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Chapter 1

LEPs – living up to the hype? The changing framework for regional economic development and localism in the UK

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LEPs – living up to the hype? The changing framework for regional economic development and localism in the UK

From when the idea of local enterprise partnerships was first floated in the run-up to the May 2010 general election, there has been fervent discussion and steadfast work by the Coalition government to replace the nine regional development agencies of England with the new LEPS. Vince Cable MP called the decision to abolish the RDAs the Coalition's "Maoist moment".¹

Thirteen years of work to establish a comprehensive system of regional development for England has since been abolished and abandoned.² The philosophy and rationale for the establishment of the RDAs was set out in the 1997 white paper *Building Partnerships for Prosperity: Sustainability, Growth, Competitiveness and Employment in the English Regions*. Their main promoter was John Prescott MP, then deputy prime minister under the Blair government.

RDAs in England 1999–2010

Labour felt that the RDAs should be based on regional structures of partnership, policy integration of effort, and clearer leadership in the regions in economic development and in spatial planning. The nine RDAs eventually established by the 1998 Regional Development Agencies Act started operating in April 1999 and began with a wide remit, which was extended by successive Labour administrations throughout their life. The RDAs were developed initially with five statutory purposes:

- to further the economic development of their area;
- to promote business efficiency, investment and competitiveness in their area;
- to promote employment in their area;
- to contribute to the achievement of sustainable development in their area; and
- to enhance the development and application of skills relevant to employment in their area.

RDAs developed comprehensive systems for regional economic strategies and regional spatial strategies, and for 10 years worked to integrate and shape economic development and planning and environmental frameworks for the English regions. They were emasculated by the incoming Coalition government in 2010 within a year of its arrival in Westminster and Whitehall, producing only a whimper of protest from

¹ *The Guardian*, 12 November 2010

² For the history of RDAs and their development, see, for example: Bentley, G and Gibney, J *Regional Development Agencies and Business* (2000)

local government and the business sector, with final abolition scheduled for the end of March 2012.³

What we now need is a longer period of research and reflection on the achievements of the RDAs and their limitations, and to understand why regional partners and stakeholders found the RDAs too remote and mechanistic. A frequent objection from local government was that they were too driven from the centre and too top-down, but what has replaced the RDAs is a new, looser framework of agencies with neither the resources nor the capacity to intervene logically and consistently in our local and subregional economies.

The Coalition government and the new LEP structures 2010-12

This has been amplified by the avowed "permissive" approach of the Coalition government, which in lay terms can be seen as equating to central government relinquishing control (but not necessarily of the crucial financial levers of power). The administration's intention is to provide more room for manoeuvre locally by reducing guidance and bureaucracy, helped along with the new, incentivised mechanisms and programmes of the Regional Growth Fund, enterprise zones and now the Growing Places Fund.

Since business secretary Vince Cable and communities secretary Eric Pickles invited proposals for the establishment of LEPs in June 2010, and following the government's ratification of LEPs from October 2010 onwards, LEPs have been expected to cover a lot of ground in a relatively short space of time.⁴ Most LEPs are moving forward to discuss their priorities and developing business plans. As a way of supporting LEPs and facilitating mutual learning, the government is now financially supporting a National LEP Network, which is managed by the British Chambers of Commerce, and a new LEP network bulletin is being produced.⁵

However, the 39 LEPs appear to be considerably lacking in both resources and momentum, and are insufficiently embedded within government. In addition, there is much confusion in terms of policies for city regions, spatial planning and infrastructure, and engagement with the new programmes for economic development. For the Regional Growth Fund and the European Regional Development Funds for 2007-13 and 2014-20, for example, spending on existing programmes has been much delayed because of the considerable policy turbulence.⁶

