



Bulletin gives a brief CLES analysis of a hot policy issue. *Number 78, Sept 2010*

LEP of faith?

The bids are in – but huge questions remain unresolved about Local Economic Partnerships and the new Regional Growth Fund, writes Richard Muscat.

The summer has seen a flurry of activity in economic development circles around the country as bids were put together to form LEPs – the replacement for Regional Development Agencies. This *Bulletin* explains the process and outlines CLES's findings so far about the challenges facing LEPs.

Background

At the end of June local authority leaders and chief executives received a much-anticipated letter¹ from Vince Cable, Business Secretary and Eric Pickles, Secretary of State for Communities and Local Government. It informed them of their intention to abolish Regional Development Agencies and enable councils and business to replace them with Local Enterprise Partnerships (LEPs).

The letter explained that responsibilities such as inward investment, sector leadership, business support, innovation, and providing access to finance will in future be led nationally. The new LEPs will focus on planning and housing, local transport and infrastructure priorities, employment and enterprise and the transition to the low carbon economy.

Guidance was kept to a minimum with Ministers expecting the development of LEPs to be very much driven from the local level – reflecting the fact that localism forms a focus of the coalition government rhetoric. The only stipulations made by central government were that the LEPs should represent functional economic geographies, that there must be equal representation of the public and private sector on the board of these new partnerships with a prominent business leader chairing the board.

Eclectic mix of bids

Work took place across the country by various groupings of local authorities and private sector bodies in advance of the deadline for initial bids on the 6th September 2010. Unsurprisingly, given the lack of prescriptive guidance, the government received 57 bids – including a number of different models and with some proposed LEPs having overlapping geographies. Bids included:

¹ http://centreforcities.typepad.com/centre_for_cities/2010/06/cablepickles-letter-on-local-enterprise-partnerships.html

North West – Eight bids were submitted with clashes of approach in Lancashire where three different bids were received. The county council submitted a bid for a county-wide LEP while both in the East, Pennine Lancashire and in the West, Blackpool and the Fylde Coast submitted independent proposals. The Peel Group, the infrastructure, transport and real estate investment company, submitted their own bid for a specialist LEP based on their Atlantic Gateway project without direct support from local authorities. This was later withdrawn by Peel following local authority representation.

North East – There were six bids in total which included a bid for an overarching regional North East economic partnership.

Yorkshire and Humber – Five bids in total with Barnsley set to be a member of both the Leeds and Sheffield LEPs.

East Midlands – Four bids were received from the East Midlands. Northamptonshire County Council submitted a bid for a county-wide LEP which did not receive the districts' support.

Greater South East - Generated 20 bids. County councils have largely courted unitaries to form LEPs based on traditional county council boundaries in partnership with their districts. However, there are a number of conflicting proposals which ministers will have to consider.

West Midlands – Seven bids from the West Midlands went into government. Like the North East one of these was for an overarching strategic body.

Regional Growth Fund

A consultation for the government's new Regional Growth Fund (RGF) has taken place alongside the LEP submission process. The RGF will be a £1bn pot of money spread across two years that will be used to rebalance the economic growth of localities that have become too dependent on the public economy.

The consultation suggested Local Enterprise Partnerships will play a key role in working with the RGF to provide the investment needed to take forward local economic development priorities. With funding disappearing across the board for regeneration and economic development projects, the RGF provides one of very few opportunities for partnerships to access money to invest in strategically important infrastructure projects. However, at the Liberal Democrat Party Conference, the deputy Chair of a panel that will

Southern Staffordshire

For the past year, CLES has been undertaking new research into place resilience. Southern Staffordshire was one of the eight pilot areas for this research from across England. One of the key issues that arose in our work in this locality was how the economies of the individual districts were influenced by a variety of stronger economic geographies; Stoke and Manchester to the North, Birmingham to the South and Derby to the East. This meant that although each district sat within the same county boundary, travel to work patterns and business influences could differ greatly.

This situation created a challenging scenario for the LEP submissions from the locality. The County Council were keen to marry the LEP geography with their administrative boundary, but some districts were keen to join to a LEP which matched their true economic geography. The composition of the two submissions: Birmingham and Solihull with East Staffordshire, Lichfield and Tamworth and Staffordshire County demonstrates a clear conflict: (conflicting councils in italics):

Birmingham and Solihull with East Staffordshire, Lichfield and Tamworth: Birmingham City Council, Solihull Council, *Lichfield District Council, Tamworth Borough Council* and *East Staffordshire Borough Council*.

