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As co-chairs of the All Party Parliamentary Group (APPG) on Local Growth, Local Enterprise Partnerships (LEPs) and Enterprise Zones, we are delighted to introduce the report of the APPG’s third inquiry, which considers whether LEPs – and government, both local and national – are ready to rise to the challenge of delivering local growth.

Since their establishment three years ago, and particularly following the publication of Lord Heseltine’s ‘No Stone Unturned’ report, the remit of LEPs has expanded dramatically and the roles and responsibilities of LEP boards have changed. Whilst LEPs have generally welcomed this increase in responsibility, powers and funding, it is fair to say that this has also brought about a number of challenges at both local and national level. Based on available research, informal discussions and written and verbal evidence from a range of organizations across the public, private and third sectors, all of which expressed a clear appetite and desire to make LEPs succeed, this inquiry seeks to address some of these challenges and offer some potential solutions.

The launch of this report comes whilst LEPs are working hard to draft their strategic economic plans. It also comes a year to the day after Lord Heseltine’s ‘No Stone Unturned’ report was released, placing LEPs centre stage. One year on, many questions still remain over how the future of LEPs will play out and how the Government will look to build on the ‘starting point’ of its Single Local Growth Fund announcements at the 2013 Spending Round. Yet it is clear that stability, and the backing of Government to be ambitious, will be crucial to LEPs’ success going forward and we hope that Government will take note of some of the experiences which participants in this inquiry have articulated.

We would like to thank everyone who made valuable contributions over the course of this inquiry, with particular thanks to ICAEW for their sponsorship of this project. We hope that the recommendations outlined in this report can support policymakers, LEPs, business and local authorities in building their capacity to deliver an increasingly ambitious local growth agenda.

Caroline Dinenage MP  
James Morris MP  
Co-chairs, APPG Local Growth
I would like to congratulate the APPG on Local Growth, Local Enterprise Partnerships and Enterprise Zones for producing this insightful report into the ability of LEPs to deliver local growth strategies. ICAEW Chartered Accountants advise over 1.5m UK businesses from over 20,000 offices, and with many of our members sitting on LEP boards, we are invested in their long term prosperity.

ICAEW sees LEPs as an excellent way to help create the best possible business environment in the UK, and a means by which strong local economic growth and job creation can be achieved by the people who know their area best. This report correctly identifies that LEPs still have a long way to go before delivering on this goal and there are many challenges ahead. However, as debate continues around their purpose and shape, the principle of partnership must be remembered at all times. This requires a level-headed and constructive working relationship, as well as a long-standing political and financial commitment to the future of LEPs from all partners, be that local business leaders, local government, or national politicians.

Secondly LEPs need to avoid function creep. Their remit must be clear and concise, and centred round their primary function of fostering local economic growth. LEPs cannot do everything for everyone, and they should not be expected to do so. Furthermore, as the capacity of each LEP will vary, depending on the financial and human resources available, they should not be overburdened by the multiplicity of complicated tasks that detract efforts away from their principle function. This requires clarity from government, who must effectively communicate and liaise with LEPs in the simplest and most effective ways.

Partnership and purpose are central to maintaining the business engagement that is fundamental to the future success of LEPs, as well as the localism agenda of the current government. The business community is an indispensable asset for the success of LEPs, as a result of its long experience of capitalising on local economic opportunities. However, if it does not feel that they are an effective system for driving local economic growth, support for LEPs could be withdrawn, serving to undermine the notion of a business-led body.

If Britain is to deliver the best possible business environment, this must first be achieved at a local level. It cannot hope to lead in the global economic race if it does not understand the economic challenges it has to overcome within its own communities. This report is a helpful step toward accomplishing this goal.

Michael D M Izza, Chief Executive, ICAEW
Summary of recommendations

Capacity building support for LEPs

1) The What Works Centre for Local Economic Growth should help LEPs build capacity to carry out place-based, holistic economic appraisal of potential investments and demonstrate their impact.

2) In addition to continuing to build on increasingly fruitful individual relationships with Government, LEPs should establish a collective voice on common, agreed issues in order to demonstrate value in 2015 and beyond.

3) Whilst LEPs should take responsibility for self-improvement and mutual support, Government should use the Local Growth Deal process to identify LEPs with limited capacity and equip local growth teams to work with the LEP Network to provide capacity building assistance.

Improvements in central Government practice

4) Building on the success of the Cities Policy Unit, Government should create a single cross-departmental team to handle Local Growth Deals and support the Local Growth Committee.

5) All parties should make a prominent manifesto commitment to working with LEPs after 2015 to avoid destroying confidence and partnership capital.

6) Government should include an explicit mention of working with local partners in the proposed duty to promote economic growth within the Draft Deregulation Bill and invest resources in communicating the duty to public bodies.

Financing and the Single Local Growth Fund (SLGF)

7) The Government should add to the Single Local Growth Fund at each Spending Round, with the Regional Growth Fund an obvious target, while funding streams remaining outside the SLGF should work as far as possible to the same timescales, assessment criteria and reporting requirements.

8) The Government should allocate money to the Single Local Growth Fund up front, rather than negotiating with departments on particular funding streams, and challenge departments to ‘use it or lose it’.

9) The Government should put in place longer term settlements for overall local government budgets, to encourage public investment in growth.

Accountability and reporting

10) LEPs should put in place light touch formal arrangements to ensure transparency, with an emphasis on local accountability, while Government should ensure that its reporting and compliance requirements are minimal, proportionate to LEPs’ ability, streamlined across Government and structured in a way which actively helps LEPs to deliver.

11) LEP Chairs should have the opportunity to appear in front of the Public Accounts Committee where appropriate, to demonstrate that a locally-led approach to growth investment can evidence value for money and stand up to public scrutiny.
12) LEPs should consider whether their accountable body arrangements are adequate for their new responsibilities, and share their accountable body agreements publicly to help all LEPs achieve the best balance between transparency and speed of action.

13) LEPs should improve communications with businesses, look to engage experienced private sector business people who are representative of local business demographics, and look to reduce bureaucracy and support businesses through resources such as the ‘Better Business for All’ tool.

14) LEPs should consider succession planning for private sector representation on LEP boards.

15) Where necessary LEPs should work with Government to take up their offer of changing LEP boundaries to reflect functional economic areas, while the What Works Centre could usefully assist in defining functional economic areas more practically and clearly.

16) Local authorities should go further and faster in pooling economic development resources (including relevant transport and planning policy functions) across LEPs and agree a common approach to economic analysis to get buy-in from all partners for investment decisions.

17) Whilst this does not fit every area and must be based on genuinely strong partnerships, local authorities should consider whether a combined authority or joint committee structure could free up business representatives to focus on areas where they can most add value.

18) LEPs should look to engage more backbench councillors through working groups and other mechanisms, while the Local Government Association should work with the LEP Network to run a major engagement campaign for councillors on local growth and LEPs.
Introduction and context: LEPs taking centre stage?

Recent developments in local growth policy, catalysed most notably by the publication of Lord Heseltine’s ‘No Stone Unturned’ report in October 2012, have brought a sense of urgency to the ongoing process of clarifying LEPs’ role, responsibilities and resources. The spending round in summer 2013 confirmed that LEPs would be expected to produce multi-year strategic economic plans. These would form the basis for the negotiation with Government of a share of the newly established Single Local Growth Fund, potentially alongside wider freedoms and flexibilities to promote growth, as part of ‘local growth deals’. LEPs would also provide strategic direction for the expenditure of European Structural and Investment Funds.

