

# The Future of Local Enterprise Partnerships

A report by Shared Intelligence

For LEPs and the LEP Network

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# Executive Summary

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The 38 Local Enterprise Partnerships (LEPs) welcome the publication of the Industrial Strategy. LEPs are strategic bodies, bringing together leaders from business, local government, education and other key local stakeholders to drive private sector led growth, and achieve economic opportunities as well as addressing challenges at a local level.

LEPs are hugely supportive of the government's ambition as set out in the Industrial Strategy, and the five foundations of productivity: ideas, people, infrastructure, business environment and places. LEPs bring together the organisations with responsibility for taking action in each of these areas. We are further empowered by the Industrial Strategy to deploy our convening role to galvanise action at pace in a local area through: the development of Local Industrial Strategies; the establishment of Skills Advisory Panels; our involvement in Sector Deals and High Potential Opportunities; and the continuation of our hugely successful Growth Hubs recently reporting to have cumulatively worked with almost 600,000 businesses.

The high calibre of the business leaders on our boards is critically important. The delivery of the strategy at a local level will be based on the best possible business intelligence including an understanding of the barriers to growth that businesses face and what interventions at a local level can help to overcome those barriers. LEPs are uniquely well-placed to collect that evidence and use it to set the strategic direction of local economies and ensure that action results.

The emphasis on place is critically important. Action on the five foundations of productivity will be most effective because of our unique convening role. We bring partners together to lead the delivery of the relevant programmes at a local level, and shape priorities to maximise their cumulative impact. We have close working relationships with our local business representative organisations, and a wide range of stakeholders from education and other sectors.

Our engagement with local councils and the role of local political leaders on our boards is crucial to delivering this place dimension. Councils' planning, education, infrastructure and housing responsibilities combined with their community leadership role complement our focus on productivity and business expertise. LEPs are effective because we enable business and political leaders to work in tandem.

We share the government's enthusiasm for "deals" as a framework for delivering the action required to enable growth. We envisage that Local Industrial Strategies will provide the basis for a new generation of place-based growth deals. If we are to deploy our leadership, convening and integrating role to the full we must have access to funding for programmes rather than projects, with medium term financial certainty. We are looking for a cross-Whitehall conversation. Improvements to productivity nationally and locally will be achieved only if all government departments are open to respond to the ambitious Local Industrial Strategies that we will be bringing forward.

As locally-based partnerships we fully appreciate the need for transparency and accountability in our decision making and reporting. We are all committed to continue producing clear annual reports and accounting statements that demonstrate the value we have added and how public money has been

utilised. We will all be testing our governance arrangements to ensure they comply with the recommendations of the Ney Review. Those LEPs which are not incorporated and are not part of a combined authority are committed to working with government to understand the implications of adopting incorporated models. We are keen to actively contribute to the LEP review to ensure that we are well-placed to lead the local delivery of the Industrial Strategy.

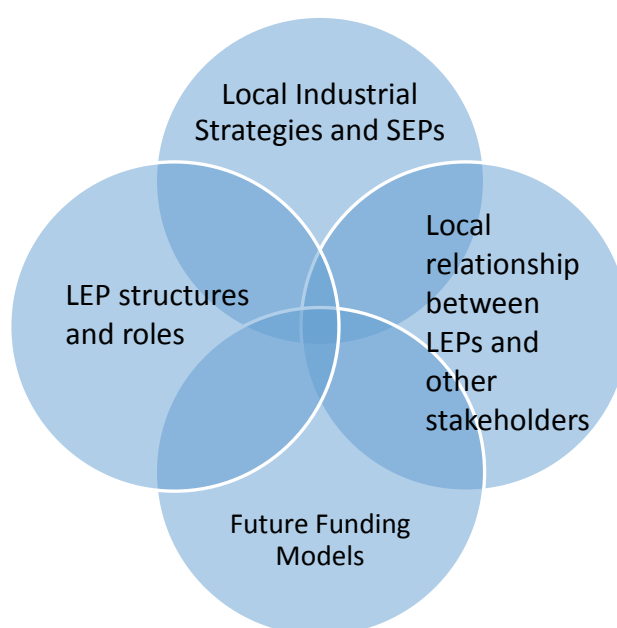
# 1 Introduction

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This report is intended to form the basis of a document for Ministers and officials, portraying the collective Local Enterprise Partnership view on a range of principles, both on the future role of LEPs but also the future funding of LEP programmes. It will be used to inform conversations with Ministers in the short-term, setting out the LEP position on emerging policy development and informing the government's LEP Review.

The LEP Network has commissioned this work at a time of significant policy change. The government is occupied with the challenges of Brexit. Business growth is stymied by low levels of productivity and skills challenges. The wider policy environment seeks an economic model which promotes longer term and fairer outcomes for people and places. The role that LEPs play driving this agenda in the future will depend to a large extent on the relationship that develops with government and various Whitehall Departments and with their local partners, particularly local councils.

This document explores the contribution of LEPs to the five foundations of productivity identified in the Industrial Strategy: ideas, people, infrastructure, business environment and places. It considers how LEPs can lead the development of Local Industrial Strategies, LEP structures and roles, the local relationship between stakeholders and other LEPs as well as future funding models. The report also addresses the issues raised in the terms of reference of the government's LEP Review.



Alongside this, the report will also be used to canvass views and opinions from a range of wider stakeholders, testing principles and assumptions with organisations that are key to the future of LEPs. This includes but is not limited to Local Government Association, Universities UK, Institute of Economic Development, County Councils Network, District Councils Network, ADEPT etc.

## 2 Local Enterprise Partnerships 2020-22

The role of LEPs has evolved since their creation in 2011. They received greater powers and responsibility after the Lord Heseltine report No Stone Unturned which called for a more concrete role for LEPs. LEPs have evolved over time, taking on more responsibilities and acting more centrally in debate and action relating to economic growth.

The ability of LEPs to convene all the local institutions with a contribution to make to enabling inclusive economic growth will be key to the capacity of local economies to navigate the challenges and opportunities they face over the next five years, including Brexit. That convening remit combined with their rich business intelligence and action-oriented economic plans will enable them to lead the production and delivery of Local Industrial Strategies.

This section briefly summaries the types of action required to support economic growth in the current context. It goes on to describe how LEPs can create the conditions in which that support is provided. And it concludes by highlighting the key attributes that LEPs would bring to this role and the things that need to be put in place to enable the full potential of LEPs to be exploited.

By March 2017, LEPs supported over 130,000 businesses, helped create over 145,000 new jobs, supported over 95,000 learners, and accelerated the building of 30,000 new homes.

