

Critical Issues in Economic Development:

Local Enterprise Partnerships: Living up to the Hype?

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About Critical Issues in Economic Development

Initiated in 2011, this series of regular short publications provides a platform for respected commentators to contribute to public policy themes related to economic development. The topics will be relevant and vital and the papers themselves focussed, thought-provoking and expert. The series is edited by an IED non-executive director. The views expressed within the series are the authors' own and do not necessarily represent the views of the directors, staff or members of the IED.

This paper is based on emerging findings from an ongoing research project tracking the shift from regionalism to localism, with a specific focus on the extent to which Local Enterprise Partnerships can help rebalance the national spatial economy. The research explores the issues arising from the formation of LEPs over their first three years. For more details email: lee.pugalis@northumbria.ac.uk

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Overview

From when the idea of Local Enterprise Partnerships (LEPs) was first floated in the run up to the May 2010 General Election, there has been fervent discussion and steadfast work. 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 crucial levers of power). The administration's intention is to provide local room for manoeuvre by reducing guidance and bureaucracy, helped along with the new incentivised mechanisms.

Since Vince Cable and Eric Pickles invited proposals for the establishment of LEPs in June 2010 and 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. 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 financially supporting a National LEP Network, which is managed by the British Chambers of Commerce. However, LEPs appear to be considerably lacking in both resources and momentum, and are insufficiently embedded within government growth plans and some local public-private-voluntary networks to be able to sufficiently respond to the deepening economic malaise.

With this in mind, this Critical Issue examines the different development paths taken by LEPs to date and analyses whether they are living up to the hype and beginning to deliver.

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 not too dissimilar to the Regional Development Agencies (RDAs) they replaced and the Training and Enterprise Councils that preceded them.

A major difference is the negligible budgets of LEPs, the limited 'delivery powers' presently at their disposal, the global financial crisis that we face 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 transparency and corporate public sector governance, uneven as this is. On the flipside, LEPs potentially have much more flexibility than their predecessors to focus, implement and enable what local partners consider is best for their sub-regional 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; setting out local economic priorities • Help rebalance the economy towards the private sector; creating 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 expect LEPs to 'rebalance the economy', but consider it unnecessary to prescribe how LEPs 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 focussed on strategic functions, whereas others are managing and delivering programmes. Priorities and the scale of ambition also differ across LEPs although there are some commonalities.

The dilemma of a permissive approach where LEPs are 'free' to intervene in the economy as they see fit – so long as they can resource it – 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 question should be about priorities and developing strong local economic partnerships and how to mobilise key programmes and projects which will make a real difference over the next ten years. Vince Cable's 'Maoist moment' in abolishing the RDA's 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 could hinder effective joint working and collaboration.

Development paths taken

The 39 LEPs approved by government – with constituent members of all but one of England's local authorities – are each taking different paths of development and these locally contingent journeys are likely to continue, notwithstanding the nudges and steering from the centre. Multi-speed and multi-directional LEPs is anticipated to characterise their ongoing development journeys. 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 cooperation 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 such as with the Humber LEP which, instead of splitting into two separate partnerships, now sees its mission to create 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, whilst largely tending to continue what they were already doing. Nevertheless even these LEPs, such as Liverpool City Region, have had to do so with a much reduced financial envelope. The metamorphosis from a 'Labour-endorsed economic partnership entity' to a 'Coalition-approved LEP' has tended to involve an internal relook at governance arrangements, specifically private sector board representation, and 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 willing or open to new ways of working whereas 'refashioned' LEPs may find this harder to do.

The question is how does this map onto the developing impact of the economic recession with rising youth unemployment, continued manufacturing closures, and financial and retail redundancies in many localities? In many localities where LEPs are potentially at their weakest (or at least at an infant stage in their development path), the repercussions from the financial fallout is taking a heavy toll and there is insufficient attention on the priorities for regeneration (i.e. 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 focussed 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.

Whilst many LEPs, indeed the vast majority, have a reasonable to excellent appreciation of the primary challenges that their territories face and to a lesser degree have an understanding of key spatial opportunities, the role of LEPs in implementing and delivering on these should and must do's is far from clear.

As strategic entities operating at the public-private national-local interface, the precise functions of many individual LEPs is 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 that if Whitehall can resist the urge to prescribe functions at the same time as committing some resources to realise sub-national ambitions then the LEPs policy experiment may begin to deliver (see Table 2 for a glimpse of some of the more interesting and innovative practices).

Table 2: Innovative practice

LEP	Innovative practice
Greater Birmingham and 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, local and national regulators to identify key areas where a number of 'quick wins' can be made by changing the approach to regulatory enforcement.
Coventry and 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 a '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 and 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 and Investment (UKTI), linked to the new national inward investment contract. Other LEPs have since signed similar memorandums.
York, North Yorkshire and East Riding	Collaborating with local banks and the British Banking Association to develop a Certificate in Business Growth.

Leeds City Region LEP is one of the larger 'refashioned' partnerships, which is leading the way with its focus, business planning and engagement. 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 coordinating 12 local authorities but sees the lack of structure as a real opportunity and is setting an aggressive and demanding agenda; whilst making the case that LEPs need more power and decentralised funding. Leeds City Region 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.