Stoke-on-Trent and Staffordshire: Stoke-on-Trent City Council, Staffordshire County Council, Cannock Chase Council, *East Staffordshire Borough Council, Lichfield District Council, Newcastle-under-Lyme Borough Council, South Staffordshire Council, Stafford Borough Council, Staffordshire Moorlands District Council, and Tamworth Borough Council*.

recommend to ministers which projects should receive support from the RGF has indicated that its funding will be directed towards the private sector and is unlikely to fund LEPs. Sir Ian Wrigglesworth said²:

"The purpose of the fund is to build up the private sector in areas where the public sector is too dominant. It's not our job in my view to be building roads and other infrastructure – that's not our responsibility. We need to be focused much more on building up individual businesses – that's where I think we can make a difference."

The first round of bids to the new fund are expected by the end of the year with announcements made in February. With the first LEP not up and running until November at the earliest, substantial LEP involvement in the first bids looks unlikely.

Views of emerging LEPs – CLES workshop

CLES used our successful Local Economic Assessment Network to collect views on emerging LEPs, holding an event on the 10th September which attracted over 40 delegates. The workshop included presentations from both the public and private sector to provide a balanced view of what both sides are thinking in relation to LEPs. CLES will take feedback from this meeting to meetings with central government.

It was clear from the discussions that took place during the course of the morning that even though the initial 57 bids are now submitted, more questions than answers remain about future of LEPs and the RGF. Delegates focused on the key questions and clarifications required for successful implementation of the LEPs.

Twelve points that need to be answered by the white paper on sub-national growth:

1. What will the powers of the LEP be and how will that relate to national and local delivery?
2. Where will the former RDA assets and liabilities be held?
3. Does the private sector have the capacity, will or resources to lead the LEPs?
4. Are the proposed powers the right ones and is accountability clear? Do businesses really want to be involved with decisions around housing and planning and will accountability lie with the public or private sector?
5. What happens to the localities whose bids are not successful – will they miss out on the opportunity to bid into the RGF?
6. What is the relationship between the LEPs and the 'Big Society'?
7. How will the LEPs feed into the localism agenda?
8. How will it work if an area is geographically in two LEPs?
9. There is a need for clarification about how the RGF will be structured. Will there be a specific proportion of funding attributed to infrastructure spend and programme spend for example?

² <http://www.regen.net/bulletins/Regen-Daily-Bulletin/News/1029330/Growth-fund-cash-unlikely-go-LEPs/?DCMP=EMC-Regen%20Daily%20Bulletin>

10. The Regional Development Agencies provided a co-ordinated function across a large geographical area. How will pan-LEP issues be resolved and will LEPs be encouraged to work together on major issues, e.g. strategic planning, CO2 emissions and transport?
11. Will LEPs be just a strategic body or will they have commissioning powers? Will they be better suited to being a network rather than a solid accountable body?
12. Will regeneration sit with Local Authorities or the LEP?

The point made most forcefully relates to those functions that are being removed from the regional level and centralised in Whitehall. Will LEPs have a local representation function in terms of those powers? Like many of the other points, this helps indicate that delegates were more concerned at present by form rather than function. However, while structure and composition are important, it is perhaps more urgent to focus attention on the powers and influence that the LEPs will need to make a difference to local economic development and to keep partners involved and engaged. Once there is a clear understanding of what can and will be delivered, this can shape the form of the new partnership.

The event also demonstrated why local authorities felt compelled to ensure that they submitted a bid for a LEP. There has been very little information about what will happen to localities that did not submit a bid. Will they be able to bid for RGF funding? Will they be viewed in a different light for not having this type of partnership in place? The government has recently announced that the RGF will specifically be used to help economies that have become too dependent on a public sector economy – what does this mean for the LEPs that don't have this problem? Will they be able to access the Fund?

Regional Development Agencies were often accused of not being democratic enough but the new LEPs are being encouraged to be private sector led. Will private sector partners be comfortable taking on the accountability of the partnership or will this fall onto the public sector representatives? Will LEPs be able to ensure continued private sector involvement? The commercial sector will be expecting to have influence over public sector spend and strategic direction and if this isn't available it may become disengaged. Stimulus from the RGF may be attractive – but will the commercial sector continue to be interested in being at the table if a LEP is continually unsuccessful in bidding for limited RGF funding?

The RGF remains mired in confusion with little clarity on how LEPs will work with the fund. If they are able to make bids to the fund, there is a danger that we will see the first announced LEPs having an unfair advantage over the rest of the country in being able to access the limited funding available.

