Local Institutions and Local Economic Growth: The State of the Local Enterprise Partnerships (LEPs) in England - A National Survey

Andy Pike (SERC, CURDS, Newcastle University)
David Marlow (Third Life Economics, CURDS, Newcastle University)
Anja McCarthy (CURDS, Newcastle University)
Peter O’Brien (CURDS, Newcastle University)
John Tomaney (SERC, The Bartlett School of Planning, UCL)

November 2013
This work is part of the research programme of the independent UK Spatial Economics Research Centre funded by a grant from the Economic and Social Research Council (ESRC), Department for Business, Innovation & Skills (BIS) and the Welsh Government. The support of the funders is acknowledged. The views expressed are those of the authors and do not represent the views of the funders.

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Andy Pike*
David Marlow**
Anja McCarthy*
Peter O’Brien*
John Tomaney***

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* Centre for Urban and Regional Development Studies (CURDS), Newcastle University
** Third Life Economics and CURDS and Newcastle University
*** The Bartlett School of Planning, UCL

Acknowledgements
We would like to acknowledge the support of the Spatial Economics Research Centre (SERC) funded by ESRC, BIS and WAG. Thanks for the comments on earlier versions of this paper to the participants in the CURDS and Regional Studies Association Seminar ‘The State of the LEPs’ Newcastle Upon Tyne, March 2013 and the Cambridge Economics Society Conference ‘Local Economic Growth: Recessions, Resilience and Recovery’, Cambridge University July 2013; and the funders of SERC. The usual disclaimers apply.
Abstract
This study seeks to take stock of where the LEPs are at and where they are heading by analysing their strategies and priorities, organisation and governance, resources, effectiveness and working relations, innovations, lessons learned, and future barriers and challenges.

Keywords: Local, Institutions, Economic Growth, Local Enterprise Partnerships, England
JEL: H70, O10, O20, R58
1. Introduction

Three years on from the proposal sent by the Secretaries of State for Business, Innovation and Skills (DBIS) and Communities and Local Government (DCLG) “to invite local groups of councils and business leaders to come together to consider how you wish to form local enterprise partnerships” in order “to work with the Government to help strengthen local economies”, a new landscape of economic development governance has emerged in England¹. Since 2010, a total of 39 new ‘Local Enterprise Partnerships’ (LEPs) have now been established and recognised by Central Government in the wake of the dismantling of the 8 sets of regional level arrangements outside London² (Figure 1).

Early assessments of the fledgling institutions have been mixed and, in some quarters, critical and sceptical. Reports from the Centre for Cities and The Work Foundation described uneven progress in getting started, lack of business engagement and even disenchantment, an acute shortage of resources, and doubts as to the longevity of LEPs³. The All Party Parliamentary Group (APPG) on Local Growth, Local Enterprise Partnerships and Enterprise Zones’ initial enquiry did not address the question of how effective the LEPs were but instead focused on recommendations, principally to Government, on preconditions for making them viable and sustainable including providing modest amounts of core funding to cover operational costs, consolidating the existing funding streams available to LEPs, and devolving funding and powers to LEP areas, building on the first wave of City Deals⁴. The Chief Economic Development Officers’ Society (CEDOS) and Association of Directors of Environment, Economy, Planning and Transport (ADEPT) report found that local authority support had proved critical to the development of LEPs⁵. The Smith

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¹ Letter from Vince Cable and Eric Pickles to Local Authority and Business Leaders, 29 June 2010.
Institute and Regional Studies Association collection argued that LEPs lacked the capacity of the Regional Development Agencies, and their initial role and functions were ambiguous.

**Figure 1: Local Enterprise Partnerships, 2013**

Since 2012, the context has changed rapidly following the Government’s commissioning of Lord Heseltine’s Growth Review and its recommendations greatly to enhance the roles and responsibilities for LEPs as well as increase and integrate their finances. Against this shifting backdrop, the BIS Select Committee called for Government to provide greater certainty and security for LEPs to promote longer-term growth by providing core funding for five years from 2015 and to bring forward details of how the proposed ‘single funding pot’ would work. The CBI expressed concern about the continued uncertainty for business created by the large disparities.

