House of Commons
Business, Innovation and Skills Committee

Local Enterprise Partnerships

Ninth Report of Session 2012–13

Report, together with formal minutes, oral and written evidence

Ordered by the House of Commons
to be printed 23 April 2013
Business, Innovation and Skills Committee

The Business, Innovation and Skills Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Business, Innovation and Skills.

Current membership
Mr Adrian Bailey MP (Labour, West Bromwich West) (Chair)
Mr Brian Binley MP (Conservative, Northampton South)
Paul Blomfield MP (Labour, Sheffield Central)
Katy Clark MP (Labour, North Ayrshire and Arran)
Mike Crockart MP (Liberal Democrat, Edinburgh West)
Caroline Dinenage MP (Conservative, Gosport)
Julie Elliott MP (Labour, Sunderland Central)
Rebecca Harris MP (Conservative, Castle Point)
Ann McKechin MP (Labour, Glasgow North)
Mr Robin Walker MP (Conservative, Worcester)
Nadhim Zahawi MP (Conservative, Stratford-upon-Avon)

The following members were also members of the Committee during the parliament.
Luciana Berger MP (Labour, Liverpool, Wavertree)
Jack Dromey MP (Labour, Birmingham, Erdington)
Margot James MP (Conservative, Stourbridge)
Dan Jarvis MP (Labour, Barnsley Central)
Simon Kirby MP (Conservative, Brighton Kemptown)
Gregg McClymont MP (Labour, Cumbernauld, Kilsyth and Kirkintilloch East)
Ian Murray MP (Labour, Edinburgh South)
Nicky Morgan MP (Conservative, Loughborough)
Chi Onwurah MP (Labour, Newcastle upon Tyne Central)
Rachel Reeves MP (Labour, Leeds West)
Mr David Ward MP (Liberal Democrat, Bradford East)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/bis. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are James Davies (Clerk), Amelia Aspden (Second Clerk), Peter Stam (Committee Specialist), Josephine Willows (Committee Specialist), Ian Hook (Senior Committee Assistant), Pam Morris (Committee Assistant), Henry Ayi-Hyde (Committee Support Assistant).
Contacts

All correspondence should be addressed to the Clerk of the Business, Innovation and Skills Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5777; the Committee’s email address is biscom@parliament.uk
Contents

Report

Summary 3

1 Introduction 5
   Abolition of the Regional Development Agencies 5
   The situation today 5
   Our inquiry 7

2 The LEP landscape 9
   The role of LEPs 9
   Funding and Resources 10
   Revenue and finance raising powers for LEPs? 13
   LEPs and Government 15

3 The role and functioning of LEPs 18
   LEPs and the local economy 18
   Board membership 20
   Skills 21

4 Accountability 23
   Accountability of LEPs 23
   To themselves 23
   To local communities 24
   To central government 25
   To the private sector 26

Formal Minutes 32

Witnesses 33

List of printed written evidence 34

List of Reports from the Committee during the current Parliament 35
Summary

In 2010, the Coalition Government announced that Regional Development Agencies would be abolished and regional economic development would be delivered through new Local Enterprise Partnerships (LEPs). LEPs have now been up and running for two years and therefore we considered it timely to conduct an assessment of how they work. Our inquiry broadly welcomes the progress LEPs have made but it also highlights a number of issues which need to be addressed in order to ensure that they can build on their solid start.

Clarity: Ministerial ownership

Ministerial accountability for LEPs, along with the lines of communication between LEPs and Government remain unclear. This is a result of the fact that responsibility for LEPs is shared between the Department for Business Innovation and Skills and the Department for Communities and Local Government. Sharing resources and expertise is one thing, but accountability and responsibility for advice cannot be pooled. We believe that a single lead department is needed. It is essential that a single Minister, based in the Department of Business, Innovation and Skills, takes responsibility and accountability for LEPs and that all LEP contact officers are based in that Department.

Certainty: Funding

The BIS Department has promised core funding for LEPs for the next two financial years. What is less clear, however, is the longer-term financial commitment to LEPs from Government. We have heard that certainty is essential for regional economic investment and this is currently lacking. We therefore recommend that the Government commits to core funding LEPs for the five years following 2015. We also recommend that the Department brings forward detailed plans for how it will implement the single funding pot.

Confidence: Monitoring and value for money

Whenever public funds are involved, accountability and value for money must be at the top of the agenda. We were encouraged that LEPs agreed that they should be held accountable and heard many examples of how they are trying to promote transparency. However, there appeared to be an absence of any actual mechanism by which LEPs could be held to account. It is crucial that the BIS Department monitors LEPs’ objective setting processes closely, against a minimum baseline of performance. Through this it can ensure that all LEPs remain fit for purpose. The LEPs have a role to put in place measurable indicators of their impact on regional economies and we look to the National Audit Office to monitor this aspect of public expenditure.
1 Introduction

Abolition of the Regional Development Agencies

1. From 1998, responsibility for regeneration, regional competitiveness, inward regional investment and the development of skills sat with the Regional Development Agencies (RDAs). The Regional Development Agencies Act 1998 outlined five statutory purposes for each Agency:

   1. To further economic development and regeneration;
   2. To promote business efficiency, investment and competitiveness;
   3. To promote employment;
   4. To enhance development and application of skill relevant to employment; and
   5. To contribute to sustainable development.1

2. Following the general election in 2010, the Coalition Government announced that the RDAs would be abolished. Many of their core functions were taken over by new Local Enterprise Partnerships (LEPs), as part of a wider programme of Government support for regional growth (alongside initiatives such as the Regional Growth Fund). The Coalition Agreement stated that the Government would “support the creation of Local Enterprise Partnerships—joint local-authority-business bodies brought forward by local authorities themselves to promote local economic development—to replace Regional Development Agencies. These may take the form of the existing RDAs in areas where they are popular”.2

3. A Government White Paper published in October 2010 outlined its vision for LEPs, compared to the old regime:

   Local Enterprise Partnerships will provide the clear vision and strategic leadership to drive sustainable private sector-led growth and job creation in their area. We particularly encourage partnerships working in respect to transport, housing and planning as part of an integrated approach to growth and infrastructure delivery. This will be a major step forward in fostering a strong environment for business growth.3

The situation today

4. There are now 39 LEPs covering 100 per cent of England geographically. The initial tranche of 24 LEPs was approved in October 2010, with three more following in December 2010 and the rest by the end of 2011. A map showing current LEP coverage is reproduced below:

---

1 Department for Business, Innovation and Skills website, England’s Regional Development Agencies [accessed 7 November 2012]
3 HM Government, Local growth, realising every place’s potential, October 2010, para 2.6
5. It is apparent that, two years from their inception, the Government still considers LEPs to be in their infancy. The Department’s written submission to us refers to LEPs as being in their "early development" and "first stage of implementation". Despite this, the Department was keen to highlight particular successes of LEPs in their role replacing many of the functions of RDAs:

Much has been achieved in the first phase of implementation; following local business engagement and consultation with their local partners, many LEPs have published their strategic plans and priorities. LEPs have also identified key growth projects.
Under the stewardship arrangement, local partners, including local authorities, businesses, LEPs and others are able to influence the development of former RDA assets and ensure they are developed in a way which maximises economic outcomes for the area.

Government has taken steps to retain the local knowledge base built up by the RDAs. Prior to closure, RDAs disseminated to local partners information on how it tackled issues in its region.5

We have heard that replacing RDAs with LEPs has, in many cases, allowed innovation when it comes to supporting local growth. The Department outlined in particular the fact that “private sector members have challenged public sector partners to do things differently to ensure a stronger focus on delivery; for example through streamlined local planning processes”.6 This is to be commended. We have already reported on the abolition of the RDAs and creation of LEPs.7 This report is not a critique of the government’s regional policy as a whole or that decision, but is a specific scrutiny of the progress of LEPs over the past two years, a review of the issues they have faced since their founding, and an opportunity to make recommendations to ensure their success in the future.

Our inquiry

In November 2010 we reported on our initial assessment of Local Enterprise Partnerships.8 That Report contained a number of recommendations setting out how the Government should best use and support LEPs in the future. In June 2012, we decided to revisit LEPs to assess progress against our findings and to evaluate the LEP landscape.

We took evidence from three panels:

- Mark Reeve, Interim Chair, Greater Cambridgeshire and Greater Peterborough LEP, David Frost, Chair, LEP Network, Adrian Shooter, Chair, Oxfordshire LEP, James Newman, Chair, Sheffield City Region LEP and Linda Edworthy, Director of Policy and Strategy, Tees Valley Unlimited.

- Paul Kalinauckas, Chief Executive, Black Country Reinvestment Society, Roger Salomone, Head of Business Environment, EEF Ltd, Sumita Shah, Technical Manager, Public Sector, Institute of Chartered Accountants for England and Wales (ICAEW), Michael Leithrow, Chief Executive Officer, Northern Pinetree Trust Philip Ray, Finance Administration Manager, Steelite International and David Dunn, Chief Executive Officer, Sunderland Software City.

- Rt Hon Michael Fallon MP, Minister of State for Business and Enterprise.
9. In October 2012, The Rt Hon the Lord Heseltine of Thenford CH published a review which aimed to “set out a comprehensive strategy for national wealth creation, defining its view of its own role—and the limits of that role—together with those of others in local authorities, public bodies and the private sector”. The review placed significant emphasis on the role of LEPs, localism and regional growth more generally. We therefore took evidence from Lord Heseltine on his Report on 11 December 2012 and 12 February 2013.

10. This Report concentrates on Local Enterprise Partnerships. A further report on the Regional Growth Fund will be published in due course. We are grateful to all witnesses for their contributions to this inquiry and to all those who submitted written evidence.
2 The LEP landscape

The role of LEPs

11. The Department for Business, Innovation and Skills (the Department) told us about its vision for LEPs:

Their establishment constitutes a real power shift away from central Government and quangos and towards local communities and local businesses who really understand the barriers to growth in their areas. Through LEPs, business and civic leaders are working together to drive sustainable economic growth and create the conditions for private sector job growth in their communities. As local partnerships, LEPs are by design, accountable to their local communities; they are diverse bodies with roles which reflect local priorities.

[...]

Government has supported LEPs in their early development. This has included partnership support from BIS Local, providing important links into central government and facilitation within the regions.10

12. The LEP Network told us that the common mission of LEPs was to:

Articulate a clear long-term strategy for enterprise growth based on a realistic appraisal of the area’s strengths and opportunities;

Identify existing barriers to business growth, e.g. in terms of land-use planning, infrastructure (in the broadest sense), skills/labour market—and the actions required to remove them;

Gain buy in from all sides to a small number of objectives and outcomes that can survive institutional/political changes over the long run—not least because the financing mechanisms used will likely pitch short-term risk against long-term gain;

’Sell the area’ by taking responsibility for bids for central government funding (e.g. the Regional Growth Fund), levering private investment capital and influencing local funding streams (such as the Community Infrastructure Levy and retained business rates) and ensuring these deliver against locally-agreed priorities, without necessarily being the direct budget holders; and

Focus on improving the local business environment—strategic planning, transport networks, matching training offer to labour market needs.11

It is clear that the current Government places great importance on the role of encouraging economic growth. We agree that local growth must be a priority in both the political and economic strategy of this country. Lord Heseltine described LEPs as “the Government’s
chosen engine of local growth” 12 and noted that the Government’s own Plan for Growth stated that the “Government’s economic policy objective is to achieve strong, sustainable and balanced growth that is more evenly shared across the country”. 13 In our November 2010 Report, we gave an initial assessment of the newly formed LEPs. We acknowledged the importance of LEPs to regional growth and recommended that the “Government undertake a rolling review of the first tranche of LEPs”. 14 This Report continues that work.

13. **We agree that national economic growth relies on strong regional growth and that LEPs are key drivers in that respect. For that reason we believe that constant monitoring of LEPs (and all elements of the Government’s Plan for Growth, for that matter) is essential.**

**Funding and Resources**

14. A key theme in the evidence that we received concerned funding for LEPs. As the LEP Network stated:

   Economic development cannot be delivered on a shoestring. The LEP Network believes that LEPs require core revenue funding of at least £250k per annum, per LEP, for business engagement activities and to employ 3–4 full time staff in executive roles. Local partners, particularly local authorities, face major challenges in committing this level of resource to LEPs. 15

David Frost CBE, the Chair of the LEP Network, told us that this core funding needed to be available for “at least three years” in order to deliver the agenda expected of them. 16 Very shortly after that evidence session the Government announced that it would provide further core funding for LEPs which appeared to match this request:

   An interim £5 million funding package will be made available immediately for all LEPs to draw upon for the remainder of this financial year. This will be followed by up to £250,000 per LEP per year for the following two years. 17

15. When he came to give evidence, Michael Fallon MP, the Minister of State for Business and Enterprise, confirmed the details of this core funding arrangement, including the conditions attached to the receipt of that funding:

   I have responded to their request for core funding to assist their capacity. As you will have read, I have announced £125,000 this year [per LEP] and £250,000 for each of the next two years as core funding, on condition that they submit to me a growth

---

12 Rt Hon Lord Heseltine, No stone unturned in pursuit of growth, October 2012, para 2.44
13 HM Treasury, Plan for Growth, March 2012, para 1.14
15 Ev 96
16 Q 27
17 Business Innovation and Skills website, Local Enterprise Partnerships receive boost [accessed 12 November 2012]
plan by Christmas, and on condition, too, that the £250,000 in each of the two subsequent years is matched by other funding.\footnote{18}{Q 107}

He went on to explain why he decided not to address the funding needs of LEPs on a case by case basis:

I came to the conclusion that it would be far too complicated, really, to give them core funding based on size and differing amounts and so on. I thought it was just easier to get the money out to them as quickly as possible, so I think the bigger ones have probably more grounds for complaint, because they are getting a relatively small sum of money compared to their population.\footnote{19}{Q 142}

16. Lord Heseltine argued that longer-term funding was needed if LEPs were to succeed:

Central government should identify the budgets administered by different departments which support growth. These should be brought together into a single funding pot for local areas, without internal ring fences.\footnote{20}{Rt Hon Lord Heseltine, No stone unturned in pursuit of growth, October 2012, recommendation 1}

When he came before us, he argued that businesses needed more certainty (in terms of the timescale of funding) and that funding bids for LEPs should cover five years:

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. I say a five-year process, and I say you cannot start it until 2015 because all the money that is currently in the provision of the public expenditure review will already be committed for 2013 and much of 2014. I chose a period when the existing money probably is not contracted and you can begin to use it in a different way.\footnote{21}{Oral evidence taken before the Business, Innovation and Skills Committee on 11 December 2012, HC 823-i, Q 21}

17. The Government appeared to agree that a single pot of funding would encourage competition. However, it did not commit to extend the timescale of the funding:

The Government agrees with Lord Heseltine that local business leaders need to have the tools and levers to drive investment and growth in their area and that means truly devolving funding and powers from central government. The Government will devolve a greater proportion of growth-related spending on the basis of these strategic plans developed by LEPs by creating a single funding pot for local areas from April 2015. Funding will reflect the quality of strategic proposals put forward by LEPs, as well as local need. When developing the plans, LEPs will be expected to seek to leverage funding, including from local authorities and the wider public and private sector.\footnote{22}{HM Treasury, Autumn Statement 2012, December 2012, para 1.110}

18. While we note that the amount promised (up to £250,000 pa/per LEP) matches that suggested by the LEP Network, we have two primary concerns. First, the timescale may be too short term. LEPs will have the opportunity to secure core funding of up to £250,000
Local Enterprise Partnerships each year up to 2014–15 (two financial years away). We agree with the LEP Network that this should be extended to provide LEPs with the necessary levels of security and confidence to invest in key staff, research and marketing consistent with the longer term growth that they are expected to deliver.23

19. Lord Heseltine recommended that LEP bids should be for “a minimum of five years starting from 2015–16”.24 He also recommended that “these should be brought together into a single funding pot for local areas, without internal ring fences”.25 The Government’s response to Lord Heseltine appeared to agree, stating that “allocations to LEPs from an un-ring-fenced single fund will drive efficiencies and ensure funding delivers the greatest benefits across the country”.26 The Government response also agreed with Lord Heseltine that LEPs needed “certainty over funding amounts over a longer time horizon in order to plan strategically for growth”.27 However, we were concerned to read reports that “ministerial resistance” has all but stalled the process and that because of a “Whitehall battle to retain central control over 59 separate funding streams” the eventual size of the central pot is likely to end up as just a fraction of the £58bn reportedly proposed by Lord Heseltine.28

20. We welcome the fact that the Government has agreed to provide core funding to LEPs for the next two financial years. However, we are concerned that the timescale is too short to allow LEPs to make longer-term investments. Long-term certainty is essential for regional investment. We therefore recommend that the Government commits to core funding for LEPs and as a priority sets the level of that funding for the five years following 2015. In the wider context, a consensus on long-term investment should be developed across political parties to deliver certainty and confidence.

21. We are not convinced by the Minister’s argument that that it is “too complicated” to assess the 39 LEPs individually as regards to their funding requirements. A one-size-fits-all approach is misguided because different LEPs face very different investment barriers. When planning future core funding the Government should consider allocation on a case-by-case basis to ensure the most efficient use of public funds.

22. We support Lord Heseltine’s recommendation for a single funding pot and we welcome the government’s acceptance of it. However, greater detail is needed on how the various funding streams will be brought together. We will expect the Department to set out these details in its response to our Report.

23. Our second concern relates to the requirements placed on LEPs to qualify for this core funding. The requirement to ‘cash-match’ Government funding can result in an over-reliance on Local Government if there is not equivalent buy-in from wider industry or

---

23 Q 27
24 Rt Hon Lord Heseltine, No stone unturned in pursuit of growth, October 2012, recommendation 2
25 Rt Hon Lord Heseltine, No stone unturned in pursuit of growth, October 2012, recommendation 1
26 HM Treasury, Government’s response to the Heseltine review, March 2013, para 2.30
27 HM Treasury, Government’s response to the Heseltine review, March 2013, para 2.58
banks. This was of significant concern to smaller LEPs. Buckinghamshire Thames Valley LEP told us:

The funding of LEPs wasn’t properly thought through; which in many cases has meant little separation or independence of the LEP from any dominant Local Authorities. It’s difficult to play an interdependent coalescing role in a place if you are yourself wholly dependent on those to whom you need to apply some discipline on occasion.29

James Newman, from Sheffield City Region LEP, explained the practical problems when there was a dominant (in his case local government) funder:

Rightly or wrongly, we took the view that, whilst we had some local authority funding, it was no good the private sector coming along to board meetings and being told what to do by the local authorities who were providing the funding, so clearly we needed to have some substantial funding from elsewhere.30

24. We asked the Minister about LEPs’ ability to ‘cash match’ from diverse sources and whether he was concerned that this put too much reliance (and therefore power) in the hands of local authorities or single investors. While he did concede that this was a risk, he considered it an important part of the LEP arrangement:

These are not easy times for the public authorities that they are approaching for matched funding, let alone the private sector, but these are partnerships; I do not want them, as I said, to be either creatures of local government, as you picked up, or, indeed, wholly dependent on central Government funding. The way forward has to be that they are fully engaged in their community in a partnership between business and other public-sector bodies in their area.31

25. The requirement to ‘cash-match’ public funding has, in some cases, led to an over-reliance on Local Authorities as LEPs struggle to find other willing investors. We recommend that in future funding rounds, the Government considers individual LEP’s funding arrangements to assess whether cash-matching requirements are appropriate. In this respect it should take into account the local economy, local government influence and the track record of cash-matching in the area.

Revenue and finance raising powers for LEPs?

26. One possible solution to the LEP funding problem would be to give LEPs revenue raising powers. For example Professor David Bailey and Gill Bentley, in conjunction with the Regional Studies Association, told us:

What does seem clear is that in the short-term the LEPs need a mix of real powers and so far few commentators feel that they have them, especially on the ability to raise finance. [...] The [Local Government Resource Review] stopped short of

---

29 Ev 55  
30 Q 23  
31 Q 142
making it absolutely clear that local authorities and LEPs have genuine finance raising powers (such as bond issuing powers) to get things done locally. Perhaps the proposed ‘city deals’ now being unveiled may go further on this.32

27. LEP responses to this suggestion, however, were mixed. Many of witnesses agreed with Mark Reeve, Interim Chair of the Greater Cambridgeshire and Greater Peterborough LEP, that “more influence in expenditure rather than local revenue-raising powers would be preferable”.33 Furthermore, David Frost CBE, the Chair of the LEP Network, argued that local revenue raising powers could actually damage engagement with private businesses. He advised against localising business rates:

The concern with the re-localisation of business rates is that local authorities will just simply raise the level of business rates to levels far outstripping that of inflation, and that is why there has always been a nervousness amongst the business community.34

Lord Heseltine, in his Report, also stopped short of recommending that LEPs have revenue-raising powers.35 When questioned on this, he argued that would not be appropriate for LEPs to have formal revenue raising powers:

They are not democratically accountable and, therefore, the local authorities have to be seen as relevant in that context. There might be ways in which you could be more imaginative in partnership with the local authorities and, indeed, the Government are doing this.36

The Minister appeared to agree with the sentiment, stating that it was “slightly too early to start saying that [LEPs] should be ready to take on more and more official functions” and that ideas for reform should “come from them” and not Central Government.37 We received specific examples of innovative practices of LEPs, which enhances their ability to attract investment. For example we heard that the Coventry and Warwickshire LEP has set up a Delivery Board and a “LEP Access to Finance Group” to facilitate interactions between businesses and financiers. The York, North Yorkshire and East Riding LEP has focussed on collaborating with local banks and the British Banking Association to develop a Certificate in Business Growth.38

28. The introduction of revenue-raising powers has the potential to damage the reputation and standing of LEPs in their local communities by transforming them into an unpopular levy raising body with no democratic legitimacy. We do not, therefore, recommend any formal revenue raising powers be granted to LEPs. However, LEPs and interested parties need to be incentivised to be innovative in attracting investment, for example with LEPs being able to raise their own finance. We have heard from witnesses and experts of specific examples of such innovation and recommend that the

32 Ev 51
33 Q 33
34 Q 33
35 Rt Hon Lord Heseltine, No stone unturned in pursuit of growth, October 2012, recommendation 12
36 Oral evidence taken before the Business, Innovation and Skills Committee on 11 December 2012, HC 823-i, Q24
37 Q 130
38 Ev 110
Government highlights best practice where it sees good marketing, promotion and innovation.

**LEPs and Government**

29. Despite the move to localism, Central Government remains a key partner for LEPs. A number of witnesses highlighted the importance of Government to LEPs, and the need for greater clarity from it in articulating the national strategy and vision. This was neatly summarised by the Federation of Small Businesses (FSB):

> Clearly the view of the LEPs is that their diversity is their strength in that they should be free to focus on what is important to the local area in question and pursue and agenda reflective of that. However the FSB believes that there would still be advantages in the Government re-articulating a clear vision for what actions LEPs should be focussing on at a time when economic growth is so vitally needed. Government could do more to consistently align national policy approach with the functions of LEPs to ensure greater buy-in for their role.

30. Devon County Council agreed that a more joined up approach was needed for LEPs which faced confusion from having to deal with different government departments:

> We would strongly welcome a more joined-up approach between Government departments that ensures greater alignment of funds with similar objectives. Particular areas that would benefit from this approach include bidding and monitoring criteria and funding timescales.

The Council recommended a “single LEP contact at BIS who is able to reach into all Government departments”.

31. Central funding for LEPs comes from both the Department for Business Innovation and Skills and the Department for Communities and Local Government. Several LEPs and David Frost, Chair of the LEP Network, told us that they did not know “where responsibility for the LEPs lies” in terms of central government. At present, Ministerial responsibility for LEPs is shared between the Department for Business, Innovation and Skills and the Department for Communities and Local Government. Among others, David Frost CBE, Adrian Shooter, the Chair of Oxfordshire LEP, and James Newman, of Sheffield City Region LEP, agreed that there should be a single “Minister for LEPs”.

32. When we raised this with the Business and Enterprise Minister, however, he did not agree. He told us that that there not be should be one formal LEP-sponsoring Minister because:

---

39 Ev 79
40 Ev 72
41 Ev 73
42 Q 4
43 Q 6
Both Departments sit right at the centre of this and, provided we work extremely closely together, which we do, I think the system we have at the moment can work well.\(^44\)

The Minister then took the opportunity to outline a new alternative policy regarding the handling of LEPs:

I want them [LEPs] to have a much more direct contact with Whitehall, and they will, therefore, from now on, have a single strategy adviser in the Department, or in the Department for Communities and Local Government, as a direct point of focus as they move forward to finalising their growth plans and telling us about their plans for the next two years.\(^45\)

When we asked the Minister to clarify this policy, he told us that each LEP would have its own Government contact:

We have officials in each Department who have overall responsibility for LEPs, in both BIS and the Department for Communities and Local Government, but the criticism has been—and I have accepted that it is a reasonable criticism—that the 39 LEPs, in approaching Government for different purposes, have not quite been clear, sometimes, who to turn to.

I am the Minister, and Mark Prisk is the Minister in the other Department, but I want each LEP to have a single named official as their strategy adviser, and he might be in one Department or he might be in the other.\(^46\)

33. While the Minister’s announcement of a dedicated civil servant for every LEP may provide “a single point of contact”,\(^47\) it does not provide the clarity or simplicity we believe is necessary. The Minister confirmed that this was likely to mean that 39 different civil servants, split across at least two Departments, would be responsible for providing advice to the 39 LEPs.\(^48\) We do not believe that this represents a real improvement, nor will it provide greater consistency or strategic coherence across the board. When we expressed our concerns to the Minister he responded that there was no fundamental difference between the home Departments of the officials involved:

There are two Departments; we work extremely closely together at ministerial level and at official level to ensure that the approach is absolutely common between us. There is no philosophical difference in the way that we deal with LEPs between the two Departments, and we just have to make sure that we are completely co-ordinated.\(^49\)

\(^{44}\) Q 116
\(^{45}\) Q 107
\(^{46}\) Q 120
\(^{47}\) Q 125
\(^{48}\) Q 119
\(^{49}\) Q 124
Although the Minister conceded that policy was not finalised, he did not accept that fragmenting LEPs between the departments would be a problem:

There will be 39 points of contact, or maybe some officials have more than one—I do not know; we will work through the details of that—but they are all people who have been working on the LEP programme up to now. As I say, I have not come across any hard evidence of a serious disjoint between the two.50

34. LEPs remain unsure of where responsibility for their work lies in Central Government. We conclude that this is a clear result of the fact that responsibility for LEPs is shared between the Department for Business Innovation and Skills and the Department for Communities and Local Government. The Government policy is to assign a named officer to be the contact for each LEP—either from BIS or DCLG. This is confusing and inconsistent. We believe that a single lead department is needed. We therefore recommend that the Government appoints a single Minister, based in the Department of Business, Innovation and Skills, who has responsibility and accountability for LEPs.

35. We also recommend that all LEP contact officers are based in the BIS Department, either through staff transfer or by inter-Departmental secondment. In addition to their responsibilities to LEPs, contact officers should be tasked with facilitating all Government Departments’ support for LEPs.
The role and functioning of LEPs

LEPs and the local economy

36. When LEPs were established in 2010, the geographical boundaries were proposed by the partnerships and then agreed to formally by Ministers. The boundaries were assessed using the criteria set out in the Local Growth White Paper.\(^{51}\) Lord Heseltine summarised the purpose and logic for the current boundaries as reflecting the “geography of local functioning economic areas”.\(^{52}\) We have heard that the original premise upon which some LEPs were designed may have changed. For example, Professor David Bailey and Gill Bentley, in conjunction with the Regional Studies Association, told us that some local economies no longer matched the boundaries of their LEP:

LEPs are much more fragmented and failed to match functional economic geography in any meaningful sense. There is a fear that what decentralisation is on offer will over time lead to widely different performances, depending on the strategic capabilities of local areas to manage their economic affairs, in large part related to past experience of doing so.\(^{53}\)

37. Buckinghamshire Thames Valley LEP took the issue further and told us that the geographical borders of LEPs were more political than economic and outlined the problem that this caused:

The LEP boundaries and sizes seemed sometimes to be politically driven under the camouflage of functional economics—insufficient strategic consideration was given to the LEP coverage of the Country; and little serious consideration seemed given to the confusing impact of allowing overlapping LEP areas. This has resulted in an overcomplicated network of massively different LEPs based perhaps more on political geographies, rather than sub-regional economic areas. Localism is an interesting innovative concept but if applied to my car, if all 4 wheels were allowed to be different sizes, shapes and positions, it wouldn’t aid the car much in its progress.\(^{54}\)

38. Lord Heseltine agreed that this was evident “at the margin”, but asserted that “a short, sharp, quick appraisal, in my view, would have been acceptable and would have got it out of the way”.\(^{55}\) However, such an appraisal has not materialised.

39. The Department’s website states that “if a Partnership wishes to change these boundaries then they will need to demonstrate to Ministers that the new boundaries still meet the criteria”.\(^{56}\) However, when we asked the Minister whether he would review the boundaries he told us that he would not “promise a review of the map or anything

---

51 HM Government, *Local growth, realising every place’s potential*, October 2010
52 Rt Hon Lord Heseltine, *No stone unturned in pursuit of growth*, October 2012, para 2.57
53 Ev 51–52
54 Ev 55
55 Oral evidence taken before the Business, Innovation and Skills Committee on 11 December 2012, HC 823-i, Q26
56 Department for Business, Innovation and Skills website, *Local Enterprise Partnerships [archived content]*, [accessed 24 April 2013]
disruptive like that”. However, he would not obstruct any LEP which wanted to change its geographic boundary on economic grounds:

I am perfectly prepared, if the LEPs themselves are in agreement and if there is widespread support from the local authorities and so on, for the LEPs to come forward in the next year or so and say, “We want to tweak our particular boundary to reduce an overlap here or an overlap there” or to come and tell us about that. These boundaries are not set in cement.

40. A number of LEPs overlap geographically. Lord Heseltine, in his review of growth in the UK, reported that such overlaps should be abolished:

These overlaps need to be removed so that there is a single partnership with clear ownership for economic development in every part of England. In the same way that neighbouring local authorities do not overlap, but come together on common issues, LEPs need to evolve to work to the same principle. This must be achieved as a matter of urgency to ensure that communities served by LEPs whose boundaries overlap are able to see a single vision and a compelling plan for their area.

While we accept in principle that overlapping areas could lead to confusion, we received little evidence highlighting this as an issue, and in general the practice was accepted as being workable. The Government summarised the arguments:

LEP geography is a bottom-up process, identified and decided upon by LEPs. As such, overlaps between LEPs have been accepted as long as the case was made in terms of functional economic areas and LA and private sector agreement.

The Minister confirmed the Government’s position, but told us that it was important to keep this topic under review as it was too early to tell if overlapping boundaries were a significant problem:

The worst problem would be underlap, and there being a real gap where a small piece of a sub-region simply was not being covered at all. That would be much more serious. There are five or six areas where there is some overlap, and I think we need to be a little clearer—I think it is slightly too early—as to whether that is actually a problem or not.

41. We recommend that the Department and the Minister gather the information required to assess both how well LEPs match current functional economic market areas and also the impact of having overlapping LEPs. It should do this as a matter of urgency.

42. When they were first drawn up, the geographic boundaries of LEPs were designed to reflect functional economic areas. It is natural that as the economy evolves, so then
should the boundaries of LEPs. The Minister has assured us that the Government would not obstruct any LEP that wanted to amend their geographical boundaries (with the support of local authorities and other stakeholders). However, it is not clear from the evidence submitted that the LEPs are aware of this. We recommend that the Government clarifies this policy with LEPs so that they are aware that boundaries may be amended under such conditions.

**Board membership**

43. The composition of LEP boards is a matter for LEPs. However, the Government has provided guidelines to ensure that boards are not dominated by a single group or organisation. The guidance expects that:

- Business representatives form half the board, with a prominent business leader in the chair.
- Proposed business board members [have a] firsthand knowledge and experience of the local businesses environment, through a strong track record of local business leadership at a senior level.
- Board members [are] drawn from a breadth of experience from small enterprises through to large businesses, and representing the key sectors in your area.
- [LEPs] consider offering board seats to other key economic stakeholders such as universities or social enterprises.
- Board places for universities, FE colleges, trade unions, faith groups, voluntary sector groups, or public sector bodies.
- Social enterprises are businesses and as such could form part of the business half of the board.  

44. While it is right that the board membership should primarily be up to the LEP, we have heard that some LEPs have struggled to find appropriate representation. Linda Edworthy, Director of Policy and Strategy at Tees Valley Unlimited, told us that this might stem from the desire to keep boards to manageable size:

> When LEPs were established, and, alongside other sectors and other organisations, we got numerous letters from people all wanting to be on the LEP board. We had to take a very firm view that we need to limit the numbers on the LEP board for it to be effective and, actually, sitting at the table four or five times a year was not engagement. It was having our engagement strategies in place that was important, and that is how we have assured sectors such as FE and others that they do not have to have a seat on the board to be engaged with the LEP.  

---

62 Department for Business, Innovation and Skills website, Board Membership [accessed 13 November 2012], extracts
63 Q 19
45. It is true that there needs to be a balance between the manageability of LEP boards and representing the interests of all concerned bodies. However, we have heard that this balance could be improved. The Federation of Small Businesses (FSB) told us that the board selection process was unclear and did not promote trust in the decisions made by LEPs:

One of the things the FSB would like to see is greater transparency regarding LEP governance in terms of board selection and the decisions being made by LEPs. In many cases it is difficult for the wider business community to ascertain who is making decisions within the LEPs and what is being decided.64

The Trades Union Congress (TUC) took the issue further and told us of its concerns that some stakeholders were not properly engaged:

The TUC is concerned at the nature of the make-up of the LEP boards with too narrow a focus on partnerships between business representatives and local authority leaders which leads to the exclusion of other important social, economic and environmental partners (SEEPS) including trade unions. There is also a need to ensure that business representatives on the boards of LEPs are genuinely representative and can speak on behalf of the diversity of business interests across a LEP area.65

46. When we asked the Minister for his views on board representation, he told us that “it is always difficult for the very smallest businesses to be represented in any of this dialogue with Government or focus on the wider community economy”.66 He explained that:

We have not prescribed that each board should contain one person representing small business, one person representing the chambers and one person representing further education colleges, because these are not prescriptive bodies; we want this to come from the LEPs themselves. However, most LEPs now have some further education involvement, and a great many have direct representation on the boards.67

We note that Lord Heseltine’s review recommended that LEP Boards must have “necessary skills and expertise to deliver their expanded functions”.68

Skills

47. The Association of Colleges (AoC) told us that when Further Education institutions were not represented on LEP boards, there could be an impact on the provision of skills in the local area:

The biggest single issue reported by Colleges continues to be around representation at LEP Board level. In some areas the strategic positioning of skills on the LEP

64 Ev 80
65 Ev 125
66 Q 157
67 Q 156
68 Rt Hon Lord Heseltine, No stone unturned in pursuit of growth, October 2012, recommendation 7
agenda is being influenced by the level of representation that Colleges have secured, that is to say the further education and skills agenda is not being afforded sufficient priority where Colleges are not represented at LEP Board level. Where Colleges sit on LEP Boards they have been successful in influencing and driving the skills agenda.69

48. Some LEPs, however, did not see this as a problem. James Newman of Sheffield City Region LEP, told us that while colleges may not be always be on LEP boards, they were still instrumental to decisions:

> We have encouraged FE especially to come together with a single representative; although he is not on the LEP board, at least it is an individual to go to. Also, within all of our various sector groups that we have involved, we have again encouraged the FE and HE sectors to actively participate in those sector groups and to bring their knowledge and experience.70

This may be the case, but the fact that colleges believe that the relationship between LEPs and FE colleges is not what it should be is a matter of concern. Skills are essential to the success of LEPs and regional growth and we have heard examples of good practice, particularly in the representation of HE institutions. However, the level of representation of those representing skills is mixed among LEPs.

49. The evidence that we received supports the view that LEP boards should properly reflect the local area. However, we note that the balance between board size (manageability) and optimal representation is not always easy to achieve. While Government guidelines go some way in outlining expectations, LEPs should ensure that the interests of the following are represented:

- Small or medium enterprises;
- Large businesses;
- Local employees (for example a Union);
- Local government; and
- The education sector (see next recommendation).

We have heard that LEPs can struggle to find representatives from local businesses, particularly small and medium enterprises. To achieve this Chambers of Commerce, small business organisations and trade organisations could be actively targeted for representation on LEP boards.

50. We believe that skills should be a core priority. While we acknowledge that many LEPs have got the balance right, and note the government guidelines on the subject, we have heard that some LEPs need to refocus. We therefore recommend that LEPs be required to demonstrate their levels of engagement with local education, in particular with skills and apprenticeship providers, FE colleges and schools.
Accountability of LEPs

51. When we made our initial assessment of LEPs in 2010, we concluded that:

A system as innovative as that of Local Enterprise Partnerships must be subject to proper performance and value for money review. To achieve that, it is critical that the Government put in place measures for auditing the performance of LEPs based on consistent data measures and criteria.\(^7_1\)

We maintain that accountability, transparency and proper scrutiny remain crucial to the success and efficient running of LEPs. When we asked the different LEPs and Government representatives to whom they felt LEPs were responsible, we received a variety of answers. We heard that LEPs and the Government felt that there were four main areas where there should be lines of accountability: to themselves, to the local communities, to central government and to the private sector. The following section summarises our attempt to scrutinise the mechanisms of accountability in each of these four areas. While we were encouraged that LEPs agreed that they should be held accountable (and expressed a genuine desire to promote transparency), we were often left frustrated by the lack of any actual mechanism by which LEPs could be held to account. This was too often coupled with an overly hands-off approach from Government, particularly when setting objectives and structures by which to judge the success of LEPs.

To themselves

52. Local Enterprise Partnerships must reflect local issues in their objectives. We were encouraged, therefore, when the Department confirmed that LEPs have set their own objectives which reflected the priorities of the local economy:

As independent bodies, LEPs have developed and agreed their own local priorities. They have also determined their chosen approach to this; some developing task and finish projects, others developing a strategic framework to direct their focus. Of the 39 LEPs in place, 20 have put in place a formal business plan, with a further 10 in the process of developing one. In identifying their strategic priorities, LEPs are identifying local barriers to growth and working locally with partners to address them.\(^7_2\)

The Minister told us:

First and foremost, they are accountable to themselves. [...] They set objectives, and it is for them to measure how well they stand up to them. It is not for us to impose


\(^7_2\) Ev 40
targets on LEPs or to prescribe how they are going to respond to the challenges in their own area. That is a matter for the LEPs themselves.\textsuperscript{73}

He summarised his position that “it is for LEPs to tell us what they want to do”.\textsuperscript{74}

53. We have received evidence, however, that this hands-off approach has resulted in too much variation between the LEPs. For example, the Centre for Local Economic Strategies told us that:

There needs to be more guidance around what LEPs are expected to achieve. There was criticism of RDAs and other previous structures having to work more closely towards targets, with too much focus on guidance and procedures. However the structure [that] the LEPs work within has gone too far the other way. Without some form of guidance, outputs and evaluative processes there is a real danger that LEPs may ‘drift’ and not make the lasting change that they need to. It is critical that LEPs are able to prioritise, evaluate and learn.\textsuperscript{75}

54. The Royal Town Planning Institute believed that a compromise could be found and that ”LEPs need more resources and support from central and local government to develop their strategic planning roles and their local delivery roles”.\textsuperscript{76} We agree that LEPs should be properly supported and have a clear vision and knowledge as to what is expected of them. We have already made recommendations on the consultative role of the Department with regards to its contact and strategic support to LEPs.

55. It is right that LEPs set their own objectives and priorities and this should continue. We agree that centralised and overly-prescribed objectives would go against the local and regional purpose of LEPs. However, we have heard that there is inconsistency between LEPs in terms of their objectives. Consequentially, accountability may be at risk. We have already recommended that a single BIS Minister be made responsible and accountable for LEPs and that LEPs should have a single point of contact within the Department. We recommend that through this streamlined channel of communication, the Government monitors LEPs’ objective setting processes closely—against a minimum baseline of performance—to ensure that all LEPs remain fit for purpose and have the capability to access future funding. This would also facilitate the provision of advice and best practice between LEPs and the Department.

\textit{To local communities}

56. The Minister told us that LEPs should also be accountable to their local community.\textsuperscript{77} The core function of any LEP is to improve the economic growth of its local area. We therefore agree with the Minister and LEPs that they must be accountable to their local communities. What is less clear is how this can be achieved. We received several suggestions. For example, Adrian Shooter, Chair of Oxfordshire LEP, told us that he felt

\begin{itemize}
  \item \textsuperscript{73} Q 127
  \item \textsuperscript{74} Q 130
  \item \textsuperscript{75} Ev 65
  \item \textsuperscript{76} Ev 115
  \item \textsuperscript{77} Q 127
\end{itemize}
accountable “to the people who we are supposed to be finding jobs for, which is why we are there”.

The theme of measuring job creation was a common one. The National Farmers’ Union of England and Wales elaborated:

LEPs’ performance will rightly be assessed on what they achieve in terms of their main objectives including economic growth and job creation. [...] There are already good examples of initiatives that promise tangible benefits to businesses in rural areas.

57. The Minister confirmed that he expected LEPs to take its local community into account, but again argued that central Government should not be too closely involved:

I think we have to get away from thinking of these things as agencies of Government, as small bits of a Department, or something that Ministers simply issue orders to. The whole point of LEPs is that they are local; they will differ from each other; they will have a different view of the world; and, in the end, they are responsible and accountable to their own communities.

58. LEPs should have a significant impact on their local community, indeed they would not be operating successfully if they did not. We therefore recommend that LEPs develop a set of benchmarks, relevant to their local economies, against which communities can measure their success. These benchmarks should be monitored by the Government and published in a form which is easily accessible to the local communities.

To central government

59. Central government provides core funding to LEPs and public funding must come with a mechanism for accountability. As the Minister noted “where there is public money involved, they [LEPs] are then responsible up to Government as well”. Given that every LEP takes public money, it follows that every LEP is responsible up to Government to some extent and value for money is a key aspect of that accountability.

60. Despite this, the Government’s White Paper described how LEPs were expected to monitor their own funding and value for money, and that central government should take a relatively ‘hands-off’ approach:

Local enterprise partnerships will be expected to fund their own day-to-day running costs and will also want to consider how they can obtain the best value for public money by leveraging in private sector investment.

61. When we asked the representatives of LEPs about this, they agreed that they felt accountable to Government. James Newman, of the Sheffield City Region LEP, told us that

78 Q 48
79 Ev 98
80 Q 127
81 Q 127
82 HM Government, Local growth, realising every place’s potential, October 2010, para 2.6
he felt accountable to “the Ministers who appointed us [...] in terms of their expectations of us”.83 David Frost, Chair of the LEP Network, agreed with the Minister that accountability should follow the money. He told us that “we are also accountable, where there are funding streams, to those Departments that are providing it”.84

62. When the Government responded to our initial assessment of LEPs in February 2011, it was clear that “where local enterprise partnerships receive central government funds, the Government will of course have to account to Parliament for this funding”.85 Despite this, we remain unclear as to whether or how this is happening in practice.

63. Although LEPs receive public money from central government, we believe that it is right that they are free to react to local issues. In fact, that is the premise upon which LEPs have been set up. However this must not be an excuse for an excessively hands-off approach from Government. Value for money should be monitored and proven. We recommend that the Department takes on a more active monitoring of LEPs and takes opportunities (such as future funding bids and periodical reviews) to ensure that value for money is being achieved. This scrutiny should be proportionate to the scale of money involved and we further recommend that the National Audit Office monitors this aspect of public expenditure.

To the private sector

64. Finally, LEPs are funded through a combination of public and private money. It is right that there should be some accountability to the private investors in LEPs. That said, we are cautious and have already reported and recommended on the risk that LEPs may become over-reliant on individual investors and therefore hostage to their whims. Good engagement would help but as we have already reported, LEP board membership is limited. Every investor cannot have a place on them. It is crucial, therefore, that businesses and private investors are engaged. Throughout our inquiry, the Minister and his Department stressed that LEPs should have autonomy to set their own priorities by which they should be held to account. The Minister commented on local businesses’ engagement in this context:

We [the Department] think these are best identified by local business people, who are already creating wealth and jobs, and we think they are better placed to understand what the barriers to further growth are. They are in the driving seat.86

65. While we agree that LEPs (and the private investors within LEPs) should set their own priorities, we were troubled to find no tangible way of measuring success or allowing private investors to hold LEPs to account against these priorities. Communication is key here and all stakeholders should have the opportunity to engage with the development their local economy through LEPs. We are aware of examples of best practice, for example

83 Q 48
84 Q 48
86 Q 135
in Northampton the LEP has set up a ‘people’s forum’ which meets every four to six months. The LEP, private businesses, investors and other organisations report back to that forum and get feedback from it. Such an arrangement could help private investors feel more engaged with the LEP, and would also enhance accountability and transparency to investors. The Minister expressed interest in learning more details about the Northampton scheme. We suggest he does so.

66. There is a balance to be found between the accountability of LEPs to public and private bodies. From the evidence received, it appears that this balance is generally being met, but communication between stakeholders can always be improved. We therefore recommend that every LEP needs to demonstrate a commitment to engagement with all of its stakeholders. We have heard examples of good practice and believe that this should be led by LEPs themselves. Transparency is key, especially when private groups and individuals have invested money into LEPs. Accountability is best achieved through excellent communication, transparency and lucidity.
Conclusions and recommendations

The role of LEPs

1. We agree that national economic growth relies on strong regional growth and that LEPs are key drivers in that respect. For that reason we believe that constant monitoring of LEPs (and all elements of the Government’s Plan for Growth, for that matter) is essential. (Paragraph 13)

Funding and Resources

2. We welcome the fact that the Government has agreed to provide core funding to LEPs for the next two financial years. However, we are concerned that the timescale is too short to allow LEPs to make longer-term investments. Long-term certainty is essential for regional investment. We therefore recommend that the Government commits to core funding for LEPs and as a priority sets the level of that funding for the five years following 2015. In the wider context, a consensus on long-term investment should be developed across political parties to deliver certainty and confidence. (Paragraph 20)

3. We are not convinced by the Minister’s argument that it is “too complicated” to assess the 39 LEPs individually as regards to their funding requirements. A one-size-fits-all approach is misguided because different LEPs face very different investment barriers. When planning future core funding the Government should consider allocation on a case-by-case basis to ensure the most efficient use of public funds. (Paragraph 21)

4. We support Lord Heseltine’s recommendation for a single funding pot and we welcome the government’s acceptance of it. However, greater detail is needed on how the various funding streams will be brought together. We will expect the Department to set out these details in its response to our Report. (Paragraph 22)

5. The requirement to ‘cash-match’ public funding has, in some cases, led to an over-reliance on Local Authorities as LEPs struggle to find other willing investors. We recommend that in future funding rounds, the Government considers individual LEP’s funding arrangements to assess whether cash-matching requirements are appropriate. In this respect it should take into account the local economy, local government influence and the track record of cash-matching in the area. (Paragraph 25)

6. The introduction of revenue-raising powers has the potential to damage the reputation and standing of LEPs in their local communities by transforming them into an unpopular levy raising body with no democratic legitimacy. We do not, therefore, recommend any formal revenue raising powers be granted to LEPs. However, LEPs and interested parties need to be incentivised to be innovative in attracting investment, for example with LEPs being able to raise their own finance. We have heard from witnesses and experts of specific examples of such innovation.
and recommend that the Government highlights best practice where it sees good marketing, promotion and innovation. (Paragraph 28)

**LEPs and Government**

7. LEPs remain unsure of where responsibility for their work lies in Central Government. We conclude that this is a clear result of the fact that responsibility for LEPs is shared between the Department for Business Innovation and Skills and the Department for Communities and Local Government. The Government policy is to assign a named officer to be the contact for each LEP—either from BIS or DCLG. This is confusing and inconsistent. We believe that a single lead department is needed. We therefore recommend that the Government appoints a single Minister, based in the Department of Business, Innovation and Skills, who has responsibility and accountability for LEPs. (Paragraph 34)

8. We also recommend that all LEP contact officers are based in the BIS Department, either through staff transfer or by inter-Departmental secondment. In addition to their responsibilities to LEPs, contact officers should be tasked with facilitating all Government Departments’ support for LEPs. (Paragraph 35)

**LEPs and the local economy**

9. We recommend that the Department and the Minister gather the information required to assess both how well LEPs match current functional economic market areas and also the impact of having overlapping LEPs. It should do this as a matter of urgency. (Paragraph 41)

10. When they were first drawn up, the geographic boundaries of LEPs were designed to reflect functional economic areas. It is natural that as the economy evolves, so then should the boundaries of LEPs. The Minister has assured us that the Government would not obstruct any LEP that wanted to amend their geographical boundaries (with the support of local authorities and other stakeholders). However, it is not clear from the evidence submitted that the LEPs are aware of this. We recommend that the Government clarifies this policy with LEPs so that they are aware that boundaries may be amended under such conditions. (Paragraph 42)

**Board membership**

11. The evidence that we received supports the view that LEP boards should properly reflect the local area. However, we note that the balance between board size (manageability) and optimal representation is not always easy to achieve. While Government guidelines go some way in outlining expectations, LEPs should ensure that the interests of the following are represented:

- Small or medium enterprises;
- Large businesses;
- Local employees (for example a Union);
• Local government; and
• The education sector (see next recommendation).

We have heard that LEPs can struggle to find representatives from local businesses, particularly small and medium enterprises. To achieve this Chambers of Commerce, small business organisations and trade organisations could be actively targeted for representation on LEP boards. (Paragraph 49)

12. We believe that skills should be a core priority. While we acknowledge that many LEPs have got the balance right, and note the government guidelines on the subject, we have heard that some LEPs need to refocus. We therefore recommend that LEPs be required to demonstrate their levels of engagement with local education, in particular with skills and apprenticeship providers, FE colleges and schools. (Paragraph 50)

**Accountability of LEPS**

13. It is right that LEPs set their own objectives and priorities and this should continue. We agree that centralised and overly-prescribed objectives would go against the local and regional purpose of LEPs. However, we have heard that there is inconsistency between LEPs in terms of their objectives. Consequentially, accountability may be at risk. We have already recommended that a single BIS Minister be made responsible and accountable for LEPs and that LEPs should have a single point of contact within the Department. We recommend that through this streamlined channel of communication, the Government monitors LEPs’ objective setting processes closely—against a minimum baseline of performance—to ensure that all LEPs remain fit for purpose and have the capability to access future funding. This would also facilitate the provision of advice and best practice between LEPs and the Department. (Paragraph 55)

14. LEPs should have a significant impact on their local community, indeed they would not be operating successfully if they did not. We therefore recommend that LEPs develop a set of benchmarks, relevant to their local economies, against which communities can measure their success. These benchmarks should be monitored by the Government and published in a form which is easily accessible to the local communities. (Paragraph 58)

15. Although LEPs receive public money from central government, we believe that it is right that they are free to react to local issues. In fact, that is the premise upon which LEPs have been set up. However this must not be an excuse for an excessively hands-off approach from Government. Value for money should be monitored and proven. We recommend that the Department takes on a more active monitoring of LEPs and takes opportunities (such as future funding bids and periodical reviews) to ensure that value for money is being achieved. This scrutiny should be proportionate to the scale of money involved and we further recommend that the National Audit Office monitors this aspect of public expenditure. (Paragraph 63)

16. There is a balance to be found between the accountability of LEPs to public and private bodies. From the evidence received, it appears that this balance is generally
being met, but communication between stakeholders can always be improved. We therefore recommend that every LEP needs to demonstrate a commitment to engagement with all of its stakeholders. We have heard examples of good practice and believe that this should be led by LEPs themselves. Transparency is key, especially when private groups and individuals have invested money into LEPs. Accountability is best achieved through excellent communication, transparency and lucidity. (Paragraph 66)
Formal Minutes

Tuesday 23 April 2013

Members present:

Mr Adrian Bailey, in the Chair
Paul Blomfield
Katy Clark
Mike Crockart
Caroline Dinenage
Rebecca Harris
Ann McKechin
Mr Robin Walker

Draft Report (Local Enterprise Partnerships), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 66 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Ninth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report in addition to that ordered to be reported for publishing on 10 July and 11 September 2012.

[Adjourned till Tuesday 14 May at 9.00 am]
Witnesses

Tuesday 11 September 2012

Mark Reeve, Interim Chair, Greater Cambridgeshire and Greater Peterborough LEP, David Frost CBE, Chair, LEP Network, Adrian Shooter, Chair, Oxfordshire LEP, James Newman, Sheffield City Region LEP, and Linda Edworthy, Director of Policy and Strategy, Tees Valley Unlimited

Paul Kalinauckas, Chief Executive, Black Country Reinvestment Society, Roger Salomone, Head of Business Environment, EEF Ltd, Sumita Shah, Technical Manager, Public Sector, Institute of Chartered Accountants in England and Wales, Michael Leithrow, General Manager, Northern Pinetree Trust, Philip Ray, Finance Administration Manager, Steelite International, and David Dunn, Chief Executive, Sunderland Software City

Tuesday 16 October 2012

Rt Hon. Michael Fallon MP, Minister of State for Business and Enterprise, Department for Business, Innovation and Skills
## List of printed written evidence

1. Department for Business, Innovation and Skills  
   Ev 39
2. Association of Colleges  
   Ev 49
3. Professor David Bailey and Gill Bentley in conjunction with the Regional Studies Association  
   Ev 51
4. Black Country Reinvestment Society  
   Ev 53
5. Buckinghamshire Thames Valley LEP  
   Ev 53; Ev 54
6. Campaign to Protect Rural England  
   Ev 57
7. Centre for Local Economic Strategies  
   Ev 64
8. Civil Engineering Contractors Association  
   Ev 67
9. Cornwall Council, Cornwall and Isles of Scilly Local Enterprise Partnership and Cornwall Development Company  
   Ev 69
10. Creative Skillset  
    Ev 70
11. Devon County Council  
    Ev 71
12. EEF Ltd the Manufacturers Organisation  
    Ev 73
13. Enterprise M3  
    Ev 76
14. Federation of Small Businesses  
    Ev 78
15. Greater Cambridge and Greater Peterborough Local Enterprise Partnership  
    Ev 81
16. Hampshire County Council  
    Ev 85
17. Industrial Communities Alliance  
    Ev 86
18. Institute of Chartered Accountants in England and Wales  
    Ev 88
19. Institute of Economic Development  
    Ev 91
20. The LEP Network  
    Ev 95
    Ev 97
22. National Housing Federation  
    Ev 101
23. North East Local Enterprise Partnership  
    Ev 103
24. Northern Pinetree Trust  
    Ev 104
25. Oxfordshire County Council and Oxfordshire Local Enterprise Partnership  
    Ev 105
26. Dr Lee Pugalis, Gill Bentley, Lorna Gibbons and Professor John Shutt  
    Ev 108
27. Rotherham Metropolitan Borough Council  
    Ev 113
28. Royal Town Planning Institute  
    Ev 114
29. The Smith Institute  
    Ev 117
30. The Society of Motor Manufacturers and Traders Limited  
    Ev 119
31. Sunderland Software City  
    Ev 119
32. Tees Valley Unlimited  
    Ev 121
33. Trades Union Congress  
    Ev 125
34. UK Contractors Group  
    Ev 128
List of Reports from the Committee during the current Parliament

The reference number of the Government’s response to each Report is printed in brackets after the HC printing number.

**Session 2012–13**

<table>
<thead>
<tr>
<th>Report</th>
<th>Title</th>
<th>Reference Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third Report</td>
<td>Post Office Network Transformation</td>
<td>HC 84 (HC 678)</td>
</tr>
<tr>
<td>Fourth Report</td>
<td>Overseas Students and Net Migration</td>
<td>HC 425 (Cm 8557)</td>
</tr>
<tr>
<td>Fifth Report</td>
<td>Apprenticeships</td>
<td>HC-I/II/III (HC 899)</td>
</tr>
<tr>
<td>Sixth Report</td>
<td>The Insolvency Service</td>
<td>HC 675 (HC 1115)</td>
</tr>
<tr>
<td>Seventh Report</td>
<td>Too Little, Too Late: Committee’s observations on the Government Response to the Report on Overseas Students and Net Migration</td>
<td>HC 1015</td>
</tr>
<tr>
<td>Eighth Report</td>
<td>Pre-appointment hearing of the Government’s preferred candidate for the post of Groceries Code Adjudicator</td>
<td>HC 1011</td>
</tr>
</tbody>
</table>

**Session 2010–12**

<table>
<thead>
<tr>
<th>Report</th>
<th>Title</th>
<th>Reference Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Report</td>
<td>The New Local Enterprise Partnerships: An Initial Assessment</td>
<td>HC 434 (HC 809)</td>
</tr>
<tr>
<td>Second Report</td>
<td>Sheffield Forgemasters</td>
<td>HC 484 (HC 843)</td>
</tr>
<tr>
<td>Third Report</td>
<td>Government Assistance to Industry</td>
<td>HC 561</td>
</tr>
<tr>
<td>Fifth Report</td>
<td>Government Assistance to Industry: Government Response to the Committee’s Third Report of Session 2010–11</td>
<td>HC 1038</td>
</tr>
<tr>
<td>Sixth Report</td>
<td>Is Kraft working for Cadbury?</td>
<td>HC 871</td>
</tr>
<tr>
<td>Seventh Report</td>
<td>Rebalancing the Economy: Trade and Investment</td>
<td>HC 735 (HC 1545)</td>
</tr>
<tr>
<td>Eighth Report</td>
<td>Trade and Investment: China</td>
<td>HC 1421 (HC 1568)</td>
</tr>
<tr>
<td>Ninth Report</td>
<td>Time to bring on the referee? The Government’s proposed Adjudicator for the Groceries Code</td>
<td>HC 1224-I</td>
</tr>
<tr>
<td>Tenth Report</td>
<td>Pub Companies</td>
<td>HC 1369-I/II (Cm 8222)</td>
</tr>
<tr>
<td>Eleventh Report</td>
<td>Time to bring on the referee? The Government’s proposed Adjudicator for the Groceries Code: Government Response to the Committee’s Ninth Report of Session 201-12</td>
<td>HC 1546</td>
</tr>
<tr>
<td>Report</td>
<td>Title</td>
<td>Reference</td>
</tr>
<tr>
<td>---------</td>
<td>---------------------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Twelfth</td>
<td>Government reform of Higher Education</td>
<td>HC 885-I/II/III (HC 286)</td>
</tr>
<tr>
<td>Thirteenth</td>
<td>Pre-Appointment Hearing: Appointment of Director of the Office for Fair Access</td>
<td>HC 1811</td>
</tr>
<tr>
<td>Fourteenth</td>
<td>Debt Management</td>
<td>HC 1649 (HC 301)</td>
</tr>
<tr>
<td>Fifteenth</td>
<td>Stamp Prices</td>
<td>HC 1841-I/II</td>
</tr>
</tbody>
</table>

Local Enterprise Partnerships
Oral evidence

Taken before the Business, Innovation and Skills Committee
on Tuesday 11 September 2012

Members present:
Mr Adrian Bailey (Chair)
Paul Blomfield
Katy Clark
Mike Cockett
Julie Elliott
Rebecca Harris
Ann McKechin
Nadhim Zahawi

Examination of Witnesses

Witnesses: Mark Reeve, Interim Chair, Greater Cambridgeshire and Greater Peterborough LEP, David Frost CBE, Chair, LEP Network, Adrian Shooter, Chair, Oxfordshire LEP, James Newman, Sheffield City Region LEP, and Linda Edworthy, Director of Policy and Strategy, Tees Valley Unlimited, gave evidence.

Chair: Good morning and welcome. Thank you for agreeing to attend our session. I understand that Mr Reeve has been delayed on the train. We will crack on without him and then invite him, as and when he arrives, to make his contribution.

Just a couple of quick points: we have an awful lot of questions to ask in a very short time, so I would appreciate brevity in your responses and I will try to discipline the questioners to be equally brief. Some questions will be specific to one of you; others will be general questions. In the event of general questions, if somebody has said everything you want to say, do not feel you have to repeat it; as I say, brevity is what we like.

Before I open the questions, for voice transcription purposes, could you introduce yourselves, starting with David Frost?

David Frost: I am David Frost, Chairman of the national LEP Network.
Linda Edworthy: Linda Edworthy, Director of Policy and Strategy with Tees Valley Unlimited LEP.
James Newman: James Newman, Chairman of the Sheffield City Region LEP.
Adrian Shooter: Adrian Shooter, Chairman of the Oxfordshire LEP.

Q1 Chair: Thanks. We are going to start with a fairly general question, which I am going to composite. If you could give fairly succinct answers, I would be grateful. Looking back, LEPs have now been in action for nearly two years. How has reality compared with your original vision? What do you think are the pluses and minuses of the current LEP landscape? Individually, what do you think your LEP has achieved so far? Who would like to lead on that?

Linda Edworthy: I think we were at a distinct advantage in that we were not a newly created LEP. We existed as a partnership before 2010 and followed the activities of the LEP.

Chair: Can you very briefly give an example of that?

Linda Edworthy: We have supported the businesses in all three rounds of the Regional Growth Fund—rounds one and two and, most recently, the third round. We have secured £66.6 million of rounds one and two Regional Growth Fund into the area, and those have all been towards company projects. We expect those to create 2,575 jobs in the area. We are not trying to do the job for them, but we are there to help them and support them through processes.

Adrian Shooter: Thinking about reality compared to vision, in Oxfordshire we went into this knowing that we were not going to have the money or the resources that the RDAs had, and I think we were clear we were going to achieve things by partnership—getting people to work together, getting people with common,
shared objectives—and I think that has proved to be the case.
So as not to be repetitive, if I look at the pluses and minuses, I must say that we have excellent working relationships between the private sector, Oxfordshire County Council, which is also our accounting officer and provides the administrative support for the LEP, and the six district councils. We have also brought on board our two universities, both of which are very germane to the economic success of Oxfordshire. The private sector, through the various business organisations, has been keen to get involved, to work together and take a leadership role, as I shall perhaps explain a bit later on. The bits that are going to be more difficult to achieve are those that people have been grappling with for many years: those that are led by Government Departments and, in particular, the whole area of skills, on which, as I would like to explain a bit later on, we have started to make some progress, but it is going to be a long and arduous road. In terms of what we have achieved so far, we have one enterprise zone, in the south of the county, which is very much focused around high-tech developments. A lot of companies have spun out of the University of Oxford over the years, in, for example, aerospace, medical science and those sorts of areas. A fair amount of speculative development is now taking place as we speak and there is a great deal of interest, and I am very confident that the enterprise zone is going to be extremely successful.

One other thing that we have achieved, which we are very pleased about, is in a very different sort of area—Bicester, which is the north of the county. It is very well situated and there is a ready supply of businesses that want to move into the area but an almost complete absence of suitable business premises, for various reasons. We have managed to free up, through the local plan, the availability of much more land. We have also encouraged the DfT, who have now agreed to put some money into a motorway junction, which itself is going to free up planning applications. So we are now very confident that progress is going to take place there.

James Newman: We were an early starter, but, like everybody else, we have started from scratch. There was a political forum of the local authorities that we now have involved in place, but no private sector involvement, so we really focused on trying to create the appropriate partnerships: first, between the public and the private sector; and secondly, between the local authorities themselves that perhaps have a history of not getting on as well as they might have done. Because we were across existing borders—in other words, we were involved with local authorities in two RDAs—we had that challenge to get over. The third challenge was to get the private sector involved without being too suspicious—we have all been there before—about creating what they perceived to be another public sector organisation with the private sector participating. It was very important that this was established as a true partnership in the real sense of the word.

In terms of success, I think it is fair to say that we have certainly brought our local authorities together. They are working much more cohesively, not only at leader and chief exec level but also at officer level, and I think that a crucial part of the delivery process when you have got into some of the projects is to get the officers to work together. We have certainly had substantial success in getting the private sector motivated and involved, and involved in sector groups, as well as those individuals who are involved in the board. I think, between the public and the private sector members, we have certainly created a relationship that has allowed us to move forward on the City Deal, of which, no doubt, we will hear more later, in accordance with Government wishes on governance.

I think one of the specifics that we managed to achieve was sorting out where the enterprise zones were going to be. We are a large LEP and there were a number of bids for where the enterprise zones should be, but the private sector effectively led and managed to come up with, we hope, the best solution in terms of where the enterprise zones are. We do not think that necessarily the political leaders could have done that on their own. Likewise, with the Growing Places Fund, we have worked hard to look at what the most commercial projects to look at are, rather than individual local authority requirements.

Chair: I am going to come to you, David, in a moment, but I think Julie wanted to put a question to the Tees representative.

Q3 Julie Elliott: I think you are quite right in saying that you built on what was already there. The urban regeneration company had done a lot of the preparatory work for this, I think, but what I wanted to ask you about was the very large amount of money you mentioned had been secured through the Regional Growth Fund for companies. Can you tell us how much of that money has actually been paid and is with those companies?

Linda Edworthy: I do not have that figure with me today, but I can provide it.

Julie Elliott: Can you write and let us know?

Linda Edworthy: Yes.

Julie Elliott: Thank you.

Q4 Chair: David Frost, in your evidence, you said the Government must support LEPs by “creating a set of strategic levers that they can use to shape their local economies”. I am assuming that you mean policy levers. Would you like to elaborate on that? Of course, if you want to pick up on any of the previous contributions, please feel free to do so.

David Frost: Just as a lead-in, since the LEPS first launched, I have spent a lot of time going round the country and meeting them and talking to their boards. I think the positives have undoubtedly been the commitment and passion shown by both the private and the public sector to improving their areas. They talk very positively about their area being the best place to do business and, if it is not, they have a common interest in resolving those issues to make that happen. That sense of passion and pride in place, I think, has been absolutely key. The second thing is it has attracted a lot of new people into this partnership arena, if we can call it that, not least from the business sector. They are not the usual suspects; they tend to
be a lot of medium-sized businesses, but businesses that are driving the local economy strongly, and I think that is a strong positive.

Having said that, I think there is some concern—that this comes on to your point—about what is now expected of the LEPs: what now? What does Government really see the role and significance of the LEPs being? I think the important thing is they are not a replacement for the RDAs. I think that is one of the negatives: they were seen as being a replacement for the RDAs, but they are not; they do not have the resources. I think a better analogy would be to see the Regional Growth Fund as a replacement for the RDAs.

The issue for us as strategic leaders is the Government needs to decide what they see as the vision for LEPs and what they see them as achieving, and then provide the appropriate support. We are developing a more strategic role, with a business-led voice, as a leader for the economy of the area and a strategic funding body. I suppose our significant asset and opportunity is our enterprise zone, Alconbury, which offers a world-class site for business and industry, as well as providing a source of funding for us over the longer term.

