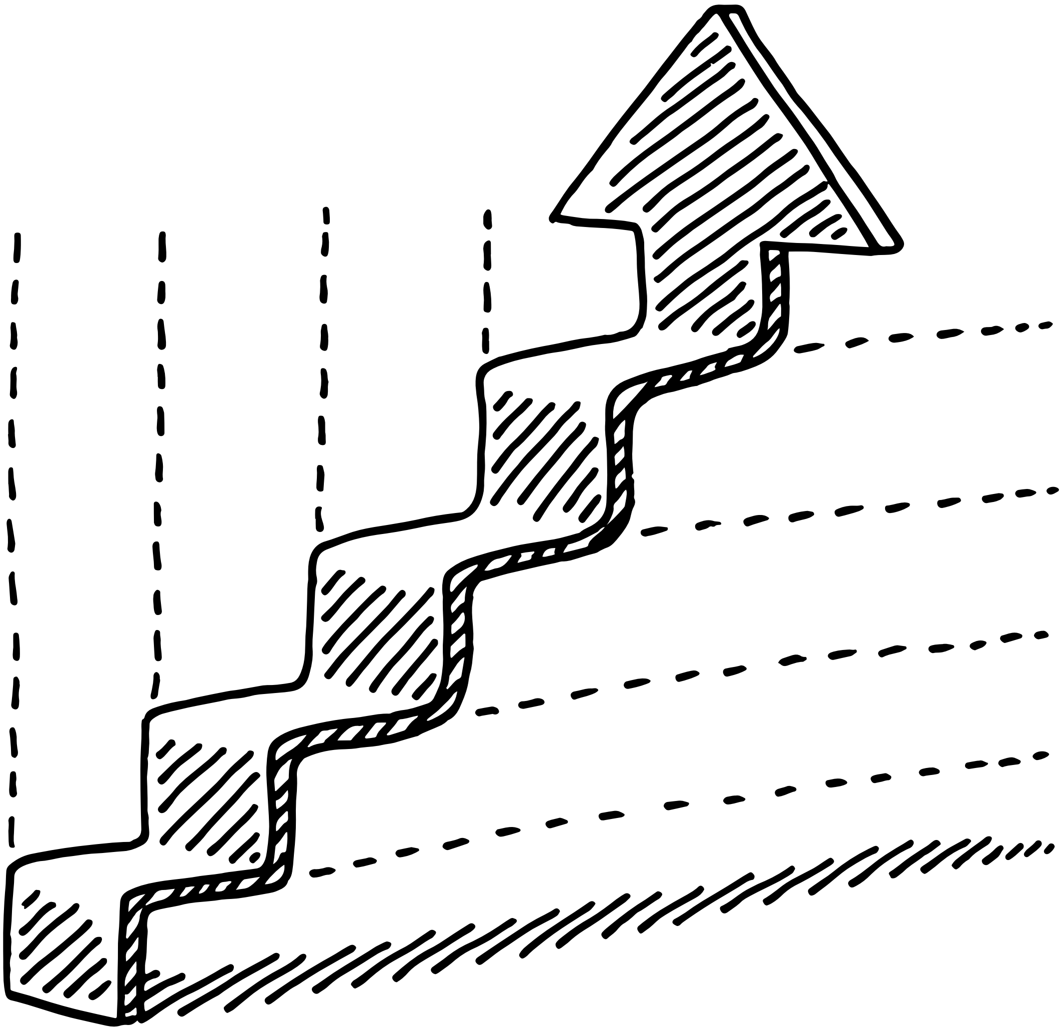

The Next LEPs

Unlocking growth across our localities

Richard Carr

Foreword by Andy Street, Chair of Greater Birmingham & Solihull LEP

LLOYDS BANKING GROUP

LOCALIS

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We are delighted to support this important contribution from Localis to the crucial debate about how we can, together, help Britain Prosper.

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The respondents to our lengthy survey have provided an important set of data which informs this report and for that we are also very grateful. Full survey results are available via the Localis website.

Localis would like to acknowledge the support of Lloyds Banking Group in the production of this report.

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Foreword

I am very pleased to introduce this report. It is a valuable contribution to the crucial debate about economic growth and shows that the future of LEPs is a very bright one. With our general election just 2 months away it is clear that whatever the outcome LEPs will continue to have a pivotal role in regional economic development. We now take this for granted, but I believe such certainty is an impressive outcome given the 'blank canvasses' LEPs had to work with back in 2010/2011.

So how has this success come about? I see several reasons.

First and foremost, the concept that local business leaders can effectively collaborate with public sector leaders to determine what is right for their area has been proven to be true. In reality this should be no surprise, but that should not take away from the originality of the idea.

Secondly, my experience, and that I see elsewhere, is that Local Authority leaders have welcomed the business input, and in fact often LEPs have been the catalyst for improved collaboration between authorities.

Thirdly, the contribution of the University and Further Education sectors has been crucial. As the Witty report made clear Universities are big businesses in their own rights, and they have a special ability to nurture the sectoral clusters spread across the country. In the main they have been wholeheartedly committed; that is certainly the experience in Birmingham.

Fourthly, LEPs have shown a remarkable ability to convene, to make connections, and in so doing to make things happen. So often in business it's the informal contacts that provide the ideas and breakthroughs. This spirit has pervaded the LEP experience to good effect.

And finally, the Government has supported the roles of LEPs wholeheartedly. In early days having just a little money, e.g. through the Growing Places Fund, gave credibility. Now total resources under the direct and indirect control of LEPs can be up to £1 billion in some places. So, from having no influence and no money in the early days (a helpful starting position in my view), LEPs now have the ability to make plans a reality. Moreover the government designed structures such as the Local Growth Fund and Enterprise Zones have commanded support, and in doing so have enhanced the opportunities for LEPs themselves; wise indeed.

Most importantly results should speak for themselves. No one in any LEP is going to claim a direct link between their activities and improving local economic performance – proving such causality is always impossible. But it is true to say that strong growth is returning to many of our city regions, and rural areas, just at a time when LEP activities are beginning to make an impact; so perhaps there is a valuable contribution. For sure the effort to 'rebalance the economy' looks more set for success now than for a generation.

So, to the future. I fervently hope that whichever party wins the election, the role of LEPs in planning and delivering economic growth will be maximised. Business leaders will not want to return to a limp consultative role. They want to build on what's been achieved. Remarkably across the country the commitment to LEPs and the levels of participation are powerful. The reason why – people feel involved and feel valued for their contribution; and that's got to be a force for good.

Andy Street, Chair, Greater Birmingham & Solihull Local Enterprise Partnership

Executive summary

Local Enterprise Partnerships (LEPs), the Coalition Government's chosen policy vehicle for local economic development, are here to stay. With cross-party support confirming their long term future, they will be prominent in each party's manifesto commitment to devolution. In this report we build on this rare political agreement, and present a framework for the future of LEPs in the next parliament and beyond where the benefits they bring to the table, namely the powerful combination of private sector influence with public sector control, are maximised.

Our research shows that LEPs are broadly popular, with 60% of local government stakeholders across the UK rating their local LEP to be either good or very good. Many people indicated that some LEPs, mostly those in areas of historical collaboration between public and private sector, had been very successful in establishing an entrepreneurial vision; be it through offering strategic guidance on industrial policy or directing infrastructure funding where it is most needed by the local economy.

"Our research shows that LEPs are broadly popular"

However, while the 39 LEPs have developed into substantial operators – £18.5bn of public money has already been allocated to them – many think LEPs are only halfway to a success story, failing to reflect the localist rhetoric upon which they were formed. Our research indicates that:

- Much of the £18.5bn allocated to LEPs so far has been determined by central priority and is overly ringfenced
- LEPs are widely perceived to be understaffed (although it must be noted that there is no appetite to revert back to RDA structures)
- LEP boards do not reflect their local business community – women, BME communities, small businesses and both Further and Higher Education sectors are under-represented
- Some LEPs are more equal than others – in terms of funding and performance, LEPs covering areas where there is a precedent of collaboration and political alignment tend to be more advanced than those which arguably do not represent a functional economic geography

To fulfil their potential, we therefore recommend that:

- Backing the £10bn of central government funding that Lord Heseltine recommends be devolved to LEPs each year, **this figure should be extended to £12bn**, enabling LEPs to work on firmer but still familiar ground.
- Local economic spend be characterised by a **'dual lock'** approach where both council leaders and the LEP have to sign off on annual budgets. This would allow LEPs to play a strategic role while maintaining local government's democratic importance.

LEPs have evolved at different speeds since their formations, so devolution will therefore not necessarily proceed at a uniform pace across the country, but that is not to say that meaningful progress is not possible by 2020. LEPs have the combined expertise to offer further strategic guidance in areas such as the skills agenda, housing and transport, but these extensions of remit should not be forced where there is not the capacity. Of these strategic leads, we recommend that:

On skills:

- The **Skills Funding Agency be abolished** and its funding and responsibilities be transferred to LEPs
- **LEPs take on £280m of capital spend for new University Technology Colleges (UTCs)** to treble the number of UTCs by 2020 – including a minimum of one per LEP

On housing:

- The government permit LEPs to request authorities **draw together a Strategic Housing Market Plan** where there is reticence to do so
- LEPs are afforded the role of **statutory consultee in the planning process**
- The government offer a **second Public Works Loan Board project rate worth up to a combined £10bn** to any LEPs that can deliver on expected housing shortfalls
- The government allow LEPs to retain stamp duty receipts from new build house sales under £500,000 that they have delivered

On transport:

- The government evaluate the effectiveness of the 2015/16 Local Growth Fund, and if it is achieving its goals, **an additional annual £1.1bn of transport spending should be devolved down to LEPs**

If LEPs are to fully drive local economic development, they also need incentives to grow. For that reason, we also recommend:

- **that the government allocate up to £600m of annual business rates growth to LEPs by 2020** by way of match-funding contributions by local authorities.

To avoid impeding this maturing process, **we do not propose a wholesale change to LEPs' geography**. While there are certainly some LEPs whose boundaries seem to create conflict between political variables and economic functionality, it was evident that there is no appetite from the ground up for a redrawing of the boundaries. Rather, we believe that **partnership working between LEPs – of which many have a good record – will deliver more in shorter order and thus should be prioritised**.

But while there is little need to rejig LEP boundaries, the future we sketch out above will necessitate some reform to LEPs' democratic and governance structures. It is important that LEPs are kept fleet of foot – indeed it has been one of their best qualities – but this must also be balanced with the need for **greater transparency and accountability**. We therefore recommend that:

- Building on the successful precedent of Business Improvement Districts, councils be permitted to propose a directly-elected LEP chair should authorities representing 50% of local business rate-payers agree
- LEPs publish regular and transparent accounts, minutes of their meetings and board member email addresses
- LEPs proactively address the under-representation of women and BME candidates on their boards
- LEP boards contain a representative from at least one local business body (e.g. FSB, CBI and Chambers of Commerce) and some form of trade union representation
- LEPs be made subject to the Freedom of Information Act

These are neither meagre reforms, nor are they overly imposing. The recommendations which we have outlined will give LEPs the stability and funding that they need to influence (and grow) local economies by bringing what the private sector does best – innovation and entrepreneurialism – to the table while not being tied down in public sector red tape.

There are clear returns to be had here. Based on a survey of leading LEP stakeholders, we have projected the potential uplift in Gross Value Added if LEPs are given the powers and funds that they have requested from central government. In each region of the country, a significant increase is expected.

Region	**Expectations of 2020 GVA if present funding/ powers maintained (£bn)**	**Expectations of 2020 GVA if requested powers/funds devolved (£bn)**	**Potential increase (£bn)**	**Potential increase (%)**
East Midlands	106.2	114.9	8.7	8.2
East of England	158.3	169.4	11.1	7
London	431.3	468.8	37.6	8.7
North East	55.9	60.9	5.1	8.9
North West	174.3	197.6	23.3	11.3
South East	268.7	287.3	18.5	6.9
South West	141	149.7	8.7	6.2
West Midlands	145	168.8	23.8	11.6
Yorkshire and the Humber	119.2	126.2	7	5.9
Total (England)	1599.8 bn	1743.7 bn	143.9 bn	9.0

Introduction

In the 2010 Conservative Party manifesto, the then opposition pledged to give 'councils and businesses the power to form their own business-led Local Enterprise Partnerships instead of RDAs'.[1] For their part, the Liberal Democrats pledged to 'reform [existing] Regional Development Agencies (RDAs) to focus solely on economic development, removing duplication with other parts of government and allowing substantial budget reductions [which were costed at £600m a year]'.[2]

As a result, the present Local Enterprise Partnerships (LEPs) were first announced in the Coalition Agreement of May 2010. Borrowing from both Conservative and Liberal Democrat pre-election rationale for the reform of local economic development, the new LEPs were defined as 'joint local authority-business bodies brought forward by local authorities themselves to promote local economic development'.[3] The Partnerships were to succeed the nine Regional Development Agencies (RDAs) as the primary vehicle for local economic development in England, and hence adopted several of the RDAs' functions.

Initially, 24 LEPs were established in the Coalition Government's 2010 *Local Growth* White Paper; expanding to 39 by 2012. LEPs' fledgling years – as we will note – were characterised by a 'hands off' approach by central government. But, as time has passed, the roles, responsibilities and structure of LEPs have evolved, adapting to the changing demands of the Government and in particular to the recommendations of Lord Heseltine's 2012 ground breaking report *No Stone Unturned in Pursuit of Growth* – much of which was subsequently adopted by the Coalition.

Before we begin our analysis of their activities therefore, it is worth sketching out how we have arrived at the present situation with regard to local economic development.

The history of the Regional Development Agencies (1997–2010)

LEPs' immediate predecessors, the RDAs, had been official Labour policy since the late 1980s. Following the 1997 landslide and the new administration's *Building Partnerships for Prosperity* White Paper, eight RDAs were formally established in the RDA Act of 1998. The White Paper argued for the devolution of both economic and political power to England's regions, reflecting a general devolutionary push mirrored by the creation of the Scottish Parliament and Welsh Assembly.

Acting as strategic economic bodies and operational delivery bodies,[4] eight RDAs were launched in 1999, with the ninth – the London Development Agency – starting in 2000 alongside the Greater London Authority (GLA). These Agencies were given five statutory purposes:

- To further economic development and regeneration
- To promote business efficiency, investment and competitiveness
- To promote employment
- To enhance development and application of skill relevant to employment
- To contribute to sustainable development[5]

1. www.conservatives.com/~/media/files/activist%20centre/press%20and%20policy/manifestos/manifesto2010
2. www.general–election–2010.co.uk/2010–general–election–manifestos/Liberal–Democrat–Party–Manifesto–2010.pdf
3. The Coalition: our programme for government (2010)
4. Closing the RDAs – BIS
5. Regional Development Agencies Act 1998, Part 1, Section 4

As non-departmental public bodies (NDPBs) RDAs became the key vehicle for regional growth. Indeed, their economic focus was sharpened with their responsibility shifting from the Department for Environment, Transport and the Regions to the Department of Trade and Industry during Labour's second term.[6] RDA funding was also regularly increased with each Spending Review – the total budget averaged £2bn a year between 2005/06 and 2010/11[7] – leading to a peak total of 3470 RDA staff in 2008/09.[8]

The latter formed part of the Coalition's rationale for abolishing the RDAs upon coming to power. The eight RDAs outside of London were abolished through the Public Bodies Bill (2011) and the London Development Agency through the Localism Bill (2010).[9] RDA assets were transferred to the GLA and the HCA in a 'stewardship agreement,' and all RDAs were closed by March 2012.

The broad argument here was that although RDAs had delivered value for money in important areas, they constituted an 'artificial representation of functional economies,' were 'over resourced and over staffed,' and, crucially, had failed to close the north-south divide.[10] On the latter point, as the National Audit Office has noted, 'between 1997 and 2010 London, the South East, the East and the South West regions of England maintained or grew their shares of national output while *all other regions' shares fell*'.[11]

In the RDAs' place the new government's answer was smaller, nimbler Local Enterprise Partnerships.

The slow birth of Local Enterprise Partnerships (2010–2012)

Much of the Coalition Government's early vision for local economic development was set out in its *Local Growth* White Paper. The White Paper reaffirmed the Government's commitment to LEPs in the June 2010 Emergency Budget, establishing the Partnerships as one of the core facets of the Coalition's approach to re-invigorating local growth.

The White Paper gave approval to 24 LEP proposals (out of 62 received), after local authority leaders and business leaders were invited to submit their proposals in a letter from Vince Cable and Eric Pickles in June 2010.[12] The criteria upon which proposals were assessed included support from business; economic geography; local authority backing; and the provision of added value and increased ambition in a given locality.[13] A further 15 LEP proposals were later approved by the Government, bringing every local authority in England within a LEP and creating 39 such organisations in total.

Reflecting the Coalition's localist rhetoric, the government's approach to LEPs was initially light touch and intended to give LEPs the opportunity to evolve from the bottom up. This was very much evident in LEPs' role, funding and structure – noted below.

Role

The *Local Growth* White Paper gave LEPs the loose prerogative to 'provide the clear vision and strategic leadership to drive sustainable private sector-led growth and job creation in their area.' Instead of assigning statutory purposes to LEPs as in the previous RDA model, the Government anticipated LEPs would:

- work with Government to set out key investment priorities, including transport infrastructure and supporting or coordinating project delivery;
- coordinate proposals or bid directly for Regional Growth Fund monies;

6. 2002 HoCs RDAs research paper
7. Closing the RDAs – BIS
8. Closing the RDAs – BIS
9. Local Enterprise Partnerships, House of Commons Library, 2014
10. Summarised in www.regionalstudies.org/uploads/conferences/presentations/winter–conference–2012/pike.pdf
11. www.nao.org.uk/wp–content/uploads/2013/12/10285–001–Local–economic–growth.pdf Author's italics.
12. Letter from BIS and DCLG – LEPs
13. Local Growth: realising every place's potential, BIS

- support high growth businesses, for example through involvement in bringing together and supporting consortia to run new growth hubs;
- make representation on the development of national planning policy and ensuring business is involved in the development and consideration of strategic planning applications;
- lead changes as to how businesses are regulated locally;
- [facilitate] strategic housing delivery, including pooling and aligning funding streams;
- work with local employers, Jobcentre Plus and learning providers to help local workless people into jobs;
- coordinate approaches to leveraging funding from the private sector;
- explore opportunities for developing financial and non-financial incentives on renewable energy projects and Green Deal; and
- become involved in delivery of other national priorities such as digital infrastructure.[14]

Indeed, while LEPs had somewhat supplanted RDAs, they did not inherit all their responsibilities. Functions such as attracting inward investment, encouraging innovation and many business support functions (such as access to finance) were recentralised.[15] Given this, the former Labour minister John Healey has argued that LEPs have been more defined by what they are not responsible for than by the roles for which they are.[16]

Funding

In their formative years LEPs received limited direct central government funding. The 2010 *Local Growth* White Paper was clear that LEPs were expected to meet their day-to-day running costs themselves by leveraging in private sector capital, resource and capacity.[17] While they were able to bid for a whole host of central government revenue streams – including the Regional Growth Fund (RGF); LEP Capacity Fund; LEP Start-Up Fund; Enterprise Zones (EZs); Growing Places Fund; and City Deals – these monies were not always ringfenced for LEPs and thus some capacity-light LEPs had to bid competitively against public sector agencies with a good deal more experience.

Before we delve any further, it is worth noting that LEPs only form one piece of the government's attempt to kickstart local economies.