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between the structure, priorities and achievements of LEPs across England and called for LEPs to be equipped with statutory powers alongside minimal core annual funding. The Smith Institute and Regional Studies Association’s further analysis argued that if LEPs were to perform effectively then they needed sufficient resources, such as assured revenue and access to capital and project funding. The APPG’s report on LEPs and skills called on all political parties to make a manifesto commitment to devolve a well-resourced package of funding and responsibilities to LEPs and City Deals.

The Government’s initial response to Lord Heseltine’s report was positive indicating – in a Ministerial Foreword – that it would act “across the board on his recommendations” – and in particular on the proposals to establish a ‘Local Growth Fund’. The 2013 Comprehensive Spending Review (CSR 2013) confirmed the size of the Local Growth Fund (LGF) from 2015-16 (£2bn per annum), and identified a number of other funding streams that LEPs would have ‘strategic influence’ over by 2020-21. The size of the initial allocation to the LGF has disappointed many, as it fell short of Lord Heseltine’s recommendation for a £12bn annual pot over four years. The part-competitive bidding process, that will determine LGF allocations, points towards the demonstration of effective strategy, governance and capacity as being critical to individual LEPs successfully winning a share of the new Fund.

Three years on from their introduction, and against the backdrop of a mixed picture of their performance in a shifting context, it is timely to take stock of where the LEPs have got to and what issues they face for their future development. Building our understanding and analysis of empirical evidence from existing studies focused upon

individual or groups of LEPs\textsuperscript{15}, the aim of the study reported here was to undertake, at a point in time, the first national survey of all 39 LEPs in England and examine their current position and prospects. The methodology and research design were based on three connected elements: i) semi-structured interviews with Chairs and/or Chief/Senior Officers in all 39 LEPs (100\% response rate; 13 (33\%) were conducted face-to-face) undertaken between December 2012 and February 2013; ii) a review of secondary sources (e.g. LEP websites, The LEP Network reports, Government documents and independent studies)\textsuperscript{16}; and, iii) a follow-up exercise to gather additional technical data on staffing and finances\textsuperscript{17}. Drawing upon this first national review of all 39 LEPs across England, this report presents analysis of their strategies and priorities, organisation and governance, resources, effectiveness and working relations, innovations, lessons learned, capacity building issues, future barriers and challenges.

Although diversity and variety across a range of dimensions is marked amongst the 39 LEPs, their role and contribution is being compromised by a fragmented and shifting landscape of economic development governance and the absence of a longer-term vision and plan for their development. Concerns are being generated by unresolved tensions between centralism and localism, competition and collaboration, agility and ‘bureaucratisation’, and whether or not the ‘LEP Family’ develops a more coherent collective voice and begins to articulate its interests with Central Government. These issues are being exacerbated by the existence of differential and overlapping approaches to functional economic geographies within the ‘LEP Family’. Given the lack of initial long-term vision and strategy for their development, the fundamental tensions yet to be resolved and their institutional deficits and limitations in authority, accountability, capability and resources, at this stage in their evolution, the findings suggest that many LEPs will struggle to exercise substantive influence upon economic

\textsuperscript{15} See, for example, Bentley, G., Bailey, D. and Shutt, J. (2010) “From RDAs to LEPs: A New Localism? Case examples from West Midlands and Yorkshire”, \textit{Local Economy}, 25, 7, 535-557.


\textsuperscript{17} We would like to acknowledge the input into the design of the survey instrument of Jane Hall, (DBIS), Ben Stoneman (DCLG) and Lorna Gibbons (The LEP Network).
growth at the local level. Continued state austerity, chronic low growth and brittle and uncertain economic conditions in the short and medium-term will further trouble this central task.

2. Institutions and local economic development

Examination of the particular case of the LEPs in England sits within a broader strand of international research focused upon the role of institutions in the promotion or hindrance of economic growth\(^\text{18}\). Arguments that institutions are necessarily distortions and bureaucratic hindrances to the free and fair operation of the market economy have been questioned\(^\text{19}\). Similarly, the case for institutions as a kind of ‘magic dust’ capable delivering successful economic growth and development in any circumstances has been challenged\(^\text{20}\). As a consequence, institutions have received growing recognition of their role and importance in the economy. Helpman\(^\text{21}\) even concludes that:

institutions affect the incentives to reorganize production and distribution in order to exploit new opportunities, and the incentives to accumulate physical and human capital. For these reasons institutions are more fundamental determinants of economic growth than R&D or capital accumulation, human or physical.

