Delivering growth
Where next for Local Enterprise Partnerships?

Talking Points
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Against the backdrop of political change and economic recovery, this “Talking Points’ report puts the spotlight on “where next” for the 39 Local Enterprise Partnerships (LEPs) in England. By capturing the views of LEP representatives and their partners our intention is to identify a common agenda and inform and stimulate the debate about the future of the LEPs.

The LEPs may all have started out from different points and evolved at different speeds, but as a group they are now firmly established as the lead agencies for promoting local growth. Indeed, many LEP leaders feel they have met expectations and surprised their critics in the way they have worked with business and local government and also navigated their way around Whitehall.

Some of the LEPs, however, are arguably under-powered and under-resourced for the tasks they face, although for the time being most LEP leaders are pressing for small amounts of core (multi-year) funding, greater certainty and more freedoms and flexibilities. Government ministers will no doubt want to see LEPs become more self-reliant and more successful at attracting private finance.

There are also likely to be more calls for greater accountability and scrutiny, which remains a controversial subject among many LEP board members.

The immediate challenge going forward will be for the LEPs to see through their plans and programmes and maintain a strong business voice for local growth. Despite their varying capabilities they will all have to ensure that public and private funds are spent effectively and deliver results. Future funding will depend on successful delivery. As we discuss in our report, in some places this will demand extra capacity and resources and perhaps closer alignment with local authorities, especially as new Combined Authorities emerge and become more assertive in their place leadership role. It will also require sustained commitment from their local partners and investors, and perhaps more autonomy and new powers to those LEPs that want them and can make use of them (such as for skills and inward investment).

The LEPs have come a long way since their inception in 2010. They can’t solve all the problems facing local economies and many clearly have no desire to widen their remit beyond helping the private sector become more productive. But, as a group, they have demonstrated they can make a difference.

In preparing this report, we interviewed 22 LEP leaders (mainly chairs and chief executives). We would like to thank them all, as well as the other LEP board members, advisors and experts who provided information and opinions and gave their time to be interviewed. We also offer a special thanks to the LEP Network which convened an open meeting for us with LEP leaders to feed back our key findings at the LEP National Conference 2015.

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Introduction

What has worked for the LEPs and why? What are the top priorities and main concerns of the LEPs and their partners? And, critically, what needs to change to enable the LEPs to strengthen local partnerships, implement their local economic strategies and deliver the dividends of decentralisation? These questions will be on the minds of LEP leaders and ministers as the Conservative government prepares to carry forward its policies for local growth.

In this Talking Points publication we begin with setting the context for the development of the LEPs and then explore the themes arising from our interviews with LEP leaders, supplemented by PwC’s survey of local authorities1 as well as desk research by the Smith Institute. We conclude by highlighting the key questions that LEPs and government need to address to deliver on the challenging agenda of rebalancing the economy and driving local growth.

1 PwC, 2015, The Local State We’re In 2015, www.pwc.co.uk/localgov2015
Emergence of the LEPs

The origins of the LEPs dates back to the Conservative Party’s 2010 Manifesto pledge to abolish the Regional Development Agencies (RDAs) and “increase the private sector’s share of the economy in every part of the country by boosting enterprise and creating a better business environment”.2

The Coalition’s five year Agreement in May 2010 stated that the government would “support the creation of Local Enterprise Partnerships – joint local authority-business bodies brought forward by local authorities themselves to promote local economic development”. The subsequent Local Growth White Paper3 announced the first wave of non-statutory, business-led LEPs, with a remit to:

- set out key investment priorities and support high growth businesses;
- coordinate proposals and bids for the Regional Growth Fund and lever in private finance;
- make representation on the development of national planning policy;
- lead changes in how businesses are regulated locally;
- work with local employers and learning providers to help local workless people into jobs;
- explore opportunities for developing incentives on renewable energy projects and engage with national priorities such as digital infrastructure; and
- support strategic housing delivery, including pooling and aligning funding streams to support this.

The government remains firmly committed to the LEPs and is expected, in the short term at least, to continue with the current policy arrangements. The Conservative Party’s 2015 election manifesto, for example, stated that: “we will deliver more bespoke Growth Deals with local councils, where locally supported, and back LEPs to promote jobs and growth”. This commitment is re-enforced by the government’s devolution plans and its vision for “economic powerhouses” across England.

