



centre**for**cities 
Beyond the
Boundaries



Why cross-boundary
collaboration matters and
what this means for local
enterprise partnerships



Produced in
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Summary

Cities' real economic footprints go beyond their administrative boundaries. By local authorities and businesses working together on issues such as skills, housing and transport they can achieve better outcomes.

- Helping cities to maximise private sector jobs growth and manage public spending cuts will be vital if the UK economy is to experience anything approaching a strong recovery.
- Policy decisions to support economic growth and job creation in areas like planning and housing, skills and transport need to be taken over the same area that people travel to work and that businesses engage with their suppliers and customers.
- From September 2010 onwards, local enterprise partnerships will replace Regional Development Agencies (RDAs) as one of the main policies for boosting private sector jobs growth in England's cities. The Centre for Cities supports the shift to local enterprise partnerships because we see them as a way of encouraging cross boundary collaboration.
- Local enterprise partnerships will need to fit a range of different circumstances, but there is a strong case for only establishing partnerships that cover a real economic area.
- Institutions are only part of the solution. Local enterprise partnerships need to be given real powers to shape their local economy, and the financial flexibilities that will allow them to fund new policy interventions.



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Introduction

Globalisation has underlined the advantages of concentrating economic activities in cities. Cities provide access to consumers, skilled workers and transport connections, and are places where people exchange ideas. While we can say that cities have always been important, they matter even more today in the era of a more knowledge-intensive economy where innovation is critical if businesses are to respond to increasingly demanding customers.

In the UK, similar to other parts of the world, this has resulted in a renewed focus on **understanding and defining how city economies actually work**. This analysis has highlighted the fact **that places are connected and understanding these links is critical**.¹

Old tensions between cities and suburbs, or between two neighbouring cities, or between urban and rural areas, have not disappeared, but evidence is now showing that many of these places are economically inter-dependent (with mutually important commuting and supply chain links between one another).²

They cannot 'go it alone' but must work across their 'real economy' (often referred to as the city region) to manage their business environment, promote new forms of employment, invest in skills, support enterprise and innovation, deal with image problems, and tackle the limitations of infrastructure.

Despite the recent progress that's been made in the UK, the recession has hit most local economies hard, with the cities which had least economic success during the boom experiencing the brunt of recession.³

If our cities – which can be buoyant, stable and struggling⁴ – are to drive the economic recovery over the next ten years, they need support on three fronts:

1. Robust evidence, analysis and ideas that helps them understand how their place and economy works;
2. Policies, incentives and structures tailored to local economic need which will improve their economic performance;
3. Financial and operational freedoms and flexibilities to implement them.

The purpose of this report is to review how cross-boundary collaboration which makes the most of cities' assets could contribute to the Coalition's goals of economic and employment growth for the UK as a whole, particularly in the context of the move towards local enterprise partnerships.

The report does this by assessing:

- The rationale and evidence for cross-boundary collaboration;
- The changing policy context in which cross-boundary collaboration has been developing over the last decade;
- The starting position of the ten largest local enterprise partnerships, by population, against several economic indicators, and the implications this will have for how they work;
- The challenges and issues that partnerships will need to consider and resolve as they progress.

¹ The Work Foundation, SURF & Centre for Cities (2009) *City Relationships. Economic linkages in Northern city regions*. Newcastle: Northern Way

² The Work Foundation, SURF & Centre for Cities (2009) *ibid*

³ Centre for Cities (2010) *Cities Outlook*. London: Centre for Cities

⁴ Webber C & Swinney P (2010) *Private Sector Cities: A new geography of opportunity*. London: Centre for Cities

Chapter 1 Why collaboration across boundaries is important

Local authorities don't cover real economies

The last wholesale reorganisation of local authority boundaries was in 1974, and Metropolitan Counties were abolished in 1986. Since then, travel horizons and commuting patterns have expanded and the economic footprints of UK cities have grown.

As a result many UK cities are 'under-bounded' – their administrative geography captures only part of their real economic area, the area where people commute, shop and do business:

- In 2004, only 51 percent of Leicester's jobs were taken by Leicester residents.⁵
- In Manchester it was a mere 31 percent.⁶ As Figure 1 below shows, Manchester's real economic footprint stretches far beyond the boundaries of Manchester City Council;
- Metal manufacturers cluster between Sheffield and Rotherham.⁷
- Nissan's supply chains extend well beyond the local authority area of Sunderland.⁸

Cross-boundary collaboration provides the mechanism to help local authorities overcome the problem of being 'under-bounded', enabling them to work beyond their administrative boundaries to cover their real economic areas:

- **Manchester:** Policy making through the Association of Greater Manchester Authorities (AGMA)⁹ better reflects the real economic area of Greater Manchester, covering an area in which 88 percent of the jobs are filled by residents.

- **Bristol:** The remit of the West of England Partnership¹⁰ covers an area where 89 percent of the jobs are taken by residents living within its area.

Working together can lead to better policy-making

For local authorities, cross-boundary collaboration when devising skills, transport and housing policies can have positive economic impacts by helping align policies with the scope of the real economy, tailoring policies to local people and businesses's needs and implementing more innovative policies. Evidence suggests that the more governance arrangements approximate to the real economic area, the better the economic performance of the area.¹¹

⁵ Annual Population Survey, 2004 data

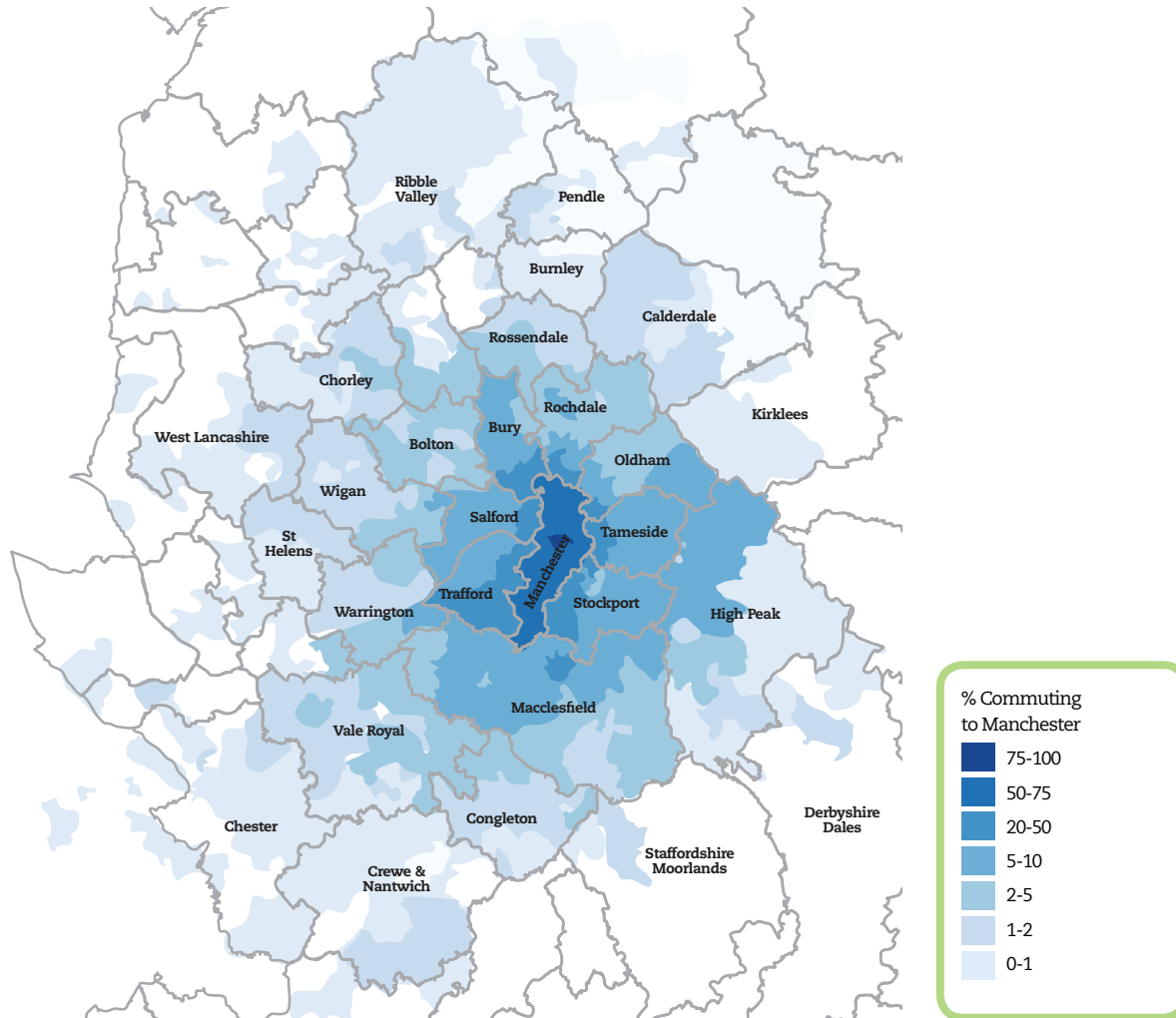
⁶ Annual Population Survey, 2004 data

⁷ The Work Foundation, SURF & Centre for Cities (2009) *City Relationships. Economic Linkages in Northern*

city regions. Sheffield City Region. Newcastle: Northern Way

⁸ The Work Foundation, SURF & Centre for Cities (2009) *City Relationships. Economic Linkages in Northern city regions. Newcastle City Region. Newcastle: Northern Way*