These developments have seen renewed interest in this country’s capacity, both at a local level and centrally, to deliver locally-based growth strategies. The challenges should not be underestimated. LEPs are still relatively new organisations, an ambitious cultural shift towards local empowerment is being attempted in Government and a demanding timetable has been set for the new arrangements.

LEPs’ strength as institutions is at the heart of this issue, and it should be recognised that the current picture is mixed. Many LEPs can now show tangible achievements – such as the extent of private sector funding leveraged in for infrastructure projects through the Growing Places Fund. Meanwhile, however, there is continuing doubt about the extent to which many LEPs truly reflect functional economic areas. Government’s broader assessments of many LEPs are said to be negative in some places, while an impressive report (in progress) led by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University also provides a somewhat downbeat assessment. Citing the Government’s inconsistent approach to localism; unresolved issues about whether the LEPs are competitors or collaborators; the risk of function creep and bureaucratisation; LEPs’ limited resources and the need for a collective LEP voice, they conclude that:

‘given the lack of long-term vision and strategy for their strategic development, the fundamental tensions yet to be resolved and their institutional deficits in authority, capability and resources, at this stage in their evolution the LEPs will struggle to exercise substantive influence upon local economic growth.’

The CURDS study places an important emphasis on the capacity of institutions to deliver economic development. Much of this role is relationship-based and informal, taking time to build up; the report describes LEPs as gradually stockpiling ‘partnership capital’. Yet as the study also makes clear, the institutional capacity of LEPs is inextricably bound up with the broader relationship between central and local Government in English economic policy, and with Government’s ability and willingness to take a clear policy approach, across departments, which unambiguously places power in local hands. This is a crucial time to make the argument for locally driven growth policy, as Lord Heseltine forcefully made clear when his report was published:

“I know critics will say that these bodies do not in all parts of the country currently have the capacity to deliver my vision. I have sat in the committees of government and heard those

arguments many times. Indeed they are a central part of our problem. Because the scepticism is so deep about empowering local organisations, whenever faced with a problem the solution has been to take central control...

If some organisations are not up to the job the solution is to improve them, not to centralise further. No company with an underperforming subsidiary would move all its activities to head office...

Without such local empowerment we will not transform our national performance.”

Whilst recognising that many LEPs – and Government - have a long way to go, this All Party Group has consistently put forward the view that institutional stability, beyond the electoral cycle, is critical in giving LEPs the platform to succeed. This report seeks to identify areas that are critical to embedding the idea of devolution to functional economic areas and ensuring its success:

• Building LEPs’ capacity for negotiation, appraisal, delivery and demonstrating impact

• Ensuring that central Government practices and capacity are also up to the job of delivering an ambitious devolved local growth policy

• Ensuring a coherent and ambitious approach to devolving funding, centred on the Single Local Growth Fund

• Designing accountability and reporting arrangements that balance the needs of all parties while allowing LEPs to get on with the job

• Achieving a step change in engagement with broader business communities

• Demonstrating leadership across a functional economic area and deepening collaboration between public and private partners

The report draws on responses from businesses, local authorities, LEPs, business bodies, interest groups and others about what works, what has not worked and what would help them to deliver. Direct quotes in some cases have been balanced by a summary of overall impressions in others in order to respect participants’ frankness, without which this report could not have been written.

In addition to the CURDS study already mentioned, a range of other publications and studies are also in progress which will add detail in particular areas of the debate. Notably, a forthcoming report from the National Audit Office will look more deeply into whether the Government’s approach to local growth is delivering value for money, while a Cabinet Office review will explore the work of LEPs more generally. Meanwhile, the Centre for Public Scrutiny will shortly report on how to ensure accountability and local democratic engagement in local growth initiatives, and later in 2014, Lord Adonis will publish his Labour Party commissioned review of growth policy.

Longer term, the call for greater local financial autonomy is gathering pace, with a new collaboration between the Core Cities and London announced to explore how principles outlined by the recent London Finance Commission, including the devolution of property taxation to local level, can be implemented in a way which improves value for money and drives growth. The current debate on whether local partnerships and Government can deliver will continue to grow in relevance. Alongside the work of others, the APPG hopes that this report is of practical use in helping institutions, both locally and nationally, to rise to these challenges in the months and years to come.

Capacity building support for LEPs

This inquiry reinforced concerns about the capacity of some LEPs to deliver effective leadership on local growth, broadly indicating four main areas in which LEPs could be vulnerable:

- Availability of the right skills or sufficient resources for writing bids and strategies, appraising opportunities and constructing investment cases

- Level of understanding of how best to direct resources to match an area’s aspirations with local economic strengths, or the capacity to develop this understanding

- Strength of partnerships, or the availability of resources or credibility to develop strong partnerships

- The underlying economic strength of the area

LEPs’ capacity in terms of personnel numbers varies considerably: whilst some LEPs claim to have up to 60 staff, around a third have five to nine staff and a further third just one to four⁴. Variations in staffing may be due to varying levels of in kind support from local authorities and differing methods of accounting for this. Although LEPs have been given broadly equal resources for capacity, start up, and strategy development by Government, in reality it is clear that LEPs’ capacity is not the same. Many LEPs with few staff will be able to draw on at least some local authority economic development resource; however, with economic development a non-statutory function and local authority budget cuts continuing to bite, this may be difficult to sustain without a significant change in how these functions work. LEPs’ credibility and political capital is another clear area of variation in capacity, with more developed LEPs becoming well-connected with Ministers and officials in central government, whilst less developed LEPs risk being left behind.

Variations in capacity, of all types, will lead to some of the better equipped LEPs being more successful than others in producing strong strategic economic plans and negotiating with Government for Local Growth Deals. Whilst this is inevitable in a competitive process, some participants highlighted the tension between competition and cooperation between LEPs, and the potential for the local growth deal process to be used to identify and assist lower performing and less well resourced LEPs to develop, articulate and deliver strategies.

4. CURDS, APPG evidence submission
Recommendations

1. The What Works Centre for Local Economic Growth should help LEPs build capacity to carry out place-based, holistic economic appraisal of potential investments and demonstrate their impact.

The What Works Centre was widely welcomed during this inquiry. In order for it to add the most value, participants highlighted that ‘LEPs are best placed to define the tools and support that they require from the Centre’\(^5\), that its outputs should be ‘practical and easy to understand’\(^6\) and that the Centre should link with existing specialist initiatives such as the DEFRA rural statistics group.\(^7\)

Given its remit and resources, the Centre will need to focus on a relatively small number of common themes. Among the most important is LEPs capacity with regard to evidence and analysis. This relates firstly to LEPs’ ability to make robust, evidence-based decisions on priorities for investment and action which can secure consensus across partners, as discussed further below: as one participant noted, ‘LEP priorities need to be based on grounded local evidence and a link to the priorities of the local authorities based in the LEP area.’\(^8\) The Centre is also well placed to help LEPs build up their ability to evidence their own impact and ‘to distinguish between contextual and performance indicators and recognise that broad indicators of local economic health, whilst providing a basis for defining operational objectives and economic development actions, are too susceptible to external influence to be a reliable guide to the impact of local actions’.\(^9\)

A light-touch, adaptable approach helping LEPs to demonstrate their impact without the need for excessive resources will be invaluable in helping LEPs to tell a compelling economic story in 2015 and beyond. The What Works Centre is ideally placed to help deliver this and is also committed to working with a small number of LEPs and local authorities to implement demonstration projects which demonstrably draw on the principles of robust analysis. Government also has its part to play in ensuring the availability of data at LEP level, for example information on inward investment and exports, both of which are priority areas for many LEPs and where there are currently significant gaps in the intelligence available.\(^10\)

2. In addition to continuing to build on increasingly fruitful individual relationships with Government, LEPs should establish a collective voice on common, agreed issues in order to demonstrate value in 2015 and beyond.

