



12th August 2010

Dear Sirs

Re: Business, Innovation and Skills Committee inquiry into the New Local Enterprise Partnerships

Rocket Science and Rose Regeneration Ltd are pleased to submit our written evidence for the inquiry into the New Local Enterprise Partnerships.

We have independently consulted with a broad range of local authorities on the development of Local Enterprise Partnerships, engaging over 100 local authorities during July and August 2010. This consultation has encompassed a wide range of stakeholders from within local government, comprising policy makers and commentators and featured in number of press articles in titles such as "Regeneration and Renewal" and "Local Government Chronicle".

Our findings and recommendations are set out below which we hope you will consider as part of this inquiry.

We confirm that we are happy for this information to be published, alongside our full report and would welcome the opportunity of presenting this as oral evidence.

For further information please contact Caroline Masundire at the address below.

Yours faithfully

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Memorandum

1. Summary of points

- ⇒ Whilst the consideration of geographical boundaries is important it should not be allowed to detract from the core issue at the heart of the Local Enterprise Partnership design process – namely the practical economic renewal priorities LEPs should address. Form will then follow function.
- ⇒ The most important priority in terms of geography concerns the need for a clarification on the London position on LEPs.
- ⇒ Business engagement and representation is a key issue. LEPs will need to find a way of getting business round the table. Businesses will only meaningfully engage with LEPs if the organisations have “teeth” enabling them to feel their involvement provides a meaningful expression of their corporate social responsibility. Flexibilities on local business rates and influence over support for businesses, including skills, are examples of potential opportunities that will encourage the involvement of business.
- ⇒ Whilst the Regional Growth Fund is important, it might not be available to all areas, therefore it is important for LEPs to consider other sources of revenue and investment. There is an important judgement call to be made in this context, as to the distribution of assets formerly managed at the local level by RDAs. Where they are not toxic, consideration should be given to vesting them in local authorities or LEPs.
- ⇒ Dialogue between sub-regional bodies and Government needs to be maintained, but will be difficult with the removal of regional bodies such as Government Offices. Will Government need to set up a national LEP panel of representatives in order to ensure collaboration and good practice?
- ⇒ LEPs should focus on local issues and priorities. The previously and now swept away overweening approach to the direction and management of economic development from the centre should be avoided.

2. Introduction

Rocket Science and Rose Regeneration are economic development and regeneration businesses, providing economic development and regeneration support to the public, private and third sectors. In 2008 we formed a strategic alliance to work together with 17 authorities to develop a series of tools, learning, practice and support for the local government sector to enable them to produce a Local Economic Assessment as a statutory duty. This work was funded by the Department of Communities and Local Government and delivered on behalf of the Improvement and Development Agency (now known as Local Government Improvement and Development) and Planning Advisory Service.

We currently provide a 'hands on' service to authorities and their partners in developing their assessment as well as manage an online learning community of 800 practitioners. There are significant resonances between the Local Economic Assessment Duty (now under review) and the issues underlying the development and formation of LEPs. Not least in terms of the identification of Natural Economic Areas.

On 29th June 2010, Business Secretary Vince Cable and Communities Secretary Eric Pickles invited authorities and business to develop proposals for establishing a Local Enterprise Partnership (LEP) to be submitted to government by 6th September 2010¹. A White Paper is due for publication later this summer which may be too late to help inform these proposals. In view of the short timescale proposed we undertook an independent consultation with local authorities on their views for developing a LEP. This took the form of

An online survey which went live on 24th June and closed on the 5th July 2010. 69 Councils completed the survey.

A roundtable event held on the 10th August 2010 in London to discuss issues from the local authority perspective and in particular the role of business. 56 individuals attended from 33 local authorities. A further roundtable is being held in Newcastle on the 25th August 2010.

In all over 100 local authorities have participated in this independent consultation and the following evidence submission provides an overview of the key findings and emerging issues.