We have come of age and built up trust and belief

The LEPs vary considerably in size and scope, with the city-region LEPs covering populations of between two to three million and the smaller (mostly rural and small town) LEPs covering populations of less than a million. The London and South East LEPs are by far the largest, covering between them a population of 12.5m.4 Staffing levels also vary, with the largest LEP employing 40 full time staff and the smallest having only two.5 According to the LEP Network, in total some 3,000 people from the private sector are involved with the LEPs in one way or another – as board members or members of LEP sub-groups or taskforces.

The development of the LEPs over the last five years has not been uniform. The way in which the LEPs have carried out their roles and responsibilities has also been different, with some acting mainly as enablers and coordinators and others as commissioners and programme managers. As discussed later in the

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2 The Conservative Party Manifesto 2010
3 BIS, White paper ‘Local growth: realising every place’s potential’, 2010
4 See table at the end of the report for more detail on each of the LEPs.
5 According to the Federation of Small Business (FSB), “on average LEPs employ 8.4 full time direct employees and 1.7 full time seconded employees” – FSB ‘The future of LEPs – the small business perspective’, 2014
LEPs are a journey. We can lead by doing things that give local areas more control

The SEPs also include a growth strategy and implementation and delivery plan, mostly with a focus on improving private sector productivity through investment in key areas, such as: infrastructure/connectivity, skills/apprenticeships, employment, innovation, tourism and business support. Although the LEPs all focus on similar areas, each SEP stresses how the strategies are tailored to local circumstances.

All the LEPs share a commitment to improving the conditions for private sector growth. However, some have bigger ambitions. According to one city-region LEP chair, the ultimate goal is to turn the LEP area from “a receiver of public funds to a net contributor to the public purse”. According to the LEP Network by 2015 the LEPs collectively have delivered 100,000 new jobs; provided 50,000 apprenticeships; and leveraged around £4bn of private sector investment.

The challenge for all LEPs is to see their plans through, particularly given their limited internal resources and expertise and the need to engage with a range of partners. But as we found out from our interviews, discussed below, there is no shortage of enthusiasm to deliver.

It’s been hard getting going from a standing start, but we’re optimistic

The value of the LEPs functional economic geography can’t be understated

LEP leaders are not only proud of their achievements to date, but also of their differences. In our interviews the LEPs claim that diversity is the hallmark of decentralisation and that, given the wide differences in economic conditions and opportunity, different tailored solutions are needed for different places.

It was said in our interviews that the LEPs are different from the RDAs that preceded them because they are non-statutory and based on functional economic geography, rather than ‘artificially created’ administrative regions. It was thought that in general LEP geographies better match functional economic areas and that LEP plans and priorities are therefore felt to be better focused on specific sectors and business needs within an economic area.
Although the LEPs face different challenges and have varying capabilities, the LEP leaders we interviewed stress the importance of ‘partnership capital’ and the added value of local partnership working. LEP leaders claim the strength of the LEPs lies in their closeness to local economies and local business and therefore their ability to forge “coalitions of the willing”, rather than in the size and scale of their own organisations. According to the LEP Network, the LEPs have not only mobilised significant support from the private sector, but also “collaborated to powerful effect with universities, colleges and other learning providers”.

While the LEPs share a common aim – to improve private sector productivity – the LEP leaders we interviewed were quick to point out that their strategies to achieve this are “locally made” and “business-led”. They also stress that it is not business acting alone that drives the LEP, but business working alongside the local authorities and other LEP members from across the private and public sectors.

We must retain the private sector voice

Many of the LEPs have set up Growth Funds, as well as sub-groups on transport and other issues based on LEP geography. Some 24 LEPs have also established or partnered in new Enterprise Zones (EZs), which offer various other incentives including business rate discounts, reduced planning restrictions, superfast broadband and (in some areas) tax relief for new investment.

There is widespread support for EZs among businesses. Several LEP leaders suggested that they should be able to extend or establish an EZ (for example, to an entire city-region) without seeking government consent. Some LEP chief executives suggested that the business rate retention scheme that operates within EZs could also be extended to a wider area.

According to the CBI: “Government should reassess the size of the zones’ business rate rebates, how they compare internationally and examine whether further incentives, such as training relief, can be introduced.” How much revenue such retention schemes will yield to the LEPs is uncertain. According to the LGA’s survey of councils, “any increase in the amount local authorities can keep is to be welcomed but not at the expense of reductions in other funding.”