International research has sought to address the lack of clarity and precision in exactly what institutions are and how, why and where institutions foster or inhibit particular kinds and degrees of economic growth and development in different settings. The research has distinguished between formal or ‘hard’ institutions such as laws and organisations and informal or ‘soft’ institutions such as culture and tradition as well as the institutional environment or context and the institutional arrangements or actually


existing organisations and rules22. Often focusing on different institutional arrangements at the national level23, studies have sought to discern how such institutions interact and work in a range of ways: diagnosing and interpreting economic growth issues; leading and decision-making; articulating courses of action and paths of development; facilitating dialogue and negotiation; formulating strategy and priorities; providing voice in multi-level and multi-actor systems of government and governance; co-ordinating, integrating and mobilising actors; fostering linkages between public, private and civic sectors; generating, pooling and directing resources; and, setting the framework and incentives that shape the individual and collective choices and behaviours of economic actors24.

In sum, this work is trying to understand, explain and analyse evidence of the ways in which institutions provide and support the connections and relationships between multiple actors in the public, private and civic sectors working at different levels – from the supranational, national, regional, local and urban – to design, develop and deliver effective public policy in support of economic growth.

In policy circles too, institutions are receiving greater attention given their role in supporting and nurturing economic growth and development at a range of scales. Indeed, the role of institutions in diagnosing and managing local and regional context is central to the debate between place-based and spatially-blind approaches to economic development policy25. Organisations such as the Organisation for Economic Co-operation and Development (OECD) claim that for economic growth:

Institutional factors are also critical. Formal and informal institutions that facilitate negotiation and dialogue among key actors in order to mobilise and integrate them into the development process are vital, as are those that enhance policy continuity. At times, the challenge is to create institutions that strengthen the region’s ‘voice’ in dealing with other regions and countries and those that foster linkages among the private, public and education sectors\(^\text{26}\).

Focusing upon the ways in which some regions get trapped in low growth trajectories, OECD highlight in their explanation the importance of ‘institutional bottlenecks’. These include poor mobilisation of stakeholders, lack of continuity and coherence in the implementation of policies by institutions, institutional instability, lack of a common and strategic vision, and lack of capacity and gaps in multi-level governance frameworks. Addressing the relative gap in understanding and empirical analysis at the local level, this study of the empirical experience of the LEPs in England draws upon and is informed by these wider currents in understanding the role of institutions in economic growth.

3. **Strategies and priorities**

A critical element of the role of institutions in local economic growth is in leading in devising and formulating strategy and deciding upon priorities in concert with relevant actors from the public, private and civic spheres. Diversity and variety in the economic conditions and potential within the LEPs have been critical in shaping their strategy-setting and prioritising activities. As Figure 2 illustrates, there are wide differences between the LEP areas in their economic performance based on GVA per head. Better performing LEP areas have therefore had to address questions about the qualitative nature of growth – for example which economic activities and sectors are targeted and how growth can be sustained and infrastructure provided – while poorer performing LEP areas have had to confront different issues about putting in place the conditions for growth – for example in assembling land, premises, infrastructure and skills.

Broadly, four different types of strategy were discernible, although several constituted mixed hybrids, and were shaped by the particular genesis and character of the LEP. The types of strategies comprised those: i) focused on the LEP area as an economic geography; ii) focused on the LEP as an institution; iii) based on rolling forward an already existing strategy; and, iv) the product of a new formulation exercise. Around half of the LEPs inherited their strategy – either implicitly or explicitly and to a greater or lesser degree – from previous area-based economic strategies framed by a RDA sub-regional partnership or local authority Local Economic Assessment. In this case, the strategy and priorities tended to be put to and discussed with LEP boards prior to adoption. Where new strategies have been developed and approved these tended to be commissioned as part of an external consultant-led process, or in some cases ‘pulled together’ by an executive, with board deliberations using specific workshops. Significantly, in the context of Government’s ‘What Works’ agenda\textsuperscript{27}, use of evidence bases, formulation and consultation has been inconsistent. Although a substantive group of LEPs were active in engaging key local actors in developing and ‘owning’ local strategies and priorities. The changed and new geographies of many LEP areas

have reduced the value of existing investments in evidence base development especially by the RDAs, either creating a gap in evidence for the LEP to confront or more often forcing the LEPs into using scarce resources to commission new studies relevant to their new geographies and changing contexts.

