



Centre for Local Economic Strategies

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Clerks of the Business, Innovation and Skills Committee
7 Millbank
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Dear Sir/Madam

Select Committee on Local Enterprise Partnerships

I have pleasure in enclosing a copy of CLES' written evidence to be submitted to the Select Committee on the new Local Enterprise Partnerships.

The Centre for Local Economic Strategies (CLES) is the leading membership based organisation in the UK which is dedicated to economic development, regeneration and local governance. Founded in 1986, CLES is a unique independent thinking and doing organisation with charitable status. CLES combines a thinking policy research element alongside a doing consultancy trading arm. In all of CLES' work, the challenge of delivering local economic development alongside progressive environmental and social benefits is a common theme.

In addition to this written evidence, we would be keen to provide oral evidence summarising our ideas for Local Enterprise Partnerships and expressing the views of our CLES members across the UK. Please contact me to discuss this further on 0161 236 7036 or neilmcinroy@cles.org.uk.

Yours sincerely

Neil McInroy
Chief Executive

ensuring positive local change

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1 Summary

- 1.1 This paper summarises CLES' thoughts about Local Enterprise Partnerships (LEPs) based on our discussions with CLES members and CLES consultancy clients. We have also had the chance to review several of the draft submissions for LEPs and hear about the experiences of local councils as they negotiate the arrangements for the potential LEPs in their areas, through our local economic network.
- 1.2 In recent years, local authorities working collaboratively and with partners in the private and social sector have developed strong and effective governance arrangements in many areas. To a large extent, the development of LEPs will evolve from these existing structures, partnerships and networks. However, the cuts in public funding for regional development will mean that these partnerships will have to work with fewer financial and human resources.
- 1.3 As the Government has already identified in their consultation on the Regional Growth Fund, the economy of the UK is unbalanced with a significant north – south productivity gap. In addition, we still have many areas with extremely high levels of deprivation. In a time of public sector austerity, CLES believe that LEPs should be targeted on those areas which have the greatest challenges. These challenges have traditionally included: high levels of long term unemployment; low levels of investment and enterprise; poor skills; and poor health. However, LEPs will also be important in more prosperous areas which different challenges, for example, transport management and/or housing in Cambridgeshire. In addition, in order to help rebalance economies that are dependent on public employment, a key criteria for selecting LEPs could be based upon the level of public sector funding cuts and public sector redundancies taking place in a locality. As our recent research has shown, many areas may be lose proportionately higher numbers of public sector employment and will therefore need support from LEPs in order to help stimulate private sector jobs growth and rebalance the local economy
- 1.4 By their very nature, LEPs will need to be flexible according to the particular needs and challenges of a locality. An LEP in the East of England may differ significantly to an LEP in Yorkshire and Humber as the economic geographies and challenges are specific to each area. LEPs must not be restricted neither by administrative area, nor by a rigid view of functional economic geographies.
- 1.5 LEPs must include, not just the public and private sectors, but crucially need to acknowledge and support the important role of the community and voluntary sector in supporting the economy, particularly in those areas where the private sector is relatively weak. The community and voluntary sector can make up the "social economy" helping to develop a culture of entrepreneurship, civic pride and enterprise development which can, over time, strengthen and rebalance the profile of an economy.
- 1.6 Although we acknowledge the importance of involving the private sector in LEPs, we believe that the condition of private sector chair is too rigid. LEPs should have the option of being able to appoint a public sector chair, which can provide strong accountability, something identified as being a limitation of RDAs
- 1.7 LEPs will need to be supplemented by other support from government to address wider issues that limit economic growth in our communities and which previous area based schemes have attempted to address. This work on supporting communities through education, health and well-being, housing and capacity building, must continue.

2 The functions of the Local Enterprise Partnerships

- 2.1 CLES think that LEPs should have the overall function of developing resilient places in the future. These places should operate successfully both environmentally and socially. CLES' definition of resilience is, *"the capacity of a place to be ready to deal with change and opportunity. This will require an adaptability so a place can respond, take advantage and learn, so that the place and its citizens are better equipped to deal with opportunities and negative change in the future."* The resilience of an area will depend on the level of economic performance and preparedness. These are important factors which CLES has been researching in detail in partnership with 7 areas across

the UK (Manchester, Gloucester, Cambridgeshire and West Suffolk, Ashfield and Mansfield, Northumbria, Cherwell and South Staffordshire.). We would be happy to provide more information about our research to the committee.