Our power lies in bringing people together and aligning interest, not in bidding against them

‘Governing’ local growth

The LEP boards vary enormously in size in terms of board membership (from around nine for the Worcestershire LEP to 26 for the South East LEP). Many have advisory boards and working groups, often covering specific sectors such as larger businesses or geographical clusters. The chairs and most of the board members are from the private sector, with significant representation in the private sector.
from local government – sometimes including council leaders. Most of the LEP boards also include representatives from universities and colleges.

“Business leaders see LEPs as strategic partners”

There has been much debate about the accountability of the LEPs for local growth. A few LEP chairs were sensitive to accusations that the LEPs lacked sufficient democratic oversight and were not transparent enough about what they do. It was also thought by the people we spoke to that public scrutiny arrangements may have to change if more funding and new responsibilities are handed to them. However, most LEPs seemed reluctant to revisit their legal status or constitution at this stage.

The general view was that governance reforms would “frighten off business”, and that, in any case, most LEPs lack the administrative capacity to cope with a more complex and demanding governance regime. Moreover, many of the LEP chairs stressed that their priority for now was “delivery, delivery, delivery”.

“You have to have top class business people involved”

Some LEPs (such as Solent) have pioneered alternative arrangements where board members are elected independently by member businesses, councils and universities. Jeremy Middleton, a board member of the North East LEP, has suggested that the local business community elects the LEP chair, perhaps with a franchise determined by payment of the business rate. Other LEP members have spoken of the need to improve the way projects are monitored, although several LEP chief executives said that their assurance frameworks with local authorities were working well.

“The problem is aligning incentives. LEPs are small compared with universities and hospitals”

The LEPs seem broadly popular among their business members, although several chief executives accept they still have more to do to raise public awareness about LEP plans and activities, which tends to be low. It was also mentioned that women are poorly represented on LEP boards.

There has also been some criticism of the LEPs for not involving the voluntary sector enough, although many LEPs do include not-for-profit organisations, like housing associations, on their boards.

“We are successful because we’re focused. We must avoid structural distractions”

10 PwC, 2014, Who’s Accountable Now?
11 NAO report ‘Funding and structures for local economic growth’, 2013
12 See The Journal, 4 January 2015
13 PwC, 2014, Who’s Accountable Now?
15 NCVO ‘European Funding Network, 2013
Building relationships

Working with Whitehall

LEP chairs and chief executives speak passionately about the entrepreneurial spirit and business-friendly culture of their LEPs. Their message to government is that LEPs are “business minded”, and that their success might be seriously compromised if the focus was moved away from stimulating private sector growth.

“We could do with a lot less bureaucracy and a lot less duplication”

Although many of the LEPs said that their relations with Whitehall had improved (especially with the Department of Transport and the Department for Business, Innovation and Skills), it was felt that government departments (and public agencies) were still not joined-up enough in supporting the local growth agenda. It was commented that the Government’s cross-departmental Cities and Local Growth Team could, for example, do more to join up the different business support packages they offer.

“Why does each department have to have its own LEP team? And they never talk to each other”

It was said in our interviews that the government itself wants the LEPs to be strongly business focused, but often gave mixed policy messages owing to tensions over the scope and pace of devolution and concerns about ‘winners’ and ‘losers’ in the way that public funds are allocated. A LEP survey by the Centre for Urban and Regional Development Studies (CURDS) concluded that the rapidly changing landscape of economic development policy and the fragmented character of the institutional arrangements had created “an uneven set of relationships between specific LEPs and the key national institutions”.16

The paperwork needs to move faster so we can deliver quicker”

The idea proposed by the House of Commons BIS Committee – that LEPs should have a single sponsor department rather than responsibility split between the Department for Communities and Local Government (DCLG) and BIS – was broadly welcomed.17 It was also said that the LEPs could take forward the work they have been doing with the Homes and Communities Agency, notably through the Local Growth Fund (Housing Initiative), Builders Finance Fund and in Enterprise Zones.

“National programmes are far too inflexible”

It was said throughout our interviews that Whitehall’s tendency to centralise is in part due to a lack of clarity and ministerial agreement as to how LEPs (and localism in general) fits with delivering national policy objectives. In policy areas like inward investment, housing and skills training the LEP role was seen by some interviewees as patchy and opaque. Equally, it was said that there is a lack of coherence as to how individual LEP programmes fit into investment plans for national projects, such as HS2, broadband roll out and plans for a suite of new garden cities.