Many LEPs have welcomed and capitalised on the ability to forge more direct relationships with central Government in the absence of the regional tier of institutions.\(^11\) However, some participants felt that there was an increasing need for LEPs to collaborate on issues common to all where a louder collective voice could pay dividends.

Obvious common issues include funding and powers to LEPs and breaking down barriers to local growth, such as a lack of cooperation from Government agencies. However, LEPs also have in common the need to reinforce the principle of devolution to local areas to an incoming Government. As one participant highlighted,

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5. Carillion, APPG evidence submission
6. Tees Valley Unlimited LEP, APPG evidence submission
7. Cornwall and Isles of Scilly LEP, evidence submission
8. Centre for Local Economic Strategies, APPG evidence submission
9. CEDOS/ADEPT, APPG evidence submission
10. CEDOS/ADEPT, APPG evidence submission
11. CURDS, APPG evidence submission
‘It will be difficult for LEPs to make a case to an incoming government in 2015 for continuing organic growth as institutional ‘place leaders’ unless, over the coming eighteen months, they... collaborate much more powerfully as a network/networks to establish a clear LEP national voice’12. A refreshed and independently funded LEP Network would be well placed to fulfil this role whilst continuing to play its existing role of sharing best practice and information. The benchmarking role of the current LEP Network should also be extended to help LEPs assess their performance and tell a compelling economic story. Whilst pushing for a proportionate approach by Government to formal reporting, the LEP Network can add value by working with Government teams and networks such as the Cities Policy Unit and the Technical Advisory Group hosted by the Treasury, ensuring that benchmarking is rooted in local perspectives, but draws on figures and assumptions that are recognised by central Government.

3. Whilst LEPs should take responsibility for self improvement and mutual support, Government should use the Local Growth Deal process to identify LEPs with limited capacity and equip local growth teams to work with the LEP Network to provide capacity building assistance.

In its response to Lord Heseltine’s report, Government made a commitment to providing capacity building support to LEPs.13 This report recommends – in line with Lord Heseltine’s suggested approach following his report – that Government proactively seek to use the process of negotiating local growth deals not only to fund high performing areas to deliver robust and ambitious plans, but also to identify areas and partnerships with limited capacity, and support the LEP Network in providing assistance to these areas.

Some participants identified a differential between LEPs in how far they were prepared to be proactive rather than waiting for Government guidance and assistance, recognising that the responsibility for improvement must ultimately rest with LEPs themselves in order to ensure that they remain bottom-up, locally directed institutions. A revitalized LEP Network, with buy-in from all LEPs, would be well-placed to lead a peer-led improvement function, brokering relationships between better established and struggling LEPs. However, there are tangible actions that the Government can take to assist with this, building on BIS Local teams, which have been well received by many LEPs. Ensuring that these teams have adequate resources, and linking these resources with the LEP Network’s ability to bring LEPs together and share best practice, could form the nucleus of a light-touch but effective support system.

12. Third Life Economics, APPG evidence submission
Improvements in central Government practice

Whilst LEPs’ capacity to deliver growth is clearly vital, central Government’s ability to work effectively with LEPs – with their divergent sizes, capacities and priorities – to deliver growth was also under question. Significant improvements in communication with LEPs were noted, including developments such as the senior Whitehall ‘sponsors’ allocated to LEPs, while the establishment of a Local Growth Committee was also well received. However, continued issues of mixed messages were identified between different departments, notably DCLG, BIS and HMT, with differing views on the desirability of borrowing to invest in infrastructure cited as one example. In this context, the BIS Select Committee has called for a single Minister for LEPs, an idea thus far rejected by the Government.\textsuperscript{14}

Participants also highlighted the new demands that LEPs’ new role, particularly administering the Single Local Growth Fund and Local Growth Deals, would place on Government departments, citing the experience of the Regional Development Agencies (RDAs). The RDA ‘single pot’ was intended as a mechanism for pooling of budgets between departments, allowing a single signoff process between RDAs and Government; in reality, however, RDAs often ended up negotiating with several departments. As Matthews Associates noted, ‘There is still more to be done and departments need to ‘LEP proof’ their operation and remit as a matter of course rather than as an afterthought or bolt-on extra’.\textsuperscript{15} The Cities Policy Unit within the Cabinet Office was felt by some to be a good model on which to build.

The breadth of the strategies that LEPs are now being asked to produce also led to concerns about ‘mission creep’ and the need for departments to look at LEP functions in the round. This again is a lesson from the RDAs: ‘RDAs are tasked with economic development within their regions, but must support a number of initiatives that have a spatial element, are primarily addressed at tackling deprivation, and which are funded by the Department for Communities and Local Government. These objectives may not always be readily compatible when deciding on potential investments’.\textsuperscript{16}

More fundamentally, the lack of legislative basis for LEPs has led to some concerns about their stability.\textsuperscript{17}

Recommendations

4. Building on the success of the Cities Policy Unit, Government should create a single cross-departmental team to handle Local Growth Deals and support the Local Growth Committee.

The Cities Policy Unit at the Cabinet Office has brought together officials across Departments in a single unit, with a clear remit and visible senior political support. This team has been at the ‘sharp end’ of negotiation with cities for new freedoms and flexibilities, including by supporting the Ministerial ‘challenge groups’ which have negotiated directly with public and private sector city leaders. As one participant notes, ‘The creation of the Cities Unit within the Cabinet Office is a key indication of a commitment to

\textsuperscript{14} BIS Select Committee Report, Local Enterprise Partnerships (2013)
\textsuperscript{15} Matthews Associates Ltd, APPG evidence submission
\textsuperscript{16} NAO, Regenerating the English Regions: Regional Development Agencies’ support to regeneration projects, (30th March 2010)
respond to the needs of localities so they can drive the growth agenda locally, rather than centrally.18

Extending this approach to the Local Growth Deals, and ensuring that City Deals and Local Growth Deals are dealt with through a single team and approach, will be essential in order to provide coordination and ensure that the single signoff process for Local Growth Deals is not purely cosmetic. The core team must be empowered to speak for departments and bring them to the table to engage in a single process of negotiation with LEPs. This team should also set out a clear rationale and criteria for any further functions LEPs are asked to take on by Government to ensure that LEPs are able to make progress with their core mission. This will require strong leadership from the Local Growth Committee and greater visibility for the Committee within Parliament, within departments and with the public.

5. All parties should make a prominent manifesto commitment to working with LEPs after 2015 to avoid destroying confidence and partnership capital.

The APPG has consistently advocated cross-party commitment to making LEPs a success and ensuring a stable environment for the promotion of local economic growth. This was backed by participants such as Andy Pike of Newcastle University, who noted that comparisons with nations such as Germany highlight the need for a more considered attitude to institutions in England when considering performance in driving growth.

