Local Enterprise Partnerships: a business insight
Summer 2014
ICAEW’s Business Confidence Monitor forecasts1 that the UK economy will grow by 3.4% in 2014, the fastest of all G7 countries. Despite this optimism, there is still disparity in regional growth across the UK.

As part of the 2010 Coalition agreement, Regional Development Agencies were replaced by Local Enterprise Partnerships (LEPs) to drive the government’s localism and efficiency agenda. These ‘quasi-public’ bodies aim to facilitate private sector-led local economic growth and job creation.

I am committed to the idea that local economic development should be led by the businessmen and women who know their area best. ICAEW has member representation on many LEP boards, and this publication draws on their expertise and insight to provide a number of key recommendations on the future of LEPs.

This report comes at a crucial point in the development of these public-private partnerships with growth deals to be finalised in the coming months. Over £2bn of public funds will be distributed from the Local Growth Fund to LEPs during 2015/16. ICAEW Chartered Accountants, as chief executives and chief financial officers of leading UK businesses, are well placed to help ensure this public money is spent as effectively as possible.

However, to achieve this LEPs require stability in the long term. With a general election less than a year away, LEPs now need certainty from all political parties about what responsibility they will have over local policy development; what power they will have to implement the policies decided; and what funding will be committed. This is key to delivering the projects outlined in LEPs Structural Economic Plans, and the regional economic growth the UK desperately needs.

What is working?

Public-private partnerships

- The public-private partnerships are a huge strength of the LEP project to date, and are vital to the long-term stability of LEPs.

What is not working?

Funding is too restrictive

- Funding structures contain too many ring fences and have taken too long to be implemented.
- Lack of resource is preventing LEPs from attracting greater levels of business engagement.

Lack of clarity and direction

- ICAEW members do not feel central government has given LEPs sufficient autonomy.
- LEPs’ remit is too large, and many elements are irrelevant to economic growth and job creation in their local area.

What now?

Create a single pot of funding

- Ring fences in the Local Growth Fund should be dismantled to create a true ‘single pot’, giving LEPs the autonomy they need to deliver economic growth. The Department for Transport, which has oversight for over £1bn of the Local Growth Fund, should also be included in this process.
- Increase LEPs’ operational budgets to reflect their responsibilities to communicate to a wide range of stakeholders.

Streamline the public private partnership

- LEPs should be permitted to integrate their governance structures more closely where appropriate. Many should look to move towards a combined authority model. This will allow for resources and expertise from councils to be pooled, further streamlining the public-private partnership. It will require some LEPs to merge and may raise questions about the long-term stability of others. Both are a necessary price to pay for greater economies of scale.

A core LEP offering (plus local specialisms)

- Whitehall must develop a clear and coordinated approach to LEPs by pooling all support services into the Cities and Local Growth Unit. Government should work with boards to develop a ‘core offering’ for all LEPs. This should focus on business support, housing and transport. Outside of the ‘core offering’, government should allow LEPs to decide their own remit, reflecting the specialisms of their local economy.
Foreword

In his 2012 report, No Stone Unturned, Lord Heseltine commented that ‘LEPs bring local business and civic leaders together to provide the vision and the leadership to drive sustainable economic growth and create the conditions to increase private sector jobs in their communities.’

At Grant Thornton, our passion is to work with dynamic businesses, the engines of growth for the twenty-first century. Because the LEPs have been given the responsibility to build the local platforms on which these dynamic businesses can be nurtured and growth can be cultivated, it makes absolute sense for our people to be fully involved. Consequently, we are delighted that three of our partners currently serve on LEPs as private sector board members, and many others across the UK are actively involved in policy making.

LEPs play an increasingly important role in driving economic strategy and I have committed our firm to playing a full role in supporting their work in order to help secure economic prosperity for our country. We wish the LEPs every success in their work and look forward to celebrating their successes.

Grant Thornton is a partner in the government backed Growth Accelerator scheme, a unique service that helps growing businesses to find new connections, new routes into investment and the new ideas and strategy in order to achieve its full potential.

Scott Barnes
CEO Grant Thornton UK

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

Local Authorities in more than one LEP

What is working?