In our area, there is, we believe, significant potential for the use of loans and recycling of funds, where we can use fiscal tools to promote opportunities that then can repay within reasonable periods. We have done a reasonable job of pulling together the public and private sectors; certainly, the make-up of the board is consistent with being a business-led board engaging with the public sector. We need more Government support, though, financially and politically, which has just been touched upon by David. There is some confusion around DCLG/BIS—who is responsible, whether there is one voice and whether it is the same story. We do need a decent amount of core funding, which we will keep coming back to, no doubt, from central Government. We need to be at the heart of economic policy at Whitehall as well, if the LEPs are to be supported and believed in from that perspective. In terms of our milestones so far, I have spoken of the enterprise zone. The enterprise zone, for us, captures what this is going to be about in terms of business locally: we have one entity and one local authority. We believe our discussions at national level have helped persuade Government to find additional funding for the work of LEPs, such as the Growing Places Fund. We have significant work being done at the moment on skills, which we believe is incredibly important, where we are brokering business’ skills needs to skills providers and trying to improve the work-readiness of school leavers in the longer term.

We have just launched our growth prospectus, with the objective of getting input from business, the public sector and other third-sector bodies, to make sure we are focused. We believe the LEP will only have the ability to deal with three or four core strategic objectives, and we are trying to focus on those with a growth perspective.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Q7 Chair: I think that is very helpful. In terms of powers, do you think LEPs need more powers and, if so, what? Again, could you give a fairly concise answer? I know there is an issue around funding, which we will explore in a moment, so you can park that one for now.

Q6 Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.

Chair: Thanks. David Frost mentioned, if you like, a Minister for LEPs. Do the other panel members agree it would be helpful to effectively have an advocate for LEPs within the Government structure? 

Adrian Shooter: It would be really helpful to have a focus.

James Newman: Part of the issue is the differences between the two Departments. DCLG seems to be about liberalisation, whereas BIS is adopting a more centralised approach. Of course, as Local Enterprise Partnerships, we are in a dilemma as to who we talk to on what issues. Having a single Minister might help, but he would need to be one in the right Department, or at least with the right approach.
banged the drum a lot to persuade Government to allow us to have direct control over some of their money, effectively to create a business- and demand-led approach to skills. We have managed, as part of our City Deal, to get some direct Government funding for that.

Q9 Chair: Where did you get the funding from? James Newman: Through the SFA, but listening to one of the new Business Ministers last night on *Newsnight*, he did seem to suggest that Government are finally seriously thinking about business-led, demand-led skills training, not just in the technical skills but in the work-ready part of it as well. I think it does need to go back to that work-ready bit, with the eventual aim of creating the job, not just doing the training for the sake of doing the training, which perhaps has happened in the past.

Q10 Chair: Just one final question from me: a number of you have mentioned enterprise zones. You do not have much in the way of resources. Do you think there is a danger of becoming too focused on the enterprise zone, to the detriment of other particular local agendas?
Mark Reeve: I would suggest so, yes. The enterprise zone will become the be all and end all, because it will be a funding stream that will be guaranteed.
Adrian Shooter: I would disagree with that. I think it is our board’s responsibility to have a balanced view, prioritised on what we need to do, and that is what we are endeavouring to do.
James Newman: Our enterprise zone is just part of an overall strategy for growth, both in GVA and in jobs. We expect the income and the incentives the enterprise zone can provide business to create supply chains to work with other funding streams, both local and national. So it is just part of a package of measures that we are looking to have within our city region.

David Frost: What the enterprise zones have undoubtedly done is given many of the LEPs a real focus for their first 18 months of activity, and essentially allowed them to show to the wider community that they have actually achieved something. I think that has been important.

Q11 Ann McKechn: You have all commented on the difficulties of dealing with central Government and having a clear idea of where the macroeconomic policies sit with your own work. Mark, you mentioned you only have time for about three or four core strategies that you can achieve, given the size of the team you work with. We have a lot of evidence that support is uncoordinated and lacks long-term vision. To what extent do you think there needs to be clearer guidance at the top and it needs to be centralised in terms of where the industrial strategy of the country rests?
James Newman: Shall I take that?
Chair: Please do—please, somebody take it

Q12 Ann McKechn: I will clarify it quickly: if we take one issue, I have read through all the documents but there is very little analysis of productivity of existing businesses in your own area. To what extent are you able to examine the productivity of businesses in your area and then analyse what it needs to be improved?
James Newman: Clearly, with limited resources, not a great deal. We have just commissioned, in fact, a refresh of our 2008 statistics. The RDA had that capability, but we clearly lost that research capability, although we are working with one of our universities, who are doing it for free, on some issues around that. We have just done, along with the other four LEPs in Yorkshire, some research into the skills area, which is why we know that there is some business demand for particular sectors in Yorkshire and in our region for apprenticeships, for instance, which is the bedrock of our City Deal, so there is clearly a continual need for it at city-region level. I suspect individual local authorities might do their own, but it is not going to be top of their list.

Linda Edworthy: From the Tees Valley perspective, I think there is a balance to be struck between us understanding the productivity of our businesses—and, yes, we want to support the businesses to improve that—and the issue of jobs. In the Tees Valley, we have significant large employers. 70 of our top 100 companies are externally and non-EU owned. They tend to be in sectors—petrochemicals, advanced manufacturing and engineering—that can increase productivity and probably reduce jobs, so there is a balance between addressing the productivity element but also addressing the need to create jobs locally.

Q13 Ann McKechn: So you are saying that, if a company increases productivity and presumably increases profit, we do not get extra business as a result of that.
Linda Edworthy: We get extra GVA for the country and profits for the company, but we do not always get extra jobs.
Adrian Shooter: I would like to take this in two parts. You asked whether we think the Government ought to have an industrial policy. Yes, absolutely, I think it should have—it clearly does not and clearly should. Secondly, does the lack of that handicap us? No, I do not believe it does, because we are very focused and very clear that the only reason that the Oxfordshire LEP is there is to encourage and help the creation of private sector jobs. So our job is to determine what, in Oxfordshire, we have to do, which will be different from other areas, and to get on and do that. That is what we are doing, with, I have to say, a lot of enthusiasm and help.

Just picking up a small point on the RDA, I mentioned earlier on that Oxfordshire County Council provides us with administrative support and help, and is able to provide some of the statistical and other information that we might have otherwise had from the RDA. It is also the case that there are some former RDA people there and in one or two other places we have access to, which is also tremendously helpful in continuity.

Q14 Ann McKechn: Is there too much preoccupation with cities and City Deals? I know, James, that you have mentioned you are using that,
but for others, such as Adrian in Oxfordshire, that will not be the case. Is that a problem for you?

Adrian Shooter: Not at all. As I said a minute ago, you have to look at what the particularities are in your area. We happen to be in a county which very much has a focus on the city of Oxford and the university and suchlike, and we will deal with that, but it is also a county where the travel-to-work area and the economic activity by chance happens to be fairly well contained within the boundaries. It is small enough to focus as an entire entity, and there is a relationship between what goes on in the countryside and Oxford city centre.

David Frost: It is also fair to say the initial City Deals were done with the core cities, and, from going round, I think there is clearly an expectation that they should be rolled out further, and also some concern that the core cities are not necessarily the sole economic drivers of the economy within the country. Certainly there are many shire counties that have shown very strong growth and very strong GVA, and they should be afforded a similar type of opportunity to the one that has been offered to the major cities in England.

James Newman: Could I answer that as well? From a GCGP perspective, it is exactly as David said: as a whole, the area is a net contributor to the UK economy, so GVA growth, housing growth and export performance are all in the top quartile. Why shouldn’t Peterborough and Cambridge be given the benefit of a City Deal as well as Manchester etcetera? That is our view.

James Newman: Can I just add to that and perhaps slightly counter it? Our City Deal, as I suspect with some of the others, was originally with the city and not the city region; i.e. the LEP geography. It would have posed a significant political issue in the partnership arrangements that we would have had within the LEP if Sheffield, as a city, was able to go and do its own thing and the rest of the LEP, which I have responsibility for bringing together, was left out in the cold. So I think there has to be a debate, and I certainly would encourage all the areas to be able to have the sorts of deals that we have. We persuaded Sheffield—although it was not particularly difficult to persuade them, to be fair—to make it a city region deal and, as such, the LEP has been heavily involved in negotiations and leading some of the activities to do the City Deal. But I think that it is potentially divisive if certain cities in a LEP area have a City Deal and others do not. If the Government are going to have City Deals, perhaps they should call them LEP deals rather than City Deals.

Q15 Nadhim Zahawi: We touched upon the skills challenge. Can we just explore that a little bit further? What are the biggest skills challenges, if you can just go through those, for your LEP, and how are you beginning to address those? Are you getting the support that you need?

James Newman: Shall I, as we have the City Deal, on skills?

Nadhim Zahawi: Go for it.

James Newman: Clearly, there has been a bit of a history of failure in this particular issue; otherwise we would not still be talking about it. As I said before, it is not just technical skills; it is work-ready skills, so it does involve the schools and the HE/FE sectors as well, as well as businesses. We have an ageing workforce, which we have recognised through some of the research: 33% of our people in manufacturing are over 55 but recruitment of under-25s is only 9%, so there is clearly going to be a gap at some point. As a result of the system currently in FE and HE, to a certain degree we have a lot of people training for things where there are no jobs at the end of the day, so we decided we really needed to do something about that, which is why we put together the City Deal that we did.

It is very much demand-led. The money that Government are providing will be matched by the private sector in the creation of apprenticeships. It will open up the whole world of apprenticeships. I believe, to SMEs, who at the moment are hugely confused—there is a huge amount of bureaucracy involved—by creating an apprenticeship hub, which is building on something we already have in Sheffield. It is a form of brokerage that, if somebody comes out of an apprenticeship for some reason—the SME fails—we can find them somewhere else to go, with a funding agreement, and at the end of the day that “demand-led” actually means there is a job there at the end. It is a waste of time doing all of this unless there is a job at the end of the day, because we will have just wasted all our money. The biggest challenge that we were talking about outside is to persuade the providers—and to get the providers alongside—to start teaching the things that we need for our particular businesses in our particular region, which will all be different, of course. Government, through the SFA and other Departments, have always prescribed things and prescribed outputs, and we made our scheme as flexible as possible, so that in two years’ time, if a sector comes along and says, “We are desperate for apprenticeships,” we have not only signed up to only doing apprenticeships in manufacturing and we can provide some apprenticeships in low-carbon or whatever the industry is. The whole system needs to be much more flexible, and we are looking forward to getting on with it.

Linda Edworthy: I would echo James’s comments. We are developing very similar approaches, and one of the things we hope will be announced this week is the employer offer pilot—we hope to get one of those into the area—which will reverse the way the funding is driven. The employers will get the funding, so they will determine who will provide the training they want, rather than having to use whatever training has the money available. That is really critical to the businesses—all the businesses are giving us the feedback that they want to choose where they buy the training.

One of the other things is that, because we have a lot of companies that have positive stories to tell, it is not all gloom and doom at all. We have real growth happening in the area. We have had conversations most recently about major skills shortages, where companies cannot recruit welders locally. They need 200 welders in a very short space of time and are having to go, again, to Poland to recruit welders who can pass tests. Even though they are qualified welders,
they cannot pass the test for the job that needs to be done. What we are doing is working with the training boards to try and access that funding, to put in very flexible, short training as opposed to long training programmes, which will not address the immediate needs. So I think the systems need to be much more flexible to address immediate needs, or businesses will go elsewhere to find the skills they need.

Q16 Nadhim Zahawi: I will come back to you in a second, David. I am just conscious of the time. Your website does say that the skills framework is “coming soon”. What is stopping it?

Linda Edworthy: It is current processes and how the funding is driven at the moment. The learners have the funding following them.

Q17 Nadhim Zahawi: For the other panellists, if you want to come back, and we have heard from Mr Newman about the advantages that City Deals bring to it, there are two supplementaries: first, is there adequate influence over the Skills Funding Agency for you? I guess that is one of the roadblocks here. Secondly, and it has been touched upon in other areas, are the enhanced skills powers of the City Deals disadvantaging your area? I am looking at Adrian, Linda and Mark for a response on that.

Adrian Shooter: I think the whole skills area is the most difficult problem that faces the LEP, without any difficulty, and we very much would support any moves for the employers to have much more control over where the money is spent. There is another angle, and I am not going to repeat what has been said, because I agree with it. Yes, if additional powers were available that are not available to us, that would be extremely helpful. We very much welcome the Holt report on apprenticeships, which has just been published and confirms very much our research, which is that SMEs in particular are totally confused, because successive Governments have diluted and confused everybody with apprenticeships. We very much support the recommendations from that.

Mark Reeve: I echo my colleagues. I would suggest also that devolving budgets to allow focus on local priorities would be helpful. We have found the SFA not to be receptive to local priorities as opposed to some other bodies. They have made a lot of effort to engage with us and involve the LEPs in determining priorities. Again, we are working with a sub-group that is connecting businesses with skills and skills needs, and making sure there are no gaps. Devolving budgets, however, would speed up progress in dealing with those gaps that we have just spoken about.

David Frost: I think my overall take on this is that you could end up in utter despair. We seem to have made absolutely no progress over the last 30 years on this agenda. All we have seen is a stream of new initiatives and new bodies that have been set up. In my working life, we had the training boards, the Manpower Services Commission, the Training Agency, the Training Commission, TECs, CCTEs, five iterations of the LSC and the SFA. All we seem to do is to set up more bodies, and the same issues that we are now talking about are as endemic now as they were then. If we are talking about devolving the budgets of the SFA down to a local level, what we are essentially looking at is reinventing the Training and Enterprise Councils in some way, which makes LEPs, which may be the answer, a very different beast indeed.

When we talk about skills, however, in essence what we are mainly talking about is employability skills. What we are really talking about is the failure of the education system and the fact that hundreds of thousands of kids are leaving school every year without any qualifications. All it means is, five, seven or 10 years down the track, we as a nation are having to pick up a huge bill to give them that work-ready training. The LEPs are now at the centre of that agenda because the employers are saying, “We do not have the young people coming forward who can provide us with those skills.” I chair a group of new state schools called studio schools, which are focused solely on employability. The take-up from employers, because they are desperate to find young people with those skills, is truly awesome. Quite frankly, we can talk loosely about skills, but until we tackle the failure of the education system head-on, this is just going to be a process that people sitting here in five, 10 or 15 years’ time are going to be talking about in the same way. The answer, quite frankly, is to put this agenda in the hands of the employer, so it becomes demand-led, not supply-led.

Q18 Nadhim Zahawi: You make your point very powerfully, David. My next question is really about the HE and FE sectors. In its evidence, the Department told us that LEP board membership from those two sectors is common. Do you agree that there is good engagement with the HE and FE sectors?

Adrian Shooter: Very much so. In our case, we have two universities, both of which are very much involved—enthusiastically involved, I may say—at pro-vice-chancellor level. As I mentioned earlier, in the case of Oxfordshire those two are both powerhousees for the economic development of the county.

James Newman: In our case, it was the only appointment on the LEP that was guaranteed—one of the vice-chancellors of the universities—and they decided between them which one it would be. So the Vice-Chancellor of Sheffield Hallam University is a full LEP board member, representing the universities and the whole of the HE and FE sectors.

Linda Edworthy: The Chairman of Teesside University is the Chairman of Tees Valley Unlimited. The Vice-Chancellor sits on the board. We have both FE and HE on it. We have an employment and learning skills advisory group as well, with all partners and private training providers represented and engaged.

Mark Reeve: We have, similarly explicitly, a university-based board member. We have a dedicated executive on the skills agenda, with a skills sub-group that is connected to all of the FE and HE bodies.

Q19 Nadhim Zahawi: You are obviously all doing well in that area. We have heard some worrying evidence from the Association of Colleges that FE representation on LEP boards is failing, whereas HE
is succeeding. Have you heard similar things from other LEPs?

**Linda Edworthy:** I know it was expressed as a concern at the outset, when LEPs were established, and, alongside other sectors and other organisations, we got numerous letters from people all wanting to be on the LEP board. We had to take a very firm view that we need to limit the numbers on the LEP board for it to be effective and, actually, sitting at the table four or five times a year was not engagement. It was having our engagement strategies in place that was important, and that is how we have assured sectors such as FE and others that they do not have to have a seat on the board to be engaged with the LEP.

**James Newman:** We have encouraged FE especially to come together with a single representative; although he is not on the LEP board, at least it is an individual to go to. Also, within all of our various sector groups that we have involved, we have again encouraged the FE and HE sectors to actively participate in those sector groups and to bring their knowledge and experience. Clearly, one of the issues—certainly for our City Deal on skills—came from the sector groups saying, “These are the skills gaps that we have,” in construction or in manufacturing, or wherever it was. The FE and HE people on those sector groups will have participated in that debate.

**Q20 Chair:** Can I just intervene at that point? I think there is an obvious contradiction in terms of the manageability of the LEP board and trying to get the interests of all interested bodies represented on it. I can see the need to have alternative mechanisms in some cases to ensure that all interested bodies are involved; however, is the fact that the Association of Colleges seems to feel that the relationship between LEPs and FE colleges is not what it should be a matter of concern, and do you think that there are potential areas where this might be improved?

**Adrian Shooter:** As always in these sorts of things, you probably need to look at specifics. We have just heard that it does not appear to be a problem. On our particular LEP, one of our board members is the chief executive of the largest FE college in the region. At our skills working group, we have representatives from other providers as well. Clearly, if it isn’t being represented, there is a problem, but I think you have to get the next level down and find where the problem is.

**David Frost:** From a national point of view, if that is a strongly held view by AoC, then we need to look at it, but the boards are, by definition, very small in order to make them effective. HE—I know Universities UK has done some research on this and feels well engaged—in totality feel that they are representing not just the HE sector but the much wider education sector within that community, but if the point is being made, then we as a network would take that up.

**Chair:** This is the point I am trying to get across. It is alright for LEPs to say there is no problem; if the AoC thinks there is a problem, then I think it needs to be looked at.

**Q21 Paul Blomfield:** I am very struck, from the evidence I have read, from the contributions this morning and from talking to LEP board members locally, that there is an enormous enthusiasm and commitment to the task that you have been set that is often matched by a frustration around some of the areas that you have identified this morning in relation to clarity of Government vision, powers and responsibilities. You are almost succeeding despite Government rather than because of it. I wanted to move to the area of funding and wondered how far that was also true of funding; how far the resources that are available to you match the expectations you might have had when you were given the task two years ago. I do not know who would like to start off.

**David Frost:** From a national-network point of view, there is a strong view that, for the LEPs to continue, they need some core funding to operate. Clearly, there has been a kick back against the scale that was involved with the RDAs, although, as I said earlier, these are not RDAs. But essentially there is a view, I think pretty strongly held, across many boards that they need some free resource to do some of the basic research and marketing of their own individual communities—some of the questions that have been raised today—to have the ability to have some of their own staff accountable to the chairman and the board to do that.

There are very big differences in the LEP network across the country. In the north in particular, where you have had a history of large-scale public money going in, with very strong partnerships, not least public-led partnerships, that have essentially reversed themselves into the LEPs, we already see a significant amount of staff, but there are many LEPs that believe that they need that small group—two or three executives—who are there to work for the board, as I say, doing that basic research and dealing with the repeated requests from Government and from other partners. There is a view almost universally that the workload that the chairman and board members are being asked to do is far, far more than they thought it would be. They thought it would die off but it is actually increasing, and they need some support to do that. The level of about a quarter of a million pounds per annum over those 39 LEPs is not a significant sum of money.

**Mark Reeve:** Could I reinforce that and just say from a GCGP perspective that, as has just been said, we have four part-time staff who play a part-time role in supporting the board. Core funding is essential to get full-time support staff to allow it to operate in any way effectively, without relying, as at the moment, on everybody else providing all of the time.

**Q22 Paul Blomfield:** It looked, Mark, from reading your evidence, like you have downsized your ambition as a LEP in the light of the funding available. Is that a fair assessment?

**Mark Reeve:** I think the reality of that will be seen. We have had to become more focused. The LEP set out with lots of strategy in terms of what it might look at; we have had to refocus that because of those resourcing issues. At the moment, that is why the growth prospectus is out there, trying to get a fine focus. We have some very active sub-groups in the clean tech and in the skills agenda area. Where we
can leverage resources is where we are going to do best, from an advocacy perspective and from bringing people together.

Q23 Paul Blomfield: I guess you would all agree that the £76,800 that was initially envisioned is insufficient for the task. How realistic is it to expect you to draw in private sector funding?

James Newman: I think the key to the funding of the LEPs is the word “independence”. Rightly or wrongly, we took the view that, whilst we had some local authority funding, it was no good the private sector coming along to board meetings and being told what to do by the local authorities who were providing the funding, so clearly we needed to have some substantial funding from elsewhere. The dilemma was always going to be whether we go and tap up private sector companies and create a whole pile of other conflicts of interest, so we deliberately did not do that either. We expect to rely on Government at least to give us some basic funding that will provide us with some independence and some independent people, because a lot of what the larger LEPs are trying to do here is to create collaboration amongst the local authorities where they do not always necessarily agree, and to make decisions, again, against perhaps the political will sometimes, as you will well know.

It is important that we have a level of independence and, clearly, a minimum requirement to have the right people to do it. We have a substantial number of different projects and we need people to do that. We have been lucky, we have secondees from the local authorities. but we have not been able to have the resources to bring people in from the private sector, from outside, which some people might argue we perhaps ought to be doing to get a mix of people. It is very well and good having private sector people, with their knowledge and expertise, on the board, but if you do not have a good executive team with some private sector experience, then you are not going to add anything to the way the LEP operates. I was told very clearly by Ministers that they expected us—and the private sector leadership—to operate in a different way from previous partnerships.

Q24 Paul Blomfield: But you have not had the tools to do this. James Newman: We have been fortunate. We have had some money left over from previous activities as a region, and we had the start-up fund last year, but clearly, we need to get some more permanent funding, which I think will be a statement by Government, more than the actual money, that they believe the LEPs experiment is going to be more permanent. I think I see it as that, and my private sector colleagues will also see it that way as well. The money is great, but it is the commitment by Government to the LEP movement that is probably more important for all of us trying to manage the LEPs on a day-to-day basis.

Q25 Paul Blomfield: I wonder if I could ask each of you briefly what the profile of funding for each of you is. James has talked about the local authority staff seconded in. I am guessing, for local authorities, that is going to become increasingly difficult.

Linda Edworthy: Could I start? I disagree with James in terms of the principle of LEPs being independent of the public sector and the local authorities in the area, because, for me, the principle of LEPs was not about creating purely private sector bodies to work with the public sector and therefore it should be totally independent. To me, it was about bringing real public and private engagement and activity together. Again, for me there is an issue around “one size does not fit all”. In some areas, that might be how it needs to be but, in others, it is not necessarily the case. I would be really concerned about LEPs being set up as being totally independent of local authorities.

James Newman: I do not think I was saying that they need to be totally independent; I was saying they need to be partnerships but, in terms of the funding, they cannot rely totally on 100% local authority funding.

Chair: I think Paul’s question is: where do you get your funding from?

Q26 Paul Blomfield: What is the profile of funding for each of you, briefly—where do you get it from? Also, do you find yourself chasing your own tail in terms of spending a significant amount of time looking for funding, or negotiating funding?

Adrian Shooter: I broadly agree with James’s point. I think it is very important that we are a partnership, and that is how I want the thing to operate, and that is how it is operating. I mentioned earlier on we have administrative support from Oxfordshire County Council. We are very clear and they are very clear that the administrative support is supporting the LEP, which has a majority of private sector board members. All of our workstreams are led either by a private sector individual contributing his own time for nothing or, in one case, academics. If you go down below that, they all have their own teams, again with a fair bit of support from the private sector, all of which are provided free of charge. But we certainly are constrained in some of the things we could do, and I do agree with James that some Government funding would help us with that independence, which does not mean that we do not have partnership—we clearly do—and would also give a sign of some commitment as well.

Mark Reeve: I think James is right. The private sector needs to know this is independent. It is a public, auditable body as a local authority. Local authorities’ budgets are coming under pressure. They are putting money in and want to know what they are getting for it. From GCGP’s perspective, we have taken £200,000 from the Growing Places Fund, which is a one-off benefit to our funding, and £140,000 from the local authority. But I very much see that we need a level of partnership with the local authority and the public sector, but independent as a business-led partnership, rather than the local authorities having a significant vested interest in the activity and funding that they want control of, and I speak as an SME in the private sector.

Q27 Chair: If I can just pick up on this, the LEP Network has quoted a figure of £250,000 per LEP per year as the sort of funding that is needed. David, how did you arrive at this figure? Do you think there is a
threshold figure of core funding that would enable LEPs, if they received it, to be able to lever in other funding from other sources? 

David Frost: The figure was arrived at by discussion with a number of LEPs. Certainly, the business leaders within those LEPs know the current state of public finances and were therefore essentially tailoring demands within the framework. That is the first thing. Secondly, there was a determination not to have a level of public funding that made them, essentially, public bodies and hugely accountable and all the strings that brings in. Thirdly, looking quite simply at what it was that they needed to deliver that agenda, as I say, for the chairman and the board, we came up with the figure of circa £250,000 for a period of at least three years, to show some certainty. That would allow the employment of two or three key staff, with some money to carry out some research and some marketing as well.

Q28 Chair: I believe the Buckingham Thames Valley LEP have contracted their secretariat via an organisation, Buckinghamshire Business First. I am not sure which this organisation is; I suspect it is probably a local chamber of commerce or something. Can anybody enlighten me and, if they know anything about it, do they think, as a model, it is workable for other LEPs? If you do not, just say so, and we will make some further inquiries.

David Frost: I think we will come back.

Q29 Chair: Yes, that is fine. There has been some talk about potential disengagement of LEPs if they do not receive any funding. Do you think, in some areas, that is a serious problem?

David Frost: I do. The point has been made right across this table that LEPs are hugely different in their geography and hugely different because of the history of the scale of resources that have been put into the LEPs. I think there may be some with a smaller geography, and areas where there has not been that history of large-scale public money, where, quite frankly, if there was no money forthcoming, the senior members of the LEP board may say, “Look, we have done the strategy, we have done the visions, we have done the mission statements. We do not have an enterprise zone; we have limited resources. I have a business to run and, quite frankly, I think I have done my public duty and I will go.” So it is not wholesale, but I think there is certainly the possibility of a limited number not continuing.

Q30 Chair: Are there any other options the Government can consider on core funding that you can think of?

David Frost: Clearly, rather than a direct grant, you could have a form of match: a floor level of funding and, pound for pound, it is matched against resources that that LEP could bring in. I believe there would, however, still need to be that core element.

James Newman: I think it is important, because of the partnership element, that there are some areas of the country where there is not a huge amount of local authority support, because there are political tensions and so on. If some of it was match, then that might bring some of the local authorities to the table. It would certainly keep them at the table if they were already there and believed that the LEP has a strong purpose in life, which I think we all believe they do. So I am certainly comfortable that, if some of our funding came as a result of match from local authorities, that would be helpful.

Q31 Chair: One or two of you have mentioned the Growing Places Fund. What are your views on the Government’s push to have this as a revolving and potentially self-sustaining fund, generating investment that could be reinvested? Do you think this is a realistic option?

Adrian Shooter: Only on a case-by-case basis. I was previously involved in another public/private partnership in another place, where we did just that. Frankly, it is not feasible in some places, but there are others where it is, and certainly I think we should make our money work as much as we possibly can. If we can get a return and rotate it or reinvest it, that is great.

Chair: Does anybody wish to add to that?

Mark Reeve: I would add to that. Chair, and support it. Certainly, from GCGP’s perspective, it is something that we are very keen to do. It is giving us a local agenda, it gives us local funding to move growth, and we think it is a positive step.

James Newman: From our perspective, as one of those northern areas that have perhaps been over-reliant on grants in the past—and we spent a long time trying to get us out of that grant mentality—certainly having some value for money, as the Government puts it, in the way we spend our money, which is effectively what revolving will inevitably do, is a good thing. We are also looking at the opportunity in our GPF, as we are with the RGF, actually, of perhaps rewarding the creation of sustainable jobs and turning the loan or part of the loan through the GPF into a grant if the jobs are created. It would be a strong condition of it. We have talked about jobs before, and growth in GVA does not necessarily mean growth in jobs. This might be a way of looking at that. We will get value for money for the public purse if we can create the jobs, so we will give the money away, partly as grant. We are in early stages but it is an interesting thought process.

Linda Edworthy: From a Tees Valley perspective, it has been a helpful early start to pursue it on a revolving-fund principle, because that is exactly what we wanted to do with our enterprise zone income. Because the enterprise-zone income is still—certainly for the larger elements of it—some years away, it is a helpful start to that process to create a single revolving fund.

Q32 Rebecca Harris: Could I ask if any of you would like to see greater local revenue-raising powers and, if so, how that might work or what might be the quid pro quos in that?

James Newman: I think it will be a question, I understand—not being an expert—as to where you are. Some regions will gain through this process and others may not. Are you talking about the business rates?
Rebecca Harris: It is quite an open question. James Newman: In terms of the business rates staying at a local level, I think some areas will gain and some will not, I understand. I cannot really comment any more than that.

Q33 Rebecca Harris: Perhaps you might have more leverage over councils that are not being particularly cooperative or supportive.

James Newman: Possibly.

Mark Reeve: I think more influence in expenditure rather than local revenue-raising powers would be preferable. It comes back to the resource issue and the complexity of raising revenue.

David Frost: I think there could be a potential interest there. Clearly, the emerging enterprise zones are one take on that, but of course there are also the Business Improvement Districts as well, which allowed the raising of a levy on a dual key business vote. I think there is the potential to take that further if the businesses have a clear strategy, if there is a clear dual key business vote, and if it is time limited. The concern with the re-localisation of business rates is that local authorities will just simply raise the level of business rates to levels far outstripping that of inflation, and that is why there has always been a nervousness amongst the business community.

Linda Edworthy: I think the Business Improvement Districts are good and helpful, but they tend to be very local, in a small town centre or industrial estate, so they are not necessarily helpful at the LEP level itself.

The other thing that we have looked at is the CIL—the Community Infrastructure Levy—being placed on sites. It is a dilemma, particularly in Tees Valley and the North of England, where, on the one hand, you are incentivising people to go onto sites and, on the other hand, if you put a CIL on it, you are going to penalise them for going to it, so it is a very difficult issue.

Q34 Rebecca Harris: My next question was about the economic data, because one of the other concerns raised about the abolition of the RDAs was that we would lose a lot of the economic data-gathering capability. I know that the LEP Network has done some quite impressive work on economic data, with things like Experian information stuff. Could comment on that and whether you think that is an adequately resourced area and you are able to get enough economic information on your areas?

Linda Edworthy: There is certainly enough national data available and, at times, some people think we have enough evidence on strategies at a national and local level in that sense. It is about particularly business intelligence being very much a local thing, as opposed to having an organisation at a national level provide that for you. Whether it be done through surveys, one-to-one discussions or one-to-many discussions with companies, it is particularly that type of information that is critical to how LEPs take their activity forward.

Adrian Shooter: I would agree with that and just amplify it by saying that most of the business representatives on my board are nominated by the various business organisations: for example, IoD, CBI, Chambers, Federation of Small Businesses, etcetera. We work closely with those as well to survey their members, as well as other businesses that may not be in any of those, to supplement what I mentioned in our case, which is access to information from Oxfordshire County Council, which covers the same area, plus national sources. I think your question was whether it was a problem. No, it is not anywhere near the top of our list of problems.

Q35 Rebecca Harris: Mr Newman, in your opening comments, you talked about the success of working with local authorities across boundaries and with officers, but I wondered if all of you could comment on your experience of how well working across county and LEP borders has been.

James Newman: The cross-border issue initially was difficult because, clearly, government was set up on either EU boundaries or on their own administrative, RDA-type boundaries. It is gradually getting better. There is still some work to do and, every time we talk to Government Departments, we do remind them that we are cross-border and that we would therefore like either the appropriate statistics or the allocation of money, or whatever. There is an issue, for instance, around transport that we have at the moment, and also potentially around maybe creating some form of City Region authority between the districts and the counties, and allocations, say, of transport money. We are working hard with the Government Departments involved to try to resolve this issue, and it will not be for every LEP—there will only be relatively few LEPs that will have this particular issue—but it is something that we are working our way through, and I hope that Government will start to recognise LEP borders more generally over time.

Q36 Rebecca Harris: But they are not yet.
**James Newman:** They are moving in that direction, but we are not there yet everywhere. It is certainly our experience, anyway.

**Adrian Shooter:** It is relatively simple in our case: as I said before, we have six district councils and a county council. A very important part of my job is to try to make sure that we are working together in partnership. I am not going to pretend that there are not differences of opinion between the various district councils, and between the districts and the county, from time to time, but they are things that I believe we can surmount and we have to work on them.

**Linda Edworthy:** Our area is quite straightforward, with five local authorities that have traditionally worked together. I think there has been a slight preoccupation about how we interact with the North East LEP, and our view on that is we will, if there is added value in doing so, but just because there was an old traditional boundary that surrounded us and the North East LEP, that does not mean that it should be a prerequisite for that to happen. We will work with whichever area, whether it be neighbouring County Durham, which is part of the North East LEP, as we are doing for future European funds post 2013, or Hull and Yorkshire in terms of renewable energy. We will identify the issues and, where it adds value to work with people, we will pursue those relationships.

**Adrian Shooter:** Can I just add a similar thing we do? We maintain close contact with the LEPs around us—and, in fact, some that are a little bit further away—and we recognise that they have may strengths in particular areas, and vice versa. We have various working arrangements with them, which I am sure we will enhance, so we do not end up doing the same thing in two places and so that one benefits from the skills of another.

**Chair:** I really want to move on—we are running out of time. Mike Crockart has a number of questions particularly to Oxfordshire.

**Q37 Mike Crockart:** Very quickly, we have talked about the variety and the geography of LEPs. In particular, Oxfordshire has a population of 650,000, so it is quite a small one compared with over a million for Hertfordshire and several million for other areas. I am interested in how you came to the decision that Oxfordshire was the right size and geographical location for the LEP and not, for example, making it wider and “Heart of the South East” or linking up with the technology corridor of Berkshire, where you share a certain amount of technology. Effectively, was it just that the local council decided, “That is what we are going to do?”

**Adrian Shooter:** No, I think you have to look back a little. Oxfordshire was part of SEEDA—the South East RDA—which people in Oxfordshire found to be an extremely unsatisfactory process, because it was a large and unwieldy organisation and probably one of the less effective RDAs. I mentioned earlier that, as it happens, Oxfordshire is a fairly well packaged economic area, and its economic activity is reasonably coterminous with the boundaries. There was a coming together over a period of time between the political leadership of the county and significant businesses within the county, and a decision was reached that we were going to jointly submit the application for the Oxfordshire LEP, which was successful. Certainly, it is smaller than some of the other places—that is absolutely true—but having run one of the smallest railway companies, Chiltern Railways, for 18 years, there is something to be said for having a smaller outfit, where you can perhaps move quicker, you know people and you can make things happen. We are very confident that we can be very effective at the size we are.

**Q38 Mike Crockart:** But I do worry that you will end up being overwhelmed by the resources of the local council in terms of policy direction, and you therefore need very strong private sector representation on a body that size.

**Adrian Shooter:** We absolutely have that and do not have any fear of being overwhelmed, but we are alive to the risk.

**Q39 Mike Crockart:** Can I pick up on that point? You talked, quite rightly, about spinoffs in aerospace and medical science, and we can probably add cryogenics and space satellite technology to that.

**Adrian Shooter:** Indeed.

**Mike Crockart:** What representation do those industries have on your board?

**Adrian Shooter:** For example, the Chairman of Science Vale UK, who is the Chief Executive of UKAEA, is a member of the board.

**Q40 Mike Crockart:** But in private sector industry, not in Government bodies.

**Adrian Shooter:** If you let me finish, in the various sub-committees that we have, all of whom report up through a private sector board member, with the exception of one that I mentioned earlier, we have a number of people representing a number of those industries. It is important that we have—and we do have—strong links into the business sector within the community, and we are working hard to reinforce those.

**Q41 Mike Crockart:** If I can turn briefly—I am aware of the time, Chair—to a report done by the Financial Times looking at the top 20 LEPs. Oxfordshire did very well and ranked, I think, third in terms of the advantage that you have in location, yet you did not feature in the top 20 in inward investment. Where do you think the mismatch is happening? Where is it going wrong?

**Adrian Shooter:** I will come straight to the point: the fact of the matter is that the questionnaire that was sent out was not completed, so they did not have the information. That is factually what happened. Having said that, it is also the case that the question of inward investment into Oxfordshire has not been dealt with in the past as satisfactorily as it might, and it is one of our priorities to pull that together, because it is the very best in the place in the country to do business and we are going to make sure that people know that.

**Q42 Mike Crockart:** The final question: how does that work in the relationship—and perhaps this is open
more widely—between you and UKTI and how you generate inward investment?

Adrian Shooter: We are working with UKTI. We have met with them several times recently. Again, there is a lot more work to do. As I mentioned to you, all but one of our workstreams are led by private sector individuals. I have an individual who is working on that very actively. At our board meeting last week, we took a presentation from him. We are not yet fully up to speed but we know what we need to do and we are going to get there.

Q43 Chair: Can I just pick up? You gave us your answer to the issue of not being in the top 20. I think I heard correctly that the questionnaire was not completed. This is the Financial Times questionnaire, is it?

Adrian Shooter: Yes. As I understand it, there was a questionnaire that was sent in that asked for various things and, for whatever reason, it got missed and it was not replied to. That is what I have been told. They had no information.

Q44 Chair: So, basically, you did not respond to it.

Adrian Shooter: They had no information.

Q45 Chair: You do not know why it was not responded to.

Adrian Shooter: It was an oversight.

Linda Edworthy: Sorry, if I could tell the Chair, it is the results of the jDi magazine survey that the FT picked up on. When the jDi magazine sends out surveys, we all look at them and think, “Is it worth our while doing this?” Because they then ring you up and say, “Will you buy two pages in the next edition?” It is not necessarily the best indicator of how areas are performing.

James Newman: I think we were fifth in one table—I cannot remember which one, it is not that important—but we were not in the top 20 in the other. Again, I have no idea. I suspect it is too early in the process as far as LEPs are concerned for any real assessment to be done in terms of creating league tables, because we are all very different.

Linda Edworthy: And is it helpful?

Q46 Chair: I suppose the response is: the danger is you may find yourself having to answer questions at a Select Committee on this. Perhaps slightly more seriously, if the only way of measuring this is by virtue of Financial Times surveys that are not highly regarded by LEPs, do you not think there is a case for having either a Government-initiated survey or one by another monitoring body?

Adrian Shooter: Yes, there is.

James Newman: There is certainly a case for measuring or at least reviewing how LEPs are doing and performing within their own environment, not as a tick-box exercise but a one-to-one with Government Departments, if that is required, because I think it will help the Government Departments as well to understand more about what we are trying to do.

Adrian Shooter: We are very happy to be reviewed, providing it is done in a professional way, and for rankings to be published.

Q47 Chair: I am talking to a Financial Times journalist tomorrow so I will raise the matter with them.

David Frost: I think it is also fair that one of the things that was asked of the LEP Network early on was to do a detailed breakdown, on LEP areas, of the current state of the economy and the current state of the economic geography. We did that and that, of course, is circulated to all LEPs, although it does not attempt to rank.

James Newman: But we will not be buying pages in the Financial Times, because we have no money.

Q48 Chair: I need to conclude fairly quickly but I just have a couple of questions to finish with on accountability. Very briefly, who do you feel you are accountable to as a LEP?

Linda Edworthy: Local businesses and local residents.

Mark Reeve: Both public and private sector within the LEP.

James Newman: To a certain extent to the Ministers who appointed us as well, in terms of their expectations of us—very much so.

Adrian Shooter: I would add to that to the people who we are supposed to be finding jobs for, which is why we are there.

David Frost: There is a wide range, but of course we are also accountable, where there are funding streams, to those Departments that are providing it.

Q49 Chair: The Campaign for the Protection of Rural England complains that, because of what they perceive as lack of clear accountability, LEPs may work contrary to their perceived interests and the green belt and so on. Do you think that is realistic?

James Newman: Certainly, it is not part of our remit. We are very much focused on driving the economy, and we will take advice from our local authority partners and other organisations on that particular issue. Our clear focus is: what is going to help the economy in our region? Rightly or wrongly, I am afraid we have avoided social issues, if I could call them that.

David Frost: I think it is right that the LEPs should, for example, put the minutes of their board meetings on the web, so they can be seen openly.

Q50 Chair: Who decides on the appointees to your respective boards? How is it done?

Adrian Shooter: Private sector appointees are, as I mentioned earlier on, nominated by the various business organisations. Public sector nominees or political nominees are decided by the local authorities.

Mark Reeve: The same for us, Chair.

James Newman: In our case, the public sector nominees are the leaders, and I made it clear at the start that there were to be no substitutes for the leaders; in other words, they could not send an officer or their chief executives. It was important to get those with a democratic mandate around the table, and that has been pretty well adhered to. We have a couple of chief execs there as observers. As far as the private sector is concerned, I was appointed through national advertising by a joint panel of public and private
sector and, once I was appointed, I then appointed the rest of the board with private sector colleagues, again through open advertisement. They are appointed for two years and I am about to review the contributions of my existing board members and, hopefully, most of them will be reappointed again.

Q51 Chair: I want to have a concluding question but, Linda, do you want to come in here?

Linda Edworthy: Tees Valley is very similar to James’s situation; the only difference is that, obviously, part of our board existed in advance of the LEP designation. Where we have taken on additional board members from the private sector since then, it has been through advert and appointment panel of mixed public and private members of the existing board.

Q52 Chair: There is a perceived problem with the representation of SMEs, which, by their very nature, often do not have the time to represent themselves on outside boards. Would you agree that is a problem, and is there a way round it by using trade associations or whatever? What is your experience of that?

Linda Edworthy: It does not appear to be a problem for us. Three of our board members are from SMEs. We do not expect them to play a representational role; none of our board members do. They are there because of the nature of their expertise in a particular sector. We do have a separate engagement session, in advance of all board meetings, with all the business representation organisations, including the Chamber, FSB, CBI, EEF and the Institute of Directors—there are probably about 10 of them in the room—where we talk to them about the issues that are coming up at the board and give them the opportunity to put papers directly up to the board without us touching them. It is to develop our engagement through those organisations and through the broader representational roles.

Adrian Shooter: I have two SME chief execs who are on the board. It is certainly true these guys are busy, but we have found two, who have been nominated by various business organisations to be board members.

David Frost: I have not seen that problem at all. If we are talking about micro-businesses, that may be an issue, but in terms of those businesses that are making the real contribution to the economy, they are represented. There seems to be a view from the board that they do not want the representative organisations on the board, they want the businesses themselves; but at every LEP, there is a forum, as in Tees Valley, for engaging with all the key representative business organisations.

James Newman: We were told very clearly, when we had our first private sector meetings before the LEP was formed, that they did not want the good and great there, which is why we went through the advertisement process. We engaged the SMEs through the trade associations, who are not specifically represented on the board, although, as it turned out, we have one of the Chamber presidents at the time on the board. Most of our board members represent some large businesses and some small businesses. Our engagement with the City Deals is the City Deal on skills, which is about supporting SMEs. We have put an RGF bid in, again, specifically because the SMEs were not able to because the thresholds were too high. We work closely with Finance Yorkshire and other funders to ensure that they have some access to finance. There is still more work to be done on devolution of powers, on access to finance and a number of other areas where SMEs clearly have an agenda.

Chair: Thank you very much. Thank you for your contributions, and I just underline that, if in retrospect you feel you could add to an answer that you have given to this committee, feel free to put that in a supplementary form written to the Committee. Similarly, if you feel you would like to answer a question that we did not have the sense to ask you, feel free to put that in. Likewise, if we in retrospect feel there was a question that we should have asked you but did not, then we will feel free to write to you and we would be grateful for your reply. Thank you very much for your help.

Examination of Witnesses


Chair: Welcome, and thank you for agreeing to speak to us today I apologise for being slightly behind schedule. As you will see, we had an enormous number of questions to manage with the previous panel. We do not have quite as many to ask you but that does not mean to say Members will not actually expand on our core questions, so I cannot guarantee that.

Could I just underline what I said to the previous panel? Some questions will be specific; others will be collective. Do not feel you have to answer every question if you feel that your response has been covered by a previous speaker.

Before I actually invite the opening question, I must make it clear that I have a declaration of interest in relation to the Black Country Reinvestment Society. Not only do I know the Chief Executive but I am actually an investor in the Black Country Reinvestment Society. I believe in putting my money where my mouth is, although I have to say the size of my investment in the Black Country Reinvestment Society is nothing like as great as the size of my
mouth, but no doubt Kalinauskas will make that point at an appropriate time.

**Q53 Paul Blomfield:** We coincidentally meet in the shadow of a fairly devastating report from the Public Accounts Committee this morning on the Regional Growth Fund, but I wonder if I could start off by asking you to share with us how you found the bidding process in terms of transparency, efficiency, and Government engagement and support?

**David Dunn:** The process, as I have said in my written evidence, unfortunately sits somewhere in the spectrum of being very at the public sector end and very at the private sector end; hence it is not prescribed one way or the other. If it was very public sector led—i.e. it had a lot of design, a lot of policy and answered a lot of very specific questions—public sector organisations could help businesses complete it. If it was very much at the private sector end of the scale it would be much looser and it would be much easier. It would be very difficult to compare apples and pears. I think it is an unfortunate situation and my recommendation, moving forward, would be more clear guidance on what was being looked for by central Government. I know that perhaps goes against the reactive side of being private sector led, but unfortunately I think it needs that.

**Q54 Paul Blomfield:** Would that be a general view?

**Philip Ray:** I would support that at the outset, but what we found most useful was the engagement that BIS made at the workshops that they ran throughout the country and, more importantly, the one-to-ones that followed those workshops. That actually did give more focus as to what was required in the application process. Prior to those we probably did find them a little bit confusing with their very open-grip type of approach.

**Michael Leithrow:** The balance between a public and a private sector approach is absolutely correct. We did not find that a particular problem at all and we found the workshops extremely useful. We did have some issues with the spirit of it being light touch in terms of its approach and that would be very easy and open; the reality turned out to be somewhat different. In particular areas, there was a hope or an aspiration that the ERDF could be used alongside RGF, but that does not seem to have happened, as far as I can tell.

**Roger Salomone:** From our perspective—and I share most of those thoughts—the key one is transparency and how the assessment criteria are going to be interpreted. Clearly, as a company, if you are not sure how it is going to be judged it can be hard to make the best possible pitch in terms of your value proposition. That is the key area for improvement.

**Q55 Paul Blomfield:** The Institute of Economic Development described the process for approval as, “Chaotic, characterised by unclear guidance, bureaucratic delays and opaque decision-making. The lack of a strategic approach in both cases is deeply concerning.” Would you concur?

**Michael Leithrow:** I don’t think so. One thing that would have certainly helped would have been very clear guidelines around the value for money element. Is it about creating jobs? What is the benchmark for creating those jobs and what are the criteria that would be acceptable outside of that? What is the social return? What is the return in other terms apart from financial?

**Q56 Paul Blomfield:** Do you get a sense from any engagement that you have had with the Department for Business, Innovation and Skills that those points have been taken on board for the Round Three bids that have been going in?

**Michael Leithrow:** As far as Round Two is concerned, I cannot say anything other than yes, given the nature of our organisation, working with people who are predominant public sector organisations, that bid was unsuccessful, although we thought it was probably a stronger bid than the Round Two bid. I guess it is swings and roundabouts.

**Sumita Shah:** We have been involved in the bidding process, but we have certainly had some very constructive discussions with BIS in terms of learning from the Round Two processes. We are hopeful that, having learnt some of the lessons from the first two rounds, the application bidding process will be made slightly easier in the Round Three bids.
answer needs to be sooner rather than later. If the answer is no, that is fine, but they need to know it is no sooner rather than later.

Q58 Paul Blomfield: I think it is probably quite ambitious given some of the delivery times at the moment, but I take your point. Would others share the view that six months is not much to be aiming for?

Sumita Shah: My colleague here mentioned the due diligence process and that is where our member firms have been involved in the process so far. What I would say is that we are now clearly coming up to the Round Three bids where members will be involved. You talked about proportionality and having a more proportionate approach. That is certainly the way our understanding is that there will be a much more proportionate approach for future due diligence work.

Q59 Chair: Following on from that, if BIS was able to provide closer liaison with applicants and some sort of professional support, would it be possible to reduce the length of time substantially taken in due diligence, in effect by providing more up-front engagement and support to reduce the length of time between the acceptance of a bid and the actual contractual undertaking?

Michael Leithrow: In organisations such as ours and some of the other members here, there is a lot of knowledge and experience of having delivered public contracts in the past. In my view, the due diligence approach is not costly, not necessarily within the programme and puts people off. We can live with that, but the issue is this extension of the due diligence and the due diligence moving into areas, certainly in our case, that were not within the offer letter. It is almost as if the organisation doing due diligence felt it had to do something; it had to investigate this; it had to comment on that. This was completely unnecessary; you could almost completely remove due diligence where there is a track history of having delivered public sector contracts. In our case I cannot see what it has added at all, other than that the accountants have made a nice packet.

Sumita Shah: In terms of how the due diligence process does work, what the accountants are doing and providing is what BIS is asking for, so there is a lengthy process in terms of discussion around the scope of work in terms of each project. What accountants are providing is what is being requested by BIS; they are not providing any more than that. Where we perhaps need to move on from this is in learning the lessons from the process, thinking again about the proportionality and how we can improve so that smaller businesses do not have to bear the additional costs of quite a wide scope for due diligence. I go back to saying that we should look at a more proportionate approach for due diligence, especially for the smaller end of the market.

David Dunn: I think the question was whether we should do more due diligence up front and whether central Government provides resource and support for that. My counter question would be that it depends if the cost is direct to the business. Are the businesses paying for that support prior to submitting a bid? I think that would put a lot of businesses off, which may well be an approach that could happen. If the due diligence comes back and they say, “Actually, this project is not within the remit of RGF,” that would be useful because again it speeds the process up. If the central Government are paying for it, absolutely. An amalgamated deal with the due diligence at a reduced cost could be beneficial as well.

Q60 Nadhim Zahawi: I wonder whether Sumita can shed some light on this. Is the contract with the accountants capped? How is that working?

Sumita Shah: First of all, the applicant begins the bidding process. They provide information to BIS, which will make that initial assessment based on the information provided by the business, and they will make a conditional offer based on that information. On that offer, one of the conditions is that they need to get a due diligence report. Initially, the scope is set without any accountants being involved. The accountants will then bid for that work; a number of different firms may bid for this due diligence work. At that point, they get in discussion with BIS on the scope of the work and trying to narrow down what it is that is required, but the conditions set by the process are that BIS require additional information before they are willing to provide the funds and make the final offer.

Q61 Nadhim Zahawi: Are there time limits? You know that due diligence is as long as a piece of string with a lot of these firms, especially if they are charging an hourly rate. It just depends on how much time you get to do things and if you have a target you have to hit, which in the private sector would mean either an investment date, an IPO or whatever it is. Are they targeted or time-limited in terms of delivering on that scope as part of their bidding process?

Sumita Shah: The timing is actually based on what BIS sets as its requirements. I will give you an extreme example from a Round One bid, where one of our member firms actually discussed the scope of work 15 times before any due diligence work was actually carried out. Now that is an extreme example and this was a voluntary organisation, but that is unusual in the scheme of things and the way due diligence works. That is a very unusual example, but the cost was actually borne by the member firm rather than the business because the relationship around the due diligence had not even started.

Q62 Nadhim Zahawi: Sorry, who covered the cost for that?

Sumita Shah: The firm accepted those costs. They did not actually charge; they understand that the business needs these funds and so they are wearing their own public interest hat. They have borne the cost of having this discussion without actually charging the business.

Q63 Nadhim Zahawi: You mean the accountancy firm.

Sumita Shah: Yes.
Q64 Nadhim Zahawi: I understand that and that is very good of them and philanthropic. Whoever they are, they are to be congratulated. Just going back, do you then set them a target when they have to complete that due diligence?

Sumita Shah: That is set by BIS.

Q65 Nadhim Zahawi: And there is a target for every single one.

Sumita Shah: There is. I think there is a three-month timetable. I understand there was certainly going to be a timetable in the future. I do not know whether there were timetables for the previous bids from rounds one and two.

Q66 Nadhim Zahawi: That is my point. I am just trying to understand whether there was a timetable. When these provisional offers were made, was there then a discussion with the accountancy firm that is carrying out the due diligence as to the timetabling?

Sumita Shah: I am not aware of that.

Michael Leithrow: I think there is a backstop.

Philip Ray: There was no timetable set for Round Two bidding. We were successful in Round Two and are now just concluding our due diligence.

Q67 Nadhim Zahawi: So there was no timetable on it.

Philip Ray: There was no timetable on it, no. We are in constant discussions with BIS and updating them on where we are. I would also have to say that the fees that were charged were set up front and were fixed for the scope of the due diligence agreed between ourselves, the auditors and BIS.

Q68 Nadhim Zahawi: The fees were fixed; there was no timetable on when they had to deliver.

Philip Ray: No.

Sumita Shah: Again, through the discussions we have had with BIS in recent weeks, there are plans to add in a timetable and a process around Round Three bids so that it will be much clearer.

Q69 Nadhim Zahawi: I would suggest that it should have been added in Round One.

Q70 Chair: This is one side of the equation, and it would seem amazing that there was not any sort of time limit set on the carrying-out of this process. The other side is the actual scope of the due diligence inquiry, because quite understandably if you are continually extending the range of it, it is likely to take longer. In terms of BIS requirements, has there been a continual moving of the goalposts on this?

Sumita Shah: What we would say is that one bid is very different from another. Although we start off with model terms and a model scope, the accountants, together with BIS, need to look at the requirements of that particular application, so there are changes in the work that are done before and during the process as well. There are changes in scope; I would not say necessarily this was a change in target; however, as information is learnt there may be more information that needs to be investigated.

Q71 Chair: Could I just ask you as an accountant—and other members of the panel with perhaps slightly different perspectives—what you think BIS should be doing to change their existing practices to speed up the process without compromising it?

Sumita Shah: I would say initially having the right skills in place to understand the processes. For example, when I talked about the going back and forth 15 times as an example, that was largely due to people involved at the BIS end who did not necessarily understand the due diligence process. That has now actually started to work.

Q72 Chair: Can I clarify? BIS did not have the people in place who understood the process.

Sumita Shah: That is right.

Q73 Chair: And they are now sorting that.

Sumita Shah: That is right. There needs to be consistent application of the process. Again, that is something that is being dealt with and, moving forward, those lessons will be learnt. Previously, due diligence used to be carried out by the old RDAs; they have now been moved to private sector providers, who are the firms. One of our key recommendations would actually be—where you are going to move the process away from in-house—to involve the firms at an earlier stage in the whole design and application process, so that those firms and the profession can advise on what can and cannot be done. That is a lesson for future growth projects as well.

Q74 Chair: You are saying they should be together prior to application.

Sumita Shah: Yes.

Q75 Chair: Does that not raise potential conflicts of interest?

Sumita Shah: I am not talking about individual firms; I am talking about maybe having the accountancy bodies involved in the discussions. I will give you an example: we are currently working with the Department for Education on funding that they provide to a number of education establishments, and we are involved in the process of talking to them about the sort of accountant’s reports they might need to clarify that the terms have been spent in accordance with the conditions set by the department. We are involved at an early stage and we can help them with the process and explain what can and cannot be done. Therefore, we can try and put in a more proportionate approach, depending on the types of schemes and the types of businesses. For the Regional Growth Fund and for any future growth schemes, we would say learn the lessons from the past and put in more proportionate approaches.

Q76 Chair: Does anybody wish to add to that?

Michael Leithrow: I think “proportionate” is absolutely spot-on. Ours was a very simple bid. We wanted to be paid by results, so there was no risk to BIS. We wanted someone to come in and assess it—it was value for money; it was very cheap in terms of job creation—and our ability to deliver it. It could
have been done very easily and very proportionately to the size of the bid and the type of organisation. We are a charity; we are regulated by the Charity Commission, Companies House and all of the other funding bids that we apply for. That proportionate approach would certainly have been very, very helpful.

Q77 Chair: I was about to ask you a specific question, Michael. You had a first round failed application and a second round successful one. What would you identity in terms of processes where there were improvements between Rounds One and Two, if, indeed, there were any?

Michael Leithrow: There was very little, really. The key difference was the feedback. The feedback enabled us to change the Round One bid, modify it very slightly into Round Two. It was actually very, very similar. There was one element in relation to micro-finance that we took out of the Round One bid. I think the reason that our Round One bid failed was because there was a wholesale bid by the CDFA, which we happen to be part of as well, which was successful. It would have been really useful if we had been able to have a dialogue with BSIs to say, “Okay, if you like that part of the bid and this bid is actually capable of being delivered by another part of the RGF programme, why don’t you just let us take that part out?” We could have taken that part away; we could have worked with the CDFA, which we are doing now anyway; and the bid could have gone through in Round One.

Q78 Chair: Just before I move on—and I think that Sumita is probably best placed to answer this, but feel free to comment—I believe in the case of the Black Country, applicants in Round Two had a three-month delay after notification of success in being assigned a case officer before the due diligence process could begin. Is anybody aware of that and has that been improved, do you know?

Sumita Shah: I am not aware of that particular case.

Philip Ray: I think when we were successful we had about a six-week delay before we understood the processes to move forwards with due diligence.

Q79 Chair: So you were notified, but due diligence did not actually start for another six weeks.

Philip Ray: Yes.

Q80 Chair: Do you know the reason why?

Philip Ray: No.

Q81 Chair: Is this fairly commonplace?

Michael Leithrow: Our experience was very different but I suspect that was because of the very close relationship that we have with DCLG at a local level. The officers within DCLG were supportive of our bid once it had gone past the conditional offer stage, and we found we had a case officer appointed very quickly. The case officer was excellent in terms of helping guide and steer us through the process and making things happen quickly, but I think that we may well have been the exception rather than the rule there.

Q82 Rebecca Harris: This is really a question about how we judge taxpayer value for money from the RGF. The National Audit Office and today’s Public Accounts Committee report have both noted quite wide variations between projects in the basic price per job created. I wanted to ask whether you think we are getting value in terms of job creation or job retention from the RGF.

Paul Kalinauckas: It depends on the project. Our project was about financing small and medium enterprises who will do the job creation. We worked out figures that come out at £2,335 a job, which is fantastic value for money when you are talking over £30,000 on average for RGF. That is because it is about using a vehicle. The Government cannot do this directly so they use a vehicle, the small business loan funds, to get the money directly to the micro-businesses who cannot borrow directly from the banks. We ticked all of the boxes. The value of recycle funds is that you can re-lend it and re-lend it, which is why you end up with that type of figure. This will go beyond the three-year Regional Growth Fund period because money gets lent and repaid. We were flabbergasted that it took so long to get signed off.

Michael Leithrow: In our case we are talking about similar levels of job cost, £4,000 per job. The important thing that we wanted to get across in our bid was, if you are looking at value for money, it is not just the cost of creating the job. The people we are working with are ex-forces, people with challenges, people who have offended, people who have got disabilities, young people who are disadvantaged in society. When you start to look at the costs further down the line of someone reoffending, for example, it costs £40,000 on average to keep someone in prison. It costs £4,000 a job with one month payback, return on investment. If I was investing in that business I would not have a problem; it is a phenomenal return.

Roger Salomone: Obviously some bids are much better value for money than others. That does raise the question mark over whether the threshold is set too low. I certainly know of member companies who have had unsuccessful bids who might question why their bids were rejected based on the values that are coming out of the National Audit Office inquiry and the Select Committee report. There is a lack of clarity, and that needs to be addressed.

Q83 Chair: It was in was the NAO report—I think it was picked up by the PAC report as well—that projects could be chosen for reasons other than value for money. Were you aware of this when you submitted your own bids?

Michael Leithrow: No. In fact, in our case—and I suspect generally—there was a very strong emphasis on leverage. Leverage was the key ingredient and five-to-one was a figure that you would use as a kind of starting point. Our particular bid actually had one-to-one leverage but it had this other element of bringing in this value for money through the social aspect of the bid, but certainly that was not made clear.
Q84 Chair: Effectively, you were submitting bids on an evaluation basis which was not necessarily going to be applied by BIS.

Michael Leithrow: We hoped that we were fishing in the right pond, but we didn’t know.

David Dunn: I would agree. It was almost a blind application process; you did not know even the category headings under which you were trying to achieve certain things, such as leverage or cost per job. You could make assumptions, and anybody who had previously worked in the public sector would always make assumptions like that, but because we put in a bid on behalf of four private companies at no cost to them, it is very difficult for me to go back and say, “Well, here is the reason why you didn’t get funding.” Yes, we got a feedback session, but that is another conversation about what we got from the feedback session.

Q85 Chair: If you are doing the bid on behalf of other companies and basically it has failed because you did not effectively base it on the right criteria, how does that affect your relations with those businesses?

David Dunn: I should perhaps clarify. Each of the individual companies filled out their own application form with our advice and assistance. We made them fully aware, rightly or wrongly, that there was a high chance of being unsuccessful. We managed expectations at the start because there were no criteria out there. The companies that we were working with were a little bit more expensive, they were £8,000 a job, but they were very high quality, very technical jobs that would be sustainable. We were also leveraging more or less one-to-eight, which we thought was quite good. A lot of private sector things were being catalysed by the RGF. We have gone back to them. Perhaps, with hindsight, it was almost a good thing that we did not get it because six months waiting to get their money through would have dropped all of their projects anyway. Sorry, that is a horrible thing to say but it is probably very true.

Q86 Chair: Yes. Do you think there is a case for the criteria on which a bid will be judged to be made more specific, bearing in mind that there is always an argument for a degree of flexibility, because, as other people have said, every application is different?

David Dunn: You either, in my eyes, make it more specific to fit with what BIS understand they are looking for, or if you leave it—for want of better terms—open and vague, you need people within BIS who understand the nuances of different sectors, who can then compare, as I said very early on, apples and pears.

Philip Ray: I would agree with that, but I think BIS does also need to keep flexibility within the process and known criteria for judging the applications.

Michael Leithrow: I would certainly agree with that with one proviso: if you start introducing too much flexibility then there will be a flood of applications that are clearly ineligible. The one thing that is very, very clear to me about this whole process is that it is about jobs and job creation. If there is to be flexibility, that needs to go at the front of it. You can look at whatever you like, but unless you are creating jobs then do not apply.

Sumita Shah: We are very supportive of the need for clear guidance and that is from the start of the application process all the way through to the end, when funds are being delivered. Going forward, businesses need to know what information they need to have in place for the process and what their expectations should be, so I think we need clear guidance, including the timetables that you have talked about as well.

Roger Salomone: We come from the other perspective, but I think clearer and more specific guidance on how bids will be interpreted and assessment criteria is absolutely essential because if not there is potentially scope for a lot of inefficiency. Bids will be submitted that do not stand a hope of being taken forward; conversely, if you have had a bad experience it could discourage you from making bids going forward, if you do not understand how some of the criteria might come into play.

Q87 Chair: I do see a potential difficulty that BIS may have. You may have an excellent bid creating a lot of jobs in the South East of England, where there is low unemployment, and you may have a bid perhaps not creating as many jobs but in a strategically far more important area, where job creation is more vital. Have you any sort of comment or perspective on that? Which would you go for?

David Dunn: It depends on whether BIS decided to place a weighting on that emphasis. Is that one of the drivers of the funds, removing unemployment in areas of high unemployment and higher economic requirement?

Q88 Chair: Well, I would have thought that was pretty central.

David Dunn: In that case it needs to be weighted.

Q89 Chair: You say it ought to be made clear and weighted so that applicants know what the situations is.

David Dunn: It would be an interesting line for BIS to take.

Q90 Chair: In your experience, is the threshold of £1 million an obstacle to businesses applying?

David Dunn: We amalgamated a bid to get over that threshold. When we had an early conversation with BIS at the workshops, they recommended that could be done. The feedback in terms of our unsuccessful bid did not suggest that an amalgamated bid was a problem, so I do not necessarily think the threshold is a problem if you are trying, like us, to grow a sector, where you can bring in a number of companies together.

Q91 Chair: Do others agree with that?
Philip Ray: Yes, I do not see the £1 million being a problem either.

Q92 Chair: In terms of relations with your local LEP, what level of consultation did you have with them before putting your bids in?

Philip Ray: In our case, we were going through the transition between the RDA into LEP so we actually had no consultation whatsoever with the LEP. What we did have was a very strong consultation with our local authority and we found that their support was invaluable in progressing the bid and taking the bid forward.

Paul Kalinauckas: We had a good relationship with our LEP. They endorsed it because we knew them well. When we went to an adjoining LEP, they did not know us so they were not prepared to support our bid. Our bid was one that we did ourselves and we found the answer to this was to have two bids. We did one and our trade association did one. All the work we put in to get the LEP’s support was not really necessary in the end, although what has been an embarrassment is that they have cited us right from the beginning about how wonderful we are and now it is like, “When are you going to get it?” This has been going on since April last year, but the key is that if you had the existing relationships then you got the support, but if you did not and they did not really know you, it took time to build up the relationships.

Roger Salomone: The general picture is that there has been fairly limited engagement from the LEPs. The first and most basic problem goes back to the conversation from earlier this morning around the ability of LEPs to market themselves. Actually, awareness of LEPs is very low, particularly amongst the SME community. I would be surprised if, based on our sample of the 150 members from our regional committees, much more than 10% of companies are aware of LEPs in the first place. You have got to know about them to go there to get their endorsement.

If you do know about them there is a bit of scepticism about what kind of value they would actually add to a bid. I know of companies that have deliberately avoided it, based on perhaps an unfounded concern that they are public sector-type bodies and that it would involve additional bureaucracy in the process. As we have heard, it is quite a lengthy process already.

To give you a feel for that, the general experience under the RDAs was that funding applications, from putting in the application to knowing whether or not you had been successful at the back end, took about 30 days to turn around. A lot of companies are putting their bids in for LEP sponsorship and they are sitting there for several months. That is an issue.

Michael Leithrow: We cover two local areas and one of them was talking to us this morning. The dialogue that we had with the LEP was quite interesting, because I thought it would be very much that you would whack in an application and it would either go through the bureaucratic process or you would get a letter signing it off. I was quite impressed by the interest that the LEP were showing in what we wanted to do, how it was going to be delivered and actually understanding what the bid was about. The other LEP was not quite the same; we got support from both, but certainly with the Tees Valley LEP, I found that very interesting and very welcoming. I think, if there is an element of failure, it is moving that on and working with both LEPs to actually use what we have been successful in. We have RDF funding and we have RGF funding; here, we are laying it before you; how can you now use that as part of your delivery model? I suspect it is because of the capacity within the LEP and the fact that micro-enterprise—which is really where we are—and micro-finance are a relatively low priority, but certainly they are very, very interested in what we were doing.

Q93 Chair: Would you say that there is a higher level of awareness amongst SMEs of the Regional Growth Fund compared to LEPs?