2.2 LEPs will fulfil this function by doing a range of things including:

- Targeting activity and resources on those areas with the most serious regeneration challenges;
- Supporting the development of effective networks or partnerships between the public, private and social sector within a functional economic geography;
- Planning and delivering projects that will help to rebalance local economies by encouraging the growth of new enterprise and employment opportunities from both from the private and social sectors;
- Develop and maintain strong evidence base which identifies regeneration challenges and economic opportunities for the future. This ensures that resources are prioritised and targeted effectively;
- Successfully co-ordinating cross authority projects which help stimulate economic growth.

2.3 Whilst general guidance on the overall function and purpose of LEPs is useful, it is likely that there will be have to be flexibility on how LEPs are established locally. This flexibility is important because LEPs will vary depending on the size and shape of the functional economic geography and the existing networks and partnerships which are already in place. Some areas may adopt a strong city regional structure, for example, Manchester or Liverpool, whilst others may need to explore a structure based on a dispersed economic geography, particularly in rural areas.

2.4 Although building upon this legacy of partnership working will be important, it is crucial that LEPs learn from the limitations of these past structures to maximise their effectiveness in the future. This is particularly in relation to democratic accountability, private sector engagement and recognition of the importance of the community and voluntary sector for supporting local economies.

2.5 Guidance on LEPs to date suggests that LEPs should be chaired by the private sector as a rule. However, CLES would be a strong advocate for LEPs to be chaired, not only by private sector representatives but also by representatives from the public and social sector also. Our recent work with Yorkshire Cities showed the very proactive role that the public sector played in response to the recession. There is strong evidence from this work of local authorities working together to tackle job cuts and redundancies across functional economic geographies and of helping to co-ordinate activity to target those communities who were most at risk. Specific examples from CLES' research with Yorkshire Cities include:

- Calderdale Borough Council have been working to anticipate current and future cuts in the banking sector in their locality and have been proactively working with the private sector to explore new employment and investment opportunities;
- In early 2009 news broke that Corus Engineering Steels would lose up to 700 of their personnel from their South Yorkshire sites. A partnership involving Yorkshire Forward, Jobcentre Plus, LSC, Rotherham Metropolitan Borough Council, Barnsley & Rotherham Chamber, Business Link Yorkshire and Communities, the employees' trade union, worked with the employer to ensure that the support available to both the individuals and the company was maximised. To do this, a resource centre was set up on site at Corus Steelworks - Aldwarke (Rotherham), manned by Jobcentre Plus staff;
- Yorkshire Forward established a Transitional Loan Fund (TLF) to offer financial support to viable businesses that were experiencing a working capital shortfall due to difficulties in accessing corporate finance. Prompt action helped viable businesses with strong order books to safeguard jobs and to trade through the recession;
- Sheffield City Council has introduced a specific seven point plan for the recession in partnership with Jobcentre Plus, the Learning and Skills Council and Yorkshire Forward. This plan is aimed at those individuals in the city made redundant as a result of the economic downturn and those employers similarly affected; it does not replace but adds value to the city's existing Employment Plan which aims to address the problem of long term worklessness, and the barriers faced by those vulnerable groups furthest from the labour market.

- 2.6 LEPs do represent an opportunity for local authorities to be bold and ambitious for their localities. There are important lessons that we can learn from private-public partnerships internationally and CLES's current research with the Norfolk Trust Fellowship has highlighted interesting examples of where LEP type structures can be used to lever investment, employment and innovation into localities which we would be happy to share with the select committee as examples of what can be achieved through effective partnership

3 The Regional Growth Fund and funding arrangements for LEPs

- 3.1 We support the aspiration of the Regional Growth Fund in seeing to rebalance the nature of the UK economy both sectorally and spatially. With the dissolution of Regional Development Agencies (RDAs), LEPs must play a crucial role in helping to support future growth
- 3.2 LEPs should be able to have the option of securing additional funding and powers from central government to co-ordinate activities such as business support, sector leadership, business capital and investment if these functions are shown to be crucial for their future economic plans and/or where they already have a strong track record in undertaking this type of activity in their area.
- 3.3 LEPs should recognise the importance of the social economy in functional economic geographies. This is particularly important in those areas where the private sector has traditionally been weaker. The social economy provides employment, investment and links to the supply chain with the public and private sectors.

