

Mark Prisk MP
Minister for Business and Enterprise
Department for Business, Innovation & Skills
1 Victoria Street
London
SW1H 0ET

8 June 2010

Dear Mark -

**IMPLEMENTING YOUR AGENDA FOR ECONOMIC DEVELOPMENT
AND LOCAL ENTERPRISE PARTNERSHIPS**

Congratulations on your appointment as Minister of State. I enclose our proposals for implementing Local Enterprise Partnerships – plus a copy of our report *Private Sector Cities*, which looks at the distribution of private sector jobs growth in UK cities and recommends a new approach to economic development.

We would welcome the opportunity to discuss these ideas with you and your officials.

The Centre for Cities is an independent research unit, committed to helping UK cities improve their economic performance. We are leading advocates of more powerful cities and have frequently argued for powers over transport, housing and skills to be decentralised.

While deficit reduction is the Government's most important priority, we are encouraged that private sector jobs growth has also been placed at the heart of the Coalition's policy programme. The Centre believes that encouraging private sector growth will be vital to the economic recovery, but that some cities are better placed than others to generate new private sector jobs. We think a radical new approach to economic development is required, one that focuses on helping cities and their residents adjust to long-term economic change.

One element of this new approach is the role of Regional Development Agencies (RDAs). The Centre has been calling for the reform of RDAs for a long time. In a number of reports we have highlighted RDAs' lack of accountability, their areas

of ineffective spend and the inappropriateness of their geography. The Centre believes that decisions over economic development policy must be taken at the same scale, and over the same geographic area, as real economies.

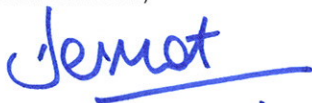
Therefore, we welcome the creation of Local Enterprise Partnerships (LEPs) which will seek to address the failures of RDAs, while also bringing decision making into line with real economic areas. We think that LEPs will be the main way that cities will deliver their local economic development policies.

We can help you to deliver your policy to implement LEPs, by highlighting some of the difficulties that you might face and suggesting steps that can be taken to mitigate these. For example:

- LEPs should be genuinely accountable to local people. Rather than creating LEPs with majority business boards, as has previously been suggested, we think businesses' views should be heard via an LEP business council. This would inject the necessary degree of business involvement, without compromising on local accountability.
- LEPs could usefully take on the powers not just of RDAs, but other bodies such as Employment and Skills Boards, the Skills Funding Agency and Integrated Transport Authorities. This would help ensure that LEPs have the powers and budgets they need to support economic growth. It would also save money, by reducing duplication.
- LEPs should be focused on supporting businesses and creating jobs, as such urban areas should receive a larger share of the funding. There is a risk that the funding allocated to LEPs will be spread too thinly. Jobs are far more likely to be created in urban areas and the funding formulae used to allocate money to LEPs should recognise this fact.

A detailed briefing note of our plan for implementing LEPs is attached. This briefing note has also been sent to Greg Clark at CLG.

Best wishes,



Dermot Finch
Chief Executive, Centre for Cities

Local Enterprise Partnerships: Centre for Cities' 6-step plan

Kieran Larkin, June 2010

The Coalition agreement stated that the Government wants to support the creation of Local Enterprise Partnerships (LEPs) to replace Regional Development Agencies (RDAs). This briefing note sets out the Centre for Cities' suggested six-step plan for how the new Government should establish LEPs.

The Centre for Cities has a track record of supporting more powerful cities and city-regions, and directly-elected mayors.¹ In partnership with IBM, we will be releasing a report this summer on the performance of potential LEP areas like Greater Manchester, Leeds and Birmingham.

Problem

RDAs and the whole regional tier are in need of reform.² Cities do not have the powers they need to shape their local economies. To tackle these deficiencies the Government has proposed creating LEPs. We support this proposal because it will lead to policy decisions on city economies being made at the right level and will decentralise power away from Whitehall.