Instrument	Purpose
Local Enterprise Partnerships (LEPs)	Created by business and civic leaders, chaired by a private sector member, and with a remit to set the vision and take decisions to stimulate local growth
Enterprise Zones (EZs)	24 ringfenced areas situated within certain LEPs where business is given incentives to start or expand (discussed in chapter one)
Growing Places Fund (GPF)	Overseen by LEPs and distributed to local infrastructure projects – intended to be a revolving fund based on loan and repayment
Regional Growth Fund (RGF)	A competitive bidding fund with six rounds to date. Open in various stages to LEPs (rounds 1–4), councils (1–4) and businesses (all). Providing funding to lever in private sector capital.
City Deals	Bespoke agreements between Whitehall and cities which give local decision makers powers previously held by central government with the caveat that they will hit certain centrally agreed goals. This was initially afforded to the 8 largest cities outside of London and then, subsequently, to 20 more. These dovetail with the Growth Deals afforded to LEPs (see chapter one).

On the one hand, this tapestry allows LEPs to co-ordinate with a range of other local initiatives – both public and private. On the other, it has limited what they have been able to take under their own direct remit. Rounds 1 to 3 of the Regional Growth Fund, for instance, allocated an initial £336m to LEPs

14. Local Growth: realising every place's potential, BIS, 2.7

15. Local Enterprise Partnerships, House of Commons Library, 2014

16. https://smithinstitutethinktank.files.wordpress.com/2014/09/making-local-economies-matter.pdf

17. www.gov.uk/government/uploads/system/uploads/attachment_data/file/32076/cm7961-local-growth-white-paper.pdf

of a £1.15bn total (£394m of which was directly paid from centre to private sector companies).[18]

There is also the issue of the funding pipeline. Over the course of the first four post-RDA years (2011–12 to 2014–15) the National Audit Office places the level of departmental support to local economic programmes at £3.9bn, however only £3.3bn has reached end beneficiaries.[19] Partly this lies in the necessary transition arrangements in moving from the RDAs to LEPs, but the Regional Growth Fund has also been dispersed at a slower rate than initially planned. Rather damningly, the NAO considers LEPs to have only been 'largely operational' from Q4 2012 and, at the beginning of 2012, the only one of the new local growth instruments to have achieved this same status was the first round of the Regional Growth Fund. Our policy has to some degree been playing catch up from the previous re-organisation.

Structure
Government directives were typically sparse on the issue of LEP structure in the *Local Growth* White Paper, with boards expected to be chaired by a 'prominent business leader' and to be half-comprised of business representatives. Beyond this LEPs were only expected to engage with other key stakeholders (such as representatives from further and higher education). The government made clear its intention 'not to define local enterprise partnerships in legislation' though did note that 'a partnership may need legal personality or a specified accountable body in some circumstances … [this] would be a matter for the partners.' They stated that in all cases 'governance structures will need to be sufficiently robust and clear to ensure proper accountability for delivery'.[20]

LEPs after Heseltine (2012–present)

In their first two years LEPs encountered what could be described as 'teething problems.' The BIS Select Committee warned that some LEPs had the potential to fail due to funding shortfalls where the private sector 'might not be willing to stump up the cash',[21] while private sector voices could be a good deal more critical. Even the then chair of the LEP Network David Frost expressed doubts, admitting that the private sector could disengage from the process over uncertainties of powers and lack of resources.[22] Some spark was needed.

Taking such criticism into account, the Government commissioned Lord Heseltine to review their local economic growth programmes. Lord Heseltine's much publicised report – No Stone Unturned – offered a total of 89 recommendations – the sum of which allotted LEPs a far greater role in the future delivery of local economic growth. Heseltine set out a more concrete vision for what LEPs could and should be, recommending increased central government funding to LEPs in the form of a single local growth pot of (mostly) newly devolved monies and a greater clarity in their roles and responsibilities.

The Government adopted 81 of Heseltine's 89 recommendations and moved the LEPs to the front of their local growth agenda. Indeed just prior to the launch of Heseltine's report, BIS reaffirmed LEPs' centrality to driving local economic growth by committing an immediate £5m of extra funding to LEPs between September and the end of 2012 as well as £250,000 annual core funding for LEPs until 2014/15. This core funding is match-funded locally by each LEP, mostly in the form of staff and resources provided by constituent local authorities.[23]

18. www.gov.uk/government/uploads/system/uploads/attachment_data/file/367142/bis–14–974–RGF–annual–monitoring–report–2014.pdf

19. www.nao.org.uk/wp–content/uploads/2013/12/10285–001–Local–economic–growth.pdf

20. www.gov.uk/government/uploads/system/uploads/attachment_data/file/32076/cm7961–local–growth–white–paper.pdf

21. BIS Select Committee – New LEPs 2010 p39

22. www.ft.com/cms/s/0/53d89856–37a8–11e0–b91a–00144feabdc0.html?siteedition=uk#axzz3Hd4zL8ct

23. www.gov.uk/government/news/local–enterprise–partnerships–receive–boost—3

In direct response to Heseltine, LEPs were given the opportunity to broker 'Growth Deals' with Government – subsequently announced in July 2014,[24] and were given responsibility for delivering the European Regional Development Fund and the European Social Fund.[25] The latter tranche of EU money constitutes over £5bn of new funds – a complete step change from early years and equating to a sum approaching half the RDA's annual budget in one fell swoop.

As noted by Healey and Newby, whereas 'in their early years, LEPs tended to focus on a mixture of the practicalities of setting up; responding to new government initiatives and operating in areas where their local interests and expertise coincided with scope for economic development activity', the reforms 'moved LEPs up a level as significant economic agencies and have given them a sense of a longer term future with ongoing responsibilities and the potential to make a difference in their local areas'.[26] The conversation has changed.

The post 2015 landscape

Importantly, a broad political consensus has formed around the retention of LEPs after the 2015 General Election. Chuka Umunna, the Shadow Secretary of State for Business, Innovation and Skills has voiced concerns over LEPs' lack of power, resources and accountability, but by 2012 was noting that if elected, Labour would seek to 'improve LEPs, not abolish them'.[27] Since then he has gone further. In December 2014 he contended that whilst LEPs performance could be 'patchy … the important thing is that we give them appropriate budgets and appropriate powers so that they have got capacity.' Labour, he noted, would 'build on what we've got'.[28]

Umunna's view has been reflected by reports from all sides of the political spectrum. Lord Heseltine's *No Stone Unturned* report and Lord Adonis' Growth Review for the Labour Party are in various ways sometimes critical of LEPs' fragmented funding, geographies, board composition and the unclear roles and responsibilities, but both acknowledge the need for evolution not revolution in local growth delivery.

Similarly, in John Healey's co-authored report on local economic growth, he is critical of the performance of LEPs to date but favours reform not dissolution. As he notes, 'reconfigured, properly resourced LEPs based on real economies could become powerful drivers of sustainable growth, jobs and prosperity – helping to build skills and productivity and to generate and share wealth more evenly across England'.[29]

The Business, Innovation and Skills Committee has also given the Partnerships their backing, but called for a single ministerial responsibility for LEPs, a Government commitment to 5 year core funding, and ensuring LEPs are more accountable.[30] At the 2014 Liberal Democrat Party Conference – held in the wake of the Scottish referendum – resolution F41 was moved by Alistair Carmichael, the Secretary of State for Scotland. That motion pledged the party would 'build on the success of City Deals and Growth Deals by devolving more power and resources to groups of local authorities and local enterprise partnerships'.[31] Evidently there is cross-party agreement that LEPs have yet to reach their full potential. Whichever party or combination of parties take office in May 2015, it seems LEPs have a viable and long term future if suitably re-configured.

24. www.gov.uk/government/news/growth–deals–firing–up–local–economies

25. BIS Structural and Investment Fund Opportunities: Preliminary Guidance to LEPs

26. John Healey and Les Newby, Making local economies matter: A review of policy lessons from the Regional Development Agencies and Local Enterprise Partnerships, The Smith Institute, May 2014

27. Labour Party, Chuka Umunna, Speech on a One Nation Industrial Strategy, 14 November 2012

28. https://soundcloud.com/progressonline/winning–a–mandate–for–change–in–conversation–with–chuka–umunna–mp?in=progressonline/sets/winning–a–mandate–for–change

29. John Healey and Les Newby, Making local economies matter: A review of policy lessons from the Regional Development Agencies and Local Enterprise Partnerships, The Smith Institute, May 2014

30. BIS Committee LEPs report April 2013

31. www.libdems.org.uk/f41_towards_a_federal_uk

Structure of the report

The remit of this report is to suggest avenues for precisely such a re-configuration. To do so we draw upon telephone and face to face interviews held with 20 key local government and LEP figures, three roundtable discussions held in Bristol, Leeds and London and a survey completed by 158 LEP stakeholders including council leaders, chief executives, LEP chairs and private sector board members. The breadth of our research is illustrated by the fact that we have interacted with every LEP, whether through our interviews, round table discussions or survey, and in most cases through multiple avenues.

We begin with a discussion of the current lay of the land – the funds and powers LEPs have, the way they have been set up, and related questions regarding democracy, their powers and the composition of their boards. This first chapter highlights the challenges facing LEPs and the barriers they face.

We then turn to three chapters that deal with future reforms.

As Adonis, Healey and Heseltine have all noted, devolution to LEPs must involve some significant re-composition of their structure. Our second chapter deals with questions concerning their accountability, legal position, geography and relationship to local government.

Assuming such reforms are enacted, our third chapter then turns to the powers LEPs may profitably yield. This includes discussion of questions of capital and revenue spend, ring fences around budgets (or lack thereof), the growth hubs, and other powers LEPs may utilise.

Next, our fourth chapter looks at funding and the types of spend where LEPs can add genuine additionality. Here we analyse questions both of pooling spend *up from local government* and *where the centre should devolve monies down*. We also consider the effect this could have in areas such as skills and welfare to work programmes.

Our final chapter then deals with the effects this could all have. Drawing on our survey data and conversations with key LEP stakeholders, we sketch out the potential impact on GVA these reforms could have across the country and the associated benefits this could bring.

1. LEPs today – lay of the land and present challenges

It is worth beginning positively. LEPs have clearly come a long way since the embryonic days of 2010. As one LEP board member put it, 'in 2010 the real purpose of LEPs was unclear. Getting rid of the RDAs was obviously a priority but there was a sort of intellectual vacuum that LEPs had to fill. Initially this led to a two speed approach – those which got away quickly were those with a pre-established legacy of cross-authority working, others were slower. But the picture has become more aligned over the past 18 months, capacities are building and knowledge is growing'.[32] Another notes that 'we've come a long way – we have a more constructive relationship with central government and significant resources through the growth deal, the scene is now set to test this in action'.[33] The general feeling is of expectations having been exceeded to date.

Responding to our survey 60% of LEP stakeholders believed their LEP to be doing a 'good' or 'very good' job, with 90% stating that it was at least doing 'okay.' LEPs in general are also perceived on the whole positively, with 26% of 'good' replies and 63% 'okay.'

The opposition's commitment to maintaining LEPs and not going back to the RDAs should they win the 2015 election is welcome, and backed by our interviewees – one of whom declared the old 'RDAs [to have been] incredibly bureaucratic and inhibiting'.[34] In any event, things have clearly moved on. As one political adviser put it to us, 'combined authorities and city deals have taken over the agenda. No one is thinking of going back to the RDAs. Even if money wasn't an issue, what would RDAs add at this point?'[35] In that sense, we have now arrived at consensus. LEPs are staying – the question is what to do with them?

Politics

The political consensus for the retention of LEPs reaches further than Westminster. Our interviewees have suggested that, broadly, this is the case on the ground too. A Labour interviewee noted that 'LEPs have been a good thing. They have promoted longer term thinking among business than was previously the case'.[36] A Liberal Democrat counterpart likewise told us that 'overall strong leadership has been provided by the LEPs,' whilst a Conservative we spoke to remarked on their having been 'a surprising success story to date'.[37]

32. Interview F.
33. Interview G.
34. Interview C.
35. Interview E.
36. Interview L.
37. Interviews B and A.

Certainly, it is not all one way traffic. As one Westminster based interviewee put it, 'the trouble is, where we are in opposition, by definition we do not have representation on the LEP. Some of our groups have been mature about this, but others have taken against the LEP on this basis from the get-go'.[38] This is however hardly a complaint with LEPs in and of themselves, but more with the partisan nature of contemporary politics. Another expressed the similar view that 'LEPs tend to work better in areas of one political colour'.[39] There may indeed be instances of this, but given a high percentage of LEPs and/or combined authorities will always need to co-operate with a Westminster administration not of their persuasion, LEPs will have to operate with a degree of political maturity come what may.

A third interviewee proffered the more upbeat verdict that 'the politicians that are leaders and are on the LEPs like it, others at least tolerate it'.[40] In part of course, any grumbling may have been engendered by the fact that, initially, there was some debate over the long-term viability of LEPs.

To co-ordinate the plethora of views across the country the LEP Network was set up in 2011.[41] The LEP Network's Management Board represents all 39 LEP Chairs and includes city, small economy, rural, and coastal LEPs. Each board member oversees a different part of the Network's activity with the aim of both advancing the case for LEPs generally, and the sharing of best practice between them.

We therefore note:

- **That party politics has not stymied the activities of LEPs, and suggest;**
- **That clarity over the future of the LEP Network would be welcome**

Travelling at different speeds

The 39 LEPs vary in differing levels of size, urbanisation, population, and existing infrastructure. As such it is perhaps no surprise that they are evolving at a non-uniform pace. Some are leading from the front, others could be passed powers profitably in a short period of time, and others may require a little more time to achieve the full devolutionary platform this report lays out. We do however contend that all the powers and funds outlined in this report could be ceded by the centre within the lifetime of the next parliament.

This would fit with the rhetoric of both main parties who have made clear that they do not see decentralisation as something that will necessarily be symmetrical. Working with what is feasible and the broad alignment in political objective, we take this multispeed approach to devolution as the starting point. Some have predicted that it may take a decade or more for the full gamut of powers to be given to all areas, we contend the pace may be achieved a little quicker, but the overarching principle is the same – outside of the counties and cities where there is clear and latent capacity for change, it is not prudent to fire the starting pistol of devolution on each policy area from day one and expect instant results. What we can do, however, is to set out a concrete timetable, inside the course of the next parliament, where – with appropriate changes – all may benefit from further powers and funds. The devolution train may leave the station at different speeds, but all will be making a journey.

The most advanced set of LEPs our interviews and roundtables identified were those with a history of collaborative working, whether under the sub-national activities of the former RDAs or through combined authorities. Far and away in

38. Interview B.
39. Interview H.
40. Interview J.
41. www.lepnetwork.net

the lead here is Greater Manchester which has already been passed powers over skills, welfare and transport. Greater Manchester has been working in partnership since the 1980s through AGMA, and formally through its Combined Authority since 2011. The government, as noted, has already devolved key powers to the Combined Authority and may go further when the mayoral system is in place from 2017.

Manchester is clearly in the lead, but the new combined authorities of Liverpool, Sheffield, the North East and West Yorkshire may be next in line. In many cases, the LEP and combined authority are co-terminus and have aligned boundaries in such instances. The questions of geography and democratic accountability have largely been resolved. Similarly, Greater Birmingham, Bristol, Hull, Middlesbrough and the Solent are five urban areas pursuing combined authority status, and the case for Cambridge and Oxford to take on further powers is often pressed. In short, including London, there are at least a third of LEPs based in and around urban areas which are or could soon be in a position to take on greater powers. 2017/18 is a feasible timeline for these areas to assume greater powers. Our Leeds round table bore this out.

"LEPs based in and around urban areas... could soon be in a position to take on greater powers."

The second grouping concerns those non-urban LEPs which comprise a county or groups of counties. Several LEPs which take this form are also far along in terms of their development. This lies in part due to the natural synergies between what LEPs have largely performed to date – specific instances of capital spending – and who actually carries out such functions in English local government. Of the £19bn of capital spending by local government in 2012/13, just £1.4bn was by shire districts.[42] Unitary and shire counties spent over four times this amount (£6.1bn). Some counties are looking towards combined authority status themselves – Lancashire is an example – and where this can be achieved with a co-terminus LEP this is to be encouraged. One interviewee from a county area noted that Manchester are 'building on a decade of working together and I think that's been very important in their performance and their potential. We're hoping that in our area, as may be the case in others, that as people get more used to working together the performance will improve'.[43] Our interviews bear this out. If the criteria for further devolution are some form of neat alignment with democratic structures, a history of partnership working, and history of capital spending then counties can often be further ahead than certain cities. Again, 2017/18 may make sense here.

And, lastly, we have the group of LEPs – usually smaller in spatial geography, and arguably not representing functioning economic geography – where some reform will be needed and devolution may have to occur at a slower pace. These would sometimes not be ready for devolution before 2019 or 2020. We deal with the nature of these reforms in our second chapter.

For now, however, **we note:**

- **The necessity for a concrete timetable of devolution to all LEPs within the lifetime of the next parliament, but;**
- **That this devolution may occur at a non-uniform pace**

Enterprise Zones

Arguably LEPs' most important early decision was where to base their enterprise zones. There are currently 24 Enterprise Zones across England which benefit from business rate discounts over a five year period, simplified planning regulations whereby Local Development Orders can grant automatic planning permission for re-usage or the creation of new buildings and capital allowances and/or tax

42. www.gov.uk/government/uploads/system/uploads/attachment_data/file/316772/LGFS24_web_edition.pdf

43. Interview M

reliefs for new investment. All business rate growth within the Enterprise Zone is retained by the relevant local authority and LEP to re-invest in local growth.

Localis has previously proffered a recommendation on Enterprise Zones in its 2012 report *Credit Where Credit's Due*, also published in partnership with Lloyds Banking Group. The 2012 number of Enterprise Zones – 11 – has since increased to the present 24, so progress is being made. The Autumn Statement of 2014 outlined the Government's intention to 'consider the case for further extensions to existing Enterprise Zones at the Budget,' particularly with regard to awarding a second zone in Derby to the D2N2 LEP. Previously we argued that 'the Government should announce its desire to see all LEPs contain an enterprise zone, and allow those LEPs without an EZ to bid for one.' We offer a slightly updated variation of this in chapter two.

A variation of the Enterprise Zone model has arrived in the form of University Enterprise Zones. These compromise a partnership between the LEP, a local university and business to increase local growth and innovation. £15m of central capital funding between 2014 and 2017 is expected to lever in £30m of match funding in the four pilot sites of Bradford, Bristol, Liverpool and Nottingham. Further extensions will be considered in 2017. As well as promoting working with the LEP, these monies are intended to develop incubator or 'grow-on' space for small business to interact with (and potentially spin out from) universities. They are expected to work with UKTI to promote inward investment to the locality.

We note:

- **That Enterprise Zones have been afforded to 24 areas, and;**
- **That these zones form a precedent for the retention of business rates growth by LEPs and local authorities**

Funds

Although Adonis and Heseltine have both urged greater devolution of funds to LEPs and sub-regional bodies, it should be noted that around £18.5bn of funds has already been allocated and provisionally allocated to LEPs since 2011. The major awards for LEPs have been through the European Regional Development Fund, the European Social Fund, and a percentage of the European Agricultural Fund for rural development, and via various central government allocations.

Source	**Total (£m)**
LEP Allocations for ERDF, ESF and EAF (£m conversion)[44]	5,145
2015/16 Local Growth Fund allocation	1,734
2016–2021 Local Growth Fund total projected minimum spend	10,000
Growing Places fund	730
Regional Growth Fund allocations – Rounds 1–4	435
Local Infrastructure Fund	474
Initial start-up funding and University Enterprise Zone pilots	49
Total (£m)	**18,567**

44. At 1.26 Euros to Pound Sterling.

In terms of the EU money, bids were checked by the new National Growth Board for England against the Europe 2020 goals surrounding higher employment, greater investment in research and development, increased use of renewable energy, increasing educational attainment and tackling poverty and social exclusion.[45] Given the UK has specific targets surrounding all of these functions, the centre reversed the right to ask for amendments to LEP proposals should they not – in aggregate – achieve said targets. The National Growth Board will comprise 26 individuals, 4 from LEPs, and 3 from the LGA.[46]

The expectation is that European monies will be used on large capital projects: guidance for the bidders suggested the funds were 'designed to have a real and lasting impact on local growth: this is often more likely to be achieved through fewer, larger projects than multiple smaller ones'.[47] That said, skills spend – through consultation with the Skills Funding Agency, universities and other relevant stakeholders – was a part of the agricultural fund. This indicates that LEPs are already being handed pots of money in areas which we will later contend they could be given an even greater role in.