Participants expressed the common perception that LEPs, local authorities and business were not yet certain about the role of LEPs under a new Government, despite the assurances provided by the Shadow Business Secretary that a Labour government would retain and reform LEPs to allow them to play a bigger role.19 However, messages are still mixed; for example, the Shadow Transport Secretary has stated that LEPs would not be invited to bid for local transport funds under Labour, endorsing the principle of devolution and expressing ambition to devolve further but citing concerns about LEPs’ democratic accountability.20 As the RTPI noted, ‘There are some who question how long LEPs will be in existence following national elections and potentially a new government coming to power. The fact there is any uncertainty is damaging. The RTPI urges the political parties to allow LEPs to continue without unnecessary interference so that there is some added certainty’.21

Uncertainty was acknowledged to have had a varied impact depending on the strength of partnerships. Where relationships were good, the importance of partnership working was recognised and the LEP used this to further necessary local alliances. However, where relationships were still in the process of being built up, this lack of institutional certainty could form a barrier to committed engagement. High-profile, cross-party commitment to decentralizing power to functional economic areas and to making LEPs a success is crucial to providing the atmosphere of stability that will enable these institutions properly to take root. This chimes with calls from the Local Government Association to ‘end the see-sawing of institutional change which has hampered local growth. We need a cross-party consensus on the sub-region as the best unit of delivery for growth and an end to the abolition and re-creation of local economic agencies after each change of government. We need to make LEPs fit for purpose.’22

18. District Councils Network, APPG evidence submission
21. RTPI, APPG evidence submission
22. LGA, APPG evidence submission
6. Government should include an explicit mention of working with local partners in the proposed duty to promote economic growth within the Draft Deregulation Bill and invest resources in communicating the duty to public bodies.

A common theme expressed by participants was the need for Government agencies to understand and work with LEPs more effectively. Coupled with a more stable institutional landscape, a clear expectation from the very top of Government on departments and non-departmental public bodies that they should work positively with LEPs would be helpful. The duty on public bodies to promote economic growth proposed in the Government’s Draft Deregulation Bill could offer a statutory route to imposing this, and adding an explicit mention in the Bill of the need to work with local partners could help provide leverage where such bodies were being unhelpful.
Financing and the Single Local Growth Fund (SLGF)

Though acknowledging the progress made, there was a consensus that the level of resources committed to the Single Local Growth Fund, the sources of that funding and the restrictions on it, were a disappointment to many. The ‘top slicing’ of the New Homes Bonus – a funding stream already made available to the local level, rather than a Departmental resource being devolved – was subject to particular criticism. As ADEPT and CEDOS note in their evidence submission, ‘We recognise that the Government has said this is a ‘starting point’ and we consider that the further development of SLGF should be taken forward as a matter of urgency. Unless this is done, it will call into question its viability and the contribution it can make to achieve the step change in economic growth the Government desires.’

There was a clear consensus that future development of the SLGF should focus not only on its scale, but also on ensuring that there are as few strings as possible attached to the funding available. It was noted by some that the process by which the initial Single Local Growth Fund was allocated through negotiations between HM Treasury and individual departments was not joined-up or outcome-focused. Reforming this will be crucial in the long-term to shifting the centre of gravity on economic growth to the local level. The radicalism of such a move, and the scale of the cultural challenge that it will present for Whitehall, are not to be underestimated.

Lord Heseltine’s proposals were seen as an opportunity to reverse a tendency towards fragmentation in growth-related funding streams. Criticizing the experience of the Regional Growth Fund (RGF) in the North East, for example, Shadow Communities Minister Roberta Blackman-Woods MP stated that ‘For too long, centrally controlled pots of money have been a feature of ‘local growth’ policy. It is this failure that makes Lord Heseltine’s suggestion that we need a single funding pot for local growth so attractive and potentially groundbreaking’. A few participants also expressed concern that the narrow focus of the Regional Growth Fund on job creation led to projects being funded which may not have a good chance of becoming financially sustainable in the longer term, drawing on the concern of the Public Accounts Committee in 2012 that ‘For projects to count as value for money under the rules of the Fund, the economic benefits simply had to outweigh the public cost.’ Exposing such funding streams to negotiation and prioritisation based on holistic, multi-year strategies would be a significant step towards reducing fragmentation whilst improving the stringency of funding awards. This principle could also usefully be applied to initiatives such as the Manufacturing Advisory Service and Technology Strategy Board.

Participants commended the Government’s move to bring European Structural and Investment Funds under the strategic control of LEPs as a significant opportunity to reduce fragmentation, though the complex underlying network of ‘co-financing organisations’ to disburse money is still part of the process. More fundamentally, there is still work to do to reduce funding fragmentation across Government. The Greater Birmingham Project’s report suggested that ‘the Government should place a moratorium

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23. ADEPT/CEDOS, APPG evidence submission
on any new business support and local growth products and funds that cannot be incorporated rapidly into a Single Pot, or which do not help to create the momentum towards joined-up local delivery mechanisms. There should be no central contacts for services that extend beyond the current Spending Review period that erode the scale and impact of the Single Pot. This will require strong discipline from the Government.\textsuperscript{26}

Other participants noted that the issue of financing should be considered in the round: the relative lack of borrowing freedoms and financial instruments available to local partners, and the constraints of the budget setting process currently used by Government, make it difficult for local partners to invest in longer-term projects. Local authorities noted the impact that the pooling of New Homes Bonus monies was likely to have on the incentive to build more homes – a message clearly inconsistent with the idea that housing provision is integral to growth. As one participant notes, ‘There remains a need for a commitment from Government to consider how the SLGF can best facilitate LEPs making long-term decisions, whilst limiting any stated or implied ringfencing, and this is another area where we would welcome further discussions.’\textsuperscript{27}

Recommendations

7. The Government should add to the Single Local Growth Fund at each Spending Round, with the Regional Growth Fund an obvious target, while funding streams remaining outside the SLGF should work as far as possible to the same timescales, assessment criteria and reporting requirements.

There is a clear case for some funding streams, such as future rounds of the Regional Growth Fund, to be brought within the scope of the SLGF. Even where additional funding streams are not directly included within the SLGF, and acknowledging that the SLGF will be allocated by negotiation rather than a standalone ‘bidding’ process, a concerted effort should be made to align timescales, assessment criteria and reporting requirements between the SLGF and other funds such as the RGF. Any other Government funding arrangements related to local growth must fit with the transition towards a joined up, decentralised approach to local growth funding. Funding streams should be reviewed regularly as part of the Comprehensive Spending Review process to assess whether all or part of them could be incorporated into the SLGF to reduce fragmentation and increase local ability to direct funds.

8. The Government should allocate money to the Single Local Growth Fund up front, rather than negotiating with departments on particular funding streams, and challenge departments to ‘use it or lose it’.

Leaving aside the scale of the Fund, Lord Heseltine’s vision of a ‘no strings attached’ pot that could be directed towards local priorities for growth has not been realised, with departments retaining ownership of elements of the Fund earmarked explicitly or implicitly for specific purposes. One participant commented that although they recognised that the SLGF is a positive step forward, the formal split between its constituent funding streams is ‘far too prescriptive and by its nature restricts LEPs from being innovative, thinking outside the box, on what could really deliver growth locally.’\textsuperscript{28} The difficulties this raises were exemplified by EEF, who pointed out the ‘disconnect between keeping funding for apprenticeships at a national level, and committing to consult on routing this funding through employers, and then allowing local

\textsuperscript{26} Greater Birmingham Project Report
\textsuperscript{27} Stoke and Staffordshire LEP, APPG evidence submission
\textsuperscript{28} Matthwe Associates Ltd, APPG evidence submission
bodies to decide which colleges receive capital funding, which will have a knock-on impact on which courses and facilities are provided.²⁹

This is largely a function of the way in which budgets are set within Government. A 2013 report by the Public Accounts Committee criticised the short-termist and siloed nature of the Spending Review process, pointing out that currently, departments can make decisions without considering the long-term cost implications or ‘the cost implications for other departments’.³⁰ Future Spending Reviews should build up front settlements into the process, with the onus on departments to justify why particular funding streams will be more effective if retained centrally rather than devolved. As one participant argued: ‘The burden of evidence should, consistent with the principle of subsidiarity, be on Ministers to demonstrate why national government is better equipped than local leaders to direct spending impacting principally on a local area’.³¹ This is consistent with the Government’s statement, in the 2010 Spending Review Framework, that ‘departments will be asked to prioritise their main programmes against tough criteria on ensuring value for money of public spending’, including the question ‘Can local bodies as opposed to central government provide the activity?’³²