Public-private partnerships

One of the defining features of LEPs has been the principle of a partnership between the public and private sector. The UK has been a pioneer of the concept of public-private partnerships, which are designed to deliver efficient public services and ensure value for money.

The business community has been tasked with leading LEPs, and ensuring they are effective vehicles for economic growth. Member feedback indicates that this relationship is working well, with both private sector members and local government fully behind the LEP concept.

Private sector members want to make a difference

Despite concerns of commercial self-interest acting as a primary motive for private sector members interacting with their LEP, comments provided by members suggest that this is not the case.

“...it was giving something back to the country, if that isn’t too grand. And trying to use some of the skills and knowledge I’d built up working all over the world, no more than that.”  
(Steven Hollis, Birmingham and Solihull LEP)

“I’m doing it because I think I can make a difference. If I didn’t feel like I wasn’t making a difference then I wouldn’t be involved.”  
(Neil Warman, York, North Yorkshire and East Riding LEP)

If anything it appears that it is quite the contrary. Although some members acknowledged their businesses may benefit as a result of interacting with the LEP, this was seen as an indirect side effect of a stronger local economy.

“Clearly if there are business benefits that raise the profile of the business slightly, it’s a soft benefit, but it wasn’t the motivation. I haven’t found anybody who’s had money to gain out of it”.
(Nigel Pulling, York, North Yorkshire and East Riding LEP)

Private sector members understand they have to work closely with the public sector to achieve the strategic goals of the LEP. They acknowledged the challenges of working alongside the public sector as a result of the politics involved, but on a whole remain optimistic about the relationship.

“...bringing together both private and public sector...means you can make good decisions, despite the politics.”  
(Paul Houghton, Sheffield City Region LEP)
The public-private partnership has enabled both sectors to work towards a collective aim, and understand and appreciate one another, allowing best practice to be shared. While private sector members feel they bring a certain ‘rigour’ to the table, they acknowledged the vital role the public sector plays on the LEP board. They expressed that some objectives, such as securing government funding, would be unattainable without the expertise of public sector colleagues. As a result, our members feel a level of mutual respect between the two sectors.

Members also recognised shortcomings within their own sector, and appreciate that they are also open to criticism.

“The biggest strength I think is the collaboration, the willingness to work together.”
(James Newman, Sheffield City Region LEP)

…”it’s a bit of an illusion that private sector is good and public sector is bad, there’s a mix; I’ve met some very good public sector people, and I’ve also met some poor private sector people. It’s not black and white.”
(Roy Irish, Worcestershire LEP)

“Differences can surface, but not in a real ding-dong kind of way, there is a real desire to collaborate”
(Neil Sturmey, Liverpool City Region LEP)

For LEPs to succeed, the public and private sector must stick together

There is a real desire to retain the current working relationship, and ensure it grows stronger with time. If it was to break down, our members expressed the detrimental impact this would have for LEPs.

“The danger would be if we didn’t operate as one economic unit, but as several.”
(Jeremy Middleton, North-East LEP)

It is vital that the public and private sectors continue to work as one. While the public-private partnership appears to be one of the greatest successes of the LEP project to date, its demise would have devastating effects. The public-private partnership acts as a positive creative tension within LEPs, and this relationship should be nurtured.
What is not working?

Funding is too restrictive

The Local Growth Fund is too heavily ring fenced and is not a true single pot (Figure 1). In addition, 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. If LEPs are to succeed, central government must have a coordinated approach, helping to reassure LEP board members that all departments are working as one.

Figure 1.

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<tr>
<th>Source</th>
<th>£million</th>
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<td>Further Education Capital (Capital)</td>
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<td>European Social Fund Match</td>
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<td>(Revenue)</td>
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<td>New Homes Bonus (Revenue)</td>
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<td>Of which, capital</td>
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Delays in funding

Members have also expressed that government has taken far too long to deliver structured funding to help LEPs achieve their goals. While this has added to their concerns, the release of resource from the Local Growth Fund and the European Structural Investment Fund over the next 18 months may allay some of these fears.

“I think the LEPs are about to come into their own. In the next 12 months, the LEPs will have access to structured monies in different ways shapes or forms to do a lot of things, and I think that’s going to be the big step up for them.”