3. Consultation summary

3.1 The most significant things local authorities told us during the survey:

- ⇒ There is a broad consensus about the importance of Natural Economic Areas (NEAs) as the common denominator for LEP boundaries.
- ⇒ There is no significant negativity about the issue of private sector leadership. Neither is there any consistent advice or activity within current authority thinking on how this might be most effectively addressed, to ensure individuals of the right calibre and quality are recruited.
- ⇒ Functionally, local authorities feel that business support and inward investment should be central roles for LEPs, whilst there is emerging thinking that these roles might be led nationally. There is clearly scope to join national leadership and sub-regional delivery up effectively but this is a key area for early thinking in the development of LEPs.
- ⇒ There is relatively less enthusiasm for giving LEPs significant responsibility for planning and transport. This could be based on an emerging concern that LEPs might become “mini regional assemblies” by default. It is also a concern that LEPs may be in danger of trying to focus on too many things and not on driving up private sector growth.
- ⇒ In two tier areas there is a danger that district councils will be marginalised in the development of the LEP agenda. It is clearly not appropriate to give them a “veto” in terms of the development of partnerships which will work at higher geographical levels, but emerging thinking, as in the development of the current duty to undertake a Local Economic Assessment, should put an onus on their engagement.
- ⇒ There is limited enthusiasm for a “big bang” approach to the development of LEPs. Most authorities prefer having the flexibility to build pragmatically on existing structures and arrangements which work. However, there is little enthusiasm for LEPs to follow current RDA boundaries and there is emerging evidence of significant interest in LEPs straddling traditional regional boundaries where it makes economic sense.
- ⇒ At the time of the consultation, there was already significant activity underway to prepare the ground for the development of LEPs, although with a Government commitment to less prescription, there is a danger that time and effort could be wasted if LEP proposals do not reflect the ambitions set out in the forthcoming White Paper. They also have the danger of not being aligned to the impact of outcomes from the Comprehensive Spending Review due in October 2010.

¹ <http://www.communities.gov.uk/newsstories/newsroom/1626460>.

3.2 Emerging issues

Following our recent roundtable event, a number of issues emerged around the findings identified in the survey and recent press announcements:

- ⇒ There has been a lot of discussion on geography and defining NEAs. There is a danger that this takes up time and could still be inconclusive; the important thing is for areas to focus on the 'ask' and what an LEP should pitch for and manage.
- ⇒ The most important priority in terms of geography concerns the need for a clarification on the London view on LEPs. Those boroughs that share their Natural Economic Area with counties in the greater south east will need guidance on how to approach these relationships outside the confines of the London boundary.
- ⇒ Business engagement and representation is a key issue. LEPs will need to find a way of getting business round the table. Businesses will only meaningfully engage with LEPs if the organisations have "teeth" enabling them to feel their involvement provides a meaningful expression of their corporate social responsibility. There has been significant "jockeying for position" by national business fora for influence in terms of this agenda, whilst this is perfectly understandable, it should not mask the fact that real change will be most effectively achieved by participation from actual businesses with a real and local LEP context. Flexibilities on local business rates, influence over support for businesses, including skills, are examples of potential opportunities that will encourage the involvement of business.
- ⇒ Whilst the Regional Growth Fund is important, it might not be available to all areas therefore it is important for LEPs to consider other sources of revenue and investment. There is an important judgement call to be made in this context as to the distribution of assets formerly managed at the local level by RDAs. Where they are not toxic, consideration should be given to vesting them in local authorities or LEPs. Local management and joining up of these with other local resources is likely to represent better value for money than seeking to sell them to third parties. This is because the encumbrances and complexities underpinning them will make their liquid asset value far less than what might be described as their "indigenous regeneration" value.
- ⇒ Dialogue between sub-regional bodies and Government needs to be maintained, but will be difficult with the removal of regional bodies such as Government Offices. Will Government need to set up a national LEP panel of representatives in order to ensure collaboration and good practice?
- ⇒ LEPs need to be setting the agenda for the key performance indicators upon which they would be judged and measured, and clarity is needed on who will be scrutinising the performance of the LEPs at national level. LEPs should focus on local issues and priorities. The previously and now swept away overweening approach to the direction and management of economic development from the centre should be avoided.