This implies a fundamental change to the way in which HM Treasury conducts Spending Reviews, and its relationship with other departments. The Public Accounts Committee emphasised that ‘The Treasury needs to enforce requirements for departments to assess the cost-effectiveness of their spending’.³³ If this were to be done more systematically and the results made available, comparisons could be made – via the Public Expenditure Committee or ‘Star Chamber’ if necessary – to guide Government investment in growth towards the geographical level where value for money could best be served. As LEPs become more sophisticated in demonstrating their impact and return on investment, emerging evidence from their activity and expenditure of the Single Local Growth Fund can and should be used to challenge departments at Spending Reviews on whether devolving resources to local areas could produce a greater return on investment than retaining resources centrally. Ultimately, the greater involvement of local bodies in scrutinising departmental spending has the potential to deliver better outcomes, and as a first step, broader publication of the Spending Review guidance given by HM Treasury to departments may be helpful in encouraging bodies to come forward with alternative, localist approaches which can meet Treasury requirements and deliver greater return on investment for the taxpayer.

In addition to requiring a profound cultural shift in Whitehall, it should be recognised that moves in this direction are likely to place even more emphasis on robust local accountability and reporting arrangements, discussed in more detail below.

²⁹. EEF, APPG evidence submission
³¹. SOLACE, APPG evidence submission
Accountability and reporting

As LEPs access additional funding and become the vehicle to negotiate local growth deals with Government on behalf of their localities, more attention is turning to the need to ensure that they are properly accountable. Given the short history and large variety of LEPs and the fact that their role is still being clarified, a fundamental question is to whom they should be accountable. Due to the timing and handling of the abolition of RDAs and establishment of LEPs, the dominant narrative around local growth institutions features LEPs as a replacement for RDAs, which were accountable to central Government. Seeking to move away from the RDA model, the Government has set out a localist narrative for LEPs, but there is a clear tension between this localist narrative and LEPs’ role in bidding for public money from central Government, which needs to be resolved urgently.

CURDS noted a mixture of views from LEPs on accountability and this was reinforced in the evidence submitted to the APPG, with the Cornwall and Isles of Scilly LEP reporting that they are ‘accountable formally to BIS and CLG’, while Tees Valley Unlimited state that the LEP ‘is accountable to its five local authorities (democratically-elected members), to the business community and to residents.’

Clarifying this question is not only crucial to LEPs’ identity, legitimacy and ability to act but also affects reporting, monitoring and transparency arrangements. LEPs are keen to minimize bureaucracy, and examples have been raised in previous APPG publications of reporting requirements out of proportion to the amount of money provided. Another concern which has grown since the establishment of the SLGF is departments maintaining control through prescriptive and siloed appraisal requirements, with the Department for Transport’s appraisal process for devolved local transport scheme funding commonly cited as an example.

The onus is on LEPs to deliver, not to get bogged down in a bureaucratic mire. At the same time, however, Government also needs to be able to demonstrate centrally to Parliament, the Public Accounts Committee and the media that its policy is working. Meanwhile, businesses and increasingly the public need assurance that LEPs’ activities are transparent and in the best interests of the area. The BIS Select Committee, for example, recently called for ‘measurable indicators of performance of LEP activity in forms understandable by local communities to enable accountability, monitoring and scrutiny of the use and value of public resources by LEPs.’

Local authorities are somewhat caught in the middle as the instrument of both national accountability (through the accountable body process for public funds) and local democratic accountability.

A robust set of principles is needed that achieves four things:

- Ensuring that LEPs are as far as possible free to ‘get on with the job’ and meet local growth needs in their area
- Ensuring that LEP activity is transparent to local businesses, groups and individuals and that they can question and influence LEP activity
- Ensuring that local authorities are satisfied with the accountability arrangements around LEPs and comfortable to make further progress in areas such as pooling economic development functions

34. Cornwall and Isles of Scilly LEP, APPG evidence submission
35. Tees Valley Unlimited, APPG evidence submission
36. LGA, APPG evidence submission
• Ensuring that central Government has access to the information needed to account for the policy of devolving funding and powers to functional economic areas

Recommendations

10. LEPs should put in place light touch formal arrangements to ensure transparency, with an emphasis on local accountability, while Government should ensure that its reporting and compliance requirements are minimal, proportionate to LEPs’ ability, streamlined across Government and structured in a way which actively helps LEPs to deliver.

Matthews Associates summed up the view of many private sector representatives that ‘LEPs have become overly fixated on accountability to the detriment of acting flexibly and quickly. The amount of bureaucracy and administrative burden is often disproportionate to the bottom line risk of taking an action’. There was common agreement that this acted as a disincentive to engagement with LEPs amongst both private and public sector Board members. In its guidance to LEPs, Government recognises the need for a light touch approach to support their transparency and accountability, giving the example of ‘an annual report, with information on what the money has been spent on, and the outcome / outputs that it has achieved.’

This was generally agreed to be sensible and Government and LEPs have worked productively over the summer to develop this further.

The use of an annual report is a good example of how reporting requirements can be aligned more closely both with common business practice and with LEPs’ own need to demonstrate impact. There are a number of ways in which the annual report could be supplemented to help local people to hold the LEP to account and emphasise the local, rather than national, focus for accountability. Drawing on recommended practice for local authorities, a requirement on LEPs to publish annual accounts, publish meeting details and minutes, make public their governance structures and hold public AGMs would not seem onerous and would allow local people and businesses the opportunity to scrutinise the LEP’s work. As LEPs become the catalyst for pooling functions across local authorities, joint committees or panels may also emerge to provide local scrutiny, with a few respondents advocating a local scrutiny panel. At least one LEP, Cornwall and Isles of Scilly, includes an opposition member on the LEP Board itself – a practice easier to achieve in a LEP with only two local authorities, but interesting nonetheless in ensuring that LEPs’ work gathers a cross-party consensus.

The variation of views between different LEPs on their lines of accountability was striking. From a political perspective, some ambiguity gives the Government flexibility as to whether policies are portrayed as key Government initiatives or kept at arms-length. However, in order to ensure LEPs’ effectiveness, Government needs to acknowledge that local accountability is paramount and ensure a genuine commitment to the principles of earned autonomy it sets out in its guidance to LEPs on local growth deals. Where localities have robust partnerships and appraisal processes in place, it is nonsensical for their decisions to be driven by top-down reporting requirements rather than local needs, or for them to need to seek Ministerial approval for redirecting expenditure to meet local growth needs. Reporting activity
should be conducted in the public domain for the benefit of others, rather than being a private conversation between LEPs and Government, and should not be used as a way to exert pressure on LEPs, but as a mutually beneficial way of tracking progress.

It is inevitable that central reporting requirements for LEPs will remain necessary, though these will hopefully be able to be reduced over time as LEPs’ effectiveness improves and more departments embrace the devolution agenda. Where central reporting is needed, a single, streamlined reporting process across the SLGF and all other local growth related funding streams would provide clarity and simplicity for LEPs and be more useful to them in seeking to assess projects and investment possibilities in the round, rather than in national departmental silos. The high level oversight of the Local Growth Committee would help to ensure that departments were working together to achieve this.