One of the most interesting developments has been the bringing together of the Leeds, Sheffield, Manchester and North Eastern LEP to organise for a strategic role in the north, focusing on high speed rail, low carbon economy, skills and innovation. This is something that should be of interest to the IPPR Northern Economics Futures Commission and bodes well for cross-LEP Northern coordination. The Yorkshire LEPs have agreed to coordinate also on regional intelligence. However, the key issues remain how the business interests and local government leaders interact, and how do the voluntary, third sectors and the universities sit in the framework?

Many feel more than a little marginalised, just as many large corporate companies and small businesses are also wondering how to engage with the LEPs. Many boards also only have a token understanding of localism where social enterprise has the potential to perform a crucial role. Consequently, in some instances social enterprises are looking towards local authorities to help them develop the capacity to deliver, 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 is 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 Mayoral Model to give real democratic teeth to LEPs. Many, particularly in the metropolitan areas, would welcome the adoption of a GLA-type of mayoral figurehead elected to lead the new partnerships with greater legitimacy, whereas others argue that this is completely against the grain of the English way. Labour seemed to commit itself to re-establishing the RDA's as an alternative to the LEPs at its recent conference in Liverpool but with the departure of John Denham and the passage of time this may require further reassessment for the conditions to be faced in 2015-2020. LEPs are likely to be with us now at least for the foreseeable 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' that propounds 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 espoused change. Certainly, the impacts on the ground at the moment are more to do with reduced regeneration resources, public expenditure cuts and broader fiscal restraint than with the urban policy experiments in Whitehall and sub-national 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 taking place, although it is premature to pass a conclusive judgement.

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) for their inability to influence the development of regional economies – they had little traction with other organisations and their budgets equated to less than one percent of regional development spend. Given that the RDAs' collective annual budget was £2.3bn in 2007–08 and just over £1.4bn in 2010–11, they had land and property assets with a book value of over £500m in 2010, and possessed some quite significant legislative instruments and powers, the future for LEPs to make a tangible difference in their regions appears at the moment to be limited.

We therefore end with a few challenges to LEPs and central and local government in particular:

- Interdepartmental government support – for far too long Whitehall rivalries have restricted the efficacy of supposedly integrated policies. Unfortunately, for example, the ambivalence of the Department for Work and Pensions relationship with LEPs appears to continue this trend. Therefore, if LEPs are to help regenerate local economies, then they require more traction across all central government departments.
- LEP entities – should trial, investigate and aim to stretch the avowed freedoms bestowed from the centre. If LEPs are to make a positive difference then they ought to pursue a development agenda on their own terms (reflecting locally informed priorities) as well as national objectives. Too often localism has been 'passed' from the centre with too many strings attached, which have thwarted local ingenuity and responsiveness.
- Local authority cross-boundary leadership – local authorities are primarily represented on the boards of LEPs as a result of their democratic mandate. However, in too many instances party political bickering and local rivalries are denigrating their place-leadership role. Although not elected to represent those communities outside of their constituency, elected members must learn to leave parochial issues at the door when entering the LEP arena and companies must learn to engage more with public agencies.
- Activeness and activity of business interests – whilst it is well recognised that the 'good faith' of business will quickly evaporate if LEPs fail to act and deliver, there is also a responsibility on business (especially those sitting on boards). Attending occasional meetings and offering free expertise is clearly insufficient. Some businesses are showing commitment and leadership, operating in a manner that others should look to replicate.

- Interested parties – there is a risk that some LEPs have developed a ‘closed-shop’ mentality where decisions are taken by the board with little input from a broader group of interested parties. Some LEPs need to be more transparent. By doing so, it may help them achieve a local legitimacy that some predecessors have lacked. A stronger web-presence helping to disseminate the digital resources of LEPs would be a positive, if rudimentary, start.
- Resourcing 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, is clearly insufficient. Income streams from Enterprise Zones will take time to generate funds and contracting direct with government will help some LEPs in particular instances, but dedicated government funding is required including staffing. LEPs can benefit from investment made by nationally determined spending streams:
 - Regional Growth Fund – However, in the first round there was a fundamental disconnect between those proposals that received financial backing and sub-national strategic development priorities. Indeed, the lack of alignment with European funds is also apparent. The Regional Growth Fund needs better integration with LEP priorities and more consideration of the role of LEPs ‘endorsing’ bids is required. Some clearer thought is required with regard to the LEP role in the new 2014-2020 EU programmes and in many respects LEPs need to increase their European awareness and capabilities with Europe 2020.
 - Growing Places Fund – £460m is being made available to LEPs to take 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 via a Local Authority, as the accountable body.
 - Enterprise Zones – potentially provide those LEPs with a zone some much needed ‘teeth’, which may help generate an income stream for other economic regeneration interventions. Although, government needs to offer some income generation tools for those zone-less LEPs.
 - The regional higher education funds – made available to the RDAs need to be transferred to the LEPs to support engagement with universities and interventions in the knowledge economy.

If these challenges are to be met then a new deal for LEPs may be the mechanism for future local economic development. Without a better direct deal between government and LEPs our concluding assessment is that the hope along with business input will dissipate and the hype will vanish leaving LEPs susceptible to institutional oblivion. The losers once again will be the sub-national territories of England which need intervention the most as the divide widens between places of prosperity and places of need as part of this latest phase of economic restructuring.