The other big pot – the Local Growth Fund – has been allocated to the 39 LEPs on the back of a competitive bidding process. The government has noted that 'this is the starting point for the SLGF and it will continue to be at least £2 billion every year in the next Parliament. LEPs need to demonstrate the impact that they can achieve with greater funding and flexibility' and crucially goes on to say 'over time, the Government will *seek to expand the scope of funding included*'.[48]

The LGF was largely funded out of Transport and BIS Departments and initially included £1.19bn of transport capital budgets, £330m of skills capital spend, £170m of match funded skills money (designed to lever in EU funds) and £400m via the New Homes Bonus. When protest from local authorities led to the New Homes Bonus stream being withdrawn, the government agreed to extend combined LEP-wide housing borrowing caps by £300m to help make up the shortfall.[49] One private sector board member told us that 'Education should have put more in, and Health could have chipped in too'.[50] Another from the north argued that 'some departments have put into the single pot, but most haven't. Government should force this issue'.[51]

As it stands then, over 70% of the LGF has been capital spend for projects preapproved by the centre through the Strategic Economic Plans (SEPs). This has led one of our interviewees to comment: 'the Single Local Growth Fund: *we prioritise* and *then the government decides* – that is not a local decision'.[52]

Inherently this comment gets to the heart of the politics vs. economics question. The challenge in achieving a genuinely localised single growth pot is not just about Whitehall arguing certain areas would invest said capital poorly. This can be rebutted by pointing to the efficiency of local government's return on investment vis-à-vis the centre. But removing the inclination for a Westminster government – of whatever make-up – to retain central control in order to suit party-political priority (perhaps, one might argue, maintaining investment in marginal seats whatever the economic case) is the real challenge. Un-ringfencing the pot may be as important in the long-term as its actual size.

We therefore note:
- **That LEPs have been allocated £18.5bn worth of public money to spend thus far;**
- **But that this has in large part been determined by central priority, and;**
- **Ending the ringfencing of funds remains a key ask of many LEP stakeholders**

45. http://europeanfundingnetwork.eu/news/upplementaryGuidanceJuly2013FINAL.pdf

46. www.gov.uk/government/uploads/system/uploads/attachment_data/file/268707/european–structural–and–investment–funds–growth–programme_for_England–esif–terms–of–reference.pdf

47. http://europeanfundingnetwork.eu/news/SupplementaryGuidanceJuly2013FINAL.pdf

48. www.gov.uk/government/uploads/system/uploads/attachment_data/file/209279/PU1524_IUK_new_template.pdf

49. www.lgcplus.com/news/homes–bonus–wont–be–top–sliced/5066154.article

50. Interview F.

51. Interview G.

52. Interview D.

Long term thinking through the Strategic Economic Plan (SEP)

Whatever its limitations the Local Growth Fund has undoubtedly created a shift in emphasis for LEPs. There is still more to do but it is, after all, what has turned the Heseltine agenda from theory into practice. The LGF has been dispersed through bespoke growth deals between LEP and central government – a process kicked off by each LEP producing their Strategic Economic Plan, as outlined below.

Government guidance encouraged SEPs to promote 'regulatory and planning decisions that enable businesses to go ahead and invest,' 'align or pool local authority capital and revenue spend on growth,' and 'agree shared plans where possible to deliver efficiencies and a more joined up approach'.[53] They were also expected to 'show strong cross local authority collaboration on growth with clear evidence of agreed joint plans and teams on key economic development functions such as housing and transport'.[54]

Whilst access to LGF money was certainly the immediate carrot, the purpose of the SEP was to get LEPs' thinking wider and longer term. A letter to LEP chairs noted that 'the Government wants to see Strategic Economic Plans that bring together all the resources at your disposal, not least from the private sector, so that each LEP has one plan driving its approach to investing in local priorities, whether that is in skills, priority growth sectors, business support, or infrastructure'.[55] Other than the LGF and European monies, potential resources for LEPs included housing association, university and other local partners, surplus public sector assets, business rates (whether pooled or retained in an Enterprise Zone) and revolving use of the Growing Places Fund.

The Department of Transport has also allocated its £65m Local Sustainable Transport Fund revenue allocations to councils based on their ability to co-ordinate with their local SEP (and bringing forward on their own).[56] Oxfordshire CC have taken the direct step of investing their money into improving transport links to their enterprise zone, but all authorities have had to co-ordinate with the SEP in one form or another.[57] Brighton, Devon, Hampshire, Kent, Staffordshire, Surrey and York councils in particular evidenced their LEP priorities in their successful bid summaries.[58]

The difficulty to date has been that the SEP has needed to be assessed by the centre. As one Westminster figure told us, 'whereas local government is restricted by its formal remit, LEPs aren't and they should be able to take advantage of this. Part of this should involve giving greater weight to LEP's strategic plans than has been the case at present.' This, he noted, should be long term: 'their should produce a blueprint of what they believe the area should look like in 30 years time for councils to respond to … Some councils need to be kicked into line and LEPs are in a position to nudge them in the right direction'.[59]

In July 2014 the government announced the conversion of the asks in the various SEPs into concrete growth deals for each LEP. This will total £12bn of investment over a six year period (at a minimum) and the first wave in July brought £6bn worth of funds to the table: £2bn for 2015/16 and additional commitments for longer-term projects to kickstart development. The Autumn Statement of 2014 pledged at least £1bn to a second round of growth deals, as well as encouraging LEPs 'to bring forward projects for science projects through the Local Growth Fund.' One private sector LEP board member had previously told us that 'since our growth deal, all the conversations I have with civil servants are about project delivery on the existing spend, not about devolving more money – it is a bit concerning'.[60] We talk about this issue in chapter three.

53. www.gov.uk/government/uploads/system/uploads/attachment_data/file/224776/13–1056–growth–deals–initial–guidance–for–local–enterprise–partnerships.pdf

54. www.gov.uk/government/uploads/system/uploads/attachment_data/file/224776/13–1056–growth–deals–initial–guidance–for–local–enterprise–partnerships.pdf

55. www.gov.uk/government/uploads/system/uploads/attachment_data/file/224779/growth–deal–guidance–letter–to–leps.pdf

56. www.gov.uk/government/uploads/system/uploads/attachment_data/file/270568/lstf–revenue–competition–guide.pdf

57. www.gov.uk/government/uploads/system/uploads/attachment_data/file/329323/lstf–2015–2016–successful–bids.pdf

58. www.gov.uk/government/uploads/system/uploads/attachment_data/file/341598/successful–revenue–bids–2015.pdf

59. Interview P.

60. Interview F.

We therefore note:

- **LEPs have begun to plan for the long term needs of their areas through Strategic Economic Plans;**
- **Local Growth Deals have been agreed to attempt to turn these ambitions into reality**
- **This record should be built upon going forward**

Democracy and accountability

In their guidance to LEPs, those drawing up the Strategic Economic Plan were told they must 'support democratic accountability… via democratically elected council leaders who take on responsibility for decisions over the use of resources.' Who owns the decisions – and who ultimately carries the can for poor spend by a LEP – remains a crucial question. Many SEPs have nominated a particular 'anchor' authority for contract or performance management of the growth deal.[61] Others have stressed that they 'bring together the leaders of all … local authorities in various forms of local area delivery partnership'.[62]

There is a balance here. On the one hand, statutory underpinning of LEPs in anything other than an extremely light touch form (thus, arguably, undermining their founding intention) was rejected by most of the stakeholders we spoke to. As one roundtable participant put it, 'I wouldn't like to start to go down the line of statutory and bureaucratic responsibilities, statutory consultations and all the rest that goes with it – otherwise we're going to lose what businesses we've got, who just aren't going to be able to cope with it'.[63]

In applying reams of red tape to business-led expertise, after all, the fear is you serve to blunt LEPs unique selling point: their creative, entrepreneurial thinking. On the other hand, the fear for LEPs is of mission drift: in drawing their remit admirably quite wide, the government has thereby left LEPs' role somewhat ambiguous.

When asked whether further LEP powers should be dependent on a direct democratic mandate the respondents to our survey expressed a mild disapproval, 42% to 50%. A stronger indirect democratic mandate was favoured by 68% to 24%. We deal with reforms in this regard in chapter two.

An issue raised in particular by the Federation of Small Businesses has been the lack of transparency regarding LEPs.[64] Over four in ten of their members surveyed felt that LEPs were not being run transparently and openly. With less than one in three LEPs publishing annual accounts, under half publishing annual reports, and a third not publishing board minutes there is certainly room for improvement here. Once again, we tackle reforms in the next chapter.

For now, **we note:**

- **The dilemma between giving LEPs flexibility and ensuring they retain focus**
- **The need to ensure sufficient transparency and accountability before significant further funds are devolved**

Staff levels

According to the Federation of Small Businesses, on average LEPs employ 8.4 direct full-time employees and second a further 1.7. Ten full-time employees therefore keep the average LEP functioning on a day to day basis – varying

61. www.cwlep.com/userFiles/cw-lep_sep_final_31032014_copy3.pdf

62. www.southeastlep.com/pdf/South_East_LEP_%E2%80%93_Growth_Deal_and_Strategic_Economic_Plan.pdf

63. London roundtable participant.

64. www.fsb.org.uk/policy/assets/fsb–making–leps–support–small–business–better.pdf

from a maximum of 40 to a minimum of two.[65] Under one in five LEPs the FSB surveyed felt they had adequate numbers of staff. The use of capacity building monies to top up public sector secondees has been questioned by the FSB as 'not an effective use of public money, and this reliance on public sector staff can result in LEPs' independence being called into question.' Our interviewees have tended to see the situation slightly differently.

In order to grow, LEPs certainly need more staff – and there has been significant correlation between increased staffing levels and greater revenue generation to date. We touch on reforms in this regard in chapter two. But the aim here, as one private sector board member put it, 'is not to re-create the RDA. We need someone with a permanent, executive presence in each of our priority areas. Borrowing a few secondees from business or the council isn't a problem – in fact, it can help them buy-in to what we do. The trick is to get real strategic leaders and let them get on with it.'

Here then, **we note**

- **That many LEPs perceive themselves to be understaffed, but;**
- **Few are calling for the replication of the 3,000+ staffed network of RDAs**

Borrowing

In November 2013 LEPs were given access to a preferential rate of borrowing from the Public Works Loan Board to finance a single infrastructure project. This was capped at £1.5bn of borrowing for the 38 LEPs outside of London (the Mayor receiving £1bn of new borrowing powers to fund the extension of the Northern Line).

This special rate was set at 40 basis points below the standard PWLB rate and the £1.5bn was to be allocated through the same formulae as the Growing Places Fund (50% on population size, 50% on employment earnings). Since it is indicative both of the increased trust being afforded to LEPs, and the hands-off nature of central government on the particular project itself, it is worth quoting the Treasury guidance at length:

'To keep reporting burdens to a minimum, we are requesting a short business case of no more than three sides outlining the project, anticipated cash and other benefits and any additional financing. These business cases will be used to ascertain borrowing requirements at the reduced rate, and confirm the project plan meets the basic criteria. The chosen projects will not be subject to stringent analysis or interrogation, as we will expect that to have taken place at the local level'.[66]

LEPs are therefore the oversight body for a significant degree of new (if intra) public sector borrowing. Allocations have seen the South East (£126m), Greater Manchester (£88m) and Leeds (£85m) LEPs benefit, as well as less urban areas such as the South West (£51m) and Lancashire (£46m) LEPs. The point here was to kickstart a particular project – bids were expected to explain why any bid not planning to break soil by June 2014 was experiencing such a lag.

We therefore note:

- **LEPs have been given access to £1.5bn of PWLB funds at a preferential rate**

65. www.fsb.org.uk/policy/assets/fsb–making–leps–support–small–business–better.pdf

66. www.dmo.gov.uk/documentview.aspx?docname=PWLB/pwlb-2013guidance1HMT.pdf&page=

"All LEPs should take care to ensure their board represents the local business community."

Board composition

As one LEP board chief told us, 'LEPs feel very male and very white. There are not enough BME representatives and not enough women. That is not a PC point – it simply means our and other boards aren't aligning with what the local business community actually looks like'.[67] With 860,000 women led SMEs and 260,000 SMEs run by people from BME communities there is an issue here.[68] The FSB records over 6 in 10 LEPs recruiting their members from an open and advertised process rather than just on the recommendation of local business leaders or through business bodies, but all LEPs should take care to ensure their board represents the local business community. To serve their mandate of representing the functional economic area, after all, this is a sensible first step.

Research for this report bears out perceptions of the under representation of women and BME communities. Of the 607 LEP Board members serving in December 2014, only 105 were women and 14 from BME backgrounds. This clearly underplays the contribution of both to local economies.

To paraphrase Napoleon, the UK remains a nation of shopkeepers and small business. Of British SMEs, over four in ten are at least 50% female led. Likewise, 38% of female business owners utilise governmental business support and advice schemes (far outstripping the 3% European average).[69] The talent pool is therefore out there, and is indeed tapping into the very services – business support – that LEPs are currently offering. To be in a situation where fewer than 3% of LEP board members are from BME communities and only have one in six (17%) women board members means LEPs may be out of step with the economic realities of their patch. It suggests LEPs are even less representative than the present House of Commons (22% women, 4% BME) – an institution not always renowned in this regard.[70]

In terms of which sectors are represented, Lord Adonis has argued that all LEPs should 'appoint a representative from every university in their area to their board.' Given the danger several of our interviewees expressed regarding LEP boards becoming unwieldy, we would caution against this approach. Certainly there are LEPs (Cumbria, Stoke-on-Trent and Staffordshire and Thames Valley Berkshire) where no local university is represented where such a single representative may be helpful, but the prospect of all five universities in Leeds or Greater Birmingham cramming around the table would seem to potentially overwhelm discussion.

Equally however, there are 18 (i.e. almost half) LEPs which have no further education (FE) representation on their board. Given the pressing need for LEPs to engage with skills which we discuss below, this appears a problem in need of urgent attention. University Technical Colleges should be first in line to receive an invitation. One Conservative interviewee remarked that he had 'insisted that HE/FE and the voluntary/community sectors' were represented on the board – more could follow this route.[71]

Generally, the main potential stumbling block – aligning private and public sector cultures on LEP boards – has proceded well. One private sector board member told us that whilst in 2010 there was 'great uncertainty as to how private and public interest would align, it has worked.' One cultural issue he identified was that 'councillors come with assistants and the like to meetings. Sometimes there are more advisors than board members'.[72] Both sides should take care not to impose their cultural working patterns on the other.

67. Interview F.

68. www.gov.uk/government/uploads/system/uploads/attachment_data/file/204184/bis-13-886-small-business-survey-2012-businesses-led-by-women-and-ethnic-minorities.pdf

69. http://ec.europa.eu/justice/gender-equality/files/exchange_of_good_practice_uk/uk_discussion_paper_uk2014_en.pdf

70. House of Commons Research note, SN01556

71. Interview C.

72. Interview I.

We therefore recommend:

- **All LEPs conduct a review of their local business community to identity potential BME and women candidates for board membership**
- **All LEPs should seek to appoint an FE representative to their board, potentially drawn from the expanding network of UTCs**

Soft power and the USP

One private sector board member told us that 'our LEP is about extending the local brand. Investors in China know about [our major city], they don't however know about all the buzzing towns within twenty miles of it. This is probably true of many shire counties'.[73] The nomenclature may not be LEPs' most dramatic instance of additionality, but there is a sense in some areas that branding satellite towns as part of 'Greater Cambridge' or 'Greater Birmingham' can add value to any pitch for inward investment.

In terms of the local economy, another private sector participant noted that 'the strategic facilitation role is the role we play…we bring business and people into that space and convene a conversation [between business and local government] that hasn't always happened before'.[74] The arguments expressed elsewhere apart, LEPs currently operate in an interesting legal territory.

A meeting of minds?

Our survey provides the opportunity to test out similarities and differences amongst the private and public sector when it comes to views on LEPs.

On the one hand, both public and private sector

- would not want a drastic re-organisation in the number of LEPs. 55% of private sector respondents think there should be between 30 and 44 LEPs, and 56% of public sector similar. 35 to 39 LEPs achieved a plurality in both.
- point to guaranteed funding levels, full local control over spending pots and swift action on the growth deals as key objectives for any administration in the first year of the next parliament.
- assume broadly similar impacts on GVA if they received the powers they have been asking for (between 5% and 10%). Local government is marginally more pessimistic if not (a plurality of respondents putting the 2020 GVA figure at 1–2% compared to the 2–3% projected by business figures).
- reject the notion of LEPs being incorporated as statutory bodies by a margin comfortably more than two to one[75]
- think high tech manufacturing and knowledge services will see the most resource allocated to them over the 2015–2020 period[76]
- prioritise the skills budget as the key devolutionary ask of central government[77]

(Continues overleaf)

73. Interview Q
74. London roundtable participant.
75. 20% to 59% in the private sector case, 25% to 61% for the public sector
76. 50% and 25% in the private sector case, 39.4% and 42.3% in the public sector
77. 36.6% in the private sector case, 39.1% in the public sector

On the other hand, there are some differences of opinion. Whereas

- Almost two-thirds (66%) of private sector respondents think LEPs should advise councils on the merit of local business partners, only three in ten (31%) local government respondents agree
- nearly all (98%) of private sector partners think large national firms should be on LEP boards; the equivalent figure for local government is 75%. Conversely whilst 90% of the latter would want both first and lower tier authorities on LEP boards, only seven in ten (71%) private sector respondents concur
- eight in ten from the private sector back pooling business rates to LEP level, less than half (44%) of local government respondents would back this course
- eight in ten (81%) people from the private sector think their LEP represents a functional economic area. Most from local government (56%) disagree.

An interviewee from the north perhaps articulated the LEPs' USP best however: 'instead of different central schemes all front loaded with a requirement to talk to business – which produces a mass repetition of purpose and businesses getting frustrated in having to articulate its concern twenty different times to twenty government agencies... What we offer instead is a more generic, but locally driven conversation where we can get to the nub of what business actually wants'.[78]

"LEPs hold a unique position between public and private sectors."

We therefore note:

- **LEPs hold a unique position between public and private sectors, and;**
- **Offer an ability to rebrand economic geographies for the purposes of inward investment**

The 'who does what' debate

An important theme, particularly of our London roundtable, was the present interplay between local authorities and the LEP.

One private sector LEP board member told us that 'our accountable body is the local authority…this council won't allow us to spend money without their input on the basis that they are the accountable authority. They are influencing our spend'.[79] This is a two-fold problem: it suggests that whichever authority has the means to host LEPs' accounting functions in effect can hold de facto veto over sub-regional spend, against the principle of private sector focused LEPs which are free to act in the interests of a broad functional economic area. But it also means that what should induce genuine collaboration between different authorities in effect is replaced by one lead authority potentially dictating terms. This may indeed work in some areas, but it will not in all.

There is also the matter of 'the relationship between local democratic accountability and LEPs.' As one senior local government stakeholder put it, 'when you start talking about the receipt or handing out of significant powers and resources I think that is a circle that needs to be squared'.[80] In essence, the key question before policy makers is how to keep LEPs agile, business led and not constrained by the electoral cycle whilst maintaining democratic accountability. People often expect LEPs to have the flexibility of a dictator with the local accountability of a ward councillor.