Figure 1:
Commuting into Manchester (2001)



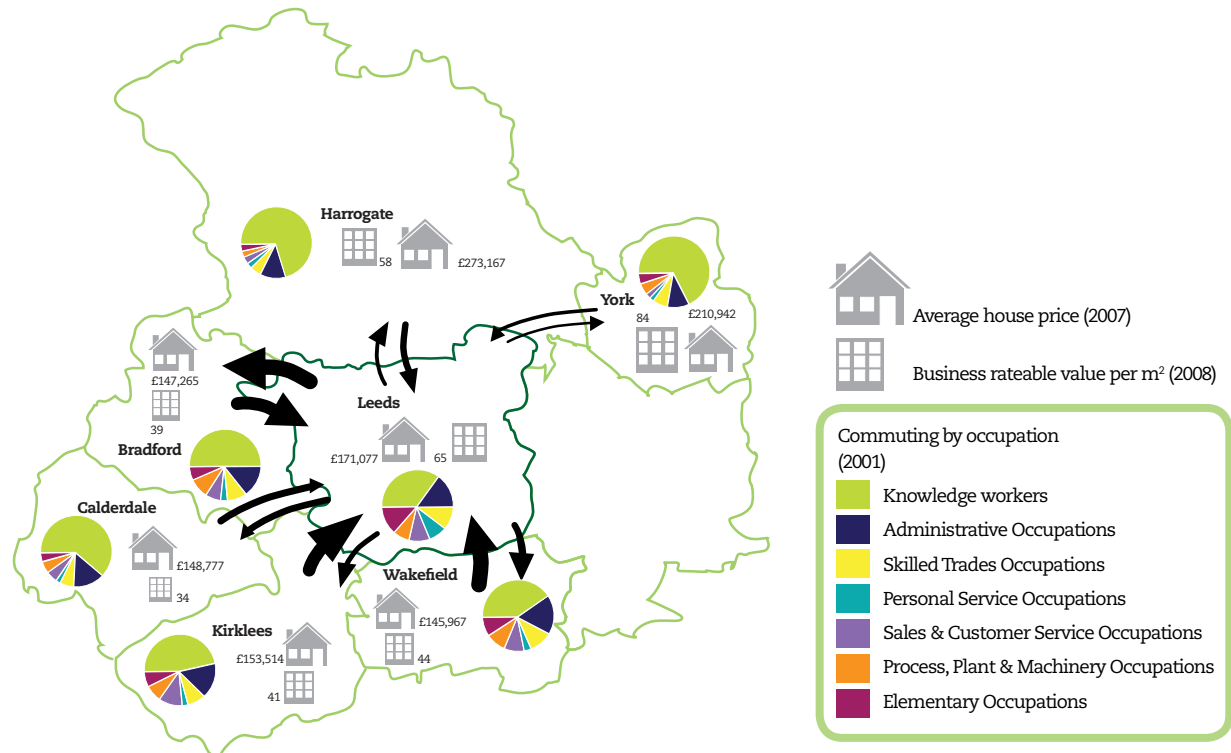
Source: The Work Foundation, SURF & Centre for Cities (2009) *City Relationships. Economic Linkages in Northern city regions. Manchester City Region.* Newcastle: Northern Way

⁹ In addition to Manchester AGMA includes the local authority areas of Bolton, Bury, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan.

¹⁰ In addition to Bristol the West of England Partnership includes the local authority areas of Bath and North East Somerset, North Somerset and South Gloucestershire.

¹¹ Cheshire P & Magrini S (2005) *ibid*

Figure 2:
Life choices in the Leeds City Region



To maximise the economic outcomes of working together, **local authorities need to be aware of the roles different places play within the real economic area.**

Figure 2 illustrates how places interact within the Leeds city region. Harrogate and Wakefield both depend on Leeds for jobs. However, the kinds of jobs their residents access in Leeds and their housing needs are very different: Harrogate's

residents tend to be more highly skilled and access higher paid jobs than Wakefield's residents.¹²

This understanding will help partners to identify the issues on which they need to work together and the structures needed to do this.

For example, in Manchester, the ten local authorities covering the real economy decided to work together to jointly deliver the city's tram

Source: The Work Foundation, SURF & Centre for Cities (2009) *City Relationships. Economic Linkages in Northern city regions. Leeds City Region.* Newcastle: Northern Way

¹² The Work Foundation, SURF & Centre for Cities (2009) *City Relationships. Economic Linkages in Northern city regions. Leeds City Region.* Newcastle: Northern Way

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system to underpin Manchester's economy – the economic hub of the city region – even though the tram line did not extend into all local authority areas within Greater Manchester.

This is because all the local authorities recognised that making Manchester's economy more attractive for business investment and highly skilled workers had the potential to benefit neighbouring areas in terms of new jobs, new residents and new investment.

Working together can be more efficient

Cross-boundary collaboration provides an opportunity to consolidate local knowledge and expertise across a wider area, work more effectively and efficiently, and concentrate resources on what really makes a difference.

Reducing fragmentation and duplication – across any area there are a multitude of local government, business support organisations and quangos all involved in economic development policy-making and delivery. For example, the Centre for Cities has identified that across the Birmingham City Region in 2008, manufacturing firms could choose between 55 different support initiatives, provided by at least 29 separate delivery bodies and portals.¹³

This is a confusing, ineffective and inefficient way to provide services to local residents and businesses. Co-ordinating activities across the real economic area increases the opportunities to reduce confusion, rationalise service provision and realise economies of scale and scope – as well as improve relationships with businesses who can then have just one main point of contact.

Box 1: Total Place

Total Place was an initiative launched by the last Government in its 2009 Budget to look at all the public money spent in a local area. Total Place was not a new idea – Total Approach looked at the total resources being used in six cities in 1972.

By mapping wider public spend Total Place aimed to identify potential savings and thus make policy interventions more effective by reducing the overlap between services within and across authorities:

- Leicester and Leicestershire identified that they could save £3.75-5.25 million per annum by 2013/14 by creating a single customer service strategy.
- Adur and Worthing local authorities achieved initial savings of £450,000 by opting for a joint chief executive and management team, with additional expected savings of £650,000 in 2009/10 from sharing services such as waste collection and disposal, street cleaning, and financial and customer services.¹⁴

¹³ Webber C (2008) *Innovation, Science and the City*. London: Centre for Cities

¹⁴ HM Treasury & Department for Communities and Local Government (2010) *Total Place: a whole area approach to public services*. London: HM Treasury

Doing more with less – cross-boundary collaboration also offers the opportunity to improve efficiency in two main ways.

First, it creates an opportunity to improve the internal workings of local authorities and in particular the way in which services are designed, organised, procured and delivered. For example, Lincolnshire County Council has been working with its seven district councils since 2005 to develop shared services in back office and front line services, such as procurement, property management and customer services. It is estimated that by the end of 2011 this will lead to £4.2 million of efficiency savings.¹⁵

A recent review by the Audit Commission highlighted further efficiencies that local government is making through collaboration with regard to public procurement.¹⁶

Second, cross-boundary collaboration offers an opportunity to deliver economic development more efficiently. Over the last few years

the Centre's work across the country with different cities and sub-regional partnerships has highlighted a number of areas where cross-boundary working could lead to greater efficiencies, including:

- In Tyne and Wear duplication could be reduced by consolidating business support initiatives provided to the ICT and digital sector such as Codeworks, the Sunderland Software City and Newcastle Science City initiatives.¹⁷
- In South Hampshire efficiencies could be gained by streamlining economic development functions across the partnership area and transferring the delivery of economic development functions to the Solent LEP.¹⁸

So, given the evidence that cross-boundary collaboration matters, what has happened already and what impact might local enterprise partnerships have on enhancing opportunities to work more effectively?