11. LEP Chairs should have the opportunity to appear in front of the Public Accounts Committee where appropriate, to demonstrate how a locally led approach to growth investment can evidence value for money and stand up to public scrutiny.

Practically speaking, as some participants recognised, Government officials can be understandably reluctant to be placed in a position of accountability for funding allocated to third parties such as LEPs, and this can have the effect of reducing the Government’s ambition to devolve power and resources. Within departments the Accounting Officer – the most senior official – is responsible for ensuring that funds are spent properly and with due regard for value for money; a responsibility which cannot simply be devolved. As the Public Accounts Committee noted in a 2011 report, ‘the Cabinet Office and the Treasury distinguished between Accounting Officers’ accountability for system-wide issues and accountability to the local community or service user for the performance of local bodies’.38

In practice, a streamlined and localised reporting regime for LEPs may see bodies such as the Public Accounts Committee raise questions which cannot be answered centrally. This should not be seen as a problem by Government, and LEPs should ensure that they are prepared to get involved more directly with Parliamentary accountability procedures if needed. To take one example, LEP chairs could be asked when necessary to appear directly before the Public Accounts Committee to discuss expenditure, ensuring that Accounting Officers continue to fulfil their responsibilities in a localist landscape, as well as acting as a useful safety valve in ensuring that the effort to move towards an increasingly ambitious local growth devolution settlement is not held back by fear of blame culture at central Government level.

12. LEPs should consider whether their accountable body arrangements are adequate for their new responsibilities, and share their accountable body agreements publicly to help all LEPs achieve the best balance between transparency and speed of action.

Feedback on the role of local authorities as accountable bodies was mixed. Many participants recognised the role of the accountable body arrangement in providing the necessary financial accountability for public money outside the LEP organisation, freeing the LEP up to focus on strategy and delivery. This has largely been successful with the Growing Places Fund, with LEPs putting in place selection

panels and criteria and the accountable body ratifying decisions and putting in place the contractual arrangements for the awards made.

However, there was some evidence presented that the accountable body arrangements were slowing decision-making. Procurement was cited as a particular issue: Matthews Associates complained that ‘small value contracts that any commercial organisation would just procure on a simple pricing model are being subject to full-blown procurement procedures that are costly and highly wasteful especially for the unsuccessful bidders.’ This also impacts on SMEs’ ability to tender for LEP work: an example was submitted by a participant of a £30,000 contract being tendered by a LEP through its accountable local authority, involving 15 pages of qualification information and financial assurance requirements which effectively excluded SMEs, despite the nature of the contract being one where specialised local knowledge would be important. There was no clear consensus among LEPs as to whether being constituted as a company – which a significant proportion of LEPs are – made a difference to this: the need to account properly for public money rightly remains and in some cases LEPs have taken out indemnity insurance for Board members as a precaution.

Further complicating the picture, some LEPs have different authorities as accountable bodies for different funding streams (e.g. capacity funding and Growing Places Fund) and it was recognised that the accountable body role varies significantly between local authorities, based on differing interpretations of the Local Government Acts 1972 and 2003. One LEP reported an excellent relationship with its accountable body, citing a case where an urgent procurement process was completed in less than a week whilst still following all relevant procedures. Publication by LEPs of the agreements between themselves and their accountable bodies, setting out decision making processes and relative roles and responsibilities, would help LEPs and local authorities to consider whether their current arrangements were adequate for their new responsibilities. More openness could also help allay suspicions, reported by some participants as a barrier to partnership working, that being an accountable body could give one local authority an unfair influence over where money was spent.

39. Matthew Associates Ltd, APPG evidence submission
Business engagement

Business involvement and engagement with LEPs has consistently been cited as critical to the success of LEPs. As one participant notes, ‘The LEP is ideally positioned as a gateway to local business and we are continuously working to simplify and de-mystify the business environment. We need departmental recognition of the importance of this.’ This point is also reflected in the criteria for private sector involvement when LEPs were first set up, requiring significant local business support and a board chaired by a business person with at least half of the representation coming from business.

Recent research has evidenced that some LEPs have a strong business focus and claim to be the local ‘business voice’ whereas others claim to be either a voice for business or a mediator of business voices. Participants in this inquiry have also acknowledged that in many cases the LEP has little or no recognition amongst most local businesses and this lack of private sector buy-in has contributed to a lack of sustainable non-state funding. Evidence from respondents in a survey carried out by the Federation of Small Businesses revealed that business representatives regularly heard the phrases “tick box exercise” and “lip service” when discussing business’ perceptions of the authenticity of LEP consultation and engagement activities. This is also an area where LEPs report that a lack of resource hits them hard, and improving communication with businesses, including through expanding the channels used to suit a greater variety of businesses and spending time in building up contact databases, should be looked at carefully as part of LEPs’ plans for the Single Local Growth Fund.

Participants also highlighted a number of challenges, firstly around attracting the right kind of business representatives, and secondly in keeping these people engaged throughout the process. Post Lord Heseltine’s review, LEPs have a clearer route to influence, but this comes with its own challenges: participants warned that businesses will be scared away from LEPs if there is too much emphasis on governance structures, highlighting the threat of ‘LEP fatigue’ amongst private sector stakeholders and partners, with the procedural and governance demands coming from the public sector and accountable bodies threatening to become increasingly frustrating.

Recommendations

13. LEPs should improve communications with businesses, look to engage experienced private sector business people who are representative of local business demographics, and look to reduce bureaucracy and support businesses through resources such as the ‘Better Business for All’ tool.

If LEPs are to be truly representative of the local area then it is important that they engage genuine micro and small businesses. As the National Enterprise Network highlights in its submission, ‘There continue to be issues around the degrees of private sector representation and engagement, not least from pre-start, small and micro businesses who generally feel their voices are not being heard and who have little or no opportunity to actively participate in the governance process’. The point was made that Board-level representation is not the only way of engaging with businesses, with many LEPs running successful thematic or sectoral working groups.

The provision of business support, particularly since the closure of Business Link, was also cited by participants as a potentially useful role for LEPs and participants discussed the different

40. Stoke and Staffordshire LEP, APPG evidence submission
42. FSB (national) APPG evidence submission
43. National Enterprise Network, APPG evidence submission
ways in which this has been applied, from a free mass-membership approach from Buckinghamshire Thames Valley LEP to a three-tier paid approach in Liverpool City Region. It was noted that this could be a useful way of securing wider business engagement, but that LEPs adopting this approach should take care to work with rather than alienating either non-member businesses or existing business representation organisations such as the Chamber of Commerce or Federation of Small Businesses branch. More tailored membership models can also be used to achieve increased legitimacy, as with Solent LEP, which in 2011 became the first LEP in the country to hold an election process allowing its business members (who have formally signed up to the LEP company’s Articles of Association) to elect their own board representatives. The increased sense of mandate and accountability this approach delivers may help to ensure a higher calibre of business representatives who are more aware of the expectations placed upon them to deliver ambitious economic goals.

More fundamentally, however, for both small and large businesses to engage with LEPs in the longer term, LEPs need to address practical issues of interest to business, such as regulation. The ‘Better Business for All’ (BBfA) tool created by Leicester and Leicestershire LEP (LLEP) and then adopted by Greater Birmingham and Solihull LEP (GBSLEP) is a good example of this, bringing local businesses and regulators together to deliver support and improvements that help businesses comply with the law speedily, easily and economically. In LLEP, inconsistencies between services have resulted in business needing to spend additional time in complying with regulations. The Regulatory Services Partnership has been successfully established to ensure that local authorities and other agencies work more collaboratively to deliver a more efficient, effective and consistent service to business across the LLEP area. There are now thirteen LEP areas that have implemented the BBfA programme and this inquiry encourages all LEPs to adopt this tool as it could also form a core strand of a LEP’s business support role.

