

Sink or swim?

What next for local enterprise partnerships?

Tom Bolton, May 2011

Summary

When Local Enterprise Partnerships (LEPs) were first announced nearly a year ago, few would have predicted how they would establish themselves at the heart of the Government's growth policy. Until recently LEPs lacked power, and were expected to exercise influence only where local circumstances permitted. But the mood has changed quickly and LEPs have taken centre-stage, equipped with real financial powers through the Enterprise Zones policy.

With LEPs increasingly important to the overall success of the Government's growth policy, now is the right time to assess their progress. Last year the Centre for Cities set out an agenda for the LEPs in its *6-Step Plan* (June 2010), and examined the collaborative role LEPs should play in *Beyond the Boundaries* (September 2010). Since then we have followed the set-up process closely, and held numerous conversations with those involved.

Now we need to know what role the LEPs will really play. Can they deal with rising expectations without being overwhelmed? Do they have the powers they need to make a real difference to local economic growth? Will business be convinced enough to get involved? Will LEPs be more than just talking shops and issuers of rubber stamps? Time is short, and if LEPs aren't demonstrating that they're making a difference in the next 6 months, they'll struggle to regain the business confidence that is crucial to making LEPs work.

What are the Local Enterprise Partnerships for?

The original purpose of the LEPs, set out in Eric Pickles' and Vince Cable's June 2010 letter to local authorities and business leaders, was to create partnerships between the private sector and civic leaders at the level of the "real" economy, "enabling councils and businesses to replace the existing Regional Development Agencies".

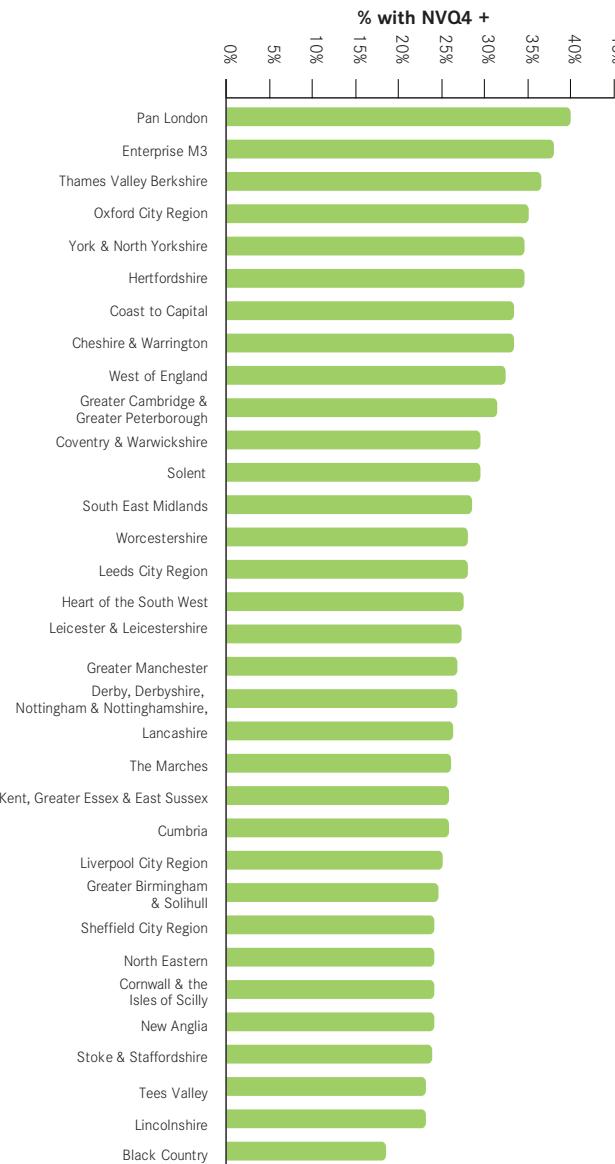
The letter stated that LEPs should provide the strategic leadership to set economic priorities and create the right environment for business and growth. The Pickles/Cable letter specified issues for LEPs to focus on: planning and housing, transport and infrastructure, employment and enterprise, low carbon economy, tourism – and suggested that close working with universities and further education colleges, and support for small business, should be also be priorities.