¹⁵ www.audit-commission.gov.uk/localgov/goodpractice/financialmgmt/Pages/lincsbackoffice.aspx

¹⁶ Audit Commission (2010) *A review of collaborative procurement across the public sector*

¹⁷ Centre for Cities, The Work Foundation & SURF

(2009) *City Relationships: Economic linkages in Northern City Regions. Tyne and Wear City Region*. Newcastle: Northern Way

¹⁸ Swinney P, Tochtermann L & Brown H (2010) *Charting the Course: Growing South Hampshire's economy*. London: Centre for Cities

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Case Study 1: Greater Manchester

Greater Manchester is one of the UK's most advanced city regions. Outside of London, it has the most formal governance structures and longest experience of working together.

The real economic area has a population of 2.6 million and contributes four percent of the national economy. At the same time, it is a city region that has large numbers of residents that are workless or who lack basic skills and qualifications.

The ten local authorities in Greater Manchester have been working together since the abolition of the Metropolitan Counties in 1986. Since then the local authorities have been cooperating, on a cross party voluntary basis, through AGMA.

Recently, Greater Manchester's partnership arrangements have been strengthened as part of Manchester's Statutory City Region agreement and the city region is planning to become a Combined Authority from April 2011.¹⁹ The Combined Authority would then have then have primary responsibility for integrated transport and a range of economic development and regeneration activities, and associated funding.

What does Greater Manchester focus on?

The strong relationships that have been developed between the partners in Greater Manchester have resulted in a comprehensive strategy aimed at accelerating economic

growth and securing the active participation of residents in the economy. Priorities include early years interventions, tackling deprivation, skills, transport, international connectivity and the low carbon economy. Greater Manchester's submission for a local enterprise partnership will add to this with new ideas around, for example, business support, inward investment, and science and innovation. There will be strong business sector leadership in the local enterprise partnership.

What are Greater Manchester's future prospects?

History would suggest that Greater Manchester has good prospects for future growth, with the city having added 35,800 private sector jobs between 1998 and 2007. Supporting additional private sector growth at the same time as addressing entrenched worklessness will be a key challenge for the local enterprise partnership.

Integrating the new arrangements for a local enterprise partnership into the governance structures for AGMA and the Combined Authority is also an important consideration.

¹⁹ See Chapter 2 for a definition of a 'Combined Authority'

Chapter 2 Where have we come from and where are we going?

Given the evidence that cross-boundary collaboration has the potential to deliver significant benefits, it is unsurprising that the past decade has seen a significant shift in the structure and responsibilities of the economic development bodies in England below the national level.

Policy consensus has moved in the direction of devolving power and resources to a lower level: initially regions and, more recently, city regions. This in part is a recognition that city regions

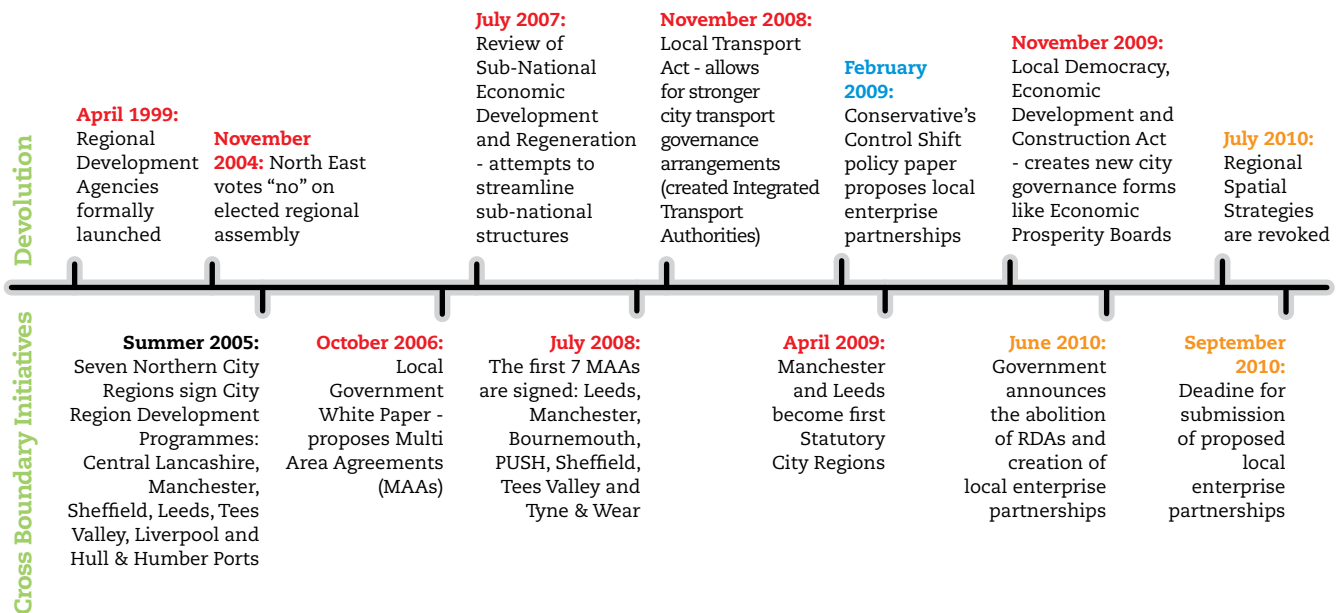
are an important scale for delivering economic development policies.²⁰ This chapter reviews how policy has changed and how this legacy will affect the Coalition's plans.

From regions and Regional Development Agencies ...

One of the previous Government's earliest acts was to create Regional Development Agencies (RDAs), bodies tasked with improving the competitiveness of the English regions.²¹ Originally, the plan was for RDAs to be accountable to elected regional

Figure 3:

From Regional Development Agencies to local enterprise partnerships



²⁰ It is useful to consider the two elements of this policy direction – devolution and real economic areas – separately, although in reality the policy changes often overlap.

²¹ The RDAs were considered complementary to the devolution settlement for Scotland and Wales and the aspirations for stronger London governance.

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assemblies. However, this plan was derailed by the 'no' vote in the 2004 North East referendum, leaving RDAs with a regional democratic deficit.

The remit for RDAs expanded over the last decade, with their programmes encompassing inward investment, capital projects focused on improving the built environment and projects to improve skills and enterprise.

A recent evaluation by PricewaterhouseCoopers suggested that they generated £4.50 for every £1 spent and a number of businesses have expressed support for RDAs' ability to have a united approach to investment strategies for a wide area.

However, the Coalition is sceptical about RDAs' efficiency, impact and the 'artificial' areas which they cover. RDAs have been abolished and will be wound up in 2012.

... to city regions

Partly in response to this 'regional democratic deficit' problem, but also based on a growing body of academic evidence²² and bottom-up demands from cities themselves,²³ the notion of city regions, led by directly elected local authorities, began to gain traction in Whitehall and in cities.

Many of England's larger cities were already organised, or began to organise, around their real economic area, for example, forming Northern City Regions with a clear focus on how to grow the

economy across this wider geography. Many of these areas also took the first steps towards generating an evidence base for their local economy.

... Multi Area Agreements

The importance of city regions and cross-boundary working was formally recognised by the previous Government with the creation of Multi Area Agreements (MAAs). MAAs were first proposed in the 2006 Local Government White Paper, before being implemented between July 2008 and December 2009. In total 15 MAAs, involving 98 local authorities, were established.

MAAs were introduced as a tool to enable local authorities to coordinate policies that encourage economic growth – transport, skills, planning and housing. They are basically political agreements between groups of local authorities and exist as voluntary, informal associations, without binding powers.

Whilst MAAs were a step in the right direction, coordinating policy at the level of the real economy, in many respects their achievements were quite limited. Originally championed as a mechanism to devolve power, in fact few new responsibilities were devolved.

Whilst there were 'intangible' benefits associated with many MAAs through having experience of working together and forging stronger cross-boundary relationships, primarily, MAAs served as a mechanism to align goals and agree shared targets.

²² Scott A J (2001) *Global City-Regions: Trends, Theory Policy*. Oxford: Oxford University Press and Harding A, Marvin S & Robson B (2006) *A Framework for City-Regions*. London: ODPM

²³ As demonstrated by areas such as Manchester City Region and the Tees Valley having a long history of working across boundaries.

... and Statutory City Regions

Towards the end of its term in office the Labour government did take several more substantial steps towards strengthening city regional collaboration and governance. In the 2009 Budget, Leeds and Greater Manchester were designated as Statutory City Regions. Limiting the number of cities involved allowed the Government to promise the Statutory City Regions the prospect of real devolution.