Businesses create economic growth. Jobs are also created by other organisations including the public and charitable sectors. Increasing productivity is key to both economic growth and the effective use of tax revenues to fund public services. A range of interventions are necessary to support economic growth, the creation of jobs and increased productivity. This is reflected in the scope of the five foundations of productivity set out in the Industrial Strategy. The actions required include, for example, infrastructure investment, action to enable knowledge transfer from universities to business, the nurturing of eco-systems which can foster business growth and innovation delivery and training to raise skill levels and improve the quality of economic opportunities. Action is also required to ensure that local people are able to take advantage of employment opportunities in their area.

In many places a combination of different interventions will be required to overcome the barriers to growth faced by particular businesses or to open up opportunities for growth in a particular area. The wide scope of the action required is reflected in the fact that many LEPs use People, Business and Place as the framework for their strategies and investment programmes. It also requires input in terms of evidence, intelligence and investment from a variety of sources including: the business community, particularly intelligence from individual businesses with the ambition to grow; local councils and combined authorities; further and higher education institutions; transport agencies and providers; and social housing providers.

The table on the next page summarises the capacity and track record of LEPs in taking and galvanising action on each of the foundations of productivity highlighted in the Industrial Strategy White Paper.

<b>LEPs: delivering the Five Foundations of productivity.</b>	
<b>Ideas:</b> the world's most innovative economy.	LEPs deliver. By March 2017, LEPs had supported over 130,000 businesses, helped create over 145,000 new jobs, supported over 95,000 learners, and accelerated the building of 30,000 new homes. We are challenging and support those projects that deliver the most added value and benefit to our economies – while driving delivery at pace, on time and to budget.
<b>People:</b> good jobs and greater earning power for all.	Business-led LEPs have invested over £650m in skills projects to tackle local future skills needs; we have a leading role in developing Local Industrial Strategies, that will include plans to address critical skills shortages at local level; we are working with the seven pilot Skills Advisory Panels announced recently by the Education Secretary, and; LEP leaders are represented on the panels helping to develop the new T-Level qualifications. Resolving the skills deficit is a key priority for LEPs and Local Authorities. Only by creating opportunities to increase skills can we close those skills gaps and, in turn, boost productivity growth which is central to our economic well-being.
<b>Infrastructure:</b> a major upgrade to the UK's infrastructure.	LEPs have delivered a wide range of infrastructure activity across England in cities, towns and rural locations – from business parks to town centres, from 5G to road and rail. We've brought the private sector to the table as a co-investor on the Local Growth Fund. Government invested £9bn. The private sector added another £7bn. Some LEPs are reporting this investment has led to a 10:1 uplift in GVA.
<b>Business environment:</b> the best place to start and grow a business.	Business growth is at the heart of what LEPs have done and continue to deliver. To highlight two relevant programmes ... <b>Growth Hubs.</b> As at 30 <sup>th</sup> September 2017, LEPs have engaged with over 580,000 businesses through the 38 Growth Hubs across England. Over 65,000 have received intensive support in the form of a business diagnostic to help them grow. They report an average customer satisfaction rate of 87%. Businesses that have been in contact with a Growth Hub are growing faster than other businesses. Both in terms of turnover (9% for beneficiaries compared to 2.5% on average) and employment (8% for beneficiaries compared to 0.1% for the comparison group). The 48 <b>Enterprise Zones</b> across the LEP landscape are also making a significant difference. The original 24 zones that started in 2012, have secured around £2.7 billion of private sector investment, attracted over 30,000 jobs and over 750 businesses.
<b>Places:</b> prosperous communities across the UK.	We are already working on developing ambitious Local Industrial Strategies for our places. Collectively our Strategic Economic Plans set out an ambition to: <ul style="list-style-type: none"> <li>• support 250,000 businesses;</li> <li>• create 750,000 new jobs;</li> <li>• help 600,000 learners improve their skills;</li> <li>• start over 350,000 new homes;</li> <li>• lever £17bn of private sector investment.</li> </ul> Our local Industrial Strategies will continue and exceed that ambition.

This comprehensive and integrated approach is even more important in the context of Brexit and the anticipated period of uncertainty over the next few years. In this context high quality business, economic and market intelligence will be essential; workforce issues look set to become more pressing; and supporting those businesses which have an appetite to grow in these circumstances will be more important than ever.

The core elements of the framework which will enable LEPs to lead the development and delivery of Local Industrial Strategies are:

- the LEP board which draws its membership from respected local business leaders together with senior leaders from local councils, higher and further education and other organisations including housing providers;
- high quality relationships between the LEP and government, other local anchor institutions, particularly the local council(s) and in some places a combined authority;
- direct access to the best possible business intelligence through board membership, engagement with business membership organisations, surveys, engagement processes and day to day contact;
- a strategic framework comprising:
  - a long term, evidence based economic vision underpinned by a set of SMART objectives and targets;
  - a suite of programmes and action plans combining interventions with a place, skills and sector focus; and
  - forming a local industrial strategy;
- accountability to local stakeholders drawing on high quality and transparent performance management and prioritisation processes;
- a funding mechanism which supports and rewards the effective delivery of LEPs integrating and convening remit.

LEPs also play an important role working with neighbouring LEPs and devolved administrations across wider geographies, for example as members of a combined authority or in initiatives such as the Northern Powerhouse and Midlands Engine, or along key growth corridors such as strategic transport links (like the HS2 supply chain in the West Midlands).

The other sections in this statement explain the key features of this framework in more detail. The following paragraphs focus on three attributes of the framework which are critically important if it is to enable inclusive economic growth and increased productivity. They are:

- the capacity to integrate - business bring their critical expertise to LEP Boards;
- access to and exploitation of high quality business intelligence;
- a funding regime which supports this approach.

The composition and role of LEP Boards is key to LEPs' capacity to integrate. They formally bring together business, education and civic leaders and provide a space for collaborative working between the individuals and their organisations. Boards generally comprise respected local business people, council leaders (supported by the chief executives and directors of regeneration), the vice chancellor of one or more local university and/or the principal of a local further education college plus other key partners such as the chief executive of a local housing provider.



LEPs' role in leading the development of Local Industrial Strategies (or of supporting the Mayor to develop them in places with Mayoral Combined Authorities) makes the nature of the engagement with local government more important than ever. It will be particularly important in delivering the place dimension. Councils' planning, infrastructure and housing responsibilities combined with their community leadership role complement our focus on productivity and business expertise. LEPs are effective because we enable business and political leaders to work in tandem.

In many places there is no other forum in which these people formally meet. It means that LEP boards comprise the people with responsibility locally for the areas in which action is likely to be required to enable economic growth. It also gives the LEPs access to people and expertise needed to develop a coherent strategy and design and deliver programmes and interventions to implement the strategy and secure funding locally and from government and other sources.

