and to recognise that partnership building takes time.
- LEPs are expected to do everything, but can't - need to manage expectations to stop businesses walking away.
- LEPs need to be able to address local economic problems; Devolve/localise decision making to local authorities/LEPs and in particular on RGF.
- Funding should not go to individual companies on a piecemeal basis but to support industry development in LEP area; rather than going to what can be seen as an over-reliance on infrastructure projects.
- Need to take a strategic approach to economic development and not piecemeal; and need to look at ways of financing companies and to sustain demand in the economy.

APPENDIX

Key research reports, presentations 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'.*Local Economy*
- Gibbons, L (2011) Enterprise Partnerships have a bright future – don't write them off yet *Guardian Professional*, December 2011
- Gibbons, L (2012) *Lorna Gibbons shares her analysis of the LEP Network Annual Conference* The LEP Network 03/05/12
- 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.
- Pugalis, L. (2011c) 'Sub-national economic development: where do we go from here?', *Journal of Urban Regeneration and Renewal*, 4(3), pp. 255-268.
- Pugalis, L. (2012) 'The governance of economic regeneration in England: Emerging practice and issues', *Journal of Urban Regeneration and Renewal*, 5(3), pp. 235-252.
- Pugalis, L. & Fisher, B. (2011) 'English regions disbanded: European funding and economic regeneration implications', *Local Economy*, 26(6/7), pp. 500-516.

Pugalis, L. & Fisher, B. (2012) 'Au Revoir regions: where now for EU funding?', *Town & Country Planning*, 81(3), pp. 131-134.

Pugalis, L., Gibbons, L. & Bentley, G. (2012a) 'Local Enterprise Partnerships - entering adolescence?', *Town & Country Planning*. In press

Pugalis, L., Gibbons, L. & Bentley, G. (2012b) 'Local Enterprise Partnerships - equipped for the task?', *The Terrier*. In Press.

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?', IED *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.

Pugalis, L., & Bentley, G. (2012) *The Changing Business of Entrepreneurial Governance: An Examination of English Practice* Paper submitted for ISBE Conference Dublin 2013

Pugalis, L. & Bentley, G. (2012) *The Demise of Regeneration under the Coalition*. Presentation to the 12th Regeneration Management Research Network, 'Regeneration: Post New Labour - What are the key priorities?', Coventry University, 13 July

Shutt, J., Jassi, S., & Mbanzamihigo, H. (2010). *From Regionalism to Localism; Local Authorities Unlocking Future Economic Growth in Yorkshire and Humber*. Leeds: Leeds Metropolitan University.

Shutt, J (2011) *The Resilience Debate: LEPs fit for Purpose?* Presentation to Centre for Cities Conference at Warwick. June 2011.

Shutt, J (2011) *Regenerating communities and regions* Presentation at Sheffield Hallam University. December 2011.

Shutt, J (2012) *Planning for Growth: from Rhetoric to Reality* Presentation to LGA London. 27th February 2012

Shutt, J (2012) *Planning for Growth: from Rhetoric to Reality* Presentation to the North East Local Authorities Joint Member/ Officer Scrutiny Network. July 19th 2012

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. & 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.