Many of the questions relating to the LEPs and RGF are not new; they are just being applied to a different context. They relate to the localism agenda and the true appetite of central government to really devolve meaningful powers to the local level. The LEPs provide the local level with an opportunity to create a

Thoughts from CLES' Labour party fringe on Local Enterprise Partnerships (LEPs)

At CLES' recent fringe event at the Labour Party Conference, there was a robust debate about the future of Local Enterprise Partnerships and the role that they should play in supporting economic recovery.

A key point made by the panellists was that LEPs should consider what they need to do rather than getting bogged down in the debate over economic geographies and governance.

The lack of funding and resources generally for LEPs was also raised in the fringe event. This built on the comments made at the Fringe meeting organised by Centre for Cities at the Liberal Democrat Party Conference in Liverpool, where Ian Wrigglesworth, the new Chair of the Regional Growth Fund Panel, highlighted that the RGF would not be used to fund the Local Enterprise Partnerships, nor would it be used to support infrastructure development.

successful partnership structure that has the accountability and buy in from partners to take on meaningful responsibilities. The key question is whether central government has the enthusiasm to follow it through.

BIS Select Committee – Insight into private sector thoughts

Similarly, does the private sector have the enthusiasm to drive forward the new LEPs? Recently the Business, Innovation and Skills Committee announced that its first inquiry of the new Parliament will be into LEPs. The inquiry will examine how the proposed new structure will work, alongside issues such as distribution of funding, value for money, accountability, timing, transitional arrangements and required legislation.

An initial session of the inquiry was focussed on receiving feedback from business representatives including The British Chamber of Commerce, Confederation of British Industry, EEF (manufacturers Institute), Federation of Small Businesses and the Institute of Directors.

Many of the questions and queries raised were similar to those raised at the CLES workshop:

- Business organisations are awaiting the CSR and White Paper in order for there to be greater clarity around how this new structure will work.
- There was a lot of support from business organisations for a slim line regional level body in places like the North and the Midlands but less support for this in the South East.
- There was a strong opinion that the number of LEPs that are approved should be lower than the number of bids received. Businesses were also keen that the best bids be approved quickly so as to act as pathfinders to the others.
- Businesses want to know how the Regional Growth Fund will be structured. The majority of the business representatives felt it should be used for capital projects.
- Business representatives felt strongly that was to ensure the on-going involvement of the business sector needs to be ensured and that LEPs must be focussed on economic growth. The boards should be 50% represented by real businesses with the Chair from the private sector.
- Interestingly there appeared to be no desire to involve the voluntary or third sector (unless as businesses). Universities should be involved only as large businesses not as educational bodies.

CLES' Final thoughts

There's going to be losers and well as winners when the results of the first LEP bidding round are released. At the Liberal Democrat Conference, it was suggested that 10-15 will be approved, 10-15 rejected with the rest being encouraged to rework their proposals. With the White Paper on sub-national growth not due until the end of October (after the Comprehensive Spending Review), CLES recognises that localities face a difficult wait to get clearer answers. The Government should be praised for encouraging local innovation and not being too prescriptive, but the big question will be whether, after encouraging local solutions, they will be able to say no. Ministers wanted to receive local solutions - but will these local solutions match their vision of LEPs?

Issues raised at the BIS select committee session and the CLES event where the Greater Manchester Chamber of Commerce (the largest in England with over 5,000 members) spoke, demonstrates that businesses share many of the concerns of local authorities.

The key task for government will be to ensure a speediness in deciding the successful bids as this is necessary to galvanise business interest. However when these are announced there will need to be a clear plan and timeline in place that also integrates the RGF process to ensure the unsuccessful areas are not left behind by the initial trailblazers.

There is still time to influence the answers to the current questions relating to both LEPs and the RGF. CLES is feeding the outcomes from our event and information from our members back to government. We recently responded to both the LEP and RGF consultations and both the submissions can be found on our website. CLES will continue to liaise with and influence central government to help ensure the white paper acknowledges and resolves the questions/queries of members. So – we need to hear from you – what issues and challenges do you face in your locality?

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Bulletin is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is a not-for-profit think-doing organisation, consultancy and network of subscribing organisations specialising in regeneration, economic development and local governance. CLES also publishes Local Work, Rapid Research and Briefing on a range of issues. All publications are available as part of CLES membership services. To find out more about membership visit the CLES website or contact CLES to request a membership leaflet.

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