Over the course of 2009, central government agreed to transfer a variety of new powers to these two city regions. The Leeds City Region gained responsibilities and control over funding for housing and regeneration, innovation, higher-level skills, and transport. Greater Manchester gained powers over early years interventions, adult skills, 16-19 education, transport, housing and became a low carbon economic area.

In the March 2010 Budget, the Birmingham City Region was also granted new skills powers. The responsibilities given to these areas reflects both the strength of their economies and the strength of their partnerships, and puts these areas in a particularly strong position when it comes to future cross-boundary working.

...and a few more

The Local Democracy, Economic Development and Construction Act, which was granted royal assent in November 2009, also created a range of new statutory

mechanisms – Multi Area Agreements with statutory duties (MAAs with duties), Economic Prosperity Boards (EPBs) and Combined Authorities – all aimed at further encouraging and improving cross-authority collaboration.

The most advanced of these – the Combined Authority – allows for a permanent, binding joint decision making structure for cross-boundary working, including the integration of transport powers. Greater Manchester has already begun progressing its plans to become a Combined Authority.²⁴

Where next?

The steps taken by the Labour government certainly created more options for city regions and enabled them to be put on a firm footing – a good thing. It also means that many areas now have experience of working together and making some of the difficult decisions associated with prioritising funding and activities.

However, the resulting set of structures was probably more confusing than it needed to be. Having only recently been established it is too early to tell how popular or successful Combined Authorities will be and whether the coalition Government will continue to support them.

The coalition Government has its own ideas on how to deliver sub-national economic development policies. As highlighted above, it has already

²⁴ Communities and Local Government (2010) *Proposal to establish a combined authority for Greater Manchester – Consultation*. London: CLG

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announced that it is scrapping RDAs and Regional Spatial Strategies.

These will be replaced, where local authorities choose to do so, by local enterprise partnerships – groups of local councils with equal representation from the public and private sector.

In a letter inviting local authorities and businesses to establish local enterprise partnerships²⁵ the coalition Government stated that these partnerships should focus on: “*tackling issues such as planning and housing, local transport and infrastructure priorities, employment and enterprise and the transition to the low carbon economy.*”²⁶

Over the summer potential local enterprise partnerships have been formulating their plans, with the deadline for submitting outline proposals being the 6th September 2010. Between September 2010 and September 2011, the Government hopes to facilitate the establishment of local enterprise partnerships, replacing RDAs in full by April 2012.²⁷

How will local enterprise partnerships be similar to or differ from the previous arrangements?

Firstly, it is likely that many MAAs and city regions will simply switch, with minor changes, to become local enterprise partnerships. However, it is likely there will be many more partnerships than there

were MAAs, with new partnerships forming which could result in increased duplication and fragmentation.

Secondly, local enterprise partnerships will require a greater involvement of the business community and will be more focused on making policy and investment decisions rather than agreeing targets. Thirdly, with the removal of RDAs, local enterprise partnerships should have the institutional room to become more powerful and important than MAAs.

However, past experience from MAAs and other partnerships suggests that local enterprise partnerships might shy away from the more contentious policy issues such as housing and planning, particularly local enterprise partnerships with less history of joint working than places such as Manchester and Leeds.

Whilst it is uncertain how local authorities will respond to the Government’s call for proposals until after 6 September, there are some certainties about the challenges and opportunities that some of the different areas need to consider when forming their local enterprise partnership.

The next two chapters review the economic and operational challenges that local enterprise partnerships will face as they emerge.

²⁵ LEPs were originally set out in the Conservative’s local government Green Paper: The Conservative Party (2009) *Control Shift: Returning Power to Local Communities*. London: The Conservative Party

²⁶ Cable V & Pickles E (2010) *Local enterprise partnerships*, letter to local authorities, 29 June 2010

²⁷ Communities and Local Government (2010) *Draft Structural Reform Plan: July 2010*. London: CLG

Case Study 2: Partnership for Urban South Hampshire (PUSH)

The Partnership for Urban South Hampshire is focussed on the city economies of Portsmouth and Southampton.

Why was it established?

PUSH was established in 2003 by seven local authorities²⁸ and expanded in 2004 to include all 11 authorities within the real economic area.²⁹ In 2007, the partnership set itself the goal of increasing economic growth in the area to 3.5 percent Gross Value Added (GVA) by 2026 to close the growth gap with the South East of England.³⁰

What does PUSH focus on?

PUSH focuses on six core areas: economic development; housing and planning; sustainability and community infrastructure; quality places; and external funding. Under the previous Government, PUSH achieved Growth Point status, and became one of the South East of England Development Agency's (SEEDA's) diamonds for growth and was one of the first areas to sign a MAA.

What challenges does PUSH face?

PUSH will need to build on its successful history of joint working to face a number of challenges:

- **Economic:** PUSH needs to encourage further growth in the area and to underpin this by improving the area's housing offer, increasing residents' skills levels and by strengthening the economies of Southampton and Portsmouth.

- **Organisational:** A Centre for Cities report identified the need for PUSH to streamline its organisational apparatus, focus on a narrower set of priorities and move from strategy to delivery.³¹

- **Financial:** PUSH will have to adapt to a much more constrained funding environment, with funding through SEEDA's South East Diamonds for Growth unlikely to continue and Growth Point funding already cut.

What are PUSH's future prospects?

PUSH was one of the first areas to express an interest in forming a local enterprise partnership together with the Isle of Wight – known as the Solent LEP. The business community will be heavily involved in the partnership and the sub-region's higher and further education institutions will also play a part.

Solent LEP is keen to work with Bournemouth and Poole across the wider Solent coastal economy and is planning to improve the coordination of public and private investment in transport, housing, skills, regeneration and other areas of economic development.

²⁸ Local authorities of Portsmouth, Southampton, Havant, Gosport, Fareham and Eastleigh and Hampshire County Council.

²⁹ See: www.push.gov.uk

³⁰ PUSH (2007) *Economic Development Strategy. Partnership for Urban South Hampshire*. Fareham: PUSH

³¹ Swinney P, Tochtermann I & Brown H (2010) *ibid*

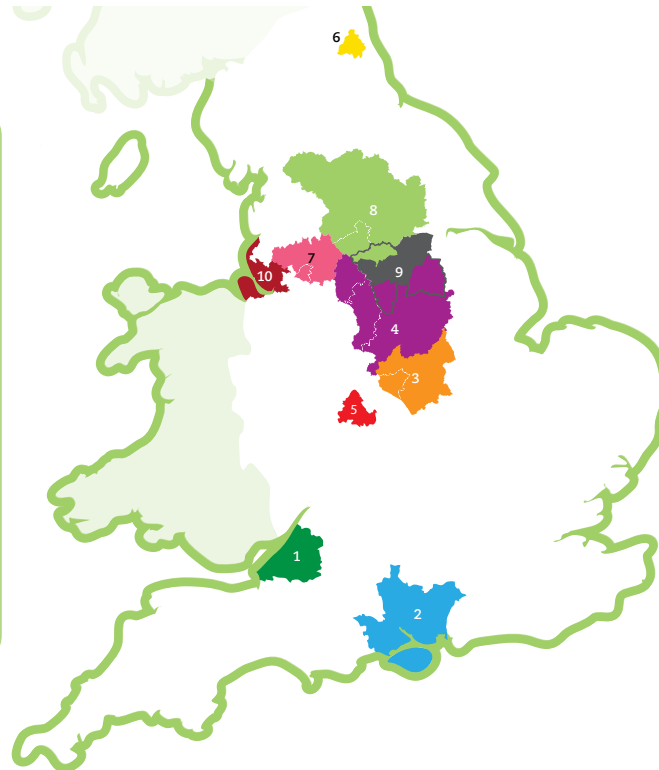
Chapter 3 What are the characteristics of and challenges for the ten local enterprise partnerships?

The performance of local enterprise partnerships varies considerably. This section reviews what's happening on the ground, examining in more detail ten real economic areas and the local enterprise partnerships they are planning.

It focuses on five main issues that are vital for future economic strategies and to which local enterprise partnership submissions should be responding:

- Current economic performance;
- Geography;
- People and Skills;
- Transport and housing;
- How the changing economy over the next ten years is likely to affect that local area.

Figure 4:
The ten local enterprise partnerships



Note: Barnsley, Bassetlaw, Chesterfield and North East Derbyshire are included in more than one partnership.

The case studies

The ten case study local enterprise partnership areas selected (see Table 1) are based on their respective travel-to-work area's (TTWA's) relative size in terms of population.