The other key difference in the character of strategies and priorities is whether they were about the area or about the LEP’s contribution to an area – the latter being more akin to a business strategy for an organisation or corporate plan. In general, where the LEP is intended to be an instrument of the local authorities (again either explicitly or implicitly), the strategy and priorities have been about defining how the LEP can ‘add value’ within existing arrangements. The LEP-based business plan approach spans both seemingly well-resourced LEPs in, for instance, some core city regions, and much more streamlined, often county-based LEPs.

In terms of strategic prioritisation, LEPs have either adopted a sector-focus at a range of levels (e.g. food processing, advanced manufacturing, renewables), a thematic focus (e.g. skills, inward investment, infrastructure, connectivity), or a mix of both. Until the announcements in the CSR 2013, very few LEPs were focused upon housing despite the Government’s emphasis in this area as a means of kick-starting growth.28 When the strategy has been explicitly about the LEP organisation itself, there has been greater prominence given to the identification of prominent LEP activities (e.g. Enterprise Zones) or support for specific projects, and some differentiation between modes of LEP role, for example business voice, programme commissioner and/or fixer and honest broker. Priorities have been articulated in different ways by the LEPs with some aggregation into programmes and some split into discrete projects.

In contrast to the era of the RDAs29, there has been no common performance management framework for the LEPs. Central Government explicitly did not set specific targets or yardsticks against which LEP activity and performance would be

28 The Local Growth Fund will draw one-fifth of its resources from DCLG’s New Homes Bonus funding stream.
assessed and judged. Although with the introduction of Strategic Economic Plans, the advent of the Local Growth Fund and the prospect of ‘Growth Deals’, the LEPs have started to examine how to improve the transparency and accountability of LEP decision-making. The picture to date has been mixed across the 39 LEPs with a handful having a performance management framework, several having published annual progress reviews and others identifying measures of success and progress in programme and project deliverables and outcomes. The BIS Select Committee called for measurable indicators of performance of LEP activity in forms understandable by local communities to enable accountability, monitoring and scrutiny of the use and value of public resources by the LEPs. Evaluation and monitoring arrangements are currently work in progress, with the Government looking to actively work closer with LEPs as part of the Growth Deal process. The issue of accountability is increasingly being recognised as a vital issue by LEPs in demonstrating worth and contribution to local and national economic growth, especially in the wake of the Heseltine Review, Strategic Economic Plans and the Local Growth Fund. At the same time, it is important to distinguish between narrow financial accountability for spending public money and questions of the broader accountability of LEPs in the sense of transparency, accountability and public scrutiny. All LEPs are ‘refreshing’ their initial strategic and prioritisation exercises to meet the new challenges being set by Government. It will be important to consider how prescriptive the process is, for the implementation of recent Government guidance, in the preparation of new ‘Strategic Economic Plans’.

4. **Organisation and governance**

How institutions are organised and governed is integral to their capability and potential role and contribution to local economic growth. In common with strategy and priorities, whilst there is no single or universal LEP model of organisation and

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30 For example, the LEP Network has held workshops for LEPs to examine the issue of LEP ‘Governance’.
32 In the context of the Local Growth Fund, the Government has asked that LEPs prepare bids to the Fund on the basis of robust evidence-based ‘Strategic Economic Plans’, which will be negotiated as ‘Growth Deals’. Guidance on Strategic Economic Plans and Growth Deals was published by Government in July 2013.
governance, there are not 39 different models. In the evolving context, all LEPs are reviewing second – or in a small number of cases third – generation arrangements in the light of the government’s response to Heseltine and CSR 2013. Different legal forms are being utilised across the LEPs that fall into three categories: incorporation with single (e.g. Local Authority) or multiple shareholders; unincorporated voluntary partnerships; and, part of broader Local Authority or City-Region/Mayoral strategic governance arrangements (e.g. Combined Authority, Greater London Authority/Mayor). Indeed, the LEPs in Manchester and London are especially embedded within the existing governance arrangements. The LEP in the latter is termed the ‘Local Enterprise Panel’ rather than ‘Partnership’. Almost all LEPs have either a single or set of multiple LAs as the ‘Accountable Body’ for the stewardship of public money. The modi operandi of the LEPs was evident through a range of organisational structures and practices: LA Leaders Boards; Board leads (public and private); Standing sub-groups; ‘Task and Finish’ groups; Delivery Partners; and, Business Membership body support arrangements.