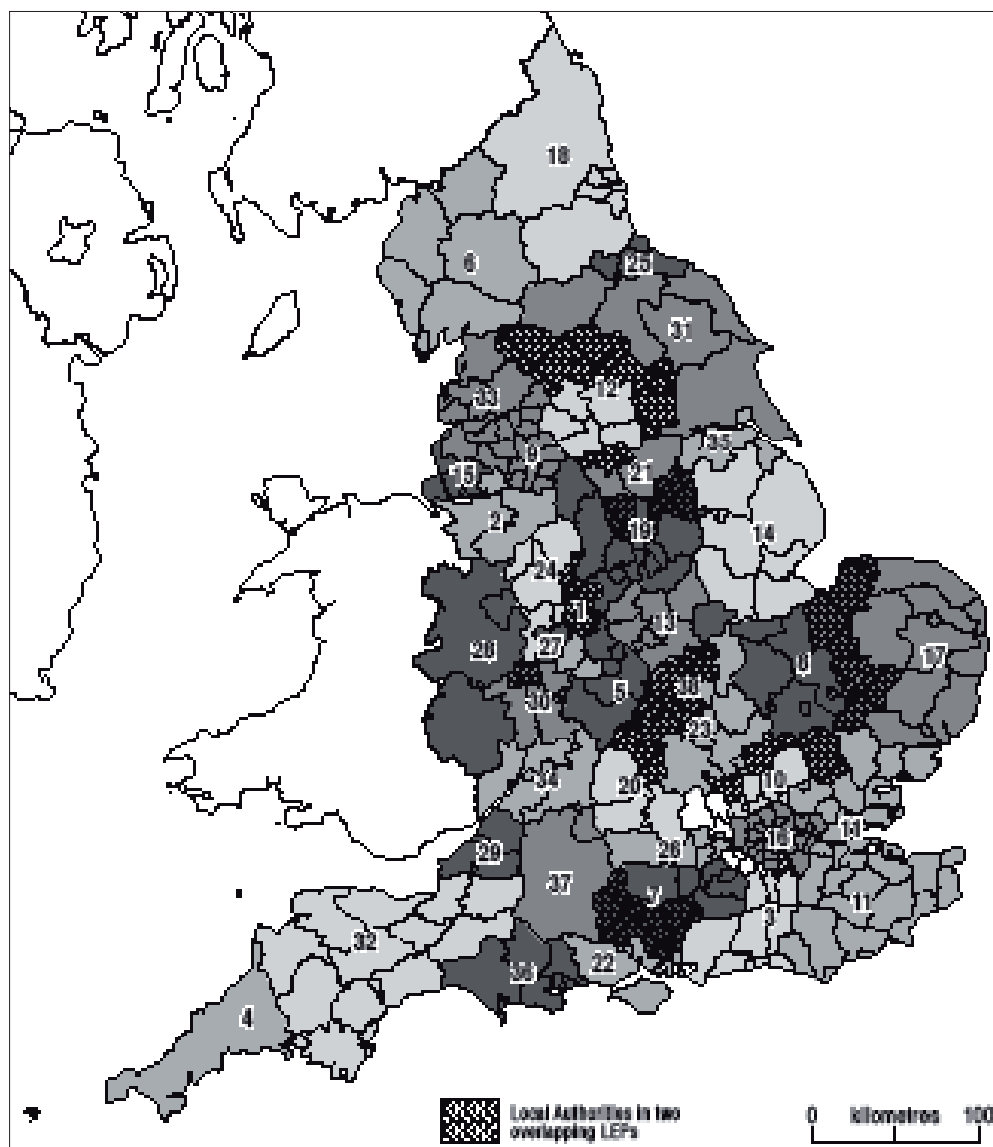
3 HM Government *Coalition Agreement* (2010)

4 HM Government *Local Growth: Realising Every Place's Potential* (2010)

5 www.lepnetwork.org.uk

6 For details of new EU policy frameworks for 2014-20, see: European Commission *EU Cohesion Policy 2014-2020: Legislative Proposals* (2012); "Growth and Jobs: Next Steps", presentation of JM Barroso, president of the European Commission, to the Informal European Council on Europe2020 on 30 January 2012

Map 1: The LEPS in the UK, end-2011



List of local enterprise partnerships:

- | | | |
|--|---|--|
| 1. Birmingham and Solihull with East Staffordshire, Lichfield and Tamworth | 12. Leeds City Region | 26. Thames Valley and Berkshire |
| 2. Cheshire and Warrington | 13. Leicester and Leicestershire | 27. The Black Country |
| 3. Coast to Capital | 14. Lincolnshire | 28. The Marches Enterprise Partnership |
| 4. Cornwall and the Isles of Scilly | 15. Liverpool City Region | 29. West of England |
| 5. Coventry and Warwickshire | 16. pan London | 30. Worcestershire |
| 6. Cumbria | 17. New Anglia | 31. York and North Yorkshire |
| 7. Enterprise M3 | 18. North Eastern Partnership | 32. Heart of the South West |
| 8. Greater Cambridge and Greater Peterborough | 19. Derby, Derbyshire, Nottingham and Nottinghamshire | 33. Lancashire |
| 9. Greater Manchester | 20. Oxfordshire City Region | 34. Gloucestershire |
| 10. Hertfordshire | 21. Sheffield City Region | 35. Humber |
| 11. Kent, Greater Essex and East Sussex | 22. Solent | 36. Dorset |
| | 23. South East Midlands | 37. Swindon & Wiltshire |
| | 24. Stoke-on-Trent and Staffordshire | 38. Northamptonshire |
| | 25. Tees Valley | |