Roger Salomone: Yes.

Q94 Chair: It was your comment that provoked my question. Would other members of the Panel agree?

Paul Kalinauckas: I think most small businesses do not even know the LEPs exist; most small businesses do not even know what the Regional Growth Fund is. That is my view, certainly in our locality. They just passed everyone by.

David Dunn: More will know about the Regional Growth Fund because of the third word: fund.

Q95 Chair: Instinctively, I would have thought that was the situation. How would you rate the level of awareness of how to apply for money through the Regional Growth Fund among small businesses?

David Dunn: We took them the opportunity. We knocked on their door and said, “There is an opportunity for you to join an amalgamated group to bid into a Regional Growth Fund.” Their first response was, “I have never heard of this.” We were doing a selling job on behalf of it because we realised there was an opportunity.

Michael Leithrow: I think those organisations that are relatively switched on would be aware. The roadshows were well attended and trade bodies actually putting the message out certainly helped, but I think if you weren’t aware of it, you weren’t reading the newspapers.

David Dunn: I don’t think the results and feedback from Rounds One and Two in the general press will help drive demand, or have helped drive demand, for Round Three. I think that all of the stories of time lags and perhaps missed promises are not necessarily going to drive people through the door for any further rounds.

Q96 Chair: Having said that, the number of applicants still far outstrips the number of successful applicants.

David Dunn: It depends how many are led by association bodies as well, though.

Q97 Paul Blomfield: I just wanted to say a bit more on the role of LEPs, because there is a kind of view that LEPs really ought to be supporting and coordinating; they ought to be the clearing house and
ment for bids. Others would suggest they steer clear and that local authorities and companies themselves should be putting in the bids. What do you all feel about that?

Paul Kalinauckas: If there is the resource, then it does work well. I know, for example, that in the Black Country some of the officers in Sandwell Metropolitan Borough Council did a lot of work with local businesses, making them aware, giving them support with filling the applications in. Even though it did not come directly through the LEP, because the LEP existed and the local authority was part of that, it was enabling as a process. They were local authority officers who knew what they were doing and could add value in filling out these complicated application forms.

Philip Ray: I would agree with that. We found in our area that the officers within the local authority were actually clued up on how to approach the application process. Really, that was what we were tuned into and that was where we got our help from.

Sumita Shah: I do not have enough information about LEPs, but in terms of skills, one of the things we would say is that with the demise of the RDAs some of those previous officers who used to work in RDAs are now working in the private sector. Certainly, where they have been involved in parts of the process—I am talking specifically now about the due diligence process—in parts of the country, in the North, for example, that process has been a lot easier. This experience around skills is probably quite important.

David Dunn: On the caveat of capacity, which was the conversation of this morning, LEPs potentially and controversially provide an opportunity for localised due diligence. That is not financial due diligence; it is whether those bids fit with what is needed in the area. It comes back to the question before by the Chair of the weighting and necessity of jobs and unemployment. I think LEPs could really add value there. The only other point I would make is that endorsement by a LEP and endorsement by a local authority are not necessarily mutually exclusive. I do not think they need to be seen as necessarily hierarchical, as well. Talking to both of them will give you a good understanding, and they could be really useful going forward.

Q98 Paul Blomfield: This highlights a different question. Very briefly, putting aside all of the other pros and cons of RDAs versus LEPs, was the process in the past richer and better because people were making decisions closer to the point of delivery? Is there a problem with the way that processes have been made lengthier and more remote because they are being centralised rather than regionalised?

David Dunn: I think absolutely. It comes back to Michael’s point before: if you can build a relationship with somebody locally you can quickly get the answers and the process can be sped up.

Q99 Paul Blomfield: Is that the general view?

Michael Leithrow: That mechanism exists, doesn’t it, for European funding?

Paul Blomfield: Yes.

Q100 Chair: Can I just ask a couple of quite specific questions? I have had feedback from my local LEP. First of all, on state aid, certainly one company in the West Midlands was turned down because it required an unacceptable level of state aid and henceforth companies have been advised to get advice on that. Is that an issue that you have come across?

Michael Leithrow: Absolutely, and if you want advice on state aid there is no body to which you can go and talk to get the advice. To find out where you can get the advice is absolutely torturous. Having to find a solicitor who you then have to pay to give you the advice, you could almost lose the will to live. It is an important issue. I cannot imagine that outside of the UK some of our fellow countrymen in Italy and France and Spain go quite to the same lengths that we do, but it is certainly very difficult.

Q101 Chair: Just to follow up on this point, what would you recommend that the Government do to improve that situation?

Michael Leithrow: Short of having some central body that you could talk to and say, “Is this an issue? Is there a way around it?” I actually printed off the state aid rules. They are about that thick. It is written in a language that I do not really understand. When I read it I misinterpret what is in there, so I have to go back and read it again. I am convinced I have found the answer only to find, when I read it for a third time, I have actually misread it again and it is no good to me. Some general help would be desirable, and that help used to be available when the RDAs were around.

David Dunn: There were early conversations, stemming back on RGF1, which have perhaps even now turned into urban myths, around the idea of block exemption for a single RGF scheme that could be led by central Government. I merely say that to raise an issue and a question more than to make a comment.

Sumita Shah: If state aid is one of the requirements—and I know accountants are having to look at this as part of their process—then BIS itself needs to provide more guidance on what is state aid and how businesses can actually get more information about it rather than refer businesses to their lawyers, which is additional cost, and actually provide some of that information.

Michael Leithrow: I think once you have actually gone past the offer stage, BIS are very helpful in trying to make sure that state aid is not an issue, but actually getting to that point can be quite changing and it is asking a lot of an accountant to answer a question that really is a legal one.

Q102 Chair: Another fairly detailed but important issue is that unsuccessful companies from Round Two were only able to get feedback about why their project had been unsuccessful by requesting a Round Three “expression of interest” meeting. That, obviously, made that process conditional on them taking that particular step but also meant that there was a delay, often of up to three months. Is that a problem that you have come across? Do you think it is having an effect?
David Dunn: I am not sure if it was explicitly written as a Round Three bid discussion. It did take a while to get feedback for all of the companies that are involved in our bid and, to be perfectly honest, the feedback raised more issues for us. It did not help clarify what a Round Three bid might look like, so much so that we decided that probably it was a waste of the companies’ time and effort to put in a Round Three bid. The companies that had previously applied for Rounds One and Two felt that process was so cumbersome and the feedback was perhaps not very helpful; they decided not to put in a Round Three bid.

Q103 Chair: Is that an experience that others would concur with?

Roger Salomone: I have not personally heard the issue raised but I will look into it because it sounds like a very strange way to go about it, that you have to express an interest in Round Three just to get feedback on Round Two.

Q104 Chair: My final question is really just a refinement of a comment I made earlier. Do you think the focus of the Regional Growth Fund should be on areas that are unduly dependent on public sector provision or public sector jobs and that, under the Government’s policies, are likely to be most vulnerable? If so, should that be written into the guidance?

Michael Leithrow: Very parochially, I would say it is very important to recognise communities of interest and not just geographical communities. If someone happens to have a disability and is disadvantaged in an affluent area, well, so be it. They should be entitled and they should be part of that support package. That is quite an important issue for me where the North wins and the South loses.

Philip Ray: The RGF should be focused on areas where development is needed and there is a potential to create jobs and create and improve communities, not just solely focused on the public sector.

Q105 Chair: Would that be a consensus?

Roger Salomone: We would probably have concerns if there is more of a regional perspective hardwired into the rules than there is already. As a country we have got a very significant macroeconomic challenge and we might need to think about how we can get the best value in terms of jobs and wealth creation under monies available under the RGFs I think that could be a potentially dangerous route to go down. There is a balance to be struck there.

David Dunn: I think it actually comes back to your point before. It should be an element that is looked at, but it certainly should not be a line that is drawn between the North and the South such that only some are eligible. It should certainly be a high percentage of the evaluation criteria.

Chair: Thank you very much for your contributions. That is very helpful indeed. We will obviously be examining the PAC report in great detail and we will be having the Minister in front of us in October when we can pick up the issues raised by the NAO, the PAC and which have been raised here today. I will repeat what I said to the other Panel: if you feel that there is an answer to a question that we did not pose but should have, feel free to write to us to give us any further information and, equally, if we feel that perhaps we should have asked something or followed something up that we didn’t, we may write to you and would be grateful for your reply. Thank you very much; that was very helpful indeed.
Tuesday 16 October 2012

Members present:
Mr Adrian Bailey (Chair)
Mr Brian Binley
Paul Blomfield
Katy Clark
Mike Crockart
Julie Elliott
Rebecca Harris
Ann McKechnie

Examination of Witness

Witness: The Right Hon Michael Fallon MP, Minister of State for Business and Enterprise, Department for Business, Innovation and Skills, gave evidence.

Q106 Chair: Can I start by first congratulating you on your ministerial appointment and, secondly, thanking you for agreeing to speak to the Committee so early in the new session? If you could just introduce yourself for voice transcription purposes, that would be helpful.

Michael Fallon: Thank you, Mr Chairman. My name is Michael Fallon. I am Minister of State for Business and Enterprise. As you can tell, my voice is going slightly.

Q107 Chair: I would like to say that we will not impose too much strain on your voice, but I may not be able to control my members sufficiently. Could I just start with fairly general opening questions, first of all, about the LEP vision? Obviously, LEPs were introduced two years ago. How do you think they are performing, in terms of the vision you had then and the reality now?

Michael Fallon: Thank you, Mr Chairman, and thank you for the invitation. You have seen the written evidence that my predecessor submitted to you in July, which explained this Government’s different approach to growth. It is that local growth must be locally led and must reflect functional economic areas rather than simple administrative or politically expedient boundaries. It must be driven by business leaders and people who create wealth, on the premise that those who create private-sector jobs are probably best placed to understand the barriers to growth—the barriers that prevent other businesses from growing. That was the original vision from the beginning.

My aim has been to sharpen the focus and to accelerate the pace. I have met the LEP chairmen and indicated to them that I want to see a significant step-up in pace. I have responded to their request for core funding to assist their capacity. As you will have read, I have announced £125,000 this year and £250,000 for each of the next two years as core funding, on condition that they submit to me a growth plan by Christmas, and on condition, too, that the £250,000 in each of the two subsequent years is matched by other funding.

The only other change that I think I can announce today is that I also want to clarify the relationship between LEPs and Whitehall. I want there to be a single point of contact between the LEPs. They already have contact with BIS Local, our regional offices. They already have contact through UKTI, but I want them to have a much more direct contact with Whitehall, and they will, therefore, from now on, have a single strategy adviser in the Department, or in the Department for Communities and Local Government, as a direct point of focus as they move forward to finalising their growth plans and telling us about their plans for the next two years.

Q108 Chair: You partly anticipated some of my questions, so I will not labour the point. Certainly in terms of accountability, that is helpful. One of the accusations is that BIS is too centralist, while the DCLG is only interested in localism. Given the, shall we say, locus that both of these Departments have on LEPs, how do you think you are going to address this tension? You have pointed to one or two things you want to do, but could you perhaps develop that?

Michael Fallon: I do not see the tension between the two Departments. We work extremely closely together. I have regular meetings with my counterpart, who happens to be my predecessor in this role, so that is a very close relationship ministerially. There is a very close relationship at official level between the two Departments, and I do not recognise your characterisation of one Department as localist and one as centralist.

Q109 Chair: It is not mine; it is what one of the witnesses said.

Michael Fallon: Fair enough, but I do not recognise the characterisation of one Department as localist and one as centralist. It is perfectly true, of course—

Q110 Chair: If I could just stop you there, Minister, while you may not recognise it, if there is that perception among those involved, then even if the reality is not there, one has to change the perception.

Michael Fallon: I accept that. I fully accept that. If the perception is there, we have to tackle it. It may well arise from the fact that my Department, of course, runs a number of central funds that LEPs bid into—and not simply the Regional Growth Fund, which I think we are going to go on to discuss. We are involved across the piece in other funds as well—the Enterprise Zones, the City Deals and so on. There are national programmes that LEPs are increasingly involved in bidding into, so that may account for some of the perception.

Q111 Chair: Getting back to this issue of accountability, I can see that, shall we say, having
Your predecessor in DCLG is potentially quite helpful, but could you define your different areas of responsibility in the context of the LEPs?

Michael Fallon: They are not different. I suppose they are only technically different, in the sense that the Permanent Secretary at the Department for Communities and Local Government remains the accounting officer, because the funding flows through local authorities to the LEPs, whether it is the core funding or, indeed, some programme that they are involved in. Otherwise, however, there are not differences between us. We are both heavily engaged in discussing future policy and programmes with the LEPs, and we do not have different objectives for them. Perhaps it would be better to turn it round and say that we expect the LEPs to publish their own strategies and to have their own objectives; these are not objectives or targets laid down by central Government. The whole point of LEPs is that these are their plans, driven locally and driven upwards.

Q112 Chair: Given the fact that funding is split 50/50 with BIS and DCLG, I was going to ask, “Who is in charge of the funding?” but from your previous answer it sounds as if this is DCLG funding. Does this not make it confusing, in terms of BIS input into the objectives of the LEPs if the funding is coming from DCLG?

Michael Fallon: The funding is not just coming from DCLG; some of the funding, of course, comes from my Department, through the programmes that I have described, like the Regional Growth Fund, City Deals and so on. I think there has to be a single accounting officer, although both the Department’s Permanent Secretary and the Permanent Secretary at DCLG appeared in front of the Public Accounts Committee. I think it is right that there should be a single accounting officer, because the money, as I said, flows through local authorities. There are two Departments here engaged at the centre; there are other Departments involved as well. The Department for Transport has a very keen interest in the plans and progress of LEPs, as does the Department for Environment, Food and Rural Affairs, so this is not just two Departments, but we stand at the centre of it.

Q113 Chair: It is very confusing, because you have just quoted that BIS will provide funding through the Regional Growth Fund, whereas, in fact, a relatively small amount of funding from the Regional Growth Fund has gone through the LEPs to date. Could you just clarify exactly what DCLG is providing, in terms of the core funding, and what BIS is providing?

Michael Fallon: I cannot do that in respect of the Regional Growth Fund, but what I can say is that the LEPs are increasingly involved, as you said, in the bids for the Regional Growth Fund. I think they were involved in some 16% of round 1; that rose to 42% in round 2; and we are planning to announce round 3 very shortly, but I think you will see there quite a significant increase in that percentage. Alongside that, while I cannot reveal the results of round 3, I think you will also see a number of programme bids led by LEPs themselves, so there is increasing involvement by the LEPs with the fund.

Q114 Chair: Yes, we are going to cover this in the section on the Regional Growth Fund, but what about the core funding that you have announced?

Michael Fallon: The core funding is divided simply between the two Departments, in terms of the capacity funding. It is split equally between the two Departments.

Q115 Chair: Are there no criteria for what funding one Department provides and what funding the other Department provides?

Michael Fallon: No, absolutely not. It was a joint announcement. This is simply to strengthen the capacity of LEPs. It is something they have been asking for for some time, and I thought it right that we respond to it.

Q116 Chair: Just finally on my section, you have talked about accountability. Do you think there should be just one formal LEP-sponsoring Minister?

Michael Fallon: No, because both Departments sit right at the centre of this and, provided we work extremely closely together, which we do, I think the system we have at the moment can work well. What I am announcing today is that I want to strengthen it below ministerial level, so that LEPs are very clear that they have a single point of contact with Whitehall, so that, if you like, they have a sponsoring official, rather than, for different purposes, having to contact different people in different Departments.

Q117 Chair: Certainly, the witnesses we had were pretty well united in saying that one of the problems was that they just did not know who to go to to respond to problems that they were having. You are saying that this will be sorted by having a specific official.

Michael Fallon: It is already sorted locally, because they can approach the BIS Local office and have contact there. They are already developing relationships, as I said, with UKTI. They can approach myself or Mark Prisk, Minister at the Department for Communities and Local Government, but, from now on, they will also have a senior official in one or other of the two Departments, who will be their strategy adviser.

Q118 Chair: Have you not determined which Department it will be in?

Michael Fallon: There are 39 LEPs. I guess we will split them between us. We may want to involve the Department for Transport as well, but I guess we would split them between the two main Departments.

Q119 Chair: Sorry, I am not clear; if you have one official, how can that official be split between two Departments?

Michael Fallon: No, I am sorry; I was not clear. If there are 39 LEPs, we would probably split the strategic advisers between the two Departments, so each Department would have whatever it is—19 or 20.

Q120 Chair: We are, then, not having one single official taking ownership of the LEP programme, but...
different LEPs will have a dedicated official to deal with; is that correct?

**Michael Fallon:** We have officials in each Department who have overall responsibility for LEPs, in both BIS and the Department for Communities and Local Government, but the criticism has been—and I have accepted that it is a reasonable criticism—that the 39 LEPs, in approaching Government for different purposes, have not quite been clear, sometimes, who to turn to. I am the Minister, and Mark Prisk is the Minister in the other Department, but I want each LEP to have a single named official as their strategy adviser, and he might be in one Department or he might be in the other.

Q121 **Chair:** Certainly, again, the evidence that we had before indicated that they wanted somebody to take ownership of the LEP programme as a whole. When you said earlier that somebody would, in effect, be accountable, that is what I thought you were implying; now, it would seem we would have a multiplicity of officials answerable or accountable to different LEPs.

**Michael Fallon:** I am accountable; it is one of the reasons I am here this morning. Mark Prisk is also accountable. We are accountable as the Ministers, but I just want to be very sure that the 39 LEPs have a named official who they can turn to if there are any issues, and then, of course, they can come and approach me.

Q122 **Chair:** In terms of the overall performance of LEPs, however, there is not one official and one Minister who is answerable for it.

**Michael Fallon:** There are teams of officials who are working on LEPs, certainly in my Department, and who are helping them with their progress all the time, and we are going to get more closely involved as they finalise their growth plans and as they come forward to deliver the various Government programmes, including their bids under the Regional Growth Fund. The relationship is going to get closer and closer. Overall, however, I take responsibility for it.

Q123 **Mr Binley:** Does the fact that LEPs are supposed to be responsible for their activities, are supposed to be raising their own money in the main, and will differ in terms of the work they do at local level mean that having a Minister responsible argues against the whole process of what LEPs are about?

**Michael Fallon:** I think there is a lot in that. These are not creatures of government. The whole point is that these are locally driven organisations that are focused much more closely on their local priorities than a Minister or a Department could ever be. That is how they originated. I thought it was right, though, to help them demonstrate to their local community and their business community that, equally, they were not creatures of local government, and that is why I thought it was right to provide some core funding to help them with their capacity, so that, when they were dealing with local businesses, they were not wholly reliant on the local council or the local authority in their area.

**Chair:** What you have done is in conformity with one of our recommendations that we made in our earlier report, so that is welcome. I think the real issue is that, while LEPs are locally driven and have local priorities, a lot of LEPs do not fully understand what their role is and potentially what they may be able to do. It is helpful to have some sort of ministerial oversight both to inform them and to monitor them.

Q124 **Paul Blomfield:** I was going to ask a wider question on accountability, but I would just like to follow up on one point there, which is that, if we are looking at the LEPs being split between two Departments in terms of their point of contact, how are you going to ensure consistency of strategy and practice in relation to them between those two Departments?

**Michael Fallon:** It is a fair question, but that is an issue we have faced right from the start. There are two Departments; we work extremely closely together at ministerial level and at official level to ensure that the approach is absolutely common between us. There is no philosophical difference in the way that we deal with LEPs between the two Departments, and we just have to make sure that we are completely co-ordinated.

Q125 **Paul Blomfield:** Government Departments being completely co-ordinated and acting as with one mind is not necessarily always the practice, is it? How are you going to put structures or frameworks in place to make sure that does happen?

**Michael Fallon:** I know I have only been there five weeks, but I have not seen any evidence that it is not happening. I have met the LEP chairmen and they have not told me that there is a difference of approach. I think you have had it, perhaps, in criticism or in evidence, but I have not heard that from the LEP chairmen themselves. They do not see this particular distinction. I think it is something we have to continue to work through but, as I say, I think one way of dealing with it is to make sure that they have a single point of contact from now on, so that, when they do approach Government, they know exactly who to call.

Q126 **Paul Blomfield:** How would you make sure those two single points of contact are co-ordinated and operating as with one mind, in terms of the approach to LEPs?

**Michael Fallon:** There will be 39 points of contact, or maybe some officials have more than one—I do not know; we will work through the details of that—but they are all people who have been working on the LEP programme up to now. As I say, I have not come across any hard evidence of a serious disjoint between the two.

Q127 **Paul Blomfield:** Thanks, Minister. If I could move to a different issue of accountability, we met, as you know, with a range of LEPs last month and asked them to whom they thought they were accountable. It was quite interesting, because each answer we got was different. We got a range of beliefs in terms of local accountability or national accountability, local...
accountabilities being different. Who do you think the LEPs are accountable to?

Michael Fallon: First and foremost, they are accountable to themselves. They are accountable to their local community. They set objectives, and it is for them to measure how well they stand up to them. It is not for us to impose targets on LEPs or to prescribe how they are going to respond to the challenges in their own area. That is a matter for the LEPs themselves. I think we have to get away from thinking of them as agencies of Government, as small bits of a Department, or something that Ministers simply issue orders to. The whole point of LEPs is that they are local; they will differ from each other; they will have a different view of the world; and, in the end, they are responsible and accountable to their own communities. Of course, where there is public money involved, they are then responsible up to Government as well.

Q128 Paul Blomfield: Are you concerned, then, that at least one of the answers we got was that one LEP saw itself as accountable to Ministers as the appointing body of their role as chair?

Michael Fallon: They all have a slightly different approach to, and you may not want to name that particular LEP, but they do all have a slightly different view of the world. We meet them regularly. There is the LEP Network, which helps spread good practice and so on, but what I do not want to do is lay down some sort of code or guidance from the centre as to how LEPs should behave. The whole point of LEPs is that it is for them to find their future and it is for them to deal with the challenges in their area, and that is bound to differ, area by area. They differ, of course, fundamentally, in size: some of them are extremely small; some of them—my own, for example, in the south-east—are vast LEPs, so they will all have different approaches.

Q129 Paul Blomfield: In terms of the way they see their role, we have had, in evidence, concern expressed that they are perhaps not looking at wider community interests—for example, sustainable development. Do you see that as part of their role, or should they be very narrowly business-focused, in your view?

Michael Fallon: Their role is growth. Their role is to make sure the local economy grows, and grows in a sustainable way. To that extent, I would hope, obviously, they would focus on development that is sustainable, but that is for them to decide. The temptation for Ministers is to start, slowly but surely, laying down LEP policies they must follow, and I really do not want to do that. It is for them to identify how sustainable growth can be promoted in their area, but I do emphasise “sustainable”. A

Q130 Paul Blomfield: Can I move on to a different area? Some of the evidence we have had is that you should support LEPs by devolving more powers to shape local economies, and you said in your opening remarks that we needed to sharpen the focus and step up the pace. Is it implicit within that that you are looking for greater devolution of powers?

Michael Fallon: It is for LEPs to tell us what they want to do. One area that they are going to be looking at is whether they cover enough of the functions of economic development originally envisaged. Of course, you could easily see them having a very strong interest in skills in their area, for example, or, indeed, in the output from schools and colleges. These may well be things that LEPs want to talk to us about in future. I would not be surprised, for example, if Lord Heseltine, in his review of all this and the work of our Department, looks at this particular area. LEPs, however, are very new in the field; some of them are very recent indeed, and it is perhaps slightly too early to start saying that they should be ready to take on more and more official functions. I want the ideas to come from them, and I know some of them are already thinking about the skills gaps in their particular areas and how those are best tackled.

Q131 Paul Blomfield: While fully accepting your desire for the ideas to come from them, given that LEPs were created by Government, I guess you have some vision for them. Where do you see them going, in your view, in terms of what powers they might have?

Michael Fallon: They were not created by Government; they were created by themselves with inspiration from Government.

Paul Blomfield: We can discuss that. Michael Fallon: They were created by themselves with inspiration from Government. Paul Blomfield: We can discuss that. Michael Fallon: It was for them to choose their areas, it is for them to choose their focus, and it is for them to work out best how they can support and foster local growth. That has to come from them, but my vision of a successful LEP would certainly be them identifying all the barriers to growth, and that would include skills gaps in their local areas, and gaps that they identify, for example, in infrastructure and the other things that businesses need to grow.

Q132 Paul Blomfield: Would that vision include the devolution of additional powers?

Michael Fallon: They do not, at the moment, have powers at all.

Paul Blomfield: That is right. Michael Fallon: So I think that is probably the wrong way to look at it, but as LEPs go forward, I would, as I said, not be surprised if they started to focus on some of the wider barriers to growth, which, as I say, must include skills gaps in their local areas, and the bits of infrastructure they want to see updated and modernised.

Q133 Chair: Could I just pick up a response you gave to one of Paul’s earlier questions? I think I am right in saying that when you were asked to whom LEPs should be accountable, you said that they should be accountable to their local communities; is that correct?

Michael Fallon: I said two things: I said that they should, first, be accountable to themselves—they should set objectives and measure their success against them—but they should also, in a wider sense, be accountable to their community. That is why their
boards are representative. Some have representatives, for example, of local businesses, local authorities, chambers of commerce, further education colleges and so on. Through that, there is a wider accountability to the area that they represent.

Q134 Chair: How do you think the local community should exercise their potential accountability? How can they make a LEP accountable?  
Michael Fallon: First of all, through the local authority, which is very closely involved. In almost every case, there is very strong local authority involvement in the LEP, so there is some form of democratic connection, if you like, there. However, you need to think of this more widely through other ways in the community, as I said—through the local chamber of commerce, if you are a small businessman; your voice will then be heard in the LEP. If there is somebody from the chamber on the LEP board or otherwise involved in the LEP, which there is in the majority of cases, your voice as a small businessperson will be heard. If you are involved in other areas of the community, there will be other people on the board who may well be representative of what you are doing.

Q135 Chair: I see it as a problem that the only really democratically accountable body is the local authority, but the whole objective of LEPs is that they should be business-driven, not local authority-driven. There does seem to be, if you like, a differential democratic deficit there between the business and the local authority community.  
Michael Fallon: I think, Mr Chairman, that comes back to what I said at the start: we firmly believe that it is not for Ministers or for local authorities best to determine the barriers to growth in their own areas. We think these are best identified by local business people, who are already creating wealth and jobs, and we think they are better placed to understand what the barriers to further growth are. They are in the driving seat, but obviously each LEP is fairly closely intertwined now with its local authority, so local authorities are involved with business; that is why they are called partnerships.

Q136 Mr Binley: Can I follow that up? I think there are other ways of communicating and being responsible to the local community; for instance, in Northampton, we have set up a people’s forum. Every four to six months, the LEP and other organisations report back to that people’s forum and get feedback from it. Those people represent the various sectors in a given area—the ethnic groups, the churches, the business and so forth. You can create a local democratic network, which does not necessarily have to be elected, that can do the job you want it to do.  
Michael Fallon: As I expected, I have learned something about the people’s forum in Northampton.

Q137 Mr Binley: Have a look at it, and you will find that there is a way of going ahead.  
Michael Fallon: Sure, I would like to look at that in more detail.

Chair: I think this is a very valuable point, because certainly, despite the best efforts of LEPs—I have one in the Black Country—there is still a very low level of understanding or participation amongst the wider business community and SMEs. Ways of developing their involvement need to be looked at.

Q138 Ann McKechin: You mentioned that you have recently announced core funding for the next two years for the LEPs as part of an interim £5 million funding package. I understand this is going to be based on a bidding process, and I just wonder if you could clarify to the Committee today how that funding allocation will work and whether there will be any evaluation of the manner in which it is spent.  
Michael Fallon: The core funding will not be done on a bidding basis. It is simply straightforward: it is £125,000 for this year and £250,000 for each of the next two years, provided they come up with matched funding alongside it, and provided they have agreed with us a growth plan by Christmas this year for the years 2013–14 and 2014–15. That does not require any kind of formal bidding process, and we really want to make this as simple as possible. Indeed, I am very anxious to get that £125,000 to them as quickly as possible. I think that is going to be done in the next week or so. That is not a formal bidding process. Obviously, in the bigger government programmes, they are bidding. They were involved in the Growing Places Fund and they have increasingly got involved in the Regional Growth Fund, so there, they are involved in bidding.

Q139 Ann McKechin: You mentioned that your Department had to agree a growth plan. Is this the way in which you are evaluating how the LEPs are actually operating?  
Michael Fallon: We are talking with and meeting LEPs all the time. I meet the chairmen, and my officials are talking to LEPs all the time. The BIS Local teams are talking to LEPs all the time. However, I want them to be very clear now, and the Government are impatient for growth, as I am sure you are. We want to see the economy growing more rapidly, particularly locally and particularly outside London and the south-east, and that is why I want them to step up the pace and to get on with this now. Some of them are relatively new; others have been around for a year and a bit now, and I do not think it is unreasonable to require them to come up with a firmer plan now. Some of them have done that in the context of bidding for Regional Growth Fund money, but I want all of them to be clear now about what their priorities are for local growth and how they see their way forward.

Q140 Ann McKechin: Will the plan be the key indicator, in terms of your evaluation of their work?  
Michael Fallon: It will be one indicator, certainly. The amount of money I am providing is not a huge amount of money in terms of core funding, but I think it is enough to help detach them a little from the world of local authorities, so they can show the business community and the wider community that they are not simply a desk in the town hall, if I can characterise it like that, but have a more substantial status than that.
Q141 Ann McKechin: You mentioned in your evidence earlier this morning that you did not want the LEPs to be creatures of local government, but there has been concern expressed in the evidence that this Committee has taken from LEPs that the funding, in some cases, has resulted in “little separation or independence from the dominant local authorities”. Does the high level of funding from certain county councils mean that they are, in effect, calling the shots, and where do you think the progress of LEPs will change as they develop their plans?

Michael Fallon: First, perhaps I can just come back on my remark: I do not want them to be creatures of local government and I do not want them to be creatures of central Government. I do not want them to be creatures of any government: I want them to be themselves, locally formed, locally driven and locally inspired. There are LEPs—for example, the Tees Valley LEP—which were in existence before we thought of LEPs. It was already combining the economic development functions of the local authorities in its area, it is very well resourced, and it knows exactly what it is doing and fits very well into our vision of what a LEP should be. It was already drawing quite substantial commitments of funding from its local authorities. There is, obviously, a balance here. We want them to look and feel independent of local authorities, but I would have thought that local authorities that have the funding and the expertise would want to be fully engaged in the partnership with their local LEP and working with them when it comes to submitting bids, whether it is for a City Deal, for the Regional Growth Fund or some of the other funds that are available, like Enterprise Zones.

Q142 Ann McKechin: If I could just stretch you a little bit further on this, this is the issue about cash-matching. Increasingly, you are saying that if they want funds from Government through the Regional Growth Fund or from core funding, you are looking for them to match funds. Some suggested to us in evidence—particularly, perhaps, the smaller LEPs—that if you ask them to do that, they are going to end up having to take more money from local government, because they cannot afford to really get going. It is a buy-in at the moment from industry or from the banks, in terms of investment. I just wonder to what extent you have made an indicator to them that, as they progress in their development, this matched cash has to be increasingly from a greater variety of income streams, rather than simply from local authorities.

Michael Fallon: It is a very fair point, and I certainly reflected on this because of the different sizes of the LEPs—there are some much smaller ones—but I came to the conclusion that it would be far too complicated, really, to give them core funding based on size and differing amounts and so on. I thought it was just easier to get the money out to them as quickly as possible, so I think the bigger ones have probably more grounds for complaint, because they are getting a relatively small sum of money compared to their population. I take your point on the difficulty of raising matched funding. These are not easy times for the public authorities that they are approaching for matched funding, let alone the private sector, but these are partnerships; I do not want them, as I said, to be either creatures of local government, as you picked up, or, indeed, wholly dependent on central Government funding. The way forward has to be that they are fully engaged in their community in a partnership between business and other public-sector bodies in their area.

Q143 Mr Binley: I want to talk about private-sector funding sources, and that means local business, banks and other areas of income. Certainly, we are involved in one area in using marketing for the whole of Northamptonshire, highlighting local businesses of repute and profile, such as Carlsberg, Church’s shoes, and Weetabix—people like that. In that way, they see a reason for being involved as well. I really want to know how you feel that the private sector can be involved in these things. There is no absolute formula, but there are a number of ways in which we can hook the private sector, and it is vital that we do. What are your thoughts on that?

Michael Fallon: I hope the private sector sees the wider interest, not just the economic interest. There is a well of public money if you have an organisation locally—a partnership—that can identify barriers to growth and improve their chances of growing, as well as the wider business community. All the large companies will rely on improvements, for example, to infrastructure and improvements to the skills base, and these may be priorities that neither central Government nor local government have been able to respond to before, but that local businesses can identify much more sharply through the Local Enterprise Partnership. They could therefore focus that partnership in a way that, perhaps, the Regional Development Agencies were not able to, because they were covering a much broader canvas. They will be able to focus those priorities much more locally and directly and say, “This is what we want to do in Northamptonshire; now let us find a funding stream to enable us to do it.”

Q144 Mr Binley: The point I am trying to make is that various things will be happening to hook on or involve business and, indeed, place business at the forefront of LEPs, but they are happening at a local level. How do you collate that and get that information out? Is there a way of getting a newsletter every three months providing information to help people achieve that objective?

Michael Fallon: We have the LEP Network, through which we share good practice across the LEPs, and that is a very important way of disseminating information. Obviously, a much smaller LEP can feel a little lonely up against the bigger ones, or the ones like Tees Valley that have been established for a while, so the LEP Network is extremely important in spreading good practice. We bring the chairmen of LEPs together regularly, and the LEPs are pretty adept at organising conferences for their area, at which I and other Ministers speak, to ensure that good practice is spread. However, we want that to come from the LEPs. We want LEPs to learn from each other, and we want them to be competitive in that sense, and competitive in ideas and approaches.
Q145 Mr Binley: Of course, Minister, but the monitoring of the spreading of good practice is a vital part of this process, and what I am really asking is whether that monitoring is in place, so that you can be absolutely sure that good practice is spread.

Michael Fallon: Yes, I suppose that the answer is that it is spread through the LEP Network, but it is picked up through our local offices—through BIS Local—which are in contact with their LEPs, and will come back to us in Whitehall and back to the LEP Network and say, “Have you heard what that particular LEP is doing?” Nobody thought of that before.” That is something that, if it is worth while, we can then help them disseminate.

Q146 Mr Binley: My final question is this: you mentioned Enterprise Zones—we have one of the biggest in the country, actually, in Northampton—and I wonder whether you can do something with the Treasury with regard to capital allowances, because without that sort of additional incentive, it is going to be a very much harder job to get 400 new companies to Northampton. Would you take that on board, Minister?

Michael Fallon: I will certainly take it on board, and it is a timely moment to make the point, in advance of the autumn statement and in preparation for next year’s Budget, but I am not a Treasury Minister.

Q147 Mr Binley: I am aware of that, but you are very close to him.

Michael Fallon: I cannot make any particular promises. I can assure you that that sort of issue—how we can further help business grow—is under very active consideration between my Department and the Treasury at the moment. We are looking at all these things. Everybody, and I hope this Committee too, is impatient for growth, and we need to look at every kind of incentive and obstacle that there is at the moment.

Chair: Can I make it clear that there is total cross-party support on that?

Q148 Julie Elliott: We have talked about how realistic it is to bring in private-sector funding in the current economic climate. On the core funding, what percentage of the matched funding are you expecting to come from the private sector?

Michael Fallon: We have not set that. It can come from the private sector—

Q149 Julie Elliott: No, but what percentage are you expecting?

Michael Fallon: We have not set that out. We do not have a figure for that. We expect the matched funding to come from multiple sources—public-sector bodies, local authorities or, indeed, the private sector. We are not specifying where it necessarily should come from. I would hope it came from a reasonable spread of other sources, so that the LEP was not wholly dependent on one particular source.

Q150 Julie Elliott: But are you expecting that to happen?

Michael Fallon: Yes.

Q151 Julie Elliott: You are expecting a significant amount of private-sector funding to be in the matched funding.

Michael Fallon: You have chosen the word “significant”; you are trying to pin me down to a percentage. I am expecting matched funding to come from a number of sources. I do not want to see LEPs, as I have said before, end up simply as sponsored by the local authority because they cannot find funding anywhere else.

Q152 Julie Elliott: Can I put it a different way? Do you expect that the majority of matched funding will come from the public sector?

Michael Fallon: I have not really got a view on that, and we certainly have not specified that. We just want it to come from as many sources as possible; £250,000 is not a huge amount of money for a reasonable-sized LEP to go out and raise. They do not have to raise it this year for £125,000. Some of them have that money coming in anyway; I know it is not an easy time, but others will have to go out and work for it.

Q153 Rebecca Harris: You talked earlier a little bit about the skills gap and the need for LEPs to be focusing on this a bit more. What do you think the biggest challenges have been for the LEPs in making sure that they are promoting the right skills for growth in their area?

Michael Fallon: They have had to get up to speed relatively quickly in identifying where the gaps are and in building relationships with their further education colleges and the other strategic bodies involved there, whether it is the local jobcentre network or whether it is the local authority. They have to develop working relationships with these bodies, and they have had to get on pretty quickly and do that. Secondly, they have to go out there and try to assess better for us what the employer demand is. That has always been hard to do in the past, and it is one of the reasons why I think LEPs are the unit to do this kind of analysis, which was not, I think, possible under the much broader Regional Development Agencies, or is not always possible inside a district council, for example. The LEP unit is the right unit and the right level at which to look at what the employer demand is across this particular area. I think our own particular LEP is a rather large one, but most LEPs are the right size. I think ours is an unusually large size, and is working through the challenge of that, but other LEPs have to engage themselves with local employers and see exactly what the skills demand and the gap is in their particular area. Then I would hope they would start to formulate demands on the suppliers—the FE colleges and the schools or whatever.

You asked what my vision for LEPs is; I would love to see a LEP making it increasingly clear to its further education college or to the local authority responsible for schools exactly what it thought the gaps were, and what it wanted to see coming out of schools and colleges to meet the employer demand in their area.

Q154 Rebecca Harris: I know, in Essex, where there is clear evidence that some of the current skills
First, I repeat what I said: we think that, or even starting to take over some of the budgets, and directing skills provision in their area, would be a route forward?  

**Michael Fallon:** These are ideas that have been floated around already—that LEPs should be more involved generally with the skills budget. That is for them to put forward to us. Obviously, these budgets are set now for the rest of the spending period up to the end of 2014–15, but we look to LEPs to come forward with ideas and to tell us exactly how they would like to get more involved in filling the skills gap in their own particular areas. I am not ruling out a bigger future for LEPs if they show that that is the way they want to go, and that is the way that they are able to go. There is clearly—I hear it from employers all the time—still a substantial skills gap. They are not getting school or college-leavers of the quality that they need, and I think we all have to be honest about that. It is a problem that has not just arisen in the last few years; it has been there for a very long time, and I think we all have to work hard at dealing with it. LEPs, I think, give us quite a unique, local, very direct focus on it, because they are dealing with local employers all the time.

Q155 Rebecca Harris: Are you open to suggestions from them?  

**Michael Fallon:** I am absolutely open to suggestions.

Q156 Rebecca Harris: The Association of Colleges has also said that it was concerned that there was not enough representation from FE colleges on LEP boards. Do you think that it is important that educational representatives are on the boards of the LEPs?  

**Michael Fallon:** Many are. Many are directly representative, as leaders of their colleges are directly on the boards; some others have some other involvement with the LEPs. Most LEPs have some further education involvement, one way or another. We have not prescribed that each board should contain one person representing small business, one person representing the chambers and one person representing further education colleges, because these are not prescriptive bodies; we want this to come from the LEPs themselves. However, most LEPs now have some further education involvement, and a great many have direct representation on the boards.

Q157 Rebecca Harris: You do not want to be prescriptive about who is on those boards, then. I take the point, but there was also some evidence to this Committee that micro-businesses were possibly under-represented on boards because their directors maybe did not have the time to contribute, and that is quite an important sector of the economy that might not be getting its voice in on the board and on the LEP. Have you got any views on that?  

**Michael Fallon:** I accept that. It is always difficult for the very smallest businesses to be represented in any of this dialogue with Government or focus on the wider community economy. It is always difficult for them. We get them together for conferences all the time, but these are people who have just set up companies, they are running their companies and they do not have time to go and listen to Ministers or get involved in forums or anything like that. However, it is for the LEP, really, to make sure that its representation is properly reflective of its local area. There are some LEPs that do not have very large-scale employers, but they do have a multiplicity of SMEs and you would expect the board to represent that. However, we are not laying that down; we are not dictating that from the centre. A good LEP should be very sure that it is fully covering the business community in its area.

Q158 Mr Binley: There is not only a skills gap, Minister; there is a resources gap in our FE colleges. For instance, we have two particular industries miles apart: one is right at the forefront of technology—precision engineering, automotive and aerospace—and the second is the boot and shoe industry, which is a traditional craft industry in many respects, and yet our colleges of further education simply cannot afford the equipment to do the practical work. We produce programmes in which we suggest that the practical work be done in the evenings on the worksites, so that students can work on the equipment necessary to give them that workplace background. We are trying to get money. Do you think this is a good way forward and, again, will you press the Department for Education to provide money for a pilot scheme for us?  

**Michael Fallon:** That is the second bid this morning for some more money.

**Mr Binley:** It is, and I shall be following it up with you, Minister.  

**Michael Fallon:** I do not want to go back too much over the past, Mr Chairman, but I know there was a hiccup, if I can describe it as that, in further education capital funding back in 2008–09. We have to try to put that right, so I certainly hear what you say. There is a bigger point behind this: Government give a lot of support—and I know this as the Minister for the aerospace industries—to aeronautics and the new technologies. The crafts often feel completely left out of the way we support these different sectors like aerospace, automotive and so on, so I think that is certainly something we are thinking about.

**Mr Binley:** We can perhaps talk later.  

**Michael Fallon:** Of course.

Q159 Mr Binley: Let us go on. Let us talk about the boundaries. I am sorry to localise this, but this is a local issue with LEPs, so we are all talking about our own experiences—we have to, if this is to be relevant. Are you satisfied that the boundaries that have been selected have the appropriate strategic context and the economic-development abilities to do the job you want them to do? Can I just ask you to look at those areas where we have a big LEP with a smaller LEP operating within it, and how you see that operating?  

**Michael Fallon:** First, I repeat what I said: we think LEPs are the most appropriate spatial level for all of us to get the kind of interventions that we want to stimulate growth. Most of them are much smaller than...
the regional agencies that they replaced, and most of them are obviously much bigger than the district council or whatever in their particular area. We think this is the right level to reflect functional economic areas rather than administrative boundaries, which, of course, suit Whitehall, politicians and district councils. Of course, it is more convenient that way, but they do not always reflect the functional economic area. That, then, is the motor behind the LEP geography, if you like. I am aware, having looked at it quite closely, that there are areas of overlap, and there is this issue of LEPs inside other LEPs. I am perfectly prepared, if the LEPs themselves are in agreement and if there is widespread support from the local authorities and so on, for the LEPs to come forward in the next year or so and say: “We want to tweak our particular boundary to reduce an overlap here or an overlap there” or to come and tell us about that. These boundaries are not set in cement.

Mr Binley: Good.

Michael Fallon: I do not want to promise a review of the map or anything disruptive like that, but where, very locally, there are overlap issues or the kind of hole-in-the-middle issue—not hole-in-the-middle, but where you know what I mean—I am quite open for the LEPs to come forward and say they want to make some adjustments.

Q160 Mr Binley: The other side of that particular coin is that there will be areas where a LEP is not working as well as it should, but maybe next door there is a very good LEP indeed. Are you keeping your eye on the ability for LEPs to work together in that respect?

Michael Fallon: Yes, I am. There are 39 LEPs. There are some extremely successful LEPs; there are some that are making very good progress and have improved very rapidly; there are others that still have challenges to face, where, for example, the leadership of the LEPs has changed, the original chairman has left, and some of the original impetus may have gone and so on. They are all moving at a slightly different pace. We are monitoring that and providing support where necessary, and I think the preparation of growth plans by the end of this year will give renewed focus to that, but they are not all moving at the same pace and I want to be sure that they are ready for the challenge of stimulating the growth that we want.

Q161 Mr Binley: It is good news to hear that you are monitoring that. Just a final question, really, from the Royal Town Planning Institute, which expressed concern that many LEP areas are not the “natural economic areas” that were originally envisaged. Is the Royal Town Planning Institute thinking as a quasi-government body? Would you knock that sort of view on the head, or do you think it has a point?

Michael Fallon: I do not. When it says they are not “natural economic areas”, that is what they were designed to be. They were deliberately designed not necessarily to fit, as I said, administrative areas or political areas; they were designed to reflect functional economic areas, so I do not accept that criticism. I think, for the most part, they do reflect local economies, but as I say, the boundaries are not set in cement and, if there is agreement everywhere, I am certainly prepared to look at them again.

Q162 Julie Elliott: You have talked about the difference in size quite a bit throughout the evidence you have given us today. Centre for Cities has said that some LEPs are “either too big or too small” and should be “reconfigured before further funding is allocated”. Are you satisfied that all LEPs are appropriately sized, or do you see some merit in what Centre for Cities is saying?

Michael Fallon: I do not want the LEPs all to be the same size, and I do not want us in Whitehall to say exactly what the LEP geography should be. I do not want that prescribed. I think, by and large, they do reflect functional economic areas; they have got to grips with those areas, and they are producing plans and so on. There are some very large ones—my own is very large, for example, and covers a very wide area—and there are a couple of relatively small ones. If you do not prescribe a set size, there are inevitably going to be outliers at one end or the other, but I do not have a fixed view on what the ideal size is, because I simply do not think the economy is like that. However, as I say, if people come to me with agreed suggestions as to how the geography can be changed, I am happy to look at that.

Q163 Julie Elliott: In the beginning, when people put forward the plans for the original LEPs, the Government did say some were the right size and some were not. That did happen, because it happened in my own region. Is there a problem with overlapping geography with LEPs? Again, you have talked about this a little bit. Do you think there is a need to change where there is this overlap? You have said you will look at it if people come forward themselves, but do you see it as a problem? Do you think there is a need to change it where there is overlap?

Michael Fallon: The worst problem would be underlap, and there being a real gap where a small piece of a sub-region simply was not being covered at all. That would be much more serious. There are five or six areas where there is some overlap, and I think we need to be a little clearer—I think it is slightly too early—as to whether that is actually a problem or not. Of course, in other regions, as I well recall from the north-east, there is some traditional tension, as between Tyneside and Teesside, and perhaps even between Tyneside and Wearside.

Julie Elliott: Probably more.

Michael Fallon: There are some of those tensions. I think one of the advantages of the LEPs is they are much more local than the regions. They are generally smaller units. We will have to see how the plans come forward and whether, as I say, agreement builds on the case for adjustment to the boundaries or not.

Q164 Chair: Can we move on to the Regional Growth Fund? Again, can I start off with a fairly general question? Last month, we had evidence from organisations that put forward bids for the Regional Growth Fund. One described the process as being unclear in its outlook. In your view, is it a public-sector-led or a private-sector-led initiative?
Michael Fallon: It is both. The public sector is increasingly involved in the bidding, alongside the private sector. LEPs and other public bodies have been bidding but, of course, in the end, it is the Government who decide the allocation. That is something for the Ministers involved, because it is public money alongside the private money that has been provided.

Q165 Chair: Would you be able to give us figures of how many public-sector-led bids obtained approval, as compared to private-sector-led? If you do not have the figures to hand, could the Committee please have them at some stage?

Michael Fallon: Yes, I am almost certain we have that information. I gave the figures earlier for LEP bids, but, of course, there are other public-sector bodies involved in bidding as well. In terms of LEP bids, as I told you, in round 1 there was involvement in 24% of the bids by LEPs; in round 2, 42%; and, in the round we are about to announce, 64% of the selected bids have some LEP involvement. There is, then, increasing involvement from the public sector in the bidding process.

Q166 Chair: It does seem that there is an element of contradiction here, in that a process that should be business-led seems to be more and more subscribed to by the public sector. If you are going to involve LEPs, and given the fact that the public sector is strongly represented on them, that, as you have indicated, will get greater.

Michael Fallon: The projects themselves have to involve matched funding from the private sector. That is one of the reasons why, sometimes, bids are withdrawn—because the private-sector matched funding that the bidders thought would be available does not materialise, and even where the programmes, as distinct from the project, are run or managed by a public body, there is private-sector involvement there as well. It is a partnership between public and private. The funding is shared, and so is the delivery.

Q167 Chair: I would agree with that particular assessment. How do you reconcile the demands of local business communities for a more business-led approach with what is happening?

Michael Fallon: I am not sure I understand when you say “what is happening”.

Q168 Chair: I think the whole purpose of the Government’s regional growth policy was to have a more business-led priority. Yet the mechanisms that appear to have been developed are actually going the other way.

Michael Fallon: It has always been the case that the public money provided for the projects under the fund has to be matched by private money. If what you are referring to is the increasing involvement of programme funding, programme funding is really the only way to ensure Regional Growth Fund money gets to SMEs, which are not able to go through the bidding process. SMEs can, through these intermediaries, whether it is the LEP or other public-sector organisations, access grants that they would not have been able to if they had to bid for specific projects, because the projects would not have been big enough.

Q169 Chair: Certainly the threshold requirement does impose that particular process on SMEs. A lot depends on the commitment and quality of local authority input into the LEP. Do you not think that has its own dangers?

Michael Fallon: I am not sure what you mean by “dangers”. The projects and programmes are considered together; the same criteria, in terms of cost-benefit analysis and value for money, are applied to both. Where local authorities hold the funding, it is simply a programme-management role. It is a technical role; they do not actually decide where the funding should go. That is done through the LEP that is involved in that particular bid. I am not quite clear what the problem is that you are driving at.

Q170 Chair: What I am trying to get at, again, is that a process that was originally understood as being private sector, business-led, is increasingly being determined by the local authority, and could in some cases be affected by the quality and commitment of the local authority.

Michael Fallon: I do not think that is the case. There are an increasing number of bids coming from the LEPs themselves, but those are not of course local authority bids.

Q171 Chair: No, but there is 50% local authority representation, and a lot of concern that local authorities have an undue influence, or a disproportionate level of authority.

Michael Fallon: I do not think I would accept the word “disproportionate”. Local authorities have been involved in the bids, yes, but I would not accept the word “disproportionate”.

Q172 Chair: Is the fact that you have awarded or are about to award funds to them not recognition of that particular danger?

Michael Fallon: No, it is recognition that, increasingly, the LEPs are aware of the priorities in their own particular area. They are focusing on the barriers they need to tackle. They want to give support to SMEs particularly. They want to hone in on gaps in infrastructure that the local authority or central Government have not been able to deal with over the last few years. They have identified those particular priorities and, through their partnership, they have gone alongside the local authority in bidding to the programme.

Q173 Chair: To date, how much of the £1.4 billion allocated through the first two rounds of the growth fund has been “unlocked” into the economy—I think that is the phrase used by the Department?

Michael Fallon: It is. Let me give you the percentage figure. The drawdown for round 1 is £224 million; the drawdown for round 2 is £290 million. I may have to write to you on the exact figure in terms of the spend, but you can take it that almost all of round 1 and 2 is now completely allocated; in fact, we are able to reallocate some of the underspend into round 3. Nine
out of 10 bids in rounds 1 and 2 are now fully under way and six out of 10 projects or programmes under rounds 1 and 2 have actually started.

Q174 Chair: In your written ministerial statement on 6 September, you said, “Progress is good on rounds 1 and 2 with over half the bidders (127) contracted and able to draw down funding and a further 51 completing their due diligence reports. So far, agreed offers have unlocked almost 198,352 jobs.” What do you mean by “unlocked” in this context?

Michael Fallon: I mean having fulfilled what the bidders have specified. Those are jobs that are either being created or specifically safeguarded by the allocation of the money.

Q175 Chair: Do you know how many jobs have been created?

Michael Fallon: I do not think I have a breakdown of the job numbers by either creation or safeguarding. The gross number of jobs in round 1 is 122,485. The gross number of jobs in round 2 is 205,517.

Q176 Chair: How much of that money has gone to the companies? Is this figure predicated on the assumption that they will get it?

Michael Fallon: The current state of play is that 140 final offer letters have been signed; that means they can now draw down the funding at any point they want to. As you will appreciate, some of these projects have actually started; some firms have been quite happy to go ahead. That is around 60% of the total. 45 conditional offers have been signed; 14 other offers are being worked up to take conditional offers this autumn; and there are about nine that we are still in correspondence with. That leaves, I think, 29 offers where the company concerned has decided not to proceed.

Q177 Chair: Just to get it clear in my own mind, for 60% of those bids, the companies involved could draw down money as of this moment.

Michael Fallon: Yes, the total was 238; 140 are able now to draw down funding. Some have done so; some could do so at the moment of their choosing.

Q178 Paul Blomfield: I just wanted to clarify the amount of money that had actually reached the front line. According to the Public Accounts Committee, £60 million has reached front-line projects.

Michael Fallon: That probably needs updating.

Q179 Paul Blomfield: Could you update it for us?

Michael Fallon: I can certainly write you an update for that; I cannot give you the actual total at the moment. I may be able to in a minute or two. As I said, the total number of offers as of this week was 140, so I think we will have moved on from the £60 million.

Q180 Paul Blomfield: Even if we have moved on, Minister, would you accept that there is a relatively small amount of money allocated that has reached front-line projects? Are you satisfied with progress? Do you think the Public Accounts Committee has raised real issues that need to be addressed, or would you agree with the Deputy Prime Minister that their report was just a “shameless piece of political posturing”?

Michael Fallon: I do not want to get into that. It raised a legitimate question about the handling of bids, which is one reason I want to have accelerated that process for round 3, by setting, for the first time, a time limit between the announcement of which bid is selected and reaching agreement on the final offer. That time limit is three months. From then on, there is a second time limit of a further three months between a final offer and the completion of due diligence, which the company concerned has to commission, and we have to agree to and evaluate. So from now on, for round 3, once the selected bids are announced, as they will be very shortly, those involved will have a very tight timetable to get their bids finalised and agreed.

You will appreciate we are doing something quite different here to almost all previous forms of regional funding, in that Ministers are announcing the bids they are selecting before they do any due diligence. In all previous schemes, due diligence is done first and then Ministers have announced which bids they have agreed or preferred. We have reversed that in the interests of speed and getting the money out of the door. I want to make it sharper still by introducing these two particular time limits to make sure everybody involved has the same interest as I think you do, in getting money out of the door and spent out there in the constituencies.

Q181 Chair: It has been put to me by businesses that if the Government actually used those bodies that exercised due diligence to work with the companies in the formulation of their bids, a lot of the delay could be pre-empted.

Michael Fallon: I do not accept that. I have read the criticism from the chartered accountants that say that if we had contracted all this out to them it would somehow have been quicker. I do not accept that. I notice that the National Audit Office also did not accept that, it too was happy with our process, as is our independent advisory panel, which Lord Heseltine chairs, and the Industrial Development Advisory Board. We take advice from both those bodies.

Q182 Chair: What is the problem with doing that? As a lay person, I would be interested to know, because it would seem quite sensible.

Michael Fallon: I do not think it would necessarily be any quicker. The point of a due diligence process is that it is for the companies themselves to commission the due diligence, which we then evaluate. It is not for us to do the due diligence on them. So there is a key difference.

We have 10 members of staff working on due diligence. Eight of those are qualified accountants; the other two are qualified bankers. They are very experienced in due diligence work, and they are evaluating the due diligence that is being done on each project. I am quite satisfied, as I thought the National Audit Office was, with the due diligence process that we have. This is, of course, public money; we have to
remember that. We all want to get money out into the constituencies.

Q183 Chair: I do not think anybody would dispute the need for the process to be gone through; it is just how we can speed it up.

Michael Fallon: It does have to be gone through, because we are accountable for it. I think everybody would like to rush the cheques out to the companies concerned, but we do have to account for it and there are a number of instances where the due diligence has revealed the jobs created, for example, were not going to be jobs created, or that the private sector funding or the planning permission that was supposed to be there were not.

Q184 Julie Elliott: This has less to do with the due diligence, and more to do with the jobs created or protected. You have mentioned some very large numbers of jobs being either protected or created earlier in this session. In your letter of 6 September you talk about 198,000-plus jobs being unlocked, protected or created, but that is at complete odds with the Public Accounts Committee’s emphasis on the net number of jobs. It has used an assumption that I have not seen used quite so widely before: that some of the people whose jobs have been created would have found other employment anyway. Indeed, I think it says that 80% to 90% of them would have got jobs somewhere else, so they are discounting those.

That is not the way I have looked at it. I do not think it is the way, by the way, that you would look at it. If a plant in your constituency closed, with a loss of 500 jobs, I do not think you would come to Ministers and say: “I am only losing 50 jobs, because 450 of those will get employment somewhere else.” That is 500 jobs taken out of the economy. I do not think they are right simply to focus on the net, eventual total; I think we do have to look at the gross figures, and it is unfortunate that the PAC has approached it in that way.

Q185 Julie Elliott: Do you know what the actual number of jobs protected or created is?

Michael Fallon: Yes, we do. I have offered to write to the Chairman on the exact split.

Q186 Chair: On the issue of the regional spread of successful bids, do you have any figures on the relative success of the different regions?

Michael Fallon: Yes, I do. I have figures for rounds 1 and 2. I cannot, at the moment, reveal what is happening under round 3, but I certainly have the number of successful bids for each of rounds 1 and 2. They show, as you would expect, a large proportion of successful bidders in the north-west, the north-east, the Midlands and some of the more traditional areas. That is because one of the criteria for the fund was to focus assistance on those areas that had hitherto been overly dependent on the public sector. I do not think it is any surprise that there now appears to be a tilt in the awards towards those regions.

Q187 Chair: So you could get bids of equal quality in different regions, but one would get it on the basis of the criterion that you have just outlined.

Michael Fallon: That is one of the criteria. I make no apology for that; we want to rebalance the economy. Where regions have been overly dependent on the public sector, where there has been a dearth of private-sector job creation, that is one of the criteria. Inevitably, from that, you are likely to see a higher number of bids from those areas. But there is no preference; neither Ministers nor our advisers have said that we ought to focus more of the money on any particular regions.

Q188 Chair: How much do you use the Public Sector Mapping Agreement, which provides the public sector in England and Wales with a portfolio of digital mapping products from Ordnance Survey?

Michael Fallon: How much have you used that in your assessment of bids?

Michael Fallon: I am not aware of how much we have used that; I will certainly get back to you on that.

Q189 Chair: Can I just point to a document that is on display on the counter of the BIS reception? It says, “The Regional Growth Fund Secretariat make extensive use of PSMA data and geographical applications that support appraisal and decision-making on bids and maps, reporting the spatial distribution of successful applicants and their likely impacts on the economy to the general public.” On the basis of that, I would have thought it seems to be used quite a lot.

Michael Fallon: It certainly sounds like it. I was not aware of that particular usage.

Chair: As I say, it is on display at the front of the BIS office.

Michael Fallon: We take advice from lots of people. Let me just be clear. We do create a unique geography for each bid; each bid is looked at uniquely, so we do not wholly rely on any particular external modelling.

Q190 Mr Binley: Minister, can I advise you to read every leaflet at the front of the BIS office in future? Overall, were the initial allocation rounds well designed? Did they deliver value for money? Are you, overall, happy with the way that went?

Michael Fallon: Overall, yes, I am. This was a new fund so, inevitably, it took time for bidders to understand it and, to be honest, for us to hone down our processes. The decision was taken quite quickly after the fund was launched very significantly to increase its size and step it up. That may have accounted for some of the slowness of the initial bids. The quality of bidding has increased each time. The number of bids for round 3 far exceeds the money available. There were over £2.5 billion of bids for £1 billion of funding, which we will therefore be able to
allocate fully, as you will see when round 3 is announced. The quality of bids has improved each time, and we had some very tough decisions to make in choosing between them. We were not short of good bids.

Mr Binley: Which is good news.

Michael Fallon: Which is very good news.

Q191 Mr Binley: One witness described the bidding process as a “blind application process; you did not know even the category headings under which you were trying to achieve certain things, such as leverage or cost per job.” If I were managing director, I would tell the man to use a bit of creativity and set his own parameters, and that it would be a wonderful opportunity, but that is by the by. What I really want to know is how you have been evaluating whether the successful bids did deliver value for money, especially as the allocations were decided by Ministers.

Michael Fallon: We monitor progress of each bid quarterly; we then audit it annually. We then evaluate the bids, some of which are spread over three, four or five years, or even longer periods. So we monitor them quarterly, and audit them annually. We will then do an interim evaluation of all of them in 2015, and we will do a final evaluation, right at the very end, in 2020. So there is some pretty thorough monitoring going on.

Q192 Mr Binley: So the programme for evaluation is a pretty rigorous one.

Michael Fallon: Absolutely.

Q193 Mr Binley: However, we have seen from West Coast Main Line that the adequate resource and skills needed to put that programme into effect is a vital part of the process. How do you monitor that you have those adequate skills and resources, particularly in areas like indexation, which seem to have been missed out totally?

Michael Fallon: As you know, West Coast Main Line was not an RGF bid.

Q194 Mr Binley: I am not asking you to blame another Ministry, but I want to know how you are ensuring you got the skills.

Michael Fallon: The quarterly monitoring, as I say, once a year has to be properly audited by an independent accountant who is not an official from my Department. The evaluation will involve external advice as well. That is the first thing. I must not be tempted on the West Coast Main Line bid, but there is an external element to our evaluation.

Mr Binley: I am very pleased to hear that.

Q195 Paul Blomfield: I wonder if I could probe a bit further on the issue of job creation. Would you agree that a main driver of the Regional Growth Fund was to create jobs in areas of high unemployment?

Michael Fallon: Yes, but as I said, it was specifically areas that had become over-dependent on the public sector and had a relatively poor record of private-sector job creation. That was certainly one of the criteria for the fund.

Q196 Paul Blomfield: Was that made clear to bidders?

Michael Fallon: Yes.

Q197 Paul Blomfield: I would like to get down to some of the numbers. Following on from Julie’s point earlier, I am a little confused by your response challenging the Public Accounts Committee’s methodology. My understanding is that your Department’s evidence to the Committee was that 2,442 jobs had been created, and 2,762 safeguarded. Is that right?

Michael Fallon: I am not sure that is right. The evidence from the Department, of course, was back in May.

Q198 Paul Blomfield: This is what the Public Accounts Committee reported, so for the sake of our discussion perhaps we could assume it is right. Are you satisfied with that level of progress against a target of 36,779?

Michael Fallon: Yes, I am. Some of these jobs have been created over a longer period. They are not immediate jobs.

Q199 Paul Blomfield: It seems like a very small bite into that target of 36,000.

Michael Fallon: I do not accept that.

Q200 Paul Blomfield: Just over 5,000 out of a target of 36,000.

Michael Fallon: I am not sure where you are getting 5,000 from.

Q201 Paul Blomfield: By adding 2,442 and 2,762, you get just over 5,000. Your target was 36,779. Is that satisfactory progress?

Michael Fallon: I am not sure where you are getting this figure of 5,000 from, but perhaps I can give you the up-to-date figures. The total number of jobs created or safeguarded is 22,337. That is the figure as of last week.

Q202 Chair: How can you reconcile that with the statement in rounds 1 and 2 that, so far, agreed offers have unlocked almost 198,352 jobs?

Michael Fallon: Because these are jobs that are going to be either created or safeguarded, as these projects are developed.

Chair: There is a huge gap between the figures you gave to the Public Accounts Committee and the figure you gave in your statement. I appreciate that you may not be able to clarify it off the cuff, but could you give us a written response clarifying that?

Q203 Paul Blomfield: A written response would be helpful, because I was citing what I understood to be the Department’s submission to the Public Accounts Committee, which was that just over 5,000 jobs have been created or safeguarded, from a target of 36,779.

Michael Fallon: I think our letter to the NAO said 22,000 jobs.

Paul Blomfield: This was evidence submitted in September, and I understood that to be the case.
16 October 2012 The Right Hon Michael Fallon MP

Q204 Mr Binley: Can we just clear up one fact? There is a massive difference between a job offer and job acceptance. A job offer can last for a long period of time, and there is a big build-up there. Is that the case—in order to help you clarify this, Minister?
Michael Fallon: As I have said, some of these projects go over many years—three, five and seven-year programmes. These are not jobs that have been created or safeguarded the minute the letter goes out or the money is drawn down, so this is a cumulative total. I will certainly write to you on what appears to be a discrepancy.
Mr Binley: It would be helpful.

Q205 Chair: Given the huge disparity between what was said in your September statement and what has been said at the Public Accounts Committee and by the National Audit Office, it would be helpful to have a breakdown and clarification of that.
Michael Fallon: I will certainly do that.

Q206 Paul Blomfield: There seems to be some difference between the National Audit Office estimation of what might happen and the statement of your Department to the Public Accounts Committee of what had happened. On that basis, the figure I cited of just over 5,000 is what had happened in terms of jobs being created or safeguarded. It is in that context that I ask again the question: against a target of 36,779, do you think that is satisfactory progress?
Michael Fallon: That is taking us back to the distinction between gross and net employment. The Public Accounts Committee is looking at what would have happened if the intervention had not been made.
Paul Blomfield: As I understand it, Minister, I am citing not the Public Accounts Committee’s methodology but your Department’s evidence in terms of the number of jobs that you understood to have been created or safeguarded as of September 2012.
Michael Fallon: Right.

Q207 Chair: What we would like is the rationale underpinning the statistical evidence that has been given.
Michael Fallon: I will certainly do that. I think you may be referring to the number of jobs that we have reported under our quarterly monitoring as 5,200, from the offer letters that were finalised as of that point. That does not take into account the other projects where offer letters are still being finalised, and where the actual job target has not been agreed, but where the beneficiary receiving the allocation has already stated that they are safeguarding employment that might have been lost if they had not been awarded the RGF funding. That is what we mean by safeguarding. There are some 17,000 jobs that, in aggregate, are being safeguarded as a result of those projects that have not yet been finalised. That may take you from the 5,000 to the 22,000.
Chair: Even then, there is a huge gap to the 198,000 quoted.

Q208 Paul Blomfield: I was citing the Public Accounts Committee’s report. The Department subsequently reported that 2,442 new jobs had been created, and 2,762 existing jobs safeguarded, so far, in the 88 projects where offers had been finalised, against a target of 36,779. My question is—let’s have some more amplification of the figures—is that satisfactory progress?
Michael Fallon: No, we need to keep accelerating progress. One of the purposes of setting time limits for round 3 was to make sure that we do not have any of the delays that may have taken place in rounds 1 and 2. We need to move faster. I am aware there were delays; there were projects we were counting on that were withdrawn for a whole host of reasons—there was not planning permission; there was not permission from the parent company; the private sector funding did not materialise or whatever; or the job totals they put in their application turned out not to be verifiable. There were a number of projects that were lost, and were lost perhaps too slowly. Setting these new time limits will ensure that the whole thing is done more quickly.