The composition of LEP boards and LEPs' responsibilities give them a remit to convene the local anchor institutions in different combinations to create the conditions for economic growth and development locally. It is important to ensure that the representation of local political leaders on LEP boards and local political engagement is used to underpin this critically important convening and integrating role which goes to the heart of the action needed to grow economies and improve productivity at the scale of functional geographical areas.

The active participation of members of LEP boards from further and higher education is particularly important. It has contributed to the development of a stronger place focus for those institutions, and it has the potential to create the conditions for genuine employer leadership of skills provision tailored to meet the needs of businesses in an area.

A key asset that LEPs bring to this convening and integrating role is their unique access to a variety of sources of business intelligence. An important theme of the Industrial Strategy is its focus on place – one of the five foundations of productivity – including the scope it identifies for a place dimension to sector deals. Local business intelligence is absolutely critical to delivering this approach. Local industrial strategies must be based on as good an understanding as possible of which businesses have the ambition and capacity to grow, which sectors they are in and where they are located. It is also essential to understand what barriers to growth those businesses face and how interventions at a local level can help overcome those barriers. This understanding should form the heart of Local Industrial Strategies.

LEPs are best place to collect and collate this information bringing together their own sources of information together with that of the other organisations represented on their boards, including local councils and education and training providers. Information sources available to LEPs include:

- surveys of local businesses;
- information from engagement events which may have a place or sector focus;
- information from day to day interaction with businesses, such as through the delivery of support to businesses.

The role of the business board members is particularly important in this context. They bring their own experience, knowledge, expertise and perspectives. They also have a key role to play in making sense of the findings from the sources referred to above and using it to inform the development and implementation of effective local industrial strategies. The relationship between LEPs and local

business membership organisations is an important one with LEPs being best placed to respond to the priorities they articulate on behalf of their members. Business people who get involved in LEPs bring this 'business focus', but also have a more 'community reason' for their involvement as they care about the place as well.

LEPs share the government's enthusiasm for the concept of deals. They have contributed to the development and delivery of City Deals and Local Growth Deals and welcome the new Sector Deals. It is important that deals remain a central feature of the relationship between LEPs and government with Local Industrial Strategies providing the basis of a new generation of place-based local growth deals.

Finally, if this convening and integrating role is to be delivered LEPs need access to funding in a way which enables an integrated approach. Proposals on funding are developed in more detail in a subsequent section, but if LEPs are to work in the way described above future funding arrangements must reflect three principles:

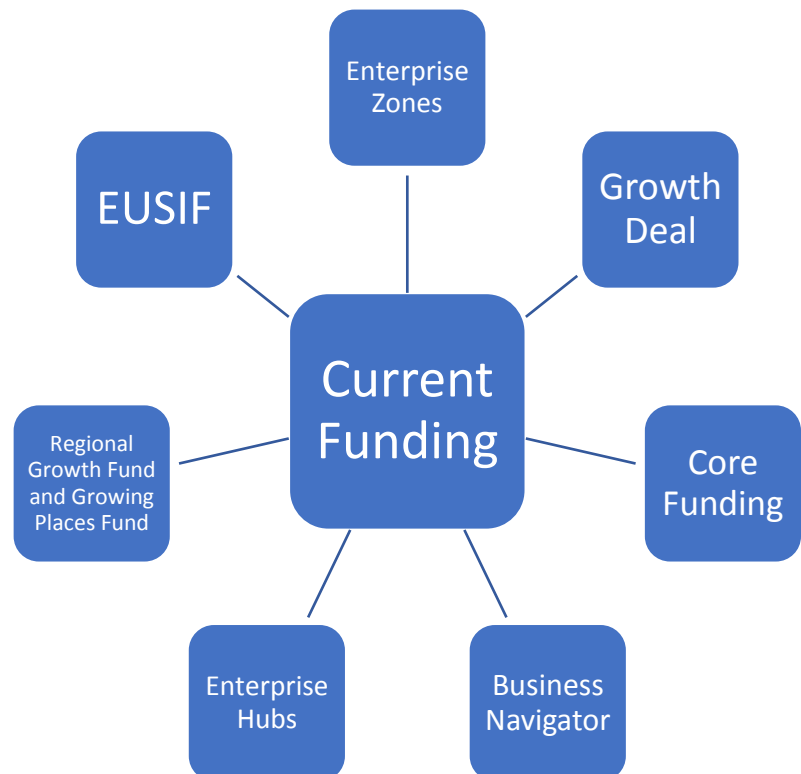
- first, they must encompass the all government departments with an interest in the full scope of actions needed to enable economic growth at a local level;
- second, the funding must be allocated to programmes of activity rather than individual projects. If local industrial strategies are to have maximum impact the sequencing and phasing of different interventions in a place must be determined locally which cannot be achieved if individual projects are assessed and funded separately.
- third, they should create a framework which can maximise the leverage of other sources of investment, including from other public investment but crucially from the private sector.

In short, if LEPs are to fulfil their potential future then funding arrangements must be supported across Whitehall departments, as close to a single pot as possible.

## 3 Future funding to deliver growth

The LEPs have played both a strategic and operational role in the delivery of place-based outcomes for their own geographies and in collaboration with neighbouring LEPs. This has become an increasingly important part of their portfolio. Second to that is the role that LEPs play as independent organisations with a measured and non-political attitude to risk, and an ability to deliver innovative approaches to leveraging investment.

The current funding package that LEPs have access to, includes a range of capital, revenue, competitive and non-competitive funds with limited flexibilities depending on the source and nature of the income. While in isolation, each fund or funding allocation supports delivery for growth, the siloed and often complex criteria to draw down funding means that resource is taken up meeting criteria instead of delivering against outcomes. Changes to the funding regime as set out below, seek to provide more value for money for the government while enabling LEPs and their private sector partners to deliver against a strong growth agenda.



### Flexibility to deliver growth

The current financial position does not allow LEPs to deliver growth in such a way that maximises long term business growth and productivity and leverages investment. Limited access to revenue funding, funding cycles that do not allow innovation and forward planning and set criteria for opportunities which do not necessarily deliver against locality priorities are common traits.

In order to deliver a whole economy approach, LEPs require access to a single, integrated funding pot. The LEPs strong case for the creation and use of a single pot is based on a number of factors including but not limited to their ability to generate private sector leverage, strong governance, local knowledge and intelligence of economy and business sector, proven track record, evidence based investment, speed and flexibility, measured and non-political attitude to risk, and ensuring the voice of local business.

LEPs proven track record and governance would also enable them to work horizontally across government departments bringing them together to deliver the widest of outcomes in 'place'. The allocation of funding would be based on a sound current system to direct funds to focus on long

**Local Growth Fund** - Government invested £9bn and LEPs brought the private sector to the table adding another £7bn. Some LEPs are reporting the investment has led to a 10:1 uplift in GVA.

