

Cause célèbre or cause for concern?

Local enterprise partnerships one year on

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Summary

On 28 October 2010, Local Government Secretary Eric Pickles and Business Secretary Vince Cable proudly announced the birth of the first 24 Local Enterprise Partnerships (LEPs). The press release said that the partnerships would bring the public sector and business together to “take charge of the local economy” – driving growth, creating jobs and providing strategic leadership.

The first birthday of this initial wave of LEPs provides a good opportunity to reflect on progress towards these goals. How fast are they growing up? Does the evidence suggest they are becoming an effective mechanism for promoting local economic growth?

1. Why are LEPs important?

The Centre for Cities has kept a close eye on the progress of LEP policy and organisation over the last 18 months. In *Sink or Swim?* (May 2011) we suggested LEPs could play an increasingly important role in the Government's growth strategy.¹ Their potential has increased as a series of new financial levers have been made available to them:

- **Enterprise Zones:** Bids for Enterprise Zone (EZ) status were made by the LEPs, and those granted EZs stand to gain significantly as they will be able to retain business rate growth within the zones over at least 25 years.
- **Local Government Resource Review:** Published in July, the review has proposed options for allowing local authorities to retain elements of their business rates. A decision has yet to be made on which option will be chosen, but the policy could represent a significant opportunity for LEPs. In *Room for Improvement* (July 2011) we recommended that government should incentivise the pooling of business rates growth at LEP level to encourage cross-boundary infrastructure investments and help unlock growth.²
- **Growing Places Fund:** The £500 million fund announced in September will be made available by April 2012 to kick-start stalled infrastructure projects. It is expected that grant funding will be available to LEPs or groups of LEPs, giving them the power to catalyse significant local projects.

But LEPs have the potential to be a lot more than a conduit for government growth initiatives. Because they work across local authority boundaries, they can work strategically at the most effective geographical scale for cities – that of their economic footprint. RDAs were too big to make decisions at

this scale, and individual local authorities are too small. LEPs could fill the gap, replacing the RDAs with decision-making at a more effective scale as the Government suggested in its original announcement.

Beyond the Boundaries (September 2010) highlighted the importance of cross-boundary working between councils:

- Local authorities are often too small to cover real economies
- Local authorities working together at real economy scale can lead to better policy-making
- Working together can also be more efficient
 - Reducing fragmentation and duplication of functions
 - Improving resource efficiency.³

2. An end to arbitrary boundaries?

On announcing the first wave of LEPs, the Government promised an end to arbitrary geographical boundaries and a move to decision-making that matches real economies. Now that the LEP network covers almost all of England – only seven local authorities do not yet belong to a LEP – we are able to assess whether the boundaries make sense spatially and economically.

One way of measuring whether LEPs are operating at the right economic scale is to look at travel to work areas (TTWAs). A city's economic footprint will include more than one TTWA, but too many TTWAs in one LEP suggests that the area is too large. The South East LEP covers 16 different TTWAs, as well as being split by the Thames Estuary, which suggests it is too large to be effective. The Birmingham city region area, on the other hand is split between

1. Bolton T (2011) *Sink or swim: What next for local enterprise partnerships?* London: Centre for Cities
 2. Larkin K, Wilcox Z & Gailey C (2011) *Room for improvement: Creating the financial incentives needed for economic growth.* London: Centre for Cities

3. Carter A, Larkin K & Tochtermann L (2010) *Beyond the Boundaries: Why cross-boundary collaboration matters & what this means for local enterprise partnerships.* London: Centre for Cities

six separate LEPs which suggests that local politics have prevented the city from establishing a LEP at the optimum scale to influence its growth prospects.

In *Local Enterprise Partnerships: Centre for Cities' 6-Step Plan* (June 2010)⁴ we recommended that, as cities are the engines of economic growth, urban LEPs should be prioritised. Now LEP geography has been established, it is unlikely to alter radically in the near future, but the Government can use funding to incentivise collaboration at effective economic scales. The Growing Places Fund represents the clearest opportunity to do this, and the Government should ensure it is awarded to groups of LEPs on condition they collaborate on infrastructure decisions at the right scale for cities.

3. What progress have LEPs made?

There are now 38 LEPs in total. However, we have concentrated our analysis on the original 24 – all of whom have now had a full year to set up structures, agree priorities and produce their strategies (Figure 1).

Governance – getting up and running

The Government promised that LEPs would mean the “people who know their area best calling the shots”. So, how have LEPs fared in getting these people involved?

Appointing and establishing a board is an important first step for any new organisation – bringing together a group of experienced people to set priorities and agree ways of working.

Of the original 24 LEPs announced, eight still have not had their boards recognised by government. On average it took the other 16 at least six months to obtain

approval for their boards. There may be individual reasons for this, but the failure to clear the first hurdle in many cases is indicative of slow progress.

Priorities and strategies – what do we do now?

In *Sink or Swim?* we argued that LEPs should concentrate on overall economic strategy rather than on delivery of specific projects. This strategy should be based on a sound and realistic understanding of the economic needs of the area. LEP strategies should identify a limited number of priorities, and focus strongly on jobs and growth.

All LEPs submitted initial bid documents to government. So, a year on, what progress have they made in developing the intentions these contained and publishing their strategies?