Our selection excludes London, which will not form a local enterprise partnership. Local enterprise partnerships definitions are based on insight from local stakeholders and a list of the local authority areas included in each partnership is available in the Annex.

Table 1:

Size and characteristics of selected local enterprise partnerships

	Local enterprise partnership	Total Population 2009	Area in 000km ²	GVA per capita in 2007	Number of Partners
Size and characteristics					
1	Bristol (West of England)	1,082,200	1,381	48,590	4
2	Solent LEP	1,524,200	3,345	44,340	11
3	Leicester and Leicestershire	949,400	2,155	41,650	8
4	Nottingham(shire) and Derby(shire)	2,081,700	4,784	41,530	17
5	Birmingham and Solihull	1,233,900	446	41,110 ³²	2
6	Newcastle and Gateshead	475,100	258	39,680 ³³	2
7	Manchester	2,600,900	1,280	39,490	10
8	Leeds	2,947,400	5,716	39,450	11 ³⁴
9	Sheffield	1,627,700	2,534	37,300	9 ³⁵
10	Liverpool	1,469,300	913	36,110	6

Given the emerging nature of local enterprise partnerships, these geographies may not exactly coincide with the final partnership arrangements.

How are their economies performing?

There are **substantial differences in economic performance** between the ten local enterprise partnerships on indicators such as average productivity (GVA per worker). This is likely to affect the objectives and policy areas that local enterprise partnerships focus on.

Source: NOMIS (2010) Mid-year population estimates, 2009 data. ONS (2010), GVA data, 2007 data. Neighbourhood Statistics (2010), Land Use Statistics, 2005 data

³² Birmingham and Solihull's productivity is slightly higher than expected, which might be because its narrow boundaries do not capture other major centres of employment in the city region.

³³ Newcastle and Gateshead's productivity is slightly higher

than expected, which might be because its narrow boundaries do not capture other major centres of employment in the city region.

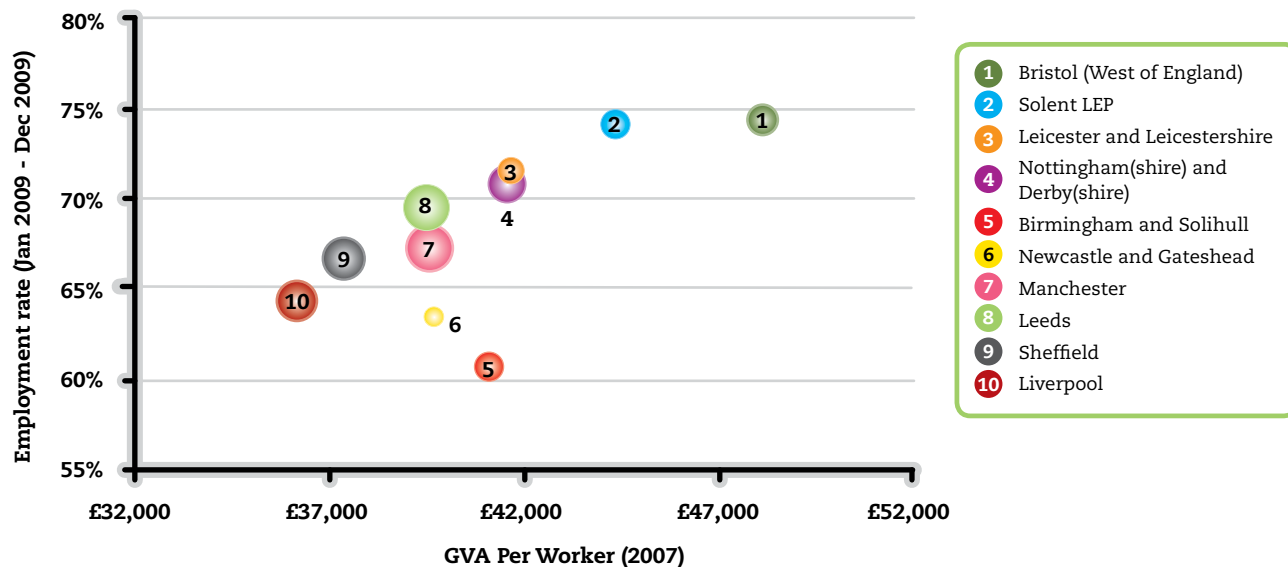
³⁴ North Yorkshire County Council is counted as a partner here, because it is an associate member in the LEP, but is not included in the statistics.

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Out of the ten local enterprise partnerships, Bristol (74.5 percent) and the Solent LEP (74.2 percent) have the highest employment rates for their areas while Birmingham and Solihull's (60.6 percent) is the lowest, despite having a relatively high GVA per worker. Productivity is lowest in Liverpool at £36,100 and highest in Bristol (West of England) at £48,590.

As Figure 5 illustrates those local enterprise partnerships that have higher levels of productivity also tend to have a higher employment rate.

Figure 5:
Employment rate and productivity



Do they cover their real economic areas?

Local enterprise partnerships, like their predecessors, are only a means to an end – aligning transport, skills, planning and economic development policy across real economic areas.

This is why it is important that local enterprise partnerships cover the right geographic area.

Table 2 examines how well the ten local enterprise partnerships fit their real economic area.

³⁵ Derbyshire Dales and Bolsover are counted as partners here, because they are associate members in the LEP, but they are not included in the statistics.

Source: NOMIS (2010), Annual Population Survey, 2009 data and Mid-year population estimates, 2009 data. ONS (2010), GVA data, 2007 data

Note: Bubble size according to 2009 population

The table indicates that most of the proposed arrangements for the local enterprise partnerships have a good fit with their real economic area. Most of these cover areas where around 88 percent of jobs are taken up by residents and a similarly high percentage of residents work within the area.

Out of our ten local enterprise partnership areas, the Leeds partnership fits its real economic area best. Newcastle and Gateshead partnership, however, only covers part of Newcastle's real economic area. A local enterprise partnership covering Newcastle and Gateshead, as well as North Tyneside, South

Tyneside and Sunderland would have better captured the city's economy, with 82 percent of jobs being taken up by residents.

In considering their geographical coverage, local enterprise partnerships being established in areas without an established tradition in cross-boundary working should ideally be using TTWA boundaries as robust proxies for their real economic area. However, we recognise that there are a number of factors that will affect how places work together, including history, political differences and existing relationships between leaders.³⁶

Table 2:

Economic containment within local enterprise partnerships

	Local enterprise partnership	% of residents working within the partnership (2004)	% of jobs taken by the partnership's residents (2004)
Economic containment			
8	Leeds	93.4%	93.8%
4	Nottingham(shire) and Derby(shire)	86.8%	91.5%
9	Sheffield	88.9%	91.1%
2	Solent LEP	88.7%	90.5%
10	Liverpool	85.1%	88.3%
1	Bristol (West of England)	90.0%	88.1%
3	Leicester and Leicestershire	87.3%	88.1%
7	Manchester	89.4%	87.7%
5	Birmingham and Solihull	85.2%	71.0%
6	Newcastle and Gateshead	81.6%	56.8%

Source: Annual Population Survey, 2004 data

³⁶ The Work Foundation, Centre for Cities & SURF (2009) *City Relationships. Economic linkages in Northern city regions.* Newcastle: Northern Way

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Skills

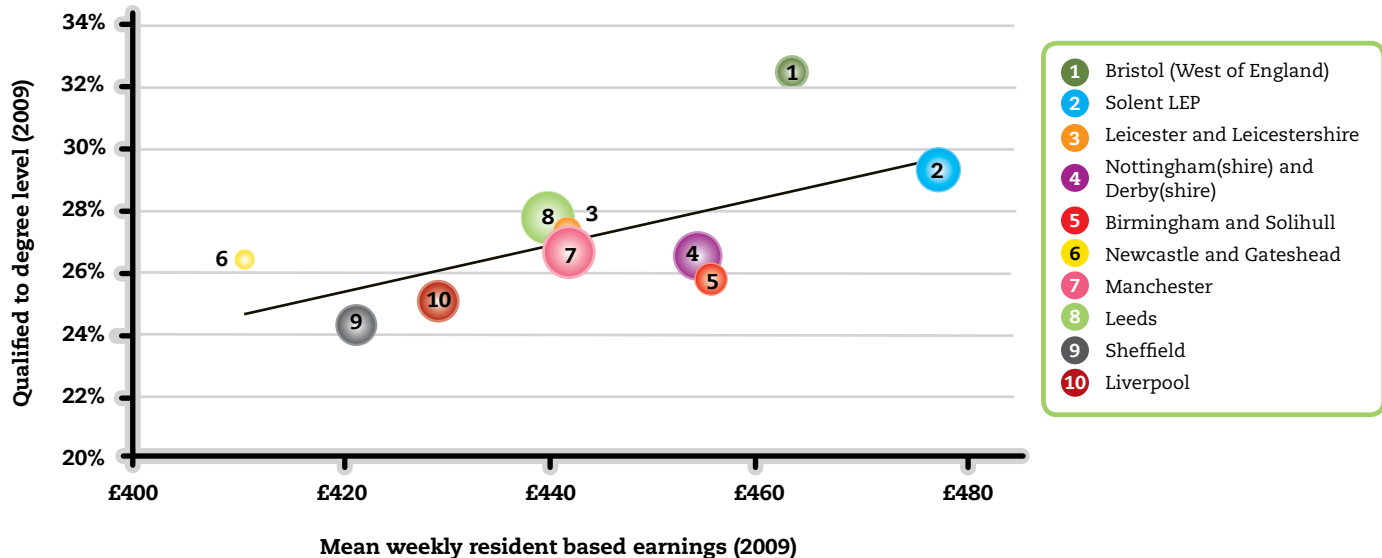
The skills profile of a place is a key determinant of its economic success, its ability to attract business investment and to raise its productivity levels. Higher wages reflect higher demand for workers, so strongly performing economies are expected to pay higher wages. Unsurprisingly, those local enterprise partnerships with more highly skilled residents also have residents that earn higher wages (see Figure 6).