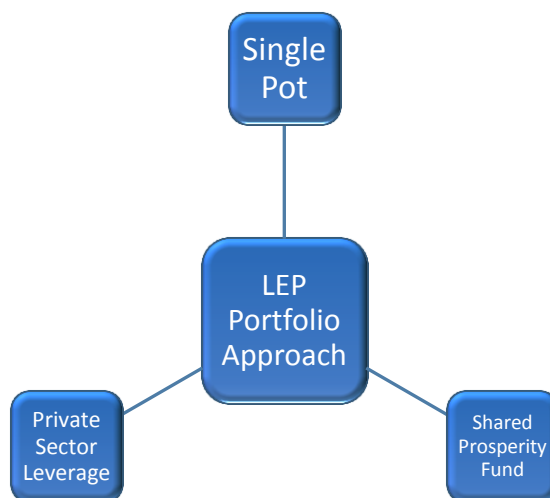
**Growth Hubs** - As at 30<sup>th</sup> September 2017, LEPs have engaged with over 580,000 businesses through the Growth Hubs, over 65,000 have received intensive support, reporting an average customer satisfaction rate of 87%.

term economic priorities including industrial growth, productivity, improved living standards and economic rebalancing through a formula based on per capita, need and performance. There could also be incentives built in to facilitate collaboration across wider geographies and on priority UK themes. To ensure a high standard of accountability, plans should be subject to public engagement and scrutiny to better understand the local requirements for growth and development.

There should be investment on a pan-government basis to remove the danger of individual departments seeking to retain 'their share' and should be distributed on the basis of need, the robustness of a LEP's strategy, its delivery record and impact.

In considering the future funding routes and mechanisms, there are a number of overall characteristics that set the parameters for delivery and should form an important element of new place-based local growth deals. These include:

- Length and stability of funding of a minimum of 5 and up to 10 years to support strategic decision-making.
- Availability of a balance of revenue and capital funding and a flexible deal to allow for 'explorative' projects and top-slicing.
- The ability to manage a localised revolving fund, using the emerging UK Shared Prosperity Fund as a leverage tool, driving engagement with business and leveraging commercial revenue and adding value to local delivery.
- A scale of bureaucracy which is more efficiently focussed than the ESIF arrangements and with a single set of reporting measures, bringing together government departments into a single fund.
- Single pot with cross-department agreement which recognises a need based argument with an added opportunity to 'top-up' with performance based or competition based additions and is equal to or at a value greater than the amount already receive
- Outcomes that are differentiated on a local basis but not predetermined by funding streams and government departments.



It is considered that as well as the funding principles set out above, there must be a portfolio approach to delivering growth outcomes.

A key driver is stability and certainty. LEPs require continuity of funding equal to or greater than the amount already received, which extends beyond the next allocation and which supports strategic decision-making driving reinvestment of the Shared Prosperity Fund and other funding streams at a local level. To achieve this, there must be flexibility to support capital and revenue priorities which can drive productivity and private sector input alongside an appropriate level of accountability.

While at the time of writing, the details of the Shared Prosperity Fund are unknown, LEPs and the LEP Network are keen to ensure they can negotiate with government at a portfolio level reducing inefficiencies and delivering at a whole place level.

### Outcome measurements

The outcomes that a LEP delivers, must be measured by a basket of measures which supports economic growth while understanding competitiveness, business and their requirements. The performance measures need to capture SMART objectives that flow from a vision; key measures such as GVA, job creation and career progression, land, new homes, apprenticeships; and project delivery.

In re-imagining these growth drivers, the themes that are central to the National Industrial Strategy and closely aligned between UK and SEP growth should be used as broad headings under which a basket of measures sit including:

- Business – supporting and backing business to drive growth and productivity
- Ideas and Innovations – generating more new businesses and ensuring existing businesses can keep up with technological advances among other things
- Infrastructure – driving investment in digital, ensuring new infrastructure is delivered and working with business to ensure regulation is not a barrier to growth
- Labour market – ensuring that the labour force is supported into and in work
- Places – delivering place-appropriate outcomes that work for localities and are not hindered by conditions set by government departments

The 48 **Enterprise Zones** across the LEP landscape are also making a significant difference. The original 24 Zones that started in 2012, have secured around £2.7 billion of private sector investment, attracted over 30,000 jobs and over 750 businesses.

## 4 The future of LEPs: commitments and requests

Civil servants have now shared with LEPs the terms of reference for the LEP Review. The table below summarises our initial contribution to each element of the review.

<b>LEPs: addressing the Terms of Reference of the LEP Review.</b>	
Defining LEPs' role in driving growth and productivity	LEPs are strategic bodies, bringing together leaders from business, local government, education and other key local stakeholders to set and achieve economic opportunities and address challenges at a local level. The core LEP role is to galvanise those organisations to act to enable growth informed by rich businesses intelligence and a robust place focus. We can drive action the five foundations of productivity identified in the Industrial Strategy.
Business leadership and corporate governance	<p>LEPs' business leadership is key to setting the strategy for action to enable growth through Local Industrial Strategies based on the best possible business intelligence.</p> <p>LEPs Chairs are passionate about helping their local business community succeed and compete on a global stage. The calibre of business leaders on LEP boards is critical to our success.</p> <p>Our leadership responds to business need and opportunity - we bring business expertise to the decision-making process.</p> <p>It's not just the leadership of the Chair. We calculate there are over 3,000 private sector individuals giving their time, expertise and leadership on our Boards and various sub-groups.</p> <p>And it's not just the private sector. LEPs include local government. Our engagement with local councils and the role of local political leaders on our boards, is crucial to delivering this place dimension. LEPs are effective because we enable business and political leaders to work in tandem. We also work extremely closely with stakeholders, especially from the Further and Higher Education sector.</p> <p>This has provided government with a unique reach making a difference where it really matters: in the villages, towns and cities across England.</p>
Accountability through rigorous financial reporting	LEPs work hard to ensure that a culture of openness and transparency is embedded in the way LEPs function and make decisions in order to achieve local economic growth. LEPs recognise the need to operate to the expectations of the National Assurance Framework, and to ensure that they have robust policies and procedures in place to meet those expectations in collaboration with their designated Accountable Body. LEPs are fully committed to working with government to ensure the implementation of the recommendations in the Ney Report.
Geography and boundary overlaps	No LEP is an island, and we know that business is not constrained by geography. We continue to demonstrate our ambition to work flexibly across a range of geographies. We are increasingly

	collaborating as neighbours across the Northern Powerhouse and Midlands Engine to the South West and Greater Thames Valley collaborations, and also in sectors of space, energy, advanced manufacturing. LEPs also work with councils and other partners to deliver a more local focus on, for example, High Potential Opportunities and towns facing particular challenges. We are committed to work with Government and our fellow LEPs on overlaps.
Organisational capacity and reporting consistency	LEPs are a focussed resource dedicated to improving our local economy. LEP are driven by a skilled team, senior and influential, that has the confidence of business leaders which in turn brings leaders into the debate who have credibility, gravitas and contacts to create the circumstances to achieve their economic vision. LEPs were set up to be 'light touch'. Going forward, to meet our commitment to openness and transparency being embedded in the way LEPs function and make decisions, we will a conversation with government about the to order to achieve local economic growth. LEPs recognise the need to operate to the expectations of the National Assurance Framework, and to ensure that they have robust policies and procedures in place to meet those expectations in collaboration with their designated Accountable Body.