The Coalition puts much emphasis on economic growth and localism, and sets out its approach to LEPs in the *Local Growth* white paper.⁷ It argues that with the country facing a record budget deficit and less money available for investment in regeneration than under the RDAs, a new approach is needed to ensure that:

*... local economies prosper: that parts of the country previously over-reliant on public funding see a resurgence in private sector enterprise and employment; and that everyone gets to share in the resulting growth.*⁸

The Coalition's new approach is localist – putting civic local authority leaders in the driving seat along with local businesses and civic society organisations, to drive local regeneration and growth with new powers, flexibilities and incentives. The Coalition states that it is not for government to drive regeneration, define what it should look like, or decide what measures should be used to implement it, but rather for the new LEPs.

LEPs are to bring forward growth plans for their areas and respond to the deepening recession and economic malaise by rebalancing their local economies, building up the private sector (including new manufacturing), and addressing the demise of public-sector employment by helping develop new growth sectors such as green, low-carbon and renewable energy.

Government and stakeholder ambitions

LEPs have been set a considerable challenge – uniting business, public and community interests in a way that enables the economic regeneration and growth of local places. In this respect, on the surface the primary role of LEPs is perhaps not too dissimilar to the RDAs they have replaced and the training and enterprise councils that preceded them. A major difference is the negligible budgets of LEPs, the limited delivery powers at their disposal, the global financial crisis and the scale of action that is required to rebalance the British economy. Indeed, unlike RDAs, LEPs are not defined in legislation and do not have a statutory role.

Collectively, a lack of resources, delivery powers and statutory responsibilities has raised persistent concerns leading to accusations that LEPs will be "toothless tigers" and "talking shops". Moreover, this is compounded by the lack of arrangements for

⁷ HM Government *Local Growth: Realising Every Place's Potential* (2010); Department for Business, Innovation & Skills *Local Enterprise Partnerships* (2011) (bis.gov.uk/policies/leps)

⁸ Department for Communities & Local Government *Regeneration to Enable Growth: A Toolkit Supporting Community-led Regeneration* (2012)

transparency and corporate public-sector governance, uneven as this is. On the flip side, LEPs potentially have much more flexibility than their predecessors to focus, implement and enable what local partners consider best for their subregional territory, and they may bring businesses and councils together across new functional spaces, which would otherwise work apart (see table 1).

Table 1: The role of LEPs

Form	Functions	Priorities
<ul style="list-style-type: none"> • Collaboration between business and civic leaders, normally including equal representation on the boards of these partnerships • Proper accountability for delivery by partnerships • The emergent form tends to be either an informal partnership arrangement, often supported by a local authority acting as accountable body, or an entity with a legal personality, such as a company limited by guarantee 	<ul style="list-style-type: none"> • Provide strategic leadership; set out local economic priorities • Help rebalance the economy towards the private sector; create the right environment for business • Various roles engaged in different policy fields, such as planning and housing, local transport and infrastructure priorities, employment and enterprise, the transition to the low-carbon economy and, in some areas, tourism 	<ul style="list-style-type: none"> • Many LEPs are using the government's language of "rebalancing the economy" to frame their priorities, including: <ul style="list-style-type: none"> - sector support - enterprise enablement - business growth - knowledge economy - innovation hubs

Government expects LEPs to "rebalance the economy", but considers it unnecessary to prescribe how they should go about this. Therefore the form, functions, priorities and ambitions of LEPs are diverse. For example, some have formed or are considering forming companies that will enable them to trade and hold assets, whereas others have opted for more informal partnership arrangements. Some are focused on strategic functions, while others are managing and delivering programmes such as enterprise zones. Priorities and the scale of ambition also differ across LEPs, although there are some commonalities.

The dilemma of a permissive approach whereby LEPs are free to intervene in the economy as they see fit – so long as they have the necessary resources – is that they strive to appear to be all things to all people. Following the demise of many of the economic regeneration institutions developed under the previous Labour government, LEPs are one of the few remaining entities that *may* be able to facilitate economic regeneration in the decade ahead. As a result, a gamut of different interests and organisations are asking what LEPs can do for them – contributing to ever lengthier wish lists.