A final point is that the focus for all areas has to be on driving up employment growth in the private sector. As employment in the public sector reduces, areas will have to focus energies on investing in the private sector where it will have the greatest impact. This may lead, however, to difficult decisions on:

- where to focus funding;
- how to make sure that the labour market is sufficiently connected to those opportunities;
- how to support local areas where they may not fit within a tightly defined investment approach.

3.3 Findings from the survey

3.3.1 What should be the key areas of interest for LEPs?

The letter sent to all local authorities and business leaders on 29 June 2010 suggested that both inward investment and business support should be managed nationally. It also hinted at the development of planning and transportation roles within LEPs. Our survey, undertaken before the publication of this letter, indicates strong local authority support for the retention of a local or sub-regional focus for inward investment and business support along **with limited enthusiasm for more substantively involving LEPs with planning and transport issues:**

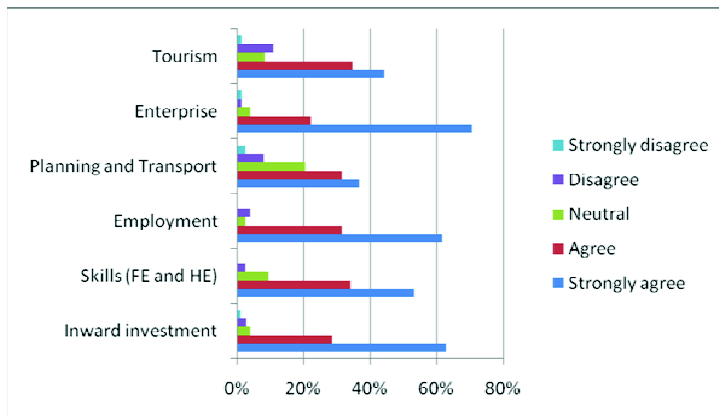


Figure 3: Core areas of interest.

3.3.2 What is the most appropriate area for a LEP to cover?

Our findings show that in the spirit of localism, the majority of authorities believe it is up to them to lead on identifying the most appropriate area. Reassuringly, other responses (when combined), show that authorities will focus on Natural Economic Areas (also referred to as Functional Economic Market Areas).

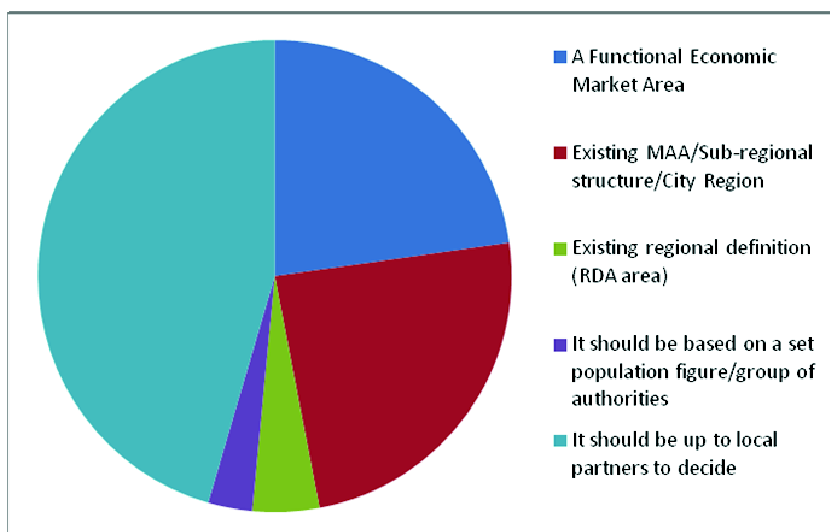


Figure 4: What should be the geographic scope of a LEP?

3.3.3 How should LEPs develop?

Authorities and partners are keen to work pragmatically and avoid “re-inventing the wheel”. More than half of respondents indicated their intention to build on existing partnerships rather than start from scratch. It will be important, therefore, for Government to clarify their position soon on the future of existing formal partnership arrangements such as Employment and Skills Boards, Multi-Area Agreements and City Regions.