14. LEPs should consider succession planning for private sector representation on LEP boards.

Succession planning is an important factor for LEPs to consider when planning their future, especially when many LEP Chairs have commented that the time commitments currently required of them are unsustainable. Potential Chair designates may be ‘frightened away’ by the significant expansion of the role, with research indicating that a significant number of existing LEP Chairs have calculated their position as taking 2-3 days per week, rather than this amount of time per month as was originally envisaged and considerations about whether Chairs should be remunerated becoming increasingly prevalent. It is important that individuals accepting board membership are aware of the true time commitment required.

As one participant notes, ‘private sector involvement in LEPs is leading to exceptional workloads for the sector which over the long-term is unsustainable. It is important that LEPs put in place succession plans to ensure a sustainable approach to private sector leadership’. It is important that these plans are put in place with sufficient advance notice.

The motivation of private sector representatives has also been highlighted as a potential area of concern as LEPs’ influence and funding grows. Research from the Federation of Small Businesses shows that out of 38 LEPs interviewed, just 6 agreed that there were no conflicts of interest within the LEP they were responding on. This inquiry recommends that in order to ensure that the right kind of business leaders are consistently recruited to LEP boards, LEPs should actively target ‘new faces’ and involve small and medium sized businesses by communicating through multiple channels when considering recruitment.

44. Local Enterprise Partnerships, A Chair’s Perspective, Odgers Berndtson
45. District Councils Network, APPG evidence submission
46. Federation of Small Businesses, APPG evidence submission
Place leadership and collaboration

The process of forming partnerships and deciding priorities has in itself highlighted significant differences between LEPs across the country. LEPs are clearly taking on different roles in different places, being variously a business advisory body to local authorities, a delivery instrument of one or more local authorities, a more or less independent driving force of local economic development or indeed in some cases a fairly inactive front organisation for the receipt and administration of Government funds.

Until now, LEPs based on previous economic development partnerships have generally made quicker progress in establishing themselves. Now, the prospect of negotiating for local growth deals has crystallised the incentive for partners to work well together across local authority boundaries, across public and private sectors and with other institutions. The prospect of actually delivering on local growth deals has made such collaboration all the more crucial. Particularly relevant trends include the increasing importance placed by Government on governance arrangements such as combined authorities; the rise of shared service arrangements in a context of diminishing local government budgets; and the increasing convergence of the public service reform and local growth agendas.

There is a clear relationship between the level of ambition and scope of the Government’s devolution offer and local partners’ level of investment in governance development, illustrated most obviously by the emerging combined authorities in Sheffield and Leeds which have been catalysed directly by the City Deal process. A key overarching question, which the Government should keep under continuous review, is whether incentives are sufficiently strong in all areas of the country to support successful collaboration between local authorities. However, there is clearly also work to be done at local level. As with previous inquiries, tensions between different partners within LEPs were evident, with district councils especially concerned about being squeezed out of decision-making, particularly where they are not represented on the board. In some instances, this could be resolved relatively easily; within LEPs such as SEMLEP, ‘leader’s board’ arrangements have been put in place to ensure that all local authority leaders are kept in the loop of LEP decision-making. However, this does not resolve the more fundamental issue that local authority elected members are accountable to their electorate for their decisions, while there is no formal collective responsibility for decisions made by the LEP. The speed of decision making can be compromised as a result, as in some instances a LEP might agree a decision which a constituent local authority then wishes to validate through its Cabinet or Full Council.

The potential results are exemplified by the Thames Valley Berkshire LEP’s increasingly high-profile campaign in favour of Heathrow airport expansion47, which has galvanized a significant partnership of business bodies to make the case whilst respecting the Council decision48 of the Royal Borough of Windsor and Maidenhead, one of the LEP’s constituent local authorities, to oppose expansion. Tim Smith, Business Director, Thames Valley Berkshire LEP comments that ‘It’s difficult to over-state the economic benefits that Heathrow Airport has brought to the Thames Valley Berkshire sub region; and continues to offer for our future growth prospects. We have collaborated across boundaries and, together

with our neighbouring LEPs, have focused on developing a sound evidence base to support our position in favour of expansion. Recognising the importance of reflecting local differences and sensitivities, our emphasis on hard facts and evidence-based research allows us to put forward strong arguments as the majority view and we will continue doing so as we await the interim findings of the Airports Commission'.

Thus far, while many LEPs have been fairly peripheral to the work of their constituent local authorities, this has not been a huge issue. However, such situations are likely to become increasingly prominent, particularly with local authorities being encouraged to pool resources at LEP level. LEPs’ move away from piecemeal funding initiatives and bids and towards negotiating for funding on the basis of a comprehensive multi-year plan means that conflicts between local authorities are less likely to be resolvable through ad-hoc horse-trading and increases the importance of a robust overall decision-making approach. This will require significant political maturity. Greater Manchester has provided a commonly cited example of this, placing a premium on presenting a united front to Government and other external stakeholders, while taking a pragmatic approach to progressing projects between interested partners.

This maturity, built over a number of years, ‘reflects a real awareness and shared understanding of both the key spatial economic divisions within the city region and the interrelatedness of different places if the conurbation as a whole is to have a more economically successful future’, but also ‘the historical trajectory of these developments, the importance of the relationships that were built up, and the levels of trust implicit within them’.

In the majority of areas, where joint working across a functional economic area is less established, this will be difficult to achieve. Recognising that the local growth model being pursued may actually concentrate power in fewer hands at local level, and acknowledging and seeking to mitigate the impacts on the role of backbench and Cabinet-level councillors, could be an important factor for local authorities in making LEPs work for them.

Participants also highlighted clear differences of priority between private and public sector stakeholders of LEPs which are being brought increasingly into focus by LEPs’ new responsibilities and funding streams. Businesses are generally keen to make quicker decisions, with a perception that ‘delivering growth at pace should not be reliant on Committee processes’. Business is also seen as more interested in innovation, investment and business finance, enterprise support and skills rather than more traditionally ‘public sector’ issues around infrastructure, housing, etc. In some areas this is seen as a useful creative tension: SEMLEP reports that ‘there has been a learning process, whereby the private sector has started to understand the constraints but also the opportunities of operating in the public sector, in particular the influence on planning and delivery of infrastructure’. How best to integrate and harness other participants, such as the university sector, more effectively (as recently recommended by the Witty Review) is another key question to consider.

Seeking to align more closely the roles of the public and private sectors within LEPs, and the interests of the different local authorities involved, is a huge job and it is unrealistic to expect to arrive at a situation where every

49. ESPON. The case for agglomeration economies in Europe (2010)
50. Cheshire and Warrington LEP, APPG evidence submission
51. SEMLEP, APPG evidence submission
decision is based on consensus. Rather, the crucial task is agreeing common approaches to decision-making amongst all parties, and there was recognition that achieving this successfully could one of the principal long-term prizes of establishing LEPs.

Recommendations

15. Where necessary LEPs should work with Government to take up their offer of changing LEP boundaries to reflect functional economic areas, while the What Works Centre could usefully assist in defining functional economic areas more practically and clearly.

Progress will be limited if partners are attempting to work across an area that has no reasonable economic identity. A fundamental assumption is that LEPs are representative of functional economic areas, yet this is far from being the case in every instance, as raised in Lord Heseltine’s report. The introduction of Local Transport Bodies, which are not always coterminous with LEPs, as a basis for localising funding for major transport schemes further complicates the picture, as demonstrated recently by disputes over which body York should be a part of and wider questions about which LEP they should sit within.