Given the fragility of economic recovery and the importance of local economies to national economic growth, we would argue that LEPs need to retain their focus on their core purpose. As policies develop and government departments look for ways to interact with local areas, there is a danger that LEPs become the de facto way to engage with local areas on issues that go well beyond the local economy. **We would argue that all LEPs should primarily focus on being strategic public, private and third sector bodies aiming to support private sector jobs and growth in their local area.**

What economic challenges do LEPs face?

Both Figure 1 and Figure 2 show the contrasting nature of the challenges faced by LEPs across the country. Each area has its own particular set of issues to address, and needs to set priorities accordingly.

Figure 1: Percentage working age population with NVQ 4-level qualifications or higher for each LEP, 2009



Source: NOMIS 2011, Annual Population Survey, 2009 data

Figure 2: Growth in private sector jobs for each LEP, 1998-2008

Source: NOMIS 2011, Annual Business Inquiry, workplace analysis. Estimates based on jobs added between 1998-2005 and 2006-2008 to take into account changes in ABI methodology. NOMIS 2011, Mid-year population Estimates (2008 data).

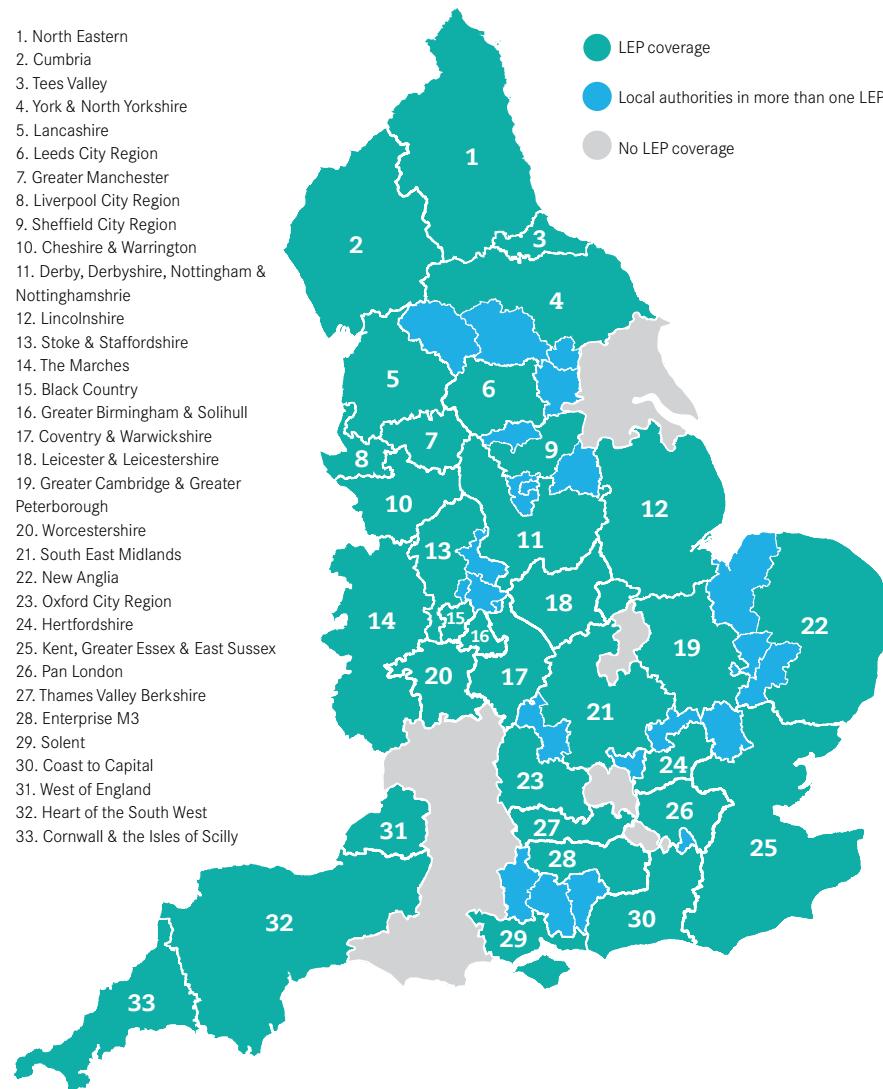
All LEPs should concentrate on measures to create jobs, improve business conditions and generate growth. However, it is clear from these statistics that LEPs will need to focus their approaches very differently. As the skills and jobs growth statistics show, while the overall aims will be the same for each LEP, priorities will vary. For the Black Country, for example, skills are likely to hold the key to job creation. In more buoyant parts of England, covered by LEPs such as Pan London or Enterprise M3, maintaining business growth will be the key task.