Q209 Paul Blomfield: Beyond accelerating the due diligence process, what plans have you got to secure the creation of more jobs? What should we be doing?
Michael Fallon: Due diligence is part of that. It is making sure that, when they say jobs are going to be created or safeguarded, that is actually the case, and that these are actually new jobs and they are not counting people who are already being employed and so on. That is part of the due diligence, so due diligence is a key part of this. The number of jobs being created and safeguarded is one of the key factors when we come to select the winning bids. There is value for money, but there is also value for money per job. That is one of the key things that the independent panel and Ministers look at. That is an integral part of the programme.

Q210 Paul Blomfield: Is there going to be a fourth round?
Michael Fallon: It is too early to answer that. Round 3, being announced very shortly, will involve programmes that will take us well beyond the current spending review; some programmes, lasting three, five or seven years, will take us well up to nearly 2020. We are already providing funding and support outside the current spending review, so it is a little too early to judge whether we need a Regional Growth Fund 4, but in the end these are matters for the Government as a whole to consider.

Q211 Ann McKechin: The Public Accounts Committee, at page 6 of the report, stated, “The Fund set far too low a threshold for acceptable value for money in the selection of projects and programmes. The value for money threshold only required the projects’ economic benefits to outweigh the public cost. This low hurdle allowed significant leeway to select projects that offered, at best, marginal benefits for the taxpayer.” Do you agree with the conclusion, and if you do, what steps are being taken to improve the criteria?
Michael Fallon: I do not wholly agree with the conclusion. It is important that we do support job creation wherever we can, even if sometimes the
actual cost-benefit analysis is more marginal than you might otherwise want, or than applies under other programmes. These are bids selected in regions that have traditionally had a poorer record of private-sector job creation. I do think it is right to do everything we can to ensure new jobs are created there. Of course we look at the ratios and the analysis provided, and we do need to make sure that they are good value for money, but in the end we are all in the business of ensuring more jobs are created.

Q212 Ann McKechnie: The Public Accounts Committee mentioned a cost per job of £60,000 or less, but there were a number of projects that rose to over £200,000 per net additional job. What do you think is the maximum level you should consider? I can understand in some areas of really low economic development you might want to set a higher net additional figure and, in some more prosperous areas, a much lower figure. But where is that range sensibly set at?

Michael Fallon: First of all, we knock out the really weak projects at the bottom. That is one of the functions of due diligence: to ensure that the truly weak ones, where the jobs they claim to be creating simply are not there or where jobs already exist and they have simply been trying to game the system, are knocked out at the bottom. At the top end, you are asking me about something that has bedevilled regional policy since the 1960s. In every form that regional policy has taken, we have had the question of whether there should be some upper limit, which different Governments have chosen to apply in different ways, to the amount of money you should spend per job. It is a difficult balance. You do want those jobs created in areas like the north-east and the north-west. You do want the indirect effects of that employment. That is the whole purpose of not leaving this entirely to the market and having a Regional Growth Fund in the first place.

However, there is a balance to be struck in terms of value for money. I make no bones about it: there is an element of subjective judgment to this. We take advice. We take advice from Lord Heseltine’s panel, the independent appraisal panel that he chairs with a number of business experts. They strike out projects simply do not think can be justified, especially on the cost per job. We then take other advice internally on these various projects. Ministers then meet and consider them. But in the end we have to make a judgment, and there is a bias, of course, to helping those regions where, traditionally, private-sector job creation has been more difficult.

Q213 Ann McKechnie: I do not want to pin you down but, when you come to your decisions on the third round, are we likely to find any projects that have a cost of net additional job of £200,000, or is that likely not to happen now?

Michael Fallon: I think that is less likely to happen. I do not rule it out entirely, because there were 418 bids and I do not have them all in my head. It is much less likely to happen, because we had a much better range of bids and a much higher number of high-quality bids than we did for rounds 1 and 2. So that is certainly less likely to happen, but there is quite a wide variation amongst the bids as to what the actual cost per job is.

Q214 Ann McKechnie: Thanks for that information to the Committee. You mentioned the necessity of thorough due diligence, and I am sure this Committee would not contradict your views about it, but there have been concerns expressed about the length of time that process took. Why was there no timetable set for due diligence in rounds 1 and 2?

Michael Fallon: I have no idea. I set one as soon as I arrived. I do not want to criticise what happened before, but this was one of the concerns, and I hope I have addressed it by setting a very specific time limit for stage 2 of the process, between the final offer and the completion of the due diligence. It does take time: the company has to agree the due diligence and appoint someone to do it. There are discussions between the audit firm and the company. They require information, usually a lot more information than was put alongside the bid. They want to double check everything. They do all that work and try to come to an agreed position with the bidder. That then has to come up to the Department; we have to evaluate whether it was done correctly and so on; we may have further questions to ask. It does take a bit of time, but it should not, from now on, take more than three months.

Q215 Ann McKechnie: I think that will be reassuring. Some of the witnesses we have heard have said that it needs to be proportionate to the level of the risk; in some cases, in the technology and software sectors, it is still too long and costly, because they do need to make quick decisions if they are going to get anything to the market, in terms of development.

Michael Fallon: It is important that they bear a share of the cost to pay for this. That in itself eliminates some of the purely frivolous bids, and ensures they are serious about bidding. This is public money; it is not helicopter money. We have to account for it. I think you would be equally critical had we simply thrown money at plants or projects that did not exist and had no prospect of existing. We all remember the DeLoreans of the past where a great deal of money was sprayed around, so I make no apology for the fact that we have to do thorough due diligence, but we do not have to do it slowly; we have to do it more quickly. That is the purpose of the time limit I have now set.

Q216 Julie Elliott: According to the Public Accounts Committee report published in September 2012, most of the money authorised by your Department, including about £364 million of endowments, has been parked in intermediary bodies, over which you have limited control. Do you find this to be a satisfactory position for the Department to be in?

Michael Fallon: The purpose of using intermediaries is that we are able to channel money to SMEs that would not otherwise be able to bid, because their projects simply would not be large enough. They therefore play a very important role in this. There is no particular bias towards programmes or endowment
It is particularly useful that where there are national programmes, they are directly monitored by my Department. As you will be aware, there are national programmes organised by banks and some other institutions; Visit England, for example, has got one. That is relatively easy for us to monitor centrally, and we do monitor them. We also have arrangements in place for monitoring some of the local programmes; some of the large city councils have programmes, for example, that we monitor. I cannot give you a direct answer on management charges today. I would be happy to write to you about that.

Q218 Mike Crockart: It is particularly useful that today we have legislation going through Parliament to establish one state-sponsored bank, the Green Investment Bank, which I am very thankful for. I have a question on the business bank, however. While it was a welcome response to calls from British Chambers of Commerce, FSB and others to improve access to finance, what is this bank actually going to look like? When designing the statement, what consultations have you had with banks, businesses and investors? Who is it aimed at helping, and how will you measure the success of this new institution?

Michael Fallon: I hope you will welcome the legislation today to put the Green Investment Bank on to a statutory footing. I think this is something supported across the political spectrum. You probably welcome the location of its headquarters.

Mike Crockart: Even more so.

Michael Fallon: I have not yet had a bid for the location of the business bank, but no doubt Edinburgh will be in there as well. Mike Crockart: Don’t wait too long.

Michael Fallon: The business bank is new; we have only just made the announcement, so we are still working through the details. Part of my remit at the Department is to make sure SMEs in particular have more access to finance than at the moment. I am not satisfied with the scale or degree of bank lending to SMEs. We need to see if there is some way in which the business bank can help accelerate that through performing some form of wholesale function, and secondly, whether it can help to simplify and rationalise all the various schemes we have—grants, loans and so on. We have a multiplicity of schemes, particularly for helping small business, entrepreneurs and start-ups. We are looking at whether the business bank can be a way of bringing all that activity together. However, it is very early days; we have not yet got details to announce.

Q219 Mike Crockart: The difficulty is: what is going to be different about a business bank? Even in this past year, we have moved from the Enterprise Finance Guarantee Scheme to the National Loan Guarantee Scheme to Funding for Lending. What will it be about the state business bank that will make sure the finance gets to the smaller SMEs in the way that, originally, the Funding for Lending scheme looked as though it was intended to ensure? That now seems to be aimed more at medium-sized businesses.

Michael Fallon: We have not abandoned these schemes. The Enterprise Finance Guarantee Scheme is still there. I am encouraging the banks to increase their take-up of it. Some are, but some have not, recently. I have written to all the chief executives concerned because I want to see more take-up of that particular scheme. Indeed, I have suggested that, if I do not see increased take-up, I may publish the individual figures bank by bank, so that we can all see what they are doing.

Funding for Lending falls into the same category. There is substantial help being provided by Government, and by your constituents as taxpayers in one way or another, whether it is through quantitative easing or Funding for Lending and all these various schemes. It is really now for the banks to step up and ensure that the benefits that they enjoy—I know they have to set aside more money for capital and so on—from the cheaper cost of borrowing from the wholesale financial markets are passed on and through to the businesses, especially the SMEs, that need them. There is a gap there, and a businessman could play a part in plugging it, but we are still working out the details.

Q220 Mike Crockart: You say it is time for the banks to step up, but, of course, it has been announced already that the state business bank would not lend directly but act as a wholesale institution, funding via small new banks and non-bank bodies. Perhaps you could be a little clearer as to what exactly a non-bank body is, and what small new banks you imagine are going to come through to administer this.

Michael Fallon: There are new small banks coming through. Part of the Government’s policy, of course, is to have more competition in banking, so that there is a tier of challenger banks that are challenging the older, established banks. You have seen some of these being launched, such as Metro Bank; you have seen other banks coming into this country, like Handelsbanken, who are increasingly involved in the SME sector.

Q221 Mike Crockart: Metro Bank is the first new bank in 160 or 170 years.

Michael Fallon: Indeed, and why is that? Because it is so difficult for a new bank to get established. That is something we need to make easier and faster. We also need to encourage some of the foreign lenders who disappeared after the crisis to come back here in the way that Handelsbanken has done, which I hope others will follow. There are also other institutions, financial intermediaries, that are involved in lending. One way or another, we have to get more money through to small businesses. I am quite struck by a single statistic: 40% of the so-called declines for loans that
are appealed are overturned. That tells me that something is not quite right about the relationship networks or the scoring criteria banks have. If 40% of appeals have the original decision being overturned, something is not quite right. Banks need to look to their networks again to build up the more traditional kind of relationship manager, who understands local business needs. The business bank I hope will be a fillip to that process, but it is too early to go into the details.

Q222 Mr Binley: I was delighted to hear you talk about banks and their lack of risk-taking, not least because they have moved the whole process of lending to SMEs, which are local to banks, up to regional level on a matrix basis. They build in a high cost of risk because nobody knows who the hell they are talking about at local level. It is a real problem, and it has changed over 20 years. Will you raise this specifically, both with the Treasury and other Departments, to ensure that banks really get to grips with this problem?

Michael Fallon: I am raising it with banks themselves. I met the chief executive of one bank and his team yesterday, and I am meeting others; I have a meeting later today with the British Bankers’ Association, so I am pushing that agenda. One of my responsibilities is to make sure SMEs have more access to funding. If you would like another statistic, we published a report last week into not failure but success: what is it that makes a really small business grow? One of the findings was that only a quarter of them relied on any form of bank lending to start up. That does not tell me that banks are fully involved in the businesses I have described, so there is more work to be done there. My job is to keep on the banks’ case, to drive up that percentage of small business lending, and to ensure that the various schemes we have are understood and being properly accessed by SMEs.

Q223 Mike Crockart: It is not at the point of start-up that the gap in funding actually happens. It is when it gets to a much more commercial stage that the bank funding is required, and that is when the risk is priced as being too great and the cost of finance stops the SME from being able to move forward. Are you saying there is not a problem with the pricing of risk, but that the problem is actually the perception by banks of risk rather than the actual, real risk? This is £1 billion worth of public funds that is being loaned to SMEs. How can we ensure that risk is properly priced so that the money is safely invested on our behalf and we are not merely displacing money that should be going there from the normal banking network?

Michael Fallon: I take your point about start-ups; you do not want banks to be in the equity business right at the start. The banks say there are not enough good borrowers out there. There are two issues. One is the perception. I am quite struck, talking to SMEs, by how many do not rely on bank finance at all, now. They use it for transaction purposes, but do not rely on it for any kind of lending; it can be years since they last took out a bank loan. There is a perception issue: banks feel they should not even ask, for some reason. That again is down to the kind of networks that banks used to have and perhaps lost during the frothier days of the financial services boom, which they are now, to be fair to them, trying to rebuild. The second problem is debt serviceability. It is not so much the price; it is the view of the banks that some of the debt has become much more difficult to service. We are going to do some work with the banks on that; we may do some piloting to see how serious a problem that is at the moment for SMEs. It is a problem we have to work on with banks.

Q224 Chair: Can I thank you, Minister? I hope we did not put too much strain on your voice. Thank you for your contribution. Obviously, if we feel that, on reflection, there are one or two issues we have not yet covered, we will write to you to ask for your views. If you feel there are any points you would wish to make that were not brought out by the Committee, we would welcome them from you before we do our final report. Thanks very much, and we look forward to working with you over the next few years.

Michael Fallon: Thank you, Mr Chairman. I am conscious we owe you some bits of paper as a result of this morning, and certainly some clarification on these job numbers, which we will get to you.
Written evidence submitted by the Department for Business, Innovation and Skills

Executive Summary

There are 39 Local Enterprise Partnerships (LEPs) now operating, with 100% coverage across England.

The Local Growth White Paper (2010) set out the Government’s vision for LEPs; their establishment constitutes a real power shift away from central Government and quangos and towards local communities and local businesses who really understand the barriers to growth in their areas. Through LEPs, business and civic leaders are working together to drive sustainable economic growth and create the conditions for private sector job growth in their communities. As local partnerships, LEPs are by design, accountable to their local communities; they are diverse bodies with roles which reflect local priorities.

Much has been achieved in the first phase of implementation; following local business engagement and consultation with their local partners, many LEPs have published their strategic plans and priorities. LEPs have also identified key growth projects.

— the Northamptonshire LEP put in place a business plan which supported the creation of 777 new jobs, attracted eight new companies and attracted at least £5 million of leverage by the end of year one.

— Cornwall and the Isles of Scilly have run a series of roadshows which give businesses and the voluntary sector a real say in the development of the new local economic strategy. Called “Tell Us”, the series of road shows challenges businesses of all sizes to take the driving seat and set the partnership’s priorities.

— The Black Country has put in place a unique Business Friendly Planning Charter (which was adopted during 2011) and has agreed key strategic transport priorities, including improvements to the M5/ M6 junctions and better active management of the network across the region. They have also set up a website, www.finditintheblackcountry.com, where businesses can now access finance, secure contracts and trade with each other.

Local priorities focus on what needs to happen to ensure that business needs are met by local planning and infrastructure investment.

LEPs have also grasped opportunities offered by Government as a range of new tools to drive local growth have been introduced, including Core City deals, the £730 million Growing Places Fund (GPF) and Enterprise Zones, as well as encouragement and support to bid for Regional Growth Funds.

Government has supported LEPs in their early development. This has included partnership support from BIS Local, providing important links into central government and facilitation within the regions. A national network for LEPs, provided by British Chambers of Commerce (BCC), has delivered two national conferences, themed workshops to exchange good practice, and a detailed economic benchmarking report of local area economies. Government has also made available £9 million capacity and start-up funding to support their set-up costs. LEPs have recently made representations to government for further limited core support, to be matched by local partners. Government understands these pressures and is currently actively considering options.

Regional Growth Fund

Government has also launched the Regional Growth Fund (RGF) to help boost local economic development. The RGF is now a £2.4 billion fund operating across England from 2011 to 2015. It supports projects and programmes that lever private sector investment to create economic growth and sustainable employment. It aims particularly to help those areas and communities which were dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity. From the outset, LEPs have been encouraged to get involved with bids to the RGF as they can play an important strategic role. As LEPs have become more established, they have become increasingly involved with RGF bids. This is reflected in the significantly increased number of bids made by LEPs in the latest round.

So far the RGF is already having an important impact from rounds one and two, leveraging around £7.8 billion of private sector funding. Initial indications show that Round three bids could deliver similar levels of private sector leverage to previous rounds, approximately £6 for every £1 of taxpayers’ money.

Round 3 of the Fund opened on 23 February 2012 and closed on 13 June 2012. Over 400 bids have been received and currently all are being assessed by the RGF Secretariat. An announcement of successful bids will be made in the autumn 2012. Part II of this evidence submission sets out more detail on the RGF.

Part I: LEPs

Implementation

1. There are a total of 39 LEPs and all now have their Boards in place. The initial tranche of 24 LEP areas were approved in October 2010, followed by a further three in December 2010 and between January 2011 and
December 2011, 12 more were approved. This has resulted in 39 LEPs being approved between October 2010, and December 2011, a period of 14 months. Although not an explicit aim, this has resulted in 100% coverage of England, meaning that every town and city, and every business; small, medium and large, is now covered by a LEP.

2. A real strength of the LEP model has been its ability to attract strong private sector leadership and there has been a high quality field of applicants for Board appointments. The business voice, including that of small business, is of key importance and LEPs have developed strong SME engagement through a range of mechanisms. LEP Board membership from the Higher Education (HE) sector and from Further Education (FE) is common and reflects the importance of high skills and innovation to local growth. There has been very little turnover in LEPs’ private sector representation. So far, a small number of chairs (three in total) have recently stood down after completing the first phase of LEP set up. In some cases, LEP Boards have reshaped and changes have been made in the light of their initial experience. There have also been some changes in Local Authority (LA) representation, including following LA elections.

3. LEPs have been established as voluntary partnerships of local business and public sector leaders and have adopted a range of governance arrangements, including legal status, Board structure and ways of working. A number of different governance models have resulted, reflecting the role the LEP has chosen to fulfil. Some LEPs have established themselves as companies limited by guarantee (eg Greater Birmingham and Solihull); some have considered this approach and decided that it is not for them, some have adopted pre-existing partnership structures which have been used to form the LEP (eg Black Country). The Solent LEP has set itself up as a company limited by guarantee open to member companies only, with a voting system which requires the private sector Board members to be voted for from within the membership; while the Buckinghamshire LEP draws its private sector Board members from the Board of the separate, but closely related, Buckinghamshire Business First business organisation, which takes its membership from specific subscribers and members of other business organisations. Government’s view is that the nature of the partnership’s legal entity is wholly a matter for the LEP itself. LEPs are accountable to their local communities through their civic leaders and engagement with their business community.

4. As independent bodies, LEPs have developed and agreed their own local priorities. They have also determined their chosen approach to this; some developing task and finish projects, others developing a strategic framework to direct their focus. Of the 39 LEPs in place, 20 have put in place a formal business plan, with a further 10 in the process of developing one. In identifying their strategic priorities, LEPs are identifying local barriers to growth and working locally with partners to address them. They are working with the Department for Business, Innovation and Skills (BIS) and the Department for Communities and Local Government (DCLG) to raise issues where government action is needed.

5. From the outset, Government has been clear that LEP geography is a bottom-up process, identified and decided upon by LEPs. As such, overlaps between LEPs have been accepted as long as the case was made in terms of functional economic areas and LA and private sector agreement. For example, the two unitary authorities of North and North East Lincolnshire are part of both Greater Lincolnshire and the Humber LEPs. This enables these localities to build on key economic connections: to the south in respect of agri-food, tourism, engineering and manufacturing and to both banks of the Humber in respect of ports, logistics and renewables.

6. Many LEPs have brought fresh and innovative thinking around supporting growth. Private sector members have, in particular, challenged public sector partners to do things differently to ensure a stronger focus on delivery; for example through streamlined local planning processes. LEPs have already shown strong leadership in the delivery of programmes such as GPF and Enterprise Zones. They have also brought forward a number of innovative projects addressing specific local barriers to growth.

— **Gloucestershire** LEP’s Advanced Engineering and Manufacturing group has mapped out the sector’s skills needs and is working with schools, colleges, universities and apprenticeship providers to plan how best to meet demand.

— **Solent** has launched Solent Apprentices for Business (A4B)—a one stop shop, end-to-end Apprenticeship Training Agency service for employers and job seekers. In the first four months since launching Solent A4B has helped 25 apprentices into positions with 13 organisations, most of which are small or medium enterprises.

— The **New Anglia** LEP is focussing its efforts on realising opportunities for immediate growth from the development of low carbon energy generation and environmental services, from tourism and other sectors which thrive on its natural capital, particularly for SMEs. By bringing together a wide range of private and public sector stakeholders, who would not normally work together in this way, they have created a Green Economy Manifesto. This outlines Norfolk and Suffolk’s aspirations for driving forward green economic growth and provides a model for how other localities can come together to define their aspirations for their priority sectors.

— **Enterprise M3**, jointly with Destination Basingstoke, Hampshire County Council and Basingstoke & Deane Council, hosted a business network event with workshops and seminars to give businesses the opportunity to promote themselves and exchange ideas for growing the visitor economy.
New Economic Development Tools

Government has increased its offer of tools to help LEPs drive forward local growth. These include:

— Core City Deals.
— Growing Places Fund.
— Local Majors Transport Decentralisation.
— Enterprise Zones.
— Rural Growth Networks.
— Coastal Communities Fund.

Core City Deals

7. In a series of landmark deals with Government announced on 5 July, England’s largest cities have agreed major new powers to invest in growth, deliver skills and jobs, support local businesses, control budgets and deliver critical infrastructure. The cities—Birmingham, Bristol, Leeds, Liverpool, Newcastle, Nottingham Sheffield and Manchester—calculate the deals will lead to more than 175,000 new jobs and 37,000 extra apprenticeships over the next 20 years. These eight largest and most economically important LEP city regions outside of London, were invited to set out the powers they need to drive local growth in December last year. In return the cities have agreed to put in place stronger, more accountable local leadership and to spend their resources more efficiently.

More power to invest in growth

— Powers to “earn back” tax from the HM Treasury for Manchester.
— Freedom to fund critical infrastructure through tax increment financing for Newcastle, Sheffield and Nottingham.
— Self-sustaining investment funds to spend on local priority projects, reducing dependence on grants from central government for Birmingham, Bristol, Manchester, Leeds, Liverpool and Sheffield.

More freedom to support local businesses

— Power to create a venture capital fund to invest in high tech start ups and growth businesses for Nottingham.
— Business Growth hubs bringing support, advice and services to help businesses grow for Manchester and Bristol.

More power over budgets and resources to drive infrastructure development

— Devolved transport budgets for Birmingham, Bristol, Leeds and Sheffield.
— Responsibility for commissioning and managing franchise arrangements for local and regional rail services devolved to Manchester, Leeds and Sheffield.
— Joint investment programmes bringing together private and public sector assets to unlock resources for housing development and regeneration.

Powers to deliver the skills training local people and businesses need

— Control of the skills budget so the city can better respond to what businesses need from the local workforce for Sheffield.
— Apprenticeship hubs for Bristol, Manchester, Leeds, Newcastle and Nottingham, enabling the cities to boost apprenticeship numbers by supporting small and medium sized businesses to take on more apprentices with measures such as incentive payments.
— Power to design local Youth Contracts for Leeds, Liverpool and Newcastle to tackle youth unemployment.

Growing Places Fund

8. The Growing Places Fund (GPF) has been established to help support growth through delivery of key infrastructure needed to unlock stalled development, helping to generate jobs and housing. £730 million has been allocated to LEPs, of which £460 million was announced on 1 February, and an additional £270 million at Budget 2012. Government has encouraged LEPs to use this fund to create a revolving fund whereby they would get a return to reinvest in future projects. LEPs report good progress in assessing investment choices and most are on course to confirm their priority projects and establish local investment funds over the coming months. LEPs and local partners report a focus on investment in transport and housing to unblock development and in businesses sites to support key growth sectors (such as to support renewables technology and manufacturing businesses). The majority of funding will be capital, with up to £10 million available for Resource (up to 2% per LEP) to give partnerships the capacity to put in place robust governance, and ensure
good value for money. This is an important opportunity for LEPs to show what they can do to focus on unlocking economic growth, capture a return and lever in other funding.

— Lancashire LEP has approved its first three schemes to receive £7 million. These three schemes—Luneside East commercial development in Lancaster, Burnley Bridge business park, Edge Hill University expansion in Ormskirk—are ready to start work immediately, providing transport infrastructure and land remediation works, and will pay back into the fund quickly (to the LEP) whilst creating 1,550 new jobs, levering a further £95 million investment and creating 577 new homes.

— Worcestershire LEP has allocated (subject to due diligence) its £3.25 million Growing Places Fund to four schemes which will create over 500 new jobs and lever in over £20 million of other investment. These schemes include Hoo Brook Link Road and groundwork and utilities infrastructure at Worcester University Park and mixed use development around Worcestershire County Cricket ground.

— Hertfordshire LEP is building new film and TV studios as one of four projects to benefit from an £11.5 million boost to help create more than 4,000 jobs in Hertfordshire. Elstree Studios, owned by Hertsmere Borough Council, will receive £2 million from the LEP. Maylands Park and Spencer’s Park in Hemel Hempstead get £3.5 million to restart business unit and homes schemes.

Local Major Transport Decentralisation

9. A further very significant devolution is being implemented by the Department for Transport (DfT); LEPs will have an important role to play in local major transport decentralisation. This represents a further significant opportunity for LEPs to ensure local growth priorities are addressed. DfT has consulted on the devolution of decisions and funding for local capital infrastructure projects from 2015 onwards and they will give a formal response over the summer 2012. They propose to devolve the decision-making for these local projects to local transport bodies (broadly equivalent to LEP geographies) which will involve LEPs and Local Transport Authorities.

10. Although this proposal is for projects from 2015 onwards, local transport bodies will need to identify provisional priority schemes by April 2013. The level of funding is subject to the Spending Review but, as a guide; the SR10 settlement provided £1.5 billion for local transport majors over the spending review period.

Enterprise Zones

11. At Budget 2011, the Chancellor announced that 11 LEPs would be invited to come forward with proposals for Enterprise Zones in their areas, with a further ten to be sought through an open competition. There are now 24 Zones across England, with the most recent developments in the programme having been announced in Budget 2012.

12. Enterprise Zones are geographically-defined areas based around the core principle of reducing barriers to businesses growth. The Government has put in place a range of measures to support the development of Enterprise Zones and provide them with the incentives they need to make them attractive places to do business:

— A 100% business rate discount up to State Aid de minimis levels—approx £275,000 over a five year period—for businesses that move into an Enterprise Zone between April 2012 and April 2015 with Government meeting the cost of this discount;

— The retention in the area of all business rate growth generated by the Zone for a period of at least 25 years, to be used to deliver the objectives of the LEP;

— A simplified planning regime, primarily through the use of Local Development Orders; and

— Government support to ensure that super fast broadband is rolled out throughout the Zones. This will be achieved through guaranteeing the most supportive planning environment and, if necessary, through public funding.

13. The Government is making 100% enhanced capital allowances for plant and machinery available in some sites that fall within assisted areas—Black Country, Humber (both Humber Zones), Liverpool (Mersey Waters), London, North Eastern, Sheffield and Tees Valley Enterprise Zones.

14. Government is working to support LEPs in the delivery of their Enterprise Zones and to help address barriers to delivery. Most notably, UKTI is supporting enterprise zones on inward investment and trade opportunities.

15. A number of LEPs, for example West of England, have taken the concept of the Enterprise Zone further, designating enterprise areas and using their own local powers to enhance the LEP’s growth offer for new and expanding businesses. This is a good demonstration of LEPs being innovative and ambitious.

Rural Growth Networks

16. As part of his Autumn Statement, the Chancellor announced the intention to support and pilot Rural Growth Networks (RGN) with the two key drivers of removing barriers to growth and through addressing these
to stimulate sustainable economic growth in rural areas. The Department for the Environment, Food and Rural Affairs (Defra) secured £12.5 million to cover start up costs for these pilots and the Government Equalities Office (Home Office) is providing an additional £2 million, specifically to fund activity supporting growth in rural enterprises led by women. Overall, they will help stimulate LEPs and LAs to recognise, celebrate and promote entrepreneurship in rural areas.

17. Developing RGN bids has enabled a number of LEPs and local authorities to identify actions they can take to stimulate the rural economy (which is not necessarily reliant on Government funding or official pilot status). The RGN pilots will be established during 2012–13 in five areas, Cumbria, Devon & Somerset, Durham & Northumberland, Warwickshire and Swindon & Wiltshire.

Coastal Communities Fund

18. The Coastal Communities Fund is designed to support the economic development of coastal communities and seaside towns across the UK by promoting sustainable economic growth and jobs, so that people are better able to respond to the changing economic needs and opportunities of their area.

19. The Fund has around £23.7 million available in 2012–13 for the UK (£18.2 million in England) to support economic development projects in coastal and seaside areas. This is equal to 50% of the revenues generated by the Crown Estate’s marine activities in 2011–12. Further details of the level of funding available in future years will be announced in due course.

20. Government wants to see as many coastal communities as possible, large and small, drawing on the Fund to support imaginative and innovative projects that promote jobs and growth and is encouraging quality bids from the many different types of organisation that support local economic development including social enterprises, voluntary organisations, local businesses as well as local authorities and LEPs.

LEPs’ role in post- Regional Development Agency economic development landscape

21. As part of the Regional Development Agency (RDA) closure and transition process, government has put in place a number of arrangements which ensure LEPs have a central position in the new local economic growth landscape. Where ongoing functions have become nationally-commissioned, Government is working closely with LEPs to enable them to shape local delivery. The Core City deals process is also very significant in shaping the further devolution of functions.

22. In terms of private sector investment funds, LEPs have secured an increasingly important role in the RGF. From the outset, LEPs have been encouraged to get involved with bids, to the extent that in round 3 half of all the bids received were endorsed by LEPs and 25 bids came directly from LEPs. Further information on the LEP involvement and general progress on RGF overall is set out below in paragraphs 68–72.

23. In September 2011, as part of the RDA transition and closure programme, the majority of the RDA land and property portfolio was transferred to the Homes and Communities Agency (HCA) to be managed through a “stewardship” arrangement. Most of these sites were not ready for market sale and in the majority of cases required further investment to deliver economic benefits. Under the stewardship arrangement, local partners, including local authorities, businesses, LEPs and others are able to influence the development of former RDA assets and ensure they are developed in a way which maximises economic outcomes for the area. A LEP member sits on every Stewardship Board.

24. Government has taken steps to retain the local knowledge base built up by the RDAs. Prior to closure, RDAs disseminated to local partners information on how it tackled issues in its region. This information included know-how on responding to economic shocks, such as the closure of MG Rover. In addition, a large amount of material has been retained and will be held at designated Local Record Offices on behalf of the National Archives while the RDA staff who have moved with continuing functions (c.500) have taken their knowledge with them.

LEPs and Trade and Inward Investment

25. LEPs can play a crucial role in facilitating trade and inward investment. A crucial part of the LEPs’ contribution to the national inward investment effort is providing information on the local offer, so that this can be reflected in individual propositions to individual investors and in UKTI’s promotional activities. Work is underway with the LEPs to deepen UKTI’s knowledge base in terms of the local offer, and to help identify the optimum UK localities for investment based on an objective assessment of capabilities. UKTI are also collecting information specifically on Enterprise Zones so that they can be suitably reflected in the national offer.

26. UKTI has also signed Memoranda of Understanding with 38 of the 39 LEPs (with London expected to sign soon), providing the platform for a productive relationship. These agreements set out how UKTI and LEPs work together in relation to inward investment, including on Enterprise Zones where this is appropriate. To cement relationships, UKTI’s locally-based Partnership Managers are working with LEPs to develop engagement plans setting out how UKTI and LEPs work together in practice.
27. In order to ensure strong engagement with local partners, UKTI has recently reshaped its local partnership arrangements. UKTI Regional Directors, previously solely focused on international trade, now have the role of coordinating and monitoring all UKTI engagement with partners, on trade and investment, working closely with BIS Local. UKTI has established an International Business Forum in each region, covering trade and investment, to help focus its activities at local level. LEP Chairs have been invited to put business representation on these advisory groups. BIS Local is also involved in the forums. The International Business Forums have a key role to play in developing UKTI’s local approach to supporting exports in partnership with the LEPs.

28. To help LEPs build their capability, UKTI has also developed a new tool giving access to the National Pipeline of Foreign Direct Investment (FDI) opportunities and rolling out accredited training for local partners’ staff involved in inward investment. The majority of LEPs have been trained or have sessions scheduled with individuals across the country accredited to use the tool.

— Humber, North Eastern, Tees Valley, New Anglia, South East and Liverpool LEPs are working together as Centres for Offshore Renewables Engineering areas. BIS Local and UKTI Denmark arranged for them and companies from these areas to attend an Offshore Wind Partnering Forum which took place in April 2012 in Copenhagen.

**LEPs and European Structural Funds**

29. The RDAs played an important role in the delivery of European Regional Development Funding (ERDF) and acted as an Intermediate Body on behalf of the Managing Authority, DCLG. The RDA ERDF management teams have now been absorbed into DCLG, as Programme Delivery Teams.

30. Given the current economic climate, ERDF is a major source of funding for economic regeneration and Government is keen for LEPs to play a leading role in English ERDF programmes, both as beneficiaries and as participants on the relevant Local Management Committees (LMC). We are encouraging LEPs to develop good quality project proposals. As part of this, Government has decided that a significant figure from the local community should be appointed as a deputy chair of the LMC, to ensure that the ERDF programmes are overseen and shaped by local people. The list of Deputy Chairs includes chairs of LEPs, a Council leader and voluntary and private sector representatives.

31. The European Social Fund (ESF) is delivered through one programme in England, managed by the Department for Work and Pensions (DWP). For the 2014–20 programme, the Government is exploring options for making ESF more locally transparent and accessible. LEPs are engaged as stakeholders in discussions on how to structure both ERDF and ESF programmes in the next round of funding (2014–20).

**LEPs and Skills**

32. Through the FE and Skills reform plan published last December—New Challenges New Chances—colleges and providers are being freed to be more responsive to their communities. Government expects colleges and providers to have a key role to play in responding to the changing needs of a dynamic economy and society, contributing to the work of LEPs in driving local economic growth and working with local community leaders and the business sector through initiatives such as the city deals agenda.

33. Through the City Skills Fund (announced and allocated earlier this year with £0.5 million going to each of the core cities and London), government is supporting cities to establish a shared understanding of the skills priorities of cities based on an analysis of labour market need. Funding for the same purpose has also been provided to Enterprise Zones.

34. There is some excellent collaborative working between colleges, providers and LEPs, with the majority of colleges and LEPs working together in some way, including 14 LEPs with FE college leaders on their boards. Some areas have developed strong strategic relationships, such as Birmingham and Cheshire, and we would like to see those sorts of relationships built consistently everywhere.

**LEPs and Business and Enterprise Support**

35. Government has worked with LEPs to ensure they understand the availability of government’s support to business. Many LEPs have the promotion of enterprise, access to finance and business growth as key strategic priorities. A number of LEPs provide signposting on what is available to small businesses in their areas and so far 10 LEPs have signed up to host Businesslink.gov.uk information and advice on their websites. In addition to this, a small number have taken significant, proactive steps to support the market for business support in their areas, for example New Anglia LEP with their online “Business Information Portal”.

36. A number of LEPs who have identified business support as a priority are also engaged in mentoring, either through their Local Chamber, Local Authority, as part of the Get Mentoring initiative or via Mid-Sized Business (MSB) Pathfinder projects. The Leeds and North Yorkshire LEP, for example, runs a mentoring programme via the Leeds, York and North Yorkshire Chamber of Commerce and has also been involved in the Get Mentoring Steering group.
FUNDING

37. As locally-developed partnerships, funding and resources differ dependent on the local context. In terms of resources for their core running costs, Government has provided some limited start-up and capacity funding for core LEP capacity (see paragraph 38). However, the most significant resource and capacity available to the LEP to deliver their priorities derives from the resources of the local partnership and from the local investment funds such as GPF which have been devolved by government. LEPs will also be able to access future investment funds generated through recyclable GPF and business rates uplift from Enterprise Zones. LEPs have also been supported and encouraged to compete for local investment funds through RGF programme (see paragraph 68).

38. In order to help LEPs put their core operational capacity in place and to become self-sustaining, BIS made available £5 million in 2011–12 as a Start Up Fund. Funding has been used to support activity that is essential to kick start the core institutional capacity necessary to drive growth. These include new posts; office rental; equipment, training or IT support; as well as activity to engage the wider business community and support LEP board development. All LEPs who had been asked to put their boards in place by Ministers were able to bid into this one-off fund on a challenge basis. The allocations to this fund were announced on the 2 August 2011.

39. Additionally, to help LEPs understand issues facing businesses in their areas and to allow them to develop and prioritise action plans, BIS has made available a £4 million Capacity Fund (£1 million per year over four years 2011–15). For round 2 of the Fund, BIS have taken on board LEP comments about the need to simplify the process and in consultation with the LEP network, allocated all partnerships £76,800 spread over the three financial years, 2012–15.

40. Further LEP resources come from LA partners, private sector partners and in one or two cases through private sector subscription. Much of the partner resource is in-kind, including secondment and loan of premises and people. Government welcomes this demonstration of commitment to the partnerships and recognises the benefits of joining up partner resources behind the LEP. There is encouragement but no requirement on LAs to pool or join up their economic development resources to back the LEP or its priorities. Some well-resourced LEPs are built on pre-existing, often formally constituted joint economic development teams and investment funds.

41. LEPs have recently made representations to government for a small amount of additional ongoing core support to be matched by local partners. Government understands the pressure on core resources for LEPs and is currently actively considering options.

Support for good practice

42. BIS has established six small teams across the country, responsible for promoting BIS local growth policy objectives, providing BIS frontline capability to unlock economic opportunities; coordinate responses to economic shocks, and maintaining strong links with local partners, business and business stakeholders. BIS Local have successfully built strong relationships with LEPs and local government to help them build their capacity and capability, and help them understand and link with national priorities. BIS Local also work closely with officials who lead DCLG’s relationships with LEPs.

43. In order to provide LEPs with support independent of government, the BCC was invited to establish the LEP network. In its first year it has developed a LEP website and newsletter, organised a range of themed workshops to support LEP development, and published a comprehensive economic analysis of LEP geographies for benchmarking. Two successful conferences have also been organised for LEP chairs, further strengthening LEP chairs’ direct dialogue with Ministers.

44. Through a process of shared learning, pathfinder projects will help LEPs to maximise the benefits of working within the new local economic growth framework. Their aim is to support partnerships to refine and sharpen their ambitions around their key economic objectives; to help Government understand better the capability and appropriateness of partnerships undertaking specific economic roles, and help national policy leads better understand what the partnership role can be in the new economic landscape. They also allow LEPs to share best practice, using the LEP network.

— In March 2011 the Leicester and Leicestershire LEP (LLEP) embarked on a project to develop a new relationship between businesses and regulators across the LLEP area. This project was designed to explore how an effective and efficient regulatory system can support business growth through removing both real and perceived regulatory barriers. The project aims to develop a range of activities and products that will enable better regulation and promote local growth.

45. To further support LEPs, BIS has developed a “toolbox” to help them to pursue their priorities. The toolbox provides information on economic development activity across government departments and sets out possible avenues for LEP/Government cooperation. Once LEPs have identified their priorities, they can use the toolbox to ensure that their work dovetails effectively with activity led at the national level.
Collaboration and competition between LEPs

46. Competition for economic growth opportunities between local areas is real; for example in the competition for inward and geographically mobile private sector investment. LEPs have also competed for government funds such as RGF and the skills Growth and Innovation Fund. There were also competitions for Enterprise Zones and RGN pilots. Government recognises that this has resource implications for LEPs, and in the approach to the GPF and elements of start-up funding, an allocation methodology has been used. However, Government also believes that competition between LEPs can be positive in securing the strongest possible focus on growth by local partners. Competition between LEPs has not prevented progress on collaboration and there are a number of good examples where the economic benefits for wider areas or key sectors has driven effective joint working.

— Three LEPs (Greater Manchester, Liverpool City Region and Cheshire and Warrington) collaborate on the Atlantic Gateway project which aims to accelerate the development of major projects and drive economic growth on a corridor stretching from the Port of Liverpool along the Manchester Ship Canal to Salford Quays;

— The Buckinghamshire, Oxfordshire and South East Midlands LEPs have collaborated closely in progressing the East West Rail scheme. Other examples of LEP collaboration on transport (and particularly rail) include the Great Western Rail (GWR) rail franchise, and the scheme to provide Western Rail Access to Heathrow, which will benefit LEPs as far South West as Cornwall and the Isles of Scilly; and

— South West Marine Energy Park is a Department for Energy and Climate Change inspired designation that recognises the collected marine sector assets and resources across the south west. Three LEPs are involved (Cornwall/Isles of Scilly, Heart of the South West and West of England) working with the private sector and universities to set out the South West “offer”, develop the infrastructure required to build the sector and establish an investment-ready environment.

Part II: Regional Growth Fund

47. In the budget of June 2010 as part of its strategy to drive up local economic growth, the Government established a Regional Growth Fund (RGF). This is run as a competitive fund with two key objectives:

— to encourage private sector enterprise by providing support for projects with significant potential for economic growth and create sustainable private sector employment; and

— to support in particular those areas and communities that are currently dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity.

48. The Government initially allocated £1 billion to be spent between April 2011 and March 2014, increasing this to £1.4 billion in the October 2010 Spending Review, this supported the allocations from rounds 1 and 2. As a result of the popularity of the Fund, the Chancellor of the Exchequer allocated a further £1 billion in November 2011, to be spent between April 2012 and March 2015; Government can allocate up to the full £1 billion in the current round.

49. The first bidding round ran from October 2010 until January 2011 and the second round ran from April 2011 to July 2011. 176 bids were successful in the first two rounds, receiving a conditional allocation of £1.4 billion to deliver around 330,000 jobs as claimed by applicants (subject to due diligence checks).

50. Of these successful bids from rounds 1 and 2, 110 (46.6%) businesses have signed their final agreements totalling £718.5 million (as at 9 July). The beneficiaries of these projects anticipate that they will create and safeguard 172,765 jobs in total as a result of the RGF support.

51. Many successful applicants are proceeding with their projects. 139 (58.9%) projects have started whilst they go through the contracting/due diligence process, whilst others are taking longer as they put in their commercial arrangements in place—for example Bridon International, based in Newcastle, is developing a new portside centre and installing a rope closing machine which will allow the manufacture of the world’s longest multi-strand ropes capable of bearing extremely heavy loads. Bridon has been awarded £2 million from RGF. They are supported by more than £23 million of private investment, and will create 188 new jobs.

52. As well as creating new jobs, the fund is playing a vital role in leveraging new private sector investment. The £1.4 billion allocated by Government in the first two rounds will unlock £7.8 billion of private sector investment in projects that drive export growth, enable new research & development, and deliver improved infrastructure in the parts of the country that need it most. The RGF is working towards delivering the ambitions set out in the Government’s Plan for Growth.

53. The National Audit Office (NAO) published a generally positive report on the RGF in May 2012. The NAO found that the RGF has a strong appraisal system, offers good value for money and is meeting its objectives in selecting projects that will support private sector jobs in places that are currently over reliant on the public sector.
54. The NAO found that the average cost per job (£33,000) created by the RGF is in line with other similar funds while also recognising that the projects being supported will, in many cases, create wider benefits on top of the immediate employment boost (such as training spill overs and economic and social infrastructure). The NAO report and Government response to the Public Accounts Committee (PAC) hearing held on May 16 can be seen at: http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/writev/104/m02.htm

55. In line with recommendations from both the NAO and feedback from the subsequent PAC hearing, the RGF secretariat is working to strengthen and clarify the governance structure, embed robust risk management and monitoring & evaluation systems and to share good practice across Whitehall. Lessons learned during rounds 1 and 2 have resulted in an improved process for Round 3, detailed below.

Rounds 1 & 2

56. The RGF is focused on creating and safeguarding jobs in both the short and long term. The £1.4 billion allocated by the Government in the first two rounds will unlock £7.8 billion of private sector investment in projects that drive export growth, enable new research & development, and deliver improved infrastructure in the parts of the country that need it most.

57. The fund has attracted bids for both projects and programmes:

— Funding for projects is typically giving direct support to business for investment in plant and equipment, close to market R&D or skills and training. Nifco in the north east are a good example of this; they are using the funding to expand production with more efficient machinery which will create 128 new jobs and safeguard 158 existing jobs. Ministers particularly supported projects with more than one category of investment as these are likely to lead to sustainable economic activity. For example, Bentley who submitted bids for 2 projects, to support their R&D and to upskill a proportion of their workforce which would both create 200 new jobs and safeguard 500 existing jobs. Similarly, Zytek in the Midlands used the funding for their project to support both R&D and training to create and safeguard almost 100 jobs.

— Funding for programmes essentially gives support to an intermediary who may: have existing access to SMEs (banks), a local strategy for growth to support (LEP supported bids), offer support across England for a particular sector, or a local partnership, which can support a local area (such as Plymouth or Liverpool Aspire). The intermediary would then distribute funding to support investment by private sector business, either to a predetermined set of businesses or by running a “mini-RGF” competition. Examples of funded programmes include the East Kent Employment Taskforce, which will fund local projects and support local infrastructure improvements, the Solent LEP programme which involves the local newspaper and university and will provide financial support for SMEs or the Business Angel Co-Investment Fund—an SME access to finance programme.

58. For a wide variety or reasons a number of companies have been unable to progress their projects despite being successful in bidding for RGF money. We have written to all those companies who have yet to agree terms and are working closely with them to unpick the reasons for delay and either move the projects forward or confirm withdrawal so that funding can be recycled as quickly as possible.

59. We have an extensive quarterly monitoring programme to ensure that all claims are carefully assessed to protect the public purse. We will also publish an annual monitoring report and the final offer letter to beneficiaries informs them of this and sets out the Key Performance Indicators (KPIs) against which their project will be measured. In addition, and in line with NAO recommendations and comments from the PAC, a detailed evaluation strategy is currently under development and it will consider qualitative as well as quantitative approaches to quantify indirect jobs and wider benefits.

60. In a Written Ministerial Statement in July 2012, Mark Prisk announced that 16 companies have withdrawn. This has released up to £40.8 million to be recycled into the RGF, or used at Ministers’ discretion to support companies and local areas identified as experiencing economic difficulties.

61. In most cases, companies withdrew because of global market conditions, not wanting to pursue the project or changes to senior management. In rare cases it was down to the parent company not supporting the project, or the project not complying with state aid rules.

62. Withdrawals are not automatically a bad thing. Ultimately the RGF targets “marginal” projects—projects that are not so commercially attractive that the private sector would do them anyway. As the beneficiaries contribute the vast majority of funding to each project it is not surprising that some beneficiaries ultimately choose not to proceed.

Round 3

63. As a result of the popularity of the Fund, the Chancellor of the Exchequer allocated an additional £1billion to the RGF in his autumn 2011 budget and a third round of the RGF was launched in February 2012 and ran until June 2012. Whilst the NAO report overall is very positive about the processes we have put in place and the robustness of the system, we accept that there are still things we could do better based on lessons
learned from previous rounds. Using these lessons learned, and acting on feedback from stakeholders, a number of improvements have been in place for Round 3 including:

- A new application form—which is more user friendly and designed to decrease the amount of time taken by the appraisal team to extract the relevant information and to appraise the bids in order to speed up the overall process.
- A new three month time limit for applicants to move from receiving the Ministerial decision to agreeing the terms in the conditional offer letter and a further three month time limit to complete due diligence (equivalent to a term sheet in a commercial transaction). This is designed to deter speculative bids which have slowed down the system in previous rounds.
- Making more people available to hold Expression of Interest meetings with potential bidders (412 held for R3). Feedback from attendees has been very positive and we hope by investing staff resource in this way we will have increased the quality of bids coming forward to the Fund.
- An increase in the overall size of the team from 18 to over 50, ensuring the right mix of skills between economists, accountants and case officers.

64. 414 applications have been received in round 3, seeking funding to the total of £2.76 billion. We will make announcements on successful applications in the autumn and these bids will then enter the contracting phase.

65. This number of applications is substantial, asking for two and a half times the money that we have available with a good mix of projects and programmes right across the country. Table [1] below shows a breakdown by region:

<table>
<thead>
<tr>
<th>Regions</th>
<th>Bids</th>
<th>% of total bids</th>
<th>RGF Ask (£m)</th>
<th>% of total RGF ask</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>72</td>
<td>17%</td>
<td>352</td>
<td>13%</td>
</tr>
<tr>
<td>North West</td>
<td>77</td>
<td>19%</td>
<td>414</td>
<td>15%</td>
</tr>
<tr>
<td>Yorkshire and The Humber</td>
<td>61</td>
<td>15%</td>
<td>345</td>
<td>13%</td>
</tr>
<tr>
<td>East Midlands</td>
<td>38</td>
<td>9%</td>
<td>124</td>
<td>4%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>57</td>
<td>14%</td>
<td>410</td>
<td>15%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>27</td>
<td>7%</td>
<td>565</td>
<td>20%</td>
</tr>
<tr>
<td>South East</td>
<td>25</td>
<td>6%</td>
<td>145</td>
<td>5%</td>
</tr>
<tr>
<td>South West</td>
<td>41</td>
<td>10%</td>
<td>322</td>
<td>12%</td>
</tr>
<tr>
<td>London</td>
<td>6</td>
<td>1%</td>
<td>26</td>
<td>1%</td>
</tr>
<tr>
<td>East of England</td>
<td>10</td>
<td>2%</td>
<td>61</td>
<td>2%</td>
</tr>
</tbody>
</table>

66. The applications demonstrate strong support for local economic priorities with half of bids including an endorsement from their LEP and 25 bids originating directly from a LEP. Around a quarter of bidders indicate that they had participated in previous rounds of the RGF. 16 bids were received from the eight Core city regions to a value of £396 million, bids range from £100 million (Manchester) to £1.4 million (Bristol).

67. Substantial progress has been made, especially given the tough economic climate into which RGF was launched. For every £1 invested by the Government into RGF around £6 of private investment has been leveraged.

RGF and LEPS

68. A key consideration of the Independent Advisory Panel and Ministerial Group is the fit of bids with their local economies to ensure that the activity supported will be truly sustainable. For example, do the bids build on an area’s competitive advantage and are they aligned to their local economic growth strategy. Local authorities, LEPs and other local bodies can work with private sector partners to put in their strongest bid possible and provide endorsements to those bids which they feel have the best fit locally.

69. In addition, local authorities, LEPs and other local partners can submit programme bids where, as the accountable body, they are responsible for allocating the RGF on behalf of Government either to a predetermined set of projects or to as yet unidentified firms as part of a grant or loan scheme.

70. From the outset LEPs have been encouraged to get involved with bids to the RGF as they can play an important strategic role. As LEPs have become more established, they have become increasingly involved with RGF bids, which is reflected in the significantly increased number of bids made by or with LEPs in Round 3.

71. LEPs have had differing levels of involvement in bids including overseeing and coordinating applications, partnering in bid consortia, and endorsing applications. In the Rounds 1 and 2, 6 of the intermediary bids came directly through a LEP (worth £120 million in RGF award) and a number of others included LEPs as partners. In Round 3 half of all bids were endorsed by LEPs and 25 bids emerged directly from LEPs.
72. A good example of a LEP programme bid to the RGF is from Cornwall and the Isles of Scilly (with Cornwall Council as the accountable body). Their bid included an SME grant using £7 million RGF money and including: grants £1,000–£50,000 to around 100 SMEs for business investment in Superfast Broadband and grants (minimum £10,000) for capital investment in business premises and equipment. They also received £6 million RGF to use alongside £14 million from ERDF and Cornwall Council, to fund enabling infrastructure such as investment in transport, land remediation, investment in innovation and research facilities. By improving the local infrastructure and giving SMEs a new source of financial support, which they can use as co-investment, this set of activities for £13 million RGF aims to create or safeguard 5000 jobs.

9 July 2012

Written evidence submitted by the Association of Colleges

Introduction

1. The Association of Colleges (AoC) represents and promotes the interests of the 352, Further Education Colleges and Sixth Form Colleges established under the Further and Higher Education Act 1992, and their 3.4 million students.

2. Colleges are making a vital contribution to helping businesses recover from the recession and are a major draw for inward investment because of the range of skills they offer—a rich mix of academic and vocational education ranging from basic skills to higher education degrees. Colleges currently train many thousands of apprentices and provide 11% of higher education places and 39% of all vocational qualifications achieved each year,1 supporting key objectives of the Department or Business, Innovation and Skills.

AoC Evidence to the BIS Committee, August 2010

3. In our evidence to the Committee, we stressed, in light of the clear skills role the Government wished the LEPs to take on, that FE Colleges must be closely involved in their work. We specifically suggested that LEPs involve Colleges in their governance structures both because of Colleges' role as providers of education and training but also because of their significance as major employers.

Local Enterprise Partnerships and FE Colleges

4. We have conducted a survey of senior College staff to ascertain the impact of Local Enterprise Partnerships. The level and extent of engagement by LEPs of local FE Colleges is still very patchy, however, there are some emerging pockets of good practice. Just over half of the Colleges that responded to the Survey reported that their relationship with the LEP had improved over the last year. Examples of positive progress include the prioritisation and promotion of Apprenticeships by LEPs and some encouraging collaboration linked to securing funding for skills activity. However, Colleges are continuing to encounter barriers that negatively impact on their ability to engage constructively with LEPs—these barriers are not only restricted to areas where the LEP has only recently secured approval.

5. The biggest single issue reported by Colleges continues to be around representation at LEP Board level. In some areas the strategic positioning of skills on the LEP agenda is being influenced by the level of representation that Colleges have secured, that is to say the further education and skills agenda is not being afforded sufficient priority where Colleges are not represented at LEP Board level. Where Colleges sit on LEP Boards they have been successful in influencing and driving the skills agenda.

6. Other key barriers preventing the development of productive relationships from the perspective of the Colleges that responded to this research include:

— A lack of understanding of the breadth of the College offer and the role that FE plays in economic growth, particularly in terms of engagement with employers and community. This is preventing the development of an informed collaborative approach to the promotion of both skills ambition and skills investment. Almost two thirds of Colleges that responded to the survey have experienced barriers to effective engagement with the LEP.

— An unwillingness of LEPs to engage strategically with local Colleges or indeed involve the FE sector directly in the skills activity being considered or undertaken by the LEP. Only 11% of Colleges that responded to the survey indicated that they had “full engagement” with their respective LEP.

— The increasingly politicised environment around both localism and skills, characterised by a great deal of strategic positioning of key stakeholders, is making “day to day” skills business difficult.

1 AoC key facts http://www.aoc.co.uk/en/about_colleges/facts_and_figures/
— The pragmatic approach of focusing on the immediacy of inward investment and job creation adopted by some LEPs causes logistical planning issues for Colleges. Although the approach is understandable it further demonstrates a lack of understanding of the lead in time that may be required for Colleges to “shift” and develop provision and has frustrated the ability of the sector to strategically plan and prepare responses to demand in a systematic way.

— A lack of understanding of the current skills arrangements for influencing FE provision and skills policy developments that will have a direct impact on any skills thinking and/or planning at a local level.

— The LEP secretariat function is in some instances becoming bureaucratic and impeding the ability of FE and other partners to engage.

7. There was a strong sense from the case studies and survey feedback that the recognition and status being afforded to Universities by LEPs needs to be extended to Colleges to allow them to make a full and positive contribution to the economic growth agenda. The HE focus of LEPs has given the impression that they are mainly interested in, and familiar with, higher level skills and are not genuinely interested in the broader skills needs of the economy and the vocational dimension of FE. This is particularly unhelpful given the innovative collaborative activity taking place between FE and HE through, for example, University Technical Colleges, HE being delivered through FE Colleges and direct HEFCE funding being routed through Colleges for HE provision.

**KEY CHARACTERISTICS OF SUCCESS**

8. There are some key characteristics and actions that could increase the chances of addressing skills issues collaboratively and successfully, thereby maximising the potential impact of skills on growth:

— Strong and credible leadership informed by expertise from key skills partners—including engagement with Colleges, training organisations and provider networks.

— Production of a clear and comprehensive local skills vision and strategy supported by a robust and commonly agreed evidence base including analysis of the labour market and future demand.

— Active engagement with the FE sector, Colleges, partners and employers on skills issues and the ability to influence/change the shape of provision.

— Development of a clear understanding and recognition of what Colleges and training organisations offer eg the breadth of the curriculum offer, levels of funding deployed, employer engagement activity, etc.

— Clear buy in from local employers and stakeholders.

— Ability to attract funding through successful bidding to act as a catalyst to skills focused activities.

— Agreeing local metrics of success with local partners to demonstrate impact.

9. It is imperative that stakeholders address the barriers to engagement that have been identified above and capitalise on the collaborative opportunities cited, in particular:

— Raising employer ambition and investment in skills.

— Securing funding (eg Enterprise Zone Skills Fund, City Skills Fund etc) that helps to embed collaborative/partnership arrangements, ensure common understanding of skills issues and priorities and develop strategies and plans to address key issues and priorities.

— Joint working on labour market intelligence.

— Adopting innovative approaches to supporting LEP structures and providing resources to drive activities and actions. This includes where the LEP secretariat function sits and how it might best serve the promotion of “skills” in its broadest sense.

10. Many Colleges are continuing to deliver what could be seen as “LEP-like” skills activities that respond to employer and individual demand and contribute to economic growth but are being undertaken completely independently or in spite of LEP activity.
1. Despite being handed a “toolkit” by central Government containing Enterprise Zones (EZs), easier planning, the chance to bid into the Regional Growth Fund and Growing Places Fund, the Localism Act and a “general power of competence” for local authorities, many commentators are still left wondering what real levers of economic growth the LEPs will have to pull. The situation in some cities where new “city deals” are now on offer may (or may not) turn out to be different or any better in enabling the LEPs.

2. Part of the rationale for LEPs is that local (or city) economies do not stop at local authority boundaries, requiring collaboration across a wider spatial area (see Hildreth and Bailey, 2012). Evidence from Europe is quoted in “Unlocking Growth in Cities” that: “where the level of decision-making is a good fit with a city’s economic footprint this is associated with better economic performance” (BIS 2010, page 16). However, this logic has not been followed through in the bottom-up creation of LEPs. Some like Manchester make good economic sense. Others like Birmingham are considerably well under-bounded. Overall, many of the LEP areas are far too small for effective policy making; fragmentation has been too great. The National Planning Policy Framework (NPPF) (DCLG, 2011) does attempt to rectify this to some extent by including a “duty to cooperate” among local authorities on planning issues that cross boundaries, but contains little or no guidance on what the duty means in practice nor clarifies what effective sanctions could be applied if they or the myriad of other organisations involved fail in this duty, and as such this can be seen as “ineffective” (see House of Commons, 2011). At some point an intermediate scale will have to be back on the agenda to join up the work of the LEPs, which otherwise will be fragmented if not divisive. The proposal to give transport funds to groups of local authorities across LEPs makes sense as transport issues transcend LEP areas. However, given LEPs want the powers to be accorded to them instead, this in turn raises issues of democratic accountability. Here the lessons from RDAs, both positive and negative, will need to be remembered.

3. There is a question as to what happens to the LEPs that are not connected with a Core City (which may benefit by gaining new powers and revenue raising potential through the City Deals) (see Hildreth and Bailey, 2012). The “City Relationships” study for the former Northern Way (Work Foundation, SURF and Centre for Cities (2010)) showed a complexity of economic linkages between towns and cities across Northern city regions. Many of the old industrial and port cities and towns like Burnley, Hull and Grimsby are relatively isolated in their commuting patterns and in their business networks. Their natural economies are too small, even within their designated LEPs and the consequences of their histories too great, to achieve much progress at such local levels. Indeed, expectations must be of continuing growing divides, even between places in the North and Midlands. This suggests the scale geographies of some LEPs is too small.

4. Points 2 and 3 above represent a major challenge towards the new framework. A major criticism of the RDAs was that that they were effectively imposed in a top-down and arbitrary way. As a result they were seen as bearing little relationship with functional economic geographies, and were not accountable to localities. RDAs had the “wrong geography” it was argued. In contrast, the creation of LEPs has been very much a bottom-up driven process, and while potentially helpful in terms of closeness to the community and accountability, there is no guarantee that the configuration of LEPs that has emerged has the “right geography” either. In fact, the new configuration of new LEPs may have just as severe problems over scale and boundaries as the old RDAs, albeit in a different form. A particular challenge is when interactions take place over different scales, how are stronger places going to be incentivised to cooperate with weaker places? That has yet to be made clear in Government policy.

5. What does seem clear is that in the short-term the LEPs need a mix of real powers and so far few commentators feel that they have them, especially on the ability to raise finance (Bentley et al., 2010). We heard more on such financing powers from the Government in the Local Government Resource Review (DCLG, 2011a). This did indicate that the Government had been listening at least; the review suggests that local authorities will be able to keep any growth in business rates, in the hope that this will create a stronger incentive effect to promote growth. But the review stopped short of making it absolutely clear that local authorities and LEPs have genuine finance raising powers (such as bond issuing powers) to get things done locally. Perhaps the proposed “city deals” now being unveiled (July 2012) may go further on this.

6. It is a critical point for many in business especially; real revenue raising powers for LEPs, fully using existing local authorities’ prudential borrowing powers—and more—are needed, especially given that the Regional Growth Fund has a substantially smaller pot of money available to support regional growth than that which previously went via the RDAs. But the clock is ticking: business in particular needs to see that LEPs have real powers with real resources, and there are real fears that unless this is made clear soon then businesses will start to walk away from what are essentially voluntaristic partnerships.

7. The possibilities for positive action have been illustrated in Manchester where one LEP covers the Greater Manchester area, where businesses are engaging with Local Authorities in a “creative tension” and where the LEP has a clear plan of where it wants to go through the research and intelligence gathered for the Manchester Economic Strategy. But Manchester has influence, benign political borders and local authorities willing to work together in ways that reflects functional economic space. This long-run track record of partnership working and an agreed strategy meant that the LEP could “hit the ground running”. That clearly is not the case everywhere, including in the West Midlands, where LEPs are much more fragmented and failed to match functional
economic geography in any meaningful sense. There is a fear that what decentralisation is on offer will over time lead to widely different performances, depending on the strategic capabilities of local areas to manage their economic affairs, in large part related to past experience of doing so (Shutt et al, 2012).

8. With the abolition of RDAs, some of the latter’s powers have gone back to Whitehall, including powers over inward investment, industrial policy, business support, innovation, and access to finance. Add in the confusion over responsibility for skills—which has been handed to the Skills Funding Agency and Colleges rather than LEPs, and there is a sense of a “missed opportunity”. “City Deals” in some cities may help address the skills issues.

9. A key problem is that many of the rebalancing and restructuring issues the UK (and England therein) faces—for example in terms of developing green technologies—require a coordinated and holistic approach involving multiple layers of Government (eg city, region, national level). Things need to be done at the lowest level they can be achieved efficiently. In some cases that is the local level (well being, schools, refuse, roads etc) in some cases regional (supporting region-wide clusters and innovation, intelligence gathering and accessing EU funds for example) and in some cases national (technology foresight, competition policy, fiscal and monetary policy etc). At some point an intermediate scale will have to be back on the agenda as noted above. In the meanwhile, greater efforts to decentralise more powers to the local level (rather recentralising to London) are needed, along with clearer fund-raising powers if the new LEPs are to have a real chance at promoting local economic development. While “City Deals” may offer a useful first step for some cities, other localities will be left wanting.

10. On the RGF, we wish to stress that firstly the RGF is small, representing a considerable cut in funding for economic development as compared with what went through the RDAs. As a result a large number of worthwhile projects have been turned away. Secondly, the RGF it distributed in a top down, centrist way from London in contrast to the old RDA spending where decisions were made near the ground in the regions. In the future we would like to see the LEPs given a greater role in RGF decisions to ensure projects funded accord with local priorities. Thirdly, the RGF has been too slow in getting due diligence done on projects once approved, which means that the money has taken too long to get out into the real economy. Fourthly, the criteria for the award of RGF funding are less than clear and greater transparency would be helpful for bidders. Finally, we also point to the report by the National Audit Office (2012) which noted “value for money was not optimised because a significant proportion of the fund was allocated to projects that offered relatively few jobs for the public money invested”. While we welcome the innovative approaches being taking by some LEPs on business finance, the issue needs attention to ensure businesses can obtain finance for investment towards economic recovery.

Authors’ Affiliations:
Professor David Bailey (Coventry University Business School, and Chair, Regional Studies Association).
Gill Bentley (Birmingham Business School)

References

http://www.communities.gov.uk/localgovernment/localgovernmentfinance/lgresourcereview/


National Audit Office (NAO) (2012) The Regional Growth Fund. London: NAO. Available at:


5 July 2012

Written evidence submitted by Black Country Reinvestment Society (BCRS)

The Black Country Reinvestment Society (BCRS), a Community Development Finance Institution (CDFI) founded in 2002, provides loans to small businesses turned down by the Banks. BCRS operates in the Black Country and Staffordshire in the West Midlands and is recognised as one of the leading CDFIs in the country.

BCRS increased its lending to small businesses by over 500% since the onset of the credit crunch. It has lent over £10 million in the last ten years, £5 million of which has been lent in the last two years. It has been able to assist 42 start up businesses and 375 existing businesses and enabled 780 jobs to be secured and 401 created.

Its application for RGF funding to further capitalise its loan fund in Round One was unsuccessful.

However, it was successful as part of a national bid for £60 million (of which 50% was commercial bank loans) by the Community Development Finance Association (CDFA). This was awarded in April 2011 but no funds have been received by BCRS to date.

After protracted negotiations between the CDFA and BIS, a contract was finally signed over 12 months after the announcement of Round One winning bids. PricewaterhouseCoopers (PWC) were appointed as part of the due diligence procedures but applications from CDFIs were not accepted until July 2012.

BCRS has now been informed that its bid for £12.28 million over the next three years has been passed by the CDFA Investment Panel. It is now subject to due diligence by PWC and the commercial banks. However no further timescale has been set for release of funds.

The RGF process has been too long and protracted, delaying its intended purpose of supplying funds to benefit businesses and job creation to boost the economy. This may have been a lack of resource issues and unnecessary complicated procedures.

In contrast an Expression of Interest submitted in May 2012 by a consortium in the West Midlands, of which BCRS was a member, under the StartUp Loans for Young People programme received an Offer Letter within four months, with drawdown of funds scheduled by the end of September. The underlying funding was provided by BIS but the grant offers were administered by Capital For Enterprise on behalf of The Start Up Loans Company.

5 September 2012

Written evidence submitted by Buckinghamshire Thames Valley LEP (BTLEP)

1.1 Buckinghamshire Thames Valley LEP (BTLEP) is the youngest LEP in the country, having only been formally given approval by BIS six months ago (January 2012). BTLEP has established a strong governance structure, with a highly focused, entrepreneurial outlook and the resounding support of local businesses.