Skills policy is one of the policy areas that should be pursued at a real economic level. Partnerships

such as the AGMA and the Solent LEP are already coordinating their skills and employment policies.

However, the ten local enterprise partnerships face very different skills challenges. At only 24.2 percent, and over five percentage points below the English average, Sheffield is the partnership with the lowest proportion of residents qualified to degree level. In Bristol (West of England) on the other hand 32.4 percent of residents hold a degree.

Figure 6:
Skills levels and earnings



Source: NOMIS (2010), Annual Population Survey, 2009 data, Annual Survey of Hours and Earnings, resident analysis, 2009 data and Mid-year population estimates, 2009 data

Note: Bubble size according to 2009 population

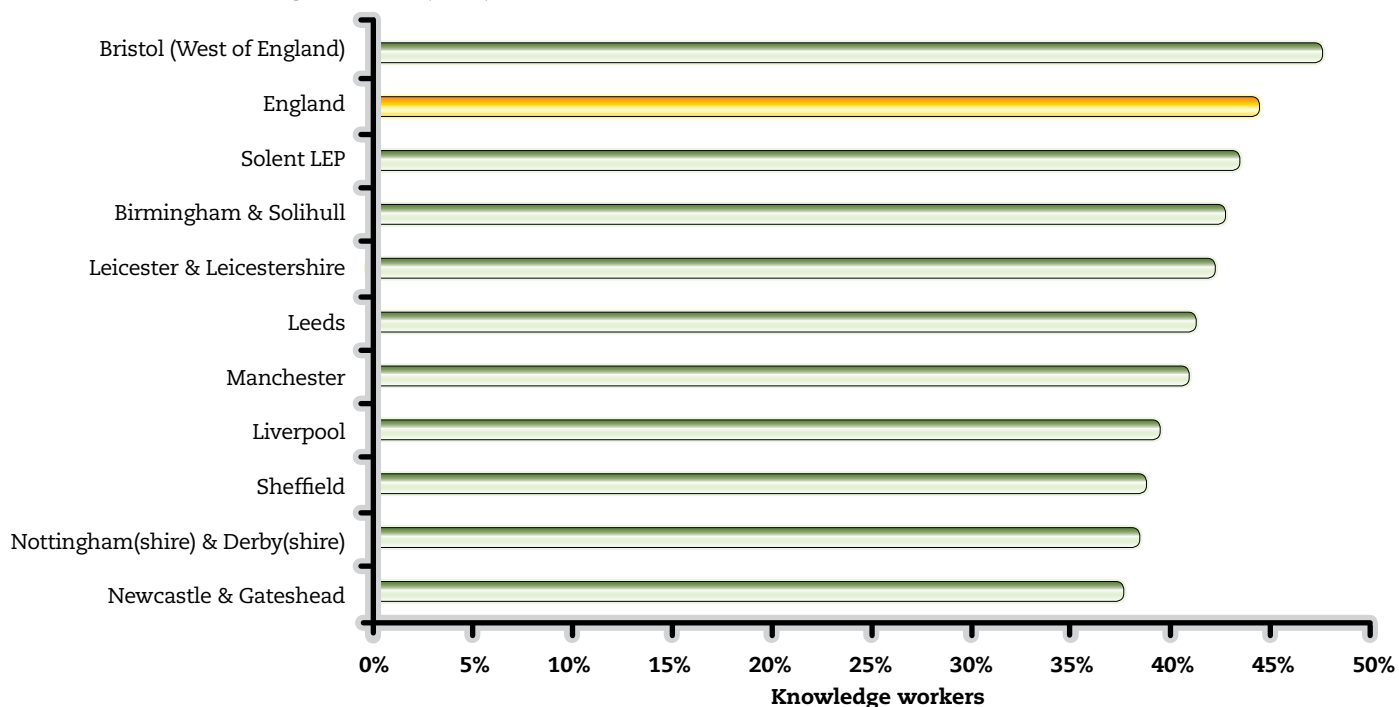
The percentage of residents employed as knowledge workers is a good indicator of how well a place is adapting to the knowledge economy. Knowledge workers are defined as managers and senior officials, in professional occupations or in associated professional and technical occupations.

Again, there are substantial differences between the ten local enterprise partnerships (see Figure 7). Bristol fares extremely well with regards to

knowledge workers, with 47.6 percent of its residents working in knowledge professions. This is well above the English average of 44.5 percent. The lowest percentage of knowledge workers (37.7 percent) is found in Newcastle and Gateshead.

This should be reflected in partnerships' plans for how they would like to administer skills and employment policy at a local level.

Figure 7:
Knowledge workers (2009)



Source: NOMIS (2010), Annual Population Survey, 2009 data.

Beyond the Boundaries

Transport and housing

Transport and housing are the other two policy areas that are particularly important to be undertaken at a real economic area level. Table 2 (page 18) indicates how some local enterprise partnerships will be able to provide a more integrated transport solution for their residents than others, because their boundaries more closely reflect commuting patterns.

For example, aligning transport policy across Birmingham and Solihull will not help the 29,100 Sandwell residents or the 15,300 Dudley residents that travel to work in Birmingham each morning.³⁷ In South Hampshire it will make sense for the Solent LEP to focus on transport policy, as the partnership covers the large majority of local commuting movements.

With regard to housing policy, local enterprise partnerships need to address different challenges. As Table 3 illustrates, house prices vary significantly. Solent LEP (£223,680) has the highest house prices out of the ten partnerships. It is also the only local enterprise partnership with house prices higher than the English average.

Sheffield's partnership area (£137,197) has the lowest average house prices. House prices grew most strongly (154 percent) in Newcastle and Gateshead between 1999 and 2009 (suggesting a catch-up effect), while in Birmingham and Solihull house prices grew by only 107.5 percent.

High house prices, and strong house price growth, indicate a high demand from people to live in

Table 3:

House prices and house price growth

	Local enterprise partnership	Average house price (2009)	% growth (1999-2009)
House prices and house price growth			
2	Solent LEP	223,680	116.5%
1	Bristol (West of England)	211,920	125.8%
5	Birmingham and Solihull	187,447	107.5%
3	Leicester and Leicestershire	168,697	116.8%
8	Leeds	167,134	139.3%
4	Nottingham(shire) and Derby(shire)	153,372	128.7%
6	Newcastle and Gateshead	152,521	154.0%
7	Manchester	145,054	133.2%
10	Liverpool	138,718	132.7%
9	Sheffield	137,197	134.7%

Source: Communities and Local Government (2010), Mean House Prices, 1999-2009 data

³⁷ Annual Population Survey, 2004 data

an area relative to the supply of housing. While house prices are influenced by a range of factors, predominantly, they reflect the abundance and quality of job opportunities in an area.

As such, those local enterprise partnerships that are performing well are likely to have higher house prices. These partnerships need to make sure that enough future housing is available to allow people to move to an area and avoid hindering economic growth.