“Government should just let us get on with it. They should be more pro-active and less controlling”

16 CURDS ‘The state of the LEPs – a national survey’, 2013
17 HoC BIS Select Ctee ‘LEPs – ninth report, 2012/13
Relations with local government

Councils are not only the ‘Accountable Body’ for the stewardship of public money that flows through the LEPs, but also key partners in seeking public and private funds. Councils also provide staff and additional funding and are represented on all LEP boards. All of the LEP leaders interviewed therefore recognise the importance of maintaining a constructive relationship with their constituent local authorities.

“We can help align the different interests of local authorities”

However, those LEPs with many local authority partners – some have over 20 council partners from the different tiers of local government – admit that it is often a tough task to find a consensus. It was said that where there are so many multiple actors with different agendas that getting agreement with no real powers can be like “herding cats”. It was also acknowledged that some of the LEPs struggle to engage all their district councils.

“It is difficult for a single district to get its voice heard”

Nevertheless, PwC’s latest nationwide survey of over 100 local authority chief executives and leaders showed that councils view LEPs as the key partners for achieving growth. Some 77% of respondents said that LEPs are key partners for growth, compared with 41% who named business bodies and 51% who said central government agencies. The survey demonstrated that eight out of ten council chief executives consider LEPs as key partners, up from just five out of ten in 2013 (Figure 1).

“Local authorities should put more in – they should stop seeing LEPs as vehicles to get cash”

Figure 1: LEPs make their mark

Local enterprise partnerships are key partners for achieving growth (% agree)

Source: Local State We’re In

18 PwC ‘Local State We’re In 2015’, March 2015
Combined Authorities and LEPs

The multi-speed, “horses for courses”, evolution of LEPs mirrors to some extent the ad hoc development of Combined Authorities and City Deals, although none of the LEPs are as embedded as the London LEP (London Enterprise Panel), which has an advisory role and works within the framework set by the London Plan and other Mayoral strategies.

The differences in the LEP relationships with councils didn’t appear to be a major concern of the LEPs chairs with whom we spoke. However, there was a worry that further empowerment of Combined Authorities might disadvantage and marginalise those smaller and less well-resourced LEPs working with multiple local authorities. As mentioned, city-region LEPs, like Greater Manchester and Sheffield, already have more direct staff and resources at their disposal than in other areas.

The LEP model doesn’t quite fit the City Deals or every city-region

In areas where the LEPs and the new Combined Authority boundaries are not co-terminus it was felt that the emergence of Combined Authorities may lead to LEP mergers or at least some degree of streamlining.

The impact of City Deals and Combined Authorities on the LEPs is still unclear, and will largely be determined by the relationship with local partners (and local reaction to the government’s agenda to establish more directly elected mayors). Some LEP chairs commented that local authorities in Combined Authorities recognise the value of having the LEP as an arms-length agency and want to ensure that business had a credible voice. Others were less sure and thought the partnership with local authorities would always be demanding, especially in places where there are long standing political tensions between councils.

The biggest threat is a power grab from local authorities

One outcome could be the emergence over time of a distinct two-tier LEP structure, with the larger Combined Authorities enabling the associated LEPs to take on new powers and be better equipped to manage projects directly and compete for public and private finance.

LEPs have been the glue for local authorities

19 Combined authorities are a legal structure that may be set up by local authorities in England, following a governance review. They may take on transport and economic development functions, have a power of general competence and can be passed functions by the Secretary of State.
20 A City Deal is an agreement between the Government and a city that gives the city powers to generate economic growth and decide how public money should be spent.
21 See report by the Institute of Government and Centre for Cities ‘Big shot or long shot – how elected mayors can drive economic growth in England’s cities’, 2011.
**LEP to LEP collaboration**

Collaboration across LEP boundaries was also seen as important by both LEPs and local authorities, especially in two-tier areas where local plans can be narrowly focused. Some examples include:

- Stoke-on-Trent & Staffordshire and the Black Country LEPs working together on planning advisory work.
- The six West Midland LEPs have agreeing areas of improvement in transport necessary to support their economic plans.
- South West LEPs working together on transport improvements
- The Greater Cambridge and Greater Peterborough LEP and New Anglia LEP jointly supporting the Agri-Tech sector

It was said that LEP to LEP co-operation can also be useful in helping broker agreements between neighbouring councils on sensitive issues like the location for new housing developments or transport hubs.