The role and status of the Chair is crucial for the character and focus of the LEP. The quality of the leadership provided is seen as fundamental to defining what the LEP is about and articulating its strategy and priorities. Some areas have sought a high profile ‘name’ to represent the LEP externally, and particularly to attract ‘big hitters’ amongst potential local partners and to unlock doors with Government. Others have secured a ‘convenor’ of the board and consensus-builder for local inter and intra-public-business relations. There is also a major division in terms of the time commitment expected. Most Chairs have made a significant commitment to their role but this obviously varies depending on, for instance, how demanding their ‘day jobs’ are, whether they are in major substantive business roles (e.g. a Chair or CEO) or whether they are pursing a portfolio career post-formal ‘retirement’.

The size of the LEP Boards varies from over forty in the case of the South East LEP to under ten in Worcestershire (Figure 3). Although the Government has set out a ‘requirement’ for at least 50% of LEP Boards to be drawn from the private sector, the
The distribution of public and private representatives on the LEP Boards varies geographically too. For example, in the Northamptonshire LEP 73% of the Board is from the private sector, whilst in the West of England LEP 60% of the Board is from the public sector. It is difficult to ascertain the extent to which the Boards provide some – at least indirect – representativeness for the populations within their areas. A crude measure of Board representatives per capita for the LEPs ranges from over 1:700,000 in London and 1:200,000 in D2N2 and Greater Manchester to under 1:50,000 in over a quarter of LEPs (Figure 4).

**Figure 3: Board size and membership by LEP area, 2013**

![Bar chart showing the number of board members per LEP area, with private and public sectors distinguished.](chart)

**Source:** Authors’ survey

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33 No formal guidance was issued to local areas in advance of preparing bids to Government to establish LEPs. However, the Government did indicate, during negotiations over the formation of individual LEPs, that they would like LEP Boards to reflect a broad array of the local business base. Indeed, in some cases, LEPs recruited their Boards on the basis of having a spread of experience and expertise from different industries and sectors.

34 The Government has formally-recognised LEP Boards that meet their requirements of at least 50% private sector membership, and have a private sector Chair. The Government has also encouraged LEP Boards to be more diverse and reflect the make-up of their local populations.
Figure 4: Population per Board Member by LEP area

Source: Authors’ survey and ONS data

As Peter Walker rightly acknowledges\(^{35}\), the relationship between the LEP and its constituent local authorities is critical. There is a range of emergent types that can be discerned. First, there are LEPs that are explicitly a sub-set of mayoral and combined authority governance arrangements, for example in London and Greater Manchester. With the North East, Leeds, Sheffield and Liverpool planning to have Combined Authorities in place by April 2014, representing 6 LEP areas and 15% of LEPs. Where the new entity of the LEP is absorbed into existing structures it is deemed to have greater accountability and legitimacy. Second, a number of LEPs are operating as \textit{de facto} business-led arms-length or ‘daughter’ organisations of the local authority Leaders’ Board (approximately 13 and 33% of the total). Last, is a group of LEPs that are still ‘finding their way’ and are currently sitting alongside often newly-formed LA leadership structures (20 and 52% of the total). Given the upcoming changes and encouragement of the Combined Authority as Central Government’s preferred form of sub-national governance in England, how LEPs relate to the emergent and changing structures will be critical to their role and capacity in shaping local economic growth.

As business-led organisations, the relationship between the LEPs and local businesses and business representative organisations is similarly important to the LEP-local authorities’ relationship. The relations are evolving amongst the LEPs, shaped by their particular genesis. In some LEPs, the Chamber of Commerce has played an integral role, and in specific cases is even providing the LEP Secretariat.36 Elsewhere, as some LEPs seek to enrol businesses as subscribing members, this potentially puts them into competition with business representative organisations. Some LEPs explicitly claim to be the local ‘business voice’ whilst most claim to be either ‘a’ voice for business or a mediator of business voices.