78. Interview G.
79. London roundtable participant.
80. London roundtable participant.

Our London roundtable participants had a potentially elegant solution however. As one MP suggested, 'I am starting to think that the real role for LEPs going forward is an economic advisory arm of particular combined authorities where they exist. It is almost the role the LEP plays in Manchester'.[81] A private sector LEP board member noted that 'to suggest that LEPs could be the business advisory arm of local authorities is interesting from a business point of view, because local authorities economic development function has been woeful in some areas to date'.[82]

Our report contends their role should be wider than this, but it is broadly the right approach. We outline a 'dual lock' approach of sub-regional spend in the next chapter.

For now, we contend:

- **There is a significant role for LEPs in lending their business led expertise to the local investment of public money; and that, at present**
- **Reform is needed to ensure LEPs retain democratic accountability whilst not losing what they add to the overall picture**

81. London roundtable participant.

82. London roundtable participant.

2. Reforms to LEPs' structure, accountability and legal position

In chapters three and four we argue for further devolution of powers and funds to LEPs. However, this must be contingent on significant reform to the way LEPs are constituted – and in various areas this may include some combination of geography, board membership or staffing. To do so, this chapter considers potential reforms to LEP boundaries, their legal position, and the issues concerning transparency and accountability we discussed in chapter one.

In theory, LEPs offer a convenient spatial geography covering a genuinely functioning economic area, they are plugged into business and therefore in a position to take a greater lead in areas like skills, and can lever in external capital to a degree many local authorities can find difficult. So far, so good. And yet despite the good work that has and is being done, theory has not always aligned with practice. Before significant further devolution takes place, the LEP house needs to be put in order. This is true in several ways.

Geographies

Some long-term context is necessary here. The old RDAs were to some degree an attempt to marry the interests of, to take the example of the East of England, urban Harlow on the one hand and the rural Norfolk coastline on the other. Even aside from the rural-urban divide, a South West RDA based in Exeter was supposed to cater for the interests of Swindon – a train journey of two hours or more. LEPs have, at the very least, avoided such extremes.

Healey and Newby note that 'some LEPs are based on natural economic areas that reflect labour markets and are large enough to make a difference. Others have boundaries that are too tightly drawn, which raises costs and hampers effectiveness'.[83] The government should, they contend, 'review and rationalise LEP geography to create a smaller number of larger and more effective LEPs… build[ing] on the foundation of larger and city-region LEPs.'

Our interviews suggest that, at present, some LEPs are viewed as not fit for purpose – though it should be clarified that this has always taken the form of 'neighbouring LEP X should be wound up' rather than a call to dissolve themselves or merge with another. One LEP board member told us, 'the government isn't incentivising LEP expansion enough. Why should we get bigger if there is no benefit?'[84] The smallest LEPs have a population of around half a million people, whilst the largest two (outside of London) – Leeds City Region and the South East – are respectively six and eight times more populous. Our survey suggests 49% of respondents believe there should be 34 LEPs or less. But the difficulty comes in how to practically achieve such a reorganisation in a manner that does not kick the LEP can down the road for another five years.

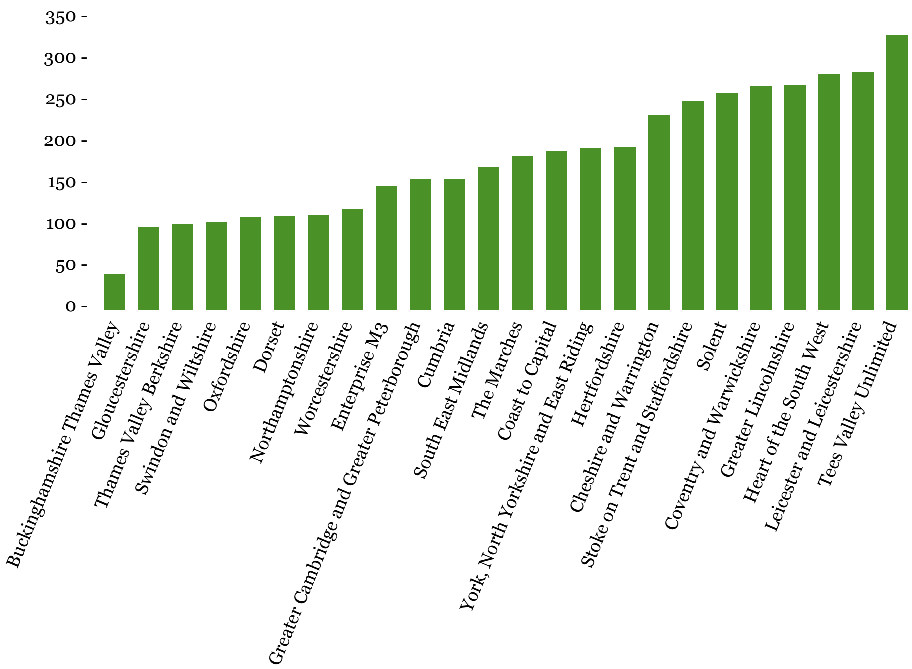
83. www.smith–institute.org.uk/file/Making%20local%20economies%20matter.pdf

84. Interview F.

At present, the average LEP population size is about 1.5m – albeit a figure complicated by the overlapping boundaries (LEPs currently represent a total of 58.7m people in England where only 53m live). Although some overlap may make sense in particular areas, individual LEPs may therefore consider some bottom-up form of revision as and where it will not affect their funding streams – a key consideration.

The second geographic question mark concerns the fact that the present configuration of LEPs has led to some significant asymmetry of resource. Through the ERDF, ESF, LGF, RGF and GPF, Greater Manchester and the North East have pulled in £556.3m and £488.8m each. Thames Valley Berkshire on the other hand has raised just £62.2m through such means. Considered in terms of the £625,000 of core funding the government allotted over the 2012/13 to 2014/15 period, that is a respective return on each pound of that core spend of £891, £782 and £99 respectively. Under such a formula the average return per pound of core funding is £318. The LEPs which fall below this sum are detailed in the graph below.

£ return per £ of core funding



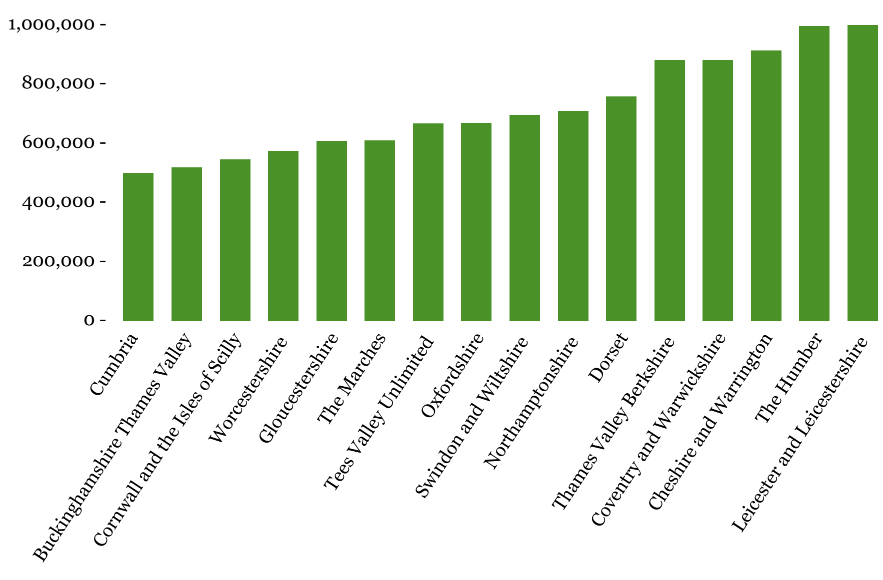
That is not to cast aspersions. Individual LEPs have had to inherit different economies and capacities. But it is to note that LEPs as presently constituted are currently a two-tier system – particularly between the core cities and the rest. This was an issue raised at our Bristol roundtable. One LEP chief told us how this played in terms of skills: 'there is inequality between the LEPs... all the core cities had half a million pounds in 2011 to get their act together around the skills agenda. That wasn't the same everywhere... if you are outside a core city, it is much harder for national organisations to engage with you... We don't have any spare revenue funding, so our ability to influence skills is small. Certainly we can through the colleges, the SEP and the SFA, but actually commissioning something is a very different game.' Another LEP chief noted that 'I do think there will need to be some more revenue funding for some of the LEPs outside of the core cities who don't get some of the other opportunities [that the cities do].' We deal with this in what follows.

If some LEPs are unable to bid competitively for funds that the government devolves this creates two problems. Firstly, it may lead the bigger players to under prepare their bids in the expectation they will be awarded funds come what may. Secondly it may lead money to be devolved to under-performing LEPs because of the political difficulties of not making such an award. Increasing resource by cross-LEP cooperation may be a profitable way around this impasse and the government may wish to stress in future guidance that, where genuine additionality can be demonstrated, cross-LEP co-operation would be prioritised in any competitive funding elements.

Certainly population size is a key question. As one of our interviewees argued, 'I would say the optimum size is 2–3 million. 4 million [is perhaps a bit on the big side], but I think there are far too many small LEPs'.[85] He continued, 'at the end of the day they all cost a certain amount of money to run... why would you have a LEP the size of some of the smaller ones?'[86]

The graph below illustrates the 16 LEPs with a population less than one million. Some – e.g. Cornwall and Cumbria – make clear geographic sense. But for those where the geography is rather more messy there is good cause to consider how these LEPs can increase their competitiveness with regards to bidding for central capital. Of course, size isn't everything, but it can have a knock on effect on capacity. Where capacity – broadly interpreted across both economic and personnel facets – can be pooled across LEPs, so much the better.

LEPs with a population of less than one million



85. Interview M
86. Interview M

The issue here is that a full scale re-organisation – even if it could be structurally delivered in relative short order (and history suggests that may not be easy) – would serve to delay what LEPs could achieve in the next parliament. If individual LEPs can scale up or adjust their boundaries voluntarily then they should certainly be permitted to do so. But the presumption should be that LEPs may instead choose to maintain their existing internal structures but work together with other or nearby LEPs on issues of mutual importance. As one LEP Chair put it at our Bristol roundtable, 'LEPs are starting to work now…it would be counter intuitive to return to the issue of structure. If it is built on relationships, I don't think LEPs can be more efficient… [Instead,] there are things that should be collaborated upon, and this is happening'.[87] This is certainly true in the south-west, as the case study below illustrates.

Case study: The five South-West LEPs and the 'Greater Connected' plan

A prime example of productive inter-LEP co-operation can be gleaned through the five LEPs in the South-West (Cornwall, Dorset, Heart of the South West, Swindon and Wiltshire, and the West of England) and their business led strategic economic plan. This submission to central government is testament to the type of creative thinking LEPs can do above and beyond their borders. The 'Greater Connected' plan does not supersede the individual LEPs' Strategic Economic Plans, but is intended to 'strengthen the case for investment in projects that will drive growth and job creation across the whole area'.[88]

In this document the case is made for the wider regional benefit of east/west and north/south trunk roads, increased rail connectivity, electrification of parts of the rail and new rolling stock, and high speed broadband across the travel to work area. Increased mobile connectivity across the regional railway signifies the type of cross-LEP thinking that should be encouraged. A LEP's footprint, after all, does not stop at the artificial borders of its frontier local authorities but continues throughout the wider region. To retreat behind lines on a map is not to be desired. The ambition 'to work together where we have mutual ambitions for growth' however, is certainly to be applauded.

Blurred boundaries?

Size is not the only geographic consideration however. The Adonis Review highlighted the case of the 37 local authorities which lie in more than one LEP. He argued that 'these places are effectively being devolved funding twice over from central government and they are able to play off different LEPs against each other.' It may however be argued that overlapping populations have been taken into account in most funding streams accorded to LEPs, and that whilst some authorities may have taken advantage of their dual membership, many have used it to facilitate productive conversations between two (or more) LEPs over issues of cross-border concern. Our respondents were mixed on the matter – 50% would back an intervention by the Secretary of State for BIS to settle this matter one way or the other whilst 40% would not.

87. Bristol roundtable participant

88. www.heartofswlep.co.uk/sites/default/files/user–730/GreaterConnected.pdf

There is a positive case to allow continuation of the blurred geographies we have seen to date. Our discussions have highlighted areas where the flexibility afforded by multi-LEP membership has reaped dividends. The notion of a 'functional economic area' can differ across particular sectors. Greater Cambridge and Peterborough for example have set development of the east-west A14 as their key transport ask of central government. Yet they also look to the south to London and the skills and inward investment opportunities offered there within. The fact that they blur boundaries in the east with New Anglia LEP and in the South around Stansted Airport with the SELEP has not hindered their activities. Indeed, in 2013 the A14 upgrade was approved by the Treasury. Cross-border working can help strengthen such cases.

"Where individual LEPs wish to re-draw their boundaries this should be permitted but the priority should be to promote co-operation between existing LEPs in areas of mutual interest."

Where practicable this report would back the rationalisation of LEP boundaries. But there will be some ambiguities that remain in the system and that may be no bad thing. For example, an issue for some LEPs within commuting distance of – but separate from – a major city is that they simply cannot or do not cater for a significant proportion of their workforce. Almost 2,500 Cambridge residents (about 4% of the working population) commute to London each day: not only are these two cities not in the same LEP, the two LEPs do not even border one another.[89] Such a view was reflected by one of our interviewees: 'LEPs didn't have to be contiguous – we as policy makers didn't spot that early enough and we should have done'.[90] Whilst full membership of another LEP may not be in order, further collaboration between LEPs which contain several dormitory towns to a single major city may serve a useful purpose.

This is particularly true in the South-East where London is England's perennial economic magnet. In a sense part of the rationale for the LEPs within commuting distance of London must be to grow their areas to such a degree that they exceed any position as mere commuter towns and develop their own economic identity. The problem is however that for a LEP structure which prioritises the 'travel to work area', such LEPs' travel to work area may include the 6.47 to Waterloo or 7.45 to King's Cross. There is a delicate balancing act between capitalising on the advantages proximity to London brings, and becoming a client state of its undoubted economic prowess. There are no easy answers here, but restoring rail links such as the Oxford-Cambridge line, improving both road and rail to places like Norwich, and incentivising collaboration between LEPs outside the major cities as well as just with said major settlement may be part of that conversation.

Our research therefore suggests:

- **A wholesale reorganisation of LEP structures is not desired from the ground up**
- **Where individual LEPs wish to re-draw their boundaries this should be permitted but…**
- **…the priority should be to promote co-operation between existing LEPs in areas of mutual interest**

The dual lock

The broad guiding principle our research has highlighted is that in order to best facilitate greater devolution from the centre we need to be making better use of where both local government and the LEPs can individually add value. We therefore propose a dual lock whereby devolution occurs in two forms.

89. www.ons.gov.uk/ons/rel/census/2011–census/origin–destination–statistics–on–migration—workplace–and–students–for–local–authorities–in–the–united–kingdom/sum—–commuting–patterns–in–the–uk—2011.html

90. Interview K.

Firstly, the new powers that are outlined in what follows should be primarily devolved to the first tier level of local government. There are exceptions such as strategic housing such as strategic housing where both LEPs and authorities should be given new functions but, in the main, we argue that significant new powers be passed down to local government.

“Local economic spend be characterised by a ‘dual lock’ approach.”

Secondly, we believe that the type of private sector, entrepreneurial ethos that LEPs can bring to economic development can best be utilised by handing them control over signing off devolved new spending – the pattern of which we discuss in chapter four.

The point here is to enshrine a dual lock over an expanded Single Local Growth Pot – held at LEP level but driven from the bottom-up.

Locally elected politicians have both a democratic mandate and an ear to the ground. We do not wish to forgo this by simply handing down money to a more localised set of mini-RDAs. Similarly, business leaders can bring creative new thinking, a background in gaining value for money, and emerge from a culture where they can take decisions and see more or less instant results. We do not wish to forgo this either by wrapping them in reams of public sector red tape.

The dual lock is intended to maximise what both public and private sector partners can bring. The division of such local spend into dual fiefdoms ensures that neither public nor private sector can dominate, indeed it strongly incentivises them to collaborate. It encourages individual authorities to collaborate with one another on projects of pan-authority relevance, and will see all pay increased heed to the LEP – and therefore the needs of the business community. In Chapter 4 we discuss how this would work with regard to housing.

The overlap between Local Enterprise Partnerships and Combined Authorities may in some areas seem ambiguous. Combined Authorities provide indirect (or, in the case of Greater Manchester from 2017, direct) democratic accountability. LEPs offer the opportunity to gain private sector buy-in and expertise, particularly of use in areas such as skills and attracting inward investment. Both therefore have key functions.

Therefore, we argue that in areas that have both a LEP and a combined authority, annual spend should be signed off by both the chair of the LEP and the elected head of the Combined Authority. This ensures any spend at the sub-regional level is both subject to some democratic scrutiny, but also is tailored to the needs of the local business community. In practice of course this adds a double layer of public scrutiny since the elected head of the Combined Authority will be drawn from local government, and the LEP board will be comprised of half (or near half) public sector representatives.

Across the board, however, our broad contention is that

- **Local economic spend be characterised by a ‘dual lock’ approach where both council leaders and the LEP have to sign off on annual budgets**

Transparency and accountability

As one Westminster based figure told us, ‘the main problem is a lack of democracy and the lack of council style scrutiny’.[91] The democratic question we address elsewhere, but the scrutiny issue is worth pursuing. At present, LEP websites are a mixed bag – sometimes clear and welcoming, at other times

91. Interview J.

opaque and/or vague. If they are to be taken seriously as meaningful partners with either public or private sectors, this needs addressing.

Perhaps more importantly our respondents argued in favour of publishing the email addresses of board members (60%), regular and transparent accounts (94%), webcasting meetings and publishing minutes (54%) and LEPs becoming explicitly subject to the Freedom of Information Act (62%). It should be noted that there was some divergence between public and private sector views on these points – 70% and 58% of public sector respondents backed LEPs being subject to the provisions of FOI and webcasting meetings/publishing minutes compared to 49% in both from the private sector.

We agree with the overall majority view of our survey respondents on email addresses, accounts, minutes and the FOI Act, though we believe that the question of webcasting meetings should be up to each LEP to choose. On the first point, clearly it would not be right for LEP board members to use their own email addresses, rather they should be given a LEP specific email address which redirects mail to their normal work or personal account. Only the LEP address itself would be published.

As a few of our interviewees were swift to point out, some LEPs do already publish their accounts, meeting minutes and agendas. But we argue that there is no reason why this principle cannot be extended to all 39 LEPs, agreeing with one interviewee who said that to do so should already be normal practice.[92] Regarding FoI, while the process itself has been criticised – not least by the Prime Minister who introduced it[93] – we do not envisage that subjecting LEPs to this legislation will prove very burdensome as some might suggest due to the limited document output of each LEP.

These informal layers of scrutiny, or at least the potential to scrutinise, are a necessary precondition of significant further devolution. LEPs may not necessitate statutory underpinning – and certainly our respondents would not advocate this path – but they do need to possess a greater level of transparency and public accountability if they are to be custodians of taxpayers' money.

The National Audit Office has noted that government should 'work with Local Enterprise Partnerships to ensure that their local transparency arrangements are robust and meet the expectations placed on local authorities'.[94]

We concur, and argue that by the end of 2015 LEPs should be required to:

- **Publish the LEP email addresses of board members**
- **Publish regular and transparent accounts, publish minutes of their meetings, and be made subject to the Freedom of Information Act**

Growing staff levels

According to the FSB, capacity funding amongst the LEPs has been largely spent on wages (47%) and external consultants (29%). As LEPs build their capacity there may well be an increase in the former at the expense of the latter as external resource is less relied upon.