In an age of austerity, perhaps the fundamental questions should be about priorities, about developing strong local economic partnerships, and about how to mobilise key programmes and projects that will make a *real* difference over the next 10 years. Vince Cable's "Maoist moment" in abolishing the RDAs has been conducted, arguably, with too little scrutiny of the new arrangements, and in the next year more needs to be done to strengthen the capacity of LEPs. It may be that more sharing of resources is required between the LEPs and their constituent partners, but lack of transparency for the new bodies can hinder effective joint working and collaboration.

Resourcing the new LEPs

Central government funding for LEPs through the Start-up Fund and the Capacity Fund, equating to an average of approximately £237,000 per LEP over a four-year period,⁹ is clearly insufficient. Income streams from the 24 enterprise zones will take time to generate funds even on an optimistic scenario, and contracting directly with government will help some LEPs in particular instances, but dedicated government funding is required, including for staff costs.

LEPs will try to benefit from investment made by nationally determined spending streams, which now include:

- *Regional Growth Fund*
This is worth £1.4 billion. However, in the first round there was a fundamental disconnect between those proposals that received financial backing and subnational strategic development priorities. Indeed, the lack of alignment with European funds is also now apparent. The RGF needs better integration with LEP priorities, and there should be more consideration of the role of LEPs in endorsing bids for RGF funding. Some clearer thought is also required with regard to the LEP role in the new 2014-20 EU programmes, and in many respects LEPs need to increase their European awareness and capabilities with the EU growth strategy for the decade, Europe 2020.
- *Growing Places Fund*
Some £500 million is being made available to LEPs through this, in the form of a revolving fund to address infrastructure constraints to economic growth and the delivery of jobs and houses. LEPs can determine priorities, but the funding is channelled through a local authority as the accountable body. Once again, this raises questions of transparency and accountability.

⁹ £5 million one-off Start-up Fund and £4 million over four years in the form of a Capacity Fund

- *Homes & Communities Agency*
The HCA has inherited RDA assets and is becoming a bigger player in regeneration, providing support and assistance to deliver LEP and local ambitions and in particular connecting housing plans to economic development.
- *Get Britain Building*
This £420 million investment fund will support building firms in need of development finance, unblocking stalled sites.
- *Rural growth programme*
A rural growth programme has been announced, providing £165 million to help rural LEPs and rural communities, including developing rural growth networks and rural broadband initiatives.

All in all, however, the announcement of minuscule funds and a range of diverging programmes do not bode well for the LEPs, given their limitations – including in delivery capacity – and in the context of the planning and infrastructure policy changes. The LEPs will find it increasingly difficult to agree priorities across their areas, and this could cause considerable resentment at a time when the Coalition government aspires to a future in which:

*... local communities, councils, business and social enterprises come together to agree priorities for their area, and work in partnership to drive forward their plans for regeneration – thinking creatively, corraling resources, and working collaboratively with local service providers to improve the lives and opportunities of local people and unlock growth.*¹⁰

It is also true to say that LEPS are going to be very reliant on local authorities for their funding and capacity.¹¹

The development paths taken

The 39 LEPs approved by government – with constituent members including all but one local authority – are each taking a different path of development. These locally contingent journeys, with multi-speed and multidirectional LEPs, are likely to continue, notwithstanding nudges and steering from the centre.

¹⁰ Department for Communities & Local Government, op cit (2012)

¹¹ See: Shutt, J, Jassi, S and Mbanzamihiyo, H *From Regionalism to Localism: Local Authorities Unlocking Future Economic Growth in Yorkshire and the Humber* (Local Government Yorkshire & Humber/Leeds Metropolitan University, 2010)

The first wave of 24 LEPs approved alongside the October 2010 *Local Growth* white paper were considered the strongest of the 62 initial bids. Many of these approved bids were refashioned economic arrangements that had operated under Labour, such as city regions with multi-area agreements. Others encompassed geographical patches with a history of co-operation and/or cross-boundary working. The unsuccessful bids were instructed by government to have a rethink and return with revised proposals, often after territorial disputes or other concerns had been addressed. Among these were the Humber LEP, which instead of splitting into two separate partnerships now sees its mission as creating a new wind-renewable super-cluster, seeing it as "the Aberdeen of the North".