Three years in, then, organisation and governance are unsettled and are set to change significantly over the coming 12-24 months. Beyond the formal differentiators outlined above (i.e. legal form, chair, board size and composition, local authority and business relations), there exists real unease over accountabilities and culture. On accountability, the central question is: to whom is the LEP really accountable? The survey findings reveal tensions between an array of possibilities: genuinely not knowing; accountability to a Local Authority Leaders’ Board (or, in London, the Mayor); accountability to ‘business’ (however defined); and, accountability to Central Government and the Secretaries of State in DBIS and/or DCLG. A fundamental question lurks within the issue of accountability: What is the LEP? Is it the Board? Is it the organisations represented on the Board? Is it a loose local coalition of public, private and third sector players with contributions to make to local growth? And, does Government have specific normative expectations of what a LEP should be in order to assume the level of responsibilities earmarked for LEPs that were announced in the Autumn Statement and subsequently Budget 2013 and CSR 2013? The current conjuncture is a long way from the voluntary ‘invitation’ set out in the June 2010 letter from the Secretaries of State at DBIS and DCLG.

36 For example, the Cumbria LEP and Cumbria Chamber of Commerce and Derby, Derbyshire, Nottingham and Nottinghamshire LEP and Chamber of Commerce (D2N2).
On culture, the major concern for LEPs is how to retain their agility, flexibility and entrepreneurialism in the face of the creeping ‘bureaucratisation’ arising from the widening array and increasing level of responsibilities and resources envisaged for the LEPs.\(^{37}\) Amongst others and depending upon particular circumstances, the LEPs are now in a position of trying to build capability to deal with EU Structural and Investment Funds, Strategic Economic Plans and funding bids, EZs, GPF, RGF, City Deals (where appropriate) and the Local Growth Fund. Interestingly, this expansion in the role and responsibilities of the LEPs echoes the ‘mission creep’ of unintentional expansion beyond their original goals experienced by the RDAs.\(^{38}\)

In practical organisational terms, unevenness is evident in the speed at which the LEPs have been established and got up and running. LEPs building up and adapting existing (sub)regional partnerships were understandably quicker off the mark. As new institutions in an emergent and evolving context, each LEP has had to travel down the road of organisational development: staffing, structures, identity and brand, premises, etc. (Figure 5). Indeed, external relations and raising awareness of the LEP and its aim, purpose and strategy was seen as a key ambition for each LEP in its area but one that was under-developed given the need for prioritisation and focus in other areas. The need to establish what the LEP was for and how it was planning to add value amongst the public, private and civic actors in the LEP area was and remains a fundamental task.

\(^{37}\) Addressing The LEP Network Annual Conference in April 2013 Lord Heseltine, commenting on the future responsibilities and roles of LEPs – in contrast to the original vision for the Partnerships - said: “As a LEP Chair is it really what you want to do? If you have any doubts, no hard feelings, now is the time to go. Is your organisation up for it? Do you have the right capacity and staff? If the answer is no then address the issue now.”

5. Resources

Resources – principally people and finance – are critical to the capability and capacity of institutions to influence and make a difference to economic growth at the local level. Whilst the survey gathered a large amount of financial data, it is difficult and complex to establish a clear and full understanding of the resourcing of all the LEPs. This difficulty arises from the unevenness and complexity of the multiple and varied sources of finance being marshalled by the LEPs which vary greatly in their level and disclosure across the LEPs. As one LEP respondent put it “The situation changes everyday” (Authors’ Interview, 2013). A key distinction is, first, between funds allocated to the LEPs by Central Government and funds generated by the LEPs from sources other than Central Government. Second, there are distinctions in the form in which the financial resources are provided, for example as cash with certain
conditionalities on how and on what it can be spent or whether it is in-kind support from a seconded individual or time from another organisation. Third, there is the issue of measuring the value of the *pro-bono publico* and voluntary contributions made to the LEPs, for example by the Chair, Board members and other institutions such as universities, further education colleges, civic groups and the private sector.