(Roy Irish, Worcestershire LEP)

Communications resource

Effective communication is vital to ensure that business individuals and the public know the purpose of their local LEP. But also to show that it is working and represents value for money.

“Communication is the big issue; we really need some real success stories just to show that we have intervened, we have done something, we have helped people, and ‘hey look, it’s worked’.”

(Roy Irish, Worcestershire LEP)

When trying to attract greater levels of business engagement, LEPs need to let people know what they are there to do and communicate their success in delivering projects that have brought jobs and economic growth to the local area.

“…the number of people I still meet who don’t fully understand what the LEP does is surprising.”

(Neil Sturmey, Liverpool City Region LEP)

Lack of clarity and direction

While there is clearly a positive relationship between the public and private sector at the local level, members expressed that they are getting mixed messages from central government. Some even stated that they were not convinced that some parts of Whitehall fully support the LEP project.

“It doesn’t feel like they are all in it together, so I wonder to what extent more broadly Whitehall is on the Heseltine agenda, rather than perhaps tacitly saying they are, other than when they have to part with their cash.”

(Roger Marsh, Leeds City Region LEP)

“I think the government has created a series of bodies that have little upside but all the downsides associated with failure. So if we fail it’s easy to throw LEPs under the bus, but if we succeed, then wasn’t government great in creating the LEPs.”

(Neil Warman, York, North Yorkshire, East Riding LEP)
Too many cooks

This stems from a lack of clear direction by central government. Certainly there was a lot of political momentum around LEPs’ inception, and they continue to be closely scrutinised. However central government must display structural clarity if it hopes to convince the private sector it is committed to the LEP process.

“I have been surprised by the lack of strategic guidance and leadership that has come from central government. I think there has been a lot of asking what people want, and then policy making on the hoof, which could be improved.”
(Ian Wenman, Oxfordshire LEP)

“They are a lack of structural thought about what they were set up to do and how they were going to work. It was thrown out there as a political idea, it was set up and it was run without any clear directional thought.”
(Robert Davey, Cornwall and the Isle of Scilly LEP)

With responsibility for LEPs having been split between the Department of Communities and Local Government, the Department of Business Innovation and Skills, and the Cabinet Office, it is understandable that private sector members have been receiving mixed messages. Additionally, the Department for Transport has oversight of over £1bn on the Local Growth Fund, but is yet to commit any significant resource to this joint project.

“There are just too many cooks. It starts in Whitehall. Because Whitehall is complicated, we’ve mirrored that complication down as you go down the supply chain.”
(Steve Hollis, Birmingham and Solihull LEP)

This is not to say that there are no improvements to be made by the private sector, but central government must show greater clarity if it hopes to retain and improve the levels of business engagement displayed to date. Private sector members engage with LEPs on a voluntary basis, and many have full-time jobs. Government should be aware that there is a limit to voluntary private sector engagement if it continues to receive mixed messages from Whitehall.

“There’s an element where we’ve got to get our act together and an element where they’ve got to get their act together.”
(Michael Heenan, Stoke on Trent LEP)

“If they want us to work better, then they need to place us at the heart of their economic development in the regions.”
(Jeremy Middleton, North East LEP)

Mission creep

This scepticism is compounded by LEPs’ ever-expanding remit, stretching private sector board members beyond their experience. While it was recognised that the role of an LEP board member demanded some level of versatility, ICAEW members noted that central government appears to be devolving issues to LEPs that are, at best, irrelevant and detract from the LEP facilitating economic growth and job creation. Government needs to be realistic about what it tasks LEPs to deliver.

“Yes you can do something with local skills issues, but generally speaking the big problems are national. How we’re expected to influence that is quite frankly beyond me.”
(Nigel Pulling, York, North Yorkshire and East Riding LEP)

“The future will always be challenging for LEPs, because they are working with a very large remit, in a relatively difficult environment.”
(Robert Davey, Cornwall and Isles of Scilly LEP)
What now?

Create a single pot of funding

A true single pot of funding

Ring fences in the Local Growth Fund should be dismantled to create a true ‘single pot’, providing LEPs with the autonomy they need to deliver economic growth. The Department for Transport, which has oversight for over £1bn of the Local Growth Fund, should also be included in this process.