Some economic partnerships have utilised the LEP policy experiment as a platform to increase their profile and generate more momentum, while largely continuing what they were already doing. Nevertheless, even these LEPs, such as the Liverpool City Region, have had to do so with a much reduced financial wherewithal. The metamorphosis from a Labour-endorsed economic partnership entity to a Coalition-approved LEP has tended to involve an internal reconsideration of governance arrangements, specifically private-sector board representation, and the introduction of new ways of working, such as interfacing with business. These LEPs can be viewed as "refashioned existing partnerships".

Alternatively, many prospective LEPs viewed the government's invitation as an opportunity to operate at a different territorial scale, with a different combination of interests and/or guided by different priorities. These can be viewed as "new partnerships".

The "new" and "refashioned" partnerships each present opportunities as well as limitations. For example, "new" LEPs may be more open to fresh ways of working, whereas "refashioned" LEPs may find this harder to do. However, "new" LEPs face the need to develop a plethora of new processes, systems and relations, whereas "refashioned" LEPs already have a platform on which to build and so can hope to deliver more quickly.

The different roles, shapes and development trajectories of LEPs reflects the Coalition administration's policy preference for localism, but also aligns with its preference of enabling policies that better support those "who help themselves" (in other words, a mentality of backing winners). The question is how this maps onto the unfolding impact of the economic recession, with many areas suffering rising youth unemployment, continued manufacturing closures, and financial and retail redundancies. In many

localities where LEPs are potentially at their weakest (or at least in their infancy), repercussions from the financial crisis and the recession are taking a heavy toll and there is insufficient attention given to regeneration priorities (in other words, backing those in need).

In the time that has elapsed since the first LEPs took their place in the new economic regeneration landscape, many have focused on board recruitment, governance aspects, reporting systems, support structures, business engagement mechanisms and communication methods. This is to be expected during the formative stage; nonetheless, form follows function. It is the precise function of LEPs that remains in an ambiguous state. While the vast majority of LEPs have a reasonable to excellent appreciation of the primary challenges their territories face and, to a lesser degree, an understanding of key spatial opportunities, the role of LEPs in implementing the resulting *shoulds* and *must dos* is far from clear.

As strategic entities operating at the public-private national-local interface, the precise functions of many individual LEPs are yet to be determined. The *Local Growth* white paper is littered with vague roles that LEPs "could" perform, but more than a year after the majority of LEPs were endorsed by government, many of these potential roles have failed to materialise into any tangible functions. Fortunately, there are some notable exceptions and glimpses suggesting that if Whitehall can resist the urge to prescribe functions and will commit some resources to realise subnational ambitions, then the LEP policy experiment may begin to deliver. (See table 2 for a glimpse of some of the more interesting and innovative practices.)

Leeds City Region LEP is one of the larger "refashioned" partnerships, which is leading the way with its focus on business planning and engagement. Some 700 people met in September 2011 in the Royal Armouries to discuss LEP priorities, a remarkable show of interest in the future of local economic development. The chair, Neil McLean, has a tough job co-ordinating 12 local authorities but sees the lack of structure as a real opportunity; he is setting an aggressive and demanding agenda, while making the case that LEPs need more power and decentralised funding. Leeds LEP has set out four strategic priorities: unlocking the growth potential of business and enterprise, enabling a flexible, skilled workforce, facilitating a low-carbon economy, and creating a new environment for growth. In addition, joint work between the Yorkshire LEPs on skills strategy and sectors is being commissioned on growth areas.¹²

¹² Leeds City Region's 2011 LEP summit, held at the Royal Armouries on 9 September 2011 (leedscityregion.gov.uk)

Table 2: Innovative practice

LEP	Innovative practice
Greater Birmingham & Solihull	Identified the chief issues in relation to local regulation via a survey of businesses and focus groups throughout the area, and held a workshop between businesses and local and national regulators to identify key areas where a number of "quick wins" could be made by changing the approach to regulatory enforcement
Coventry & Warwickshire	The LEP office is located in Jaguar Land Rover at Gaydon. Local authorities and other partners have provided funds to resource two members of staff. A delivery board has been set up and an "LEP Access to Finance Group" is facilitating interactions between businesses and financiers
Humber	A group of 16 businesses have joined with the University of Hull, Hull & Humber Chamber of Commerce, Humber Chemical Focus, and four local authorities to pledge £2,500 each to help the new body get up and running
Leeds City Region	Use of social media as a communication tool including a YouTube video, and an excellent website and approach to networking
Greater Manchester	Manchester's inward investment agency, MIDAS, acting on behalf of the LEP, has signed a memorandum of understanding with UK Trade & Investment, linked to the new national inward investment contract. Other LEPs have since signed similar memorandums
York, North Yorkshire & East Riding	Collaborating with local banks and the British Banking Association to develop a certificate in business growth