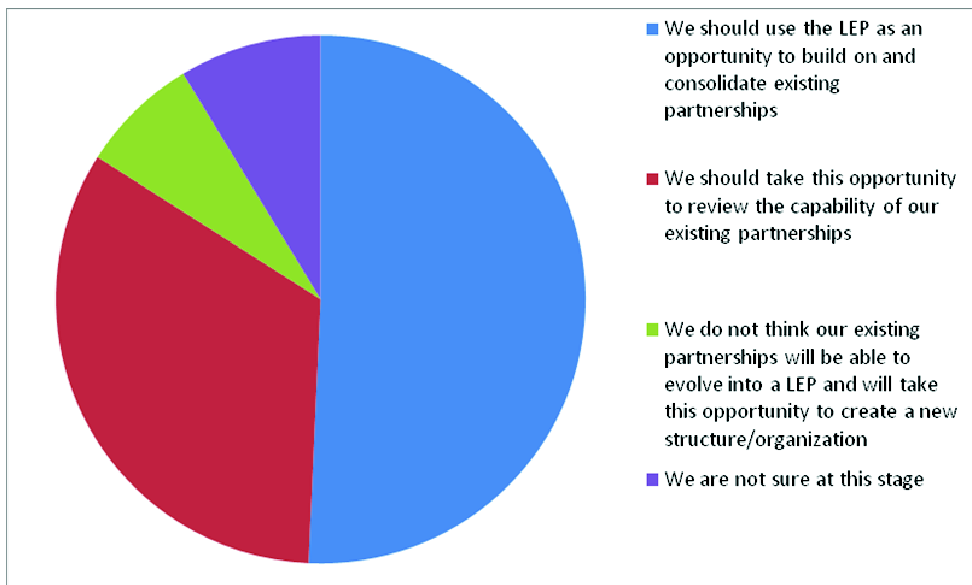


Figure 5: Out of the following options, which best describes your views on how LEPs should be developed?

3.3.4 The challenges for developing LEPs

Undoubtedly LEPs are an opportunity to create a new environment for private and public sector working. But there is a challenge around timescales. History and experience shows us that setting up and running an effective organisation does not happen overnight. There is often a considerable lead-in time before an organisation functions at full capacity. Additional challenges include;

- Resourcing an organisation in a time of spending cuts and without any current indication from Government about how it might contribute to the costs,
- Attracting the right skills and leadership and,
- Partners' commitment to work sub-regionally.

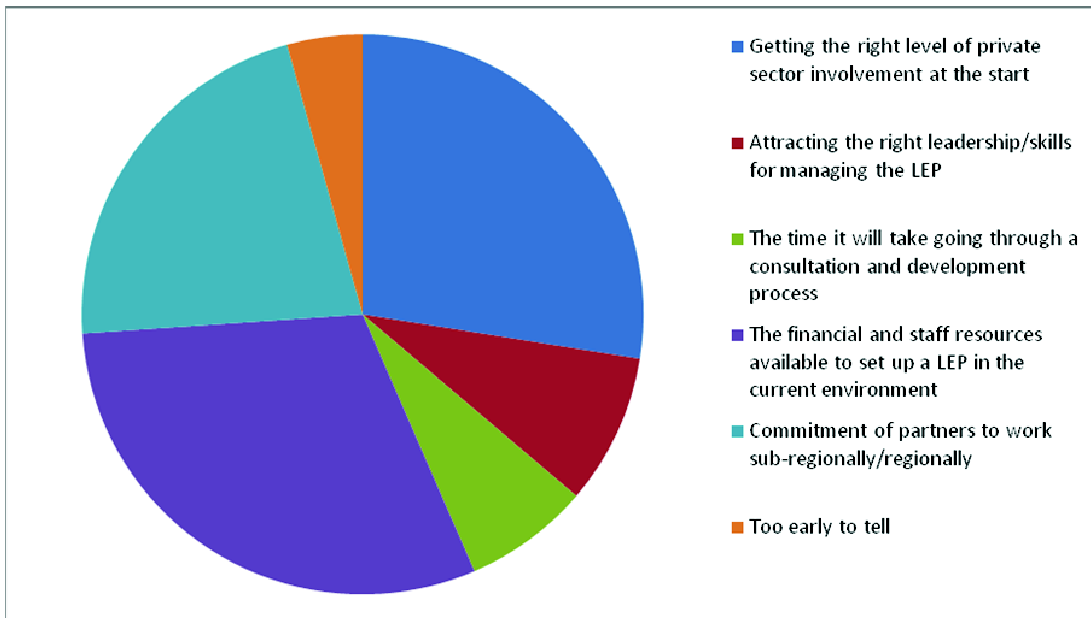


Figure 6: Which of the following do you think will be the biggest challenge in creating a LEP?