Information made publicly available by the LEPs ranges from lists of indicative priorities to full prospectuses. However, only two of the original 24 LEPs have published a full long-term strategy. Some are at various stages of consultation and development and others do not indicate publicly how far they have progressed.

Given the patchy national picture on LEP strategies, it is still too early to provide a comprehensive assessment of their intentions. There is much talk of being “open for business”, but little detail about what that will mean.

However, conclusions can be drawn about range and focus. A few LEPs have identified a limited number of key priorities and focussed tightly on what they can achieve. Oxfordshire, for example, has gone as far as to highlight the economic activities which the LEP will not be involved with. However, many LEPs have adopted lengthy activity lists rather than identifying the areas where they can realistically make a difference. One LEP has fourteen focus groups and at least 160 people involved in developing its work.

4. Larkin K (2010) *Local enterprise partnerships: Centre for Cities' 6-step plan*. London: Centre for Cities

Figure 1: LEPs one year on

Local Enterprise Partnership	Shadow board appointed	Board recognised by government	Indicative priorities /strategy published	Consultation/ engagement on strategy	Full strategy published	Enterprise Zone
Cheshire & Warrington		•		•		•
Coast to Capital		•	•	•		
Cornwall & the Isles of Scilly		•		•		•
Coventry & Warwickshire		•	•	•	•	
Cumbria		•	•			
Derby, Derbyshire, Nottingham & Nottinghamshire		•	•			•
Greater Birmingham & Solihull	•		•	•		•
Greater Cambridge, Greater Peterborough		•	•			•
Greater Manchester		•	•			•
Hertfordshire	•					
Leeds City Region		•	•	•	•	•
Leicester and Leicestershire	•		•			•
Lincolnshire		•				
Liverpool City Region	•					•
Oxfordshire		•	•	•		•
Sheffield City Region		•	•			•
Solent	•		•	•		•
South East Midlands	•			•		•
South East	•		•			•
Stoke on Trent & Staffordshire		•		•		
Tees Valley		•				•
Thames Valley Berkshire	•		•	•		
The Marches - Shropshire & Herefordshire		•	•			•
West of England		•				•

Notes: Status as at 25 October 2011. "Indicative priorities/ strategy published" = web content or documents publicly available. Ranges from lists of indicative priority areas on websites to published prospectuses. "Consultation/engagement on strategy" = publicly available evidence of stakeholder engagement on strategy (events, surveys, forums)

Information

In researching the progress of LEPs we found that the level and detail of publicly available information on each is highly variable. If LEPs are to be the “go-to” organisations on local skills, investment and growth it is important that information on their intentions and strategies is publicly and easily accessible. Of the 24 original LEPs, we found that five still do not have a dedicated website. This lack of basic information raises questions about how they intend to establish their public profile and ensure transparency.

Enterprise Zones

Many LEPs have concentrated their efforts in their first year on gaining an Enterprise Zone. It is understandable that the process of making EZ applications has diverted resources from the day-to-day business of getting up and running. Of the original 24 LEPs only two did not bid, and 17 had successful applications.

Those LEPs with Enterprise Zones (EZs) will be able to access long-term revenue to help them influence growth, giving them significant long-term leverage to influence growth. Those LEPs that do not have EZs could become second-tier organisations, with much less ability to make an impact. They are therefore likely to need further funding sources if they are to be effective. Rather than providing help to all LEPs in future, the Government should take a more direct role in ensuring all LEPs are fit for business before providing support.

The following LEPs that were not amongst the original 24 have also each had an EZ bid accepted: Black Country, Humber, London, New Anglia and North Eastern.

Figure 2: Enterprise Zones - the haves and the have-nots



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4. Conclusions

- The evidence that LEPs have made **varied progress** in setting up boards and producing strategies suggests that the impact of the LEPs will be equally inconsistent.
- **There is reason to be concerned that the LEPs that have made very little progress over the last year** are not in a position to become effective bodies.
- **Variation is a function of localism**, but 38 separate local bodies working to different, locally-agreed priorities will not deliver the national growth priorities increasingly seen by the Government as the LEPs' main role.
- If LEPs are expected to drive the Government's growth agenda, they need the tools to do so. The **Government should consider devolving further resources, powers and freedoms to capable LEPs operating at the right scale**, for example on transport and skills.
- Local authorities also have an important role to play by **overcoming local politics and working in partnership for the benefit of the wider area**. They should show their intent by providing resources to support the administration of the LEP.
- Local authorities should also ensure the LEP is an integral part of the cross-boundary strategic planning required through the **duty to cooperate** in the National Planning Policy Framework, and should be aware of the spatial as well as the economic dynamics arising from the creation of EZs.
- The establishment of DCLG/BIS localities structure to “inform, influence and develop policy” suggests Government intends to become more involved in supporting the LEPs. **It should therefore get to grips with underperforming LEPs before it is too late.**
- **The Government may need to insist that LEPs that are either too big or too small are reconfigured before further funding is allocated.** The criteria for awarding Growing Places Fund money to LEPs have yet to be announced. The Growing Places Fund represents an important opportunity to incentivise the LEPs to produce coherent, deliverable strategies in exchange for funding.
- **The Growing Places Fund also offers an opportunity to incentivise LEPs** to work together on infrastructure projects, which would help to address problems in places where too many small LEPs cover a city's economic geography.



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