4 Arrangements for co-ordinating regional economic strategy, structure and accountability for LEPs

- 4.1 Although the structure of LEPs is important, it is crucial that there is first clarity about the function of LEPs so that form follows function. However, in the spirit of localism, localities themselves should be responsible for agreeing the precise function of their LEP to suit the particular needs of an area.
- 4.2 Because of the collaborative nature of LEPs, their emerging structures are, and will continue to evolve, from existing networks and partnerships established through initiatives such as the Multi Area Agreement process, city regions, discussions on the development of Local Economic Assessments and existing sub regional partnerships which have been supported through RDAs. It is important that LEPs learn the lessons from the weaknesses of these previous structures, particularly in relation to accountability.
- 4.3 However, where previous structures and networks, for example, MAAs, do not exist, the process of developing an LEP may be more difficult as the networks and linkage between partners will not yet exist to the same extent as those in areas with a history of partnership working or with very well defined functional economic geographies
- 4.4 With the dissolution of RDAs, there is a risk of a strategy and policy vacuum and therefore there needs to be as smooth a transition to the new arrangements for LEPs as soon as possible. This is important from not only local government's point of view, but from the perspective of the private and social sectors who have become accustomed to the current regional and sub regional structures.
- 4.5 There is also a great deal of research about the shape and structure of the economy in the regions. In the North West for example, a great deal of sophisticated work has been done exploring the potential of the low carbon economy and it is important that the importance and quality of this work is not underestimated. In a time of financial austerity, LEPs should build upon this strong evidence base to inform the development of new initiatives in their localities. LEPs can use the regional economic strategies, draft regional strategies (as in the North West) and Local Economic Assessments to inform their work.
- 4.6 Although focused on economic growth, LEPs must be cogent of the clear linkages between successful economies and wider place policy, for example, the relationship between economic development and housing, health and spatial planning. Any LEP which does not recognise these links is unlikely to be successful.

- 4.7 It is important that the structures of LEPs are neither restricted to administrative boundaries but nor to a one dimensional view of “functional economic geographies”. LEPs must be open minded and flexible. Although an awareness of the current geography of your economy is important, CLES thinks that the current pre-occupation with a single “functional economic geography” can be potentially limiting as no one area will work within a single functional economic geography, for example, an area like Barnsley has a economic geography which looks both to Leeds and to Sheffield. Similarly the perception of business is not limited by functional economic geography but instead relates to markets, the scope of which is likely to be global and changing on a regular basis.
- 4.8 In some areas, LEPs should work together to co-ordinate their activity, particularly if they are building on the evidence base from previous regional economic strategies. To do this they may want to consider the establishment of LEP co-ordination groups across an area. There may also be an argument for a national LEP network which provide the opportunity for leads from these LEPs to meet on a regular basis to share ideas, projects and lessons learned to date. CLES would be happy to assist with this process through our local economic network and our member network.
- 4.9 In the medium to longer term, not all areas will be covered by an LEP because some areas may choose not to apply to establish an LEP, some areas may not have the capacity nor political will to make the LEP work, whilst other places may not be successful in their proposal. Therefore, consideration must be given to what else will help to direct economic development and regeneration and rebalance the economy in these areas particularly in relation to deep entrenched regeneration challenges.

5 About the Centre for local Economic Strategies (CLES)

- 5.1 The Centre for Local Economic Strategies (CLES) is the leading membership based organisation in the UK which is dedicated to economic development, regeneration and local governance. Founded in 1986, CLES is a unique independent thinking and doing organization with charitable status. CLES combines a thinking policy research element alongside a doing consultancy trading arm. In all of CLES’ work, the challenge of delivering local economic development alongside progressive environmental and social benefits is a common theme.