What progress have LEPs made?

With 33 LEPs in place, it is now possible to assess the ways in which they are being set up, the roles they are taking on and the extent to which they are engaging with the challenges highlighted above and enabling local jobs and growth.

Most LEPs have been working hard to set up structures, establish clear objectives and gain equal buy-in from all partners, but overall progress is mixed and is often dependent on previous history of partnership working and on the extent of local authority commitment to engaging with business. In some parts of the country no LEP has been established, a situation which needs to be resolved rapidly if those places are to avoid being left behind.

In areas with existing local authority cross-boundary working, the LEPs naturally follow these boundaries and this is where setting them up has been most straightforward. In other areas, formalised cross-boundary working is new and it has proved more difficult to create a LEP with a clear, in-built rationale for co-operation. Where LEPs are based on new groupings of local authorities, there is often more work to be done before common interests are established.

Figure 3: Geography of approved LEPs, May 2011

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Are LEPs the right size?

Some LEPs will need to work closely with neighbouring LEPs as their boundaries do not match the way the local economy functions.¹ In areas where large numbers of residents commute to work elsewhere, for example, it will be significantly more difficult for LEPs to influence their own economic prospects. Figure 4, which compares the extent to which LEPs are economically self-contained by analysing the percentage of LEP residents who also work within each LEP, reviews this by measuring the fit between the LEP and its real economic area.

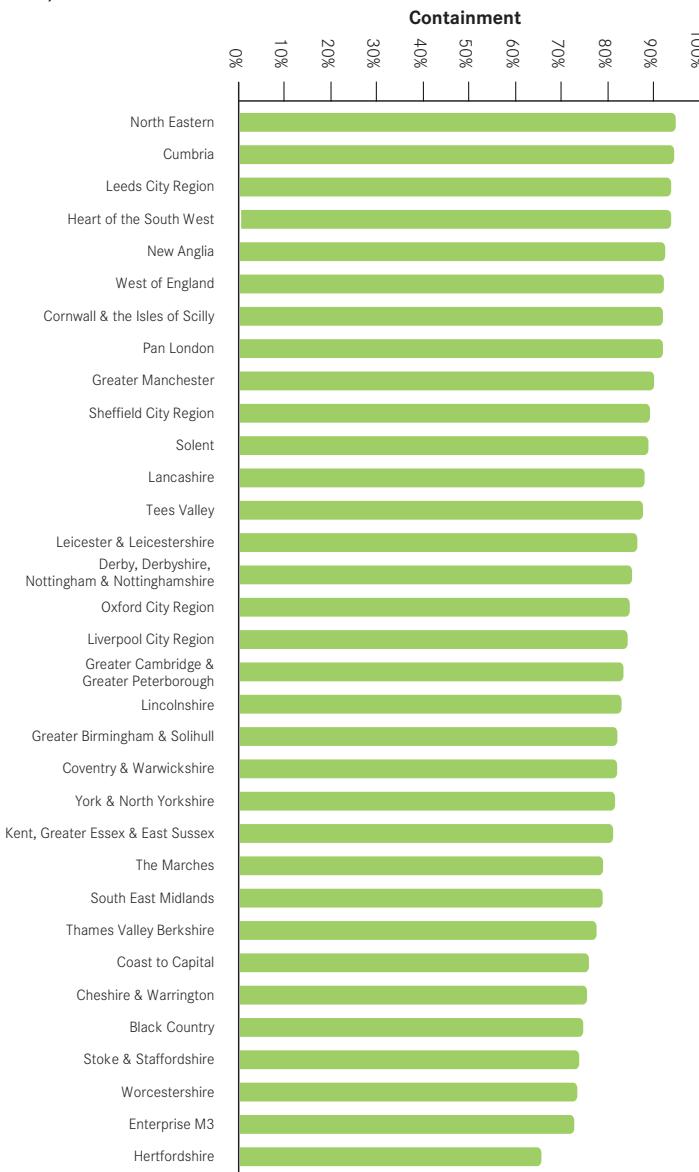
In Hertfordshire, for example, where only 65.8 percent of people work within the LEP, collaboration with the Pan London LEP where so many Hertfordshire residents commute to work, will be crucial to future success. In Kent, Greater Essex and East Sussex, with over 80 percent containment, there is a similar need to work with Pan London, but the size of the area and weak geographical links across the Thames Estuary raises further questions about how the LEP can establish shared priorities for the essentially separate places it covers.