> By working together we can do more than just enhance the status quo

There are also examples of LEPs working at greater distances:

- The Worcestershire LEP is working with Liverpool City Region LEP and other LEPs and Semta on improving engineering skills.
- The Oxfordshire LEP is working with the Cornwall LEP on R&D projects.

The general view was that collaborative working across LEP boundaries (possibly in LEP federations) will be more effective than “forced mergers” into larger LEP areas. Nevertheless, a minority of the LEPs we interviewed stated that there is a case for some voluntary rationalisation, a view shared by some politicians. 22

> If the prize is big enough then some LEPs will merge

LEP leaders also supported the work of the LEP Network, especially around sharing information and promoting best practice. In addition, it was noted that the LEP Network’s Management Board had an important job to do in presenting the LEPs’ collective views to government and national bodies.

> We can work LEP to LEP on a federated basis

More powers?

Most of the LEPs want to stay as they are and some are hesitant about taking on new powers, which may not come with extra resources. There is a worry across the LEPs we interviewed that ‘mission creep’ would add extra layers of bureaucracy and detract from their private sector remit. Few LEPs have the desire to lead on social regeneration work, although some of the LEPs support estate renewal schemes and affordable housing programmes. However, four areas came up consistently in discussion: transport, housing, skills, and trade relations.

Local transport (to date mostly road based projects) is a key area for the LEPs, who work with the local authorities and national transport agencies. The LEPs seem keen to take on a bigger role in transport and are working closely with their local authorities. However, the House of Commons Transport Committee has expressed concern about how the funds will be spent and questioned whether all the LEPs will have the capability to take on responsibility for administering public (transport) funds: “It may be that some LEPs will need to work together to deliver strategic transport schemes”.24

There was interest among some of the LEPs in extending their housing role, especially in places where the LEPs were working well with local authorities. However, there were mixed views as to whether the LEPs should become more directly involved in housing delivery, such as taking on functions of the Homes and Communities Agency and pooling grant funding for affordable homes.

Many of the LEPs reported that urgent action was needed to address the skills crisis, which was said to be holding back efforts to improve productivity and local growth. The LEPs welcomed the government’s recent endorsement of the recommendations in the Whitty review to strengthen links with universities.25 The Russell Group of universities said that the LEPs “should build on the priorities identified by others, coordinating their funding to support other funding providers where there are already established mechanisms for delivering growth from business-university collaboration”.26

“We don’t want to take the skills budget over, but exercise direct influence on priority areas”

Most of the LEPs we interviewed were already collaborating with universities and colleges. The majority said that it would make more sense to devolve a bigger slice of the Skills Funding Agency’s budget to the LEPs.27 Several LEP chief executives mentioned the skills pilot schemes in the North East, Stoke-on-Trent & Staffordshire and the West of England LEPs. It was commented that these schemes, which use financial incentives to ensure that skills provision meet the needs of local businesses, should be rolled out to other areas. Several LEPs are also running Enterprise Adviser pilots, which advise school leaders on how to better link their schools with local businesses.28

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23 Since 2013 the LEPs have incorporated the Local Transport Bodies, which were formerly the main local recipients of DfT funds. The new Local Growth Fund now includes grants previously awarded by DfT to local authorities
24 House of Commons Transport Committee report ‘Local transport expenditure: who decides’, 2014
25 Sir Andrew Whitty’s ‘Encouraging a British Invention Revolution, 2013
26 Russell Group ‘Response to Andrew Whitty’s Review, 2013
27 See PwC’s Talking Point ‘Skilled for the future – simplifying the UK skills system’, 2014
28 The pilots were developed in light of Lord Young’s review of enterprise education: ‘Enterprise for All’, 2014
Skills is our biggest concern, and we can help tackle the problems

Most of the LEPs support apprenticeship schemes and some (like the West of England LEP) run apprenticeship hubs with national providers. While the majority opinion among the LEPs is for more powers and funding over skills training,29 views were somewhat more mixed over employment support.

On trade relations, several LEPs expressed frustration about the lack of co-ordination with UK Trade & Investment (UKTI) and the various inward investment and export promotion programmes. Although some LEPs have teamed up with UKTI and local inward investment agencies30 to build trade relations in overseas markets, it was said that there were too many overlaps and that the LEPs should have much more of a say locally. Reference was also made to the way in which the current arrangements seemed to overly favour London, which accounts annually for around 80-90% of all foreign funded projects in the UK.