1.2 Buckinghamshire Thames Valley LEP has established an innovative model for providing its secretariat function—which is contracted to a business led membership organization (Buckinghamshire Business First). Adopting this approach has enabled us to actively engage Buckinghamshire businesses in helping to deliver growth; and helped us to maintain a strong evidence-led, action-orientated approach;

1.3 Buckinghamshire Thames Valley LEP is concerned that Regional Growth Funding is largely a social re-engineering experiment by the coalition government—of trying to rebalance the north-south divide—rather than a being a genuine business growth programme that seeks out businesses that possess the potential to deliver the greatest wealth in the UK economy (regardless of their location);

1.4 Buckinghamshire Thames Valley LEP is concerned that the strong emphasis that the government has placed on only investing RGF In “areas and communities which were dependent on the public sector” has largely;

1.4.1 Created inequity and displacement in the market;

1.4.2 Precluded businesses in the South East of England (the Economic Powerhouse of the UK economy) from applying; and

1.4.3 Lessened the potential economic impact that RGF funding could potentially deliver.

1.5 Buckinghamshire Thames Valley LEP has received a number of complaints from Buckinghamshire based businesses that the current RGF investment model has created a “postcode lottery” of support—with applications from two identical businesses in two very different parts of the country clearly being evaluated differently because of circumstances which are completely unrelated to the ability of the firm to generate growth;
1.6 Buckinghamshire Thames Valley LEP is concerned about how deeply ingrained the perception now is (amongst the business community in the South East of England) that “Regional Growth Funding will never be awarded to us”. If the government is genuinely interested in receiving applications from South East based businesses, it will need to do more than simply make heartfelt pleas that South East applicants need to ensure their applications are capable of delivering better value for money/a stronger case for sustainable private sector growth;

1.7 Buckinghamshire Thames Valley LEP believes that the time is now right to remove the geographic prioritization that was originally placed of RGF, to create a growth fund that is keen to invest in growth, regardless of its location;

1.8 Buckinghamshire Thames Valley LEP is concerned about the wide disparities being reported between the “cost per outcome” being delivered by various RGF projects. Our perception is that it would be useful, and economically advantageous, to develop a more standardized unit cost for the various outcomes RGF is trying to deliver;

1.9 Buckinghamshire Thames Valley LEP believes greater returns will be delivered for RGF, if BIS were to delegate RGF funds to the LEP’s to allocate to growth orientated businesses in their area. In addition to increasing the reach and returns that RGF could deliver, we believe this approach would also enable RGF funding to be used as “match funding” for a range of other local programmes (including EU programmes), thereby delivering greater returns and value for money, and enabling the delivery of larger schemes;

1.10 As we have not been able to secure RGF funding in Buckinghamshire, BTVLEP is unable to comment on the RGF contracting and delivery systems/processes.

29 June 2012

Further written evidence submitted by Buckinghamshire Thames Valley LEP (BTVLEP)

A RESPONSE FROM THE LEP COALFACE BY ALEX PRATT, CHAIRMAN, BUCKINGHAMSHIRE THAMES VALLEY LEP

1.0 CONTEXT

1.1 Buckinghamshire Thames Valley LEP (BTVLEP) is the youngest LEP, having been given approval by BIS in Jan 2012.

1.2 BTVLEP was initially brought forward by a group of passionate entrepreneurs who came together to fight for LEP status; who committed their own money to establish the precursor to BTVLEP in the absence of BIS support. The LEP has benefitted greatly from the relatively late award of its LEP status.

1.3 BTVLEP is now a 50:50 partnership of equals between business and our five Local Authorities, underpinned by a robust structure that drives this essential outcome.

1.4 BTVLEP exists to create the conditions that support business in Buckinghamshire to invest, grow, and thrive.

1.5 The BTVLEP area is the Entrepreneurial Heart of Britain and of all the LEP areas it has the highest business start-up rate and the highest jobs growth rate.

1.6 In submitting this written evidence, we are seeking to offer up an opinion of what it’s like to operate at the LEP coalface. Our Chairman possesses a strong understanding of both the LEP and RDA systems, and is offering to appear in person.

1.7 Our experience indicates there is clearly a legitimate and important role for LEP’s in intervening to unlock growth plus supporting businesses in generating growth and jobs. Whilst National Government is generally elected for delivering economic success, some, (but not all) Local Authorities can find it politically difficult to encourage growth, in much the same way that it’s difficult for a local MP sometimes to speak in favour of a hospital closure.

1.8 LEPs are needed to identify and deliver on the needs of businesses and set priorities; to balance the inherent politics at the local level; to overcome tensions between tiers of government; and to set into a more rounded context the loud voices of marginal interest groups—all for the purposes of reaching better, faster decisions on “mission critical” growth issues.

1.9 Because the business Community is fragmented, with the vast majority not in membership of Business Representative Organisations (BROs) and because the BROs themselves need to a degree to be political, they often operate on a national scale, and can sometimes be in competition with one another, the key innovation in BTVLEP has been the creation of Buckinghamshire Business First (BBF), which provides a clear, informed, cohesive, well evidenced collective voice for the needs of all businesses in Buckinghamshire. BBF is a business membership organisation run by a board of entrepreneurs working closely with the FSB, IOD and local Chamber of Commerce, is attracting 100 new business signatories a month, and provides the underpinning BTVLEP Secretariat. This means that the BTVLEP is truly business-led and that the business members of the
LEP are as informed and supported in all matters as are the LA members. This provides the foundation for a genuine 50:50 partnership, which is mission critical to the success of the LEP.

2.0 The Transition from RDAs to LEPs

2.1 Whilst the government will no doubt be pleased politically with the lack of negative publicity generated about the closure of the RDAs, the dash to transition from the RDA's to the LEPs did lead to a regrettable number of issues:

2.1.1 The lack of integration between the “managed closure” of the RDAs and the establishment of the LEPs resulted in a loss of ED pipeline; a loss of important skills; and the loss of a decade of acquired knowledge and process.

2.1.2 The funding of LEPs wasn't properly thought through; which in many cases has meant little separation or independence of the LEP from any dominant Local Authorities. It’s difficult to play an interdependent coalescing role in a place if you are yourself wholly dependent on those to whom you need to apply some discipline on occasion.

2.1.3 The LEP boundaries and sizes seemed sometimes to be politically driven under the camouflage of functional economics—insufficient strategic consideration was given to the LEP coverage of the Country; and little serious consideration seemed given to the confusing impact of allowing overlapping LEP areas. This has resulted in an overcomplicated network of massively different LEPs based perhaps more on political geographies, rather than sub- regional economic areas. Localism is an interesting innovative concept but if applied to my ear, if all four wheels were allowed to be different sizes, shapes and positions, it wouldn’t aid the car much in its progress.

2.2 The LEP network faces similar pressures to those that worked against the RDAs—squeezed at the front end by Govt. and Dept expectations; lacking in funds to do the job asked of them; unable to resist any powerful local political backlash triggered if attempting to turn the planning system back into a Public Service from the engine of local politics. When the politics dictates they come under attack under the guise of a perceived democratic deficit, as were the RDAs before them, and those LEPs that cover a huge area with which nobody has any affinity will suffer for their lack of local definition. A cross party consensus, after tidying up the current anomalies, not to change the underlying structures in ED again for the next 20 years would be a triumph of need and business sense over party politics, but is probably too much to expect.

3.0 What's working well in the LEP movement?

3.1 BTVLEP has established a strong business-led governance structure, in a genuine 50:50 Public Private partnership with a highly focused, entrepreneurial outlook and the resounding support of local business.

3.2 BTVLEP has secured substantial funding from the private sector and Buckinghamshire County Council. Discussions with our District Council partners are now also underway. “It will be alright in the end, so if it is not yet right it cannot be the end…..”

3.3 BTVLEP has established an innovative model for its underpinning secretariat—which is driven by a business led membership organisation (Buckinghamshire Business First)—focused on a strong evidence-led, action-orientated approach.

3.4 BTVLEP has established a strong dialogue with a range of Whitehall departments, local MEPs and the National LEP Network.

3.5 BTVLEP has established an alliance with our neighbouring LEPs and is already working jointly on key projects like East West Rail; and with Hertfordshire County Council to deliver a £16 million Superfast Broadband Project.

3.6 BTVLEP has moved quickly to allocate its GPF funding to unblock the economy.

4.0 What’s not working well in the LEP movement?

4.1 LEPs are suffering from some of the most negative characteristics of wishful leadership:

4.1.1 Too many un-coordinated initiatives from the centre, which tie LEPs up in bureaucracy. The “blancmange” of government and the lack of “joined up-ness” in Whitehall makes attaining and maintaining sustainable business leadership a real challenge for LEPs.

4.1.2 A lack of clarity about what support is available from the centre further hampers LEPs.

4.1.3 Influence over key components for growth is weak—eg. Highways Agency, TSB, Skills Funding Agency; MOD.

4.1.4 Shared LEP geographies in two tier Local Authority areas—To the business community these appear more a function of local politics than of the underlying business need. Business respects decisions above fudges.

4.1.5 The NPPF “duty to co-operate” is not sufficiently strong to arrest zero-growth attitudes and the continuing conversion of unprotected employment land into residential uses.
4.1.6 Key “growth programmes and policies seem focused more on social re-engineering than on growth” designed to “rebalance” the north-south divide, rather than genuinely focus on a hard headed assessment of growth opportunities across the Country. This will surely result in displacement, inequity and poorer returns for the taxpayer.

4.1.7 A lack of core funding for LEPs, combined with the exponentially fragmenting ED project funding smorgasbord, is having a debilitating impact on growth. LEPs lack the capacity to realize opportunities and vast swathes of senior management time is deployed in trying to keep tabs on funds and piece the bits of the funding egg back together.

5.0 What should be done to improve the effectiveness of LEPs?

5.1 Government needs to co-ordinate its own priorities, operations and funds more effectively to reduce the current “initiavititis”. If the government wants LEPs to be effective in bridging the ED gap between national and local government, “Team Whitehall” will need to come together more effectively to support them in performing this role.

5.2 Partners need to provide LEPs with independent capacity; the partners in LEPs, of which the Government forms, in effect, one half should be expected to contribute their fair share to running costs if LEPs are to stand any chance of working.

5.3 Government needs to provide LEPs with stable (three years rolling) core revenue funding; hand to mouth existence doesn’t breed long term thinking and behaviour. This should be at a de-minimus equal level irrespective of size of LEP and provided to fund the core team and functions needed by every LEP to do the job—circa £250k per annum.

5.4 Project funding should be based on a “single pot” model; dare I say it…..some of the RDA model was not broken before the sledge hammer was deployed. Too much time is being spent on penny packet piecing together of complicated funding.

5.5 There does seem to be a pre-occupation with cities; which misses the point that many of the net contributing areas of the country like Buckinghamshire are both over represented in the sectors for growth and rural. Investment needs to some degree to better factor in the needs of productive capacity rather than consumption. This is the rebalancing we need.

5.6 Growth funds should be allocated with more of a view to impact and returns- We clearly need to generate jobs, wealth and growth. The austerity era calls for a strategy predicated on an approach of “investing in success” and in our international competitiveness rather than on “infilling jobs to replace a shrinking Public Sector”; we have moved from “get on your bike” to “sit tight, we’ll try and move the jobs instead”…..but a wise Mohammed knew he needed to come to the mountain.

5.7 More clarity is needed on the role and expectations of LEPs on skills, innovation, infrastructure and planning. For example, greater returns could be generated from RGF and the TSB budgets if LEPs were more actively involved or if funds were delegated to them for deployment, while in the case of TSB keeping a national moderating function to ensure consistency.

5.8 The way we prioritise and fund major Infrastructure investment needs attention. Contrast the approach to the HS2 investment, which seemingly has strong national cross-party political backing, yet by all accounts offers poor investment returns, and has limited business support, with the approach to Broadband and G4 connectivity, which pretty much every LEP in the country is baying for and has in its strategic priorities as a major un-blocker of growth, has massive business support, but has been politically side-lined through the creation of the BDUK penny packet process. A 21st Century nation truly focused on competitiveness and growth would treat Superfast broadband and 4G deployment as the much greater priority of the two. Equally, a rail project like East West Rail which has strong LEP support along its entire route and offers an 11 fold return on investment is, under the current funding model going to be tied up in a decade of finding “local contributions” from yet to be understood financing mechanisms like CIL. What’s the point in LEPs if we all say 4G matters and its sidelined, if all on the route of EW Rail say it’s important and it gets let loose into the funding smorgasbord, and the project that few if any LEPs support gets priority and £32 Billion, no questions asked?

5.9 There is a serious risk that the necessary quality business support for LEPs will wane if even the aggregate priorities identified by the LEP network as a whole are ignored nationally as the key investment priorities. The business community involved in LEPs offers important current experience of what we need to do to generate wealth and jobs, which is a perspective like experience of Science that is perhaps less well represented in Parliament as it w Once was and could therefore be deployed as a significant resource for policy development.

5.10 Our local economy is intrinsically linked to International trade so we need therefore to give priority to sorting the impasse on our limited air capacity, and to take a decision on the expansion of Heathrow or an alternative or we are going to denude future generations of the prosperity we have enjoyed.

Alex Pratt OBE, is an entrepreneur who runs a Buckinghamshire business that manufactures reading lamps used on board spaceships, tanks, and RNLI Lifeboats, and by James Bond and Mr and Mrs Smith of Bristol.
As a part time industrial secondee to the DTI Alex created and led the DTI International Innovation Team and was Chairman of the National Assessment Panel for Business Link. He was a former Director of the South East of England Development Agency (SEEDA), is recent past Bucks Entrepreneur of the Year, is the Chairman of the Institute of Directors in Buckinghamshire and was awarded an OBE for services to business and education in the Queen’s 80th Birthday Honours List. He is holder of the Queen’s Award for Enterprise Promotion (2011) and is author of the best-selling book “Austerity Business”. Alex Pratt would be pleased to expand on these points by providing oral evidence to the Select Committee.

9 July 2012

Written evidence submitted by the Campaign to Protect Rural England

1. CPRE welcomes the opportunity to comment on progress on Local Enterprise Partnerships and Regional Growth Fund. We commented to DEFRA on the role of Local Enterprise Partnerships in Rural Areas and we attach that response at Appendix A.

2. Our report “LOCAL ENTERPRISE PARTNERSHIPS: Will they serve local communities and promote sustainable development?” in November 2011 (1) considered how LEPs could engage more broadly with partners across the environmental and social sectors and what mechanisms were needed to ensure that policy was developed with broad support across LEP areas.

3. In our view there remain concerns about:
   — whether LEPs truly represent all business interests, particularly smaller businesses;
   — whether LEPs are fully engaging all partners;
   — whether LEPs command the broad support of local communities;
   — whether the views of LEPs are being considered in a wider context;
   — the mechanisms for LEPs to address specifically rural issues; and
   — the extent to which LEPs fit within the broader, overarching goals of sustainable development.

4. We agree that LEPs should primarily be vehicles for driving economic growth, not multi-functional delivery agencies, but this needs to be set in the context of sustainable development. Their actions should seek to contribute to wider social and environmental goals where possible and certainly not undermine them. In particular they need to recognise the value of the countryside and seek to protect it in line with new NPPF policies.

5. There is strong support in Government for LEPs doing this, for example:
   — The growth they generate is required to be “environmentally sustainable and intergenerationally fair” (BIS, Local Growth).
   — LEPs plans should “reduce future risks to the economy” (BIS, Local Growth).
   — “economic activity should use natural capital sustainably; local economic growth should be increased by enhancing natural capital” (Natural Environment White Paper).
   — The National Ecosystems Assessment demonstrated the importance of ecosystem services to the economy and catalogued their state.

6. We acknowledge that LEPs are voluntary organisations who often lack stable funding. However, we are concerned that although there has been some progress in some LEP areas in others there is less.

7. Engagement has been patchy, information is not always available or up to date and the decision making processes can be opaque. The process for appointing board members and the constitution of sub-groups, in areas such as transport and planning is unclear. Some are creating Strategic Planning Frameworks and the status of these is uncertain.

8. This is not helped by the geographical variety of sub-national structures, such as Rural and Farming Networks and Local Nature Partnerships.

9. There remains a need for mechanisms to develop sustainable sub-national policy which engage all parties and which are clear and transparent.

10. Local Enterprise Partnerships have been engaged in a number of bidding processes, including Enterprise Zones, City Deals and Regional Growth Fund bids. These are largely done behind closed doors, although because of the involvement of Local Councils, they may be reported to Council Meetings. This means that outside bodies are often in the dark or have patchy knowledge. Because LEPs are not subject to FoI there appears to be little remedy for this.

11. This means that counter or alternative views on bids may not be fed into the process and properly considered. For example, the bid by Greater Birmingham LEP for an Enterprise Belt in the Green Belt around the city which had potentially large and controversial implications was not something other parties were aware of until the decision was made.
12. Although that bid was turned down, the draft of the City Deal which was put to Solihull Council’s Cabinet refers to using the Green Belt for housing. The final version is not yet in the public domain but we understand there are on-going discussions between the Government and the LEP about the City Deal. If it continues to promote Green Belt housing one would expect other interested parties to be engaged.

13. Bids inevitably put the best gloss on a proposal. There is a risk that decisions will be made without knowing all the issues involved. Equally bids which fail waste time and energy which would be better spent elsewhere.

14. As well as a lack of alternative views on bids before submission it is also unclear to us what input other Government Departments and Statutory Agencies have to the decisions on these bids. For example the first round of Regional Growth Fund bids included two bids for road building to airports—Birmingham and East Midlands. Again we were unaware of these until they were confirmed. However, it is also unclear how the views of DfT, DEFRA and CLG, as well as the Highways Agency, Natural England and the Environment Agency were taken into account on these controversial schemes.

15. We appreciate that details of some bids may be commercially confidential but we believe a more open and transparent process both in the preparation of bids and in how the whole of Government deal with them is needed.

16. The role of LEPs will become further embedded in decision making if the Local Transport Boards consultation gives them influence over spending on Local Transport Schemes (mainly over £5 million). That consultation does not mention involvement of other sectors, such as environmental or social partners despite the key role they played in many of the Regional Transport Bodies which preceded them. This risks leading to a lack of scrutiny of transport schemes on the wider sustainable development grounds that Government transport policy is based on in the future and in particular less scrutiny of their environmental impacts.

17. To achieve sustainable economic growth where both the economy and environment thrive the Government needs to make sure those with relevant environmental expertise are better engaged with LEPs than has been the case so far. To achieve this at a local level, the Government needs to require LEPs incorporate the impacts on both countryside and natural capital into their strategic economic planning. This should include:

   — Promoting and encouraging LEPs to use the toolkit being developed by Natural England, designed to support LEPs in developing their economic vision, by ensuring it is fully “SWOT” tested against environmental opportunities and threats.

   — Ensuring that the lessons learned from the Environment Agency/ERDF match-funded project in the North West, which will create Sustainable Growth Advisors, are shared comprehensively around the LEP Network.

   — Capture and share the lessons learned from the New Anglia LEP through its Green Economy Pathfinder Project.

   — Strongly encourage LEPs to work closely with environmental and countryside bodies in their area including the emerging LNP.

   — Introduce clear sustainability criteria, which include protection of the landscape and tranquillity, into the assessment process for future rounds of funding bids and arrangements for the transfer of powers, including City Deals, RGF and Enterprise Zones.

18. Eric Pickles in his speech to this year’s National LEPs Conference said: “So with local enterprise partnerships we’ve gone back to first principles. Giving localities a real stake in the performance of their own economies.” CPRE supports the aspiration to give local areas a greater say in their economic, as well as their social and environmental, futures but that cannot be achieved by LEPs on their own and requires wider engagement and clear accountability which allows LEPs to better plan positively for the future, maximise the opportunities for the environment as well as the economy, and mitigating or avoiding future risks and threats.

APPENDIX A

BACKGROUND ONLY

[Response to Department for Environment, Food and Rural Affairs and Commission for Rural Communities call for evidence: How are rural interests being recognised within Local Enterprise Partnerships?]

Department for Environment, Food and Rural Affairs and Commission for Rural Communities call for evidence:

How are rural interests being recognised within Local Enterprise Partnerships?

Response from the Campaign to Protect Rural England

June 2012
Summary

1. CPRE welcomes the opportunity to comment on the engagement of LEPs with rural interests and the priorities that LEPs should adopt in rural areas.

2. We will argue that LEPs need to engage more widely with the environmental and social sectors and that they need to be part of broader sub-regional discussions to develop sustainable policy solutions.

3. We will also emphasise their role in supporting the economic aspirations for an area but argue that this needs to be put in a wider context. In particular they need to promote sustainable rural economic development through a broad raft of measures which protect the landscape and not necessarily through single large scale solutions.

4. We will also argue that they have a role to play in planning and transport policy but this needs to be developed within a broader consensus.

5. Our report “LOCAL ENTERPRISE PARTNERSHIPS: Will they serve local communities and promote sustainable development?” in November 2011 (1) considered how LEPs could engage more broadly with partners across the environmental and social sectors and what mechanisms were needed to ensure that policy was developed with broad support across LEP areas and this submission builds on those arguments.

Introduction

6. In addressing the issues facing rural communities it remains essential to acknowledge the interconnectedness of social, environmental and economic issues. In particular there is a need for solutions which not only address the economic imperatives for an area but which recognise the value of its landscape, tranquillity and environmental quality, both for their intrinsic merit but also because these are precisely the qualities which make those areas attractive to residents, businesses and visitors. Similarly, many of our market towns are dependent on their immediate environment and on their historic character.

7. Many of our rural communities also face huge social challenges, including pockets of deprivation and a lack of affordable housing. These are particularly difficult to address because of the scattered nature of the population and the resulting difficulty in providing public transport and telecommunications that offer as good a service as that available in urban areas.

8. However, rural communities are not a unified whole. Those close to large urban areas may face pressure of migration out of those conurbations, overspill industrial development and other proposals supporting the city. On the other hand, those in more deeply rural areas may be largely dependent on more traditional rural industries, local industries and tourism. Equally the countryside impinges on almost all LEPs. Even LEPs which would normally be considered urban (such as the Black Country) often contain countryside which abuts or even impinges on the urban area.

9. It is not, therefore, appropriate to dictate one model for all rural communities. Policy is in our view best determined by those communities working across disciplines and interests to find solutions appropriate to their area.

10. We argue that:

   — all stakeholders need to be engaged in the process of developing policy in rural communities;
   — policies will vary but need to reflect the aspiration for a beautiful and accessible countryside as well as a productive one.

LEPs Engagement with Rural Partners

11. The creation of LEPs has provided an opportunity to engage business better in the process of policy development and we welcome that. However, CPRE has a number of concerns about:

   — Whether LEPs truly represent all business interests.
   — Whether LEPs are fully engaging all partners.
   — Whether LEPs command the broad support of local communities.
   — Whether the views of LEPs are being considered in a wider context.
   — The mechanisms for LEPs addressing specifically rural issues.

12. LEPs are, of course, not a unified whole. Some LEPs have made admirable strides in terms of engagement but our impression is that it remains a mixed bag and that the need for LEPs to be more accountable remains a concern.

13. When the LEPs were set up they were specifically required to be business led and to have boards which reflected business and local authority membership. There was no specific requirement to involve or to engage with social or environmental partners. Most boards also have representation from educational establishments, such as universities. In some cases individual board members have environmental or social interests or responsibilities. But because the Government sought to avoid imposing a model on LEPs the method for
appointing board members varies and it is not always clear to what extent they represent the broad views of
the business sector or how they take account of the wider views of businesses. The mixed level of engagement
with smaller businesses appears to be a concern, which is particularly important to rural areas.

14. Many LEPs have set up topic groups, often on subjects such as planning and transport. These are
generally not open to interests outside the business sector and so miss the opportunity to develop a broad
consensus rather than acting as business lobby groups. The Government’s overall policy approach (reflected
most recently in the National Planning Policy Framework) emphasises the need for solutions to further all three
strands of sustainable development. The economic focus resulting from this narrow membership means that
LEPs are unlikely to come up with sustainable solutions generally, let alone for rural areas where their
knowledge and understanding of economic factors is tends to be very limited.

15. A number of LEPs have set up rural groups or alternatively are relying on advice from the recently set
up Rural and Farming Networks (RFNs). As with the LEPs RFNs have been given little prescription about
how they should operate in contrast to the Rural Affairs Forums which preceded them. In some cases RFNs
have comprehensive membership and engagement while others appear to be dominated by economic interests.
There are also Local Nature Partnerships (LNPs). These should provide a way to involve biodiversity and
sustainability partners in developing local areas. However, LNP geographies often do not match the LEPs, their
priority is often limited in scope, for example focusing on funding Nature Improvements Areas, and in is
unclear whether and how LEPs are expected to engage with them.

16. Despite that there are some promising examples of cross-working. The New Anglia LEP, for example,
is seeking early LNP engagement. Greater Manchester LNP has an LEP board member on its steering group,
and we understand Liverpool LEP is aiming for the same. The Liverpool LEP has certainly endorsed their bid.

17. But the variety of geographies of sub-regional bodies makes it politically difficult to create common
strategic policies or to ensure a balance of interests are represented in the decision making process. It also
makes it difficult in practice for external partners to engage with emerging policy work.

18. For example, there are six Local Enterprise Partnerships in the West Midlands, two Rural and Farming
Networks and six Local Nature Partnerships. Their geographies are all different and in the case of the LEPs a
number overlap with each other. The geographies are not consistent with local authority boundaries so they
often fall outside the remit of an organisation’s local branches but are too many to be dealt with by existing
regional structures.

19. We do recognise that there has been some integration between LEPs and the Rural Development
Programme for England (RDPE), in particular the setting up of the Rural Growth Network Pilots created in
March, which will use access to £15 million of new funding and preferential access to RDPE schemes. We
also welcome the setting up of the DEFRA Round Table for LEPs, although we would like to see the agendas
and minutes of these meetings made more publicly accessible and greater involvement of the environmental
sector. However there is still a lack of clarity about the extent such initiatives will overlap with the activities
of Local Action Groups under LEADER. We look forward to the publication of the Government’s Rural
Statement which we hope may provide further clarity on this issue.

20. The difficulty of engaging with LEPs is further exacerbated because up to date information is often
lacking to those on the outside. Their websites may not be up to date and much of their work is done behind
closed doors. They are also not subject to the Freedom of Information Act. In many cases the content of the
Regional Growth Fund Bids and Enterprise Zone applications, which can have significant implications both
for the areas involved and for adjoining areas, were developed without engagement beyond the LEPs. The first
round of bids of RGF bids, for example, involved several road proposals around airports. And Greater
Birmingham applied for an Enterprise Belt in the Green Belt around the city.

21. The recent City Deal bids are similarly not public. Because some have been reported to Council Cabinets
we are aware that they can include significant policy shifts, such as Birmingham’s reference to increasing
housing in the Green Belt. These bids will be considered by Government and announcements made without
the opportunity for external bodies to comment on them. We find this lack of transparency and limited
opportunities for community engagement worrying, given that LEPs maybe using public money channelled
through rural development measures.

22. Should this model be extended, for example, to some similar form of “Rural Deals” the disjoint between
the role of LEPs and other stakeholders and the LEPs’ potentially privileged relationship to local authorities is
likely to become an even greater issue.

23. We made a number of recommendations in our report about improving engagement from and with LEPs,
which we believe are still valid. However, there is a more fundamental issue. LEPs are primarily and properly
business organisations but in the minds of some they represent local communities. This was evidenced at the
recent National LEP Conference where Ministers as well as civil servants repeatedly used the terms like
“localising” and “devolving to LEPs” as if they were interchangeable, for example Eric Pickles in his speech
said: “So with local enterprise partnerships we’ve gone back to first principles. Giving localities a real stake
in the performance of their own economies.” (2)
24. This confusion was clearly illustrated in the Government’s recent consultation on devolving major local transport schemes to new local transport bodies or consortia. In our response to the consultation (3) we agreed with the need for some devolution to a strategic, sub national, transport body, but were very concerned that it was proposed that LEPs would be given a disproportionate or lead role in such bodies. It appeared that other stakeholders would be sidelined. We also argued that the LEP Geography was not always appropriate for strategic transport decision making and that new bodies should be based on the functional geography of movement and transport systems. This is crucial in respect of rural transport issues. We note in particular that some LEP boundaries are based on relatively small scale, local government, areas (counties) and others on very wide areas. This approach illustrates how a lack of clarity about the role of LEPs can create misunderstandings around the issues of accountability, transparency of decision making and relevance to functional transport geography.

25. We can support appropriate devolution of national transport funding prioritisation, but it needs to be achieved at a level that ensures strategic issues about all alternative forms of transport investment are considered, and in a way that involves all stakeholders and provides political accountability. In the context of the issues this paper addresses that must include rural and countryside environmental interests. If wider stakeholder engagement was achieved, it might be possible for such new transport bodies to take on a deeper role in developing coherent sub national, but strategic, transport policies and ensuring major schemes are part of a wider strategy. However, without wider stakeholder engagement more sustainable modes of travel, that are sensitive to rural concerns, may be sidelined. This would very easily result in a return to the historic culture of a wider strategy. However, without wider stakeholder engagement more sustainable modes of travel, that are sensitive to rural concerns, may be sidelined. This would very easily result in a return to the historic culture of a wider strategy. However, without wider stakeholder engagement more sustainable modes of travel, that are sensitive to rural concerns, may be sidelined. This would very easily result in a return to the historic culture of a wider strategy. However, without wider stakeholder engagement more sustainable modes of travel, that are sensitive to rural concerns, may be sidelined. This would very easily result in a return to the historic culture.

26. Justine Greening said at the LEPs conference (referring to the devolving Transport Decisions consultation):

“Our challenge, one in which we want you to play a central role, is to localise decision making. To speed it up, but to also ensure it remains rigorous, evidence based and backed up by a proper evaluation of outcomes.

And that’s precisely why we have just consulted on reforms designed to devolve decisions on capital funding for local schemes to democratically accountable local transport bodies from 2015.

With these proposed reforms we are seeking to give communities real power to deliver real improvements on everything from local roads and public transport schemes, to better pedestrian routes and new rail stations.” (4)

27. We are concerned that such comments risk doing LEPs a disservice by confusing their role. LEPs are not the voice of the community but represent just one important sectoral interest. Such comments can also create a disincentive for the kind of cross-sectoral engagement which is essential to good policy making.

28. In particular, we would like to see:
— mechanisms developed to ensure cross-sectoral engagement at LEP level;
— more openness as to how LEPs operate and in their relations to Government and Local Authorities; and
— a duty on LEPs to take account of sustainable development and demonstrate that they are engaging with other relevant organisations with an SD remit outside the business sector.

29. While we agree that local areas should determine their own priorities and that local bodies need to be flexible so as to achieve that, we also believe the lack of Government guidance to LEPs, linked to the lack of geographical consistency and wider strategic planning and policy making, means the current lack of broad support to promote policies in their areas.

30. There are models in existence which could be used to develop this approach more consistently across LEPs. For example, the Sub-regional, bottom up approach of the Black Country Consortium, which was developed prior to LEPs being adopted, has allowed for a consensus in the sub-region engaging partners from all sectors and ensuring a broad strategy which is represented in the Joint Core Strategy from the four local authorities.

31. We accept that LEPs are still in their infancy but if they are to develop broader engagement and involvement strategies they should all be organising meetings with key stakeholders in other sectors.

**LEPs Priorities for Rural Policy**

32. We agree that the LEPs should have a key role in promoting rural business and providing the necessary environment for rural business to prosper. However, this has to be achieved within a wider plan which acknowledges the importance of the beauty and tranquility of the countryside and meeting the needs of people who live in the countryside.

33. The role of the LEPs should not be to set strategic policy outside of the context of broader local policy and plan development. Their role should be balanced with other views.
34. Priorities will vary from one LEP area to another, but the following are key areas that we would like them to tackle.

**SUPPORT FOR LOCAL BUSINESSES**

35. This is a key area that LEPs should address. Our recent report on local foods “From Field to Fork” (5) has shown the value of food to the local economy, suggesting it could be worth £2.7 billion nationally, and support over 103,000 jobs. Among our recommendations we call for Local Authorities to update local plans to support local food, businesses to promote awareness of local foods and supermarkets to set demanding targets for stocking local food. In all these areas LEPs could act as champions and catalysts for action.

36. But there are many other businesses, particularly SMEs and microbusinesses, in rural areas which need practical start up and on-going business support. In some cases this will include physical development but it is more often about skills, IT and finance.

**BROADBAND**

37. Telecommunications is still a major issue in many rural areas. Coverage of the latest 3G networks is very limited in rural areas and the rollout of 4G networks will increase the gap. In some areas there is still poor and inconsistent mobile reception as well as slow connection speeds on fixed broadband networks. Increasing reliance on new technologies, such as the growth in use of smart phones, have exacerbated the issues. While we would want to see new broadband infrastructure sensitively located we believe it is important to provide a better service for rural communities and welcome efforts by LEPs, for example Cheshire and Warrington, to address this issue.

**SUPPORT FOR SMALL RURAL COMMUNITIES**

38. Rural communities often struggle to maintain services. Village shops, pubs and post offices can be the lifeblood of a thriving community and vital for small businesses too. Creating and maintaining successful businesses however can be difficult and may involve working with the voluntary and public sectors as well as finding innovative ways of providing services such as through community hubs.

**INVESTMENT IN MARKET TOWNS**

39. Market towns need to thrive and prosper. This may mean specific programmes to support ailing high streets and business areas. It may mean investing in protecting the heritage and amenity of the town in question. There have in the past been unsympathetic developments in or on the edge of market towns which have undermined their attractiveness. LEPs should avoid supporting these, even where there may be short-term developer interest. LEPs need to also consider carefully the impact of new supermarket, retail and office development outside or on the edge of market towns which may undermine their prosperity.

**TOURISM**

40. Tourism needs to be managed in a sensitive and responsible way. LEPs have a role in tourism and leisure activities which benefit rural areas. However, some areas are under particular pressure from tourism and there is a need to protect the asset itself, that is to say the countryside. There may be opportunities to encourage tourism in areas which are under less pressure or to work with others to improve management and access issues.

**LAND MANAGEMENT**

41. Farming and forestry have a particular impact on the countryside. CPRE believes farming is an essential industry which should be supported. This means LEPs should value its basic economic resource; agricultural land and look to protect it against loss to development. We would like to see greater emphasis on the public benefits of farming. Support mechanisms should be linked to environmental gains. LEPs need to work with others to ensure farming methods support biodiversity goals and good countryside stewardship.

42. Farm diversification is one route open to farmers. CPRE supports this provided it is sympathetic to the countryside. It is important that all diversification, whether for renewable energy, tourism, leisure or business is rigorously tested against the attractiveness of the countryside. We do not want to see diversification used as an excuse for inappropriate new development in the countryside or conversions of existing buildings. In particular CPRE continues to support the need for renewable energy to reduce our dependency on fossil fuels but is concerned by the number of applications for wind turbines in some areas of the country and their consequent massing. LEPs should be conscious of the dangers of dispersing employment development that has no need to be located in rural areas, as this undermines the prosperity of towns and cities and makes it more difficult to maximize the use of existing infrastructure.

43. Existing rural development programme measures can provide support for many of the above priorities which again highlight how important it is that LEPs:

- have a high degree of understanding of how RDPE measures can be used;
- demonstrate transparency in how these are used, given that these are publicly funded measures;
— integrate rural economic growth objectives with those of other similar initiatives such as Local Action Groups under LEADER; and
— take into account the impacts of economic developments such as creating industrial or business parks (which are commonly being referred to in the Rural Growth Network pilots as business "incubation units" or "work hubs") on other RDPE measures that seek to improve or support agricultural land management activities such as agri-environment schemes. Careful consideration is needed before giving permission to change the use of existing agricultural buildings where this may lead to the construction of new, potentially much larger agricultural units or buildings to replace them, which could have consequences for landscape character.

**Transport**

44. Sustainable transport is a key enabler in rural areas. Public transport remains poor in some areas and as a result access to key services is limited without a car. Dependency on a car is higher in rural areas and this is exacerbated by the centralisation of services and threats to Market Town. We would like to see LEPs giving support to investments in rural areas which reduce car dependency and support those without access to a car, including tourists. Actions could be low carbon car clubs, wheels to work schemes, reopening stations and railways, area wider smarter choices (helping to ensure the viability of public transport networks), electric bike networks and creating networks of safe walking and cycling routes. These would increase access options to stations, employment areas and towns from neighbouring villages as well as make places more accessible for tourism.

45. We are concerned that LEPs will place too much focus on large road large scale infrastructure, often based on historic shopping lists of major road schemes, for example the long list of road schemes produced by the South East LEP (http://www.southeastlep.com/publications/consultation-responses/147-framework-for-prioritising-strategic-infrastructure-in-the-selep-area-final-report). This emphasis can mean that funding for the types of sustainable interventions listed above could be sidelined to the detriment of the needs of rural areas. It is particularly important that LEPs are involved, or even leading, on innovative transport solutions in rural areas, as there are currently no national programmes (such as those previously run by the Countryside Agency) or funds (such as the Rural Bus Subsidy Grant).

**LEPs Role in Implementing NPPF**

46. Many LEPs are producing planning charters or agreements. CPRE believes these can be useful where they codify good practice and ensure local authorities act in a timely and constructive manner. However we also strongly believe that objectors (who may include businesses) need to be treated equally and it is important that such agreements do not influence the impartiality of local authorities.

47. A few LEPs are creating Planning Strategies, notably Greater Birmingham and Manchester. These can have implications for communities and areas of countryside around them. It is important that such strategies, which have not been developed in an inclusive way or been subject to proper examination (as local plans are) should not be given inappropriate weight in the planning process.

48. We support the need for some strategic planning and have concerns about the rigor of the duty to cooperate process which replaces (in as much as it can) sub-regional and regional planning. We believe there is a place for wider strategies to be developed, perhaps on a LEP geography, but these need to be properly considered and balanced and that needs wide engagement. We do not believe LEPs would be an appropriate vehicle to achieve this.

49. The NPPF lays a duty on local authorities to take account of the views of LEPs (Paras 160 and 180) as well as specifically LNPs. We agree with this provided other views are given proper weight and provided it relates to matters where LEPs views are appropriate. The areas we would consider LEPs could best inform the plan is in relation to strategic economic issues such as market conditions, economic development needs, the job market and unemployment. They should be able to identify economic and growth issues for the area.

50. However, when it comes to how those problems are addressed, that is to say the location of development, transport strategies and other strategic locational decisions, the views of LEPs should be considered as one important input but not override other opinions. The local authority need to weigh up the implications of their plan on a variety of sustainability indicators and consult with all stakeholders. For example, the question of how a local authority prioritises brownfield land or protects its green belt must be an issue where all parties are involved.

51. Housing Policy is a key element of planning and we believe LEPs should play a role in promoting the importance of providing affordable housing in rural areas (especially given the current pressures on affordable provision resulting from benefits and planning changes) and helping to ensure that brownfield sites, often with contamination issues, are delivered in Market Towns. We are concerned about the role of LEPs in promoting large scale housing, (as appears to be the case Cambridgeshire, for example.) The complex issues involved in determining overall housing levels need to be considered properly through local plan processes with all parties involved.
ENVIRONMENTAL AND SUSTAINABILITY POLICY

52. Protecting the environment needs to play a central role in LEP decision making. We accept that LEPs are primarily there to deliver business leadership and influence. However, the United Kingdom has binding commitments to protect the environment and to reduce greenhouse gas emissions. There are also significant parts of the country with environmental designations (such as National Parks and AONBs) as well as Green Belt land. The countryside is a significant part of the attractiveness of Britain in terms of investment and tourism. These are business critical issues. LEPs need to take full advantage of advice on environmental and countryside protection, working positively with Statutory Bodies, LNFs and other environmental and countryside organisations.

26 June 2012

REFERENCES

Written evidence submitted by the Centre for Local Economic Strategies (CLES)

INTRODUCTION

Established in 1986, the Centre for Local Economic Strategies (CLES) is an independent thinking and doing organisation, with charitable status, involved in regeneration and economic development. CLES provides a blend of services including policy research, events, a consultancy trading arm—CLES Consulting, and New Start magazine. We have also provided our membership with policy bulletins on leading economic development thinking for over twenty-five years. We are well placed to provide informed opinion on this inquiry due to our developed understanding and work with economic development practitioners across the UK, and being the only membership organisation in the country which is dedicated to economic development, regeneration and governance issues.

This submission outlines CLES’ thoughts around the progress of the Local Enterprise Partnerships (LEPs) and Regional Growth Fund (RGF), and offers suggestions as to how these structures could be strengthened in the future.

(A) LEPs

1. Too early to make definitive judgement on LEPs: the first point to make is that it is still early days as yet for LEPs, with many having only been up and running as an effective structure over the last 12 months. There does need to be a formal evaluative process in place though which determines the progress of the LEPs, and which is used as a vehicle to determine future decisions around their evolvement.

2. Not always reflecting the functional economic area: one of CLES’ key concerns is that some of the LEPs can sit uneasily with an unnatural spatial fit that does not reflect the economic and political linkages within an area. This for us is one of the key reasons why some of the LEPs are currently more effective than others, and could perpetuate inequalities in economic performance between areas and regions. For example, the Greater Manchester LEP is based upon pre-existing strong working arrangements between the ten districts based there, a product of history and local authority commitment—it also fits within a more natural travel to work area (TTWA) than some of the other LEP geographies across the country. LEPs which have been “thrown” together within a large TTWA, for convenience, may be most at risk of failure.

3. Slow progress on development of Boards suggests problems ahead: it took between six months and well over a year for some of the Boards to be formed and be recognised by Government. There will be a range of reasons for this happening, but often it can come down to local politics and lack of coherence within the business community. Establishing the Board is clearly a major first step and should be approached with due vigour and diligence, but where local economies and labour markets are facing major issues they require action quickly. Business leaders are also unlikely to pledge themselves to such structures for a long period of time unless results and outcomes are being delivered within a shorter timeframe. CLES frequently consults with businesses as part of our wider research and consultancy work, and one of the main frustrations with both central and local government is that processes are taking too long. LEPs have to be able to adapt and be flexible in the future if continued business buy-in is to be secured.

4. What happens to LEPs not connected to cities? The City Deals are an innovative and welcome development for developing jobs and growth. The Core Cities should benefit considerably and it is right that
The Government is focusing on opportunity. Cities account for 58% of England’s population and 61% of its jobs. The City Deals should play a part in creating opportunities for residents (although on their own they are not enough and need to be complemented by further resource). The City Deals are an early indicator that LEPs in the Core Cities will have the potential for leveraging greater resource as Government policy is increasingly aligned towards investing in opportunity.

The danger of this however is that other LEPs with less resource and opportunity will struggle to become as effective in delivering their remits and the result is a further reinforcement of economic divides between the cities and other places with less potential for growth, in particular ex coalfield and post industrial areas. The Government will need to decide how it works with LEPs in such places, one example perhaps providing more local stimulus such as smaller versions of City Deals. If these areas are left without the intervention they need, then the policy objective of spatially rebalancing the economy will not be realised.

5. Are LEPs effectively filling the strategic and decision making gap in the absence of regional agencies?
The Regional Development Agencies were deemed to be too large to be effectively guiding strategic decision making, however they did provide an overarching structure that was relatively transparent and that localities could work with to implement policy. A concern is that not all of the LEPs are in a position to provide the strategic steer that places need and there is a now a capability gap in being able to implement effective strategy in some areas. A number of LEPs have been working to identify their strategic objectives and the best way to go about tackling the core issues their areas face, but can they provide the steerage to effectively promote delivery? A further question is around the LEPs role as strategic enablers—if this is their role, then who is going to implement objectives and is accountable for successful translation of policy into delivery?

6. Lack of guidance and targets: our view is that there needs to be more guidance around what LEPs are expected to achieve. There was criticism of RDAs and other previous structures having to work more closely towards targets, with too much focus on guidance and procedures. However the structure in which the LEPs work within has gone too far the other way. Without some form of guidance, outputs and evaluative processes there is a real danger that LEPs may “drift” and not make the lasting change that they need to. It is critical that LEPs are able to prioritise, evaluate and learn.

7. Great responsibility but without the power: a major concern over the progress of the LEPs is the continued lack of resource which will ultimately hinder the outcomes they aim to achieve. Without proper resource we do not see how they can really help economic growth and achieve lasting change in places. The level of investment being made by the Government at present is marginal at best, and if this trend continues then it is unlikely that LEPs will make the impact that they are intended to achieve. They lack legal and statutory foundations, the ability to procure contracts, to be able to manage programmes properly, and have been given very little resource over running costs. Many do not have dedicated staff to deliver. The Government must therefore provide more support to the LEPs—this includes both monetary and policy support. They need more policy levers over key barriers to growth such as transport and skills, together with wider implementation of the city deals beyond the core cities—using these innovative structures as a template for smaller scale local development elsewhere. Without increased resource and enhanced policy levers then LEPs are increasingly likely to fail in delivering their objectives and businesses will become disengaged.

8. Overt focus upon economic growth: delivering economic growth and jobs to localities must be a core strategic objective of LEPs—it is what they are set up to do and why the private sector is being tasked with playing a leading role. We also appreciate that it is also important that there is no “scattergun” approach which results in LEPs trying to do too much and spreading limited resource too thinly rather than focusing on where they can make a viable difference. Despite this though there is also a need to be considering other forms of growth within localities. Social growth and development of social capital are just as important and have an intrinsic link with stronger economies.

Communities face a range of challenges which requires bottom up, softer initiatives which are just as important to economic development as other interventions. It is through developing social and economic growth in tandem that places can become successful, and LEPs have a responsibility as economic development leaders to ensure that this happens.

9. Lack of representation from the social sector: the LEPs are supposed to be represented by the private and public sectors, with additional representation from other stakeholders. Principally the other stakeholders must be from the community and voluntary sector (VCS). As major providers of service delivery and deliverers in community, skills and educational development, they have a key role to play in contributing to strategic objectives, working in close collaboration with the other sectors.

Yet it would seem that proper incorporation of VCS organisations within the LEP structures is patchy across the country. Some have been proactive and held events to discuss the opportunities the sector has in delivering the agendas of the LEP, although often the strategic objectives are being decided without input from the VCS. This suggests that the sector is perceived as secondary to the public and private sectors within the LEP structure. There is a need to urgently revisit this assumption; incorporating the sector into the LEP decision making processes will ensure more effective strategic steer and equitable outcomes.

10. Using LEPs as vehicles to develop resilient places: there is a need for LEPs to move away from thinking around a standard set of economic indicators as a barometer for progress, and more towards understanding the
prerequisites needed for success—ie the strength of their local cross sector networks. This is about LEPs understanding the local base conditions for development of their economy, viewing their locality as a system. They need to assess and analyse the strength of local networks, resilience and bonds which assist local economic capability.

Within these networks, LEPs are clearly key connectors and are an opportunity to enhance interplay between different components of the economy—within and between its commercial, public and social sector functions. It is through developing networks and relationships that LEPs can enhance resilience, and generate synergy to develop innovative solutions to socio-economic challenges. Many LEPs will be operating without an understanding of the strengths of local networks, and must do so in order to be able to develop sophisticated responses to the challenges they face.

11. **Collaboration between LEP areas is a must:** At present the LEP geographies in many areas are too small to be able to make lasting impacts on their areas, and markets/economic geographies extend beyond their borders. Therefore cross boundary working with other LEPs is a necessity for some places in order to pool ideas and resources—scale can therefore make a clear difference on an area and result in greater ability to leverage in resources and investment. Joining up LEPs between the local and national levels is critical to be able to use public moneys effectively. This is something that the Government needs to seriously consider and further encourage.

12. **Conclusions:** Overall we are supportive of the principle behind LEPs, and the potential they have in improving cross sector collaboration for addressing challenges and grasping opportunity. We do not want to see the potential for this go to waste, but if they continue to be significantly under-resourced and follow a dated version of economic development, then they will not serve to deliver sustainable and equitable positive change.

(B) **Regional Growth Fund (RGF)**

13. **RGF distribution shows a commitment to rebalance:** The regional impact from Rounds 1 and 2 is positive in the fact that it provides some substance to claims that the Government wishes to economically rebalance spatially. Of the 176 successful projects, 88% are in the northern regions, with a nearly half in the North East and North West alone. In many of these localities the public sector employment increase over the past decade masked the low levels of private sector growth—Government understands that and through the RGF has shown it is willing to act on it. There is also a good level of commitment from the private sector in match funding, and BIS claims that for every £1 of public sector investment so far, there has been £6 of private investment.

14. **Is it value for money?** The RGF was designed to replace the funding delivered by the RDAs and was marketed at first as being more focused than under the previous regime. However at present we are concerned about whether it is really providing any evidential improvements for communities. Firstly, with recent reports indicating that only 41,000 jobs will be created in the first tranche of £1.4 billion of funding, this is well short of the 330,000 jobs the Department for Business Innovation and Skills (BIS) is reporting that it will create or protect. In fairness there is still the outcome of Round 3 to emerge which includes a further £1 billion and could add to this figure. But even if this adds to the number of jobs created, it would seem that the majority of money is going towards safeguarding existing jobs rather than creating the job growth which is desperately needed in those areas suffering the most through public spending cuts. The average cost per job, at £33,000 also seems to be too high and uneconomic, compared with £28,000 from the previous RDAs, who were criticised as being inefficient. Further, it has been reported from Round 1 that projects have taken far too long to get started up, and due diligence has been a laborious process.

Places such as the North East and North West need job growth quickly, and it would appear that at present, the RGF is not large enough in scale, and is too inefficient with the resource it does have, to be able to realise this aspiration effectively.

15. **We do not know how much of the RGF contributes to additionality:** To what extent does the creation of new jobs across the north of England in particular represent additionality—doing something which would not have happened anyway? Clearly, each case is unique but are the schemes those which the private sector would have embarked on anyway? If that was the case then are we effectively handing a large subsidy to the private sector. The Government has to ensure that the jobs being created are additional and also not just short-term measures to increase levels of production post recession.

16. **Greater involvement required from LEPs:** LEPs are more likely to have a greater understanding of what is required in terms of economic priorities and growth in an area, and will be in a better position to be able to connect the RGF (and other future funding streams) towards strategic economic objectives and investments. LEPs should therefore be given a more prominent role in future, to ensure that funding is not put towards ineffective schemes which do not provide the value for money, nor impact required, but that are targeted at businesses and areas of strategic priority. They should be given control to set clear targets for workforce development and apprenticeships to set in stone local economic benefit. Without this, and just being a “blank cheque”, then businesses could do what they wish with the money provided. At the moment the RGF, being a competitive bidding process, does not necessarily fit into an area’s wider strategy to grow the economy.

17. **Ensuring wider benefits:** There is an important role for other actors, such as LEPs, local authorities and other public/private sector bodies in ensuring that collaborative work is undertaken and there are coordinating
links between large companies and small businesses to encourage knowledge transfer and innovation. Networks are crucial and the better projects will encourage interplay between major firms and local SMEs. If RGF funds do not sufficiently support local supply chains, then the whole RGF process would be seriously compromised. At present the evidence is not available to determine this one way or another.

18. **What about those places which are not successful in leveraging RGF monies?** Perhaps one of the major flaws of the RGF process is that there is so little resource meaning that it is one of very few regeneration funding vehicles available. As the RGF is a competitive process, there are winners and losers. But what happens to the unsuccessful bidding areas which are most vulnerable to public sector cuts? The RGF on its own is not sufficient to deliver rebalancing, due to limited funds and not being appropriately geographically targeted. Government must have more in its armoury to help those places experiencing multiple market failure and which will not be able to recover from recession without more intensive and tailored assistance.

19. **The need to join up with other initiatives:** at present the RGF seems to be operating in isolation from other key initiatives, such as enterprise zones. It is critical that all economic development mechanisms are joined up in order to avoid duplication and ensure maximum returns.

20. **The need for effective evaluation:** where does accountability and evaluation sit within this process? With limited public sector involvement, it is difficult to address accountability issues—how are these schemes being evaluated and if they do not go to plan who is ultimately accountable to the taxpayer? Governing this process effectively is critical.

21. **The RGF is not enough without softer measures:** the remit for the RGF is limited—it is about delivering private sector jobs in places which need them, quickly and efficiently. That is fine and we understand that it is required during times of severe economic stress. However this is not enough to deliver long term change for areas with historical structural weaknesses in their economies, and suffering from acute levels of worklessness and skills deficits. This makes organic private sector investment less likely in the long run and reduces the chances of increasing levels of entrepreneurship. It is just as much about measures aimed at building human capital and developing the skills base of an area—this is a longer term measure for Government but one which must go alongside the RGF and future funding streams which are effectively papering over the cracks.

**Written evidence submitted by Civil Engineering Contractors Association**

The Civil Engineering Contractors Association’s (CECA) welcomes the opportunity to respond to the above named call for evidence.

CECA provides the voice for those companies who create, improve and maintain the UK’s vital transport and utility networks. Our membership of more than 300 companies together delivers an estimated 70–80% of all infrastructure construction work carried out nationwide. Our industry supports the employment of around 200,000 people with annual activity worth up to £25 billion.

CECA has concentrated its response on our experiences of Local Enterprise Partnerships (LEPs) to date. We have based our response on the feedback to an informal free text survey via email of our regional directors in England, whose role includes engagement with LEPs. CECA has six regional directors in England covering the North East, Yorkshire and Humberside, the North West, the Midlands, the South West and Southern England.

We asked the following questions to all.

— What contact have you had with your local LEPs?
— Are you in contact with more than one LEP?
— How was that contact made. Did they approach you or vice versa?
— Do you feel that your local LEPs are doing enough on infrastructure?
— Do you think your LEPs understand the importance of our sector?
— How could your local LEPs be improved?
— How often do you meet with representatives of your LEPs?
— Do you find these meetings useful?
— Do you think your LEPs are useful?
— What have your LEPs achieved on infrastructure since set-up?
— What do you think your LEPs might achieve in future?
— How do you feel your LEPs compare with their Regional Development Agency predecessors?

We hope that you find our comments helpful and that they will be taken into consideration.

**INTRODUCTION**

1. Over two years have passed since a joint Ministerial letter was sent from the Department of Communities and Local Government and the Department for Business, Innovation and Skills to local authority and business leaders, inviting proposals to replace regional development agencies in their areas. The letter proposed a remit
for the LEPs: “to provide the strategic leadership in their areas to set out local economic priorities” and “to create the right environment for business and growth”.

2. It specified areas in which LEPs were expected to take a role. These include local transport and infrastructure. By October 2010 24 bids were announced as successful and the final total is 39 agreed partnerships covering each local authority across England.

3. LEPs have no formal powers and are volunteer run. While they were established with no dedicated funds but set-up funding, it is welcome news that two sources of grant funding have been made available. CECA also understand that most LEPs receive some funding from their member local authorities.

4. CECA believe LEPs are a welcome innovation and can play an important role by identifying local and cross boundary priorities. We concur with views expressed by the Centre for Cities that LEPs have made "varied progress towards identifying and achieving their objectives, influenced in particular by the commitment of partners to working at their chosen geography, and also by how far they genuinely share priorities." We welcome and will be contributing to the ongoing review by Lord Heseltine on how public bodies can work better with the private sector on economic development and the review’s inclusion of LEPs.

5. A summary of the responses to our survey can be found below. Full survey responses are available upon request.

Contact with LEPs

6. The responses indicate that this varies across England and experiences suggest that some LEPs have been more proactive than others. For example, one director welcomed the opportunity to input into a LEP bid through an existing business forum.

7. Overall directors are in contact with the LEPs in their region and are seeking to become more involved as these bodies gain momentum. It is clear that some LEPs are developing more quickly and engaging with key stakeholders than others. It is also evident that while directors have some contact with all LEPs in the region, most have strong relationships with certain ones.

8. While directors had existing relationships with regional stakeholders, all indicated that they approached their LEPs in the first instance. Respondents had met with key LEPs and were keeping a watching brief on activity. It was thought that early meetings were mainly talking shops however the general view was that going forwards the meetings were useful.

Understanding of Infrastructure

9. The views here were mixed and the feeling was that all LEPs had different agendas, dependent on local needs and the individuals involved. One response suggested that while most were talking about infrastructure, without funding and the will to simplify planning restrictions a LEP could only go so far. Views were also expressed that broadband was the main item of infrastructure that LEPs focussed on and other infrastructure needs were being neglected. However one director drew attention to some accelerated infrastructure growth potential in two of his regional LEPs.

LEP Improvement

10. It was suggested that LEPs be given much more specific Terms of Reference and responsibilities, plus the means of carrying them out. There was a feeling that regional spatial planning was being neglected along with infrastructure investment. Greater consistency across LEPs was called for as well as greater clarity of LEPs’ role post the closure of the Regional Development Agencies and how funding streams worked. It was suggested that LEPs which were not functioning effectively should be merged with their more efficient neighbours creating a “super LEP” to enable more joined-up thinking.

11. Successful LEPs could, at least in theory, become conduits for major infrastructure spending. However, the inconsistency in LEP performance must be addressed before this can occur. One director said that with each LEP having a bespoke agenda it is sometimes difficult to perceive the greater regional benefit.

Alasdair Reisner
Director External Affairs
Civil Engineering Contractors Association
5 July 2012

---

Written evidence submitted by Cornwall Council, Cornwall and Isles of Scilly Local Enterprise Partnership and Cornwall Development Company

Summary

Cornwall Council, the Cornwall and Isles of Scilly Local Enterprise Partnership and Cornwall Development Company welcome the opportunity to respond to this inquiry both on LEP issues and the delivery of the RGF.

Local Enterprise Partnerships are welcomed but must be better equipped and further empowered to achieve the growth required. With the Regional Growth Fund there remain three main issues to address; criteria, management costs and the “value” of jobs created.

Local Enterprise Partnerships

The Cornwall and Isles of Scilly LEP is making real progress and has potential to drive a step change in our economic situation but both finance decisions and policy decisions (eg governance of post 2013 EU funding) need to empower LEP’s in order to allow them to reach their potential and hit the government’s growth targets.

We are jointly supportive of the principle of LEPs and the principle of localism. However, the lack of substantial budget attachment and the unsustainable investment required by the private sector, in terms of time and resource, must be considered. Funding from Cornwall Council includes officer time but there is very little resource from Central Government and only contributions from the private sector in terms of time. To be independent and have the capacity to manage the increasing workload and expectations, it is essential LEPs are given better resources.

— There is a need to recompense businesses for engagement time. LEP engagement has been disappointing in terms of business numbers, because micro businesses cannot conventionally engage. Recompense would improve geographic and sector engagement within different parts of Cornwall and Isles of Scilly.

— The LEP has enhanced the relationship between Cornwall & the Isles of Scilly. The relationship is simple (two authorities) and there are common issues and themes around connectivity and similarities the economies of the far west of Cornwall and the Scillies. The role of the Local Nature Partnership will be important here and how green infrastructure is informing our place shaping approach, part of the strategy of being a low carbon region and a national exemplar.

— One of our strengths is the relationship between the LEP and Cornwall Council. It’s a model that works well and draws in staff from across the local authority and beyond. Private sector perceptions will inevitably drive the LEP model. There is also a very good relationship with BIS Local.

— There is a need for Central Government to better co-ordinate their requests of/to LEPs better in relation to meetings, seminars and funding deadlines. South West LEPs have worked well together co-ordinating responses around the rail franchise, devolution of major transport schemes and the South West Marine Energy Park.

— Bureaucracy to be cut for LEPs where it makes sense to do so—eg if an element of competition adds nothing to the process, then it would be preferable for LEPs to be allocated funding providing the criteria for determining the allocations is fair.

— LEPs need a greater role and more traction in determining Government policy with LEP representatives sitting on policy groups with Government officers. LEPs should play greater role in the skills agenda influencing and co-ordinating skills provision.

RGF

There are three main issues to address—criteria, management costs and the “value” of jobs created. Firstly, RGF criteria are not truly reflective of need and this must be the driver for investment. The criteria should also reflect strategic priorities i.e matching ERDF/ESF/RDPE and supporting the low carbon economy, this should be addressed using weighting. Secondly, the exclusion of management costs is unrealistic and must be addressed. Thirdly, there needs to be a focus on “high value” jobs not just any jobs—clearly this could increase value for money.

— Focus on high value jobs. Needs a flexible approach to the local skills base.

— Match funding levels and state aid. Cornwall and the Isles of Scilly require particular focus (especially after 2013) and alignment of national Government funding policy eg DEFRA has a national budget, we need to appropriately devolve to Rural Farming Network as a sub group of the LEP. Also, local flexibility in delivery of ESF is required, to tackle relevant issues and address priorities made clear in the LEP consultation (eg access to markets).

— Delay of key nationally significant projects such as Goonhilly.

— Monitoring of local performance needs to be better tied to devolution agenda.

— Urgency in unlocking and getting moving RGF as the public sector continues to face national and local threats.
Ev 70 Business, Innovation and Skills Committee: Evidence

Delivery Issues:

- Strands 1a and 1b of our Round 2 project serve to complement what is available to businesses via ERDF. This will not be the same for other regions who are not benefitting from EU money.
- The scope of “high value jobs” is broader than those feasible within ERDF, hence the ability of RGF to impact on the relative volume of jobs outputted.
- Delivering Round 2 provides a good steer on private sector response to the opportunity. On the face of it, and noting the level of enquiries for the Business Catalyst Fund call, there is no shortage of projects.
- As a government funded programme, the delivery vehicle must have robust procedures in place like Cornwall Development Company (CDC) have. But this “high quality delivery service” comes at a high price with the Council having to find two thirds of the revenue costs. The risk to the Council and LEP for not engaging with an organisation like CDC could result in serious claw-back issues, due to failure in the monitoring/evaluation processes.

9 July 2012

Written evidence submitted by Creative Skillset

1. Creative Skillset is the Sector Skills Council (SSC) for the Creative Industries—we represent the Entertainment Media, Advertising, Publishing and Fashion &Textiles. [http://www.creativeskillset.org]. Creative Skillset has a UK-wide remit and engages with the Creative Industries employers on both a national and a local level, through clusters of employers in a specific geographical area. For example, we have established over the last five years an employer-led Northern Media Skills Panel that has brought together key employers and organisations in the North of England to look at their creative media skills issues, like the development of MediaCityUK—a development which has an impact on skills issues throughout the North.

2. Creative Skillset was also asked to lead (in July 2011) the skills group for the Creative Industries Council (CIC). The Chancellor established the Creative Industries Council—chaired by Jeremy Hunt and Vince Cable the Secretaries of state for DCMS and BIS respectively, and senior industry leaders from across the industries with the purpose: “to provide a forum for the Creative Industries and Government to engage in a joined up way”.

3. CIC identified skills as one of the three key areas which are essential to growth. It charged Creative Skillset with chairing a Skills Group, bringing together creative industry leaders and employers. The Group explored in depth the challenges and opportunities facing the creative sector and reported back to the CIC in January 2012 [available on: http://cicskills.creativeskillset.org/the-report]. The Council endorsed the Group’s report and recommendations in full and asked Creative Skillset to proceed with implementation.

4. One of the challenges in the CIC skills report related to the lack of clarity of roles as there was a feeling among many in the sector that more consideration needs to be given as to how national and sector policies and priorities can inform investment and support at the local level, building on opportunities for growth across the UK without distorting and confusing the support offer.

5. The Report made recommendations around five areas; one of them was Reducing the bureaucratic burden, joining up investment and clarifying roles. Within that there was recommendation 5.3, which stated: “Bring clarity and a joined-up approach to support and investment. Government and industry-led organisations must work together in order to provide clarity in their roles and responsibilities with regards to supporting the sector. This will help to ensure that investment in skills and talent is directed effectively, and with minimum duplication and confusion for creative businesses. It is particularly important that Sector Skills Council (SSC) roles are clarified and communicated, while the Local Employer Partnerships (LEPs) with a focus on the Creative Industries work closely with the relevant SSC to ensure that skills challenges facing the sector are overcome.”

6. The CIC Skills Group Report, Appendices, page 23, listed 13 LEPs who had indicated a focus in their strategies on creative industries. Following the CIC endorsement, Dinah Caine OBE, CEO of Creative Skillset and chair of the CIC Creative Skillset Skills Group wrote to the chairs of these 13 LEPs asking them for their thoughts on the report and recommendations; the letter was a call for the start of a dialogue and potential partnership.

7. Since February 2012, when these letters were sent, Creative Skillset has received three formal responses from: West of England LEP; London LEP; Coast to Capital LEP; and held further meetings with the Greater Manchester LEP, Great Birmingham LEP and Oxfordshire City Region LEP.

8. With three LEPs in particular—West of England, London and Manchester—there has been real progress and the foundations of real partnership. There are important clusters of Creative Industries employers in these areas which have responded positively to a coordinated effort to address skills issues on both a spatial and
sector level. This will provide the best of Creative Skillset support at a national and local level to enable employers in these clusters to support training and skills development and avoid confusion.

9. Creative Skillset believe that these models can be developed as good practice examples for other LEP areas. However, we feel that the engagement so far remains on an ad hoc level. As each LEP is in a different stage of development, operates in different ways and with a varied level of resource, this becomes even more difficult. Our observation is that there is no policy framework or guidance that will encourage such partnerships, as expressed on the CIC skills group report recommendation.

10. On the one hand, BIS is reluctant to “prescribe” any course of actions to the LEPs. We understand that each LEP should also be able to recognise independently their issues and course of action. However, we believe that where LEPs have identified focussed activity in key sectors such as ours, then it behoves both to the SSC and LEP to work together to enable the best alignment of support for the companies and the individuals.

29 June 2012

Written evidence submitted by Devon County Council

1. INTRODUCTION

1.1 Devon County Council welcomes the opportunity to submit evidence to the BIS Select Committee evidence session on Progress with Local Enterprise Partnerships and Regional Growth Fund. This submission includes evidence in relation to:

(a) Local Enterprise Partnerships (LEPs) and;
(b) The Regional Growth Fund (RGF).

1.2 The examination of progress with LEPs and the RGF provides an opportunity for Government to further hone and improve business focused policy interventions by working closely with local authorities and LEPs. This is at a time when global economic conditions are likely to mean concerted effort is required through targeted joint interventions to deliver sustainable jobs and growth in the UK.

1.3 To inform our response, we have considered the implications and experiences in Devon and the Heart of the South West LEP (HoSW) in terms of LEP formation and activity. We have provided comment on the application of RGF funds in our area to date and the effect these have had. We are keen to work with the Government to hone those elements that have worked well. We would also like to promote ideas we believe will help to deliver jobs and growth quickly, albeit sustainably, for the benefit of UK economy.