The North Eastern LEP, on the other hand, has the closest fit with its economic footprint with 94.7 percent of residents working in the area. Although this level of isolation is a challenge for the local economy, the LEP has the right spatial reach to tackle it effectively.

This analysis highlights the importance of clarity at LEP level about what the LEP can influence and where it needs to work with others. Where LEPs have overlapping boundaries, recognising shared economic interests, co-ordination and joint working will also be imperative for future success.

1. Carter A, Larkin K & Tochtermann L (2010) *Beyond the Boundaries: Why Cross-Boundary Collaboration Matters and What it Means for Local Enterprise Partnerships*, London: Centre for Cities

Figure 4: The percentage of residents who also work in the LEPs area, 2004



Source: Annual Population Survey, 2004 data

Are LEPs setting the right priorities?

LEPs have a choice over whether to take a strategic approach or to focus on delivery, and at the moment there are LEPs choosing combinations of these roles. Given the limited resources that LEPs have, we would argue that the focus should be on strategy rather than delivery,² as the main policy gap is in strategic direction and funding.

Other providers, both public and private sector, are better placed to take on the role of delivery, with project delivery overseen by the LEP through, for example, task and finish groups. This will leave LEPs free to take a longer view of economic development.

This suggests that LEPs should focus on being strategy bodies supporting jobs and growth, with the public, private and third sectors working closely together.

How are LEPs governed?

Although the original Pickles/Cable letter suggested an even mix of public and private sector board members plus a business chair, some LEPs are setting up majority private sector boards. Others are setting up private sector dominated boards but dividing different types of decisions between the LEP and a local Leaders Board.

Private sector dominated boards demonstrate local commitment to engaging fully with the private sector but **it will be important to ensure that private sector dominated boards consider how lines of democratic accountability will be established and maintained.³**

2. Swinney P, Larkin K & Webber C (2010) *Firm Intentions: Cities, Private Sector Jobs and the Coalition*, London: Centre for Cities

3. Carter A, Larkin K & Tochtermann L (2010) *Beyond the Boundaries: Why Cross-Boundary Collaboration Matters and What it Means for Local Enterprise Partnerships*, London: Centre for Cities

Are LEPs regarded as *the strategic body for jobs growth?*

One of the major challenges facing LEPs has been their lack of formal powers and funding. Allocating Enterprise Zones to LEPs in the Budget was the first significant lever given to LEPs, but many still face an uphill struggle in demonstrating why the public, private and third sectors should engage with them.

Giving LEPs “clout” – in the form of both informal and formal powers and funding – will be imperative to ensuring they can deliver on their potential.⁴

Giving LEPs clout now: six levers for LEPs

LEPs are working hard to make an impact but they have limited time to make their mark and get the buy-in they need from business. Six levers, a mixture of formal and informal powers, amount to inexpensive quick wins which will establish LEPs for the long-term as being at the heart of local economic decision-making:

1. LEPs should ensure businesses are actively involved in the preparation and planning of Enterprise Zone strategies. Proposals should originate with the business community, rather than businesses being expected to wave through existing local authority proposals. Business should also take a lead role now in planning for the future use of the proceeds from Enterprise Zones to commission and invest in projects of benefit to the whole local economy.