The key themes of the issues LEPs want to see addressed through the review and their offer to government include:

- Accountability, transparency and performance management;
- SEPs, LEPs and the Industrial Strategy;
- Business leadership and voice.

These areas are explored in more detail below.

#### **Accountability, transparency and performance management**

As LEPs enter a new phase, the priorities need to shift towards reasserting LEPs as strategic bodies and not simply a mechanism for delivering government funding, acknowledging the importance of the voice of elected local leaders and directly elected Mayors. Their strategic understanding and delivery record means that they are well-placed to play a lead strategic role locally and are best placed to be responsible for the delivery of the Shared Prosperity Fund.

This will mean a change in the relationship from both sides. Government must work towards whole economy investment, to allow continuity and design a new set of levers that can promote the delivery of growth. LEPs will build a communications strategy to manage and maintain stakeholder interest and confidence. The commitment from LEPs will be demonstrated through the LEP Review process and will focus on the outcomes that need to be achieved in local areas. LEPs will build on their track record in transparent project prioritisation, project delivery and performance management.

There is a consensus that accountability and transparency can be improved through formal and informal mechanisms such as published reviews, strong accounting officers, strong internal audit

functions, and publishing documents and decisions online. Equally, LEPs need to agree common structures and formats for the transparency of data. Part of this transparency needs to transcend through to all relevant stakeholders i.e. public, private, local and national. Those LEPs which are not incorporated and are not part of a combined authority are committed to working with government to understand the implications of becoming companies limited by guarantee.

### SEPs, LEPs and the Industrial Strategy

LEPs add considerable value to England's productivity and growth agenda. Their leadership role delivers responsiveness to business need and uses strong evidence based decision-making to drive local economic growth. Their advocacy role is unique to their set of partners as well as the locality in which they operate, bringing business expertise and leadership to the decision-making process.

LEPs welcome the government's decision that LEPs should lead the development of Local industrial Strategies or support Mayors to do so in places with a Mayoral Combined Authority. LEPs have local knowledge and business intelligence, work flexibly with credibility and hold strong business relationships. This is important for local trust and business support. LEPs provide the business leadership and support AND integration with public sector and HE/FE at a local level. They have proven track records, existing networks, freedom and flexibility to deliver locally.

This shift requires cooperation with central government. This involves giving LEPs genuine freedom and flexibility for example to invest in local commercial markets. Government should also learn to allow LEPs to follow their long-term strategies by investing at arm's length. This requires trust from central government e.g. look at LEPs proven track record on SEPs. Crucially the government needs to recognise the good work done by LEPs through an unambiguous statement of support and a clear articulation of the role it envisages them playing in the current context.

LEPs have the advantage of representing functional economic areas. They are able to straddle both local and strategic dimensions to enable a whole economy approach to driving economic growth, hitting the sweet spot of local vs. strategic. The flexible approach to geography adopted by the industrial strategy – ranging from broad geographies such as the Midlands Engine to towns with particular challenges and areas with High Potential Opportunities – is welcome. LEPs have experience of working with their council partners at these different levels.

Their strategic role convenes and enables collaboration joining up priorities such as skills, infrastructure, transport, digital etc. at a geography that represents a functional economic area while their operational remit is building a reputation of delivering at pace, on time and on budget. They provide a unique partnership which brings together common agendas between business, education and local government leaders and will support post-Brexit growth.

Clear on the role of the new Industrial Strategy, LEPs wish to explore how they can deliver against need and opportunity at a local level. LEPs are committed to working with government and their partners at a national and local level to develop and implement local industrial strategies enabling the delivery of refreshed strategic economy plans. By investing in LEPs to drive sustainability, localities will achieve outcomes across a wide set of measures that supports a whole economy approach.



While the funding equation will be driven partly through the Shared Prosperity Fund and partly through the leverage LEPs bring to the table, it must address a range of socio-economic outcomes driven by an areas' need. Levers that enable LEPs to deliver more effectively must be considered part of this arrangement. Competitiveness, innovation and the removal of barriers to business growth must also be central to this equation.

### Business leadership and expertise

In developing a new framework and the parameters of the Shared Prosperity Fund, success must be defined and measured through a structure that delivers evidence-based decision making; promotes consistency in standards; shares best practice and has gold standard governance. This will ensure a strong strategic and delivery relationship that delivers post-Brexit growth.

High calibre business leaders must continue to be key members of LEP boards. This needs active support from central government. Good quality business people want to be part of an organisation that is influential and effective. Credibility is key. Simplicity can also bring business people on board and lack of bureaucracy. LEPs still have work to do to attract key industry leaders (CEO level) and larger businesses.

The LEPs calculate there are over 3,000 private sector individuals giving their time, expertise and leadership on LEP Boards and sub-groups.

We bring partners together to lead the delivery of the relevant programmes at a local level, and shape priorities to maximise their cumulative impact. We have close working relationships with our local business representative organisations, who bring a much valued voice of business to our discussions, as well as close involvement with a wide range of stakeholders from education and other sectors. LEPs provide a unique role as a critical partnership able to respond to the priorities that business articulates.

LEPs work best if they have specialist sub-groups such as innovation that can engage in more detail. To expand our LEPs work requires key links with industry/ business and education sectors. Branding is important so that businesses recognise what LEPs do. LEPs can work across boundaries and with other LEPs to share best practice and push larger unitary authorities such as combined authorities to catalyse change.

## 5 Appendix I – The DCLG Review

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In August 2017, Ministers announced that they were about to embark on a review of LEPs. Set within a context of determining the future role of LEPs, the desire by government to strengthen their role during the course of this Parliament has been set out. As highlighted in the Green Paper for the Industrial Strategy earlier in the year, government is seeking to ensure they have capacity and capability to deliver against the Industrial Strategy outcomes.

The review which proceeded this announcement has commenced with survey work across the LEPs. In the introduction of the survey, it stated 'LEPs are an essential part of Government's plan for driving local growth and the Industrial Strategy' setting the scene for the critical role LEPs play in working with business and civic leaders.