Government funding

Funding allocations to the LEPs have been made using a variety of mechanisms – some by formula (largely population based), some by competition. The focus for the most part has been on “supporting those areas and communities that are currently dependent on the public sector to make the transition to sustainable private sector-led growth”.31

Growth Deal funding to the LEPs so far totals around £7.2bn, made up primarily from the Regional Growth Fund (RGF), the Growing Places Fund, and more recently the EU European Regional Development Fund (ERDF) and European Social Fund (ESF). Subject to the forthcoming Spending Review, a further £10bn of funding for the Single Local Growth Fund and Growth deals is planned for 2015-20.

Locally we need to identify our own pots of money

Regional Growth Funding applicants must be able to demonstrate that they will be able to deliver matched funding of at least 1:1 (i.e. for every £1 of public funding the bid should include at least £1 of private sector funding). According to the LEP Network the RGF alone has levered in some £16bn from the private sector investment.32

There is an expectation that core funding out to 2020 will increase perhaps only slightly, depending on whether new powers are given to the LEPs. Indeed, there is an expectation that as the LEPs mature they will be able to lever in much more additional private investment. Government also expects the LEPs to become more self-financing in terms of their running costs.

No government’s going to throw money at the LEPs

UKTI has a blind spot when it comes to LEPs

29 Adonis Review, ‘Mending the Fractured Economy’, for example, recommended that “LEPs should help drive the take-up of apprenticeships among employers at local level and have a much stronger say in what college-based courses are funded locally”, 2014
30 Such as the Leeds City Region LEP and South East LEP
31 See BIS ‘Regional Growth Fund – Round 6 Information for Applicants’, 2014
32 See LEP Network ‘Celebrating the LEPs’, 2015
Analysis of the allocation to LEPs of the Single Local Growth Fund (2015/16) shows that the majority is capital spend, with roughly 56% going to transport projects – of which nearly half are for road improvements (Figure 2). The next largest recipient is skills, including ESF skills match funding (24%). Housing and infrastructure funding (under the New Homes Bonus scheme) was around 20%. This reflects the fact that the LGF was mainly funded by BIS and the Department of Transport. Other sectors, like business support, received relatively less funding.

“The focus for the next two years must be on delivery”

“We need more core funding and some consistency. Without it how can we build up capacity”

In terms of Growth Deal funding to LEP areas, the biggest allocations in 2014/15 on a per capita basis were to the larger city region LEPs, notably Greater Manchester and Leeds. Some of the LEP areas with the lowest GVA growth, such as the Tees Valley and Lancashire, received relatively lower per capita Growth Deal awards. This in part reflects the way in which the funds, like the RGF, have been set up to foster opportunity and complement the Combined Authority City Deals, rather than meeting the social and economic needs of disadvantaged areas. It was, however, noted that the allocation of EU Structural and Investment Funding will be based much more on deprived areas where there are high levels of youth unemployment for example.

A few LEP chief executives voiced concern over the way in which Whitehall offered guidance to the LEPs on EU funding, with a feeling that civil servants wanted the LEPs to make bids that were not endorsed by the local business partnerships. This was thought to be due to the fact that although the LEPs are responsible for the outcomes of EU funded projects, government is responsible for the administration and compliance.
EU funding is a shambles. Whitehall decides the match funding

Most LEPs felt that the emphasis should be on supporting local/sub-regional funds in key sectors like the life sciences and transport, rather than making LEP plans fit government funding silos. It was also felt that better value for money could be achieved if more LEPs pooled resources on infrastructure projects.

Under-resourced?

Several LEP leaders expressed frustration about the continued lack of funding certainty for management and administration, making it difficult to plan ahead or retain and recruit good staff without the security of future core funding. Without the core funding it was thought that some LEPs will struggle to meet their commitments. According to the LEP Network “LEPs consider themselves to be under-resourced for the size of programmes they are being asked to develop and oversee”.

“We can’t keep going and be credible when we can’t even renew the lease!”

There was a call for more flexibility in how LEPs can spend their funding, with at least five-year budgets. One LEP chair suggested that there should be a top-slicing of LEP funding to bridge the revenue funding gap. Many of the LEPs would also like to see a complete end to the ring fencing of funds, as proposed by Lord Heseltine. One way forward would be for councils to have a “joint sign off” on the LEP SEP to “unlock” a single pot of funds from government.