2. ABOUT THE SUBMITTER

2.1 Devon County Council is an upper tier Local Authority covering the historic county of Devon outside of the unitary areas of Torbay and Plymouth. Our authority area has a current population estimated at 750,000. Devon County Council is a partner within HoSW, an area which covers the counties of Somerset and Devon together with the unitary authorities of Plymouth, and Torbay. HoSW covers a large area of over 10,000 km², with a population of almost 1.6 million and an output of £25 billion per annum. It is mainly rural, with several larger urban areas and a very diverse range of economic opportunities and challenges. HoSW is home to some of the UK’s most prominent businesses, such as Agusta Westland, Flybe, Babcock and BAE systems, has high levels of self employment, but in many parts also has amongst the lowest earnings in the UK and high levels of deprivation.

3. LOCAL ENTERPRISE PARTNERSHIPS

3.1 Devon County Council is strongly in favour of the principles that established LEPs. They are a means of bringing about greater collaborative working between business, local authorities and education providers; and they focus on purely economic objectives. We are strongly in favour of the LEPs’ focus on ensuring partners help to deliver economic objectives. We are also committed to ensuring they do not become a “Regional Development Agency Mark 2” through significant expansion of function. Through utilising existing structures LEPs ensure the continuation of private sector leadership combined with the democratic accountability of Local Authorities making for a relatively efficient use of resources. Ensuring alignment between local policies and strategies and the LEP business plan, will be key to achieving the greatest most cost effective results for the economy in each LEP area. Those functions to which a LEP is most suited are strategic, direction setting, influencing and creating the right conditions for growth, as laid out in the HoSW Business Plan.

3.2 To date the partners within the HoSW LEP have worked well together. The HoSW LEP is still, however, embryonic and needs to create a sustainable business model. Government helpfully provided a LEP start up fund which the HoSW LEP used to support its initial organisational infrastructure, although building this into a financially sustainable model remains a challenge.

3.3 Government has also provided some limited capacity funding to LEPs which has proved useful. We are not sure if further tranches of capacity funding will be made available.
3.4 We are very supportive of the Government’s Growing Places fund as a means of helping to unblock strategic infrastructure pinch points. We feel that this should help to achieve more sustainable growth over the longer-term.

3.5 We believe that a greater emphasis should be made in future on providing allocated funding to LEPs, as opposed to a competition based approach, to ensure a more equitable division of funds across the country. LEPs remain business focused and by maintaining this emphasis they can help to ensure strong economic outputs that are flexible and tailored locally, particularly in rural areas where a one size fits all approach does not always work.

3.6 At a time when public sector bodies are under pressure to reduce expenditure, local authority staff have limited resources to pull together effective bids, undertake the necessary due diligence and administer the funds if bids are successful. It has often been the case that many of the best bids from LEPs into Government funding streams such as RGF have, to date, come from areas with large and well resourced organisations that have been able to bring additional assistance to bids. Whilst it is to be commended that this builds on existing business success, it disadvantages rural areas. Rural areas such as Devon and HoSW have many dynamic, but often smaller sized and time-poor businesses that find it hard to develop successful bids.

3.7 We therefore very much welcome the Government’s Rural Growth Network (RGN) funding. This has enabled more rural areas such as HoSW to target those localities which, due to a lack of concentration of larger business, would have had difficulty achieving RGF outputs.

3.8 Some form of additional targeted pump priming, or capacity funding would, enable more rural LEPs such as HoSW to better serve its area whilst at the same time retaining a degree of independence. The provision of revenue funding that is directly able to support the delivery of capital funds to deliver economic benefits and outputs would be extremely desirable. For example revenue funding to provide business support to enable occupiers of the Devon and Somerset RGN funded work-hubs network, would enable companies based within these centres to deliver stronger economic outputs at a significantly faster rate. There needs to be recognition in Government that capital funding for infrastructure alone will not secure economic uplift without corresponding revenue investment.

3.9 It may not be desirable for a LEP to become a private sector subscription organisation, as this would set it in direct competition with organisations such as the Federation of Small Businesses.

3.10 Acknowledgement by the Government that core funding to the LEPs to date has been relatively short-term and more time is required to allow the more embryonic LEPs not built on existing structures to bed-in. This is particularly the case for those LEPs that were not in the first tranche of areas to gain LEP status.

3.11 Local Authorities and LEPs are often faced with responding to different funding streams with diverse requirements and reporting mechanisms, as well as conflicting timeframes. This adds pressure to already limited resources. We would strongly welcome a more joined up approach between Government departments that ensures greater alignment of funds with similar objectives. Particular areas that would benefit from this approach include bidding and monitoring criteria and funding timescales.

3.12 LEPs and their constituent members are now expected to undertake a significant amount of additional work. For example, within HoSW many of its local authority officers undertake a significant amount of work in support of the new UKTI framework at a local level. Much of this is labour intensive and there is a good deal of process and bureaucracy.Whilst this may pay off in the long-run, we are as yet to see any successes from our work in this area. We are not always aware of the face to face interaction between potential business investors and UKTI through their “pipeline” route. It is important that UKTI minimises the amount of bureaucracy faced by foreign investors to ensure they are not put off from investing in the UK. In this instance we believe that the only target which should really matter.

3.13 Additional work undertaken by officers in support of HoSW includes: the Productive Skills for Devon and Somerset group; work to lobby MPs/MEPs and secure targeted European funding for HoSW; and work to align appropriate evidence, research and data.

3.14 To ensure private sector partners remain engaged within the LEP process, it is vital that LEPs are able to demonstrate actual delivery as well as exerting some influence over public sector policy. One way of achieving this is through enabling LEPs to allocate specific pots of funding.

4 LOCAL ENTERPRISE PARTNERSHIPS—RECOMMENDATIONS

4.1 Acknowledgement by the Government that core funding to LEPs to date has been relatively short-term, and more time is required to allow the more embryonic LEPs not built on existing structures, to bed-in. A small amount of continued core funding for LEP capacity should be allocated.

4.2 Joined up Government between departments that ensures more alignment of funds with similar objectives would be strongly welcomed.

4.3 An element of revenue funding directly related to capital grant funding would significantly aid the delivery of economic outputs.
4.4 Grant allocations in addition to competitive fund bidding processes should be considered, to reflect different resourcing quantums and the specific issues faced by bodies in rural areas.

4.5 Allow LEPs to decide how to allocate funding as long as broad targets are met.

4.6 A small percentage of funding (e.g. 2% Management Strip for Growing Places Fund) to cover management fees and due diligence should be made available provided that overall targets are met.

4.7 Reduction in bureaucratic burdens from UKTI interaction would be helpful.

4.8 Continue to maintain freedoms and function of LEPs as currently.

4.9 Continue with funding streams such as the Rural Growth Network which plug gaps left by the RGF approach.

4.10 Maintain a single LEP contact at BIS who is able to reach into all Government departments.

5. **REGIONAL GROWTH FUND**

5.1 Devon County Council very much welcomes the Regional Growth Fund and its objectives in relation to jobs and growth.

5.2 Some passported business focused Government funds that in the past would have been directed through Government or the regional tier are now being targeted at local areas through LEPs. Examples include the Growing Places Fund and the Regional Growth Fund (RGF), which is also open to private sector organisations to bid into alone. We agree with this approach for its ability to target funding at a grass roots level and to tackle more strategic concerns, issues and opportunities raised by both businesses and democratically elected bodies. Nonetheless, in the case of HoSW, the LEP has with some limited success, corralled resources primarily from its constituent Local Authorities to bid into what is generally a very competitive process.

5.3 When LEPs were first formed, funds became available to help drive forward jobs and growth at a more local level. The initial guidance, especially for the RGF, was that the private sector was very much to lead bids, with local public sector partners to only provide a supportive role. There now appears to have been a subtle change in this approach with public sector LEP partners able to be much more proactive in driving forward bids. This was not always well communicated and some LEP areas have tended to be more successful at gaining funding in earlier tranches than others. Expertise in form filling and negotiating bureaucracy will no doubt have favoured some bidders who were successful.

5.4 The current criteria for successful RGF funding favour those areas with a high dependency on public sector employment. Whilst a rebalancing of the economy is important for the future long term economic sustainability of the UK, the criteria around public sector dependency is arbitrary and the data available to demonstrate it does not take into account wider functional economic areas. In some cases economic stimulus may help a deprived area, but funding cannot be directed because of relatively low levels of public sector employment. The HoSW and Devon County Council, for example wish to stimulate the economy of Torridge District which is has among the lowest pay in the UK; low levels of skills and high levels of deprivation, but also relatively low levels of public sector employment. Targeting RGF funding will undoubtedly help to stimulate parts of Torridge where there is significant potential for growth in jobs and growth outputs.

5.5 We believe that the current RGF qualification criteria around leverage of jobs achieved through investment are incredibly useful in showing value for money, but there needs to be a degree of flexibility for more rural areas, where high levels of leverage are sometimes less achievable.

5.6 A one size fits all approach through RGF funding does not work well, particularly for rural areas and a more allocation based approach would in many instances work better. As long as LEPs remain business focused and flexible they can ensure the delivery of programmes where traditional approaches do not always work.

6. **REGIONAL GROWTH FUND RECOMMENDATIONS**

6.1 Maintain a single LEP RGF contact at BIS who is able to reach into all Government departments and maintain communication over latest guidance.

6.2 Continue with funding streams such as the Rural Growth Network which plug gaps left by the RGF approach. Please also see LEP recommendations which state an element of revenue funding directly related to capital grant funding would significantly aid the delivery of economic outputs.

6.3 Some grant allocations in addition to competitive fund bidding processes should be considered, to reflect different resourcing quantums.

6.4 Maintain flexibility for some more rural areas over investment to jobs leverage.
6.5 Allow some flexibility for all areas over public sector dependency to reflect both functional economic areas and localities with poorly performing economies, lower public sector dependency, but potential for growth.

10 July 2012

**Written evidence submitted by EEF Ltd the Manufacturers’ Organisation**

**EXECUTIVE SUMMARY**

— The Regional Growth Fund (RGF) is an important enabler of the government’s rebalancing and localism agendas.

— Lack of finance is the greatest risk to the effectiveness of Local Enterprise Partnerships (LEPs). They were established to fill the role left by the Regional Development Agencies which had been allocated £11 billion during the last spending review period.

— Limited and competitive funding creates the risk that some LEPs will struggle and become reliant on local authority funding. This could marginalise business input into local decision-making thus defeating one of the central objectives of the localism agenda.

— The level and nature of LEP engagement with the RGF varies. Some bid directly for funding, others focus on supporting local company applications and some do both.

— However, companies bidding for RGF funding need to better understand the value that LEPs can bring to their bids as there is anecdotal evidence that some have avoided involving them for fear of lengthening and complicating the process.

— LEPs that closely map established local authority groupings and have inherited or acquired trusted infrastructure to engage with businesses appear to be more successful in bidding for RGF funding and managing any monies received.

— From a manufacturing perspective, a key challenge is coordinating RGF bids and managing RGF funded projects across LEP boundaries. Manufacturing is an interconnected activity with supply chains do not necessarily coincide neatly with LEP boundaries.

— The BIS Local network, supported by sector expertise from central government, could be used on an interim basis to help support RGF applications by small businesses and coordinate bids straddling boundaries in areas where LEPs are still establishing themselves.

**ABOUT EEF**

1. EEF is the representative voice of manufacturing, engineering and technology-based businesses with a membership of 2,500 companies representing 6,000 industrial sites.

2. A large part of our policy work focuses on the issues that make a difference to the productivity and competitiveness of UK manufacturing, including investment, innovation, skills and tax issues.

3. This memorandum is a submission to the Business, Innovation and Skills Committee’s inquiry into progress with Local Enterprise Partnerships (LEPs) and the Regional Growth Fund (RGF).

**BACKGROUND**

4. The establishment of the RGF is an important element of the government’s rebalancing and localism agendas which has enabled a number of EEF member companies to undertake investments that will generate growth and employment in their areas.

5. Access to the RGF is critical for LEPs. The greatest risk to the effectiveness of LEPs is a lack of finance. They are designed to fill the local development role left by the now defunct Regional Development Agencies (RDAs) which received £11 billion of central government funding during the last spending review period. Yet LEPs, aside a one-off £5 million start-up fund, will have no direct central funding and will be expected to meet their own day-to-day administration costs.

6. Instead, the government expects LEPs to compete for RGF funding and devise mechanisms to leverage private sector investment—e.g. through the use of tax increment financing.

7. Limited and competitive funding creates the risk not only that some LEPs will falter whilst others prosper, but that the model itself could prove unsustainable. Not least if business partners investing significant time in LEPs quickly become frustrated by an inability to effect change due to a lack of financial resources.

8. The failure of LEPs to secure sufficient funding would likely lead to them becoming reliant on local authority funding. This could marginalise business input into local decision-making, defeating one of the central objectives of the localism agenda.

---

3 A key exception is that LEPs did not officially inherit the inward investment role of RDAs.
Engagement with the RGF Process

9. Our intelligence suggests that the level and nature of LEP engagement with the RGF varies. Some bid directly for RGF funding, others focus on supporting applications made by businesses within their area and some do both.

10. There were no successful LEP bids reported during the first round of applications for RGF funding. Whilst disappointing, this is not entirely surprising as only 60% of LEPs had been agreed by the 21 January 2012 deadline for applications and those organisations were in their infancy and would have had limited time to put together bids.

11. Four of the 119 successful bids made during the second round of the RGF were made by LEPs and we understand that discussions between the government and LEPs are ongoing regarding a number of other applications. However, it is notable that during this round there were more than three times as many successful bids by local authorities acting independently.

12. EEF has received feedback from a number of member companies that they have avoided LEP involvement in and endorsement of their RGF bids owing to scepticism of the benefits of involving what are perceived as largely public sector bodies for fear of complicating and lengthening the process.

13. Similarly anecdotal evidence suggests that there is no clear link between bid success and LEP endorsement. Manufacturers bidding, or contemplating bidding, for RGF funding need to better understand the value that LEPs can bring to the bidding process and their prospects for success.

14. The challenge of putting together a bid, especially for smaller companies, should not be underestimated. The range of consultancies selling bid writing and application support services is testament to this. This suggests that there could be a particular role for LEPs in helping facilitate and support RGF applications by smaller companies.

Ability to Access and Manage RGF Funding

15. Feedback from member companies suggests that LEP success in bidding for and subsequently managing RGF funded projects (eg disbursing it to local business initiatives) is strongly linked to the level of organisational infrastructure and management resource available LEPs.

16. Those, like the Greater Manchester LEP, that closely map established local authority groupings and have inherited or acquired a trusted and visible infrastructure to engage with businesses throughout their area (eg the Business Link operation) appear to have been more successful.

17. From a manufacturing perspective, the ability of LEPs to coordinate bids for RGF monies and manage RGF funded projects across LEP boundaries is vital. Manufacturing is an interconnected activity whose supply chains and business networks do not necessarily coincide neatly with LEP boundaries.

18. The ability to work across and beyond boundaries is likely to be especially important for LEPs that represent geographical areas substantially smaller than those of the predecessor RDA.

Future Considerations

19. In the short-term, whilst many LEPs continue on the road to establishing themselves as fully functioning organisations, some will continue to have limited financial and management resources available to engage with the RGF.

20. One option to address this transition issue might for the BIS Local network, drawing on industry sector expertise within central government, to play an interim role in helping support RGF applications by small businesses and coordinating bids straddling LEP boundaries.

21. Next year, EEF plans to carry research out on the performance of LEPs drawing on intelligence from member companies actively involved with LEPs and our regional offices spread across England. The aim will be to understand how the activities of LEPs relate to the needs of manufacturers and identify any best practice that could be widely replicated.

9 July 2012
Written evidence submitted by Enterprise M3

LOCAL ENTERPRISE PARTNERSHIPS

1. Enterprise M3 is very supportive of the Government’s decision to create LEPs. We are particularly enthusiastic about the shift in emphasis towards enabling local communities and businesses to take a leadership role in driving forward economic growth and prosperity. We see the development of LEPs as important in helping to improve the coordination of public and private investment in transport, housing, skills, regeneration, employment and other areas of economic development.

2. This Government policy enabled Enterprise M3 to be formed in April 2011, bringing together a strong partnership led by business that includes key decision makers from the public sector; education; the military and the third sector, all of whom share the vision that the Enterprise M3 area be:

“One of the premier locations in the country for enterprise and economic growth, with an excellent environment and quality of life.”

3. By blending the skills, knowledge and insight of business with partners from the public and third sectors, Enterprise M3 is committed to taking a leadership role in:

— Rebalancing the economy towards private sector wealth creation;
— Reindustrialising the economic base, supporting the development of high growth knowledge-based industries and high value-added manufacturing;
— Re-establishing the UK as a nation focused on building economic growth through exports (rather than relying on growth through domestic consumption), prioritising high growth international markets; and
— Developing a coalition between private, public and civil society organisations to tackle infrastructure challenges, address the skills needs of the economy and to support sustainable economic growth.

4. Establishing a brand new organisation has been an interesting challenge and has been achieved with only limited funding support from government. We now receive just £25,600 per annum from central government and there is no doubt that a more generous allocation would allow us to concentrate on the actions we are taking rather than internal administration issues.

5. This importance of “local flavour” to LEPs should not be underestimated; the Government must be praised for allowing LEPs to set their own terms of reference, priorities and outputs. We would like to share with the Select Committee some of the “local flavour” and geography that characterises the Enterprise M3 area, in order to reinforce a later point that we would like BIS to open-up RGF funding to businesses in areas with a strong “capacity for growth”, but with low public sector job dependency.

6. Enterprise M3 believes that the geography of LEPs is important; LEPs need to reflect the realities of the economy and at the same time have meaning to the business community.

7. The geography of Enterprise M3 is an excellent example of an LEP that is based on the principle of a cohesive economic area. It covers mid and north Hampshire and south west Surrey, stretching from rural communities in the New Forest to the perimeter of Heathrow Airport, spanning fourteen local authority districts. This partnership was only made possible because there was a clear consensus that by working together more can be achieved than by working in isolation. The concept of geographic self-determination is another area where the Government’s approach is to be commended.

8. With a population of around 1.612,000, which is about a fifth of the population of South East England, it has over 86,000 registered businesses, with over 740,000 jobs. It is the home to world-class universities with a reputation for research excellence and for industry collaborations. A significant percentage of the population are graduates, or at least have higher-level skills. However, commuter patterns and graduate retention statistics suggest that the area has considerable capacity to grow graduate level employment further. This “capacity for growth” is a recurring characteristic of the Enterprise M3 area.

9. As an economic area, it generates over £34.5 billion of gross value added per annum, and is the home to some of the most innovative high growth companies in the UK, including; McLaren, Electronic Arts and BAE Systems. High-growth firms in the area are heavily concentrated in sectors, such as; computing, business (professional) services and manufacturing, all of which have the capacity to grow through exports. Recent research shows that high-growth firms represent only 6% of all firms (employing 10 or more people), but generate around 54% of all new jobs. Because many of the high growth companies in the Enterprise M3 area are highly productive, often export-orientated and in growth sectors, there is considerable potential for new job creation.

10. Not unsurprisingly, relative to the national average, there is a high concentration of both business and employment in professional services, computing, digital media, pharmaceuticals and defence in the Enterprise M3 area. Defence related employment is also an important characteristic of the area, at its heart is Aldershott, which is the home of the British Army. Although there is a high concentration of defence related employment, both MoD and defence supply chain, the area does not, using traditional measures of public sector job dependency, appear to be heavily dependent on the public sector for employment. However, as the
consequences of the Strategic Defence Review work through the economy, there are clear vulnerabilities and challenges that will inevitably need to be faced as employment in this sector is reduced.

11. The last recession illustrated the need for Enterprise M3 to build a sustainable, broader-based economy, less dependent on a few large sectors of the economy, less dependent on domestic consumption and more orientated towards exports and business investment.

12. The rebalancing of the economy away from domestic consumption and towards exports and business investment requires public sector support—such as RGF funding. It is these challenges that Enterprise M3 is committed to addressing, but the important lever of access to RGF funding has so far been denied to it, at least in the first two rounds of the RGF. However, access to RGF funding would make an immediate impact on the local and national economy by supporting high growth, export orientated enterprises that would have a positive benefit to UK growth, private sector employment and UK trade.

REGIONAL GROWTH FUND

13. Enterprise M3 supports the principles of the RGF and recognises the important role public funding can make to delivering UK economic growth, new private sector jobs and leveraging additional private sector investment.

14. We recognise, but do not fully endorse, the emphasis that RGF places on supporting areas and communities, which are highly dependent on the public sector for employment. While recognising the importance of supporting growth in these areas, we urge the Select Committee to consider creating room in the RGF programme to dedicate a percentage of funding to areas, like Enterprise M3, that have a strong “capacity for growth”. By adopting this more flexible approach, we believe that there will be a significant and immediate economic benefit to the UK economy.

15. So far in the first two rounds of RGF, Enterprise M3 has not received support for any projects in its area, however, we have endorsed a number of RGF 3 applications and we hope that the RGF assessment team will consider these bids seriously. We must report to the Select Committee that there is, perhaps wrongly, a view in the business community that RGF funding applications in our area would automatically fail because of our relatively low dependence on public sector jobs. Many businesses in the area are still struggling with the challenging economic climate and face considerable difficulties accessing funding from banks, angel and VC investors. Many of these companies are high growth, with a passion for what they do; access to RGF funding could accelerate their growth, giving a boost to both the local and national economy.

16. I hope that my earlier illustration of the “local flavour” of the Enterprise M3 area will have given the Select Committee confidence that by supporting businesses in our area with RGF funding, there would be an immediate impact on the economy that would give a significant boost to:

   — Enterprise—enabling a new generation of entrepreneurs to create wealth and new private sector jobs;
   — Exports—helping UK companies develop export earnings from international trade, particularly with high growth economies;
   — High value added manufacturing—helping UK companies’ repatriate jobs back to UK;
   — Growth sectors—enhancing the UK’s reputation and share of world markets in key sectors including computing, digital media and pharmaceuticals;
   — Defence diversification—helping defence companies diversify their products and services towards new civilian markets;
   — Skills development—helping members of the armed services and young people gain access to the new jobs in growth businesses; and
   — Graduate retention—enabling the pool of graduate talent to find and create new opportunities in the area.

17. In conclusion, we praise the Government for the progress made with both LEPs and the RGF. But, we urge BIS to look again at refocusing the eligibility criteria for RGF, so that a proportion of funding can be directed towards businesses in areas with a strong “capacity for growth”.

28 June 2012
The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above named Inquiry.

The FSB is the UK’s leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with around 200,000 members, it is also the largest organisation representing small and medium sized businesses in the UK.

Small businesses make up 99.3% of all businesses in the UK, and make a huge contribution to the UK economy. They contribute 51% of the GDP and employ 58% of the private sector workforce.

We trust that you will find our comments helpful and that they will be taken into consideration.

Roger Culcheth  
Chairman of the Local Government Policy Unit  
Federation of Small Businesses  
5 July 2012

The FSB has taken an active interest in Local Enterprise Partnerships (LEPs) from the outset and we welcome the opportunity to make a short submission to the Committee ahead of the one off evidence session with Ministers in September. This note briefly aims to give an overview of the FSBs views as regards LEPs, setting out three areas where we believe the Committee may like to focus as regards potential developments for LEPs in the future. Namely:

— establishing some independent and consistent secretariat funding;  
— establishing a clearer role; and  
— ensuring representation for local business views in partnership decisions

The FSB is the UK’s leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with around 200,000 members, it is also the largest organisation representing small and medium sized businesses in the UK.

Introduction

We have long called for councils to work more closely with local businesses. This has been reflected by our policies on strengthening local communities and our successful Keep Trade Local campaign. Through our national structures we have developed an excellent relationship with government at every level, particularly local authorities, a third of which have entered into agreements with the FSB over the last year through our Local Government Accord. FSB members and staff up and down the country have taken opportunities to influence the development of LEPs and we continue to engage with them as they move forward.

The move to remove regional government structures and replace them with LEPs occurred in a relatively short timescale. In particular, the timetable for submission of proposals for establishing LEPs over the summer of 2010 was short given the new relationships that needed to be formed. It was inevitable that the initial results have been mixed and patchy. However, the FSB was and remains strongly in favour of the strengthening of the local agenda and we are supportive of the LEP concept. Nevertheless we do feel that there is now an opportunity to reflect on the progress that has been made and what can be done to improve things in the future so we welcome the Group’s focus.

Our primary concern now is ensuring that the LEPs continue to adhere to the Government’s vision of being business led, with genuine business involvement. We need to ensure that they continue to genuinely engage rather than pay “lip service” to the business community. We are heartened to see that for the most part the Government’s commitment that the private sector should have equal standing alongside the public sector within the LEPs and take the leading role in their development has been realised. Nevertheless in some areas a culture change towards more private sector focus in the partnerships is still required. Specifically there is concern amongst some of our members that the small business voice in particular is being lost within the LEP process in some areas and that in some cases the engagement with the small business community has not been maintained as well as hoped.

Funding

One of the issues the FSB believes exacerbates this problem is the lack of any real independent funding for the LEPs. The FSB has said from the outset of the project in 2010 that we strongly believe that they should be given funding for a basic independent secretariat and for commissioning advice and research. That remains the FSB’s view. At present there is a risk that some LEPs:

— Are too preoccupied with having to bid for access to or influence over pots of money rather than on what can be delivered. The Start-Up and Capacity Funds have allowed some LEPs to fund a small secretariat and commission some valuable work but a more consistent stream is now required.  
— Are reliant on public sector and in some cases private sector contributions from large businesses.  
— Fail to meet the pace of change required.
This can result in a lack of the independence that is vitally needed, particularly if the public sector is effectively staffing and administrating the LEP. It is particularly difficult for the small business community, who despite being a huge factor in every local economy, are not well positioned to compete on an equal footing with large public and private sector organisations in terms of resourcing the LEP. We would also question whether many local authorities can continue to effectively support the functions of a successful LEP over and above their current activity given the public sector funding climate.

LEPs must remain efficient and value for money and we would not advocate that LEPs should be given large budgets or revenue streams. Nevertheless we believe this could be provided for around £250,000 per LEP and would be a small fraction of that previously required by the RDAs. The FSB understands the Government’s reluctance to go down this road but believes that it would help to deliver much needed additional capacity and greater consistency in terms of level of activity and effectiveness across the LEPs.

Some of our members who are active within LEPs across the country have also raised concerns at the level of resources and focus that Government affords the larger city orientated LEPs, leaving other LEP areas with inadequate resource and support to make an impact.

**Role**

Clearly the view of the LEPs is that their diversity is their strength in that they should be free to focus on what is important to the local area in question and pursue and agenda reflective of that. However the FSB believes that there would still be advantages in the Government re-articulating a clear vision for what actions LEPs should be focussing on at a time when economic growth is so vitally needed. Government could do more to consistently align national policy approach with the functions of LEPs to ensure greater buy-in for their role. Currently, LEPs have no formal authority and influence over major issues such as skills, planning and transport is variable, making it challenging to secure buy-in for LEP strategy. If they are to become a long term project then the FSB would like to see them given a clearer mandate in emerging policy and legislation. For example there is currently no provision for a role for LEPs in key legislation such as the Localism Act. The forthcoming changes to the retention of business rate revenues by local authorities provides an opportunity to encourage closer working relationships both between authorities themselves and between local government and the local business community. We hope that through LEP groupings, councils will be encouraged to take a collective approach to how they can work together to stimulate growth and to reinvest any subsequent revenues in making it sustainable, rather than competing to maximise development within their own boundaries.

We thought it would be useful to share with the Committee the views of the FSB’s wider membership on LEPs from our recent member’s survey in March 2012.

When asked how knowledgeable they felt about the purpose and role of LEPs, the vast majority of members in England do not have any real knowledge. (79% of members indicated they were not very or not at all knowledgeable.) Only 2% described themselves as very knowledgeable. The FSB believes that a more clearly defined role for LEPs with core aims and responsibilities would create a greater understanding, support and buy-in from the business community.

In terms of priorities they would like to see their local LEP focus on, business support and economic growth were seen as the significant key areas. This is exactly as it should be and it is vital that LEPs retain a tight focus and are given sufficient support and guidance to deliver tangible outcomes.
WHAT DO YOU THINK SHOULD BE THE FOCUS OF YOUR LOCAL ENTERPRISE PARTNERSHIP?

**BASE: 2249 (MEMBERS IN ENGLAND)**

<table>
<thead>
<tr>
<th>Focus</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business support</td>
<td>55%</td>
</tr>
<tr>
<td>Economic growth</td>
<td>49%</td>
</tr>
<tr>
<td>Job creation</td>
<td>33%</td>
</tr>
<tr>
<td>Skills development</td>
<td>26%</td>
</tr>
<tr>
<td>Attracting inward investment</td>
<td>26%</td>
</tr>
<tr>
<td>Strategic planning &amp; development</td>
<td>23%</td>
</tr>
<tr>
<td>Broadband connectivity</td>
<td>16%</td>
</tr>
<tr>
<td>Strategic transportation planning &amp;..</td>
<td>12%</td>
</tr>
<tr>
<td>Exporting</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
<tr>
<td>Unsure</td>
<td>13%</td>
</tr>
</tbody>
</table>

One of the FSB’s strengths is that we are able to provide a view of small business views and confidence across the country. We are now seeking to ensure that our survey data including our full member survey and quarterly small business index can be analysed on a LEP basis to help them create an informed picture of the small business perspective in that area.

**Representation**

Where there is strong engagement with the small business community then small businesses, along with business representative bodies such as the FSB, can make active contributions to LEP boards, sub groups and working groups. However where this is not the case the message regarding priorities for our small business community risk getting lost amidst a raft of other competing priorities. This must not be allowed to happen. Our economy is dominated by small businesses who make up 99.3% of all businesses, contribute 51% of GDP and employ 58% of the private sector workforce.

One of the things the FSB would like to see is greater transparency regarding LEP governance in terms of board selection and the decisions being made by LEPs. In many cases it is difficult for the wider business community to ascertain who is making decisions within the LEPs and what is being decided. Although we are keen to ensure that LEPs do not become mired in bureaucracy, some consideration about basic levels of information can be provided, most likely through LEP websites, would be desirable. At the same time consideration could be given to some requirements for basic governance principles, including ensuring that those selected to play a role in LEP governance are closely reflective of the business make-up of the local area, both in terms of size and sectors.

There is still significant potential for LEPs to play a role in moving the economy towards the sustainable economic growth needed. Now that most LEPs have been in place for 18 months it is an opportunity for the Government reflect on what can now be done to best ensure that potential is maximised. We therefore welcome the Committee’s ongoing focus.

---

4 http://www.fsb.org.uk/Member-Survey-2012 The “Voice of Small Business” Member Survey was conducted in November 2011 and had more than 11,000 responses

5 http://www.fsb.org.uk/small-business-index The report is produced quarterly by the centre for economic and business research. It provides a macro-economic picture of the UK economy from the point of view of the small business owner.
Written evidence submitted by Greater Cambridge and Greater Peterborough Local Enterprise Partnership

INTRODUCTION

This written submission to the House of Commons Business Innovation and Skills Select Committee is intended to summarise the main points concerning progress, opportunities and challenges facing Greater Cambridge Greater Peterborough Enterprise Partnership. It focuses on core issues where the UK government could help progress the agenda of the Local Enterprise Partnership and local economies in England.

ABOUT THE GREATER CAMBRIDGE GREATER PETERBOROUGH LOCAL ENTERPRISE PARTNERSHIP

Greater Cambridge Greater Peterborough Enterprise Partnership (GCGPEP) is focused on helping to drive forward sustainable economic growth in our area—with local businesses, education providers, voluntary organisations and social enterprises, and the public sector working together to achieve this.

Given the green light by Government on 26th October 2010, following the submission of a bid in September 2010, the Local Enterprise Partnership (LEP) now has a strong business-led Board in place, alongside a small core team.

GCGPEP is focused on delivering economic growth with a business-led remit to benefit the local area and its community. These changes will happen when we:

— **Collaborate**—with businesses, the social enterprises, the voluntary sector, and public sector to deliver sustainable economic growth.
— **Create**—new jobs and the right conditions for enterprise growth including support for existing and innovative funding opportunities and initiatives.
— **Champion**—support the commercialisation of our knowledge base to achieve further growth in our key industries, and support our people to gain the skills required by employers.

Our goal is to create an economy with 100,000 major businesses and create 160,000 new jobs by 2025, in an internationally significant low carbon, knowledge-based economy balanced wherever possible with advanced manufacturing and services.

Our strategic areas of focus are:

— Skills and employment.
— Strategic economic vision, infrastructure, housing and planning.
— Economic development and support for high growth business.
— Funding, including EU funding, regional growth funding and private sector funding.

PROGRESS TO DATE

To date the GCGPEP has made significant progress by: achieving formal recognition by government, appointment of a board, establishment as a non-profit company. GCGPEP has been able to generate a sense of shared endeavour within its new geography. Securing an Enterprise Zone for Alconbury within a national competition is also a significant achievement. Our discussions at national level have helped to persuade Government to find additional funding for the work of LEPs, such as through the Growing Places Fund.

With the recent appointment of a core team of executive staff, the LEP must now build on the firm foundations that it has established to demonstrating tangible practical progress on a number of key objectives.

INVESTING IN GROWTH: SUPPORTING ONE OF THE LEADING ECONOMIC SUBREGIONS OF THE UK

The Greater Cambridge Greater Peterborough area is a dynamic source of growth, and can contribute significantly to the UK’s economic recovery and growth. The area is home to a range of high growth international companies, and is a prime source of innovative new start-up businesses and SMEs.

Government investment in areas of strength such as life sciences and biotechnology are welcome, as exemplified by the recent announcement about support for the Babraham Institute.

The LEP area as a whole is one of the few net contributors to the UK economy, with innovation rates, GVA growth, housing growth and export performance all in the top quartile.

CHALLENGES IN STARTING UP AND ESTABLISHING THE LOCAL ENTERPRISE PARTNERSHIP

Unhelpful mechanism for start-up and capacity funding

*Start up and Capacity Funds in the wrong form of assistance.* Assistance from the Department of Business, Innovation and Skills in the form of start-up and capacity funding was welcome, but the form of support—claimed quarterly in arrears—was felt to be inadequate. Quite simply, the initial position of GCGPEP was a poor cashflow position in which to undertake expenditure, to be claimed back later. This has hampered the contracting of core LEP staff, and the commissioning of necessary early work to support an economic strategy.
As we argued in our oral evidence to the Select Committee’s hearing on LEPs in 2010, a far better solution would have been an immediate unringfenced block grant award. 

**LEP funding in an era of constrained local authority expenditure.** Overall, funding capacity in the LEP from local partners has proved challenging, particularly as local authorities have had to manage significant budgetary cuts of their own. Quite often the bulk of these cuts have fallen on areas that are non-statutory duties, such as economic development activities. This has meant that requests for LEP funding and in-kind support have fallen on budgetary allocations for economic development that have already been under severe stress.

**Regional Growth Fund**

*The Regional Growth Fund does not support growth regions*

Interest in the regional growth fund has been largely insignificant in the Greater Cambridge Greater Peterborough area. There have been four RGF bids, which GCGPEP has played a role in supporting. A significant problem for potential applicants has been the high weighting given to levels of deprivation or poor economic performance in the evaluation criteria for RGF applications.

In addition, there have been known delays in the processing of applications and time taken to award funds. This has also acted as a disincentive.

**RGF: A missed opportunity**

The Greater Cambridge Greater Peterborough area has a range of commercially successful SMEs and larger firms with significant potential, and which operate in international markets—many of which face challenges and risks related to funding expansion. GCGPEP feel that the government has not provided sufficient support to the local economy in this regard, and has missed an opportunity in helping support businesses which have a greater potential to contribute sustainably to the national recovery.

**Likely Shape of Future Operations of GCGPEP**

This section provides an indication of the direction of travel of GCGPEP—it is intended to be a helpful illustration to the Select Committee of how the intentions and vision of local businesses and stakeholders are being shaped into a practical prospectus for delivery.

*Tailoring the enterprise partnership to current priorities, local ambitions and available resources*

Given the stated intentions of partners, board members and the work done to date by the executive team at GCGPEP, allied with currently available resources and funding GCGPEP is beginning to take a focus and approach set out as follows.

**Role and function**

The core role of GCGPEP is most likely to be as a strategic leader, advocate, funder and enabler. Its functional remit is likely to be economic development, economic growth, enterprise, investment, skills. Another key role is as a strategic leader and advocate, influencing key business and economic growth issues (which may include key determinants such as planning, infrastructure and housing).

The Greater Cambridge and Greater Peterborough area also needs investment into its place-marketing and profile raising—to ensure that the area’s profile and standing is enhanced nationally and internationally.

LEPs also provide a vital role as a broker between public and private sectors—helping public sector organisations understand business issues and vice versa.

**Robust views and strategies**

GCGPEP aspires to undertake research, intelligence and analysis—to provide robust views on economic issues and policy choices. In addition, a vital role is as the coordinator of the business voice—helping put business issues into the policy agenda.

**Delivery**

Currently, and for the foreseeable future, GCGPEP sees itself as a strategic funder and enabling, where GCGPEP sets up investment programmes for others to bid into (with innovative, high-impact proposals). The likelihood of becoming a direct deliverer of assistance to businesses, individuals or stakeholders is low due a lack of available long term revenue funding.

Examples of deliverables underway now, or planned in the next 12 months include:

---

- Delivering a strategy and action plan by December 2012—a growth prospectus that will drive future programme designs and funding allocations, with an accompanying evidence base and analysis.
— Designing funding programmes and mechanisms—to utilise GPF round 1 recycled funds (£5–7 million) in April/May 2013 and to work with public sector colleagues to consider how to align various sources of funding to deliver maximum impacts.
— Advocacy campaigns on key economic and business issues.
— Strategic leadership and advocacy on government policy (economic, transport, infrastructure); and European funding.

CURRENT AND FUTURE CHALLENGES

Local capacity and diminishing resources for economic development activities

As mentioned previously, local authorities are currently the main providers of capacity in terms of economic development staff, funding, and initiatives. However, in many local authorities this capacity is being eroded due to budget cuts. And this comes on top of the abolition of the Regional Development Agencies and the removal of the capacity, expertise and funding that was provided.

GCGPEP has a small core team of one Executive Director (0.8 FTE) and three other advisors (all 0.6 FTE). All of the core team area contracted on an interim basis. All Board members, and our two strategic Board advisers, are volunteers.

The GCGPEP area has a small, and diminishing capacity for economic development related activities. This makes it very challenging to deliver the ambitions for the LEPs set out by the UK government, and discussed in the 2010 Select Committee hearing on “The New Local Enterprise Partnerships: An Initial Assessment—Business, Innovation and Skills Committee.” Capacity is constrained both in terms of dealing directly with the concerns of business, establishing funding models and mechanisms to utilise Growing Places Fund monies, and Enterprise Zone Business Rates receipts, and of key issues such as youth unemployment, and dealing and negotiating with central government departments.

Managing expectations in the new arrangements

Whilst replacement of Regional Development Agencies with arrangements for local economic development that are more business-led and based on real local priorities is welcome, Local Enterprise Partnerships are currently unable to provide the breadth, capacity and funding that Regional Development Agencies were able to provide. Quite simply, the funding for subregional economic development activities has largely been cut or retained centrally for disbursement via RGF, TSB or UKTI.

Nonetheless—there are a range of expectations which are a hangover from the previous policy era which significantly (and negatively) influence perceptions of Local Enterprise Partnerships.

Overall funding availability for infrastructure

Transport and broadband infrastructure are two of the major issues holding back performance and growth in the GCGP economy, and are a major concern for business. Congestion and insufficient transport capacity will hold back the ability of the GCGP area to generate jobs and economic growth for the UK.

There is a significant appetite to explore innovating new funding mechanisms for infrastructure in the local area. However, progress has been slow in terms of the establishment of national frameworks for these tools, and in devolving expenditure to the local level, which has happened in a rather disjointed and piecemeal way (particularly for two-tier areas of local government).

Lack of progress in city-deals types of arrangements which devolve control of resources to the subregional level

GCGPEP have looked on at the City Deals being carved out in Greater Manchester and Leeds City Region, and others with great expectation. Similar flexibilities for smaller growth cities would allow better solutions to be designed for the unique local opportunities and challenges ahead.

Sources of matched funding for European Funds

We will have a new programme of European Funding instruments in 2014–20, which GCGPEP and its partners would like to significantly shape and also access for economic projects. However—a challenge that we have identified early on is the potential lack of matched funding for ERDF projects. Since most of this funding has to be grant-based, this may be very challenging in an era of reduced public expenditure, especially in non-statutory areas such as economic development and regeneration.

Significant challenges and distance to travel in key policy areas

Young people, education and skills: work to date by GCGPEP has revealed the serious challenge of making school-age education and careers information relevant to the world of work. The business perception is that young people are insufficiently prepared for work, even if they area academically well-qualified. In addition, there is the perception that a number of industries, such as advanced manufacturing, are not perceived
accurately by young people, schools, and their parents—and as a result it is challenging to attract interest amongst young people. The long term consequences are clear—a denudation of the manufacturing skills base; and a reliance on migrant labour—without making a difference to the potentially significant pool of long term youth unemployed. This is a serious, long-term challenge. Businesses show great willingness to engage with schools on this issue, but there is a lack of profile on the UK government’s agenda in terms of education policy.

Challenges for the UK government

Make the resources match the expectations. The UK government has put LEPs as a central part of its economic recovery strategy, and as a better form of organising and delivering local economic growth than the now-abolished Regional Development Agencies. However, for LEPs to realise this they must be adequately resourced.

The risk of slow progress and lack of capacity remain. There are risks that progress will be slow, and in particular, that Local Enterprise Partnerships lack resources to promote economic growth and respond to further crises and setbacks in the UK’s economic progress.

Uncoordinated engagement with national government. Whilst BIS Local has been making real efforts to increase the level of coordination across Whitehall on local growth, Local Enterprise Partnerships are still frequently requested to attend numerous national meetings, briefings and groupings with government departments to help inform and shape government policy and practice. Whilst in principle such engagement is very welcome and constructive, our experience to date has been that with a small core executive team and a voluntary board, it is unrealistic to engage on an almost weekly basis with Whitehall.

The Way Forward: Summary of Proposals for the Select Committee to Consider

Provide core funding for LEPs in the form of a block grant. Dedicated core funding would help speed up progress in developing capacity and in delivering economic growth programmes in the GCGP area. It would also help address the declining resources and capacity for economic development that are available through local authorities. A block grant would remove the unnecessary bureaucracy and hurdles of grant funding claimed in arrears.

Transform the LEP Network into an advocacy and engagement body—which speaks as an independent voice for LEPs and coordinates feedback and consultation with the UK government. This would make engagement with central government more efficient and effective for both LEPs and Whitehall.

Simplify, implement, enable and expand the new local fiscal tools. Progress has been too slow in bringing forward functioning local fiscal tools for use by LEPs and local authorities. The GCGP area has great potential to use these new fiscal tools and other “evergreen” funds—city deals could be the means to cut through some of the current complexity.

Real devolution of education and skills budgets. Significant progress has been made in engaging the business community in addressing the key education and skills provision issues, and careers education. Devolving budgets to allow funding to follow local priorities would significantly speed up progress in providing business-led skills, and in developing a future workforce that is much more job-ready and better informed about the world of work.

Dedicated RGF budgets for LEPs. Giving GCGPEP a dedicated RGF budget would have led us to promote the scheme much more vigorously, and targeted it at business projects with the greatest economic potential. Given the richly innovative and internationalised business base of the GCGP area, we are confident that we could add significant value and leverage to RGF funds, if we were given control and flexibility in how they are applied and awarded.

Allow LEPs to access and receive funding to help develop proposals for the 2014–20 European programmes. GCGPEP and surrounding LEPs have signed up to collaborating and coordinating in informing the design of the programme area and priorities for the new European Programmes—but lack the financial resources to do this effectively. Making resources available (including through Technical Assistance funding) would mean that the new European Programmes more accurately reflect the needs of local economies, and are more quickly established and functioning.

9 July 2012
Written evidence submitted by Hampshire County Council

1. INTRODUCTION

1.1 The Hampshire County Council area is covered by two Local Enterprise Partnerships: the Solent LEP in the South of Hampshire and Enterprise M3 which covers the rest of Hampshire and a large part of Surrey. The evidence submitted draws on Hampshire County Council’s experience of working with both partnerships and refers to the conclusions and recommendations made in the BIS Committee’s report of December 2010: “The New Local Enterprise Partnerships: An Initial Assessment—Business, Innovation and Skills Committee”.

1.2 Hampshire County Council works closely with both Local Enterprise Partnerships in Hampshire, providing a variety of different support. The Council remains committed to playing a full role in working with business through the Local Enterprise Partnerships. To this end, Hampshire County Council is represented on both LEP Boards and the Leader of the Hampshire County Council, supported by his Deputy, take an active role in ensuring that there is a cohesive approach taken by both LEPs in terms of attracting investment and stimulating economic growth. Hampshire’s political leaders have given very strong and active support to the Local Enterprise Partnerships in Hampshire and continue to take every opportunity to encourage businesses to engage in the LEPs.

2. THE FUNCTIONS OF LOCAL ENTERPRISE PARTNERSHIPS

2.1 In line with conclusion 8 of the December 2010 Report, Hampshire County Council continues to welcome the flexible approach taken by Government with regard to national and local priorities. Hampshire County Council is encouraged by the increasingly hands off approach taken by Government and the recognition it is giving to locally led partnerships in terms of driving economic growth. LEPs, Enterprise Zones and other new initiatives such as the devolution of Local Major Schemes Transport Fund are all welcomed. It is important that Whitehall continues to apply a light touch and provides Local Enterprise Partnerships with the flexibility they need to evolve and deliver.

3. COLLABORATION AND COMPETITION BETWEEN LOCAL ENTERPRISE PARTNERSHIPS

3.1 Hampshire County Council, through its role on both LEPs plays a key role in helping to ensure a strategic approach to economic development across the whole of Hampshire, thus minimising the risk of economic displacement between the two LEP areas. In recognition of the role that the strategic authorities can play in terms of LEPs and economic development, we would recommend that representation of strategic authorities (such as County Councils) on the Board of LEPs is strongly encouraged.

3.2 The County Council also believes that there is a significant benefit in inter-LEP collaborations, recognising the need for flexibility to reflect the variable geography of different issues such as strategic transport corridors, or areas with similar physical or economic characteristics. We have been active in supporting the evolution of a conversation among LEPs and County Councils in central southern England along these lines, as the basis for the emerging Greater Wessex Economic Group, which we expect will develop further in the coming months, as we explore options for this sub-national collaboration and potential development of the arrangement as a basis for devolution of powers and funding from national government.

3.3 Hampshire County Council also welcomes the approach by Government to “allocate” certain funding streams (such as the Growing Places Fund), rather than accessing them on a competition basis. The approach to do this by population and the area’s ability to stimulate economic activity is also welcomed and it is hoped that a similar approach will be used for any future funding streams which may be forthcoming.

4. FUNDING AND RESOURCES

4.1 The Capacity and Start Up Funds from Government have been important in assisting LEPs to deliver their priorities. However, on-going core funding will be required in future to ensure that LEPs are able to continue to deliver their objectives. Hampshire County Council provides considerable support to both LEPs in Hampshire, in terms of both staff and financial resource, to assist them in achieving their objectives.

4.2 Hampshire County Council provides staff resources to Enterprise M3, notably through the provision of a seconded Project Manager to support the Growing Places Fund. Hampshire County Council also provides lead officers to support three of the six Enterprise M3 Action Groups and acts as the Accountable Body for its Growing Places Fund. In addition to this, the County Council supports Enterprise M3 to work in a flexible manner by providing office accommodation to key staff and making meeting rooms available where needed.

4.3 Hampshire County Council also supports the Solent LEP in a number of ways, notably through its role and membership of Transport for South Hampshire but also through the provision of £85,000 directly to the LEP for its future executive support arrangements over the next three years. Transport for South Hampshire, which includes the three local Highway Authorities in southern Hampshire and is currently chaired by the County Council’s Deputy Leader, acts as the transport adviser to Solent LEP. The relationship is very effective as TISH has a strong delivery focus and is able to make sense of transport issues and identify infrastructure investment opportunities.
4.4 The Growing Places Fund has been an important addition to the ability of the LEPs to support and encourage the provision of infrastructure to support economic growth and housing delivery. The “revolving fund” model does however impose a constraint on the type of schemes which can be funded. In particular, the fund, like the SEEDA Regional Infrastructure Fund before it, are excellent vehicles for accelerating delivery of schemes where forward funding of infrastructure is the issue. Where the issue is not cash flow, but perhaps the de-risking of sites through public infrastructure provision, or where the benefits of an intervention are more likely to fall across many potential developments, then the fund will not be effective. This has been our early experience in relation to transport projects, which are necessary to support economic growth and de-risk investment, but do not readily sit with a short term repayment profile, or link exclusively to one or two particular sites.

5. POWERS AND ACCOUNTABILITY

5.1 As mentioned earlier, it will be important for the LEPs to be given the necessary power and resources to deliver their priorities. Further devolution of funding from central government and a willingness by Government to consider a more diverse-range of city-deal type arrangements with authorities and LEPs, whatever their geographic make-up is, would be very helpful.

5.2 Whilst the Government enjoys strong links with city regions, it is important that it continues to develop its links with all other high performing economic areas. It is worth noting that the LEP Network found Enterprise M3 to have one of the highest records for economic growth and greatest degree of resilience. Therefore it is vital that Government continues to develop its links with LEPs in Hampshire to ensure that the area can reach its full economic potential which will not only be beneficial to Hampshire, but to the UK as a whole.

5.3 It will also be important for the LEPs to continue to demonstrate strong local accountability and the ability to work strategically with neighbouring LEPs. Hampshire is currently fortunate to have the County Council on both Enterprise M3 and Solent LEP and representation of the strategic authorities on LEP Boards should be recommended as in Hampshire, this has so far helped encourage a joined up approach and provided stronger democratic accountability.

9 July 2012

Written evidence submitted by Industrial Communities Alliance

SUMMARY

— In its role as the local authority association covering many of Britain’s less prosperous local economies, the Industrial Communities Alliance has an acute interest in both the Regional Growth Fund and Local Enterprise Partnerships.

— The Alliance has welcomed the Regional Growth Fund and called for additional funding to be made available for further bidding rounds.

— In particular, there is an urgent need for additional RGF funding to avoid a major hiatus in regional economic development beyond the middle of 2012.

— The Alliance is sceptical about the effectiveness of Local Enterprise Partnerships as currently constituted.

INDUSTRIAL COMMUNITIES ALLIANCE

The Industrial Communities Alliance is the all-party association of local authorities in the industrial areas of England, Scotland and Wales. The Alliance was formed in 2007 by the merger of the longer-established associations representing coal and steel areas and includes a wide range of other industrial areas. Over 60 local authorities are currently members.

The role of the Alliance is to press for policies and funding streams that deliver regeneration in the areas represented by its member authorities.

Alliance areas in England cover many of the least prosperous parts of the country.

Local Enterprise Partnerships (LEPs) and the Regional Growth Fund (RGF) have been among the central concerns of the Alliance since 2010, and both initiatives have been discussed at length at regional and national meetings. The RGF, in particular, has also been the subject of several meetings with the lead civil servants within BIS responsible for the Fund.

The present submission reflects the discussion at national meetings and has been endorsed by the Alliance National Executive, comprising senior councillors from around the country.
The Alliance has welcomed the Regional Growth Fund and called for additional funding to be made available for further bidding rounds.

The Alliance was initially sceptical about the RGF because the resources allocated to the Fund—initially £1 billion over three years—fell well short of the previous budget of the Regional Developments Agencies—approaching £2 billion a year. However, the Alliance and its member authorities have from the beginning recognised that following the abolition of the RDAs the RGF has provided the key source of funding for economic development in England from the Westminster government.

Initial scepticism eased when the RGF was increased to £1.4 billion and, in particular, when the RGF awards from Rounds 1 and 2 showed a pleasing concentration in the less prosperous parts of England, including in many of the areas covered by Alliance authorities.

In the autumn of 2011 the Alliance wrote to the Chancellor and to the Secretary of State for Business calling for additional funding to be made available to the RGF so that there could be additional bidding rounds in 2012 and beyond. The allocation of a further £1 billion to the Fund, in the government’s 2011 Autumn Statement, was therefore a welcome development.

The RGF is not above criticism however:

— The bidding rounds have been vastly over-subscribed, by a factor of 10-to-one in Round 1 and almost three-to-one in Rounds 2 and 3. The implication would seem to be that lots of good projects are missing out.

— The delivery of funding to approved projects has been slow. BIS is aware of this problem and the Alliance understands that the RGF Secretariat has been beefed-up and new time-limits on the due diligence process have been introduced. Even so, there is no room for complacency.

— If all goes to plan all the RGF money will have been allocated in just three spending rounds. This means that after the deadline for bids to the third round in June 2012 there is no further pot of money available to support desirable investment projects. At present there will only be scope for a fourth round—and then only a small one—if some of the projects that win RGF backing ultimately fail to go ahead.

— The RGF is only a partial substitute for the now largely discontinued Grants for Business Investment (GBI) programme which provided discretionary grants to support private sector investments that created or protected jobs, overwhelmingly in the Assisted Areas. Firms that would once have been guaranteed financial support from GBI if their projects met specific criteria now have to enter a competitive bidding process. Also, the timing of RGF bidding rounds will not necessarily fit with firms’ requirements.

The National Audit Office has calculated that Rounds 1 and 2 of the RGF should create or safeguard 41,000 additional full-time equivalent jobs at a cost of around £33,000 each. From an Alliance perspective this appears to be good value for money and at least comparable with previous generations of regional incentives.

Bearing in mind all these factors, in its report Re-building the Economy of Britain’s Industrial Communities, released in June 2012, the Alliance has called for additional funding to be made available to the Regional Growth Fund so that there can further bidding rounds beyond 2012. In the absence of further bidding rounds, there is an acute hiatus in funding for regional economic development in England beyond the middle of 2012.

The Alliance is sceptical about the effectiveness of Local Enterprise Partnerships as currently constituted.

The abolition of the nine Regional Development Agencies (RDAs) in England has created a vacuum. Their substantial spending on economic development is missed, but so is their capability to orchestrate and deliver.

The Local Enterprise Partnerships that have replaced the RDAs cover areas that more closely align with “functional economic areas”, such as city-regions, and it is difficult to fault this logic. However, they mostly lack the administrative capability, let alone the funding, to make a difference to their areas. As a result there is a distinct risk that, for example, the leaders of private businesses who have become involved will tire of ineffective “talking shops”.

The Alliance takes the view that turning the clock back and re-inventing the English RDAs probably isn’t a realistic option, and would anyway involve another two years of administrative turmoil and bedding-in. It is important, therefore, that the LEPs are made to work. What this means in practice is that:

— The Westminster government should be prepared to fund the running costs of the new LEPs. Faced with budget cuts, local authorities simply don’t have the money to take on this additional responsibility.

— The Westminster government should also be prepared to hand over more funding streams to the LEPs, so that their work can become more meaningful. The allocation of the Growing Places Fund to the LEPs is a step in the right direction.
That said, the Alliance would oppose the carving up of the RGF between all the LEPs. There are several reasons why this would be neither a good nor very practical idea:

— It would run counter to the principle that the RGF is targeted just at the weakest local economies—in the government’s view, those places where new private sector jobs are most desperately needed to offset job losses in the public sector.

— The EU State Aid rules governing regional aid to larger companies (those with more than 250 employees worldwide) confine most RGF grants to the Assisted Areas, which cover only around a fifth of England’s population.

— It would be difficult to accommodate the very largest RGF grants to companies—which can be of strategic importance to the UK economy as a whole—within what would be the modest budget of an individual LEP.

— Good projects in some areas might not be supported simply because the LEP budget was over-subscribed, whereas less desirable projects in other LEP areas might secure funding.

The Alliance is also aware that there are still big differences in the degree of commitment to LEPs around the country and, more especially, in their administrative competence. Where LEPs have built on structures that were already in place, for example in a number of city-regions, they have generally displayed a greater degree of competence and cohesion. Elsewhere, where the LEP structures are entirely new, the “bedding-in” process is still underway. The process is further slowed, of course, by the absence of other than token central government funding for their running costs.

Looking ahead to the next round of EU regional aid to the UK—due to start in January 2014 though the planning will need to begin in 2013—the LEPs have a potentially important role to play as members of regional management committees. This is an additional role for the LEPs that the Alliance would welcome as part of the retention of regional programmes and management structures for EU funding in England.

27 June 2012
— There is high level of inconsistency in local business engagement and support. Some LEPs are far more active in their local business community than others.
— There is a high level of inconsistency in online marketing and presence by LEPs.
— There is an inconsistency in focus—many of our members have cited a poor level of focus on SME support.

Regional Growth Fund

— Due diligence informs a core part of publically funded growth schemes. The progress of the RGF, and future growth measures, will require collaboration with the accountancy profession to ensure due diligence process is efficient and effective, and provides value for money to the taxpayer.
— There is a lack of appropriate skills and capabilities within the Department of Business, Innovation and Skills (BIS) to effectively manage the RGF’s due diligence process.
— There is a worrying lack of consistency in the way RGF bids are assessed by BIS caseworkers.

CONTEXT

8. With a continued lack of growth in the UK economy it is vital that Government provide businesses of all sizes the right guidance and support to succeed.

9. At the same time, initiatives funded by the UK taxpayer should be managed accountably and transparently in order to ensure value for money.

Local Enterprise Partnerships (LEPs)

10. ICAEW’s Regional Strategy Board (RSB) supports the work of our District Society Office Holders and Regional Directors. The RSB identifies key business issues affecting members and seeks to address them. Some RSB member hold appointed roles on LEPs and have engaged with their local LEP.

11. There is high level of inconsistency in local business engagement and support by LEPs. Based on feedback from ICAEW’s RSB, some have worked with their local LEP to arrange events, particularly as part of ICAEW’s “Business Advice Week” which promotes the Business Advice Service. But some RSB members have struggled to engage with their local LEP despite repeated attempts on their part. In one case a regional group requested an open meeting over a year ago with their local LEP but the LEP has still not yet agreed a date.

12. There is a high level of inconsistency in online marketing and presence by LEPs. Some have websites but many are not seen as helpful. The information provided often focuses on what the LEP is and what its aims are—not on what support it provides to local SMEs, Businesses would like to find out what support is on offer directly from their LEP and more widely in their local area. They would also like clearer information on how they can become involved with their local LEP.

13. Despite these concerns, there are examples of best practice. The York, North Yorkshire and East Riding LEP provides excellent links to places to find local business support, finance, and events. In many ways, this operates like a local version of the StartUp Britain website by acting as a portal for businesses to find all the links they need. The Business Communication Group in Leeds is a good example of information sharing between business groups and LEPs.

14. Most LEPs have focused their limited resources on bids for Enterprise Zones and for the Regional Growth Fund. They have also helped bid for other government investment, such as to be the location for the new Green Investment Bank.

15. Given the changing nature of the UK’s business support landscape (especially post-Regional Development Agencies) businesses will naturally turn to LEPs for local business support. However, Government needs to expectation manage and effectively communicate what LEPs can achieve given their voluntary management framework. Much of this is also down to the enthusiasm, resources and time available to the local LEP board members.

16. An ICAEW/Centre for Cities report “Open for Business” found a serious disparity in city enterprise. It cited that of the 50 submissions the Government received to set up a LEP 41 identified inward investment as a key local priority. If cities are campaigning to attract investment, LEPs can play a pivotal role as a visible point in attracting regional/local/city investment—and many should do more to demonstrate how they are doing this whether online or through local activities/events.

17. A key challenge is also politics. There has been a case cited to ICAEW where a member has experienced clear tension and mistrust between the local council, politician and the LEP board—which has impacted the progress of the LEP.
18. We support the creation of the RGF as it supports growth in the UK economy.

19. Since August 2011, we have worked closely with BIS officials to provide a steer on how to make the due diligence process of the RGF simpler and more cost effective.

20. Due diligence is a process of investigation of either a business or person prior to signing a contract. It can be a legal obligation, but the term will more commonly apply to voluntary investigations.

21. In the case of the RGF, due diligence is performed by accountancy firms on the details of a potential project that seeks to attract funding. Amongst other things, it involves an examination of operations (related to that project), management, and the verification of material facts (based on information provided by the applicant). BIS request confirmatory due diligence which means their officials have carried out some initial work on the applications, and supporting information that applicants have submitted. On this basis, BIS issue a conditional grant offer with a requirement for a due diligence assignment to be carried out.

22. Our main concern is that the scope of the RGF due diligence assignments is too wide and costly for beneficiaries. In our experience, some BIS officials lack the appropriate skills and capabilities to understand the due diligence process. We have cited these concerns to Mark Prisk MP (Minister of State for Business and Enterprise) in November 2011.

23. Our concerns on the cost effectiveness of the scheme are also echoed by the National Audit Office (NAO). In a May 2012 report, the NAO concluded that the RGF “has not optimised value for money because a significant proportion of the £1.4 billion was allocated to projects that offer relatively few jobs for the money invested. The expected cost per job varies considerably between projects, from under £4,000 per job to over £200,000 per job.”

24. Since raising our concerns with the Minister last year, accountancy firms are now able to discuss language and clarify expectations in a more constructive way.

25. However staff turnover, a lack of appropriate skills and capabilities continue to negatively impact the progress of the RGF. There has been a continued lack of understanding by some BIS officials about the work that accountancy firms can and cannot undertake. When a new BIS official takes on a case, vital information may be lost or not properly communicated from the previous case worker.

26. There is also considerable inconsistency in approach between BIS officials. For example, an accountancy firm can work for two different clients and deal with two different BIS officials. The accountancy firm may manage to agree a scope with one official, but will not be able to agree the same scope with another.

27. In some cases BIS officials finalise a due diligence scope with an offer letter before the client has appointed a due diligence accountant and are then unwilling to change the scope of work once an accountant has been appointed. In some cases, the scope includes work which the accountant is unable to carry out.

28. There have been cases where BIS officials appear to use a dated version of the scope whereas others use the latest version that ICAEW has discussed with BIS.

29. The accountancy profession would like to avoid further delays, additional bureaucracy and costs for businesses. We are frustrated that developments with the scope criteria have been slow, and are concerned that, where progress has been made, it is on occasions reversed. We hope that, as BIS officials gain more experience of working with the profession, the process will become more efficient for the sake of beneficiaries. But currently, because of their lack of experience and knowledge, the inefficiencies will have an impact on beneficiaries’ access to funds.

30. We recommend that the future progress of the RGF, and future growth measures, will require collaboration with the accountancy profession. This includes the design of a user-friendly application pack leading to better quality and accuracy. If BIS had consulted with the accountancy profession at an early stage it could have avoided persistent problems with due diligence—which comes at a cost to the taxpayer and to growth.

31. We recommend BIS officials be briefed or trained by the accountancy profession on the different types of engagements that the firms are able to enter into and what form of reports they are able to provide. This would seek to clarify the role of the three parties (BIS, beneficiaries and accountants), minimise the expectations gap, and provide clarification about what firms can and more importantly, can’t do.

9 July 2012
Written evidence submitted by Institute of Economic Development (IED)

Summary

The processes by which LEPs and RGF bids were approved were both chaotic, characterised by unclear guidance, bureaucratic delays and opaque decision making. The lack of a strategic approach in both cases is deeply concerning.

Contrary to the Government’s claim, LEPs do not represent functional economic areas. They are political constructs with little or no logic to their spatial coverage in most cases.

Expectations placed on LEPs are high, but the meagre budgetary provision for LEPs (certainly relative to allocations to RDAs previously) imposes significant constraints on their ability to fulfil their remit. It also raises major concerns about a lack of willingness to invest in economic development activities at a time of recession/very low growth. The expectation that better performance will be achieved, in tougher times, from a fraction of the resource is at best counter intuitive.

The lack of substantive powers under the current model also restricts LEPs’ mission to unlock growth and rebalance the economy. The IED is especially concerned about the centralisation of certain RDA functions, in particular inward investment which has already seen a number of local authorities respond by creating their own inward investment functions (whereas more strategic sub-regional/regional approaches would have been more cost effective and probably more productive. In addition, the reason for the very limited involvement of LEPs in skills-related issues has not been explained.

The absence of systemic integration between LEPs/ RGF and European Structural Funds is a major flaw in the current arrangement that needs to be urgently rectified.

The RGF has ambitious targets for job creation that may prove over-optimistic. Once deadweight is taken into account we would have serious doubts that anything like 330,000 jobs will be created (net).

1. Introduction

1.1 The Institute of Economic Development (IED) is the leading professional body for economic development and regeneration practitioners in the UK. Members include those working in government departments, non-departmental government bodies, local authorities, universities and a variety of private companies. IED has no political affiliations and seeks to engage positively with a range of partners in order to promote the interests of its members, of the economic development/regeneration profession more widely and, crucially, of the business interests and communities that the profession serves.

1.2 This submission draws on the considerable experience of IED members in a wide variety of activities relating to local, regional and national economic development activities. We would be pleased to put forward our views to the Committee in person.

2. Local Enterprise Partnerships

2.1 The philosophy underpinning the decision to invite bids to establish Local Enterprise Partnerships (LEPs) is understood, but the bidding process thereafter was chaotic. Some local authorities paraded around like teenagers at a school disco, wondering whether anyone might like to dance, whilst others watched on hoping for an invitation to come their way. As the deadline approached there was, in many places, an unseemly scramble, driven by fear of being left out more than by the opportunity of what having a LEP offered. In this regard, the timescale and process was such that there was no opportunity for coherent strategic thinking.

2.2 Thereafter, the approval process was opaque and lengthy and in at least one case (Kent and Essex) the marriage of local authority interests appears to have been convened at the end of a shotgun barrel—hardly localism in action. It is also interesting to note that Kent and Essex is a very rare example of a LEP that extends beyond regional boundaries.

2.3 LEPs were introduced by the Government in the wake of the abolition of Regional Development Agencies (RDAs) as an alternative organisation for delivering locally focused growth and jobs and for facilitating investment. The RDAs had five key statutory purposes:

(1) To further the economic development and the regeneration of their area;
(2) To promote business efficiency, investment and competitiveness in their area;
(3) To promote employment in their area;
(4) To enhance the development and application of skills relevant to employment in their area; and
(5) To contribute to the achievement of sustainable development in the United Kingdom where it is relevant to their area to do so.

2.4 As time elapsed the RDAs’ powers became significantly enhanced to include:

(a) innovation;
(b) sectoral development;
(c) tourism;
(d) implementation of digital access;
(e) transport infrastructure;
(f) resource efficiency;
(g) social exclusion; and
(h) response to economic shocks.

2.5 In contrast the LEPs have a significantly different remit and set of powers, as set out in the Government’s White Paper entitled “Local Growth; Realising Every Place’s Potential” published on the 28th October 2010, as follows:

(i) To promote efficient and dynamic markets, in particular in the supply of land
(ii) To provide real and significant incentives for places that go for growth; and
(iii) To support investment in places and people to tackle the barriers to growth.