As part of the devolution of funds discussed in chapter four, we contend that LEPs should be awarded the funds equivalent to appointing a strategic lead for each of the 6 areas loosely defined within Lord Heseltine's single funding pot. These are skills, local infrastructure, innovation and communications, employment

92. Interview R

93. www.theguardian.com/world/feedarticle/9951464

94. www.nao.org.uk/wp-content/uploads/2013/12/10285-001-Local-economic-growth.pdf

support, housing and business support (including inward investment functions). These would be charged with maximising local economic development in each of the areas, and allow the LEP to become pro-active in their particular sector. As one private sector board member told us, 'what the government have got to stop doing is saying, "we've found this pot of money," minister X wants to visit you in a couple of weeks and launch the initiative, get the paperwork in by Friday'.[95]

"Where a LEP wishes to elect its chair this should be facilitated by new legislation."

Nobody can override politicians' (of all sides) reliance on the news cycle, but by further resourcing LEPs to cope with the whims of Whitehall, at least they may be given a fighting chance. This report certainly doesn't argue for the re-creation of the 3400 staffed RDAs (which would equate to 87 staff per each of the 39 LEPs), but there is some headroom between the current average of 8 staff per LEP and the RDA's unwieldy size. The total budget for a strategic lead across the 6 areas outlined above across each of the LEPs – assuming a £65,000 salary plus on costs – would equate to £18.3m in total, or £468,000 per LEP.

Building on our findings in the first chapter, **we recommend**

- **LEPs be awarded the funds equivalent to resourcing a strategic lead in each of the six areas of Lord Heseltine's indicative single pot – £18.3m across the 39 LEPs**

Legal position

Only 24% of our respondents backed the incorporation of LEPs as non-departmental public bodies with specific statutory duties. Less than one in four, in other words, foresee their role as merely replacing the RDAs (with different geographies). Exactly a third of respondents believed that LEPs should be given specific statutory powers to intervene in the planning process in terms of appeals. This coincides with a general perception, best articulated by one Conservative respondent that LEPs need to 'be fleet of foot, and nimble in the way we are allowed to do things'.[96] One interviewee argued that the 'government should be setting LEPs up as companies backed by limited guarantees' – therefore outside the public sector altogether.[97]

Our view

- **is that the present legal position is broadly the right one – though the 'dual lock' outlined above may need secondary legislation to legally codify it.**

The two tier question

Three issues were thrown up by our interviews and questionnaires.

The first is that our responses from district council politicians were almost uniformly more negative about LEPs than their first tier counterparts. Whilst 59% of first tier authorities felt their LEP was doing a good or very good job, less than one in three districts (32%) concurred. The percentages as to whether LEPs in general were doing a poor job were similar – with the one in five districts (21%) of this opinion dwarfing the one in twenty (4%) of first tier authorities of this view.

95. Interview Q.
96. Interview C.
97. Interview I.

The second was the perception that districts were not buying into the LEP agenda in the round. As one of our interviewees noted, 'lower authorities need to buy into LEPs more and 'lead beyond their organisation. When they can't come to a LEP meeting they always seem to send a Deputy Leader from their authority. They should ask another district's leader. They should think of keeping districts plural in the loop rather than just their own authority'.[98]

And thirdly, many of our survey respondents felt that districts were not being given a fair shake. As one noted, 'in my particular area, district level local government is under-represented. My local area covers over 300 square miles and has no representation on the LEP (either public or private sector)'.[99] If they are to be fleet of foot then LEP boards cannot incorporate every district council within their area, however LEPs should seek to have some lower-tier representation.

In 2012 the District Councils' Network characterised the then 70% of districts on LEP boards as 'reasonably good'.[100] Research for our report suggests this figure has increased and that all LEPs which could incorporate lower tier representation currently do.

There is an issue of spend here. Clearly authorities with first tier functions invest a great deal more than districts – even stripping out the GLA, the latter oversaw £94bn of revenue spending in 2012/13 compared to the £3bn of shire districts. In areas like capital spending – a key function of LEPs to date – the gap is narrower but still equated to £12.3bn versus £1.4bn.[101] On the one hand then, the functions of LEPs certainly appear to dovetail more with what first tier authorities do. Yet, particularly with relevance to local planning and housing, the activities of the LEP can have clear ramifications for lower tier authorities.

Many LEPs are making successful use of Leaders' Groups to smooth over any tensions. Regular engagement between the LEP and lower tier authorities must also be part of growing a more healthy relationship.

We therefore recommend:

- **LEPs should continue to include district council representation on their boards**
- **Any lower tier representatives should regularly canvass their equivalent leaders within the LEP boundaries via a District Council sub-group**
- **Rather than the current, informal process of sending along a fellow councillor or cabinet member, a list of alternative lower tier leaders within the LEP should be used to cover for absent lower tier leaders as and when they cannot attend a meeting**
- **LEP chief executives or chairs should undertake a quarterly select committee type questioning at the hands of all local authority leaders both first and lower tier to ensure sufficient scrutiny. The minutes from this should be published.**

Democracy

As noted, when asked whether further LEP power should be dependent on a direct democratic mandate our respondents expressed a mild preference, by 42% to 50%. A stronger indirect democratic mandate was favoured by 68% to 24%.

None of Heseltine, Adonis or Healey have argued for direct election to LEPs. The contention for some may be that by making the role of LEP Chair 'official' this would stymie their ability to continue to be engaged with their private sector role. Some LEPs may well prefer to keep the current model.

98. Interview A.

99. Survey response.

100. http://districtcouncils.info/files/2012/07/Response-to-APPG-inquiry1.pdf

101. www.gov.uk/government/uploads/system/uploads/attachment_data/file/316772/LGFS24_web_edition.pdf

That said, where a LEP does wish to elect its chair – and on each future occasion – this should be facilitated by new legislation. Should a majority of member authorities wish to have their LEP Board Chair directly elected, this should be permitted using mechanisms similar to those deployed in a Business Improvement Districts (BIDs).

Introduced in 2003, BIDs involve a referendum of the local business community to gain a mandate to raise business rates to pay for a particular instance or pipeline of infrastructure (broadly interpreted) spending – managed by a new BID organisation. Of the 333 ballots instituted in Britain and Ireland by the end of December 2014, 290 had been successful.

In order to preserve the Chair's own time to remain plugged into his or her private sector role, (and to eliminate the need for by-elections should they need to stand down) we would propose the Chair is elected with a vice-chairman who would both automatically be elected to the LEP board, and would take over the Chair if needed.

Given that decisions on infrastructure, skills and transport are often best made over the long term (certainly longer term than a single election cycle), it may be best for the first set of elections to a five year term to take place in 2017. This would be concurrent to the election of the new Greater Manchester elected mayor, and out of alignment with the General Election timetable (assuming fixed term parliaments are here to stay). The government should therefore legislate to permit councils to propose an elected LEP Chair should authorities representing over 50% of LEP business rate payers agree, and then each LEP should consider whether it wishes to move ahead with this process by the end of 2015.

This may not be needed in all areas. As one policy maker put it to us, 'although it goes against my democratic principles, there is nothing inherently wrong with an appointed body being charged with a specific task. Lord Heseltine's UDCs did it in the 1980s and it can be done again today'.[102] Another noted that "I think it is right that [LEPs] should be business-led. You also need to have leadership and decision makers from Local Authorities who have an electoral mandate. I think that gives you a pretty powerful basis of legitimacy".[103]

Nevertheless, for those authorities who wish to give their Chair a mandate amongst the local business community, a similar occupational franchise approach should be adopted as with BIDs. BID referenda are often managed through postal vote only, and the cost of holding this ballot could be spread amongst LEP member authorities. Having the business community elect the figure who would ultimately, in the proposals detailed in this report, have final sign off on a local share of over £12bn worth of spending may well be an option areas wish to pursue. It would help provide an additional layer of accountability and scrutiny for LEPs, which may be all to the good. It would also mean that both layers of this report's 'dual lock' would have a directly elected element.

That said, many areas may wish to further link their LEP into existing democratic infrastructure. The government has indicated its desire, where appropriate, to extend the mayoral model to England's larger cities. Liverpool and Bristol have taken on mayors during this parliament, and Greater Manchester will gain one for its Combined Authority from 2017.

Localis has noted the potential of metro-mayors for many years.[104] Emphasising the benefits of 'City region status [as] a means of reflecting the real economic geography of an area to deliver outcomes which extend beyond the borders

102. Interview B.

103. Interview M.

104. www.localis.org.uk/images/articles/Can%20Localism%20Deliver_Localis%20&%20Policy%20Exchange.pdf

of the district,' and a mayoralty providing 'visibility of leadership,' the 2009 report *Can Localism Deliver* featured a foreword from Lord Heseltine which declared 'it is vital that policymakers take into account the lessons learnt from Manchester if we are to move forward into a new era of localism.' Manchester is indeed leading the way here.

On the back of a pledge to introduce a new metro-mayor for Greater Manchester in November 2014, the Prime Minister noted that 'the more you can have really strong accountability the easier it is to devolve more money and powers and I think that's why such a big step forward has been made with the idea of the metro-mayor. I think it's opened up a lot of extra possibilities'.[105] However, he also added that 'I think every city will want to work out the best way of increasing accountability and increasing local power, and there's no one size that fits all'.[106]

Whilst the Prime Minister's broad position is perfectly reasonable, the government should be making a bit more of a steer here. Where Combined Authorities and Local Enterprise Partnerships can be aligned, they should be encouraged to do so. This was a view strongly echoed at the Leeds roundtable where many of the delegates were directly involved with a combined authority and in the northern cities and Lancashire there is opportunity to do this in a relatively uncomplicated fashion. In the potential West Midlands authority it will necessitate further discussion (since three LEPs may be affected). But the principle of using the current window to make LEPs fit for purpose should not be missed. Incentives for alignment could include (for co-terminus bodies) a further project based rate for the PWLB or an additional enterprise zone.

We recommend:

- **Building on the successful precedent of Business Improvement Districts, the government should legislate to permit councils to propose a directly elected LEP chair should authorities representing 50% of local business rate payers agree.**
- **Each LEP should decide on this matter by the end of 2015 for new elections to be held in May 2017.**
- **Where it makes sense, new metro-mayors co-terminus with LEP boundaries could be encouraged through potential extra PWLB project rates or new enterprise zones**

New board structures

Our survey suggests that LEP boards are more or less comprised of what key stakeholders see as 'the right types of people'. Representatives from large national firms (83%), local small business (85%), universities (84%) and skills providers (76%) are seen by most as people who should have a place on LEP boards. This is indeed mostly the case: 36 of the 39 LEPs have an SME representative on the board, the same number who utilise a university representative (and not all LEPs have a university within their borders). Further Education colleges are however under-represented, with only just over half (20) all LEPs utilising such expertise on their boards. If LEPs are to take a long term view on skills this should be rectified.

Stripping out the self-employed and sole traders, there are just under 1.3m businesses in the UK. The three largest business representative organisations – the British Chambers of Commerce (104,000), Federation of Small Businesses (200,000) and the CBI (240,000) therefore – provide a significant local

105. www.thejournal.co.uk/north–east–analysis/analysis–news/david–cameron–manchester–style–mayor–would–8063377

106. www.thejournal.co.uk/north–east–analysis/analysis–news/david–cameron–manchester–style–mayor–would–8063377

snapshot of private sector opinion across the country. The next most populous such body – the Institute of Directors – maintain 43,000 members.[107] In order to strengthen the indirect democratic element to LEPs' arsenal, each LEP should look to ensure that there is a representative from at least one local business body on their board.

One sector our survey respondents felt should not be represented on LEP boards were trade unions. Only 14% would back such a course. The fear that trade unions may block innovation and business led expertise may have played a part in such a verdict. That said, such a representative would only have one voice around the boardroom table. An open recruitment process could establish his or her willingness to co-operate on matters of long-term economic development, and the chair would retain the ultimate power of sanction for an uncollegiate member (as with any board member).

We therefore contend there is merit to inviting one trade union member to sit on the board of each LEP. Chuka Umunna has backed this view: 'we've got to make sure the trade unions are involved as well – they are important actors in the economy too'.[108] In a sense this would re-capture, at a local level, the spirit of the Conservatives' National Economic Development Councils of the 1960s which brought together politicians, big business and the unions to plan industrial strategy.

With over five million unionised workers in England the unions still represent a meaningful voice of employee opinion. Potentially this could be a branch officer from the TUC. Similarly, where appropriate, it could be a representative from the most union dense industry in each region. If the latter, public administration (the North East, North West and South East), education (Yorkshire and the Humber, East and West Midlands, the East of England and London) and transport (the South West) unions may be best placed in different parts of the country. That ultimately could be the LEPs' call however. The broad point is that if skills are indeed to be the next natural leap for LEPs – as many stakeholders are arguing – it is worth recording that 'more than 800,000 people have been given training and learning opportunities via their union'.[109]

With both trade unions and business representative bodies, of course, this may not involve any new appointees in many areas. Councillors who are members of a trade union or private sector members who represent an organisation in one of the business bodies, may already provide the type of voice we suggest.

We therefore recommend:

- **A representative of the most industry dense trade union – or the TUC – in a given area be invited onto each LEP board**
- **A representative from at least one local business body (e.g. FSB, CBI and Chambers of Commerce) in a given area be invited onto each LEP board**

107. www.gov.uk/government/uploads/system/uploads/attachment_data/file/34648/12-1213-no-stone-unturned-in-pursuit-of-growth.pdf

108. https://soundcloud.com/progressonline/winning-a-mandate-for-change-in-conversation-with-chuka-umunna-mp?in=progressonline/sets/winning-a-mandate-for-change

109. www.tuc.org.uk/sites/default/files/LEPs%20and%20Economic%20Revival_0.pdf

3. Powers to deliver locally led growth

The need for ambition

LEPs' modus operandi has and is changing. As one public sector board member told us, 'LEPs were set up in terms of competition – to bid for limited pots of government money. But our function has in many cases morphed into one of inter-LEP co-operation'.[110] This is a positive sign, as is the government's willingness to discuss further devolution of powers to local government generally. But, using the Chancellor's pledge to try and reach 'full employment' in the next parliament, LEPs can and should be thinking even more boldly. Rather than merely acceding to the devolution of specific funds top-sliced from government departments, central government should be encouraging LEPs to go further on the delivery of their strategic economic plans. NEET-less LEPs should be the goal of all.

To do that, of course, LEPs will need access to new money. Less than one in twenty of our survey respondents would back the devolution of tax raising powers to LEPs, but the devolution of other forms of power is a different matter.

As we discuss in chapter five, the belief in the transformative capacity of LEPs, if they are given sufficient resource, is impressive. But they will not be able to achieve the type of uplift in Gross Value Added (GVA) we later project without increased funds and scope to utilise them.

And yet it is not just about new money. The way LEPs spend money, the type of broader informal work that they do, and – in summation – their role will need to change too. Power matters, and this chapter outlines how local government and LEPs can be resourced in this regard going forward.

To reiterate, the following is not a call for devolution of everything now. But it is to suggest that any government could make good on the Heseltine agenda by 2020 – and indeed go further in several areas. And there are certainly areas where changes could be implemented in short order.

Remove the ring fence

The major power shift, as such, would be the removal of the central power to determine what LEPs (and, by extension, local government) spends its monies on. As one local authority leader puts it, 'if I had one ask of the centre it would be a 'genuine' single pot. Let us deliver the targeted investment that is appropriate to local need'.[111] The Local Growth Fund, which we discuss further in the next chapter, has been handed down to LEPs with several constraining features – not least its emphasis on capital spend which has already been agreed with central government. In this role LEPs are thereby reduced to mere project managers for central whim rather than autonomous place shapers in their own right.

110. Interview A
111. Interview C

As CLES have argued,

'LEPs should be a key vehicle for local economic resilience; operating as a key hub in a wider place based network. However, generally they operate as a traditional economic body operating as a mere vehicle for the allocation of government and EU funds. In this, the extent to which they are focussed on resilience is at the narrow, short term interpretation of economic development, with little appreciation of social growth and the importance of the LEP as a whole place network'.[112]

A related point is the need to…

Create a revenue spending stream

Several interviewees expressed to us the difficulty they have with the capital spend focus LEPs have been given. One pointed out that 'money representing, say, 2 to 3 per cent of the capital spend budgets we get should be allotted to revenue spend'.[113] Another noted that 'one downside of the growth deal is that we lack revenue funding. Four to five percent of our capital budget would really help.' This is not huge sums of money. Around £70m would fulfil the larger of the two claims if we take the present Local Growth Fund capital spend as indicative.

"Our survey shows the clear need to provide guaranteed funding levels for LEPs for ten years."

Whilst this is not about big sums, it is almost the whole point. If LEPs are just to be the delivery arm of central dictat then their additionality will be very limited indeed. But if they are allowed to develop a distinct identity, forward plan, and build a case for aspects of policy which will benefit their local area, this would be all to the good. The general point articulated by several of our interviewees was that without secure revenue funding, they will not have access to the right skills to make sustainable, smarter choices and will merely take the path of least resistance to, as our interviewee noted, 'get a task off our desks'.[114] As ICAEW have recently noted, 'far too much of the funding is based on capital and not revenue, which further ties the hands of LEPs to make decisions on where funding is best placed'.[115]

Ending the ringfencing of money would give LEPs time to plan for the long term on the one hand but also pro-actively seek their own funds and indeed their own potential revenue raising streams down the line. We discuss such additional activities in the form of expanded growth hubs and business envoys later.

We therefore contend that:

- **As a bare minimum, the government should 'un-ring fence' an additional £70m of revenue spend from local growth settlements in the years from 2015/16 onwards.**
- **And that ultimately the central ring fence around LEP spend should be as truncated as possible**

Ten years to grow

As we noted in chapter one, the £2bn annual local growth fund has been passed down with the promise that government will use it as the minimum bar for such spend in the next parliament. In this report we argue for the devolution of a figure in advance of this level. Our survey shows the clear need to provide guaranteed funding levels for LEPs for ten years however – a course favoured by 57% of our respondents.

112. www.cles.org.uk/wp–content/uploads/2014/04/Developing–Local–Economic–Resilience.pdf

113. Interview F.

114. Interview D.

115. www.icaew.com/home/about–icaew/newsroom/press–releases/2014–press–releases/local–enterprise–partnerships–a–business–insight–summer–2014

The major point here was articulated by Lord Heseltine in his response to the BIS Committee's enquiry on his report. Local Enterprise Partnerships should be just that – a co-managed and co-designed instance of sharing enterprise between public and private sectors. The latter, however, will only bring its investment to the table if it has some confidence government backs the principle of LEPs. As Heseltine argued:

'My single pot is, in significant measure, a capital budget. The object of the exercise is not only to get local initiative but to get local gearing; in other words, you get the private sector, other public bodies or whatever adding money to what the Government can afford. You cannot have programmes that are based on capital in under, certainly, a five-year process, because the private sector just does not think like that – and quite rightly'.[116]

Whatever the figure the various parties align on for devolution to LEPs therefore, we urge that

- **All party manifestos specify a figure to be devolved to LEP level which they guarantee as the minimum level – uprated with inflation – for the next ten years (2015–2025)**

But there is another issue: the certainty that each LEP will at least get something, and can start planning accordingly. The government's mantra has been that it is important LEPs bid competitively with one another for funding in order to improve the quality of bids. It is certainly true that not every LEP has benefitted from all the available funding streams – of the 39 LEPs over a third (14) have received no payments from any of the first four rounds of Regional Growth Fund. Yet not every pot has been so competitive and some explicitly prescribe such an approach.