In allocating resources to the LEPs, Central Government is using a range of different approaches and mechanisms. First, there is ‘core-uniform’ allocation of amounts to each LEP – awarded by DBIS – for meeting operational costs and preparing strategies. The LEP Capacity Fund has had two rounds totalling £4m, whilst the LEP Start-Up Fund provided £5m in total to LEPs on the basis of competitive bids and match-funding. More recently, the LEPs shared a further £5m for executive support and will receive, subject to match funding, an additional sum of £250,000 each in 2013/14 and 2014/15. There has also been £500,000 worth of skills funding given to Wave 1 City Deals and some additional skills resource given to LEPs that were not partners in Wave 1 City Deals but did have designated Enterprise Zones. Given the diversity and variety of the LEPs, especially in terms of their size and capability, it might be questioned whether disbursing equal amounts is the most appropriate allocation mechanism.

Second, there is ‘core-varied’ allocation where specified formulae have been used and each LEP gets a different amount of funding. The Growing Places Fund (GPF), for example, was allocated on a formula based on population density and employed earnings (employment multiplied by earnings). In addition, funding for Local Transport Bodies (reflecting LEP geographies) – and which will be a major component of the Local Growth Fund – has been allocated on the basis of population. Analysing the geographical distribution of the GPF demonstrates that some of the LEP areas with the strongest economic performance received relatively more of the public funding under this initiative (Figure 6). This particular type of allocation mechanism

was an innovation in spatial policy terms in rejecting any compensatory or redistributive principle of moving public resources from richer to poorer areas and, in the context of recession and chronic low growth in the UK\textsuperscript{41}, seeking to focus on areas with the greatest potential for immediate economic growth in an example of “helping the strongest first”\textsuperscript{42}.

**Figure 6: GPF allocations by GVA per capita of LEP area, 2011**

![Graph showing GPF allocations by GVA per capita of LEP area, 2011.](image)

**Source:** Authors’ calculations from CLG data.

Third, there is ‘competitive-general’ allocation where the funds from specific initiatives are only allocated to specific LEPs through a competitive bidding mechanism. The amounts allocated will vary but the LEP has a degree of flexibility in how the funds are allocated within the framework of the initiative. In this mode, 11 of the 25 new generation Enterprise Zones (EZs), for example, were allocated on the basis of bids from LEP areas.\textsuperscript{43} The competitive allocation mechanism aims to encourage innovation, stimulate creative ideas and reward the best bids. The results create ‘winners’ and ‘losers’ in a geographically uneven map of public resource allocation. Of

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\textsuperscript{41}Compared to the GPF, the intention of the Regional Growth Fund has been to help areas and communities at risk of being affected by public sector job cuts.


\textsuperscript{43} DCLG (2011) Enterprise Zone Prospectus, Department for Communities and Local Government: London. The 25th Enterprise Zone is a further Liverpool EZ coming through the Liverpool City Deal.
the 39 LEPs, 11 (28%) were awarded a ‘first wave’ EZ without any formal competition, 26 (67%) bids were submitted for a ‘second wave’ EZ, and 13 (50%) were successful. The map of EZs across ‘LEP-land’ displays a geographically dispersed pattern. The ‘first wave’ of EZs was, in the main, awarded to LEPs in the north and the midlands, whilst the ‘second wave’ of EZs was awarded predominantly to LEPs in the south. This reflected a desire on the part of Government to ‘spread the opportunities around the country’ and should also be seen in the context of criticism at the time about the particular geographical allocation of ‘first wave EZs’. This map in turn has uneven implications for the resources available to LEPs in terms of potential revenue streams of receipts, although it is difficult to tell whether or not this stream of long-term funding for LEPs has been based on assumptions and forecasts that may turn out to be unfulfilled.

Last, there is ‘competitive-specific’ allocation using a competitive bidding mechanism. The amounts will again vary by LEP but the funding has tighter conditions set for its specific use. The Regional Growth Fund (RGF), for example, is allocated on this basis. It has created ‘winners’ and ‘losers’ with some LEPs being unsuccessful in bids and some LEPs deciding not to bid often due to capacity concerns. Although not restricted to LEPs, the geographical distribution of RGF demonstrates a slant towards poorer economically performing regions and LEP areas, and those places with higher public sector employment (Figure 7 and Table 1). Significantly, the competitive principle was signalled as the preferred mechanism for resource allocation in the Heseltine Review and the subsequent Local Growth Fund.