Partners will also need to determine the key role and function of the LEP. The survey suggested agreement on three areas; 1) pooling of partner resources and distribution of investment, 2) research and development and – unsurprising in this climate – 3) lobbying Government for resources.

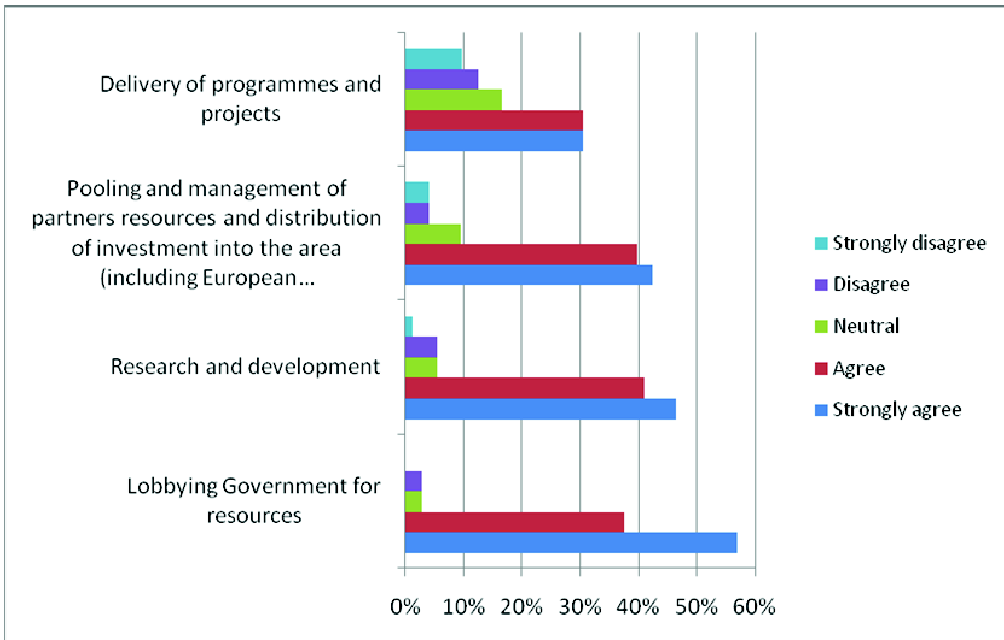


Figure 7: Core functions of the LEP.

There is less agreement around delivering programmes and although 60% either agree or strongly agree that they should deliver programmes, many of the supporting comments state that LEPs should focus on being **commissioners**, rather than **deliverers** of services.

3.4 Preparing for the future

The survey revealed that a third of authorities were working up their proposals with a further third in preliminary discussions. It is important that Government moves quickly to set out more detail about the evolution of LEP. When analysing responses by authority type, district authorities appeared to be waiting for what comes out of the consultation. Districts will need to start a dialogue with their upper tier to ensure that their needs are taken into consideration, by using their influence through the Local Development Framework, their strategic housing responsibilities and their access to local businesses.

At the time of writing this report there was little information about how European Funds would be managed locally and whether they would come under the role of the LEP. The Government will need to provide clarification on this as proposals are being developed.

Finally, authorities were asked to estimate when they might be able to have a LEP in place and ready for business. When responses are combined, more than two thirds stated these could be open within six to twelve months. There is an interesting balance to be struck here, with RDAs likely to run until March 2012, there is ample time to carefully plan and develop the formation of LEPs. On the other hand, the transfer of responsibilities and need to maintain momentum around the proposed changes are persuasive arguments for moving quickly.