To begin with, the government are hamstrung by European regulations with regard to the large tranche of EU funds that have been earmarked for LEPs across 2014–2020. Between the various multi-year funding rounds of the ERDF and ESF, the only tweak any national administration can make is to transfer 3% of funds from one of the three EU pots – 'less developed,' 'transition' and 'more developed' – that are determined by previous economic performance.[117] The Coalition has therefore elected to transfer 3% from 'more developed' to 'less developed' regions and has changed the delivery vehicle from RDAs to LEPs, but that is more or less the extent of what it can do. The EU funding scheme is deliberately egalitarian in that regard.

In terms of its own capital, the government has, however, sometimes foregone its competitive rhetoric. The Local Growth Fund saw all LEPs receive something – from the £9m in Cumbria to the £170m to Greater Manchester. The Coalition also distributed the £730m Growing Places Fund according to a formula 50/50 determined on population size and average earnings.

Certainly, political necessity means the prospect of any government utterly overlooking a given LEP area is rather unlikely. In a sense, therefore, what we contend in this regard below is merely an extension of existing practice.

For the devolution of monies we outline in the next chapter, we believe there should be a 50% portion weighted on population size, with the other tranche competitively awarded based on future plans. This more or less reflects present priorities – but formalising a guaranteed (or near guaranteed) slice based on population would again help LEPs to plan for the future. Given some of the functions

116. www.publications.parliament.uk/pa/cm201213/cmselect/cmbis/uc823–i/uc82301.html

117. www.gov.uk/government/uploads/system/uploads/attachment_data/file/232411/bis–foi–13–0830—erdf–and–esf–allocations–to–leps.pdf

we go on to discuss – skills, welfare and housing – very much have a direct impact of the present population in the here and now, there will increasingly need to be this split between current priority and future ambitions. The 'future ambitions' share would of course be based to some degree on current circumstance – skill levels and earnings – as well as projected future uplifts. This would still allow for a degree of central influence over LEPs' priorities but the security of income the population share would provide form a worthwhile trade-off.

We therefore argue that the:

- **Devolution of central government monies to LEPs is determined by a 50/50 split between per head amount and a competitive allocation based on the strength of their plans to address future priorities**

Building on the Growth Hubs

As part of their commitment to provide tailored business support to those who need it, the government has committed to resourcing local growth hubs across the various LEPs. The hubs act in a variety of different manners across the country, and some (principally those included as part of the package in the first wave of city deals) are further along than others. The core rationale that unites all hubs however, is the need to provide advice, support and access to leading public and private sector stakeholders who can both help businesses and promote further growth in local success stories. Some are funded by ERDF monies, others from central grant. Access to finance, change management, and leadership networking are amongst the priorities delivered by Lancashire BOOST, whilst New Anglia LEP has used its local growth hub to further its positive relationship with the Suffolk Chamber of Commerce, thereby further plugging into local business communities through an expansion of the events it holds and increasing its general reach.[118]

Lord Adonis has backed the Growth Hub concept, but suggested its expansion into a broader 'Business Hub.' This more overarching structure would 'facilitate the development of one stop shop… hubs to promote national business support schemes, signpost to firms what is on offer, as well as promoting and supporting the take-up of apprenticeships.' These Business Hubs would be 'funded by LEPs and delivered in partnership with local business bodies that have the capacity to do so.'

This is eminently sensible. According to Adonis, the government currently spends around £12bn on business support schemes each year. Lord Heseltine proposed the devolution of around half a billion of new money in this area to LEPs. As we propose the incorporation of Chamber of Commerce, CBI and FSB members onto LEP boards, further resourcing LEPs to provide business support services is a natural corollary. One private sector LEP board member told us that 'strands such as infrastructure have clear funding aligned to them – we'd like more, but it's something. With growth hubs however, the one year of money we have been given really isn't enough. We need sustained engagement on this from BIS over at least five years'.[119]

Generally, this report backs the Heseltine and Adonis position in this regard:

- **the broad 'business hub' – providing connective services to local enterprise – is an area of natural expansion for the LEP going forward.**

118. www.boostbusinesslancashire.co.uk/how–we–can–help/leadership–networking.aspx; www.edp24.co.uk/business/new_growth_hubs_will_support_region_s_firms_1_3618296

119. Interview F.

LEPs as the hub for inward investment

A number of our interviewees suggested the benefit of LEPs assuming several of the functions currently undertaken by UK Trade and Investment (UKTI). As one LEP chief put it, 'programmes need to be devolved down to the local level – UKTI should be devolving inward investment powers and money'.[120] In 2010, initial government guidance to LEPs remarked that they 'may have a role in bidding to be a delivery agent for nationally commissioned trade development support'.[121] The evidence suggests we should reverse this presumption: localise by default, re-centralise if necessary.

The basic problem is that local businesses are not tied into what UKTI is doing. Respondents to Andrew Adonis' recent review noted that 'many SMEs are unaware of what UKTI has to offer' and 'UKTI seems to be more big-business focussed.' Similarly, research for the ICAEW shows that 81% of large company and 69% of SME exporters are not familiar with UKTI. 90% of exporters are not familiar with LEPs either. The ICAEW conclude that 'while some LEPs do work with UKTI, many businesses would benefit from a targeted and consistent approach to local export support and services…Cities should create a single point of contact for investors to communicate with and to make the planning system as flexible and expedient as possible. For cities outside of London, this work should be aligned with LEPs'.[122]

This report concurs. Whilst there needs to be a central hub for inward investment to the UK, each LEP needs its own executive member dedicated to attracting such monies to their locality. If the hypothetical Tokyo businessman wants to invest in a particular area of the UK there should be someone tied into the local business community who can make that happen. UKTI theoretically is performing functions related to this task, but the case for devolution to LEPs – given the above lack of UKTI profile in many areas – seems clear.

Lord Heseltine proposed the devolution of the £167m worth of UKTI monies to LEPs. UKTI do good work in co-ordinating a range of inward investment programmes, and their wholesale removal is not suggested here. However, the £22.5m budget for 'international trade support in the English Regions',[123] the £27m spend on local SMEs to attend tradeshows abroad, and the £31m on sector specific support are all low hanging fruit that could be plucked to LEPs' and the wider economic benefit. £172m was spent by UKTI in 2013/14, forecast to rise to £267m by 2014/15.[124]

Whilst maintaining a strong co-ordinating presence in London, we therefore note that:

- **UKTI has not always successfully plugged into each local business community, and;**
- **there is at least £200m of 2014/15 UKTI money which could be devolved to LEPs.**

New borrowing options

As noted in chapter one, one potential form of revenue raising for LEPs is to borrow money. The PWLB special project rate has provided a limited opportunity for LEPs – though their role here in essence has been to sponsor the cheaper borrowing of an individual local authority or authorities. It is however worth asking whether LEPs could themselves borrow capital to establish revenue creating schemes to make them more self-sufficient. They would need to move towards the formal role we outline elsewhere – published accounts,

120. Interview F.

121. www.gov.uk/government/uploads/system/uploads/attachment_data/file/32076/cm7961–local–growth–white–paper.pdf

122. www.icaew.com/~/media/archive/files/about–icaew/what–we–do/policy/budget–and–pbr/icaew–growth–perspective.pdf

123. www.gov.uk/government/uploads/system/uploads/attachment_data/file/326050/UKTI_annual_report_2013–14_web.pdf

124. www.gov.uk/government/uploads/system/uploads/attachment_data/file/326050/UKTI_annual_report_2013–14_web.pdf (in DEL terms).

greater staffing levels and so forth – but this would seem both a potentially profitable endeavour.

Two not insurmountable problems present themselves however. The first is that LEPs do not have the same relationship to central government as local councils. They do not enjoy the de facto implicit subsidy that local authorities benefit from in their private borrowings – which derives from a combination of local government's long term prudent economic record, their requirement to run a balanced budget, and the potential perception (if by no means necessarily accurate) that the centre would step in to fulfil the debt of local authorities were they to default on it. Using the 'special project' PWLB precedent therefore, LEPs may wish to open discussions with the Treasury regarding the central guarantee of certain instances of borrowing they wish to undertake from the private sector. The GLA/Crossrail bond is one previous example that might be a guide here. We discuss extending this project rate in a wider sense in chapter four.

The second is that in order to borrow cheaply it is useful to have some collateral which, given, they currently enjoy a somewhat truncated existence, LEPs do not have. This could however change. In our survey, 46% of respondents stated that they were in favour of allocating underused land and public buildings to LEPs. We do not prescribe the wholesale or automatic signing over of land here, but if local authorities are willing to sign over land for this pan-LEP purpose then LEPs may wish to pursue this avenue.

And the final option may indeed be to set up their own financial concern. Lord Glasman and Guy Opperman are two parliamentarians from across the political divide to propose the creation of a more localised banking system. The establishment of the Local Capital Finance Company (LCFC) in early 2015 – a municipal bonds agency created to offer funds to participating councils at a rate lower than the PWLB[125] – seems to have plugged this hole and will no doubt affect LEPs' usage of their special rate from the PWLB. Only time will tell how LEPs interact with the LCFC, but some LEPs are already being ambitious in pioneering schemes along this model, as in the West Midlands.

We therefore note:

- **That LEPs are looking for innovative ways to lever in new capital**
- **That new avenues may include acquiring collateral, the Treasury guaranteeing borrowing from the private sector, or setting up localised financial concerns of their own**

The London link

Whether it be £10bn, £20bn or £30bn devolved to LEPs over the next parliament, the responsibility for national economic policy decisions – including those around nationally significant infrastructure projects – will still reside in Whitehall. And yet there is a need not only for the LEP interest to be heard in Whitehall, but the LEP position to be positively advanced.

Just as MPs have a constituency office and a parliamentary office, the re-constituted LEPs should therefore be afforded office space in Whitehall. Should any 'Senate of the Nations and Regions' concept for reforming the House of Lords come to fruition, there may be some synergy here – such 'Senators' could even sit on their local LEP board. Regardless of that idea however, each LEP should have a roving policy advisor talking up the merits of their area, liaising with (a reformed) UKTI, and forming a link between LEP HQ and the

125. www.local.gov.uk/finance/-/journal_content/56/10180/3684139/ARTICLE

levers of power in Westminster. This role would liaise with the six strategic leads predominantly based in each LEP and covering the areas of skills, local infrastructure, innovation and communications, employment support, housing and business support. The London link positions would be moulded out of existing civil service posts.

The point here is to give LEPs equal representation at Westminster. The bigger authorities and LEPs in many cases already have de facto ambassadors for their areas either based in London or who spend a significant proportion of their working week there. Addressing the issue of the London link is about dealing with that imbalance, not building 'LEP towers' or similar. A hot desking area, carved out of existing civil service space would be sufficient.

We therefore recommend:

- **The creation of 39 'London Link' posts for each of the LEPs to liaise with civil servants and national politicians and press the case for their area, along with office space within the central Government estate for them**

LEP envoys and engaging key local players

The LEPs cannot be everywhere – if they want to maintain a strategic overview function then by necessity they must outsource some of functions to member local authorities, business hubs, private sector partners, community organisations, and others. Partnership working, after all, implies just that.

Case study: Greater Birmingham and Solihull LEP

The Greater Birmingham and Solihull LEP has launched several entrepreneurial plans to create new revenue streams. It is looking to:

- produce a single strategic procurement strategy that has the potential to stimulate local economic growth by encouraging innovation, with the aim of both maximising efficiencies on jointly-procured services and sharing capacity and share expertise to drive forward innovative procurement across the GBSLEP.
- rollout its Birmingham Energy Savers Green Deal scheme for making homes and businesses more energy efficient. This will protect and add thousands of jobs – thereby reducing employment related expenditure by member authorities. Crucially, the LEP has discussed with HMT the potential of piloting a system in which 50% of the benefit savings from this scheme are guaranteed to be recycled locally into growth initiatives.[126]
- create an investment vehicle, GBS Finance, which will draw together various funds from Whitehall (including monies from the Growing Places Fund) and new locally devolved streams (including NNDR) to encourage private investment (sovereign wealth and pension funds) to contribute to a lending facility that may total £1.5bn, and create an ongoing stream of revenue from this institution's dividends

126. www.birmingham–chamber.com/Uploads/Greater_Birmingham_Project.aspx

That being so, LEPs are making creative use of envoys to bridge this gap using existing infrastructure. Banks are providing one such means. Through promoting business development grants, highlighting the services offered by the local growth hubs, and any LEP activities of relevance to local business, banks can play a key role in supporting LEPs across the regions. Regular meetings between banks and LEPs may help foster such positive partnerships as may the financial sector representatives on LEP boards.

Because of the synergies involved in accessing finance, banks are well suited to play an envoy role, but they are not the only potential local advocates for the LEP. The automotive, legal, construction, university and other sectors have similar means to promote the activities of the local LEP, as do the local Chambers of Commerce, CBI and FSB branches.

We therefore contend:

- **LEPs proactively approach stakeholders across financial, construction, automotive and any other local growth sector with a view to appointing new business envoys**

Informal remit

A big part of what LEPs do is clearly about promoting growth and this report is therefore primarily focused on those. But our survey suggests they could have a strong informal role in the wider economic picture, and in rebalancing the British economy. 79% of respondents would back their having a greater role in attracting increased foreign investment – a point that dovetails with our earlier line on UKTI functions.

44% of our respondents would be in favour of their LEPs linking local authorities with private sector partners, both small and large. 36% would back their encouraging corporate social responsibility amongst the private sector and 22% would back their 'encouraging local firms, where feasible, to pay the living wage.' This report does not prescribe on this point, but there may be a case for some LEPs to join up all three. LEPs could generate an income by auditing bids for local authority tenders, and encourage such CSR measures through the promotion of the living wage in elements of their/their member authorities' spend or in the business representatives they choose for board membership. That is for each LEP to decide, but the broader point is that LEPs can be playing a more informal role than they have to date.

"LEPs are more nimble than both central and local government."

LEPs are more nimble than both central and local government in that they are not tied down by statute, and have less of a bureaucracy than the old RDAs. Both points have been continually stressed by our roundtable participants. This, in a sense, forms the key rationale for the proposed 'dual lock.' The local business community – in concert with elected politicians – can audit local spend from a competitiveness point of view whilst not being bogged down by unwieldy red tape.

We therefore note:

- **LEPs need to be kept fleet of foot, and in doing so can help co-ordinate and nudge public and private sectors in a variety of ways**

4. Funding LEPs to develop their areas

The following proffers a significant devolutionary shove to kick LEPs into gear. There should be some quid pro quo here, and the changes that follow should not be fully rolled out until at least 2017/18 – the 'magic date' highlighted by more than one of our interviewees – but there is good reason to be bold. The existing Local Growth Fund is clearly raising horizons and the first two years of the new parliament should be used to ensure both it is dispersed adroitly, and that the support systems are put in place for further devolution.

Funding is, as mentioned, part of the dual lock we propose for sub-regional spending in England. The funds devolved here would either be held at the LEP itself – where feasible – or, more likely, within an anchor local authority or authorities and ringfenced for LEP purposes. To all the following we contend that local authorities be given the power to bring forward new plans, and LEPs given the sign-off over local spending. In practice however, this formal distinction may be misleading – LEPs would talk to local authorities about the desired pan-LEP goals (inherent in the already produced SEPs); and local authorities would make clear their own priorities to the LEP.

Beyond Adonis and Heseltine

Andrew Adonis has called for the trebling of the £2bn local growth fund to form a £6bn annual spend – 'including the devolution of funding for infrastructure, business support, and adult skills provision, and the co-commissioning of the Work Programme'.[127] The opposition has since adopted this figure as Labour Party policy going into the General Election.

Michael Heseltine's four year £49bn indicative single funding pot was, as mentioned, the inspiration for the Single Local Growth Fund. Stripping out the £8bn of Local Authority capital contained within Heseltine's pot, and £1bn in existing Growing Places Fund and Regional Growth Fund spend, it equates to an annual £10bn of newly devolved funds from central government to LEPs. Year by year, this includes £4.3bn worth of skills funding, £1.7bn of infrastructure monies, £1.7bn of HCA housing spend, £1.4bn of employment support, c.£500–600m of business support and c.£400–500m dedicated to innovation.

Our survey reveals an appetite to go further on skills, transport and attracting inward investment. With 38% of respondents choosing the full devolution of the Skills Funding Agency budget to LEPs as their primary ask of central government, 24% backing a greater percentage of transport budgets, and a large majority believing 'encouraging increased foreign investment to the locality' forms a key part of LEPs' role, our report backs the Heseltine agenda in these crucial areas.

We think Westminster needs to go further however.

127. www.yourbritain.org.uk/uploads/editor/files/Adonis_Review.pdf

Devolving down…

Our interviewees have brought up a number of areas where central government should be going beyond Heseltine. This reflects a widespread feeling. In a November 2014 survey the tax consultants Grant Thornton highlighted the top-two desires of business leaders for devolution to the sub-regional level as local transport budgets (59%) and skills (52%).[128] The existing 39 local growth deals also suggest where further powers and funds are desired by the various LEPs – all discuss skills and transport, 31 of them business support, 28 housing and 22 non-housing related infrastructure.[129] Having discussed business support in the previous chapter, we now turn to the three obvious remaining areas: skills, transport, and housing.

“On skills, LEPs should be resourced to provide annual rolling 5, 10 and 15 year plans for skills supply and demand in their areas.”

Reversing the skills dead end

As one national policy maker told us,

‘there is a tremendous misalignment of the needs of employers with the qualifications people are actually getting. This has to be solved through the broader LEP structure, you can’t do it through the smaller council model. The basic problem boils down to the fact that, because of the way they are funded, FE colleges have been supply led rather than demand led so far – and this needs to change’.[130]

Perhaps the most infamous example of this – hair and beauty – saw over 94,000 16–18 year olds being trained in 2010–11 for a job market then providing just over 18,000 vacancies.[131] Industries such as building services and engineering (over 71,000 vacancies but under 40,000 trained 16–18 year olds) and the automotive sector (under 37,000 newly trained people for almost 90,000 vacancies) represent the flip side of the coin.

Little wonder that in her 2011 review of vocational education Alison Wolf estimated that up to 350,000 16 and 17 year olds were gaining little from further education – one quarter of the entire cohort.[132] Services, per se, form a vital part of the British economy – but a crucial part of the cross-party consensus on rebalancing the British economy must include empowering local agencies to steer those preparing to enter the workplace into areas where they can find gainful employment – and this will often be in other sectors. We must be anticipating future needs if we want to avoid future unemployment.

Though frequently identified by our respondents as ‘the next big area for LEPs,’ LEPs’ role to date on skills has been limited. In 2010 the *Local Growth* white paper declared that ‘the RDA’s role in skills strategy setting and commissioning training provision will cease and in future all public funding for adult skills provision will be routed through the Skills Funding Agency to its network of approved and quality assured colleges and training organisations’.[133] LEPs were told to ‘develop effective working relationships with [local] partners.’ Given the dilemmas outlined above, we would argue for a gear change here.

On skills, LEPs should be resourced to provide annual rolling 5, 10 and 15 year plans for skills supply and demand in their areas. Since they will directly benefit from such market research (and it would help fulfil recent moves towards ‘public impact’ in academic funding circles), the university on each LEP should create a Local Skills Research Unit charged with projecting these figures on an annual basis. The few LEPs who do not contain a university within their locality may wish to procure a neighbouring LEPs’ university.