In September 2017, a request for all LEPs to input into the LEP Review commenced with a set of questions posed by DCLG, concentrating on the following areas of interest (and set out in Appendix 2):

- Evolution of LEPs
- Performance
- LEP Futures
- Constitution
- Board Membership
- Accountability and Transparency
- Geography

The returned responses, of which there were 26, will form the content of the debate for the Review Panel (date, attendance and Terms of Reference yet to be established). It is anticipated that the review will concentrate on putting LEPs on a more consistent legal footing, whilst ensuring freedom and flexibility.

### Summary of responses

#### Evolution of LEPs

There is an overriding consensus that LEPs role since their inception has changed: LEPs have moved towards service delivery, have acquired real funds and responsibility across issues such as skills, transport and housing. In part this has been due to collective and strategic partnerships between LEPs and businesses, which also avoids duplication of work. Most although not all LEPs have grown in absolute size in terms of staff. This new role for LEPs has been accompanied by new responsibilities and has led to the structure of LEPs becoming more streamlined, for example through setting up accountability and management boards. These new roles are hindered by a lack of complete funding programs and a single pot.

For those LEPs adjoined to Combined Authorities the response is generally positive: shared staff improves complementary and makes it more democratic. One LEP (not part of a Combined Authority) feared that Combined Authorities might reduce the value of LEPs.

Most LEPs agreed that this new role has been met by more accountability and transparency (although not all). All LEPs were of a general agreement that relationships with and the expertise of government have been important for pursuing key objectives. The majority cited DCLG and BEIS as key partners. However, some LEPs would like to see better relationships and support from other government departments such as DfE, DfT, DEFRA and teams managing EUSIF. Others also cited that communication with central government can be patchy. Simultaneously, there is a concern about frictions between local authorities and LEPs roles.

General recommendations for central government for the future of LEPs: to back LEPs financially and politically, partner LEPs, differentiate between short-term and long-term investment, consider the size/ geography of LEPs relative to funding, and consider outside government relationships.

Collectively LEP Strategic Economic Plans set out an ambition to:

- support 250,000 businesses;
- create 750,000 new jobs;
- help 600,000 learners improve their skills;
- start over 350,000 new homes; and
- lever £17bn of private sector investment.

### Performance

LEPs performance is generally measured by a host of indicators including: growth, productivity, employment, housing, business engagement, investments secured, GVA, private sector leverage, skills outputs, infrastructure, wage differentiation, planning, transport, inclusive economic growth (mentioned once), workless households, qualifications etc.

The majority of LEPs agreed that current monitoring doesn't capture added value, particularly of partnerships. LEPs generate strategic added value through influencing, engaging, brokering and relationship management. Other value highlighted by individual LEPs not measured include free time e.g. by chairs and working with schools. To remedy these pitfalls one LEP has improved its evaluation by consulting with the what works centre for local economic growth.

Two LEPs also criticised the LOGAS net system for being inefficient and narrow. This results in no focus on KPIs and SEP targets, underreporting, time lags and duplication.

### LEP Futures

LEP chief executives are of a strong view that the SEP provides a sound evidence-base to pinpoint economic context and direct the strategic framework. The SEP is important for guiding investment (short-term and long-term), engaging and feeding back to public and private stakeholders, and setting priorities (which differ depending on LEP).

There is a strong agreement that LEPs have a key role to play in the Local Industrial Strategy (LIS) with the majority of LEPs viewing it as a natural progression of the SEP. As custodians of a future LIS, LEPs would align local efforts with central government thinking. However, some LEPs stated the development of the LIS needs to be in a wider partnership across areas (geography), LEPs and sectors (industry). This future role needs to be made clear, for example in the industrial white paper the difference between the LIS and the SEP. This is necessary to create an '*unambiguous mission*' for LEPs. Five LEPs also agreed that the LIS needs to be adjoined to the Inclusive Growth agenda.

The general view is that LEPs are best placed to help develop and deliver economic programmes for the UK Shared Prosperity Fund (SPF) at a local level e.g. Inclusive Growth and the LIS. The majority of LEPs signposted the need for a single pot of funding with local control of funds. LEPs could act as a *'funnel'* or *'building block'* for allocating the UKSPF. No single area e.g. South-east is homogenous so funding needs to be place-based.

### Constitution

For those LEPs who are fully constituted companies limited by guarantee, governance structures have enabled effective operations and delivery of local growth. LEPs have also benefited from high calibre board members particularly from the private sector. For some of those LEPs without legal status, LEP chief executives note that members of the board appear less invested and the LEPs are more heavily reliant on other partnerships. One LEP sought PwC consultancy to review their governance structures.

The relationship with local and regional tiers of government is mixed. One LEP criticised the lack of support from local government. Another stated that having multi-tiered governance structures can make democratic engagement complicated and expensive. A third LEP saw local authority's influence as positive.

To improve governance structures and deliver local growth LEPs generally want more consistency in LEP practice across the country. More of a role for private sector is key e.g. majority of the board members should be from private sector and business engagement needs improving. Other improvements in order of common agreement include: compliance with the Assurance Framework, devolved power, transparency of LEP work and practice, improved speed and efficiency to deliver projects, and longer-term funding.

### Board Membership

All LEPs bar one agreed that they could recruit high quality private sector candidates to their boards. The LEP unable to recruit high quality candidates stated it was due to a lack of big businesses in the area. Two caveats are worth bearing in mind: businesses leaders are concerned about the indefinite future of LEPs and their role, which undermines private sector confidence; and the concern that if LEPs become too regulated the bureaucracy could turn off the private sector.

The majority of LEPs do not compensate board members with the view that it doesn't impact on the quality of membership. Some chairs are remunerated. If the responsibilities and time commitments increase some chief executives recommended remunerating might be necessary.

In terms of addressing diversity and private sector representation several recommendations were made including: using more business-friendly language, building LEPs national profile (particularly with businesses), and advertising in specialist areas e.g. the Women in Industry Network. To mitigate shortfalls in these areas one LEP ensures a one hundred percent churn in membership every two years and adherence to diversity based on the Equality Act 2010. For the issue of diversity LEP chief executives acknowledged this a wider challenge, which is not exclusive to LEPs.

### Accountability and Transparency

All LEPs agree that the national assurance framework and accountable body have been helpful to understand levels of expectation and work with central government. Several caveats were

highlighted. One chief executive suggested it needs more time to develop and there needs to be closer relationships between LEPs. To improve accountability and transparency one LEP recommended that better metrics are needed. Central government could also be responsible for sharing best practice, which has so far been helpful.

To engage with stakeholders LEPs use a variety of methods including: meetings, newsletters, social media, events surveys, press releases, workshops, website, networking, MP briefings, stakeholder briefings, e-bulletin/ newsletter, public meetings, round tables, communications strategies etc. Some LEPs have specific communications networks while others have limited resources they could commit to communication strategies.