One of the most interesting developments has also been the bringing together of the Leeds, Sheffield, Manchester and North Eastern LEPs to organise for a strategic role in the North, focusing on high-speed rail, the low-carbon economy, skills and innovation. The Yorkshire LEPs have agreed to co-ordinate also on regional intelligence. However, the key issues remain how business interests and local government leaders interact, and how the voluntary or third sector and the universities sit in the framework.

While plenty of large companies and small businesses are wondering how to engage

with the LEPs, many from the third sector feel more than a little marginalised. Boards often have only a token understanding of localism, where social enterprise has the potential to perform a crucial role. Consequently, in some instances social enterprises are looking instead towards local authorities to help them develop the capacity to deliver, in what may be perhaps an early indication that they have already dismissed the role of LEPs. If LEPs are to be radically different from what has gone before, then they should look to harness the creative energy and expertise of a much more diverse cast of characters than a narrow business "elite" and to put together new project partnerships.

Living up to the hype?

Behind the transparency issues, however, are the much bigger issues of galvanising England's urban and rural areas for economic growth and whether or not the Coalition will back a larger-than-local-authority mayoral model to give real democratic teeth to LEPs. Many, particularly in the metropolitan areas, would welcome the adoption of a mayoral figurehead on the London model elected to lead the new partnerships with greater legitimacy, whereas others argue that this is completely against the grain of the English way. Manchester LEP recently rejected the mayoral model, but it remains to be seen what the referendums will bring in 2012.¹³

Labour seemed to commit itself to re-establishing the RDAs as an alternative to the LEPs at its conference in Liverpool, but with the departure of Labour communities secretary John Denham and the passage of time this may require further reassessment for the conditions to be faced in 2015-20. LEPs are likely to be with us now at least for the next three years – up until the next general election.

There has been much interest and enthusiasm since the landscape of LEPs began to emerge. The discourse of a new "localism" promising to usher in a wave of radical change needs to be qualified with reference to the degree of policy continuity, which is arguably greater than that of espoused change. Certainly, the impact on the ground at the moment is more to do with reduced regeneration resources, public expenditure cuts and broader fiscal restraint than with the urban policy experiments in Whitehall and subnational territories. Indeed, many LEPs can be viewed as refashioned existing partnerships. This is certainly not a bad thing, but it does call into question how radically new and different LEPs actually are. Across some LEPs there is little evidence of much new thinking and working practices, although it is premature to pass conclusive judgment.

¹³ *Manchester Evening News*, 4 January 2012

Conclusions

So are LEPs living up to the hype? Our unequivocal answer is: not yet. However, we contend that the challenge that LEPs have been set is unrealistic, given their lack of genuine policy and delivery clout (in terms of legislation, powers and resources). The RDAs were much maligned (despite some favourable evaluations such as that by PwC)¹⁴ for their inability to influence the development of regional economies: they had too little traction with other organisations and their budgets equated to less than 1% of regional development spend. Given that the RDAs' collective annual budget was £2.3 billion in 2007/08 and just over £1.4 billion in 2010/11, they had land and property assets with a book value of over £500 million in 2010, and possessed some quite significant legislative instruments and powers, the scope for LEPs to make a tangible difference in the English regions appears at present limited.¹⁵

If these challenges are to be met then a "new deal" for LEPs may be the mechanism for future city-region and local economic development. Our concluding initial assessment is that without a better direct deal between government and LEPs then the hope, along with business input, will dissipate and the hype will vanish, leaving LEPs susceptible to institutional oblivion. How many now remember the fate of the training and enterprise councils? The losers once again will be the subnational territories of England that need intervention the most, as the divide widens between places of prosperity and places of need as part of the latest phase of global and national economic restructuring.

14 PwC *The Impact of RDA Spending – National Report – Volume 1 – Main Report* (Department for Business, Enterprise & Regulatory Reform, March 2009)

15 Pugalis, L "Look Before You LEP" in *Journal of Urban Regeneration & Renewal* vol 5, no 1 (July-September 2011); Bentley, G "From RDAs to LEPs: A New Localism? Case Examples of West Midlands and Yorkshire" in *Local Economy* vol 25, no 7 (2010), pp535-557