128. www.grant–thornton.co.uk/Thinking/Autumn–Statement–2014–CEO–survey–UK–infrastructure–and–devolution/

129. www.centreforcities.org/assets/files/2014/14–07–22%20Growth%20Deals%20Briefing.pdf

130. Interview B

131. www.local.gov.uk/c/document_library/get_file?uuid=c6c78b8e–c8f1–4cf2–9ea0–d2e02054a58d&groupId=10180

132. www.gov.uk/government/uploads/system/uploads/attachment_data/file/180504/DFE–00031–2011.pdf

133. www.gov.uk/government/uploads/system/uploads/attachment_data/file/32076/cm7961–local–growth–white–paper.pdf

As we have noted, the need is particularly acute in the construction sector, and there is a sense that the policy agenda is moving in this direction. As Michael Lyons' housing review has recently argued, 'Local skills boards for house building, perhaps under the auspices of LEPs, should bring together builders, other parts of the construction industry, councils, and training providers including schools, to take a ten-year view on local skills needs in the sector, business-led and anchored in the Local Plan'.[134] This builds to some degree on existing practice, as Lyons argues 'LEPs have an important part to play in enabling those local conversations about skills and are doing so in many places now'.[135]

Heseltine suggested £17bn of skills monies be devolved over four years, by far the largest shares of which being the £10.7bn worth of adult skills funding (including 19+ apprenticeships) and the money for apprenticeships to 18 (£3bn). This is a laudable start but this report stresses the need to go further. Heseltine elected against devolving the funding for vocational training for 16–18 year olds, other than apprenticeship funding (from DfE). But to address the types of long term skills needs discussed above we need to be intervening at a much earlier age, and more broadly. The City Growth Commission, for instance, has contended that 'ultimately, devolution of skills funding should extend to 14-to-19-year-old provision so there are seamless employment and skills pathways for young people'.[136] In the latter case, they argue that Metros should assume control over these budgets which they would then co-ordinate to the desires of the LEP, but the broad thrust of devolving skills at a young age is clear enough – and the LGA have argued similar very recently.[137]

Heseltine himself buys this argument, arguing in the sixth chapter of *In Pursuit of Growth* that

The current system does not incentivise FE providers to run the courses that deliver the greatest economic benefit. For example, within the apprenticeships programme, the vast majority of the recent expansion has involved apprentices over 25 (who now account for over 40% of the programme) and who are already in work with their employer. The evidence, however, suggests that it is investment in younger individuals starting an apprenticeship as a new job which has a greater economic impact.[138]

We agree. In urging a focus on skills from the age of 14 upwards, the LGA argue that 'complexity across services clouds responsibilities to the extent that no one organisation or partnership can be held to account for improving the overall long-term outcomes for young people'.[139] This fragmentation of skills spend undermines the ability to hold such investment to account, but also prevents joined up cooperation between different agencies. The young are passed down the line from agency to agency as they grow older with the priority being to 'get them to the next stage,' rather than address the underlying problem.

There are two key budgets here: the Skills Funding Agency and the Education Funding Agency whose remit must be subject to severe scrutiny in this light.

As to the first, our survey responses are clear. 38% of those surveyed would prioritise the full devolution of the Skills Funding Agency budget to LEPs. This is 14% more than those arguing for further transport monies – a point mirrored in the broad consensus from our interviews that skills should be next on the LEP radar. 76% of our respondents also believe local FE or skills providers should be represented on LEP boards.

134. www.yourbritain.org.uk/uploads/editor/files/The_Lyons_Housing_Review_2.pdf

135. www.yourbritain.org.uk/uploads/editor/files/The_Lyons_Housing_Review_2.pdf

136. www.citygrowthcommission.com/press/devolve–power–to–uk–cities–in–order–to–boost–uk–economy–by–79bn–says–commission/

137. www.local.gov.uk/documents/10180/11431/CYP+–+Youth+transitions+–+helping+every+young+person+reach+their+full+potential/32ade5a6–95f0–41d0–9464–a387e03e850b

138. www.gov.uk/government/uploads/system/uploads/attachment_data/file/34648/12–1213–no–stone–unturned–in–pursuit–of–growth.pdf

139. www.local.gov.uk/documents/10180/11431/CYP+–+Youth+transitions+–+helping+every+young+person+reach+their+full+potential/32ade5a6–95f0–41d0–9464–a387e03e850b

To explore ways to increase further the responsiveness of the skills system, the Secretary of State announced in July 2013 a Skills Funding Incentive Pilot that is being developed in 3 LEPs: North East, Stoke and Staffordshire, and the West of England. We await the results of this but it is important that this initiative is not used to kick the can of devolution down the road.

Some Skills Funding Agency money has already been devolved – about £500m of the SFA's £4bn budget is in the form of European Social Fund money or capital grants which are already being packaged into the Local Growth Fund. But, even ignoring the central strait-jacket around the LGF, this still leaves over £3.5bn in SFA hands.

The most elegant solution would be to abolish the SFA and devolve its various streams straight to LEPs to meet the aims contained within their Strategic Economic Plans. In practice the biggest accounting adjustment here would be £2.9bn of funds ceasing to be transferred from BIS to the SFA, and expanding the LGF by that sum. Our survey suggests this would particularly benefit the north of England.

Skills and the North

Our survey shows

- 48% of respondents from the north would prioritise the full devolution of the Skills Funding Agency budget compared to 38% across England
- 67% of respondents from the north believe high tech manufacturing will be the key growth sector in their LEP over the next five years compared to 44% across England

Perhaps the biggest lacuna in Lord Heseltine's report is his unwillingness to dip into the Education Funding Agency budget. His rationale for doing so is essentially the argument that education to 18 is a political priority, and 'students at that age need to acquire a greater breadth of knowledge than would perhaps be prioritised by business'.[140]

Yet he also notes that 'we should ensure that the courses that are studied are relevant, lead to qualifications that businesses value, and ultimately lead to jobs. We must not allow the situation to develop…where skills do not meet local labour market requirements'.[141]

This analysis argues that University Technical Colleges (UTCs) are the way to address that concern. At present there are 56 UTCs either in operation or scheduled for delivery by 2016. There is some regional divergence here – 10 of the 38 LEPs outside of London do not have any UTCs whatsoever whereas Greater Manchester will have 4 by the end of next year.

The Education Funding Agency (EFA) is spending just under £57bn in 2014/15. The majority of this comprises various grants delivered to Local Education Authorities to deliver educational services (foremost amongst this the £27.7bn of dedicated schools grant).[142] Yet there is still a significant tranche of money – particularly that allocated to academies (£12.8bn) and capital spend (£4.9bn)

140. www.gov.uk/government/uploads/system/uploads/attachment_data/file/34648/12-1213-no-stone-unturned-in-pursuit-of-growth.pdf

141. www.gov.uk/government/uploads/system/uploads/attachment_data/file/34648/12-1213-no-stone-unturned-in-pursuit-of-growth.pdf

142. 2014/15 EFA Business Plan

– which is, in essence, its domain alone. There is a strong case that LEPs should be given greater control over a percentage of this latter spend which, after all, taps into the type of long term economic planning, building on local realities and knowledge, which they are best placed to do.

The evidence is that a University Technical College costs around £10m to set up. Andrew Adonis has targeted 100 UTCs by 2020 in his growth review. Building on the current figure, this will involve an additional 44 – which, assuming the odd amount of overspend, would equate to £100m of additional capital spend in each year of the new parliament.

In order to address the current skills gaps in our economy, however, this report argues that the pace needs to be quickened. Even if the Adonis target is hit, the number of pupils being educated at UTCs by 2020 will likely not exceed 80,000 – less than the 94,000 people undertaking the over-subscribed hair and beauty courses in 2010/11 we referred to earlier.[143]

Case study: Germany and skills

The virtues of the German economy are often remarked upon, but such a highly skilled workforce has only emerged through decades of co-operation between government and industry. Around half of German high school students receive dual training in one of 344 trades, from tanner to dental technician.[144] Trade unions and employers' groups alike are involved in helping set these courses whilst chambers of commerce run the exams.

Replicating the German system in the UK is not something that could be achieved overnight, nor would it in every sense accord with the British political tradition. But it is increasingly clear that one of the missing ingredients of the postwar consensus was the missed opportunity with regard to skills. Although the 1944 Butler Act nominally provided for technical education as part of the new tripartite system, in reality the scheme withered on the vine. By 1961 fewer pupils were being educated at a technical school than the number of fans (100,000) who saw Spurs' victory at the FA Cup final that year. Whereas Germany has run a current account balance every year since 2002, the UK has not achieved that objective since 1983.[145] Services generally are something the UK does well, but it has not been enough to push imports over exports for the past thirty years. Expansion of the UTCs would serve to widen our skills and therefore exports base.

UTCs are a potentially key part of the growth agenda over the next decades and can stand as a landmark achievement of this government (and potentially of cross-party political consensus), but their ambitions must be raised higher than merely slowing down the tilting of the British economy towards unproductive, bottle-neck service sectors.

LEPs can be a strong part of this agenda. At present the phrase 'Local Enterprise Partnership' appears nowhere in the latest government guidance for anyone

143. Taking the upper average band of 800 pupils per UTCs and assuming 100 schools.

144. www.economist.com/node/21552567

145. www.imf.org/external/pubs/ft/weo/2014/02/weodata/index.aspx

bidding for a UTC award. This is unhelpful. UTCs are expected to demonstrate how 'they are based on national and local demand from employers,' address 'the local skills gap' and achieve buy-in from private and third sector partners 'both…pre-opening and once open'.[146] This is precisely the type of terrain in which an expanded LEP could provide genuine additionality.

We therefore contend that LEPs be given control of £225m of annual education capital spend over and above the monies contained with the SLGF. This money would be ringfenced towards investment in new UTCs but, beyond that, the LEP would be free to determine what form of UTC was constructed, where it was located (in collaboration with the relevant local authority) and which private sector partners were involved. Given the Education Funding Agency would – at least initially – maintain control over the revenue costs of UTCs (principally teachers' salaries) LEPs would be expected to work with them in the initial stages. But providing costs broadly conformed to UTC norms, any EFA role over this spend would be oversight at most. In future years, LEPs may wish to directly produce their own plans for directly LEP sponsored UTCs, though they would need to evidence successful commissioning of previous schools.

In any case, by the end of the next parliament every LEP should have a UTC. In order to seriously address the skills shortage in areas such as construction and engineering, we contend that the Adonis target of 100 UTCs nationally by 2020 should be uprated to 168 – treble the expected 2016 level of 56. Given the reforms to LEPs' structures outlined in chapter one and two, we contend this should involve £280m of monies for each year from 2016/17.

More broadly, it has been suggested that the entire budget for further education should be devolved to the city or county region level (in consultation with the LEP). This would involve around £6.8bn of non-Heseltine proposed devolution. There is a clear case for LEPs' involvement here – this is the time students are beginning to engage with questions regarding their future career paths, and it is here when, for many, questions surrounding skills and employability will begin to bite. Other than the post-16 apprenticeships outlined within Heseltine, LEPs would be suitably placed to ensure such devolved budgets were spent in ways which could benefit the local economy. Should the post-16 skills money be well invested locally there is a case for LEPs' playing a lead role in schools' careers services and all aspects of post-14 skills. But they must prove their record first.

"Transport is the area where, to date, LEPs have had the most impact."

This report therefore argues:

- **The Skills Funding Agency be abolished and its funds be transferred to LEPs to tailor programmes with other local agencies, principally member authorities**
- **An annual £280m of capital spend for new University Technical Colleges be devolved to LEPs from current Education Funding Agency monies to treble the number of UTCs by 2020 – including a minimum of one per LEP**
- **Should LEPs deliver cost effective spend in both these areas, devolution of all post-14 skills monies should be considered in 2020**

Transport

Transport is the area where, to date, LEPs have had the most impact. As discussed above, over half (£1.1bn) of the Local Growth Fund ceded by central government in the wake of Heseltine was capital spend from DfT. This has been largely ringfenced spending pre-approved through the Strategic Economic Plans. Local government has a history of spending transport monies in a manner that delivers for the overall public purse.[147] So far, so good.

146. 2014 government guidance

147. www.localis.org.uk/images/LOC_The%20Road%20to%20Growth.pdf

Localis has long argued for further devolution of transport spend. The creation of Local Transport Bodies (almost entirely aligned with LEP boundaries) in 2013 to receive the transport proceeds of the LGF from 2015 have allowed for something approaching this. Unlike LEP boundaries, the government indicated a clear preference that LTB borders should not overlap.[148]

Devolution to the various LEPs in this regard has occurred at a two speed manner. Most Local Transport Bodies have received guaranteed funding to 2018/19, however in the case of four – the West of England, Sheffield City Region, Greater Manchester and West Yorkshire and York – guaranteed funding has been provided to 2021 with indicative funds up until 2024.

Given the track record of local government, together with the clearly inter-related question of economic development and transport, the 'travel to work' nature of the LEP seems the most appropriate geography through which to discuss such questions outside of those areas with combined authorities. Around 3 in 10 respondents to our survey believed LEPs could assume local authority transport functions by 2030. 1 in 4 argued for the devolution of further transport monies as their top ask for LEPs from central government.

As first tier economic development representatives CEDOS note however, this cannot be just about devolving the sign-off on big infrastructure projects: 'there has arguably been an over-emphasis on capital spend in [the Local Growth Fund in] 2015/16 – the emphasis on capital spend and the lack of a revenue element has skewed project priorities and the focus on transport schemes could limit the scope of economic development strategies and local growth projects'.[149] As this report notes, it is about both powers and money.

As Grant Thornton argue, 'whilst Inter-city rail and road networks are of strategic national importance and so control of these should remain at a national level… Commuter rail services and local bus services as well as control of regional rail routes should be devolved'.[150] LEPs need resource to influence how the travel to work area functions as much as doling out pre-earmarked cash to centrally approved projects.

The overall thrust here is that the government should take a single pot approach to local infrastructure, and that this can be effectively done through the LEP. Two-thirds of those surveyed by the County Councils Network believed that LEP membership had helped them deliver new infrastructure projects – there is an emerging record on which to build.[151]

In July 2014 the Transport Select Committee noted their concern that 'regional economies, which may not have a sufficiently well-developed private sector to provide alternative investment [to top up the central payment], may end up losing out' under the newly devolved LGF. They also pressed DfT to 'make sure that LEPs implement transport projects for which they receive money from the Local Growth Fund [and] recommend that the department publish an annual assessment of the progress LEPs are making in this area'.[152] These are certainly reasonable points, but they are rather 'all stick and no carrot.' We would back this approach but would also contend that

- **LEPs be encouraged to pool resource on transport projects of a multi-LEP nature**
- **Should the first tranche of transport monies in the Local Growth Fund be invested effectively, the government make clear its commitment to pass down a further £1.1bn of transport spend**

148. www.gov.uk/government/uploads/system/uploads/attachment_data/file/2658/next-steps.pdf

149. www.cedos.org/publications/1409%20Local%20Growth%20Deals.pdf

150. www.grant–thornton.co.uk/Thinking/Autumn–Statement–2014–CEO–survey–UK–infrastructure–and–devolution/#sthash.V4RMhjsL.dpuf

151. County Councils Network, April 2014

152. www.publications.parliament.uk/pa/cm201314/cmselect/cmtran/1140/114002.html

Housing

One of our private sector respondents argued that 'HCA should be passing its strategic functions to the LEP. At the moment the HCA are trying to safeguard their own existence whilst we could be doing a lot of their functions a lot better'.[153]

The idea that LEPs should play a more prominent role in housing is relatively widespread. As one public sector participant at our Bristol roundtable put it, 'districts have really struggled to come up with a strategic view of housing delivery within their areas and particularly housing that supports an ambitious growth agenda. Housing targets are not stretching economic growth targets or supporting the ambitious growth targets that LEPs have'.[154]

Enter, therefore, LEPs. Michael Lyons has noted that local planning authorities should be able to voluntarily work together to produce a Strategic Housing Market Plan (SHMP) which would plan future housing need across a wider spatial geography than individual authorities. However, in areas where housing supply was not keeping up with demand and where an SHMP had not been produced, Lyons proposes that 'the request for the direction to undertake the SHMP could [also] be prompted by...the LEP on the basis of concerns about the impact of inadequate housing supply on the local economy'.[155]

The 'soft power' conversations LEPs can have with regard to housing are certainly important. LEPs can broker better relationships between councils and the private sector, encourage the pooling of capital, planning resource and land. This is certainly the case in the West Midlands where Greater Birmingham & Solihull LEP commissioned a study outlining the possible options to deal with the area's housing supply shortfall – a study that local planning inspectors have said will carry weight.[156]

Equally LEPs offer a potentially strong voice prepared to make interventions regarding the economic necessity of housing for local communities. Between councils looking to bring forward housing and protests against specific instances of its implementation the wider picture can get lost in the mix. 'Business leaders call for more housing' could be precisely the nudge local communities need to approve future development, particularly if, as with the incentives below, there is some direct cashflow benefit for a local area too.

"LEPs offer a potentially strong voice prepared to make interventions regarding the economic necessity of housing for local communities."

More broadly, it is in this type of nimble space that LEPs may most profitably operate. We do not believe that LEPs should take on the gamut of powers currently exercised by the Planning Inspectorate – as was suggested at one of our roundtables – because this would only serve to whelm them in bureaucratic red tape. However, they do clearly have an interest in and an ability to help maximise effective housing delivery. A role as a statutory consultee to the planning process may therefore best suit – both in regard to specific planning applications where they have a direct impact on local strategic economic development and, more importantly, during the preparation of all relevant local plans. This status is currently afforded to certain government departments (DECC, DEFRA, DCMS) and other organisations (e.g. Local Highways Agency, National Parks Authorities and the Rail Network).[157]

This would give LEPs an enshrined role in the local plan making process, and so give them real clout in arguing for the type and quantity of development required to support economic growth in each locality. As one business representative told us in Bristol, 'LEPs need to make a public case for the things that local authorities cannot. We have been good at getting businesses to talk about why housing is important'.[158] This would also fit well with the enhanced role we

153. Interview F.

154. Bristol roundtable participant

155. www.yourbritain.org.uk/uploads/editor/files/The_Lyons_Housing_Review_2.pdf

156. Planning Magazine 30 Jan 2015

157. Regulation 18 of The Town and Country Planning (Local Planning) (England) Regulations 2012 – see http://planningguidance.planningportal.gov.uk/blog/guidance/local-plans/preparing-a-local-plan/

158. Bristol roundtable participant

envisage for LEPs in the allocation of infrastructure funding and the dual lock – keeping decisions on housing and infrastructure as closely aligned as possible is clearly the best option. The fact that LEPs have already had a role in wider infrastructure spending – including the transport projects noted above – affords them a record on which to build. Getting business buy-in can produce both good PR and also better outcomes.

There is clearly a hurdle to climb housing wise. The decline in public sector construction has certainly hit total housing completions, and the government is right to dip its toe back in in this regard, as we discuss below. But, even if it was desirable (and it isn't), the state cannot do it alone. In the late 1960s, the UK delivered 226,000 homes through private sector construction alone in one year.[159] That figure exceeds the total number of units delivered by all providers in each of the past 25 years.[160] Successful governments have failed to facilitate the conversations necessary to deliver increased private provision too. If the LEP wished to use the below to carve innovative deals with the private sector, there would be merit in the government looking at such instances sympathetically. Innovative pan-LEP bond arrangements, leveraging PWLB borrowing to attract private capital or the use of Tax Increment Finance schemes to pool funds for pan-LEP borrowing are all avenues LEPs may wish to pursue. Similarly, plugging local small and medium sized construction firms into new funds such as Lloyds' Housing Growth Fund – where £50m has been set aside to help such enterprises – may be a further opportunity to stimulate new housing.[161]

That said, LEPs do need some skin in the game. As well as the enhanced role for LEPs in strategic co-ordination, we contend that if given further borrowing powers, LEPs could potentially fulfil the function proposed of the Homes and Communities Agency at the 2014 Autumn Statement: they could build or invest in new houses of their own. The town of Northstowe in Cambridgeshire will see 10,000 homes directly commissioned by central government, and there may be a role for LEPs here.

As well as the power to force a SHMP and to take on a consultative role in planning, which this report has already touched on, the notion of LEPs becoming strategic commissioners of new housing themselves is therefore worth considering. This need not involve new money in every case, but could see, for instance, available Growing Places Fund (the intent of which is to deliver a revolving fund) invested in property by the LEP to generate a return.