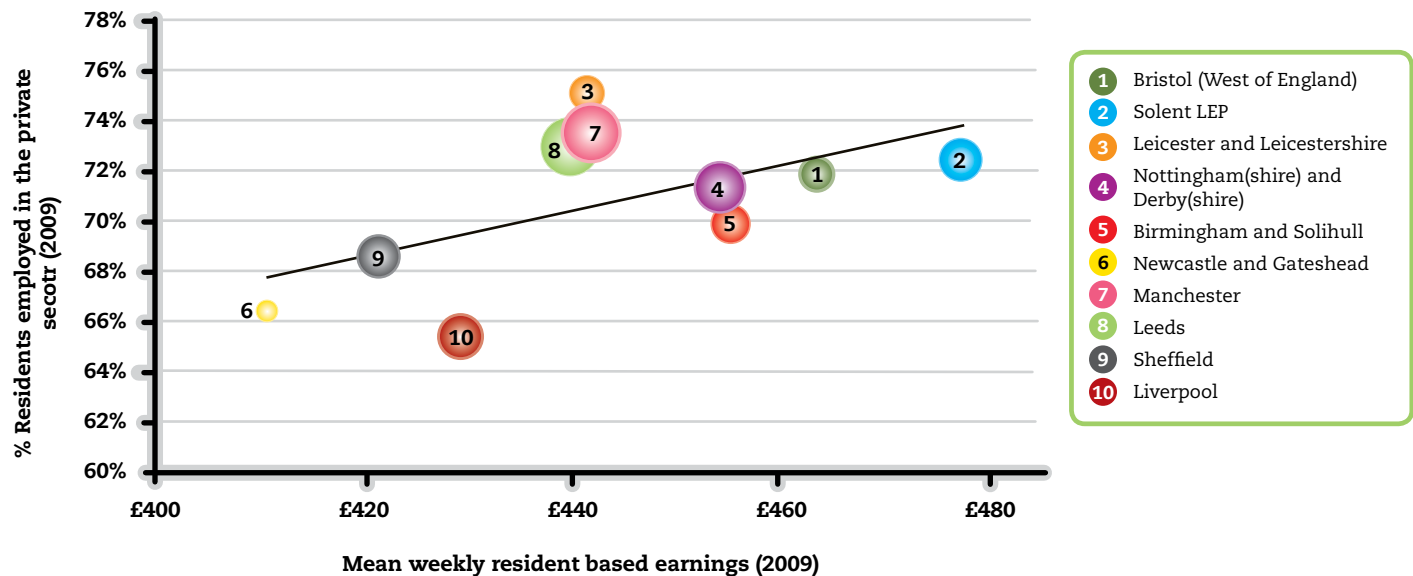
What does the future hold?

Above we examined some of the characteristics of the ten local enterprise partnerships and the challenges they face in three key policy areas. But ultimately a local enterprise partnership will only be regarded as a success if its economy is strong enough to create jobs and raise productivity.

Figure 8 illustrates that the areas with larger private sectors, driven by high private sector demand, are also the places which tend to have the highest wages.

Figure 8:

Private sector and average wages



Source: NOMIS (2010), Annual Business Inquiry, employee analysis, 2009 data and Annual Survey of Hours and Earnings, residents analysis, 2009 data.

Note: Bubble size according to 2009 population

Beyond the Boundaries

Table 4:
Public and private sector jobs creation (1998-2008)

		Job creation (1998-2008)	
		Private sector	Public sector
Local enterprise partnership			
Public and private sector job creation			
2	Solent LEP	57,400	15,200
1	Bristol	49,200	30,600
8	Leeds	41,600	67,200
7	Manchester	36,400	56,800
6	Newcastle and Gateshead	21,300	28,900
3	Leicester and Leicestershire	3,600	21,600
10	Liverpool	-2,700	37,900
9	Sheffield	-2,700	53,800
4	Nottingham(shire) and Derby(shire)	-5,100	46,900
5	Birmingham and Solihull	-23,400	57,500

While the future is uncertain, it's probable that patterns of private sector jobs growth across the country will be similar to past performance. Table 4 shows how well the ten local enterprise partnerships have fared in creating private sector jobs over the past decade and how much they have depended upon public sector job creation.

Between 1998 and 2008, Solent LEP added 57,400 private sector jobs. By comparison Birmingham and Solihull lost 23,400 private sector jobs. While Leeds added many private sector jobs, its economy was also boosted by 67,200 public sector jobs.

All local enterprise partnerships clearly need to focus on creating more private sector jobs over the next decade, as the public sector won't be a source of employment growth. This will not be an easy task.

Chapter 4 outlines some of the more specific issues and challenges local enterprise partnerships, as a tool for cross-boundary working, need to address in the short term.

Source: NOMIS (2010), Annual Business Inquiry, workplace analysis, 1998-2008 data.

Note: Due to ABI discontinuities the number of jobs added between 1998 and 2008 was calculated by adding up the number of jobs added between 1998 and 2005 and the number of jobs added between 2006 and 2008.

Chapter 4 What are the outstanding issues and challenges?

While the Government has begun to set out how local enterprise partnerships will replace RDAs, significant uncertainty remains and there are many outstanding issues and challenges that still need to be resolved.

Below are just a few of the key issues faced by central government and local enterprise partnerships themselves. The issues have been grouped into five categories – geography & membership, governance, objectives & powers, funding, and efficiency & evidence.

Geography & membership

- **There is a risk that we will end up with too many local enterprise partnerships and that they will poorly reflect real economic areas.** Whilst we recognise that the negotiations around establishing a partnership are as much political as they are based on economic considerations, if the outcome of the partnership negotiations is a plethora of very small local enterprise partnerships, then this is likely to lead to inefficient policy and economic outcomes.

While central government should be flexible in its approach to the geographies that local enterprise partnerships operate, it should encourage these to capture the vast majority of a partnership's real economic area as measured by its travel-to-work catchment area.

- **Local authorities have been overly concerned with who the public and private sector members of their local enterprise partnerships are.** While it is

important to get the members of a local enterprise partnership right (partly for the reasons highlighted above), partnerships also need to consider what they will actually do. The partnerships are only a mechanism for achieving a stated set of objectives. Private sector partners will quickly tire of being part of structures if they are not seen to be achieving very much.

Governance

- **Will local enterprise partnership decision making structures be binding?** A key choice for partnerships is whether their decision making structures will be binding or whether each local authority member will be able to veto any decision made. For local enterprise partnerships to be strong decision making bodies, each local authority will need to agree to implement decisions favoured by the majority of the partnership's members.

If partnerships are entirely voluntary then difficult decisions are unlikely to be taken and partnerships will quickly become ineffective.

- **Local enterprise partnerships will also need to balance the need for extensive business engagement with the need to be democratically accountable bodies.** One of the major failings of the RDAs was that ultimately the powers that they gained were considered to be incompatible with their lack of accountability. Carefully considering who to involve from the business community, how to involve them and when to involve them will be a key task for local enterprise partnerships.

Beyond the Boundaries

Objectives and powers

• **What objectives should local enterprise partnerships choose?** Partnerships have been tasked with supporting economic growth and creating private sector jobs. But the more specific objectives of this overarching aim will look very different in different cities. For example, local enterprise partnerships which include buoyant cities,³⁸ like Milton Keynes and Reading, should focus on maximising private sector jobs and economic growth. While partnerships with struggling cities in them, like Blackburn and Stoke, are unlikely to be able to generate a significant number of new private sector jobs.³⁹

In fact, these places are more likely to continue to lose private sector jobs over the medium term. **Local enterprise partnerships will need to think carefully about the objectives that they set themselves and what the implications are for the types of interventions that they make.** Equally, all local enterprise partnerships will need to make sure that their objectives are based on a single vision for the partnership area that brings together all the local authority and private sector partners.

• Local enterprise partnerships' activity should be focussed on the wider drivers of economic growth. **Therefore, local enterprise partnerships need control over strategic planning, housing, transport and skills policies.** For some of the more successful partnerships, powers over innovation, inward

investment and enterprise may also be relevant. In many cases this will mean coordinating and prioritising existing local government powers and funding streams. But central government also needs to transfer new powers to partnerships. For example, large urban partnerships should be assisted in moving towards Transport for London (TfL) style powers and governance arrangements.

Funding

• **Local enterprise partnerships will need a dedicated source of funding.** A big question is: what funding will the partnerships have, if any, to improve their economy and how will it be divided between the partnerships? The spending cuts that the Government has outlined mean that the £1.1 billion allocated to economic development, currently being spent on RDAs, will certainly be reduced.⁴⁰

To help create private sector jobs local enterprise partnerships will need a dedicated source of funding. This may come from the RDA pot, could be devolved from existing government department and public bodies' expenditure, like the Department for Transport and the Homes and Communities Agency – or could be raised by local enterprise partnerships themselves through creating new financial freedoms and flexibilities. Irrespective of the source, the funding that local enterprise partnerships receive should not be ring-fenced.