However, the implementation of LEPs may raise some challenges. LEPs could lack the powers they need to support the growth of local economies; the public may not see them as sufficiently democratic and accountable; they could overlap with other bodies and city mayors; and the transition to LEPs could take a long time.

Solutions

1. LEPs should be granted powers beyond the current RDA powers. Where other agencies currently hold these powers they should be subsumed by LEPs.

We think LEPs need the following powers:

- Power to develop a transport strategy for the area, identifying local investment priorities. Also the power to introduce congestion charging.
- A pooled skills budget, with powers to oversee skills funding allocation decisions, setting priorities for 16-19 and adult skills, and with skills commissioning powers.
- Powers to aid co-operation over housing and planning decisions and, if desired, the ability to develop a binding housing strategy and spatial plan.
- Real financial powers, including a greater ability to borrow to fund new investment and the ability to levy a sub-regional business rate supplement.
- Bodies like Employment and Skills Boards and Integrated Transport Authorities should be integrated into LEPs. Some local authority departments, like planning and transport, could also be merged into an LEP. This would result in cost savings.

2. The Boards of LEPs should be democratic.

- It has been suggested that 50 percent of the members of LEP Boards should be drawn from the business community. We think this proposal would reduce the accountability of LEPs.
- LEPs should be considered a component of the wider programme of political reform. One of the biggest failings of RDAs was that they were unaccountable to local residents.
- The membership of LEP Boards should primarily be formed of the leaders of the constituent Local Authorities. They should be chaired by a Leader of Leaders.

3. Business views should be incorporated as a minority member of the board or as a vocal business council.

- Given our suggestions on the boards of LEPs, we propose two alternatives for the inclusion of business views:
 - Minority business boards – executive business members with voting powers, but less than 50 percent plus one of a board's membership.
 - LEP business council – to sit alongside the decision-making board, and with the power to make recommendations that the LEP Board would be compelled to consider.
- The Centre for Cities would favour an LEP business council.

4. LEPs in urban areas should be prioritised over other sub-regional groupings.

- Cities are the drivers of economic growth, so a new spatial economic policy aimed at helping businesses and creating jobs needs to be focused on cities.
- LEPs in cities should receive a larger allocation of funding than other sub-regional groupings. An LEP's share of a region's Gross Value Added could be used to allocate funding to meet this criteria.

5. The Government should pursue a phased introduction of LEPs not a big bang approach. Areas that have already established their governance arrangements should go first.

- During the transition period, the creation of LEPs should be phased, to ensure a smoother and more manageable implementation. In the Leeds, Greater Manchester, and Birmingham City Regions, the existing governance arrangements mean that these cities will be able to form LEPs more quickly than other areas of the country.
- Following the major City Regions there is likely to be a second wave of places ready to form LEPs, such as the Partnership for Urban South Hampshire (PUSH). Finally, areas which are yet to begin working collaboratively will need support before they are able to take part in new governance arrangements.

6. Define how local authority city mayors will cooperate with Local Enterprise Partnerships.

- A strong local authority city mayor, given additional powers, could create tensions between local authorities trying to work together in an LEP. For example, in Birmingham they have decided to pursue an LEP across the city region, but a Mayor would only have a mandate to represent the council.
- Government needs to set out the terms by which these two points of authority should work together. One solution could be for the Mayor to Chair the LEP Board in cities, but not to have voting rights. The Mayor would then be a powerful advocate for the city and could shape the policy programme, but could not exert undue influence.

Evidence from cities

The Greater Manchester and Leeds City Regions both provide examples of how joint working and devolved powers can help the Government to deliver its economic goals. In Greater Manchester, the Association of Greater Manchester Authorities (AGMA) has been a key player in coordinating the regeneration of the city. Joint working has enabled the delivery of important projects for the city's economy, like the Manchester Metrolink tram extension and the Daresbury Science and Innovation Campus.

Recently, the Greater Manchester and Leeds City Regions have secured new additional powers over housing, skills and transport. Other cities would benefit from having access to similar powers.