But for those LEPs who wish to be ambitious the option should be there. With house building levels in the UK around 110,000 units below the required amount to keep up with projected population rises, new action is required to stimulate the market.[162] LEPs can play a key role here but this may require one, possibly two instances of central stimulus.

The first would be to provide a further dose of subsidised borrowing from the PWLB with the reduced LEP 'project' rate extended to £10bn worth of new borrowing – explicitly for the purpose of house building. With 100,000 potential units (for England) costing at least £100,000 of direct investment each, such stimulus will be necessary. It may indeed be that the government would wish to build in some carrot and stick element – lowering the rate further for faster progress towards delivery, and raising it if LEPs are unable to deliver in this regard. With the first PWLB project rate being costed as a 'negligible expense' in the 2012 Autumn Statement in which it was introduced, this would not incur much shortfall for the Treasury.[163]

159. www.lloydsbankinggroup.com/globalassets/documents/media/press–releases/halifax/2010/50_years_of_housing_uk.pdf

160. www.gov.uk/government/statistical–data–sets/live–tables–on–house–building

161. www.insidermedia.com/insider/national/126054–/

162. www.gov.uk/government/statistical–data–sets/live–tables–on–house–building

163. www.gov.uk/government/uploads/system/uploads/attachment_data/file/221551/as2012_policy_costings.pdf

And secondly, to create an environment where the risk seems worth it, the new stamp duty regime outlined in the Autumn Statement of 2014 should be used to incentivise such action. In 2013/14, properties in the two lowest bands (£125,000 to £250,000, and from there up to £500,000) generated £3.5bn of revenue. England generated 95% of the 2013/14 SDLT total – suggesting £3.3bn of English revenue from these bands.[164]

Under the new regime this figure will likely decline (houses sold at £210,000 – the average price for first time buyers – will incur £400 less stamp duty, and the government expects to forego around £800m annual revenue from the reforms all told).[165] It also represents the sale of both existing and new units – the vast majority made up by the former. Signing over stamp duty revenue from new builds to LEPs who are able to stimulate such additional new units – likely in concert with one or more member authorities – would provide a suitable carrot. With £10bn of potential borrowing, offering some retained tax upside may be the fillip necessary to get local housing markets moving again.

With the current number of houses in England and Wales at 23.4m, the total number of units is presently increased by around two-thirds of one percent each year through new builds.[166] Uprating this to 1% to err on the side of caution, this suggests stamp duty from English new builds sold for under £500,000 would be around £35m (1% of the £3.3bn English SDLT total). Receipt would revert to the Treasury on any subsequent re-sales of these new units, thus incentivising them to approve the scheme in the first place.

The government should therefore:

- **Permit LEPs to request that authorities draw together a Strategic Housing Market Plan where there is reticence to do so**
- **Afford LEPs the role of statutory consultee in the planning process**
- **Offer a second PWLB project rate worth up to £10bn to any LEPs that can deliver on expected housing shortfalls**
- **To incentivise this, LEPs should be offered 'housing deals' giving them retention of the stamp duty receipts from up to 100,000 new build houses sold for less than £500,000. This would cost an estimated £35m per annum.**

Employment support

Lord Heseltine proposed devolving £1.4bn of annual spending related to employment support into the Single Local Growth Fund. By the far the largest of this was the £600–700m that is spent each year on the Work Programme.

The LGA has for years campaigned for devolution of these budgets to local government, and its 2010 arguments are worth reviewing in some length:

The Work Programme is likely to be more effective if it is strategically commissioned on the same geography as local enterprise partnerships. This would bring together activity in a place to both promote job growth and help local people secure jobs. This would not be a new role. Councils have a strong track record in helping people into work and have developed excellent examples of private sector partnerships to create jobs and increase skills to meet labour market needs… In creating local enterprise partnerships, the government has emphasised the importance of functional economic geography – the LGA would like to see the same principle applied to the Work Programme's contractual geography.[167]

164. www.gov.uk/government/uploads/system/uploads/attachment_data/file/358908/AnnualStamp-Taxes–Release–Sep14.pdf

165. www.gov.uk/government/uploads/system/uploads/attachment_data/file/358908/AnnualStamp-Taxes–Release–Sep14.pdf

166. www.ons.gov.uk/ons/rel/census/2011–census/detailed–characteristics–on–housing–for–local–authorities–in–england–and–wales/short–story–on–detailed–characteristics.html

167. www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/writev/providers/wp12.html

LEPs can add real value to employment support. They are able to influence the structure of the work programme to cater to the bespoke needs local users may have, they can hold local contractors to account, and they have connections to both individual providers and the broad business community. The alternative of a nationally commissioned big private-sector player/DWP based relationship is not ideal. It can become beset by a bureaucratic, impersonal mentality which does not best cater to the often complex needs of those drawing on welfare support. Pooled budgets at the local level offer both a better deal for the taxpayer and a more personalised approach for end user.

"LEPs can add real value to employment support."

IPPR have suggested that employment support for JSA claimants closest to the labour market should be co-commissioned by DWP and local authorities. And yet, as they note, the key problems surrounding employment support predominantly lie the further away from mainstream JSA claimants you look: 'while one in five mainstream jobseekers will find work through the programme, as few as one in 20 of those with more complex needs will access employment'.[168] There is therefore certainly an argument for devolving the mainstream facets of the Work Programme to 'dual lock' local authority and LEP level as a first step, but this report agrees with Heseltine – by 2020 full co-commissioning of the Work Programme should be occurring in those LEPs that can get up to speed.

Nobody is suggesting cart comes before horse here. Until a strategic lead for employment support is appointed there could be no devolution. Equally, if the Strategic Economic Plan needs updating to reflect this new function – as many likely would do – then this should be achieved too.

And pool up...

If LEPs are to assume a fully place shaping role they need three sources of income. The devolution of central and European funds is discussed at length in this work. The potential for entrepreneurialism we have also touched upon in chapter two and three. The third pillar will involve pooling *upwards* however, with local authorities agreeing to share budgets to drive forward growth and benefit from various economies of scale. Lord Heseltine's report referred to £8bn of local authority capital within his single pot – £2bn a year.

We concur with the sentiment of Heseltine's proposals, and would argue that as the single pot outlined here exceeds that even of *In Pursuit of Growth*, so too should authorities be willing to pool streams for the greater good.

Our survey revealed several areas where local government would not want to pool resource. Both council owned property (65%) and council tax revenue (72%) were heavily rejected by respondents as ideas to pass up to the LEP. The attempt to include revenue from the New Homes Bonus in the LGF also was reversed under pressure, and our respondents rejected that means too.

Where there does seem to be significant potential is over business rates where, after all, LEPs already have a record of local retention through the provision of the 24 Enterprise Zones. There is of course a natural alignment between the economic growth LEPs are supposed to encourage and the increase of NNDR that would likely follow any such activity. Under the new business rates system councils have been given a small incentive to grow their business rate base, though tariffs and top-ups have limited this effect. Before the new regime came into being in April 2013, 13 business rate pooling schemes had been set up and 52% of councils surveyed by the LGA were considering joining them.[169] By the end of 2013 18 pools had been set up totalling 111 authorities.[170] The motivation here was

168. www.ippr.org/assets/media/publications/pdf/alright-for-some_June2014.pdf

169. www.local.gov.uk/documents/10180/11531/The+story+so+far+–+business+rate+retention.pdf/2175c47c-6916-4b93-add8-c2201db60482

170. www.gov.uk/government/uploads/system/uploads/attachment_data/file/332962/Prospectus_2015-16.pdf

certainly to achieve economies of scale, but also, as the LGA note, to 'game' the characteristics of the new system – particularly where pooling would allow authorities to move from 'tariff' status to receiving a 'top-up'.[171]

The growth in business rates is divided into a 'local' and a 'central' share. The former, as discussed, is heavily top-sliced. The latter is used to fund the needs based Revenue Support Grant.

The OBR anticipates a rise in business rates from £26.8bn in 2013–14 to £32.9bn in 2019–20.[172] This equates to a £6.1bn increase of which £3bn would be the 'central share.' To encourage further pooling, there may be cause to open up this 'central share' to match fund greater pooling. We therefore propose that 20% of the central share of business rates growth (£600m) should be earmarked to match-fund contributions from local authorities to LEPs. If local authorities are prepared to sign over 20% of their business rates growth to the LEP then the centre would match that payment. This would operate on a sliding scale meaning if authorities were only willing to go to, for example, 5%, then this would be matched by 5% from the centre. It would however create a potential £1.2bn annual stream for the LEPs by 2020 – though they will of course have to make the case for such monies to each member authority.

The government should therefore:

- **Pledge up to £600m of business rates growth per annum to LEPs by 2020 by way of match funding contributions from local authorities**

171. www.local.gov.uk/documents/10180/11531/The+story+so+far+–+business+rate+retention.pdf/2175c47c–6916–4b93–add8–c2201db60482

172. http://budgetresponsibility.org.uk/economic–fiscal–outlook–december–2014/

5. To 2020 and beyond

The reforms outlined in this analysis can be effected in the first year of the new parliament. We have highlighted 2017/18 as the 'big bang' moment where LEPs move from their current role into this more overarching mandate. However, it is worth noting that this is not devolution for devolution's sake. The appetite we have encountered from local government stakeholders both for increased power, and what they believe they could do with it, is suggestive of latent potential that can not only rebalance the British economy, but help generate the tax receipts to tackle the deficit and deliver the jobs our country needs in the coming years.

The OBR predicts solid annual growth of between 2.2% and 2.4% during the next parliament.[173] At present this looks set to largely emerge from London, the North West and the West Midlands whose GVAs experienced advances during the 2012–2013 economic upswing of 4%, 3.6% and 3.4% respectively.[174]

If the status quo were maintained

The government has provided a welcome tranche of money through the Local Growth Fund and allocation of the EU monies to the LEP level. This will allow LEPs to improve their local areas to some degree by 2020.

Responding to our survey, the plurality of our 104 respondents (23) felt they would achieve between a 1%–2% increment by 2020, should presently scheduled expenditure prevail. A majority (56) predicated an increase in GVA under 3%. This seems to broadly conform to future OBR predictions.

If greater place shaping power was devolved

We also asked respondents what improvement on local GVA their LEP could deliver if they 'received the powers and funding you have/are pressing central government for.' The potential uptick, in other words, caused by further devolution.

Here the plurality (30) predict an improvement of between 5% and 10%, and a majority (61) predict at least a 5% increase. Interpreting our results moderately – taking the upper OBR growth figure of 2.4% as representative of the status quo and assuming the 'devolutionary uptick' by 2020 will lie in the low 5 per cents, it is reasonable to assert that **LEP stakeholders believe they can double annual GVA percentages by 2020.**

Positive impacts across the country

The following table sets out the form this growth may take. Although based on comparing our survey responses to OBR and ONS data, it is of course only indicative of what business leaders and LEP stakeholders *think* they could achieve, not necessarily what they will.[175] The assumptions also do not factor in an inevitable 'zero-sum' game to devolution – in the sense that if one region is successful at gaining powers, this may be at the cost to another's talks with the centre. Furthermore it must also be said that this table reflects what our survey respondents believe the local GVA uplift could be if their expectations of what funds and powers should be devolved are met, rather than the devolutionary path that we prescribe in this report.

173. http://budgetresponsibility.org.uk/category/topics/economic-forecasts/

174. www.ons.gov.uk/ons/dcp171778_388340.pdf

175. GVA figures taken from the latest ONS release – www.ons.gov.uk/ons/dcp171778_388340.pdf and uprated with assumptions from our survey. We assume devolution is only fully rolled out from 2018 and weight data accordingly (and taking into account the OBR's projected mild slowdown of the economy in the next parliament from the 2012/13 high). http://budgetresponsibility.org.uk/category/topics/economic-forecasts/ We assume that 2014 GVAs are replicated in 2015 and 2016, that 2018 and 2019 form a rate equidistant between the 2014 figure and our projected 2020 level, and that 2017 constitutes this equidistance – 0.2%. These figures are therefore naturally estimates, but we have erred on the cautious side with regard to our dampening of 2018 and 2019. It is of course anchored by what respondents think might happen in 2020 however.

Nevertheless it provides a broad snapshot of the possible benefits across each region, and the results are positive indeed. Despite their clear gains, the consequence of devolving all requested powers would actually have a mildly redistributive effect on English GVA, with London and South East moving from 43.8% of English GVA to 43.4%. The West Midlands would move from a projected 9.1% of GVA to 14.6%, and the North West from 10.9% to 11.3%.

Projected regional GVAs with different levels of devolution

Region	Expectations of 2020 GVA if present funding/ powers maintained (£bn)	Expectations of 2020 GVA if requested powers/funds devolved (£bn)	Potential increase (£bn)	Potential increase (%)
East Midlands	106.2	114.9	8.7	8.2
East of England	158.3	169.4	11.1	7
London	431.3	468.8	37.6	8.7
North East	55.9	60.9	5.1	8.9
North West	174.3	197.6	23.3	11.3
South East	268.7	287.3	18.5	6.9
South West	141	149.7	8.7	6.2
West Midlands	145	168.8	23.8	11.6
Yorkshire and the Humber	119.2	126.2	7	5.9
Total (England)	1599.8bn	1743.7bn	143.9bn	9.0

Assuming a third of the £143.9bn found its way to the government in the form of tax receipts, this would generate almost £48bn worth of revenue.[176] Devolution cannot clear the deficit alone but the benefit of devolving the £12bn of capital this report highlights certainly appear likely to achieve a far better than break even return.

That is the brass tacks, but there are wider benefits to empowering LEPs. In highlighting the role LEPs can play on skills provision this report has attempted to contribute to the debate over the UK's poor productivity performance vis-à-vis its major economic partners. UK workers are 17% less productive than the remainder of the G7.[177] In 2013 output per hour still lay below its 2007 peak. In a sense, this is a longer term challenge than 2020. Close that gap however and the UK economy really will be motoring over the next decade.

Similarly, in suggesting ways LEPs can stimulate the housing market this report has proffered a means of unlocking the sometimes adversarial nature of the planning system and innovative mechanisms to deliver new housing. The 1.5m additional under 30 year olds projected to be locked out of home ownership by 2020 if present levels of supply continue is one figure LEPs can contribute to lowering.[178] Solutions will be needed to both supply and demand however, and in shaping what good new housing looks like, LEPs can contribute to both.

On a related point, if big capital projects are to benefit the most amount of people, they will need to be supported from the bottom up. HS2, additional airport capacity in the South East and new motorway investment are all national projects which need local trunk routes. If these flagship investments are not to be maximised then there is every merit for local business communities to contribute

176. A reasonable assumption since tax receipts as a percentage of GDP currently stand at 35.8%. www.theguardian.com/news/datablog/2010/apr/25/tax–receipts–1963

177. www.ons.gov.uk/ons/dcp171778_380091.pdf

178. www.bbc.co.uk/news/uk–england–18410689

to delivering positive knock-on effects for nearby communities. By enshrining a mature conversation between public and private sectors, LEPs can close the gap between Westminster rhetoric and local delivery.

LEPs cannot of course do all this alone, nor are they as yet in a position to perform all of the functions this report suggests. But, suitably reconstituted, it should be possible by 2020 to speak of a different type of local economic landscape. One where local economic development is not merely determined by Whitehall dictat or whim, where innovative partnerships between public and private sectors have a space to flourish, and where the best of both is harnessed. Unleashing LEPs remains a necessary precursor to achieve these ends.

6. Conclusion

This report proposes a Heseltine plus approach to sub-regional growth. It takes the £10bn of Heseltine's devolved proposed single local growth pot spend (£12bn including the 'local' contribution) and suggests a pipeline of new devolution which would benefit both LEPs and the wider economy. This would exceed Heseltine's figure by around £2bn per annum and doubles the £6bn of monies suggested by Lord Adonis.

This is an ambitious but by no means impractical programme. Crucially, we are not suggesting this should occur in one big bang, but that it should be enacted over the course of the next parliament. Some LEPs would indeed not see the powers we discuss here until 2020.

To do so, we propose the following timetable:

Pre-election

- All party manifestos should specify a figure to be devolved to the sub-regional level which they guarantee as the minimum level of resource – uprated with inflation – for the next ten years

In 2015/16 – making LEPs fit for purpose

- LEP boards should each contain a representative from one local business body (e.g. FSB, CBI Chambers of Commerce) and a representative from a local trade union with the most density
- Legislation should be passed enabling LEPs to fulfil a 'dual lock' function on newly devolved economic spend
- LEPs should be given the formal requirement to publish the email addresses of board members, regular and transparent accounts and be subject to the Freedom of Information Act
- A strategic lead for the key areas of skills, local infrastructure, innovation and communications, employment support, housing and business support should be funded in each LEP by central government. This would cost up to £18.3m per annum.
- In terms of flexibility (as a bare minimum), the government should 'un-ring fence' an additional £70m of revenue spend from existing local growth settlements from 2015/16 onwards
- LEPs proactively approach stakeholders across financial, construction, automotive and any other local growth sector with a view to appointing new business envoys

From 2016/17 – assuming the reforms above take place

- The Skills Funding Agency be abolished and its funds be transferred to LEPs to tailor programmes with other local agencies, principally member authorities
- An annual £280m of capital spend for new University Technical Colleges be devolved to LEPs from current Education Funding Agency monies to treble the number of UTCs by 2020 – including a minimum of one per LEP
- The government should make available a second PWLB project rate worth

- up to £10bn to any LEPs that can deliver on expected housing shortfalls
- To incentivise this, they should offer 'housing deals' regarding the retention of the stamp duty receipt from up to 100,000 new build houses sold at under £500,000 to LEPs. This would cost an estimated £35m per annum.
- The government should pledge up to £600m of annual business rates growth to LEPs by 2020 by way of match funding contributions from local authorities

"This is a programme that, we argue, all parties could subscribe to."

By 2017/18 – breakthrough achieved

- In the most advanced LEPs – those around urban areas with combined authority status, the more dynamic country or multi-county arrangements and those with a record of using Local Growth Fund monies effectively – full devolution of the above.
- Co-commissioning of the work programme (c£600–700m of funds) to be devolved at this point.
- Should the 2015/16 Local Growth Fund be spent effectively, an additional £1.1bn of annual transport monies should be devolved to LEPs

By 2019/20 – beyond Heseltine

- All LEPs should be in a position to receive all the powers and funds outlined in this report. If they are not, the government should set out why they believe this is not the case.

This is a programme that, we argue, all parties could subscribe to. With local economic development set to play an even more crucial role in the next parliament, we believe the case for empowering LEPs is robust. Whatever the political squabbling elsewhere, and whoever is in power after May, 2015 could and should be the year where rocket-boosters are put under LEPs.

"Local Enterprise Partnerships (LEPs) have an crucial role to play in driving local growth and ensuring that areas can make the most of their strengths.

"As part of Labour's drive to decentralize power to local communities we would ensure LEPs have the powers and budgets they need, helping them represent local businesses and building on best practice across the country.

"I welcome the fact that Localis is helping to contribute to the discussion on the future of LEPs, examining in detail the opportunities and challenges facing them in the years ahead."

Chuka Umunna, Shadow Secretary of State for Business, Innovation and Skills

"LEPs represent a new way of working with funding and decision-making devolved from government to local people who know their local areas best. This report examines the role they play, how they have been received and how their framework can be reformed to take them forward. It presents a strong analysis of localism in action and offers some interesting concepts for the future."

Julian Huppert MP, Liberal Democrat Member of Parliament for Cambridge

"[This report] is a valuable contribution to the crucial debate about economic growth and shows that the future of LEPs is a very bright one. With our general election just 2 months away it is clear that whatever the outcome LEPs will continue to have a pivotal role in regional economic development."

Andy Street, Chair of Greater Birmingham & Solihull LEP

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