“If you want people to pay attention to LEPs, you need to give it influence and control of expenditure.”

(Jeremy Middleton, North East LEP)

More budget for business engagement

The money government gives LEPs to operate must increase if they hope to improve levels of business engagement.

Increase LEPs’ current operational budget to realistically reflect their responsibilities to communicate to a wide range of stakeholders.

Without sufficient resource, LEPs will be unable to communicate the work that is going on in their area to the wider public. This is especially important as LEPs start to receive monies from the Local Growth Fund, and as projects outlined in their Structural Economic Plans get underway.

“The government has to decide whether to resource the thing properly or actually accept that it might not be as efficient as it could otherwise be.”

(Neil Sturmey, Liverpool City Region LEP)

Not all LEPs will succeed, some will undoubtedly outperform others, and some LEPs may have to merge. Nonetheless government has made a promise to put a certain level of power back into the hands of local individuals. It must deliver on this decision, and LEPs are a great opportunity to match those words with action.

“Be brave. Don’t sit on the fence on devolving more authority to the LEPs.”

(Steven Hollis, Birmingham and Solihull LEP)

Streamline the public private partnership

One way of collaborating more effectively is for LEPs to support their local authorities towards integrating their governance structures more closely. Many should look to move towards a Combined Authority model. Doing so would allow resources and expertise from councils to be pooled, further streamlining the public-private partnership.

A recent Centre for Cities report, Breaking boundaries: empowering city growth through cross-border collaboration, lays out the advantages of combined authorities. Furthermore, information provided by the existing Combined Authorities, suggests that there are significant economic advantages to the process.

Greater Manchester Combined Authority have reported overall savings of £11.7 million per year compared to 2007–2008, and Leeds City Region forecast that the establishment of a Combined Authority will help to create 20,000 jobs and a £1bn increase in economic output over the next 10 years. South Yorkshire has estimated that an extra 68,000 jobs will be created through establishment of a Combined Authority, and Greater Merseyside estimate this figure will be 90,000.

However, the status of LEPs working alongside Combined Authorities must be clear. LEPs must be equal to Combined Authorities and not become subservient. LEPs must be allowed to provide leadership on economic development if LEP leaders are to embrace Combined Authorities.
Growth hubs can help LEPs, but must remain clearly separate

Growth hubs have been set the challenge of ensuring businesses in their local area can reach their full potential by helping them to access a range of practical services to meet their needs. This could be a mentoring service, networking events, or growth advice and planning services. As a result growth hubs are well placed to communicate the work of the LEP in the local area, helping to foster greater levels of business engagement. However, while growth hubs and LEPS can complement one another, their roles and responsibilities should remain clearly separate to avoid confusion among the business community.

A core LEP offering (plus local specialisms)

Greater autonomy for LEPs

Government must allow LEPs to play to their local strengths, providing them with the greater financial autonomy they need to deliver the projects that are right for their area. This is not only crucial for LEPs to deliver economic growth and jobs, but also for government to fulfil its ‘localism’ agenda.

Government should work with boards to develop a ‘core offering’ for all LEPs, so businesses can expect a basic standard of services wherever the LEP is situated. This should focus on business support, housing and transport. Outside of the ‘core offering’, government should allow LEPs to decide their own remit, reflecting the specialisms of their local economy. LEPs should also collaborate with the What Works Centre to develop an annual impact assessment detailing how public money has been spent effectively on their specialist areas.

“Enable them...where we can have our biggest bang for our buck...in agri-tech and bio-renewables we’ve got a leading international edge, allow us to plough some money in and focus on those in order to try and create growth and sustainable jobs.”

(Neil Warman, York, North Yorkshire and East Riding LEP)

Political consensus

For the private sector to remain engaged with the LEP process, it needs reassurance that LEPs have a life beyond 2015. Statements and wishful thinking by politicians are not enough. Each political party must provide a detailed 10-year plan for LEPs as part of their 2015 manifestos. This should clearly state what responsibility LEPs will have over local policy development; what power LEPs will have to implement the policies decided; and what funding will be committed to ensure that powers are optimal and policies can deliver outcomes.

10 http://www.businessgrowthhub.com/about-us
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