“We can’t do everything on capital allocation. We need more revenue”

Several LEP chief executives spoke about how they are utilising new powers to borrow cheaply through the Public Works Loan Board and are developing new funding tools, such as Tax Incremental Financing and revolving funds. There is also growing interest in the possibility that the LEPs might be able to secure extra funding from any growth in pooled business rate revenue. One LEP chair also suggested that LEPs could capture funding from the retention of stamp duty on new housing and through a pooling of different funds. However, a big issue for the LEPs going forward is how they will fit into the emerging landscape of fiscal devolution, especially given their non-statutory status.

Fiscal devolution is coming, and the LEPs can benefit from it

A greater role in planning?

The LEPs have increased their influence through their SEPs and their European Structural and Investment Fund Strategies. Growth Deals and other LEP funding, for example, are negotiated on the basis of the SEP, which is guided and assessed by government. Although LEPs don’t have a statutory role in the planning process, they do have an advisory role under the ‘Duty to Cooperate’ (Localism Act 2011), which requires councils to collaborate on cross boundary issues, such as housing and infrastructure.
A lot of councils are struggling and welcome our help

Some local authorities are also preparing joint local plans that align with those of the LEPs and most have developed ‘business friendly’ planning and development charters and protocols. Despite these positives, the way in which LEP economic strategies complement spatial local plans is not always clear. It was suggested that perhaps LEPs should be given more opportunity to challenge local spatial plans “if things don’t appear to add up”.

Planning is too toxic

A few LEP chairs supported the idea of the LEPs having a bigger and more formal planning role, with perhaps similar planning powers to Development Corporations. However, the majority view from our interviews was that granting such planning powers would involve an unwanted change in the legal status of LEPs and may create tensions with local authorities.

LEPs have to be careful about extending their remit into local plans

Instead, the preference among LEP leaders we spoke with is to retain the LEP strategic and advisory planning role in relation to ‘natural economic geographies’. This could take on added significance where Combined Authorities prepare joint multi-area plans that align with those of the LEP.

Focus on SMEs

Most of the LEPs have established Growth Hubs, which offer ‘one stop’ support for small firms. Whilst these Hubs have the strong backing of government and LEP boards, the Federation of Small Businesses (FSB) has called on the LEPs to improve consultation with small businesses, especially in regard to activities relating to SME (Small and medium sized enterprises) competitiveness. The FSB also has concerns about how LEPs evaluate the impact of Growth Hubs.

According to Alex Pratt, chairman of the Buckinghamshire Thames Valley LEP: “The tailoring of bespoke business support packages by the 39 LEPs, will inevitably mean that different parts of the country will receive different services. To simplify the situation, the more LEPs choose to work together when appropriate, the more effectively they will communicate and engage with the business community”.

Some of the LEPs (such as the Greater Birmingham & Solihull LEP) are actively encouraging larger firms and organisations to use their procurement policies to support small firms. The spotlight has been placed on so-called ‘anchor institutions’, which have the potential to procure more local goods and services. Around a third of a local authority’s spend is within its own boundaries. It was said that increasing this by a small amount could make a big difference. One chief executive commented that the LEPs were “missing a trick” in not doing more to help increase procurement spend (from public and private organisations) with local SMEs.

We can be much more nifty around local procurement, which is often cheaper

37 FSB report ‘A new design : making local support work for business’, 2015
38 Organisations which have a long term stake in a community, such as councils, hospitals, housing associations and universities
39 For every £1 spent by a participating local authority with local SMEs generated an additional 63p of benefit for their local economy, compared to just 40p generated by large local firms. See ‘Local procurement: making the most of small businesses – one year on’, Federation of Small Businesses/CLES 2013
Conclusion

The LEPs have made rapid progress in a short period of time and are now entering a crucial period in their evolution when attention will turn from strategic planning to programme delivery. The constructive partnerships the LEPs have established (especially with business and local government) will hopefully serve them well in this regard.

However, as this report shows, some of the LEPs are arguably under-powered and under-resourced for the tasks they face. A lack of capacity and capability will inevitably constrain their ability to maintain relationships, review plans and manage programmes. Furthermore, tensions may arise with local and central government if the business voice is toned down or the LEPs are forced to take on new responsibilities for which they are insufficiently resourced or which they may not want.