2. LEPs should prepare joint, strategic spatial plans for their area to identify and prioritise the need across local authority boundaries for employment land, housing and major investments.

3. LEPs should become designated consultees for Local Plans, allowing them to oversee and co-ordinate the development of the planning policies which will be needed to promote growth.

4. LEPs should take a co-ordinating role in developing a LEP-wide transport strategy across local authorities, identifying local investment priorities and managing negotiations to prioritise projects for the benefit of the LEP area.

5. LEPs should mediate between Work Programme prime contractors and second and third tier sub-contractors to ensure the delivery arrangements put in place across the LEP area support their identified priorities.

6. LEPs should be required to sign off second-round Regional Growth Fund bids, meaning they have the chance to review bids (including those they do not submit) and ensure projects support LEP priorities over and above those of individual councils.

Longer term challenges for LEPs

In the longer term, assuming LEPs can be established with a clear mission and sufficient commitment from members, a number of issues still need to be addressed. To varying extents the success of LEPs will depend on whether they can be resolved - the LEP network, run by the British Chambers of Commerce, will have a key role to play in this.

Limiting the number of priorities

The promotion of jobs and growth should be the primary objective for LEPs. However, they will need to gain the confidence to break away from the traditional forms of sector-specific business support promoted by government, and instead build their strategies around the real needs of

4. Swinney P, Larkin K & Webber C (2010) *Firm Intentions: Cities, Private Sector Jobs and the Coalition*, London: Centre for Cities

individual cities. The purpose of devolving economic strategy closer to the real economic footprints of cities will be defeated if LEPs all identify the same sectors as drivers of growth, basing their decision on evidence.

LEP priorities should be agreed on the basis of a single vision for the LEP area and on the basis that these priorities are most likely to deliver private sector growth for their particular place. LEPs should look at how they can align local authority funding streams to deliver these priorities. The Government also has a role to play in protecting LEPs from demands that will distract from their core jobs and growth mission. It should commit to ensuring LEPs are not bombarded with demands, and help them to get on with the job.

Finding a way to fund running costs

The Department for Business, Innovation and Skills recently announced that new set-up funding will be made available to LEPs. This is positive, although the total is still small. There is concern that, at a time when local authorities are making unprecedented cuts and losing staff and many businesses are finding the going rough, the skills and resources needed to establish and manage new ways of working will not be available. The answer can only lie in all parties making a real commitment to making LEPs work. If local authorities show they will do what it takes to make LEPs work – through commitment of people and funding – business will be more inclined to contribute the additional funding needed to keep them going.

Developing real partnerships that get things done

LEPs, with limited powers, will need to work hard to convince business leaders that their involvement will be beneficial. Businesses, their time limited and expensive, will need to be convinced of the value of LEP membership soon if their commitment is to be secured. They will not be convinced unless local authorities genuinely embrace the principle of close working with business. If they set up partnerships that avoid real engagement and joint decision making, the goodwill of business will be short-lived.

Demonstrating the ability to make tough decisions

LEPs will need to provide strong leadership to rise above the interests of individual members to agree how member authorities will coordinate strategies to avoid conflict and overlap. If LEPs are to act in the interests of their whole area, difficult decisions will be unavoidable and some councils will inevitably lose out on particular issues. Equally, decision-making must prevent the interests of businesses from over-riding the public interest. LEPs should agree a limited number of issues to tackle, and identify clear short, medium and long term success measures to ensure they pursue agreed priorities.

Gaining additional powers

In the longer term, we think LEPs would be best able to support private sector jobs growth through access to the following:⁵

- 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 LEP-wide business rate supplement. The Local Government Resource Review should allow funds to be devolved from central government to LEP consortia in policy areas such as transport and skills, and allow LEPs to access Tax Increment Financing (TIF) as quickly as possible.
- 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.

5. Larkin K (2010) *Local Enterprise Partnerships: Centre for Cities' 6-Step Plan*, London: Centre for Cities



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