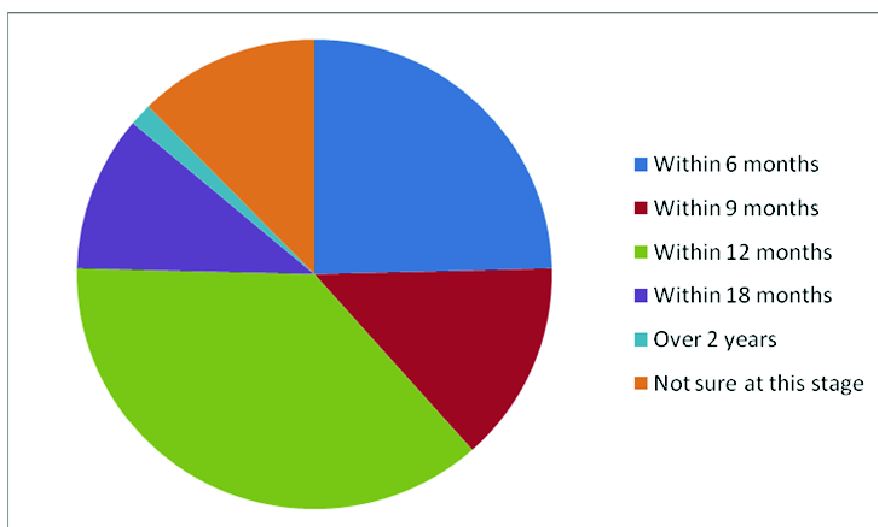


Figure 9: When do you think that you could have a LEP in place?

3.5 Reflections for the future

We are entering a new era with an emphasis on localism. This requires changes in thinking and behaviour from Government to local authorities, civil servants to members, business leaders and partners - but learned behaviour cannot change overnight. As we make the first steps to creating LEPs, we must embrace the opportunity to;

Challenge the way in which we have done things in the past,
Keep what is useful and what works, and,
Create the right structures and conditions that bring the best of the private and public sector together.

One of the key lessons we have learnt about managing organisational change is to mitigate “intellectual flight”. Local areas have amassed significant intellectual capital across their partnerships and organisations. If we are to deliver on the Government’s aspirations for local economic renewal then organisations have to find a way of keeping the skills and capabilities they have developed and learn the new language and behaviours that ‘less prescription’ brings.

In the current rush to save resources and plan more efficient approaches to service delivery (including economic development), there is a danger of turning off a number of initiatives which give legitimacy and add value to the work of the public, private and voluntary and community sector organisations – organisations that will have a key role to play in the Localism agenda.

For example, data and evidence collected as part of the Local Economic Assessment (LEA) reflects the unique nature of places that will be key to the geographical and service rationale for LEPs. The current duty to produce these assessments helps move established and received behaviour in the context of economic development onto the right agenda using an evidenced based approach to intervention, thus providing an effective contribution to the development of LEPs. There is a danger that this duty will be scrapped in the current “bonfire” of duties and responsibilities. It should be retained because of its practical value in having an evidence base to understand the potential and constraints of local economies and key to informing the investment decisions and strategic priorities of LEPs.

4. Recommendations

In view of the findings of this consultation and our work with local authorities we ask that the following recommendations are reviewed as part of the inquiry.

4.1 The financial context for the operation of LEPs needs to be worked out as soon as possible. This should involve;

- Setting out more specifically their role in terms of the proposed Regional Growth Fund,
- Development of a policy in terms of the vesting of non toxic RDA managed assets in them or local authorities,
- Consideration of whether there should be universal coverage of England by LEPs and if not, how national government should support the regeneration priorities (which will still exist in pockets) in more “affluent” areas.

4.2 The duty to conduct a Local Economic Assessment (LEA) or a duty for authorities within a LEP to produce this at the Natural Economic Area level, should be retained as a tool to baseline and measure the impact of LEP activity on economies as well as provide the evidence base for investment and strategic priorities.

4.3 LEPs should be encouraged to deliver, with Government facilitating support where needed, in tangible activities that will engage and retain meaningful business engagement including:

- Influence over local business rates;
- Practical engagement with the commissioning/management of national programmes at the local level on skills, employment, specifically the Work Programme and business support;
- Flexibility to coordinate inward investment activity either as an individual LEP or as a coalition of LEPs.