Tensions may also emerge with central government over future funding, although for the time being most LEP leaders are pressing for small amounts of core (multi-year) funding and more freedoms and flexibilities. With pressure on budgets, the talk of possible mergers is likely to get louder in some regions – especially where the economic geography is less convincing. Nevertheless, LEP leaders seem united in the view that any changes should be voluntary. There is little appetite for Whitehall to decide.

Going forward, government ministers will no doubt want to see the LEPs become more self-reliant and more successful at attracting private sources of match funding. There are likely to be more calls for greater accountability and scrutiny, which remains a controversial subject among many LEP board members. Government will also be keen to evaluate the performance of the LEPs, but wary of adopting the target-based performance management frameworks which applied to the RDAs.

The bigger unknown will be how the growth of localism and the spread of Combined Authorities impacts on the ‘LEP family’. Opinion among the LEPs is divided. Most want to stay as they are and get on with delivering their current programmes. Others are more willing to talk about how they could take on more responsibilities, especially in key areas like skills, inward investment and transport. At the very least, the Combined Authorities are likely to become more assertive in their leadership role in respect of local economic development. This may lead to a distinct and overt two-tier LEP system, with the City-Region LEPs operating on a much larger scale with bigger budgets and more capacity to bid for funds.

The LEPs have so far successfully travelled with the grain of devolution and led on local economic planning and bidding for funds. The challenge now is to consolidate these achievements and ensure that their strategic economic plans are turned into demonstrable concrete results. That, as we have discussed in this report, will require sustained core funding, enhanced capability and effective succession planning to retain and attract the best people from both local councils and local businesses.
**Tough questions**

...for LEPs

- Can the LEPs keep their differences and continue to develop at different speeds?
- Are there too many LEPs, and if so how might they merge?
- Do the LEPs have the capacity and capability they need to deliver on their plans?
- What new funding tools (and freedoms) would help LEPs become more self-reliant?
- Do LEPs really need more powers, and if so, what should they be?
- How can the LEPs better connect with national policies and big national infrastructure projects?
- How can the LEPs ensure they maintain a strong private sector voice?

...for government

- Can Whitehall let go and sign up to a truly single funding pot?
- What will it take to get central government departments to be more joined-up on local growth?
- Where is the relationship with local government heading?
- Will Combined Authorities change the city-region LEPs, and what will this mean?
- How can the LEPs be made more accountable for the decision-making and delivery of public funds?
- What extra responsibilities should the LEPs take on?
## Local Enterprise Partnership: Profiles

<table>
<thead>
<tr>
<th>LEP</th>
<th>Population in 2015 millions</th>
<th>GVA annual growth 2003-13 %</th>
<th>Business count in 2014 '000</th>
<th>Growth Deal awards 2014/15 £m and per capita (£)</th>
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</tbody>
</table>

Source: Smith Institute; Ward, M Local Enterprise Partnerships (House of Commons Library, 2015), ONS
Distribution of good growth index scores across LEPs

Key:
- Below average relative to the index for all LEPs (≤ -0.5)
- Around average (-0.49 – +0.49)
- Above average (> +0.5)

No LEP
1 North East
2 Cumbria
3 Tees Valley
4 York, North Yorkshire & East Riding
5 Lancashire
6 Leeds City Region
7 Liverpool City Region
8 Greater Manchester
9 Humber
10 Sheffield City Region
11 Cheshire & Warrington
12 Derby, Derbyshire, Nottingham & Nottinghamshire
13 Greater Lincolnshire
14 Stoke-on-Trent & Staffordshire
15 Leicester & Leicestershire
16 The Marches
18 Greater Birmingham & Solihull
17 Black Country
19 Northamptonshire
20 Greater Cambridge & Greater Peterborough
21 New Anglia
22 Coventry and Warwickshire
23 Worcestershire
24 South East Midlands
25 Gloucestershire
26 Hertfordshire
27 Buckinghamshire Thames Valley
28 Oxfordshire
29 London Enterprise Panel
30 Thames Valley Berkshire
31 West of England
32 Swindon & Wiltshire
33 Enterprise M3
34 South East
35 Coast to Capital
36 Solent
37 Dorset
38 Heart of the South West
39 Cornwall & the Isles of Scilly

Source: The Demos-PwC Good Growth for Cities Index measures the current performance cities and places against a basket of ten categories, based on the views of the public and business, as key to economic success and wellbeing. Employment, health, income and skills are the most important of these factors, as judged by the public. Find out more at www.pwc.co.uk/goodgrowth
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