³⁸ See: Webber C & Swinney P (2010) for a description of the terms buoyant, stable and struggling cities.

³⁹ Webber C & Swinney P (2010) *ibid*

⁴⁰ This figure refers to the combined budget of the eight RDAs outside of London for 2010/11, following the spending reductions. At least £500 million of this figure is likely to go toward the Regional Growth Fund.

- **How will any additional funding be divided between local enterprise partnerships?** To date the Government has said very little about how any additional funding would be allocated to the partnerships. There are several options available to the Government, each with their pros and cons, for example:

- allocation via contest where local enterprise partnerships are invited to bid for funds similar to previous City Challenge and Single Regeneration Budget schemes;
- allocation based on the existing model used to apportion RDA funds;
- allocation based on economic performance (perhaps using a partnership's share of regional GVA or growth).

Irrespective of the option chosen, any funding allocation process must enable local enterprise partnerships to grow their overall funding pot through, for example, leveraging additional public funding or entering into joint ventures with private sector partners.

- **Will local authorities pool their budgets?** In the context of limited resources, local authorities should consider pooling elements of their budgets to fund projects that will be beneficial for the whole of the local enterprise partnership's economy. In reality this is likely to be very difficult for a number of individual authorities and their councillors.

Many are likely to be unwilling to relinquish some of their own authority's funding to finance projects

in another part of a local enterprise partnership. Overcoming this understandable reluctance will require strong political leadership from the local enterprise partnership's board.

Efficiency and evidence

- **Local enterprise partnerships need to take advantage of opportunities to improve efficiency.** In addition to better policy making, partnerships offer local authorities the prospect of significant efficiency savings. Within their priority policy areas partnerships should consider combining their administrative functions, for example, creating a single strategic planning department for the whole partnership. This would enable partnerships to rationalise the level of resources required across the partnership as a whole, realising significant savings.

Local enterprise partnerships also need to ensure that they integrate existing bodies, like Integrated Transport Authorities (ITAs) and Employment and Skills Boards (ESBs), to reduce duplication with other public sector agencies. Equally, partnerships may be able to make savings by carrying out procurement and commissioning at a larger scale.

- **Local enterprise partnerships decisions need to be based on an informed economic evidence base.** Partnerships will want the decisions they take to be based on an accurate understanding of their area's economy. Therefore, partnerships will need to work together to produce and analyse this evidence on a regular basis.

Beyond the Boundaries

Case Study 3: Birmingham

The Birmingham city region, covering the broad West Midlands conurbation, is an area of major economic significance to the UK economy. However, cross-boundary working across the city has proved challenging and this has presented a dilemma for policy makers trying to deal with the wider city region's economic problems.

While significant improvements have been made to Birmingham's city centre, the city as a whole continues to be hampered by its industrial legacy. Between 1998 and 2008, the core urban area of Birmingham lost 61,400 private sector jobs.⁴¹

In 2006, seven local authorities, in and around the Birmingham travel-to-work area, formed the Birmingham City Region Partnership – Birmingham, Dudley, Sandwell, Solihull, Walsall, Wolverhampton and Coventry.⁴² In 2009, Coventry decided that it no longer wanted to be part of the City Region Partnership. There was an element of economic rationale for this decision, with only 8,300 workers commuting from Coventry to the rest of the Birmingham city region.

Since the announcement on local enterprise partnerships, further political differences have seen the four Black Country local authorities – Dudley, Sandwell, Walsall and Wolverhampton – pull out from the proposals to establish a city region local enterprise partnership, leaving only Solihull and Birmingham.

Whilst a local enterprise partnership covering the two local authorities will still be a significant entity, covering a population of 1.2 million, it won't reflect the real economic area of the city region, with over 29 percent of the workers that work in the partnership area commuting in from outside. The Birmingham business community has expressed its desire to establish a larger partnership.

The challenge for Birmingham will be in developing flexible partnership arrangements that allow the city to make decisions which reflect the true extent of its city economy.

The Birmingham partnership will also need to look at how it can coordinate policies with neighbouring local enterprise partnerships in policy areas that require consideration to be given to larger geographies. This will be particularly important as Birmingham continues to face the challenge of managing the impact of a shrinking private sector.

Note: As we went to print, Birmingham City Council announced that, along with Solihull, Lichfield District Council, Tamworth Borough Council and East Staffordshire Borough Council are also included in their partnership bid. While this will enlarge the area the partnership covers, it still excludes crucial parts of Birmingham's real functional economic area such as Dudley and Sandwell.

⁴¹ Webber C & Swinney P (2010) *ibid*

⁴² The same set of local authorities, with the addition of Telford and Wrekin, also signed up to the city's Multi Area Agreement.

Chapter 5 Conclusion

Enabling collaboration across boundaries – through local enterprise partnerships – is one of the ways that the Government hopes to deliver on its key goals of private sector jobs growth and decentralisation. As this report has highlighted, the ten largest partnerships vary in their economic strength, the extent to which they cover a real economic area and their past experience of working together.

Despite these differences, we do think that local enterprise partnerships are an opportunity to deliver better policy outcomes and to encourage private sector jobs growth. As this report has shown, together the ten largest partnerships created 175,600 net private sector jobs between 1998 and 2008. To make the most of local enterprise partnerships, national and local policy makers should take the following steps to address the challenges highlighted in this report.

There is a strong case for only establishing local enterprise partnerships that cover a real economic area. This would overcome the problem of there being too many small and fragmented partnerships. Currently, a number of the local enterprise partnerships look to be under-bounded. For example, residents in the Newcastle and Gateshead partnership only account for 56.8 percent of the people working in the city.

If central government gives the go ahead to all local enterprise partnerships then the size of the resulting bodies may prove to be insufficient to enact real economic change.

Local enterprise partnerships need to be incentivised to pursue economic growth.

National government has also given partnerships a big opportunity to shape their own objectives. However, it will still need to shape the environment in which partnerships operate. Local enterprise partnerships will not be directed by government ‘sticks’, but if they do not have the right ‘carrots’ – i.e. the correct incentives – to prioritise economic growth and job creation then an overly localist approach could be a barrier to further growth. For example, partnerships with buoyant economies could restrict new housing development.

Local enterprise partnerships’ objectives need to be realistic and to target the source of underlying weaknesses in their economies as well as capitalise upon their strengths. It

is also important that the policy priorities that partnerships identify themselves reflect the real challenges they face. For example, the analysis in Chapter 3 shows that improving skills is a much bigger challenge for Sheffield than it is for Bristol. Some partnerships are also economically stronger than others and it is likely that these places will be more able to generate new private sector jobs.

Local enterprise partnerships need to be given real powers to shape their local economy, and the financial flexibilities that will allow them to fund policy interventions. Finally, no matter how effective the partnerships’ governance structures are, their real success will depend on

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whether they have the right powers to grow their economies. While institutions are important, institutional change alone is insufficient for enhancing economic prosperity.

The Centre for Cities has long argued for the devolution of key powers over skills, transport and housing. Despite progress with MAAs and Statutory City Regions, UK cities outside of London still lack the powers they need to improve the performance of their economies.

If central and local government can work together with the private sector, and confront the challenges and opportunities laid out in this report then local enterprise partnerships have the potential to encourage new private sector jobs, stimulate economic growth and deliver improved standards of living.



Annex

Number	Local enterprise partnership	Constituent local authorities
1	Bristol (West of England)	Bristol, Bath and North East Somerset, North Somerset, South Gloucestershire
2	Solent LEP	East Hampshire, Eastleigh, Fareham, Gosport, Havant, Isle of Wight, New Forest, Portsmouth, Southampton, Test Valley, Winchester
3	Leicester and Leicestershire	Blaby, Charnwood, Harborough, Hinckley and Bosworth, Leicester, Melton, North West Leicestershire, Oadby and Wigston
4	Nottingham(shire) and Derby(shire)	Amber Valley, Ashfield, Bassetlaw, Bolsover, Broxtowe, Chesterfield, Derby, Derbyshire Dales, Erewash, Gedling, High Peak, Newark and Sherwood, North East Derbyshire, Nottingham, Mansfield, Rushcliffe, South Derbyshire
5	Birmingham and Solihull	Birmingham, Solihull
6	Newcastle and Gateshead	Newcastle, Gateshead
7	Manchester	Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford, Wigan
8	Leeds	Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, Selby, Wakefield, York
9	Sheffield	Barnsley, Bassetlaw, Chesterfield, Doncaster, North East Derbyshire, Rotherham, Sheffield
10	Liverpool	Halton, Knowsley, Liverpool, Sefton, St. Helens, Wirral





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