Government has asked LEPs to approach them if they wish to change their boundaries and where necessary, LEPs should take Government up as soon as possible on this offer. Meanwhile the What Works Centre could usefully assist through helping to shape a practical definition of a ‘functional economic area’, taking both economic and political considerations into account, in a way that is useful to LEPs and local authorities. As EEF note, ‘LEPs should not become overly rigid in their structures and... their geographic boundaries should remain flexible and open to revision to best reflect a functioning economic area. A light footed, nimble business-led approach is needed to push local authorities in the right direction toward growth.’

16. Local authorities should go further and faster in pooling economic development resources (including relevant transport and planning policy functions) across LEPs and agree a common approach to economic analysis to get buy-in from all partners for investment decisions

Within a functional economic area, LEPs should look seriously at closer pooling of economic development and related functions between local authorities, as recommended by Government within the Local Growth Deal guidance. Aside from the potential to help alleviate ongoing local authority budget pressures – and to preserve some resource in this area, particularly bearing in mind that it is a non-statutory function – such pooling is even more logical given the Government’s decision to top-slice New Homes Bonus payments to add to the Single Local Growth Fund. The District Councils Network reports that ‘the vast majority of districts have used the NHBs to fund major infrastructure projects and invest in economic growth and inward investment teams’ and these are all potentially activities that could be pursued more effectively at the level of the functional economic geography.

More formalized arrangements to pool economic development functions should also lead to more clarity over the direction of these resources. Nigel Wilcock in a Smith Institute publication notes that ‘In a number of cases the staffing resource that could be called upon by the newly formed LEP boards was drawn from local authorities, with some economic development staff members suddenly having two roles and, perhaps more importantly, being responsible to two organizations. These staff needed to determine whether borrowed resources

53. District Councils Network, APPG evidence submission
prioritised the wishes of their elected councillors or their new LEP board members.54 A formal service sharing arrangement could usefully make clear that the LEP was responsible for directing the activity of economic development staff, with the oversight and input of the local authority Leaders on the LEP Board.

As CURDS acknowledge, ‘the changed and new geographies of many LEP areas have reduced the value of existing investments in evidence base development especially by the RDAs, either creating a gap in evidence for the LEP to confront or more often forcing the LEPS into using scarce resources to commission new studies relevant to their new geographies and changing contexts.’55 A crucial advantage of pooling resources is that it provides a platform for LEPS to agree a common economic evidence base and a model for providing a clear analysis of return on investment. Agreement to carry out analysis of proposals on a common basis and to use this as the principal basis for decision-making will, if successful, allow LEPS to demonstrate how investment in projects within one local authority area can benefit other areas within the LEP, helping to resolve internal tensions. It will also allow the LEP to gain a more sophisticated understanding of where investment in skills, transport, housing and other aspects of supporting growth will best further their objectives, and how these investments intersect, helping to direct both public and private investment. Greater Manchester again provides an example with its New Economy agency.

The role of public service reform is also relevant here. The Core Cities, the Tri-borough in London and others are increasingly seeking to make the case that boosting growth and reducing dependency are likely to be two sides of the same coin, with perhaps the clearest link being skills and employment policy. Tees Valley Unlimited clearly recognised the importance of this, stating that ‘In Tees Valley, there is a history of shared working and a collective view that working across a functional economic area will produce more benefits than working in isolation. There is also acknowledgement that due to the compact nature of the labour market, employment growth in Middlesbrough will benefit residents in Stockton, while use of key assets in Redcar and Cleveland, such as Teesport, can help grow innovative new industries in Darlington, like subsea’.56 Hinckley and Bosworth BC, similarly, noted that ‘The reality must be that LEPS acknowledge effective initiatives, which are aimed at and deliver growth and focus on their facilitation; a practical rather than a political approach’.57 The LEP Network and What Works Centre can be of help here in synthesizing approaches and highlighting best practice.

Taking this further, in some cases LEPS could be a useful vehicle for joint Infrastructure Delivery Plans, particularly where different local authorities are able to harmonise the development of their Community Infrastructure Levy charging schedules. This aligns well with LEPS’ responsibility for prioritizing transport projects within Local Transport Bodies. The District Councils Network reports that ‘The Joint Core Strategy for Broadland, Norwich and South Norfolk Council is a good example of where cross border alignment of policies on housing, infrastructure is working well. This has led to a City Deal for this area where all parties are agreed that the Norwich Research Park (which falls outside one of the local authority areas) should form the key part to the deals proposal to create new jobs and an uplift in GVA’.58 In time, collaboration between LEPS will also become increasingly important, acknowledging that different geographies work for different issues.

55. CURDS, APPG evidence submission
56. Tees Valley LEP, APPG evidence submission
57. Hinckley and Bosworth BC, APPG evidence submission
58. District Council Network, APPG evidence submission
17. Whilst this does not fit every area and must be based on genuinely strong partnerships, local authorities should consider whether a combined authority or joint committee structure could free up business representatives to focus on areas where they can most add value.

Participants reiterated that LEPs based on previous joint working relationships had tended to make more progress than newly formed partnerships and also agreed that personal relationships were crucial to effective partnership. This points again to a need for institutional stability in order that private and public partners alike have the certainty to invest time and resources in developing ‘partnership capital’. Clearly this will take time and in negotiating deals with local partnerships, Government should look for signs of progress rather than necessarily expecting the finished article.

In some areas where partnerships are well advanced, a formal structure can help not only to bind local authority decision making procedures together, but also to provide the LEP with a definitive decision-making context within which the LEP is able to focus on particular areas of expertise. Cheshire and Warrington LEP took the view that ‘In simple terms LEPs should have responsibility and accountability for growth and public service partners for service delivery and public service transformation’\(^{59}\): an effective governance structure can ensure that the links between these areas are clear whilst ensuring that the LEP is operationally able to focus on those points where it can most add value.

In Greater Manchester, both the LEP and the Combined Authority sign off on key strategies and proposals. Whilst LEP Board members are increasingly contributing to the public service reform agenda, the dual structure frees up LEP members’ time to advance other programmes and themes in the interest of businesses, with notable examples being Greater Manchester’s ambitions as a ‘digital city’ and the need for coherent global marketing of the area’s business offer.

18. LEPs should look to engage more backbench councillors through working groups and other mechanisms, while the Local Government Association should work with the LEP Network to run a major engagement campaign for councillors on local growth and LEPs.

Participants noted a variance of understanding of LEPs’ structure, purpose and responsibilities among different types of councillor, with leaders and Cabinet level councillors sitting on LEP boards tending to be the most knowledgeable and engaged, and many backbench councillors unsure about where they fit in. It was reported that this lack of engagement by most councillors could act as a significant barrier to cooperation at the LEP level, and potentially also a convenient excuse for local authority leaders to avoid commitment. LEPs should recognise this issue and act on it, seeking to bring more ward councillors from the area with appropriate skills and interests into contact with LEP activity, for example through working groups, representative panels, scrutiny functions and consultative events, while the LGA and the LEP Network could usefully address this issue through a national engagement campaign in the run up to 2015.

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59. Cheshire and Warrington LEP, APPG evidence submission
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Tees Valley Unlimited LEP
Thames Valley Berkshire LEP
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The APPG on Local Growth, Local Enterprise Partnerships and Enterprise Zones is an informal, cross-party group of Parliamentarians aiming to raise the profile of local growth issues within Parliament and link Parliamentarians with those driving growth on the ground.

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For any queries related to this report or the APPG, including how you could get involved and support its future work, please contact:

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