2.6 The White Paper also outlines responsibilities allocated to the LEPs:
— working with Government to set out key investment priorities, including transport infrastructure and supporting or coordinating project delivery;
— co-ordinating proposals or bidding directly for the Regional Growth Fund;
— supporting high growth businesses, for example through involvement in bringing together and supporting consortia to run new growth hubs;
— making representation on the development of national planning policy and ensuring business is involved in the development and consideration of strategic planning applications;
— lead changes in how businesses are regulated locally;
— strategic housing delivery, including pooling and aligning funding streams to support this
— working with local employers, Jobcentre Plus and learning providers to help local workless people into jobs;
— co-ordinating approaches to leveraging funding from the private sector;
— exploring opportunities for developing financial and non-financial incentives on renewable energy projects and Green Deal; and
— becoming involved in delivery of other national priorities such as digital infrastructure.

2.7 There is a lack of clarity over how LEPS are expected to “operationalise” these responsibilities. The notion seems to be that the prominent involvement of the private sector in discussions will of itself produce radical change and much improved performance. We would suggest that evidence for such change should be sought and published.

2.8 Evidently, a number of the functions previously fulfilled by RDAs—most notably attracting inward investment, driving innovation and enabling access to finance—are not performed by LEPs and are now performed by central government.

2.9 IED is unconvinced of the merits of this centralisation. In particular, running inward investment from the centre will not work in our view (for reasons we would be pleased to discuss). The immediate response of a number of local authorities has been to appoint their own inward investment managers. It seems quite possible that in time collections of local authorities (sub-regionally or regionally) will address inward investment at a more strategic spatial level.

2.10 A recent study by Ernst & Young highlighted the dramatic decline in the relative success of inward investment efforts in England compared to those areas—notably Scotland—that have retained a strong economic development capability at an appropriate scale. We would suggest that a comparative review of outcomes in different parts of the UK after 12, 36 and 60 months might be very informative.

2.11 Although a limited amount of start-up funding was allocated to LEPs from a one-off £5 million start-up fund, this is a paltry sum of money compared with what was being invested in RDAs (averaging around £1.5 billion a year). This is compounded by the loss of access to European Structural Funds, which may well see these monies returned to Brussels given the inability to provide the match funding to unlock these resources. This will further reduce investment in economic development activities.

2.12 LEPs (individually and collectively) are but a pale shadow of the RDAs and whilst the IED does not necessarily advocate a return to RDAs, we wish to highlight the extent to which the resources and powers available to facilitate economic development are now very much reduced from what they were whilst RDAs were operating. In addition, and for all their faults, at least RDAs offered the opportunity for strategic oversights and were of a size that mattered when it came to bringing influence to bear.

2.13 Quite simply, the powers and resources available to LEPs are insufficient to unlock growth within their local areas. To quote the Cambridge academic Professor Bennett: “There is a real danger that they require too
2.14 It has been suggested that LEPs acquire some responsibility for transport matters, but we believe most transport infrastructure decisions ought to be taken at a much bigger spatial level in order to take a more strategic overview. That said, the provision of resources to LEPs to address local road access issues though the Growing Places Fund is eminently sensible, in our view.

2.15 In respect of skills issues, it perhaps surprising that LEPs do not have a more prominent role, especially given the availability of sufficient numbers of people with the right skills is crucial to the ability of businesses to prosper. Supporting the process of helping unemployed people into jobs is an important part of the skills equation but by no means all of it. In addition, there is no clarity over what oversight, if any LEPs have of the huge investment in employability being made by DWP through its Work Programme contractors. If the LEPs role is expected to be catalytic rather than interventionist then it seems odd that they have not been asked to help challenge and drive what is probably the largest single aspect of employment related public expenditure.

2.16 Previously, IED was party to a proposal to establish a LEPs network, through which the LEPs could communicate to government with one voice and government could communicate to LEPs. We were somewhat bemused to find that the British Chambers of Commerce was subsequently awarded a contract to implement a very similar idea without the contract being put out to tender.

2.17 We are unaware as to what is happening with this network in practice but certainly support the principle. We hope it might become a mechanism for facilitating collaborations between LEPs such as that between the Leeds, Sheffield, Manchester and North Eastern LEPs on issues related to high speed rail, low carbon economy, skills and innovation.

2.18 A recent IED publication (as part of its Critical Issues series) “Local Enterprise Partnerships; Living Up To The Hype” suggested that LEPs appear to have poor links with local private, public and third sector organisations, limiting their ability to respond to issues affecting local areas.

2.19 Finally, the CLG White Paper on Community Led Regeneration stated that LEPs were to be: “working across real economic geographies to drive economic growth and ensure that decisions are made locally”. IED’s belief is that LEPs were largely formed on the basis of discussions between Council Leaders and Chief Executives and are therefore “political” creatures rather than based on any assessment of economic functionality. If the Government can point to a single LEP that represents a “genuine labour market and economic area” we would be fascinated to see it.

3. **Regional Growth Fund**

3.1 The Regional Growth Fund (RGF) was designed to target areas most likely to feel the impact of the Government’s public sector funding cuts the hardest. However, over its three year lifetime it will provide only around half the level of funding available to RDAs during their last 3 years of operation (which were also able lever in additional resources, most notably European Structural Funds to which RGF is not linked).

3.2 The RGF was designed to provide support for projects which were either public/private sector partnerships or private sector led investments. The projects chosen were intended to focus on delivering long term private sector led growth and job creation and were selected against the following criteria:

- creation of additional sustainable private sector growth;
- rebalancing the economy in those areas currently dependent on the public sector;
- would not otherwise go ahead without support from the RGF;
- offer value for money;
- state aid compliance; and
- bids must be for at least £1 million.

3.3 IED would take particular issue with the third of the above criteria. We believe that many of the approved projects represent high levels of deadweight and would like this specific issue fully explored in any evaluation of RGF that might be commissioned. Some IED members would also like any evaluation to look at the spatial distribution of awards amid concerns that some parts of the country have been favoured over others.

3.4 Moreover, we would suggest that for the purposes of transparency, RGF awards should be compared to the recipients involvement in LEPs and in other government sponsored initiatives. We think it is important that it can be publicly demonstrated that RGF has in fact been awarded solely on merit.

3.5 In addition, some IED Members report concerns that the £1 million threshold is an obstacle to many businesses accessing the Fund and that the guidance from BIS was inconsistent, seemingly reflecting a lack of clarity about precisely how the Fund is intended to work. It is also apparent that there was a lack of capacity at BIS for bid appraisal.

3.6 We understand that only four out of 39 LEPs have so far been successful in applying for RGF funding. Given that RGF funding is one of the few means by which the policy framework for local private sector growth and jobs outlined by the LEP could be realised, the lack of integration between the two is profoundly worrying.
3.7 There is also the possibility of the re-emergence of an old burden—too many resources taken up by competitive bidding processes with uncertain outcomes and decisions made at the centre rather than locally. Under Round 1 it was reported that there were £2.8 billion worth of bids chasing the £300 million available. In addition, three quarters of Round 1 bids were reportedly in contravention of EU State Aid Rules. On this basis, the process appears, at best, to be inefficient, and places significant burdens on bidders.

3.8 The IED publicly welcomed the Government committing a further £1bn to support growth in the English economy through the announcement on 23rd February of Round 3 of the Regional Growth Fund. However, the IED also made clear its concerns about the effectiveness of its delivery.

3.9 In April 2011, the Government allocated the first £450 million of funding to 50 bids. At the time of the Round 3 announcement (10 months on) only 18 bids had signed contracts to receive their RGF and only half of these projects had started. In the Autumn of 2011 the Government allocated a further £950 million of funding to 126 bids. By the time of the Round 3 announcement (five months on) only 29 bids had signed contracts to receive their RGF and only about one fifth of projects had started.

3.10 Due diligence and red tape therefore meant that of the 176 approved bids under Rounds 1 and 2, only one quarter had signed contracts by the time Round 3 was announced and of those only one third had actually started. This is a significant problem if the purpose of RGF was to be “fleet of foot” and to provide timely capital injections to create jobs.

3.11 The Regional Growth Fund was supposed to be about creating jobs, particularly in those parts of the country suffering most from the reduction in public sector employment. It was estimated that the first two rounds of RGF would create 330,000 jobs, but we would be interested to hear from the Government as to when we might actually see that happening and how the actual outcomes will be verified.

3.12 Finally, we would ask how can the Regional Growth Fund expect to facilitate a surge in private sector enterprise when the overall resources for enterprise development have been reduced and the support infrastructure been dismantled?

4. CLOSING STATEMENT

4.1 IED recognises the need for new approaches to economic development that require fewer public sector resources and which make more effective use of those resources. However, we believe that a re-balancing of some local economies from public sector to private sector activity and ensuring that all communities share in the benefits of economic growth will require facilitation/intervention to an extent that does not appear to have been adequately provided for through the Local Enterprise Partnerships (LEPs) or the Regional Growth Fund (RGF).

4.2 The lack of powers and funding provision for LEPs imposes considerable limitations on their effectiveness. It is therefore unsurprising that there is little evidence to suggest the LEPs have delivered on their remit in co-ordinating investment, delivering locally orientated private sector growth and jobs, and developing a rigorous policy framework identifying local needs and projects. The current disconnect between LEPs, RGF and European Structural Funds is particularly worrying.

4.3 The experience of IED members is that many LEPs:
— lack a rationale for their spatial coverage;
— lack a clear role, both in terms of the breadth of their interests and confidence in their ability to play a crucial influencing role;
— lack transparent governance, such that wider interests remain unaware of who is taking what decisions and for what reasons;
— lack understanding of economic development, with many private sector partners having to scale a steep learning curve;
— lack cohesion, because the interests at the table are not being well enough aligned; and
— are simply under resourced and over stretched, and therefore unlikely to deliver what is expected of them.

4.4 Similarly, the RGF is a piecemeal approach, allocating modest resources in a non-strategic fashion, with no clear evidence of value added to local economies nor of value for money to the taxpayer.

4.5 We would respectfully suggest that the Committee should seek to gather information on the following:
— The actual time committed to LEPs by private and public members;
— The opportunity cost of that time;
— The turnover of private sector membership;
— The attendance of private sector LEP members at LE boards and other meetings;
— Any evidence of local recognition of LEPs;
— Any evidence of actual impacts and outcomes of LEP activities;
— Evidenced job creation arising from RGF investments; and
— An evaluation of RGF that includes a full impact analysis, accounting for deadweight and displacement.

4.6 The IED has a great deal of expertise in these matters and would happily participate in such an information gathering exercise.

29 June 2012

Written evidence submitted by The LEP Network

INTRODUCTION

1. This written submission to the House of Commons Business, Innovation and Skills Select Committee is intended to summarise the common opportunities and challenges facing Local Enterprise Partnerships raised with the LEP Network.

ABOUT THE LEP NETWORK

2. The LEP Network is the official network for Local Enterprise Partnerships (LEPs) in England. It is not a lobbying or advocacy body but a gateway to news and information that enables LEPs to come together to discuss issues of shared importance, engage with Government, and share knowledge and good practice. It assists LEPs to "self-serve" with their troubleshooting, capacity-building and problem-solving needs. The LEP Network’s core programme consists of events; online “LEP Community” forums for regular communication; a monthly bulletin; and an annual benchmarking report of LEP-area economies. The LEP Network also hosts the Enterprise Zones Communications and Marketing Forum via its website. All materials relating to the LEP Network’s activities are posted to the website (www.lepnetwork.org.uk).

3. The LEP Network is facilitated by the British Chambers of Commerce (BCC) and resourced through a combination of in-kind contributions from the BCC and its partners and grant-funding from the Department for Communities and Local Government (DCLG).

SUMMARY

4. At the LEP Network, we see the real enthusiasm for economic development that all those involved in LEPs display. There is a real passion about improving local economies and an understanding that it is business that will underpin that success. But LEPs face a number of common challenges to delivering on their mission which we highlight in this submission.

5. The UK Government claims to have LEPs at the centre of its economic recovery strategy as a more locally-led and focused form of delivering local growth. But the Government’s commitment to supporting LEPs often seems more rhetorical than practical: there is no “sponsor” department or minister for LEPs; no long-term vision for the policy; and little clarity about the relationship between LEPs and other policy initiatives such as City Deals. While this may reflect a more “localist” approach to economic development, in practice, this has led to a poor level of coordination between government departments when engaging LEPs and rising uncertainty over their long-term future.

6. External expectations of what LEPs can or should deliver is influenced by experience of previous arrangements, with LEPs often seen as “the bodies which replaced Regional Development Agencies” (RDAs). This is unhelpful and negatively influences perceptions of LEPs: as local strategic bodies, they are unable to provide the breadth, capacity and funding of RDAs. Even within Whitehall, the level of engagement sought with LEPs (often uncoordinated) and the number of initiatives that seek participation from them is not commensurate with their role as strategic bodies working within tight capacity constraints.

7. The Government and other stakeholders with an active interest in local economic development must strive to avoid overloading LEPs with requests to align with agendas that do not speak to the priorities of their areas or pull them away from their core mission.

8. For LEPs to realise their potential they must be adequately resourced with the funded capacity to develop long-term strategies for local development, promoting economic growth and responding to further economic shocks. The LEP Network believes that all LEPs have a minimum core revenue requirement of at least £250k per year to pay for business engagement and employ three—four staff in executive roles, and to enable forward planning this must be available on a rolling-three year basis.

9. Across a range of policy areas (including skills, infrastructure and planning) there must be greater clarity over the powers local areas and LEPs can draw down from the centre to shape their local economies, especially outside of City Deal areas.

What are LEPs for?

10. There are thirty nine LEPs in England and while each seeks to develop a unique vision for its area—and the role and focus of the LEP within that—they face some common challenges and opportunities.
11. Many of the economic challenges facing England and barriers to growth are local in nature: the level of demand in the local economy; infrastructure links; business frustrations with planning and development control; local enforcement of regulation; access to quality broadband and skilled labour. All of these things have important national and international dimensions, but as funding and powers become increasingly local, the initiative to address these constraints will need to come from local communities themselves. This is where LEPs come in: to be the focus of engagement between local authorities and enterprise around the practical measures needed to build world-class local economies.

The common mission of LEPs is to

12. Articulate a clear long-term strategy for enterprise growth based on a realistic appraisal of the area’s strengths and opportunities;
13. Identify existing barriers to business growth, eg in terms of land-use planning, infrastructure (in the broadest sense), skills/labour market—and the actions required to remove them;
14. Gain buy in from all sides to a small number of objectives and outcomes that can survive institutional/political changes over the long run—not least because the financing mechanisms used will likely pitch short-term risk against long-term gain;
15. “Sell the area” by taking responsibility for bids for central government funding (eg RGF), leveraging private investment capital and influencing local funding streams (such as CIL and retained business rates) and ensuring these deliver against locally-agreed priorities, without necessarily being the direct budget holders; and
16. Focus on improving the local business environment—strategic planning, transport networks, matching training offer to labour market needs.

What do LEPs need to succeed?

Better resourcing

17. Economic development cannot be delivered on a shoestring. The LEP Network believes that LEPs require core revenue funding of at least £250k per annum, per LEP, for business engagement activities and to employ three—four full time staff in executive roles. Local partners, particularly local authorities, face major challenges in committing this level of resource to LEPs. Budget retrenchment within local authorities often falls on non-statutory areas of spend, including economic development, so in-kind and cash contributions from local economic development capacity will often come from a diminishing pool of resources. Addressing both the stability and level of core resource is essential: living a hand-to-mouth existence is unlikely to breed long-term thinking and behaviour. Central government must ensure that all LEPs have access to this minimum level of resource by providing a block grant (over a three-year period) and a more generous offer to match locally-committed resources.

Legal status and tax treatment

18. A growing number of LEPs have incorporated as legal entities, enabling them to hold funds and employ staff directly. This allows LEPs to address the problem of needing to use “lead” local authorities as accountable bodies for everything: where they have to do this, it can lead to the accusation that the LEP is focused on delivering for one of the (probably several) local authority areas on their patch at the expense of others. But incorporating can hinder LEPs financially since they are liable for VAT. The LEP Network believes that LEPs must be exempt from VAT so that they can benefit from the advantages of incorporating without incurring a financial penalty from doing so.

Avoid overload

19. Central government must stop its proliferation of small initiatives across departments that are aimed at LEPs (“initiativitis”). As well as presenting a confused, fragmented and sometimes contradictory landscape of incentives and support, it overloads LEPs with time spent writing bids or responding to consultations.
20. Central government and other interests with a sub-national remit must not come to see LEPs as a “delivery unit of choice”, simply because the geographical level at which they operate may be convenient for this purpose (as strategic bodies LEPs may not be involved in delivery at all). This will lead to the same kind of mission creep that occurred with RDAs. In engaging with LEPs, central government and other interest groups must understand that the potential for local business communities to become disillusioned is there if they are overwhelmed with multiple calls to align with agendas or get involved in initiatives that do not truly speak to the needs of their areas.

A set of real levers to shape local economies

21. The Government must signal its support for LEPs by creating a set of strategic levers that they can use to shape their local economies. Otherwise, there remains a strong risk that partnerships will be held back from living up to their potential—and a risk that the local business community will disengage. So far, attempts to
localise major economic development competences, such as City Deals have raised questions about whether there is a “core” offer that LEPs across England (eg outside major cities) can engage with.

Potential roles and responsibilities for LEPs would include:

(This is not an exhaustive list but covers key areas of common agreement):

22. Skills: Directing/influencing skills spend in their areas to meet identified business training needs and acting as a bridge between major employers and local training and education providers such as further education colleges;

23. Investment: Shaping Community Infrastructure Levy charging schedules so they strike the right balance between raising the funds for investment in local priorities and affecting the decisions of businesses to invest in new premises. And identifying and prioritising opportunities to grow the business base through Tax Increment Finance-enabled investments;

24. Spatial planning: Clarifying the role that LEPs, as “preferred consultees” under the National Planning Policy Framework, could play in shaping local spatial plans. It is essential that all members of the LEP (including local authorities with planning body status)—have a clear and common understanding of the role of the LEP as being able to provide challenge where plans are not sufficiently pro-growth in outlook;

25. Transport and infrastructure: There is a significant appetite among LEPs to explore new funding mechanisms for infrastructure in the local area beyond the existing Growing Places initiative. Yet progress has been slow in establishing national frameworks for these tools and in devolving responsibilities to the local level, for example through Local Transport Consortia.

17 July 2012

Written evidence submitted by the National Farmers’ Union of England and Wales (NFU)

EXECUTIVE SUMMARY

1. The NFU has an interest in ensuring that rural economies are healthy and that rural communities thrive. Hence our focus in this submission is on the work of Local Enterprise Partnerships (LEPs) in relation to rural economies. Although we have some knowledge of the Regional Growth Fund, we have chosen to concentrate on LEPs and will not be commenting on the RGF.

2. We have given thought to the action that would improve the inclusion of rural areas within the work of LEPs, and our suggested priorities are as follows:

(a) LEPs should gain an understanding of the linkages between economic sectors rather than viewing them in isolation;
(b) LEPs should actively promote business interaction, making the most of the types of enterprise in the area;
(c) In mainly rural areas, LEPs should ensure that rural enterprises take advantage of the benefits of their location and are not unduly disadvantaged by the drawbacks of that location; and
(d) In mainly urban areas, LEPs should gain an understanding of urban/rural interdependencies and foster links that will benefit the whole of its area.

3. Localism means leaving people to agree what is right for their area, so it is not for us to tell all LEPs that there is just one way of doing things, that governance structures need to be the same everywhere, or that policy objectives should be identical. What we have tried to do is identify best practice that is as far as possible universal, but we have also distinguished between rural and predominantly urban LEPs.

(1) Governance and structures can be important, but just as important is the willingness of the LEP to consult as necessary and heed the advice it receives.
(2) Rural sub-groups can help to ensure that the voices of rural businesses are heard, but only if they are effectively linked up with other parts of the LEP including its Board. Sub-groups bringing together specified economic sectors can be more effective than separating rural from urban.
(3) Linking rural with urban can benefit people in both areas. Focusing on a small number of issues can yield better results than attempting to tackle a long list of subjects, particularly when resources are severely limited.
(4) Identifying the rural economy as one of a small number of key priorities for the LEP is clearly positive, though this needs to be followed through to specific objectives.
(5) Rural Growth Networks promise to provide opportunities to try different approaches to creating jobs and fostering economic growth in selected rural areas. Monitoring progress from an early stage and spreading best practice will be vital. We hope that the good ideas in unsuccessful bids will not go to waste.
(6) Engagement is a means to an end, and LEPs’ performance will rightly be assessed on what they achieve in terms of their main objectives including economic growth and job creation. Good engagement should ensure that a LEP has a sound sense of businesses’ priorities, appreciates the needs of all the main economic sectors—and rural as well as urban needs—and knows where to focus its energy and ideas. There are already good examples of initiatives that promise tangible benefits to businesses in rural areas.

(7) Unfortunately there are also some LEPs that do not appear to have addressed rural issues in any detail, and we make recommendations for action that could remedy this deficiency.

**About the NFU**

(8) The NFU represents 55,000 farm businesses in England and Wales involving an estimated 155,000 farmers, managers and partners in the business. In addition we have 55,000 countryside members with an interest in farming and the country. We wish to see healthy rural economies in England and Wales, and have worked with LEPs throughout England since their inception. In 2011 the NFU appointed a full-time chief rural affairs adviser to ensure that the organisation pays sufficient attention to the work of LEPs, maximises the benefits of rural development funding, engages appropriately in debates about rural affairs, and secures progress in fields such as rural broadband and rural crime.

(9) The NFU welcomes the BIS Committee’s intention to examine the performance of LEPs and the RGF.

**Synopsis**

(10) The remainder of this paper looks in turn at how rural interests are being recognised by LEPs; other good practice; action that would improve the work of LEPs on rural matters (making use of experience at local level throughout England); and the potential offered by the Rural Growth Network pilots programme. These sections are followed by conclusions and, finally, recommendations.

**How Rural Interests are being Recognised by LEPs**

(11) There are now several examples of good organisational and governance arrangements that include representatives from rural businesses and communities who are able to feed into the LEP and its thought processes. Some LEPs have set up specific rural sector groups that report to the LEP Board, while others have created groups that bring together sectors with clear synergies, such as farming, food and drink. We find that either approach can work, though it is important that sub-groups and sector groups do not operate in isolation from the other activities of the LEP. The following are examples of good practice:

   (a) **Coventry & Warwickshire LEP** has a Farming & Rural Business Sub-group reporting to the Board. It is deliberately focussed on two matters: broadband provision and the (successful) application to become a Rural Growth Network (RGN) pilot. The group maintains good links with other sub-groups, not least by ensuring that each of its members sits on at least one of the other groups. The Chair has a seat on the LEP Board.

   (b) **Cumbria LEP** has a farmer on the main LEP board, who is supported by a rural sub-group. This LEP also had a successful RGN bid.

   (c) **The New Anglia LEP** covering Norfolk and Suffolk is from our point of view the best in the region. There is a Food, Farming and Rural Enterprise Board that specifically links into the LEP to guide its activities.

   (d) **Enterprise M3** has a Rural Economy and Broadband Group, which works effectively in large part because there is an excellent (farmer) Chair focussing on planning and broadband provision.

   (e) **Heart of the South West LEP** recognised that the NFU can play a constructive role in supporting the work of a LEP; the NFU was involved from inception and has a seat on the Executive Group. The LEP also has a business forum, which is designed to be a critical friend to the board.

   (f) Rural businesses are represented on the **Gloucestershire First LEP’s** business group by a farmer who emphasises what the rural community can offer businesses based in urban areas and pursues concerns such as poor rural broadband.

   (g) **Dorset LEP** has one of the county’s large estates (Lulworth Castle) represented on the main board, and this individual is able to raise rural issues. Although there is no rural group, the LEP has Food & Drink and Environmental Goods & Services as two of its sector groups.

   (h) **Stoke & Staffordshire LEP** appointed a rural champion to its Board, which led to the production of a helpful Planning Charter and raised the profile of rural broadband.
problems, though unfortunately earlier this year she left the Board to focus on her own enterprises.

(i) Rural Economy is one of six strategic priorities for the Cheshire & Warrington LEP and they have a Rural Priorities Working Group reporting to the LEP Rural Economy lead member, indicating good integration and coherence.

(j) Leicester & Leicestershire LEP has a rural strand with two champions (both farmers) and a number of initiatives under consideration.

(12) Our experience of working with Gloucestershire First indicates that having organisations such as the NFU represented alongside other trade associations can be a good way of gathering opinions, without the need to set up a number of separate groups.

(13) The NFU’s engagement with HoTSW means we are consulted on all outputs of the LEP at an early stage. In this instance best practice is recognising when rural businesses are affected and need to have an input and then consulting (and listening to) those with relevant knowledge to offer.

(14) Our experience with West of England LEP is different, because the area it covers is geographically very different, but outcomes can nevertheless be positive: although there is a danger of activities being heavily focused on the needs of Bristol, its Rural Group is successful in raising rural issues, and it seeks opportunities to remind the city what the rural hinterland can offer. The best practice here revolves around linking rural to urban and giving thought to the needs of eg commuters who recognise the importance of rural services.

(15) Our experience in Dorset suggests that having specific economic sector groups can be better than having a rural group. If there is good representation on these groups, rural issues will naturally arise, and the synergies between sectors will help to ensure that solutions are found and implemented.

(16) Other LEPs not mentioned here have in some instances set up similar structures or established other ways of engaging rural stakeholders, and their omission from the list above is not intended to imply a lack of engagement. Sadly, however, there are LEPs, some of them with quite extensive rural areas, who are failing to engage effectively with such stakeholders, and we hope that best practice identified here and by the Committee as a result of its current investigation will be adopted much more widely.

(17) In conclusion on this point, governance and structures can be important, but just as important is the willingness of the LEP to consult as necessary and heed the advice it receives. Rural groups can help to ensure that the voices of rural businesses are heard, but only if they are effectively linked up with other parts of the LEP including its Board. Sub-groups bringing together specified economic sectors can be more effective than separating rural from urban. Focusing on a small number of issues can yield better results than attempting to tackle a long list of subjects, particularly when resources are severely limited.

OTHER GOOD PRACTICE

(18) Other good practice we have identified includes the following:

(a) Cheshire & Warrington LEP is supporting small and micro enterprises in rural areas, including assisting them to overcome barriers to new business formation and growth. It is working with others on rural broadband; although its Regional Growth Fund application for broadband infrastructure (and a bid to establish a Rural Growth Network) were unsuccessful, it has a BDUK-approved broadband bid and is awaiting the outcome of an ERDF bid to provide broadband coverage to 90% of its population; the most rural ten% of the population are not expected to benefit from an improved connection as a result of this project though it does include a revenue programme to help rural businesses to fully exploit the potential of the new infrastructure.

(b) Leicester & Leics LEP worked hard to prepare its East Leicestershire Rural Growth Network bid and although that was unsuccessful the value of its Rural Planning Toolkit is widely recognised.

(c) Greater Lincolnshire LEP is using the new Rural and Farming Network in the county as a sounding board for developing a rural strategy, and the North Eastern LEP has accepted invitations to address the RFN operating in its area.

(d) South East LEP (which has a farmer on its Board) has ”strengthen our rural economy” as one of its four priorities.

(e) Nationally, good practice includes the LEP Round Table, which provides a forum for debate on rural issues and is supported by Defra’s Rural Communities Policy Unit.

IMPROVING THE INCLUSION OF RURAL AREAS WITHIN THE WORK OF LEPs

(19) Some LEPs are doing excellent work on rural matters, and others are seeking to become involved. Unfortunately other LEPs are making poor progress. Action is needed to improve the
inclusion of rural businesses and communities in LEP policy and operations. The NFU's suggested priorities are as follows:

(a) LEPs should gain an understanding of the linkages between economic sectors rather than viewing them in isolation. For example, agriculture needs to be seen as part of the agri-food chain: there are suppliers upstream of agriculture that provide inputs such as fertiliser and feed; there are processors, distributors and retailers downstream of agriculture; hauliers are commonly dependant on the agri-food sector for much of their business; rural (and other) tourism businesses commonly rely on access to a well-managed countryside.

(b) LEPs should actively promote business interaction, making the most of the types of enterprise in the area. This might mean encouraging manufacturers and those in the construction sector to establish new, local supply chains that make use of locally-available agricultural outputs, eg wool and other renewable fibres for use in insulation and construction. This imaginative “dating agency” approach can identify synergies and result in benefits to all concerned.

(c) In mainly rural areas, LEPs should ensure that rural enterprises take advantage of the benefits of their location and are not unduly disadvantaged by the drawbacks of that location. For example, ensuring that everything possible is done to extend high-speed broadband to all rural areas; supporting inquiries into infrastructure that may be needed (eg centralised grain storage) and helping to find sources of funding for the investment required; and encouraging farm diversification to enable farmers to harness the strength of their location, environment and natural assets and skills.

(d) In mainly urban areas, LEPs should gain an understanding of urban/rural interdependencies and foster links that will benefit the whole of its area. In such areas there may be high levels of commuting, and those who live in a rural area but work in a town or city have an interest in the quality of retailing, recreational/leisure facilities, transport links and schools near their homes. When prompted, they also tend to have an interest in “ecosystem services”, including the clean air and water provided by farmers’ management of the landscape. Increasingly, they are interested in buying local food, which means that it is desirable to encourage the provision of farmers’ markets and farm shops—and to encourage supermarkets to stock local food (and Red Tractor foods, which meet the demand for high-quality British produce and reduce dependence on imports).

(20) Even LEPs covering areas in which there is a small rural hinterland abutting a city or conurbation can assist. They should in our view ensure that they are properly addressing rural/urban interdependencies and giving consideration to the challenges faced by businesses (including farm businesses) in the rural/urban fringe.

**Rural Growth Networks (RGNs)**

(21) RGNs promise to provide opportunities to try different approaches—some new and others well-established—to creating jobs and fostering economic growth in selected rural areas. All will develop schemes to benefit women-led enterprises, and all the LEPs will have an opportunity to apply for funding to use in support of micro-enterprises. We were pleased to learn that Defra intend to monitor progress from the beginning; it will be important to learn lessons about what does and does not work as soon as possible so that, as resources allow, the best initiatives can be extended to other areas.

(22) We hope that the LEPs with pilot areas will make good use of the academic institutions close by and work closely with trade associations, including the NFU, to ensure that best use is made of the limited, additional resources in the pilot areas.

(23) We also hope that the LEPs who developed bids that ultimately were unsuccessful will resolve to implement as many of their best and most imaginative ideas as possible, taking forward the least expensive ones immediately and applying for funds (some of the sources of which are mentioned in this paper) to support their other investments.

**Conclusions**

(24) Localism means leaving people to agree what is right for their area, so it is not for us to tell all LEPs that there is just one way of doing things, that governance structures need to be the same everywhere, or that policy objectives should be identical. What we have tried to do is identify best practice that is as far as possible universal, but we have also distinguished between rural and predominantly urban LEPs. Hence we would encourage all LEPs to ensure they understand the links between the economic sectors in their area, whereas in a predominantly urban area there is a need for a greater focus on links between urban and rural needs, and an understanding of the importance of a rural hinterland and what it can offer the city or conurbation.

(25) Governance and structures can be important, but just as important is the willingness of the LEP to consult as necessary and heed the advice it receives. Rural sub-groups can help to ensure
that the voices of rural businesses are heard, but only if they are effectively linked up with other parts of the LEP including its Board. Sub-groups bringing together specified economic sectors can be more effective than separating rural from urban. Linking rural with urban can benefit people in both areas. Focusing on a small number of issues can yield better results than attempting to tackle a long list of subjects, particularly when resources are severely limited. Identifying the rural economy as one of a small number of key priorities for the LEP is clearly positive, though this needs to be followed through to specific objectives.

(26) Rural Growth Networks promise to provide opportunities to try different approaches to creating jobs and fostering economic growth in selected rural areas. Monitoring progress from an early stage and spreading best practice will be crucial to the success of the scheme, and we hope that the good ideas in unsuccessful bids will not go to waste. The NFU is ready to work with the LEPs on RGN pilots and spreading best practice.

(27) Engagement is a means to an end, and LEPs’ performance will rightly be assessed on what they achieve in terms of their main objectives including economic growth and job creation. Good engagement should ensure that the LEP has a sound sense of businesses’ priorities, appreciates the needs of all the main economic sectors—and rural as well as urban needs—and knows where to focus its energy and ideas. There are already good examples of initiatives on for example broadband and planning that promise tangible benefits to businesses in rural areas. Ultimately, making a difference in this way is why LEPs exist, and how they will be judged.

Recommendations for Action

(28) We would encourage the Committee to adopt the following recommendations to help ensure that all LEPs address rural issues alongside urban ones, for the good of all in their areas.

(i) Such is the failure to address rural matters among certain LEPs that we believe it would be helpful to require all LEPs to prepare an annual report on their work on rural issues including engagement with rural businesses and the trade associations that represent them. In light of the impending demise of the Commission for Rural Communities it would seem appropriate that such reports be submitted to the Rural Communities Policy Unit in Defra.

(ii) All LEPs with more than around 10% of their area and population outside urban centres should have a rural theme among their key priorities, and the remainder should ensure that they are properly addressing rural/urban interdependencies and giving consideration to the challenges faced by businesses (including farm businesses) in the rural/urban fringe.

(iii) Defra should ensure that the results of monitoring of progress in the Rural Growth Network pilots are disseminated effectively so that best practice can be adopted elsewhere, and they should work with LEPs to support the wider adoption of best practice.

9 July 2012

Written evidence submitted by the National Housing Federation

Executive Summary

1. The National Housing Federation is the voice of affordable housing in England. We believe that everyone should have the home they need at a price they can afford. That’s why we represent the work of housing associations and campaign for better housing. Our members provide two and a half million homes for more than five million people. Each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities.

2. The Government has recognised the vital role that housing has to play in driving economic growth. Housing should therefore lie at the heart of the work of Local Enterprise Partnerships (LEPs) and the Regional Growth Fund as these offer important mechanisms to stimulate growth at the local level.

3. Housing associations have a huge amount to offer LEPs. As well as providing much needed affordable homes, they also create thousands of jobs, provide apprenticeships and skills training and offer programmes to help people back into work. By working together housing associations and LEPs can help stimulate the growth we need.

4. Housing associations are already engaged in this work and are having a real impact. For example, in parts of the country housing association chief executives are on the main board of LEPs, and this has enabled them to take a more strategic approach to housing and stimulating local economies. Strong collaborative work is already taking place. The challenge for Government, LEPs and housing associations is to ensure consistency and effectiveness across the country.

5. In the past the criteria for the Regional Growth Fund has excluded housing. This should be amended in future in recognition of the vital role housing has to play in driving growth. We therefore call on Government to increase the scope of any future rounds of RGF to include the provision of new homes.
This Government has made the case for house-building as a key driver of economic growth in the wake of the recession. George Osborne has pinpointed a reformed planning system as imperative to rebuilding Britain’s faltering economy. The statistics speak for themselves:

- Every £1 spent on housing generates £2.84 in the wider economy.
- Every home built creates 1.5 construction jobs and up to four times that many in the wider supply chain.
- The economic benefits of High Speed 2 are being evaluated from 2037, whereas new housing starts can have an impact within as little as two years.
- Not only does housing drive growth quickly but, unlike infrastructure investment, almost all of its benefits are retained within local economies. Local jobs are created, local suppliers used and local people housed.

7. Local Enterprise Partnerships have a crucial role to play in implementing this Government priority at the local level. Housing associations are the ideal partner for this. Not only do they build and manage homes, they also create thousands of jobs, provide apprenticeships and skills training and offer programmes to help people back into work. Housing associations:

- **Are already major employers:** Our members are big businesses, employing large numbers of people directly and indirectly via their supply chains, contracting arrangements and investing in local services. In many parts of the country, the development of SMEs is seen as key to leading business growth, and housing associations and LEPs could fruitfully work together to further this agenda.

- **Operate in areas where new jobs are needed most:** Associations often work in the most deprived neighbourhoods, where job opportunities are few and far between. If LEPs are being charged with employment growth, then housing associations can provide a “route to market”, enabling those furthest from full time, sustained employment to access new job opportunities.

- **Deliver training and skills:** Housing associations across the country are already providing training and apprenticeships for local residents, and want to do more. This directly supports LEPs’ aims to boost local employment, and the Federation is supporting members to raise the profile of this work. The Government is putting increasing emphasis on apprenticeships, and the Federation is working at both a national level and local level to support the creation of new opportunities amongst members.

- **Create and support social enterprise:** Housing Associations have a unique perspective as businesses with a social purpose. They are well placed to understand the challenges, needs and opportunities in their local communities. Furthermore, many associations are supporting social enterprise or starting up their own social enterprises, providing new local businesses, creating new jobs, and providing training and skills for local residents.

- **Provide somewhere to live for a growing workforce:** Positive relationships between housing providers and LEPs will ensure that affordable housing is recognised as fundamental to ensuring an attractive “whole life offer” in order to draw employees to an area. Housing associations provide a whole range of non-housing services, and are concerned with the development of great places to live—which in turn drives economic growth.

- **Play an important role in the green economy:** Many housing associations are leading in environmental design standards and research on sustainability and the retrofitting of existing stock. Many LEPs also recognise the importance of the green economy. There is scope for joint working around this agenda.

- **Play an important role in the digital inclusion:** Many LEPs are interested in increasing broadband access in order to support local businesses. Many housing associations are already actively working to advance digital inclusion amongst their residents and can support the work of LEPS in providing an evidence base for the need for greater inclusion.

8. Housing associations are already engaged in strong collaborative work with LEPs and are having a real impact. For example, in some parts of the country, housing association chief executives are on the main board of LEPS, and this has enabled them to take a more strategic approach to housing and stimulating growth at the local level.

9. Some of the LEPS where this is the case include Cheshire and Warrington, Cornwall and Isles of Scilly, Black Country, Stoke and Staffordshire, Swindon and Wiltshire, Tees Valley, Thames Valley Berkshire, Heart of the South West, Tees Valley, and West of England. In these areas and others (including, but not limited to, Cumbria, Dorset, Enterprise M3, Greater Birmingham and Solihull, Greater Manchester, Heart of the South West, Humber, South East Midlands and Thames Valley Berkshire), housing is recognised as a key priority for the LEP.
10. In other areas LEPs have engaged with housing on a looser, informal basis:

— In Stoke and Staffordshire the LEP organised two events, bringing together local authorities, the private sector and the housing sector; these resulted in agreement to draft a housing strategy for Stoke, and agreement to deliver the green deal in Staffordshire via partnership working.

— The Federation is creating a network of South West LEP leads, drawn from the housing association sector. The members are those who are best placed to engage with their local LEP and willing to act as a channel of information and engagement between the wider sector and the LEP.

11. Evidence from our members suggests that where they have been successfully able to engage with LEPs, there has been a strong and emerging realisation that housing is vital to local economic growth, even if it has not previously been considered in such terms. At the LEP Annual Conference, the head of the Civil Service, Sir Bob Kerslake, noted the importance of housing to local economic growth. We would echo his sentiments, and push for a more formal recognition of the role of housing within LEP activity.

12. In the past the criteria for the Regional Growth Fund has excluded housing. This should be amended in future in recognition of the vital role housing has to play in driving growth. We therefore call on Government to increase the scope of any future rounds of RGF to include the provision of new homes.

**Key Recommendation**

13. The Government has recognised the vital role that housing has to play in driving economic growth. Housing should therefore lie at the heart of the work of Local Enterprise Partnerships as these offer important mechanisms to stimulate growth at the local level. We therefore call on Government to ensure that LEPs formally consider the role of housing in their work to stimulate growth at the local level.

9 July 2012

---

**Written evidence submitted by North East Local Enterprise Partnership**

**Executive Summary**

1.1 This submission demonstrates the importance of the wider partnership in the delivery of core North East Local Enterprise Partnership activity (NELEP).

**Introduction**

2.1 This submission will provide a brief, but concise review on the progress of the NELEP, to date. It will focus on the significant contributions made by local authority and private sector partners.

**Relevant Information**

3.1 For the purposes of this submission, all public and private sector partners were asked to indicate approximately how much time had been dedicated to LEP activity. This encompasses work in direct support of the LEP governance and secretariat and does not include resources allocated to wider LEP activity, such as funding applications, (note the exception of the recent NELEP Regional Growth Fund (RGF) proposal, which is core secretariat activity). Hence, the work undertaken by both public and private sector partners in support of the NELEP is not limited to that which is identified in this submission.

**Public Sector Contributions**

3.2 It is estimated that each local authority partner has, on average, dedicated 23 days per month to NELEP related work (approximately 1.5 FTE officers, per LA partner, with the accountable body providing additional resources). Council officers and senior leaders have spent a considerable amount of time assisting with the establishment and development of the Enterprise Zone, identifying and promoting projects that support NELEP’s priorities, preparing for and attending meetings, and participating in discussions with wider stakeholders.

3.3 Many resources have been and continue to be committed by local authority partners. For example, the City Skills Fund, which was recently agreed, will have LEP-wide impact. This will be used to develop and support skills capacity at LEP level. It is anticipated that an officer, funded through the City Deal process, will work alongside the NELEP core team on skills issues. Senior council officers have been seconded to the LEP to provide secretariat support and have offered to support the LEP in the future.

**Private Sector Contributions**

3.4 The input from private sector partners has also been significant. Senior advisers from a leading professional services firm spent many hours developing the RGF proposal and providing strategic advice and guidance. In addition, the company has hosted several meetings for the Partnership.
3.5 Private sector board members have also committed a great deal of time and resources to NELEP business. In some cases, board members have estimated that approximately 20–30% of their working week is dedicated to NELEP work. NELEP related duties include chairing sub-committees, preparing for and attending meetings, engaging with external stakeholders and speaking at events. NELEP board members have also driven forward LEP policy agendas themselves in areas as diverse as Enterprise Zone development, access to finance, skills and employability, social investment, innovation, advanced manufacturing, governance and communications.

3.6 Furthermore, with regard to resources, it is necessary to record that one board member secured free accommodation for the NELEP in their company’s office. Other board members have assigned executive members from within their organisations NELEP related work. For example, the Managing Director of one of the board member’s companies leads a sub-committee group for the Partnership.

3.7 In addition to board member activity, a number of businesses and sector support organisations in the North East area have provided pro bono support to the executive team and Board. Offers are continuing to be made, and demonstrate the growing commitment to the Partnership.

APPENDIX

JUNE/JULY 2012—ESTIMATED FTE

<table>
<thead>
<tr>
<th>FTE</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEP board members</td>
<td>Private—0.3 x 9 80/hr</td>
</tr>
<tr>
<td>LEP officers</td>
<td>5 20/hr</td>
</tr>
<tr>
<td>LA officers</td>
<td>10.5 30/hr</td>
</tr>
<tr>
<td>Contractors</td>
<td>1.5 40/hr</td>
</tr>
<tr>
<td>Pro bono Interns + businesses</td>
<td>40/hr</td>
</tr>
</tbody>
</table>

Written evidence submitted by Northern Pinetree Trust

REGIONAL GROWTH FUND

Northern Pinetree Trust (NPT) are a registered charity and social enterprise providing a range of enterprise support and business start-up support to people with a disability, people disadvantaged by circumstance or situation and who generally fail to access and engage with mainstream provision without additional help and support. Disability includes, mental illness/distress, sensory disability, learning and hidden disabilities. Other disadvantaged communities include offenders; young people, 50+ and veterans/ex forces.

NPT are members of the Community development Finance Association and National Enterprise Network.

NPT have bid under all 3 RGF rounds.

Round 1 included a collaborative bid with CDFA to provide micro finance as well as a bid including Prince’s Trust as a key delivery partner. This bid was for £2.7 million to provide c.400 new jobs (sector specific and business starts), safeguard c.50 jobs through business incubation and a micro finance programme providing 300 micro loans (average value £2,500).

The CDFA bid was successful whereas the NPT bid was unsuccessful. The CDFA bid has been delayed in its progression and only now is approaching a position where actual delivery is now close to happening.

Round 2 saw a re submission of the round 1 bid. The bid was again for £2.7 million covering the same basic elements as round 1 but with minor variations based on feedback from Round 1 and excluding loan finance. Outputs were 438 business starts, 100 sector specific jobs, 50 jobs safeguarded through business incubation. Included within the bid were 380 micro business grants (c.£1,250 matched to private sector funds = £2,500)

Both bids related to the RGF delivery being supported by independent and not matched ERDF enterprise coaching as an introductory pathway leading to RGF support.

EXPERIENCES

Round 1 failure was disappointing as we believed the bid to be strong, achievable and value for money. Clearly part of the bid overlapped with the CDFA submission and feedback indicated elements of the bid could be delivered by other RGF programmes/packages.

There was confusion as to what represented a package/project. This was resolved through discussion with RGF personnel who took a relaxed approach to the type of application form used.

The opportunity to discuss the bid in outline prior to submission was helpful. The road show was also useful however the information regarding the RGF outline simplicity of submission etc. was not carried through into the actual bid.
Feedback was relatively prompt and very useful and informative.

Detailed feedback in relation to the CDFA bid is being presented separately. It is perhaps worthy to note the significant delay in moving through from the initial offer to actual draw down of funds and issue of support. Whilst there may be good and valid reasons for this, the delay has been too long and perhaps a simplified approach through a pilot aimed at delivery but also to inform might have been better. A less intensive consideration to the detailed outputs and greater focus on core objectives ie job creation through loans might have been better. At the time of writing loan funds have yet to find their way to any beneficiaries.

Round 2 Success it appears was largely due to feedback and the removal of the loan element from the round 1 bid which was to be covered by the wholesale loan fund submitted as a CDFA bid.

Progression from initial offer to contract was smooth and prompt largely due to the personal support and intervention of the appointed Case Manager.

The ability to commence delivery at risk, pending completion of the contract was extremely beneficial to us as well as providing early results.

A negative note was the requirement for Due Diligence and the associated cost, together with audit costs, both of which were non recoverable through the project. It was not fully understood what the cost was likely to be at the time of the bid submission.

Given the relative size of the bid, the nature of the organisation and the need for audit, perhaps the Due Diligence may be considered disproportionate and could have been lighter touch with the cost impact minimised, enabling more resource to flow to front line delivery.

The burden of Due Diligence without certainty regarding progression to contract was a challenge and may have influenced others who submitted successful bids but did not progress their interest.

We were an early package bid where it was evident that there was no real history from other bids to draw upon. This complicated the Due Diligence as well as the general understanding of the full requirement involved.

The original bid and offer was based upon a simple payment by result proposal, based upon value for money and not proven defrayment of expenditure. This was subsequently altered after Due Diligence to a defrayed expense programme. As such the simplicity of the original funding was lost.

Overall it is difficult to see what real added value Due Diligence has achieved.

Finance claim paperwork was not clear at the onset and required clarification and a number of interventions between our CFO and DCLG. This is a minor point and was resolved by the local DCLG team whose support was prompt and appreciated.

6 September 2012

Written evidence submitted by Oxfordshire County Council and Oxfordshire Local Enterprise Partnership

EXECUTIVE SUMMARY

Oxfordshire Local Enterprise Partnership believes the localism approach being promoted by the Government will help to facilitate effective co-ordination and action to deliver enhanced economic opportunities for local communities. Since Oxfordshire Local Enterprise Partnership was formed just 14 months, it has developed an effective inward investment service, has improved business support delivery to local firms and is working with the County Council to roll out broadband access to all areas of the county.

However, the criteria associated with delivery vehicles that exist to aid Local Enterprise Partnerships, such as the Regional Growth Fund, need to be revised. In particular recognition should be given to the importance of continuing to invest in the success of local economies where these are drivers of the national economy. In addition, we remain concerned that public funding for local regeneration is often provided on a macro basis, such as a county or district council level, which results in isolated deprived communities consistently losing out in accessing much needed regeneration capital.

The Oxfordshire Local Enterprise Partnership would welcome the opportunity to expand upon the points made in this submission with the Committee.

OXFORDSHIRE LOCAL ENTERPRISE PARTNERSHIP

1.1 The Oxfordshire Local Enterprise Partnership is responsible for providing strategic leadership for the economy that is business-led. Working with businesses, academia and the public sector our aim is to enable the Oxfordshire economy to realise its full potential, and in the process deliver new private sector jobs.

1.2 The Oxfordshire Local Enterprise Partnership was formally launched by the Business Minister, Mark Prisk MP, in March 2011.
1.3 The Partnership support and champion key programmes that are helping to further realise the economic dynamism of Oxfordshire, in six priority areas:

— Getting the county connected to fast broadband access and improving mobile phone coverage to enhance the county’s competitiveness.
— Improving the skills of Oxfordshire’s workforce and those about to enter the workforce in order that local people fill local vacancies.
— Increasing inward investment in Oxfordshire to create more jobs.
— Improving access to finance to grow and develop businesses in Oxfordshire.
— Improving business support services for Oxfordshire’s businesses.
— Providing the infrastructure necessary to enable growth.

1.4 The Enterprise Partnership believes Oxfordshire is a great place to do business. In addition, we believe that Bicester, Oxford and Science Vale UK are great hubs for significant commercial opportunities for world class businesses.

1.5 The Oxfordshire Local Enterprise Partnership is a light-touch body that complements existing organisations and projects, rather than replacing them. It is working closely with LEPs across boundaries in the interests of enhancing the wider economy. There are many economic development activities that relate to our work, but which are not delivered by us. These include:

— tourism;
— rural issues;
— market towns;
— creative and cultural industries;
— military liaison;
— voluntary, community and faith organisation support; and
— retail.

REGIONAL GROWTH FUND

2.1 The Oxfordshire Local Enterprise Partnership appreciates the intent of the policy direction set by Ministers for the allocation of monies designated to the Regional Growth Fund. The Enterprise Partnership accepts there is a need, across the country, for a diversification of the economy, combined with a sustainable transition from public to private sector employment.

2.2 However, the policy direction needs to recognise the operation of the economy as a whole. In particular the Government should accept more readily that economic growth cannot be directed through public sector policy alone. Consequently it is important for the criteria for the Regional Growth Fund to more explicitly recognise the importance of continuing to invest in success.

2.3 To that end the Partnership proposes that two additional criteria should be incorporated within the guidance for the allocation of the Regional Growth Fund. In summary, these are:

— Investment proposals will be supported where these build upon local economies that are drivers for the sub national and national economies; and
— Investment proposals will be supported that support isolated areas of market decline where these contribute towards national economic growth.

(a) Key Geographical Areas for the UK Economy

3.1 Oxfordshire is one of a number of areas that has contributed to driving forward the United Kingdom economy. While GVA per head of population amounts to £22,163, the equivalent figure for England is £20,498. Figures demonstrate that the Oxfordshire economy contributed £14.2 billion to the UK economy in 2009.

Key features of Oxfordshire’s economic robustness include:

— University of Oxford—one of the nation’s prime national assets.
— Motor sports and advanced manufacturing such as Williams, Prodrive and BMW.
— Space related technologies such as the work of the European Space Agency in Harwell.
— Europe’s biggest cryogenics cluster.

3.2 The strength of the Oxfordshire economy makes it a player in the international market, competing against key economic regions located in North America, Europe and the Asia-Pacific. It is a truism that a failure to invest in success leads eventually to a failure in the market. In most of its competitor regions national Governments recognise the importance of public sector funding acting as a catalyst to facilitate and enable private sector growth. As a consequence Oxfordshire’s competitors continue to receive substantial Government support in order to build upon their strategic economic strengths—thereby contributing to their wider economy.
3.3 The United Kingdom’s policy approach has not followed this pattern for a number of decades. Oxfordshire Local Enterprise Partnership proposes that Government policy should give more explicit support for key geographical areas that are drivers of national economic growth. Amending the investment criteria of funding streams such as the Regional Growth Fund in this way would support the ability of our economically competitive sub national economies to remain competitive in a global market to the benefit of the UK economy as a whole.

3.4 The current investment criteria, with its emphasis on supporting investment in areas of relative decline, ignore the fact that private sector investment operates in a global market. We believe that greater recognition should be given to investing in helping those economies that are currently competitive in a global market to remain so. Successful sub national economies, such as Oxfordshire, who are facing fierce global competitive pressures, require some form of support in order to compete against equivalent R&D and educational global centres who are themselves gaining additional financial support from their own Governments.

3.5 We do not think it would be appropriate for the level of funding to economies such as Oxfordshire’s need necessarily be on a par with that of areas that have been in long term market decline. Nonetheless, comparative analytical studies have demonstrated that “seed corn” funding or pump priming can have a disproportionate impact in levering in additional private sector investment.

(b) Addressing isolated areas of market decline

4.1 Governments of all parties have understandably, at different times, focused on the need to support areas of market decline in order to regenerate these localities. This is an objective that Oxfordshire Local Enterprise Partnership strongly supports.

4.2 This approach, though, can lead to anomalies whereby the need to support pockets of market decline within relatively wealthy areas is ignored by Government funding initiatives. For example in Oxfordshire while, overall, GVA levels are higher than the national average, in parts of both rural and urban Oxfordshire there have been long term trends pertaining to economic decline.

4.3 Oxfordshire County Council and the county’s district councils have worked to regenerate these areas and has been a series of successes as a direct consequence through funding from the Big Society Fund (working on improved community transport); the Leader Plus programmes (supporting economic development in rural areas) and in specific projects targeting the regeneration of communities in Oxford and Banbury.

4.4 The monies available through schemes such as the Regional Growth Fund could play a key role in facilitating proposals that break the cycle of decline in these areas. This does not currently happen as the current criteria for the Regional Growth Fund focus on overall GVA figures at a district level. As a consequence, localised areas of deprivation are overlooked by BIS and the onus falls upon local authorities, with reduced discretionary spend, to address these local needs.

4.5 The impact of this decision making process does not just have a localised impact in terms of these areas losing out in accessing these funds. For, in addition, these areas of localised decline reduce the resources that would be available to focus on growth rather than addressing the symptoms of market failure. This, in turn, impacts on the overall effectiveness of local economies, such as Oxfordshire economy, realising their full potential to contribute towards the rebalancing of the national economy.

4.6 Therefore, we propose that consideration is given to enabling the Regional Growth Fund to address localised areas within a district area that suffer from long term market failure.

Conclusion

5.1 Oxfordshire Local Enterprise Partnership supports the Government’s objective to rebalance the economy. We agree with Ministers that Local Enterprise Partnerships are an ideal vehicle to develop local solutions to deliver local economic growth.

5.2 While the Enterprise Partnership supports the work of the Regional Growth Fund, we believe the funding criteria fail to recognise the need for the monies to be used to invest in success: such an approach is fundamental if the Government wish globally competitive economies, such as Oxfordshire, to remain so. In addition, greater flexibility is required within the criteria to recognise the importance of investing in discrete areas of market decline within relatively wealthy areas.

5.3 By addressing these twin concerns, we believe a significant contribution would be made towards strengthening the overall UK economy.

9 July 2012
Written evidence submitted Lee Pugalis, Gill Bentley, Lorna Gibbons and John Shutt

Dr Lee Pugalis (Northumbria University), Gill Bentley (Birmingham Business School), Lorna Gibbons (Borough of Poole) and Professor John Shutt (Harris Research Partnership and Newcastle University).

1. EXECUTIVE SUMMARY

1.1 Collaboration—Sub-national places that lack a history of collaboration and/or a legacy of institutional precedents reflecting similar geographies has proved to be a major barrier for some LEPs and will continue to influence the trajectory of LEPs moving forward. These LEPs require additional government support.

1.2 The geography of LEPs—In many respects, the move from eight administrative regions (excluding London) to 38 sub-regions (excluding London) is of no relative improvement. Incentives are required to encourage cross-border collaboration.

1.3 Establishing LEPs—There are indications that some LEP board members are disillusioned and discouraged by the slow nature of establishing new sub-national institutions. In addition, many LEPs remain distant from local communities, stakeholders and businesses.

1.4 The role and function of LEPs—Although the potential for LEPs to be flexible is encouraging, many have yet to clarify their precise functions. There is a risk that many LEP strategies/visions will become “wish lists”—with little value beyond performing a promotional and lobbying role.

1.5 Progress to date—LEPs remain bereft of genuine incentives and tool to deliver; particularly those not granted or successful in bidding for an Enterprise Zone. Expectations of what LEPs can deliver and achieve requires careful management.

1.6 Resourcing LEPs—Although LEPs have been given the “freedom” to deliver local priorities, short of resources, they have the burden of delivering national priorities which might not be complementary to, or consistent with, local priorities.

1.7 Future directions—The honeymoon period is now over. LEPs were intended to “hit the ground running”, yet they have been hamstrung by a lack of clarity and support from government.

2. EVIDENCE-BASE

2.1 The evidence summarised in this submission is based on the national research project: From Regionalism to Localism: Cross Country LEPs. The aim of this research is to monitor what steps are being taken by LEPs to support businesses to create jobs and support the development of local economies. The research explores the issues arising from the formation of the LEPs over their first three years, 2010–13 and is monitoring the journey of the LEPs nationally. LEPs are the chief vehicle for economic development within the context of localism but are delivering national level initiatives, such as Enterprise Zones. Indeed, they have been set a considerable challenge—uniting business, public and community interests in a way that enables the economic regeneration and growth of local places. The research drills-down to focus on four particular “regions”: the North East; Yorkshire and the Humber; the West Midlands and the South West. Some of the project team’s initial and emerging research outputs are appended to this submission.

3. COLLABORATIVE WORKING, THE DEVELOPMENT OF LOCAL ENTERPRISE PARTNERSHIP SUBMISSIONS AND STATE-SANCTIONING OF BIDS

3.1 Following the government’s approval of only 24 LEPs in October 2010, it was apparent that LEPs would develop at different speeds and in different ways. This is in part due to pre-existing partnership working arrangements in LEPs localities (Pugalis, 2012).

3.2 Some LEPs are in effect “rebadged partnerships”, benefiting from years of cross-boundary collaboration and a variety of pre-existing institutional mechanisms such as Multi-Area Agreements. Other localities have lacked a legacy of effective cross-boundary collaboration. This is exemplified by the 62 propositions originally submitted to government, some of which were clearly rival bids and highlighted the fractured nature of larger-than-local development (Pugalis, 2011a).

3.3 Sub-national places that lack a history of collaboration and/or a legacy of institutional precedents reflecting similar geographies has proved to be a major barrier for some LEPs and will continue to influence the trajectory of LEPs moving forward. For example, the Black Country LEP already had a strategy; it also had the Black Country Consortium in place and hit the ground running. Other examples include the City Regions of Leeds and Sheffield. On the other hand, the GBSLEP had to develop working relations and processes. It is yet to publish a strategy which is an indication of partner tensions, especially over the Skills Agenda.

R1—Government should seek to agree tailored special support packages with those LEPs that lack a strong legacy of collaboration or similar institutional antecedents.
4. The Geography of LEPs: “Functional Economic Areas”?

4.1 The geography of the 39 approved LEPs emphasises the role that local politics performed in determining LEP geographies. This is cause for concern across a series of policy domains, especially transport where it is recognised that most LEP geographies are inappropriate for strategic transport functions.

4.2 In many respects, the move from eight administrative regions (excluding London) to 38 sub-regions (excluding London) is relatively of no improvement. Analysis of travel-to-work data demonstrates that only a small proportion of LEP geographies can be considered to be valid approximations for “functional economic areas” (Townsend, 2012; Townsend & Pugalis, 2011). Supply chain relationships extend beyond travel to work areas and require a strategy for business development that transcends LEP boundaries and thus mechanisms to incentivise cross boundary working are essential.

R2—Government should seek to incentivise LEPs to work on cross-border issues.

5. Working Behind the Scenes to get Local Enterprise Partnerships Up and Running

5.1 Since their inception from 2010 onwards, most LEPs have populated their boards, agreed priorities and produced business plans (Pugalis, 2012). There is a huge variety across the landscape of LEPs in terms of governance, organisational/partnership structures, engagement and collaboration, and communication. Many LEPs remain distant from local communities, stakeholders and businesses. More so, there is a danger that some LEPs have adopted a “closed shop” mentality that risks marginalising many stakeholders crucial to mobilising development and regeneration strategies.

R3—All LEPs to publicise how they reflect the principles of localism, clarify how they operate transparently and identify how a wide range of stakeholders can get involved.

5.2 Establishing new institutions, whether of a statutory nature or otherwise, takes a considerable amount of time and resources. Due to the looser arrangements of LEPs, from a legislative and legal perspective, the government and other agencies have underestimated and downplayed the significance of this task. Therefore, following the official abolition of the RDAs in March 2012, not all LEPs were in a position to fill the void that had been created. There are indications that some LEP board members are disillusioned and discouraged by the slow nature of establishing new sub-national institutions.

5.3 Indeed, due to the voluntaristic nature of LEPs, that lack statutory powers and dedicated resources, the initial concerns that LEPs will prove to be little more than “talking shops” has not subsided (Pugalis, 2011c; Pugalis & Shutt, 2012). There is an inherent danger that LEPs will be swept aside in the near future to be replaced by a new sub-national institutional solution (Pugalis et al, 2012c). Despite the many flaws with the national LEP policy and the haphazard manner in which they are developing, continuity and stability is preferable to a further round of institutional restructuring.

R4—Government to provide more support to help embed LEPs within local economies, business networks and sub-national institutional geographies.

6. The Role and Functions of LEPs

6.1 Questions have been repeatedly raised about the roles of LEPs (Bentley et al, 2010; Pugalis, 2010, 2011b; Pugalis et al, 2012a). They are not mini-RDAs, but an alternative arrangement based on a voluntaristic model of collective action. Nevertheless, each of these bodies shares a similar scope and objectives. Following the abolition of RDAs, LEPs are in effect the only replacement vehicle for strategic development at the sub-national level; LEPs can be understood as model of sub-national development designed for an “age of austerity” (Pugalis et al, 2012b).

6.2 LEPs, potentially, have much more flexibility than the RDAs to focus on and enable what local partners consider is most suitable and advantageous for their territory. Therefore, these sub-regional entities are presented with the opportunity to mesh bottom-up priorities within a broader, strategic framework. However, the marriage between businesses interests and civic leaders may be strained at times—evidenced by the bickering (within and across sectoral/political interests) that has already tarnished the reputation of some partnerships.

6.3 As strategic entities operating at the public-private national-local interface, the precise functions of many individual LEPs is yet to be determined. The Local Growth White Paper (HM Government, 2010) is littered with vague roles that LEPs “could” perform, but more than a year after the majority of LEPs were endorsed by government, many of these potential roles have failed to materialise into any tangible functions (Pugalis & Townsend, 2012).

6.4 The dilemma of a permissive approach where LEPs are “free” to intervene in the economy as they see fit—so long as they can resource it—is that they strive to appear to be all things to all people. LEPs setting sub-regional priorities are a positive start but it is unclear how these priorities will be delivered (Shutt et al, 2012). There is a risk that many LEP strategies/visions will become “wish lists”—with little value beyond performing a promotional and lobbying role.
R5—LEPs to produce Action Plans that identify committed cross-sector resources and partners contributions to be used as a basis for negotiating with government bespoke territorial budgets, powers and flexibilities.

7. Progress to Date in Leading, Enabling and Delivering Local Growth and Regeneration

7.1 Expectations for LEPs to lead, influence and act are set to intensify. Heightened by the fragile economic climate, a gamut of different interests and organisations are asking what LEPs can do for them—contributing to ever lengthier wish lists. Many government departments have “asks of LEPs”. Income streams from Enterprise Zones, such as business rate retention, and contracting direct with government will help some LEPs, although this raises issues relating to financial sustainability of those LEPs that lack an Enterprise Zone and/or other income generation tools.

R6—Government to identify a “menu” of powers, financial levers and tools available to LEPs.

7.2 Each of the 39 LEPs has made progress over the past 12–18 months. There is some evidence of innovative practice (see table). The West of England LEP has launched a business support website, the Black Country LEP has developed a business friendly planning charter and Greater Birmingham and Solihull LEP are creating a more efficient regulatory environment. In terms of direct support to businesses, infrastructure enhancements and other measures, progress has been more limited although there are numerous examples of practice.

<table>
<thead>
<tr>
<th>LEP</th>
<th>Innovative practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coventry and Warwickshire</td>
<td>The LEP office is located in Jaguar Land Rover at Gaydon. Local authorities and other partners have provided funds to resource two members of staff. A Delivery Board has been set up and a “LEP Access to Finance Group” is facilitating interactions between businesses and financiers.</td>
</tr>
<tr>
<td>Dorset</td>
<td>Committed to the creation of a “DIY” Enterprise Zone in the Port of Poole, Portland Port and Bournemouth Airport.</td>
</tr>
<tr>
<td>Marches</td>
<td>Developed a £1.5 million Redundant Building Grant Scheme to provide capital grant support of between £3,000 and up to £50,000 to small businesses and start-ups to transform redundant buildings into a base for their enterprises and to bring unused buildings back into productive economic use. (using regional growth fund)</td>
</tr>
<tr>
<td>Plymouth</td>
<td>Has utilised Regional Growth Fund resources to establish a programme that awards grants to small businesses that have struggled to access finance through other means.</td>
</tr>
<tr>
<td>York, North Yorkshire and East Riding</td>
<td>Collaborating with local banks and the British Banking Association to develop a Certificate in Business Growth.</td>
</tr>
</tbody>
</table>

7.3 Despite some positive examples, expectations of what LEPs can deliver and achieve requires careful management. Central government have repeatedly stated that LEPs may benefit from choosing three things to focus on and doing these well. However, this is difficult in practice as regeneration and growth strategies tend to target multifaceted issues. The different roles, shapes and development trajectories of LEPs reflects the Coalition administration’s policy preference for localism, but also aligns with their preference of enabling policies that tend to better support those “who help themselves”. More critical interpretations view such a policy ethos as “backing winners”, which could exacerbate social divides (Pugalis, 2011a; Pugalis et al, 2012c). LEPs remain bereft of genuine incentives and tool to deliver; particularly those not granted or successful in bidding for an Enterprise Zone.

R7—Government to conduct a midterm review of LEPs with a specific focus on how LEPs are helping to “rebalance” the economy and supporting areas with the highest levels of unemployment.

8. Resourcing LEPs and Government Support

8.1 LEPs lack core delivery funding from government. Central government funding for LEPs through the Start Up Fund and the Capacity Fund, equating to an average of approximately £237,000 per LEP over a four year period, is clearly insufficient (Shutt et al, 2012). Based solely on such a funding profile the likelihood for LEPs to make a tangible difference to the regeneration, restructuring and prosperity of sub-regions appears to be wishful thinking. What little resources are available have to be bid for on a competitive basis. Therefore, an uneven landscape of sub-national development is evolving across England.

8.2 Direct private sector financial contribution to the operation of LEPs has been minimal. A simplistic view that the private sector will fill the void vacated by a retrenching public sector is a fallacy.

8.3 All four of Yorkshire’s LEP chairs recently expressed frustration at the number of initiatives and funding pots being launched, stating that the approach being taken threatens to overwhelm the LEPs. They argue that it will ultimately result in a poor return on the government’s investment.
8.4 Although LEPs have been given the “freedom” to deliver local priorities, short of resources, they have the burden of delivering national priorities which might not be complementary to, or consistent with, local priorities. Consequently, local room to manoeuvre and the freedom to act notionally open to LEPs have been stymied by the practicalities of operating on “fresh air”.