To deepen this engagement all LEPs have plans to (or are already expanding) their communications and engagement strategies with stakeholders. To raise LEPs profile requires more funding e.g. one LEP has raised its international profile through the Midlands Engine at Cyber Maryland 2016. This illustrates LEPs broader plan to focus on business representation and exposure to private firms.

The Annual Conversation process is mostly viewed as positive but needs to be more structured and clearly articulate LEPs purpose. On the one hand there is a strong view that Whitehall is not so well prepared. To a lesser extent it is a two-way process and both sides need more preparation. It was also stated that what government gains from the process is less certain. To improve this process LEPs recommended that central government rebalance the perception of LEPs.

### Geography

Geographical proximity is important for collaboration across LEPs. Equally so is mutual priorities and economic objectives/ similarities such as responses to the National Industrial Strategy and sector-based deals. Geographical proximity has less bearing for sector-based deals such as the South-Wests and Cumbria on Nuclear Sector Deal. Strategic partnerships can also build on both sectors and proximity such as the Oxford-Milton Keynes-Cambridge Growth Corridor. Other avenues and examples include the UK Space Gateway, Agri-Tech East, Cyber Security deals, IOS and the Core cities forum.

The majority of LEPs cited the LEP network as an important avenue for collaboration with *'buddy ups'* particularly helpful for sharing good practice and interests by sector. LEPs connected with Combined Authorities are more likely to connect with other Combined Authorities. This is becoming a strong feature of the LEP networks and learning.

## 6 Appendix 2 – the DCLG questionnaire

<b>Evolution of LEPs</b>
<b>Do you think that the role of LEPs has changed since their inception? If so, how?</b>
<b>Has your LEP changed its structure and function since the inception of LEPs. If so how and why and if not, what are the factors that make your LEP effective?</b>
<b>If your LEP is part of a Mayoral Combined Authority (MCA) area, how has this impacted on the role and decision-making of the LEP, and do you feel there is complementarity of roles?</b>
<b>How does your relationship with Government help you pursue your key objectives? If so, please give examples.</b>
<b>If your LEP was able to do more, what issues would you focus on? What are the barriers to you doing this?</b>
<b>Performance</b>
<b>Which of three indicators do you prioritise when you are measuring your performance?</b>
<b>What roles do you perform that you feel are not captured on Government monitoring arrangements?</b>
<b>LEP Futures</b>
<b>How does your Strategic Economic Plan (SEP) provide value in identifying and delivering your strategic economic objectives?</b>
<b>How do you think the development of a Local Industrial Strategy could empower you to lead a more ambitious strategy for your LEP area?</b>
<b>What role would you like to see LEPs have in the UK Shared Prosperity Fund?</b>
<b>Constitution</b>
<b>How do you feel that your current governance arrangements support you in your ability to deliver growth to local places?</b>

**What could be improved?**

### **Board Membership**

**Are you able to recruit high quality private sector candidates to boards?**

**Do you remunerate / compensate board members for their time? If not, do you think this impacts on the quality or number of candidates that apply? What factors influence this?**

**Do you have any suggestions for how might you strengthen private sector board representation and diversity and incentivise further private sector involvement in decision making?**

### **Accountability and Transparency**

**Is the National Assurance Framework helpful? If not, what further work is needed?**

**Does the DCLG Non Executive Director Review and past updates on the National Assurance Framework, provide you with sufficient assurances to operate transparently? If not, what more is needed?**

**How do you communicate and engage with stakeholders?**

**Do you have plans to extend/deepen your reach or improve your engagement and communications with stakeholders?**

**What reflections do you have on the Annual Conversation process? How could this be improved?**

### **Geography**

**Which LEPs do you collaborate with the most? Why and how?**

**Which LEPs or other partnership organisations do you look to most often demonstrating best practice?**

# 7 Appendix 3 – The LEP Factor



## THE LEP FACTOR MAKES THE DIFFERENCE

SUPPORTED BY HM GOVERNMENT



Department for  
Communities and  
Local Government

**Passport to Employment.** Initiated by the LEP, this unique project plays a vital role in supporting young people's careers in key business sectors. It's a unique opportunity for employers to contribute to the development of the skills and talent needed to build the future workforce.



**Silverstone Park Enterprise Zone.** The LEP ensured delivery of this world leading High Performance Technology Cluster, creating 125,000 sq ft of high quality employment space. This booming sector has grown twice as fast as the local economy since 2009 and provides employment for c36,000 people.



**Omega Business Development.** The LEP helped drive development of the Omega business site in Warrington, when it had stalled. Negotiation and a £3m loan helped generate 2,800 jobs. In total, nearly £210m was generated in private sector investment.



**Housing and Regeneration.** Coast to Capital is addressing the biggest challenge in its region - the availability of affordable housing - by maximising public and private investment in housing to support the delivery of local plans working with the private sector.



**Inclusive Growth.** Following the DWP's 'Improving Lives' Green Paper, the LEP initiated work with the business community and the Government's Strategic Work and Health Unit on a beacon project to transform the employment prospects of people with disabilities and long term health conditions.



**Whitley South Infrastructure Project.** An expanded automotive business zone at Jaguar Land Rover's Whitley site is being developed with the potential for 6,000 highly skilled jobs. The LEP played a critical role negotiating c£750m of private sector investment and £35m of LEP funding to get the project delivered.



**Carlisle Airport.** The LEP is growing the business potential of Carlisle airport with £4.75m to improve its runway, terminal and connectivity. The investment will allow new passenger routes to Belfast, London Southend and Dublin, and create an international hub with direct flights to Europe and the US.



**BioCity Discovery Centre.** The LEP worked with Nottingham City Council and BioCity, part-funding and driving development of the £30m BioCity Discovery Centre. It's estimated that the 50,000 sq ft complex (opened June 2017) will create 700 jobs and safeguard a further 250 over 30 years.



**Bournemouth International Growth Programme.** The LEP secured over £45m to drive the Bournemouth International Growth (BIG) Programme. It will transform accessibility to and around Bournemouth Airport and Wessex Fields to create up to 10,000 highly skilled jobs, generate £500m of GVA, and deliver 350 homes over the next decade.



**5G Innovation Centre.** The LEP partnered with the 5G Innovation Centre to establish the world's first 5G Gaming Hub. It will accelerate economic growth by exploiting the UK's £4.33bn gaming industry, and support the non-gaming sector to develop new products and services which use gaming technology.



**Berkeley Science & Technology Park.** The LEP led a redevelopment of the Berkeley site as a learning campus and business incubator space. It invested £12m and leveraged private investments, including a University Technical College and nine new or growing businesses.



**Energy Capital.** Initiated and led by the LEP, Energy Capital is a smart-energy innovation partnership for the West Midlands. It forges together key partners from academia, industry and public sector to exploit investment in smart-energy technologies, research and infrastructure to benefit the region.



**Skills Investment with CITB.** Meeting future skills demands of the construction industry is a vital target for the LEP. Working with the CITB, they invested £450,000 in revolutionary new training simulators for the next generation of plant operators anticipated to train over 400 people by January 2018.



**Lincoln Transport Hub.** The LEP and Lincoln City Council are developing a vital new transport hub for Lincoln. It will enable increased employment, housing and improved accessibility and encourage sustainable travel. The £29m infrastructure project has benefited from £11m of funding from the Local Growth Fund.



**Science and Innovation Audit.** GMLEP's Science and Innovation Audit demonstrated that the region is characterised by an exceptional level of partnership and connectivity. The LEP now intends to invest a portion of Growth Deal 3 funds in assets identified by the Audit, including the Pankhurst Centre and International Screen School Manchester.



**Nuclear South West Partnership.** The LEP is leading a cross-LEP and business partnership to maximise the benefits of the development of Hinkley Point C and the £55bn of new nuclear opportunities for business within 75 miles of the area over the next decade.



**Elstree Studios.** The LEP worked with studio owner Hertsmere Borough Council to help kick-start a multi-million pound clearance operation at Elstree. This enabled the studios to create a new backlot and expand by 25%, leading to it securing a £100m contract for the Netflix series The Crown.



**Skills Network Partnership.** The LEP initiated a new partnership via its Skills Network which sees over 350 different organisations including schools, education and training providers, and businesses come together for the first time to develop and deliver the LEP's Employment and Skills Strategy.





**Growth Initiatives.** The LEP worked with business and local authority partners to establish a single economic strategy, underpinned by a £1bn growth programme, which will deliver over 10,000 new jobs by 2020.



**Business Support.** The economic cost to Leeds City Region of the 2015 Boxing Day floods was £0.5bn. The LEP Growth Service worked tirelessly to be there for businesses, answering phones throughout the holidays and committing £3.18m to 65 businesses to aid recovery, including new or refurbished premises and safeguarding jobs.



**MIRA Technology Institute (MTI).** The LEP has invested £9.5m in a skills centre on the MIRA Technology Park Enterprise Zone. The MTI will be built by the start of the 2018 academic year to develop a talented workforce for the automotive companies located at the EZ.



**Burbo Bank Windfarm Supply chain.** The LEP worked with DONG Energy to create a local supply chain for a £1.2bn investment in Liverpool Bay. Over 40 local companies have won new contracts and the programme is recognised as a best practice model by DIT in the UK and overseas.



**London Ambitions and the London Enterprise Adviser Programme.** The LEP worked closely with businesses, Mayorality and councils to create the first pan-London Careers Offer, "London Ambitions" including England's most successful Enterprise Adviser scheme, placing 150 businesses in schools to guide their careers strategies.



**International Aviation Academy.** The LEP supported the world's first International Aviation Academy in Norwich offering apprenticeships, degree and higher-level training for up to 500 students. The £12.5m project was funded by a range of public and private partners, including £3.3m from New Anglia LEP's Growth Deal.



**North East Ambition.** The LEP has worked to secure commitment from over 150 schools, colleges and organisations to deliver a new LEP-led careers education strategy. To date, this has achieved regional impact – improving outcomes for young people, and national recognition from careers policy makers.



**Economic Achievement.** The LEP has secured over £200m worth of government funding for Oxfordshire, supporting the creation of 40,000 new jobs in five years, over 50% of the LEP's 2031 job target. In total, OxLEP oversees a £2.2bn growth programme.



**Boeing Project.** The LEP has forged a working partnership and supportive approach which has enabled aero giant Boeing to build its first factory in Europe in the region, due to open late 2018. Boeing is investing more than £40m in the region.



**UK's First Autonomous Systems Testing Service.** The LEP is working to establish the Solent as the UK Marine, Maritime and Naval Centre of Innovation and Excellence. Initial investments have created three specialist skills facilities and the UK's first Maritime Autonomous Systems Testing service to drive innovation.



**Southend Airport Business Park.** SELEP is working with public and private sector development partners to accelerate significant commercial activity at London Southend Airport Business Park. £20m of LGF will support a 55 acre site benefiting from proximity to one of the fastest growing airports in Europe and will thereby deliver provision for over 2,600 new jobs.



**Education and Skills.** The LEP invested £6.2m in the £13.5m project over two years to create a new FE campus for vocational education for young people and involving over 300 businesses and employers. There will be 700-1000 new learners by 2020 with over 300 apprentices.



**Gestamp Automotive Investment.** The LEP enabled Spanish automotive supplier Gestamp to relocate to a new state-of-the-art 550,000 sq ft facility on a 52-acre South Staffordshire site. The LEP-backed investment retains the company in the area and creates a premium development-ready site with excellent attributes.



**Porton Science Park.** The LEP worked with Wiltshire Council, business partners and academic health networks to establish a fourth life sciences hub in the UK with an anticipated overall GVA of £74.7m. It will be completed by the end of 2017 and deliver 1,400 jobs across 12,000sqm laboratory and office space.



**Local Growth.** Tees Valley Combined Authority has supported 60 companies, which have invested more than £300m in the area creating and securing 600 jobs. The President of the CBI described it as "a fantastic example of public-private partnership - the strongest and most ambitious in the country".



**Growing Places Fund.** The LEP was the first to invest Growing Places Funds into a Funding Escalator. This award-winning fund offers non-traditional finance to high-growth SMEs. To date it's invested £6.6m into 49 SMEs, creating or safeguarding 457 jobs and leveraging £16m of private equity.



**Telford Land Deal.** The LEP secured a unique land deal in Telford which will see more than 300,000 sqm of employment land developed and 8,500 jobs created. A percentage of receipts from land sales will be re-invested to support other LEP projects.



**Connecting for Virtual Reality and Creatives.** The LEP brought the Virtual Reality World Congress to the region. The event led to at least five new digital projects through matchmaking, adding to the West of England's reputation for supporting creative industries – more than 50% of new investments are in these sectors.



**Developing a highly skilled workforce.** The LEP has invested over £3m into Further Education Colleges, Group Training Associations and sector-specific, business-led Training Academies to raise the level of STEM skills. Latest research shows Worcestershire achieved the UK's strongest growth in higher-level workforce skills for the second year running.



**Growing the Gateway to the Yorkshire Dales.** The LEP invested in a £13m flood alleviation project that has opened up a major new employment zone that will create over 1,000 jobs in Skipton. This significant investment in a market town will drive growth locally and across the wider Yorkshire Dales.



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