8.5 The central peculiarity of the Regional Growth Fund (RGF) is that it is centrally managed at a time when regional machinery has been dismantled and the word “region” banished in Whitehall. If LEPs’ non-statutory spatial development strategies are to have purchase across their sub-regions then they require a formal role in the assessment of RGF applications.

R8—Government to provide LEPs with a central role in awarding and distributing national economic development and regeneration funds, such as the RGF.

8.6 Funding such as the £500 million plus Growing Places Fund is not without specific strings attached—contradicting the rhetoric that targets and top-down control are a thing of the past. This is a localism of constrained freedoms, where central government resources are released for a particular purpose, but deliverability is determined locally (Bentley & Pugalis, forthcoming). Nevertheless, the funding landscape is set to change. Major transport funding could be channelled through LEPs, or groups of LEPs, in 2015, as well as some EU funding 2014–20 (Pugalis & Fisher, 2011, 2012). Funding of this type is far more preferable to short-term bidding rounds, which may enable LEPs to engage in longer-term, strategic projects.

R9—In addition to competitive bidding initiatives, Government to provide longer-term funding for each LEP to help tackle entrenched economic challenges.

8.7 Many LEPs have reported that barely a day goes by without a request from government. This issue is exacerbated by the lack of cross-departmental coordination. More so, if government expects LEPs to respond in a timely fashion to the whims of Whitehall then government should be prepared to compensate LEPs for this service.

8.8 Interdepartmental government support is needed—for far too long Whitehall rivalries have restricted the efficacy of supposedly integrated policies. For example, the ambivalence of the relationship of the Department for Work and Pensions with LEPs appears to continue this trend. If LEPs are to help regenerate local economies, then they require more traction across all central government departments.

R10—Government to conduct a cross-departmental review of how national policies interface with LEPs.

9. Future Directions

9.1 Due to the non-statutory nature of LEPs there is no single model LEP—legal status, governance and board composition, priorities, functions and resources all differ to lesser or greater degrees. Some LEPs appear to be more proactive and others appear to be more reactive. The former is making “asks” of government whereas the latter are waiting for the next “ask of LEPs”.

9.2 Symbolically at least, LEPs are the primary body at the sub-national scale for coordinating the delivery of development and enabling growth. LEPs differ in their style and composition, therefore different directions of travel can be expected and at different paces. Operating in the absence of a dedicated central government budget, expectations on what LEPs can achieve and influence need to be carefully managed. LEPs cannot be all things to all people; locally-contingent prioritisation is required. There is the opportunity for proactive LEPs to go beyond “asks” of government and make calls for a new deal for LEPs (perhaps similar to City Deals).

9.3 There is a danger that the more reactive LEPs will merely perform the role as a conduit for delivering national policies and initiatives, which could significantly undermine the localism agenda. Additional central government funding is likely to come with many strings attached that would contradict the localism mantra of LEPs—perceived to be free from Whitehall interference.

R11—Government are recommended to agree bespoke LEP Deals with every LEP that indicates a willingness to do so. In the first instance, LEP Deals should learn from and refine the City Deals exercise.

9.4 LEPs were intended to “hit the ground running”, yet they have been hamstrung by a lack of clarity and support from government. Even those cross-boundary entities that seamlessly morphed into LEPs have struggled to maintain momentum, especially as many of these “rebadged partnerships” have less capacity and resources than when there was less onus on them to deliver (as they were operating in tandem with well resourced regional machinery). The honeymoon period is now over. Not only those businesses actively engaged in the governing and work of LEPs, which is less than 1% of the total business base, but the remaining 99% of businesses along with broader stakeholders will quickly view LEPs as empty vessels if they fail to make a tangible difference to the sustainable development and regeneration of localities.

9.5 LEP entities—should trial, investigate and aim to stretch the avowed freedoms bestowed from the centre. If LEPs are to make a positive difference then they ought to pursue a development agenda on their own terms (reflecting locally informed priorities) as well as national objectives. Too often localism has been “passed” from the centre with too many strings attached, which have thwarted local ingenuity and responsiveness.
R12—LEPs to put the government’s localism mantra to the test by developing innovative proposals that seek a return of powers to localities.

10. RECOMMENDATIONS

R1—Government should seek to agree tailored special support packages with those LEPs that lack a strong legacy of collaboration or similar institutional antecedents.

R2—Government should seek to incentivise LEPs to work on cross-border issues.

R3—All LEPs to publicise how they reflect the principles of localism, clarify how they operate transparently and identify how a wide range of stakeholders can get involved.

R4—Government to provide more support to help embed LEPs within local economies, business networks and sub-national institutional geographies.

R5—LEPs to produce Action Plans that identify committed cross-sector resources and partners contributions to be used as a basis for negotiating with government bespoke territorial budgets, powers and flexibilities.

R6—Government to identify a “menu” of powers, financial levers and tools available to LEPs.

R7—Government to conduct a midterm review of LEPs with a specific focus on how LEPs are helping to rebalance the economy and supporting areas with the highest levels of unemployment.

R8—Government to provide LEPs with a central role in awarding and distributing national economic development and regeneration funds, such as the RGF.

R9—In addition to competitive bidding initiatives, Government to provide longer-term funding for each LEP to help tackle entrenched economic challenges.

R10—Government to conduct a cross-departmental review of how national policies interface with LEPs.

R11—Government are recommended to agree bespoke LEP Deals with every LEP that indicates a willingness to do so. In the first instance, LEP Deals should learn from and refine the City Deals exercise.

R12—LEPs to put the government’s localism mantra to the test by developing innovative proposals that seek a return of powers to localities.

9 July 2012

APPENDIX

Key research reports and papers produced by the Cross Country LEPs Research Group:


---

**Written evidence submitted by Rotherham Metropolitan Borough Council**

This response has been collated by the Regeneration Team of Rotherham MBC, with input from the Business Development, Transportation, Housing and Commissioning, Policy and Performance Teams. The response has been endorsed by Members.

**Summary**

Overall we are supportive of Local Enterprise Partnerships (LEPs) and the work they are doing to drive forward the economy at a City Region level. However, it is vital that they have the funding and the powers to deliver this agenda, which for some aspects of their remit is difficult to ascertain at this time.

The Regional Growth Fund is the only major replacement for the RDA funds with regard to delivering local regeneration. The reduced levels of funding linked to the short term nature of its planning and its lack of complementarity to European money is causing real problems to local authorities.

**Detailed response**

Local Enterprise Partnerships

— The LEP has been successful in promoting joint working across the entirety of the City Region. They have also ensured that the private sector have become much more engaged in helping to drive economic strategy.

— The LEP has worked well with the local authorities in setting up their own inward investment team; acting as the initial point of contact for companies looking to invest in the Sheffield City Region (SCR).

— Although it only started on 1st April 2012, the SCR Enterprise Zone run by the LEP, is expected to attract high levels of investment into the City Region through its use of enhanced capital allowances and business rate rebates.

— LEP endorsement seems to make little difference to whether an RGF bid is supported. This doesn’t seem in line with the localism agenda.
— The Sheffield City Region LEP currently has little actual funding to allocate within the region, with the exception of the Growing Places Fund, or influence on the central government funding spent within the area. This is essential to it being able to deliver long term sustainable growth of the local economy and it is important that the LEP has a much greater influence on how funding is spent within its area. Hopefully this may begin to happen under the “City Deal” that is currently being agreed, focusing on skills, transport and financial tools for growth.

Regional Growth Fund

— Under Rounds 1 and 2, RGF awards seem to have been predominantly focused on the more deprived areas of the country, which is pleasing.
— The amount of RGF available is small compared to the likely call on it. Round 3 projects for Rotherham alone are seeking in the region £150 million of grant. This will be replicated across the country meaning a lot of businesses are going to have put time and money in to bids; a large number of which will be unsuccessful due to the lack of available funds.
— RGF seems to lack a long term strategic plan; comprising single rounds of bidding without any indication of whether there will be further rounds; while expecting the jobs and other outcomes to be delivered by 2015.
— Due diligence on successful projects is taking a very long time and there is a lack of transparency on progress—Reportedly BIS are/were beefing up the RGF team and hopefully this will mitigate this particular problem.
— If “successful” projects do not proceed due to failing due diligence what will happen to the funding if there are no further rounds of RGF currently planned?
— With a minimum grant of £1 million and a target ratio of 5:1 of private sector money to RGF, a number of good projects of £5m or less are going to struggle to secure RGF support. As such RGF needs to look favourably on, and encourage, programmes bids’ such as that submitted by the Sheffield City Region LEP under Round 3.
— The alignment between RGF and ERDF is poor. This needs fixing; since with the abolition of the RDAs and their funding, RGF is largest potential source of match funding to ERDF.

28 June 2012

Written evidence submitted by the Royal Town Planning Institute

Introduction

1. The Royal Town Planning Institute (RTPI) is pleased to respond to the call for written evidence to the Business Innovation and Skills Committee on Progress with Local Enterprise Partnerships (LEPs) and the Regional Growth Fund (RGF). Professional planners work to enable economic growth and regeneration within the newly reformed planning system across traditional boundaries between town and country planning and local economic development. Our evidence deals first with Local Enterprise Partnerships, then with the Regional Growth Fund and then it makes Recommendations for Action.

2. The RTPI has been closely involved with the CLG and BIS Departments and the National LEP Network as part of the debate on economic growth and the recent planning reforms. It has crucial first-hand experience about how the new arrangements for planning and economic development are working from its members’ involvement in the public and private sectors. This evidence has come in particular from our work with the Black Country LEP, Cambridgeshire & Peterborough LEP and New Anglia LEP. We are also aware of the well developed coordination between the LEP and Local Authorities in Greater Manchester.

Executive Summary

— Spatial planning* planning is a key enabler of local economic growth and regeneration.
— Spatial planning and economic development must be integrated to achieve success.
— LEP activity and effectiveness varies across the country and lacks strategic direction.
— Some LEPs receive much more significant local political support than others.
— Public agencies should do more to integrate local planning and economic development.
— Whitehall has been fairly supportive but LEPs risk becoming over-dependent.
— Whitehall must recognise that LEPs and LPAs should work together for local economies.
— Regional Growth Fund should be directed at both places with current growth and places with economic problems.

* “Spatial planning” coordinates policy and action on a geographical basis and includes both land use planning and town and country planning.
The Royal Town Planning Institute (RTPI) is the largest professional institute for planners in Europe, representing some 23,000 members. It seeks to advance the science and art of spatial planning for the benefit of the public. The RTPI also works to develop and shape policy affecting the built and natural environment, to raise professional standards and to support its members through continuous education, training and development.

**Progress with Local Enterprise Partnerships**

*Business awareness of spatial planning and economic development*

3. The movers and shakers in the business community within LEP areas have the advantage of rapidly increasing awareness of the real difficulties involved in making spatial plans and taking local planning decisions. Planning decisions used to be left largely to Local Planning Authorities and Regional Assemblies but now local business leaders are getting to grips with the difficult choices. For example, it is encouraging to hear that LEP leaders understand it is not a shortage of planning permissions which is holding up housing construction. It is also encouraging that business leaders are learning the vital connections between an adequate supply of affordable housing and business success. For example, firms such as the internationally renowned Sunseeker Yachts of Poole find the skills shortages arising from excessively costly local housing are a key barrier to growth.

4. LEPs and Local Planning Authorities alike need Whitehall to recognise that spatial planning is a key enabler of local economic growth and regeneration. Professional planners base their plans on evidence and analysis of a wide range of economic, social and environmental issues in their areas to achieve sustainable development. They consult local business and neighbourhood communities as well as public and private sector stakeholders in preparing advice for elected local councillors to review and adopt Local Plans and to determine planning applications. Essential infrastructure and local business and housing development can create employment and generate local multiplier benefits within the local economy. LEPs need more resources and support from central and local government to develop their strategic planning roles and their local delivery roles.

**The strengths and weaknesses of Local Economic Partnerships**

5. The operation of LEPs as voluntary bodies has major positive benefits but it weakens their ability to lock into vital support mechanisms from government, business and others. One difficulty is that LEPs are out on a limb and divorced from many of the key activities in a local area which would, if combined with LEP activity, contribute to economic growth and regeneration. Key activities such as spatial planning, local schools, further and higher education and transport are all run by organisations which, while members of LEPs, are still separate bodies with their own accountabilities. It is widely recognised that local economic growth and regeneration depends on combining the various different elements together.

6. A casualty of this independence is that few LEPs have integrated their economic strategies with local planning strategies. The essential role of spatial planning in enabling local economic growth and regeneration is often ignored although this naturally varies between different LEPs. This was also a big problem with the Regional Development Agencies (RDAs) and other regional arrangements set up by the previous government. Paradoxically the RDAs were abolished just as they were finally moving towards better integration with the previous government. The RTPI does not have a view regarding the suitability or not of the Regional Assemblies (RAs) and others.

7. Some recent research can throw light on the potential limitations of this position. The West of England LEP has set a target of 95,000 new jobs by 2030 and a growth rate of 4.3% by 2020. However this is an area where local authorities have decided to make recent cuts in their housing allocations. In view of the role of the local authorities, the LEP has not been strongly involved in the recent planning processes in its area. But firms’ ability to attract skilled labour. It is widely recognised that local economic growth and regeneration depends on combining the various different elements together.

8. The concept of LEPs as bottom-up voluntary organisations achieves some important policy objectives for the Coalition government and some other wider purposes too. One of the key advantages is the involvement of hard-working businessmen and women in solving problems such as getting development moving—either getting sites to a position where they can get permission, or getting stalled sites going. The recent LEP Annual Conference in April 2012 showed how various LEPs (eg Greater Lincs) were getting on with making things happen. Our Members welcome this wider appreciation of the some of the size of barriers involved in getting development to happen.

---

6 See The Economist, 16 June 2012 : “Britain’s Mittelstand”
9. However, these benefits do come at a cost. LEP activity varies widely across the country and lacks strategic direction. England’s overall competitiveness internationally is hugely weakened by a lack of concentration on how different areas can work together for the overall benefit of UK plc. This contrasts with how some of our competitor countries operate. LEPs are also disconnected from key government decisions on issues such as airport, port and railway development that can have a marked beneficial impact on local economic growth.

10. Many LEP areas are not the “natural economic areas” that were originally envisaged (eg the Essex, Kent and East Sussex LEP area) and some of them overlap. Many areas with active LEPs already have economic potential while other less active and less prosperous areas could miss out. Enterprise Zones (EZs) should be used together with local spatial planning to help enable economic growth and regeneration. They should not be used to disable planning policy making and decision taking. They run the risk of displacing economic development which would have happened anyway (as happened in the 1980s). This displacement could potentially happen again without a strategic context or an understanding of the cross-boundary implications. The measured effects appear to be minimised by the way that boundaries are being selected for economic analysis.

Support from local political leaders in enabling economic growth

11. LEPs appear to be most well developed where there is already a strong local political commitment to joint working between Local Authorities. Greater Manchester, the Black Country, Teesside and Cambridgeshire & Peterborough to name a few are striking examples where groups of Local Authorities are preparing joint planning strategies to correspond geographically with their LEPs’ economic development strategies. The Black Country LEP benefits from an outstanding example of an area where Local Planning Authorities have deliberately set out to devise and implement a business-friendly planning approach. This is making a real contribution to addressing widespread business concerns that “red tape” often seems to delay and obstruct economically important development projects.

12. But these success stories do not necessarily demonstrate that LEPs have delivered more cooperation than would have occurred anyway. The challenge for government in developing the LEP agenda and the new arrangements for strategic planning (through the duty to cooperate) is how to encourage and/or incentivise cooperation where there is strong resistance to it. One means of assisting this cooperation is to encourage LEPs to develop clearer and more effective arrangements for working together with the Local Planning Authorities and other public agencies in their areas. Another means of encouraging this cooperation would be to establish grant regimes where cooperation is a criterion for the allocation of funds. It appears that the Regional Growth Fund could operate like this.

Support from Whitehall in encouraging successful local economic growth

13. Public agencies should do more to integrate local planning and economic development. In particular HM Treasury, BIS and CLG should cooperate better to encourage integrated approaches in more areas. Treasury officials have spoken of “all growth being local” but the approach to implementing the National Infrastructure Plan (NIP) is only now beginning to recognise the substantial spin-off benefits of decisions on national infrastructure for local economies. One example of this is that the NIP recognises the role of investment on the A14 for unlocking the potential for housing and economic growth in the East of England. There needs to be much more of this thinking elsewhere in the country.

14. Government Departments should develop a greater understanding of the role of the national infrastructure spending which has already been programmed or is proposed in generating local economic growth and regeneration. Properly planned and targeted infrastructure spending could significantly help LEPs to achieve their objectives. It is not sufficient to confine LEPs’ investment roles to transport spending delegated from DfT. At present many infrastructure spending decisions are made on apparently narrow criteria by individual Government Departments that overlook significant potential positive externalities.

Progress with the Regional Growth Fund

Effective use of public money to fund economic growth and regeneration

15. Funding for economic growth and particularly for regeneration is insufficient. Local Authority spending on planning and economic development has fallen by 47% since 2010. This greatly exceeds the levels of cost cutting on other public sector services although many planning services fulfill statutory functions. The funding for LEPs is very significantly lower than the funding for the former Regional Development Agencies (RDAs) although the introduction of the Regional Growth Fund, the Growing Places Fund and the additional funding for LEP operations has improved the original funding provision.

16. The use of non-ring-fenced funding for LEPs has been a good step towards a degree of welcome devolution. The clear indication of support for LEPs across certain Government Departments such as BIS, CLG, DfT and DEFRA has helped to develop decentralisation in local economic development to complement the new localism in spatial planning. However, support for LEPs from HM Treasury, DfE and DoH has been less clear. Overall, there have been significant reductions in both practical and financial support for local
economic growth and regeneration at both the national and local levels at a time when arguably it has never been more important to help promote both local and national economic recovery.

**Map based evidence of funding for local economic growth and regeneration**

17. The Royal Town Planning Institute (RTPI) has recently launched a Map for England campaign (www.mapforengland.co.uk) to show how the country could benefit from a more holistic approach to making national policy that recognises the different effects of public expenditure on individual geographic areas such as LEP areas. It seeks to promote a public and professional debate about the benefits of an interactive database which is accessible to everyone that provides maps of the national and local distribution of the effects of government policies and programmes. The original research which was undertaken for the RTPI by Manchester University shows the spatial effects of public expenditure on different programmes by overlaying one map on another.

18. Our researchers mapped the combined spend per head on the RGF and the Growing Places Fund against a variety of other indicators. A critical measure was the relationship between combined growth funds and deprivation, which showed that in some areas deprivation was substantial and funds substantial (eg Merseyside) but in others deprivation was substantial and funds weren’t (Teesside) and in yet others funds were substantial and deprivation wasn’t (West of England).9

19. It is our contention, in line with the Chancellor’s declared objective to rebalance the economy, that both growing and struggling places should be supported. This does not appear to be happening.

**Recommendations for Action**

20. The RTPI recommends that Whitehall should recognise that LEPs must work more closely together with Local Planning Authorities (usually District Councils) to support the growth and regeneration of local economies. Public agencies should do more both nationally and locally to integrate local planning and economic development. Whitehall must also recognise that its own role in making very significant national spending decisions not only needs to be more joined up in itself but it also needs to be operated in a way that makes more and better connections with local economies and local communities.

21. LEPs should be required to cooperate with Local Planning Authorities in preparing and delivering spatial planning and economic development policies and programmes because LEPs are not at present included in the duty to cooperate. A spatial approach is essential to successful planning and economic development and can only be achieved with transparent and effective cooperation. There are already several good examples of how Local Planning Authorities and LEPs are working effectively together to integrate the preparation and delivery of spatial planning and economic development strategies.

22. Funds specifically intended to support local economic growth should be directed at both places with struggling economies, to help them recover, and currently growing economies, to assist their growth.

23. Finally, democratically elected Local Councils must work together more affectively with local residential and business communities. There is wide concern that local community objections to necessary sustainable growth in homes and jobs too often delay and obstruct proposed development. The RTPI runs Planning Aid England to provide volunteer assistance for disadvantaged communities in formulating Neighbourhood Plans. It is unfortunate that the prospect of continued CLG funding to support local community planning in this way is once again uncertain at least in the short term. LEPs should engage with the new Neighbourhood Fora to support the involvement of local business communities.

9 July 2012

**Written evidence submitted by The Smith Institute**

1. **Equity and value for money in distribution of the Regional Growth Fund**. The Smith Institute is carrying out a review of housing and regeneration investment in the East Midlands. This work has thrown up some serious concerns about the way the RGF has been distributed across England. The stated purpose of the RGF is to stimulate economic growth and help to rebalance regional economies which are disproportionately hit by the loss of public sector jobs. Whilst the East Midlands region of England is not the worst hit of the English regions by the loss of public sector jobs at the same time it is suffering similar problems to other regions. On the figures reported in the recent NAO report and press releases from BIS it is clear that in rounds 1 and 2 of the RGF the East Midlands successfully bid for around 4% of the number of projects, which would yield about 4% of the jobs projected to be created by this program. According to a BIS PQ the value of these successful bids is £75 million or 5.4% of the total £1.4 billion available.

2. **Allocation of Regional Growth Fund**. Although it has been made clear that the RGF is a competitive fund the single programme allocated to the East Midlands via the Regional Development Agency amounted around 9% of the total allocation to English regions. The NAO report indicated that it was extremely difficult to evaluate value for money in the RGF programme, and if this is the case then it makes it even more difficult to

---

understand why a larger share of the allocation was not received by companies and agencies in the East Midlands. The low allocation was not caused by a lack of bids from the area as in round 1 of RGF companies from the area submitted 13% of the bids and in round 2 submitted 11% of the bids.

The actual amount of RGF drawn down depends in the first instance on the successful conclusion of negotiations to agree the terms and eligible expenditure for the grant. By mid June 2012 agreements had been signed for just under a half of the £1.4 billion on a total of 96 projects. Despite being a “regional” programme, seven of these projects with a combined value of £231 million were “national” projects with potentially no regional targeting. Of the remaining £460 million agreed with projects in the regions, only £2 million has been agreed for a single project in the East Midlands; £2 million expenditure for the period 2011–12 to 2014–15 compared to an annual allocation of single programme to the region of in excess of £150 million a year.

3. Links to other programmes. There are several other government programs which deal with economic growth, physical regeneration and development. These include Enterprise Zones, City Deals, Get Britain Building and Growing Places funding. It is not clear what the links are between the criteria and allocation strategies of the RGF and the allocation and purposes of these other programs. Some of these programmes are allocated on a competitive basis without a geographic distribution, whilst others have been distributed with geographical targets to each region. It is difficult to see neither how the impact of all these programmes can be properly assessed or how their impacts can be maximised in a situation where the linkages between them seem so weak. As the total amount of funding is restricted by economic austerity the need to maximise their impact is all the greater.

4. Confusing guidance. The chair of the RGF, Lord Heseltine, made highly publicised statements that housing was not a priority sector for the RGF. This view was reiterated in workshops organised by the BIS. Nowhere in the written guidance for RGF was this specific topic addressed nor explained. In discussions the indication was that housing was not seen as creating sustainable jobs. The NAO report clearly demonstrates the difficulty of establishing the meaning of sustainable jobs in all sectors. It is therefore not clear why housing was picked out. It also demonstrates that issues such as the creation of long-term retrofit strategies for existing housing were not in any way taken into account despite their ability to deliver value for money, job creation and long term sustainable housing outcomes. This confusion was further exacerbated by the allocations made to housing projects in Round 1 and the written guidance for Round 2 being virtually unchanged from Round 1.

5. The role of Local Economic Partnerships. LEPs are expected to coordinate sub regional economic strategies and economic development investment. Although LEPs were given a promotional and advisory role in the RGF it is by no means clear what actual power and influence LEP’s had on the processes which led to the allocation of funds. LEPs belatedly have been given a role in the allocation of the Growing Places loan fund, but at £37.5 million for the five LEPs in the East Midlands the amount is comparatively small and therefore their ability to shape and influence the main programs relevant to their role currently appears to be very limited.

6. The remit of Local Economic Partnerships. Most LEPs regard their role as restricted to economic growth and regeneration. They regard issues around housing as being outside their remit and very few have any housing representation on their Boards. It is a major weakness of LEPs that they are not taking a view on the provision of new house building and affordable homes within their areas, given the critical role that housing plays in supporting economic growth and well-being in our towns and cities. There could not be a greater contrast than that between the role of LEPs and the role of the Greater London Authority which not only has responsibility for economic strategy and housing in London but which controls the HCA budget for London.

7. Resources available to the LEPs. In the course of our work in the East Midlands we have consulted around 30 stakeholders in the public and private sectors. All the individuals consulted have identified inadequate resources as the most serious problem faced by the LEPs. With Councils also making their contributions to austerity, the level of staffing and other resource available to LEPs is minimal and most are struggling to meet their brief. The strong views of the organisations we have consulted is that the only places where LEPs are able to make significant progress is where they have evolved from or are linked to well-funded previous agencies, such as in Northamptonshire where the County made a commitment to fund the organisation until next year. Outside the East Midlands the LEP capacity is concentrated in the urban concentrations around large cities such as Birmingham, Manchester, Sheffield, Newcastle and Liverpool. This historical capacity is attracting a greater proportion of Regional Growth Fund.

4 July 2012

The Smith Institute

The Smith Institute is an independent think tank which provides a high-level forum for thought leadership and debate on public policy and politics. It seeks to engage politicians, senior decision makers, practitioners, academia, opinion formers and commentators on promoting policies for a fairer society. The Smith Institute is a not-for-profit company (registered as SI Research Limited 07098225)
Written evidence submitted by The Society of Motor Manufacturers and Traders Limited (SMMT)

The Society of Motor Manufacturers and Traders (SMMT) is one of the largest and most influential trade associations in the UK. It supports the interests of the UK automotive industry at home and abroad, promoting a united position to government, stakeholders and the media. The UK automotive industry is dynamic and globally competitive, and is located at sites across the UK. Our sector is a vital part of the UK economy with £40 billion turnover and £8.5 billion value added. With over 700,000 jobs dependent on the industry, it accounts for 10% of total UK exports and invests £1.5 billion each year in R&D. The industry plays an important role in the UK’s trade balance, with vehicle manufacturers exporting over 80% of production. The UK is home to the world’s largest number of low volume vehicle manufacturers. In addition over the last 18 months the sector has committed over £5.6 billion of investment to the UK.

As a broad and significant sector, the automotive industry has had extensive and diverse experiences with Local Enterprise Partnerships (LEPs) and also in engaging with the Regional Growth Fund (RGF) and more recently with Advanced Manufacturing Supply Chain Initiative (AMSCI). We welcome your committee’s inquiry into progress on these initiatives; note the brief nature of the inquiry and the focus on one ministerial oral evidence session. As the inquiry subjects are such new initiatives, with decisions on round 2 of the RGF only just being made, we will not be submitting extensive comments to this inquiry. We would however like to register our significant interest in the outcome of this inquiry and future full inquiries on this topic.

I look forward to engaging with the committee in the future and please do not hesitate to get in touch if you have any questions.

Paul Everitt
Chief Executive
6 July 2012

Written evidence submitted by Sunderland Software City

1. RGF 1—BACKGROUND

1.1 Sunderland Software City (SSC) participated in a RGF round 1 bid through an application led by Sunderland City Council and partnered by BT. This included an infrastructure work-package (headed by BT), a work-package of funded support for software companies (headed by SSC) and a work-package which saw five local software companies apply for specific funding to expand and increase employment.

1.2 Feedback on this unsuccessful bid suggested strength in the submission was the combined private sector led work-package. Due to this it was felt SSC were best placed to assist a number of software companies to come together and submit a RGF round 2 bid. SSC did this without taking a fee from the companies or including any funding request from RGF. We saw this as an import role to play in encouraging the growth of the software sector in the North East of England.

2. RGF ROUND 2—THE APPLICATION

2.1 The round 2 bid submitted by SSC was on behalf of four local software companies. Alone they would have not met the threshold requirements of RGF, although through a phase of localised due diligence we felt the companies and projects put forward were all viable growth projects. It is worth noting at this point at a RGF awareness seminar (as part of the national RGF roadshow) this concept of amalgamating smaller companies into a bid was discussed and given a positive response, albeit we were clear this was not a guarantee of success.

2.2 A successful RGF bid would have funded the growth plans of these businesses by bringing down costs and enabling them to communicate more effectively with customers and suppliers, to accelerate the development of innovative new products, and drive their expansion into new international markets—all with the net effect or requirement of the companies exponentially increasing the size of their workforces.

2.3 The growth plans for the individual companies to be driven by RGF funding were as follows:

- Company A: Increasing organisational capacity through the purchasing of additional computer equipment and high definition storage equipment for innovative media storage and editing software firm—resulting in the creation of 55 jobs.
- Company B: Allowing an established international software firm to finance development of new technologies and create 59 new jobs.
- Company C: Development of existing technologies to enhance current solution and allow company to growing sales globally and be market-ready to venture into new sectors. RGF funding would have been used to expand workforce by 25 employees.
- Company D: Workforce expansion of 18 members of staff to allow for the global deployment of international collaboration software.

2.4 Overall a successful bid would have seen 158 new jobs created for an RGF investment of £1.35 million, which in turn would leverage £9.03 million of private sector funding.
2.5 Although it was anticipated that the RGF bidding process would be intensively competitive, due to the comparatively low capital costs involved and potential for the creation of a significant number of high quality jobs not only in an area of comparative economic deprivation, but also contributing substantially to the government’s envisaged export-led recovery—and also as the bid appeared to meet all the relevant criteria as set out in the BIS documentation in terms of aspects such as leverage—the bid team was quietly confident of a successful outcome.

3. Feedback and Reflection

3.1 Having been informed of the failure of the bid, they team was particularly disappointed at the impression that many successful bids would likely have been able to fund the projects they sought RGF funding for from their own resources. SSC was however very grateful for the opportunity of a more extended feedback session with BIS. They did however have some observations to make about this feedback.

3.2 Firstly, the BIS team’s comments focussed on what they saw as the risk of the SSC bid. BIS looks for a high degree of certainty that the stated jobs will be created. BIS’ perception is that software development projects carry a chance of encountering technical problems that reduce the certainty that all of the jobs will be created, eg compared to those that may be linked to capital equipment purchase in a manufacturing industry. In addition, because the (software) jobs are development focussed, BIS felt that the jobs would not be retained once the development projects are complete.

3.3 SSC would argue strongly that software is on the contrary an industry where problems at the technical stage comparatively rare and reasonably easy to overcome but also that due to the comparative low capital costs of market entry, the exponentially expanding international market for software, software’s ability to drive growth in other sectors by lowering costs and streamlining processes and the high international reputation of UK software, it is exactly the sort of industry the government should be making a priority.

3.4 The comments on technical risk present an unwelcome irony for the software industry. When companies try to access much of the available technology funding (such as the Technology Strategy Board’s SMART grant) they are told that the technical risks are not usually sufficient. Paradoxically, applications for more mainstream funding seem to be perceived as too risky.

3.5 Secondly, BIS had weighted a lot its decision making towards the notion of “deadweight” and the bid’s perceived failure to quantify the direct impact that RGF funding would have on the projects involved, and what could be attributed to other factors.

3.6 As statistically verifiable impact assessments of this kind is notoriously difficult to quantify in software projects, SSC’s view was that a more nuanced approach was required from BIS, taking into account in a more comprehensive way the individual idiosyncrasies inherent in different industrial sectors of factors such as this.

3.7 These two factors in particular raised profound concerns from SSC that the RGF bidding process has an unwitting bias against software and digital technology-based bids, leading to an impression that that the industry is being marginalised by government.

4. Moving Forward

4.1 Whilst it is appreciated that designing and managing an RGF programme is difficult and there will never be a situation where all end users are happy—it is after all a competition—there are a few suggestions below we feel might improve the process:

— More guidance. It is appreciated that the idea of flexibility might fit a private sector led approach but it makes it incredibility difficult to judge which projects are in and out of scope. At present the RGF process sits between public sector bureaucracy and private sector flexibility, meaning neither side clearly understand the fit.

— Regionalised administration or representation. Again, the idea of RGF as a national programme is fully appreciated but area priorities need to be taken into account in more detail. Getting Local Enterprise Partnership endorsement is part of this process, as is articulating in bids a link with local strategies, but these should be strengthened through regional review and recommendation prior to a central government submission.

6 September 2012
Written evidence submitted by Tees Valley Unlimited

1. Executive Summary

1.1 Tees Valley Unlimited (TVU) acts as the Local Enterprise Partnership (LEP) for the Tees Valley, which comprises the five local authority areas of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton. Within the Tees Valley there is a rich and diverse mix of sectors and industries with an emphasis on manufacturing and export-led growth.

1.2 We believe that TVU has been a great success in the period since October 2010, when it was designed as a LEP by the Government. This submission details evidence of these successes and in particular TVU’s involvement and experience of Regional Growth Fund (RGF) throughout the three rounds of its existence.

1.3 In terms of the success of the Regional Growth Fund initiative, TVU would say that this has been a welcome policy initiative. TVU, via its private sector companies, has had great success. It welcomes the underpinning priority given to areas that are over reliant on public sector employment. The recognition of the need to rebalance such economies towards a stronger industrial/manufacturing base is also welcomed.

1.4 The introduction of stricter time limits for the payment of funding to successful bidders, the better explanation of the fund and what makes a successful bid, and the lighter touch seen in the paperwork are all welcomed.

1.5 For future rounds, greater weight for infrastructure projects that would lead to greater future economic prosperity would be welcomed.

2. Submission of Evidence

2.1 Whilst the Tees Valley comprises the five local authority areas, its sphere of influence extends from Peterlee and Durham City in the North to Northallerton in the South and from Richmond in the West to Whitby in the East. This area of influence has a population of 875,000 and represents a functional economic area in its own right.

2.2 The Tees Valley economy is extremely important for the UK economy by contributing more that £10 billion from world class sectors, such as chemicals, petrochemicals and advanced manufacturing. Our strategy going forward is to expand our existing industrial base by developing a diverse low carbon economy, which will form one of the world’s most competitive clusters.

2.3 Currently the Tees Valley is home to the largest integrated heavy industrial area in the country and has seen significant foreign direct investment of more than £1 billion in the last three years alone. At the heart of this investment in the acquisition and resumption of the production of steel by the Thai company SSI. In addition there are a significant number of proposals to invest in “waste to energy” projects and other renewable energy schemes involving offshore wind activities. With superb infrastructure, including the largest exporting port in England, we consider that with the right element of investment our capability to grow and contribute more to the UK’s prosperity is an opportunity not to be missed.

3. Tees Valley Unlimited

3.1 Tees Valley Unlimited (TVU), as one of the first wave of Local Enterprise Partnerships, is driven by a private sector led Leadership Board. Building on more than a decade of successful public/private partnership in economic development, transport and housing, TVU is committed to driving forward private sector economic growth and employment in the Tees Valley.

Governance

3.2 The Tees Valley Unlimited Leadership Board is chaired by prominent industrialist Sandy Anderson and includes a further six private sector members, five civic leaders, including two elected mayors, and Teesside University. Private sector board members are invited onto the Board for their extensive expertise and knowledge of a topic/business sector in Tees Valley that is particularly important to the area, and critically their ability and willingness to give their time on a voluntary basis.

3.3 The Leadership Board is supported by a number of thematic groups, which focus on the issues that are critical to the success of the Tees Valley:

- Economic Development;
- Transport and Infrastructure;
- Employment, Learning and Skills; and
- Place.

Chaired by members of the Leadership Board, these groups direct activity that will help the Tees Valley to achieve its ambitions.

3.4 In addition an Investment Panel, utilising private finance expertise, supports the Leadership Board in its development of the Tees Valley Investment Plan and Investment Fund.
3.5 TVU is funded by the five local authorities, which enables the provision of a dedicated secretariat, who work with partners to deliver the Tees Valley Unlimited Partnership Business Plan.

*Statement of Ambition*

3.6 The Tees Valley Statement of Ambition,\(^9\) our 15 year growth strategy for the Tees Valley, agreed by our Leadership Board, aims to unlock private sector employment growth and accelerate the Tees Valley’s transition to a sustainable, diverse and resilient economy. Tees Valley Unlimited has two key ambitions by which it intends to achieve private sector growth and employment; these are:

- **Ambition 1:** Drive the transition from a high value, high carbon economy to a high value, low carbon economy; and

- **Ambition 2:** Create a more diversified and inclusive economy.

3.7 Delivery of the Statement of Ambition is achieved through our Tees Valley Unlimited Partnership Business Plan.\(^10\) Developed in partnership with the public and private sector; the Business Plan sets out 11 priority actions that will drive private sector growth and create sustainable jobs for the Tees Valley.

3.8 Tees Valley Unlimited, working in partnership with private and public sector partners, has delivered a number of key successes since its formal launch as a LEP. These successes are largely due to the strength in driving forward activity through the well developed partnerships in the area. The following submission provides additional detail on some of these successes.

### 4. Our Successes

**Enterprise Zones**

4.1 The Tees Valley Enterprise Zone has been described as one of the boldest in the country by Government. It has a mix of sites that encourages growth in key emerging sectors in areas best suited for business to expand. The Enterprise Zone is made up of 12 individual sites across the Tees Valley area. This includes four Government funded Business Rate Relief (BRR) sites, four Government funded Enhanced Capital Allowance sites and four locally funded BRR sites. The Enterprise Zone sites support both Teesside’s industrial heritage and the emergence of exciting new sectors.

4.2 TVU worked closely with the five local authorities and statutory bodies, such as the Environment Agency, and the Highways Agency to ensure that the relaxed planning regulations for the Enterprise Zone were the first in the country to receive approval from Government. The Enterprise Zone launched officially on 1 April 2012 and the first businesses have already located on the sites.\(^11\) These two businesses will benefit from business rate relief over the next five years and during that period a total of 45 new jobs are expected to be created. In total, the Enterprise Zone sites are expected to support the creation of over 1,200 jobs by 2015.

**Investment Plan**

4.3 The Tees Valley Investment Plan is currently being developed and will set out the priority areas for investment. The area has a successful track record of administering funding and ensuring that they are targeted to local priorities, including ERDF programmes and more recently the Growing Places Fund.

4.4 The Tees Valley has also seen many successes through Regional Growth Fund. Local businesses secured over £88 million in the first two rounds of Regional Growth Fund and Tees Valley Unlimited has endorsed a range of project and programme submissions to Round 3. Further detail on the RGF process in the Tees Valley is provided separately in this response.

4.5 TVU is developing its approach to Investment Funding to ensure that the Enterprise Zone income secured through the Business Rate Relief equivalent, paid by the Government, and the uplift in business rates is maximised. This will include securing private sector investment and providing much needed match funding to access European funding.

**Business Engagement**

4.6 Working with business is critical to the success of the LEP, and TVU has approached this in a number of innovative ways. Our dedicated business investment team work with the whole range of businesses to ensure that they have a point of contact for key business issues. The team refer to specialist business support providers, such as MAS and UKTI, to ensure that the business receives the most appropriate level of support. We have developed strong relationships with these providers, holding regular information sharing meetings.

4.7 The inaugural Tees Valley Business Survey gathered important feedback from businesses on a wide range of issues, including skills, access to finance, supply chain and the perception of the Tees Valley. The feedback from this has been used to shape our ongoing business engagement plans, informing the development

---


of workshops and one to many support sessions, including the first Tees Valley Business Summit\textsuperscript{12} to be held in July 2012. Additional research through the Tees Valley Sector Action Plans has identified further key issues facing businesses in our key sectors of digital, health care, advanced manufacturing and logistics.

4.8 There is great potential for private sector growth in the Tees Valley, with over 6,500 new private sector jobs being reported since January 2011.\textsuperscript{13} Recent expansion and growth has come from foreign owned companies; examples include Japan’s Mitsubishi Chemical Corporation which saw a £20 million investment and Nifco which moved into a £11 million new factory. These investments enable SMEs in the supply chain to grow and develop.

Employment, Learning and Skills

4.9 The LEP has placed skills and employability as one of its core areas of focus, which is reflected in the TVU Partnership Business Plan where a key objective is to develop the workforce of Tees Valley. This is critical in ensuring that businesses have access to the right type of skills, both now and in the future. One of the key challenges faced in the Tees Valley remains the level of unemployment, with a growing problem of youth unemployment. TVU is currently working with employers and training providers to help tackle this. For example, a recently submitted RGF Round 3 bid will see large employers working with training providers to assist SMEs in taking on a greater number of apprentices. TVU has and continues to facilitate and encourage these relationships.

4.10 The development of a Tees Valley Skills Action Plan will identify the areas where attention needs to be focused to address skills issues, including the development of an Employer Business Partnership. In addition to this, work has already been completed to develop short DVDs which highlight the benefits of working in the key sectors and TVU has also spearheaded the recently successful funding bid for Flexible Skills Funding. This activity is critical to ensuring that businesses are able to grow and create private sector jobs.

Transport and Infrastructure

4.11 TVU continues to develop its partnership with the Highways Agency (HA) through the Area Action Plan (AAP) for the Tees Valley. The AAP is providing evidence that will help TVU to identify where the key constraints on the transport network are and which schemes will most effectively support our ambitions for future growth. Methods developed through the AAP, to advise on scheme prioritisation, will be vital for the LEP if local major transport funding is devolved from 2015. However the AAP has already enabled the LEP to strongly support a HA bid for Pinch Point Funding to provide much needed additional capacity at two of the Tees Valley’s busiest existing junctions on the strategic network (A19/A174 and A19/A689). Without this investment a number of major development and housing sites are under threat.

4.12 £9.5 million has been secured by TVU (including £4.5 million recently through Tranche 2 of the Local Sustainable Transport Fund) to deliver improvements at most of rail stations in the Tees Valley. This includes enhancements to passenger waiting facilities, safety and security systems and the provision of information and covers all stations that have not benefitted from such investment through the existing rail franchises. It also involves the construction of a new station to serve James Cook University Hospital. These improvements form the early phases of the Tees Valley Metro project which is the vision for an enhanced rail network that better serves the needs of the modern day economy. The new franchises will provide further key improvements.

4.13 The LEP is working in close partnership with Network Rail to deliver rail gauge enhancements between Teesport and the East Coast Main Line to help facilitate the significant forecast growth in the container market. TVU and PD Ports have secured a contribution of over £2 million towards this critical project.

5. Areas for Action

5.1 As evidenced above, TVU has demonstrated considerable successes since it was formally established as a LEP in 2010. We firmly believe that we are one of the most innovative and successful LEPs in the country and that this success is due to strong leadership and clear direction and the depth of partnership working in the area.

5.2 However, we feel that there is more that we can do for the Tees Valley. TVU would like to see greater devolved responsibility given to those LEPs that have demonstrated the ability to deliver key activities successfully in their areas. TVU is keen to examine a city deal for the Tees Valley which would allow us to have greater control over the way that funding is spent in the area and would target activity in areas of greatest local priority, for example tackling youth unemployment by a single coordinated and funded activity.

5.3 The Tees Valley, along with Durham, has been identified as a transition region for the European Cohesion Funds 2014–20. This is an activity where TVU firmly believes that the LEP, working with Durham County Council, should be able to agree the priorities for investment in the area. To aid this TVU and DCC are now working to develop a joint investment plan.

\textsuperscript{12} http://www.teesvalleysummit.co.uk/
\textsuperscript{13} TVU, 2012
5.4 The potential devolution of transport funding to LEPs is a welcome move as it would provide a more efficient means of delivering some of the Tees Valley’s priority schemes. However, this will only be a finite budget and TVU will continue to explore mechanisms with DfT and other key agencies such as the Highways Agency and Network Rail for delivery of schemes on the national networks that are likely to be of major significance to the Tees Valley.

5.5 TVU welcomes the move towards rail decentralisation and is now keen to explore the opportunities for more autonomous decision making for local rail services in our area. However, it is vital to ensure that long distance franchises (such as East Coast, CrossCountry and TransPennine), that provide key strategic connectivity for the Tees Valley, are retained as such and not split up. The re-franchising of rail services in the North offers the opportunity to provide much needed investment in more fit for purpose rolling stock to replace the life-expired trains operating on most of our local routes. The budgets relating to new franchises must make reasonable allowance for this. TVU would also want to see the scheme to re-model Darlington Station form a key part of the national scheme to provide additional capacity on the East Coast Main Line. The “whole-industry” solution for Darlington is considered to offer significant benefits for all operators and users of the station and can help drive significant regeneration in central Darlington.

6. RGF Process

6.1 Tees Valley has had many successes in securing RGF funding to help support private sector growth. Our local businesses have been recognised by government for their excellence, their innovation and their ambitions for growth; we are delighted the area has secured over £68 million in the first two rounds of RGF. Indeed, the projects approved in rounds one and two will result in around £470 million of capital investment and will see the creation of around 2,400 jobs and the safeguarding of a further 2,700 jobs. This will provide a much needed boost for our local economy and will form the perfect platform for greater economic growth and stability.

6.2 The Tees Valley RGF proposals for round three set out further ways that investment can be used to help us achieve our aims. Combined our endorsed round three projects and programmes will lever an additional £1 billion of private sector investment, create an additional 8,175 jobs in the Tees Valley and safeguard a further 2,540 Tees Valley jobs. We strongly believe that with the support of RGF investment we can make significant progress to achieving our vision in making a real difference to our local economy.

Engaging with Businesses and Partners

6.3 Over the last three rounds of RGF TVU has worked with companies to support the development of their proposals. In addition, TVU has worked with partners, including business representation organisations, to identify a number of areas where there are barriers to business investment. These will not be addressed within the existing national businesses support framework or they will require additional activity to address the level of need and opportunity within the Tees Valley.

6.4 TVU and the Tees Valley Local Authorities have hosted and supported a number of briefings and invited businesses to attend to find out how they could apply for RGF money, including briefings across all of the local authority areas. These briefings gave businesses and organisations the ideal opportunity to hear what the RGF could do for them and how they could access it.

6.5 TVU has actively engaged with prospective applicants throughout the RGF process to give them as much information as possible about the fund and to support them in their application wherever appropriate. The TVU Leadership Board has endorsed a series of projects, packages and programmes over the three rounds and the result of the ongoing engagement with applicants can be seen by the breadth, depth and quality of these bids.

6.6 TVU has submitted a detailed Supporting Statement to the RGF Panel, for bids made in rounds one, two and three. The Statement sets out how each of the project and programme bids will support the delivery of the Tees Valley ambitions and the benefits that they will bring. The Panel has recognised how helpful this approach has been in helping it judge bids.

Key Issues

6.7 The companies that were successful in their bids for funding have reached varying stages in the implementation of their projects:

- five projects have started and committed their capital expenditure;
- three projects are anticipated to start in the next couple of months;
- one project is seeking a revision to its original project; and
- seven projects have not completed due diligence and are awaiting either parent company sign-off for investment, or clarity with regard to market conditions for their product/services.

6.8 Administration of the fund has improved over the three rounds as experience of dealing with applicants and applications has grown. The lighter touch application forms are to be welcomed.
6.9 The principles underpinning successful bids, ie priority given to areas that are over reliant upon public sector employment and seeking to increase their industrial/manufacturing base, are considered to be correct and should remain for any future bidding rounds.

6.10 Again the emphasis on job creation is welcomed, although perhaps more weight could be given to likely schemes that offer future growth through investment in infrastructure now, but without immediate accompanying job growth. In this way the fund could provide the necessary funding to lay the foundations for future economic prosperity.

6.11 Criticism of the delay involved (particularly in respect of Round 1 bids) in providing the money to bidders seems harsh given the complexities of due diligence. However, the introduction of stricter time limits in Round 3 is to be welcomed. Perhaps the greatest problem from the first two rounds involves the “neutral” programmes with mainstream banks that appeared to offer funding to SMEs. The lack of information surrounding how such sources would be accessed and the delay involved in them becoming active has caused much resentment and confusion amongst SMEs.

7. Conclusions and Recommendations

7.1 Tees Valley Unlimited, working in partnership with private and public sector partners, has delivered a number of key successes. These successes are largely due to the strength of driving forward activity and the depth of partnerships in the area. However, with devolved responsibilities we believe that we can play a greater role in supporting the economic growth of the area, including examining a city deal and securing transition region status for European Structural Funds 2014–20.

7.2 With regard to Regional Growth Fund, the Tees Valley has had many successes in securing RGF funding to help support private sector growth. The streamlining of the administration process is welcomed and the underlying principles of the fund are supported. However, it is considered that the fund could offer more consideration to infrastructure schemes. The success of the RGF funded bank loan schemes for SMEs is questionable, with a lack of information leading to confusion amongst SMEs around how best to access the fund.

7.4 Tees Valley Unlimited would be happy to provide further evidence to the Inquiry on any of the above issues.

9 July 2012

Written evidence submitted by the Trades Union Congress

About the TUC

The TUC is the voice of Britain at work. We represent 54 affiliated unions and over six million members. The TUC campaigns for a fair deal at work and social justice at home and abroad. Through its seven offices in the English regions and Wales, the TUC works with employers, government agencies and other civil society partners across the country, promoting economic development, skills, workforce development and the just transition to a low carbon economy.

Executive Summary

1. The TUC is concerned that in large part LEPs have failed to effectively engage trade union and other key social, economic and environmental (SEEPS) stakeholders.

2. The TUC would wish to see greater co-ordination between LEPs particularly given that the majority of LEPs cover more than one local authority or Unity Authority area.

3. The TUC is concerned at the nature of the make-up of the LEP boards with too narrow a focus on partnerships between business representatives and local authority leaders which leads to the exclusion of other important social, economic and environmental partners (SEEPS) including trade unions. There is also a need to ensure that business representatives on the boards of LEPs are genuinely representative and can speak on behalf of the diversity of business interests across a LEP area.

4. The TUC is particularly concerned about the allocation of the Regional Growth Fund. The TUC believes that the decision to not involve the Local Enterprise Partnerships within this process risks signalling to some regional stakeholders that LEPs have limited powers and finance.

5. The TUC wishes to highlight that mechanisms are not in place which can ensure that LEPs are able to influence the allocation of skills funding and provision in their local areas.

6. The TUC is concerned that the Government has indicated that it will not be consulting on possible replacement structures for the allocation of ESF until the end of 2012. The role of LEPs in accessing and administering ESF budgets is unclear to say the least and they are unlikely to meet the strict criteria set by the European Commission. The TUC would wish to see this addressed as a matter of urgency.
7. The TUC would like the Government not just to focus almost exclusively on the creation of new jobs. In many cases the cost of safeguarding a job could well be lower than the cost of creating one.

**LOCAL ENTERPRISE PARTNERSHIPS (LEPs)**

8. The functions and responsibilities covered by Local Enterprise Partnerships include planning and housing, local transport and infrastructure priorities, employment and enterprise and the transition to the low carbon economy. Other former RDA functions such as responsibility for attracting inward investment, innovation, business support, strategic finance and sector support are now supposed to be undertaken at national level. Clearly different LEPs are at different stages of development. Some have “hit the ground running” and have been operating for over a year while others have only just been launched. The TUC’s overall impression, based on the experience of regional TUC’s, is that LEPs have struggled to make their mark and at best have carried forward a minor part of the work being taken forward by Regional Development Agencies.

9. While acknowledging that some LEPs have been able to win government funds and set out a coherent economic vision for their area—for example in the West of England—too often they have been found to be lacking.

10. Hard evidence about the effectiveness of LEPs to date is difficult to come by—a problem exacerbated for the TUC and unions by the fact that many LEP’s have failed to engage effectively with unions and other key stakeholders. In our submission to the BIS Select Committee in August 2010, the TUC warned that too narrow a focus on partnerships between business representatives and local authority leaders may lead to the exclusion of other important social, economic and environmental partners (SEEPS) including trade unions. Unfortunately, this has been borne out by our experience of most of the LEPs to date. In parts of the country where unions have traditionally been engaged in local and regional economic and development agencies and activity—for example, the North East—it has been possible to construct a practical working relationship with the LEPs. However, this positive approach has been lacking elsewhere—most notably in the South East.

11. There is a noticeable lack of consistency with the LEP landscape offering a very mixed picture. These differences in capacity, resources, and in some cases specific powers, are across all areas. This could lead to the situation of some LEPs flourishing, such as Leeds, Manchester, and to a lesser degree Tees Valley, while others flounder through a lack of resources and capacity.

12. On a linked point, the TUC believes that there is need for greater clarity about the process for appointment to the board of LEPs. There is also a need to ensure that business representatives on the boards of LEPs are genuinely representative and can speak on behalf of the diversity of business interests across an LEP area. In providing background information to inform this submission the TUC’s regional secretary in the South West noted, “The business clubs represent a narrow view of economic life but have been largely able to self-select. We have found the process in some LEPs completely obscure. The result is of LEP board of mostly white men. One LEP Board has only one woman member.”

13. Turning to the functions of the LEPs, the TUC continues to have concerns about the ability of LEPs to work together; to pool resources and programmes where appropriate; and to effectively support regional and nationally important sectors and clusters. A particular concern has been raised in relation to the allocation of the Regional Growth Fund. The TUC believes that the decision to not involve the Local Enterprise Partnerships within this process risked signalling to some regional stakeholders that LEPs had limited powers and finance.

14. As highlighted in our submission in August 2010, the TUC believes that investment in skills should be closely aligned with the needs of local economies and have sufficient flexibility to enable providers to meet the current and forecasted needs of both local businesses and the workforce. It is therefore worrying that mechanisms are not in place which can ensure that LEPs are able to influence the allocation of skills funding and provision in their local areas.

15. The short-sighted closure of Government Offices in the regions places question mark over the ability of LEPs to successfully access European Funding. With the Government indicating it will not be consulting on possible replacement structures for the allocation of ESF until the end of 2012 the role of LEPs in accessing and administering ESF budgets is unclear to say the least and they are unlikely to meet the strict criteria set by the European Commission. The TUC believes this issue needs to be addressed as a matter of urgency.

**REGIONAL GROWTH FUND**

16. The TUC welcomed the £1 billion first set aside for the Regional Growth Fund, although stressed that this amount would do little to offset the damage done to local economies by the Government’s decision to make £83 billion worth of cuts to public spending.

17. We note that with the extension of the RGF to 2015, and the introduction of Round 3, the RGF has now increased to £2.4 billion. While the expansion of the RGF is welcome, the TUC remains concerned that this is only a third of the funding that was allocated to Regional Development Agencies, and that to date there is little evidence that the majority of this funding has actually found its way into local communities.
18. In Round 1, of the 464 bids submitted only 50 were agreed and as yet only 27 contracts have been signed and of these only 14 projects have actually started.

19. In Round 2, 492 bids were submitted of which less than a quarter were successful. Of these only 21 contracts have been signed and only five projects have actually started.

20. While the TUC appreciates the need for public monies to be allocated properly and with due diligence, the length of time taken to provide finance to the successful companies has been, and remains, a source of frustration. Many firms have reported delays of over a year. In one case a RGF “winner”—Cumbrian Sea Foods—the parent company of Kerry Foods based in County Durham, ceased trading before receiving its RGF funding.

21. While there is an understandable focus on the numbers of jobs created by the RGF, or indeed any economic development programme, the quality and type of job created or safeguarded should also be a key factor for consideration. The likely wages and sustainability of jobs created varies and the multiplier effect of high quality and well-paid manufacturing jobs has wider benefits for local economies.

22. In addition, safeguarding jobs can be as important as creating new jobs in times of downturn and recession. The TUC fears that the Government has focused almost exclusively on new jobs while other businesses have been forced to make redundancies or cease trading. In many cases the cost of safeguarding a job could well be lower than the cost of creating one. We believe there should be a mixed approach with creation of new jobs accompanied by the recognition of the need to safeguard jobs in strategically significant industries and sectors.

23. The regional economic strategies co-ordinated by and developed by the former Regional Development Agencies had support from a wide range of public, private and community partners regions. They were not just documents of intent, but also a reflection of the existing strength, weaknesses and opportunities within local and sub-regional economies. The risk is that a centralised RGF bid process does not reflect these strategies, or even those developed by Local Economic Partnerships. For example a bid from Barrow-in-Furness for a waterfront regeneration scheme was rejected despite it having strong linkages with the local authority and other strategic partners. This centralised approach also means that not enough attention may be given to the geographic spread of awards. While the RGF Round 3 awarded the most bids to the North East, the aggregated financial value of those bids was the second lowest in the country. This is despite the fact that the North East has the highest unemployment in the country.

24. While the TUC welcomes a strategic approach to prioritise the regeneration of particular areas, with only nineteen active projects out of 956 bids it indicates a mismatch between aspiration and reality. The government claim that every £1 of public money in the RGF leverages a further £6 in private investment has yet to be realised.

25. The TUC believes that Enterprise Zones are highly unlikely to be effective in creating new jobs in the regions—instead there is the fear that they will simply shift jobs within and between regions and draw investment from adjoining areas outside the zone. Instead of more Enterprise Zone initiatives the Government should further increase the size of the Regional Growth Fund and make sure that the funding is quickly dispersed to businesses.

Conclusions and Recommendations

26. The TUC recognises the benefits that can accrue from a local or “functional economic area” focus in terms of delivering labour market interventions.

27. However, we believe that LEPs should:

- Have sufficient capacity, economies of scale, vision and strategic leadership to meet the considerable challenges ahead;
- Reach out to stakeholders, including trade unions; and
- Work more closely together and with national initiatives and partners.

28. Government and BIS should:

- Invest in LEP capacity so they can do the job for which they have been established;
- Promote the role of social, economic and environmental partners, including trade unions, in the development and delivery of LEP strategies;
- Co-ordinate LEP activity with broader strategic goals, particularly in the areas of sector support, skills, affordable housing and the just transition to a low carbon economy which is not happening at present; and
- Ensure that effective arrangements are in place for LEPs to work together to meet wider spatial needs and objectives and to effectively access EU funding when its own arrangements in the area are being developed.
29. With regard to the RGF, the government should:
   — Take steps to speed up the processes in proceeding from initial bid to completed financial
     agreement and project start-up—giving clearer guidance and , where necessary, earlier
     intervention at local level prior to bid to ensure a greater level of successful take up. This will
     require ensuring that government resources are sufficient at a local level to support this work.
   — Take into full account the the quality and type of jobs that will be created and/or safeguarded
     by bids.
   — Consider what role LEPs could play in encouraging, supporting and potentially co-ordinating
     applications for RGF funding.

29 June 2012

Written evidence submitted by UK Contractors Group

1. The UK Contractors Group (UKCG) is the primary association for over 30 leading construction contractors
   operating in the UK. Between them UKCG members account for £33 billion of construction turnover which is
   a third of UK construction total output.

2. Local Enterprise Partnerships (LEPs) have been given an integral role in driving local growth and job
   creation. It is essential that LEPs grab hold of the agenda, and create a strong environment for growth and
   attracting inward investment. The construction sector is uniquely placed to deliver these objectives and there
   must be a stronger dialogue between LEPs and the industry. At present links are patchy.

3. With over a million young people unemployed, and with the economy having slid back into recession,
   local decision makers need to recognise the economic benefits that investing in construction will deliver. Research
   shows that:
   — Every £1 invested in construction generates £2.84 in total economic activity due to the industry’
     s long and varied supply chain.
   — Up to 95 pence in every pound spent on construction in each region of the UK is retained in
     the local area.
   — Construction is a labour intensive sector that provides work and training for people from all
     educational backgrounds.

4. Further progress is required in making the economic case for construction to LEPs and other local decision
   makers. Regional leaders need to shout louder to attract infrastructure investment—particularly in areas such
   as the North East and Yorkshire who have been allocated a lower share of planned infrastructure spending.

5. While the construction sector is facing challenging economic conditions, capacity in the industry could
   be quickly mobilised to cope with any additional infrastructure investment. Capacity in construction is about
   finance and people—with employment levels dependent on the number of projects being delivered. According
   to CITB ConstructionSkills 45,000 jobs have been lost in the industry this year, and over 200,000 since
   2008–09 when the recession began to bite. However contractors could quickly attract people back into the
   industry provided there was certainty on future workflows. In particular, resources could quickly be deployed
   for refurbishment projects which are labour intensive and an effective way to stimulate local employment. This
   submission makes clear that:
   — Construction can be a driver of regional economic growth.
   — Government plans for infrastructure investment have strong regional disparities.
   — Local decision makers need to attract infrastructure investment, and utilise regional growth
     funds.

Construction can be a Driver of Regional Economic Growth

6. Investing in construction will drive growth at national and local level. The simulative effect of investing
   in construction—with every £1 generating £2.84 in total economic activity—outweighs other sectors.

7. The economic case for construction is increasingly recognised by national government, through the
   national infrastructure plan and the publication of a £250 billion pipeline of infrastructure projects to be
   delivered over the next decade. However the case is not always fully understood at local level.

8. Despite the downturn, construction remains well placed to kick-start regional growth. Research
   commissioned by the UKCG shows the continued contribution construction makes to different parts of the UK:
CONTRIBUTION OF CONSTRUCTION TO REGIONAL ECONOMIES

<table>
<thead>
<tr>
<th>Region</th>
<th>Share of regional GVA (%)</th>
<th>Share of regional workforce (%)</th>
<th>Money retained in region (pence per £1 of construction spending)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>7.3</td>
<td>7.2</td>
<td>89.7</td>
</tr>
<tr>
<td>North West</td>
<td>6.8</td>
<td>6.3</td>
<td>92.5</td>
</tr>
<tr>
<td>Yorkshire &amp; The Humber</td>
<td>7.0</td>
<td>7.0</td>
<td>91.8</td>
</tr>
<tr>
<td>East Midlands</td>
<td>7.4</td>
<td>6.5</td>
<td>90.1</td>
</tr>
<tr>
<td>West Midlands</td>
<td>7.0</td>
<td>6.3</td>
<td>91.5</td>
</tr>
<tr>
<td>East of England</td>
<td>7.9</td>
<td>7.7</td>
<td>89.7</td>
</tr>
<tr>
<td>London</td>
<td>4.1</td>
<td>5.2</td>
<td>89.3</td>
</tr>
<tr>
<td>South East</td>
<td>6.6</td>
<td>7.3</td>
<td>94.6</td>
</tr>
<tr>
<td>South West</td>
<td>6.8</td>
<td>7.5</td>
<td>94.8</td>
</tr>
<tr>
<td>Wales</td>
<td>6.4</td>
<td>7.5</td>
<td>90.9</td>
</tr>
<tr>
<td>Scotland</td>
<td>7.1</td>
<td>6.7</td>
<td>92.9</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>7.8</td>
<td>7.2</td>
<td>88.4</td>
</tr>
</tbody>
</table>

Source: Making the economic case for construction, CEBR/Glenigan, November 2011.

9. Construction contributes between 6–8% of GVA across different regions providing a strong platform on which to build. In addition the nature of construction, with the vast majority of labour and materials locally sourced, means the benefits of investment are retained in the area. For example, as Exhibit 1 shows, 94.8 pence in every pound spent on construction in the South West stays in the local economy.

10. The recession bit the construction economy hard, with the impact felt differently across different parts of the UK. The largest decline in construction activities were in the North of England, Wales and Northern Ireland with an average fall of output of 16.6% between 2007–10. The South of England did much better, with a 3.7% average decline, but only 2.5% across London and the South East. However it is these Northern regions who are losing out when it comes to securing future infrastructure spending.

GOVERNMENT PLANS FOR INFRASTRUCTURE INVESTMENT HAVE STRONG REGIONAL DISPARITIES

11. As part of its national infrastructure plan, the government has published a pipeline of national and local infrastructure projects worth £250 billion over the next decade. But UKCG analysis of the infrastructure pipeline has found regional variations:

Exhibit 2

Value of regional infrastructure projects (£bn)

Source: UKCG analysis of national infrastructure pipeline.

12. While all regions will benefit from high-profile national level programmes such as the HS2 rail link, almost 60% of projects allocated to a specific region are in London and the South East. Regions in the North of England, particularly the North East and Yorkshire & Humber fare less well through the pipeline, despite being areas of high unemployment. The rate of unemployment in Yorkshire is 9% and 11.5% in the North East—compared to a national average of 8.2%.
13. The government has also published a “funded construction pipeline” detailing public projects where funding has been agreed. This covers 600 projects, and totals £40 billion of spending to 2015. But as Exhibit three shows, Northern regions continue to lose out when it comes to securing regionally based projects:

![Exhibit 3](image)

**Value of regional construction projects (£bn)**

Source: UKCG analysis of funded construction pipeline.

**Local Decision Makers need to Attract Infrastructure Investment, and Utilise Regional Growth Funds**

14. The UK Contractors Group has been trying to build relations with LEPs to emphasise the importance of infrastructure investment. Investing in construction does not just have short term economic benefits; longer term having strong economic infrastructure will attract business investment to the area and LEPs must have a clear infrastructure strategy. A recent CBI business survey found 82% of firms saying the quality of transport networks was a significant consideration in making investment decisions; with corresponding figures for energy (80%) and digital networks (75%).

15. A number of further steps are required to ensure the benefits of construction and infrastructure investment are fully realised at local level—particularly in those Northern regions who are losing out under current investment plans:

- **Local decision makers making the case for infrastructure investment:** LEPs and other decision makers must be pro-active in making the case for investment in their area. Having a strong relationship with the construction sector will inform that work, and all LEPs should have construction representation on their boards. UKCG’s Creating Britain’s Future campaign being launched in July, with the support of major contractors, will highlight the economic, employment and social benefits of construction to decision makers and the wider public. While it will initially be London based to coincide with the Olympics, it will subsequently be rolled out across the country.

- **Making innovative use of regional funds:** LEPs can attract additional spending on infrastructure related projects through maximising regional growth funds, and other regional and European funding pots. Bids do not necessarily have to be focused on a piece of infrastructure (a road or bridge), it could a new factory—with the construction sector playing a role in the new build. For example, the Sheffield City Region Local Enterprise Partnership recently approved £2.4 million funding from its Growing Places Fund for the Chesterfield Waterside development. Over 400 applications are competing for a share of £1 billion funding in the third round of the Regional Growth Fund—and we would appreciate the Committee pressing BIS on how many are construction related.

- **Providing a clear future pipeline of investment plans:** By publishing national infrastructure and construction pipelines, Ministers have begun to provide greater certainty to the construction industry on future workloads. The public sector remains the industry biggest customer, and clear decisions from government departments on projects will give contractors the certainty they need to plan ahead. In particular, a robust forward pipeline of public sector projects is the single most important thing that can be done to increase confidence within an SME dominated supply chain where many firms are under severe financial pressure.

To make the pipelines as effective as possible both national and local government need to contribute information on planned projects. The Local Government Association has recently
expressed scepticism over local authorities co-operating with the pipelines. This is disappointing and contractors would like to see local authorities and LEPs working with government to provide the construction industry with clear information on planned future work.

9 July 2012