45 The estimates of EZ receipts, which all LEPs had to submit to Government – and are derived from projected business rate growth – were requested from DCLG but were not made available for this study.
Figure 7: RGF (£) Awarded to LEPs (Rounds 1-3) by Per Capita

Source: BIS data and Authors’ own estimates.

Table 1: Value of RGF Approved Bids by Region (£m) in Rounds 1 - 3

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</tr>
<tr>
<td>Nationwide</td>
<td>175</td>
<td>90</td>
<td>225</td>
<td>485</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>445</strong></td>
<td><strong>911</strong></td>
<td><strong>1027</strong></td>
<td><strong>2419</strong></td>
</tr>
</tbody>
</table>

Source: BIS

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47 Analysis of BIS data on RGF Bids awarded to LEPs in Rounds 1-3.
In generating and pooling resources within the LEPs, a range of different forms is evident. Some of which are difficult to value in pure financial terms. First, LEPs have drawn upon financial contributions from their constituent local authorities. These have often come with conditions imposed on their use. Second, LEPs have received contributions from private sector business within their areas, either through a subscription and/or membership-type model. Third, beyond direct financial contributions, secondments of staff from partners to work with LEPs have been widely used, involving staff from local authorities and other public agencies as well as Chambers of Commerce. Fourth, in-kind support has been provided by partners – such as further and higher education – for some LEPs. This has included premises and office administration support. Last, contributions have been made on a pro-bono publico basis, for example from further and/or higher education institutions, and through volunteering by public, private and civic actors. Significantly, in the context of the “austerity state”\(^{48}\), the ‘self-help’ and internal generation of resources by and for the LEPs is at least one clear element of Central Government’s longer term vision, aligning with international aspirations toward the self-financing of local and regional economic development institutions\(^{49}\).

Given the complexities and difficulties involved in identifying the different forms of allocation from Central Government and the generation of resources by the LEPs, the analysis here can only provide a partial picture of the estimated financial resources at the disposal of a sub-set of the 39 LEPs.\(^{50}\) The relatively better endowed LEPs have access to EZ, RGF and other programme funding, some independent sources of local revenue in addition to Government core funding streams and GPF allocations. In sum, the combination of Central Government allocations and internally generated sources can amount to an estimated footprint of well over £10m per annum for the next 3 years for the better-resourced LEPs. Less well-endowed LEPs are restricted effectively


\(^{50}\) Not all LEPs have been able to provide a breakdown of the financial resources at their disposal. In particular, it is more problematic to identify ‘revenue’ resources available to fund LEP executive operations.
to Government core (including earlier Capacity Building and Start-up) and GPF sources. This analysis demonstrates the level of resources LEPs appear to have available to allocate themselves or ‘influence’ on the basis of their Growth and European Funding Strategies with the geographical distribution tilted toward the economically weaker LEP areas and core city regions (Figure 8).

Figure 8: Combined GPF, RGF and EU Structural & Investment Fund Resources under the ‘Strategic Influence’ of LEPs in £m (2011-2020/21)\textsuperscript{51}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure8}
\caption{Combined GPF, RGF and EU Structural & Investment Fund Resources under the ‘Strategic Influence’ of LEPs in £m (2011-2020/21)\textsuperscript{51}}
\end{figure}

Source: HMG figures and Authors’ own estimates

\textsuperscript{51} Figures for RGF are based on estimates of the allocations in Rounds 1-3. EU Structural and Investment Fund allocations have been published in € and have been converted to £ using the exchange rate of 0.8627 as of 15 July 2013. Up to 2% of GPF funding can be spent on programme management, which is envisaged to support LEP and partner capacity.

22
The nature of the funding, however, means that even the better-endowed LEPs face complications. The character of funding is not always clear-cut. There are considerable and variable in-kind contributions – especially from the private sector and/or board members – and institutional ownership issues where either accountable body arrangements are directive or the LEP merely acts as a gateway or post-box to a delivery organisation. Where the core funding is modest and the competitive funding is effectively ring fenced by specific conditions, LEPs risk focusing all their effort on the funded programmes because the core funding does not provide sufficient capacity to develop either strategic or institutional capacity and the capabilities to do much else. In assessing and considering the strategic deployment of financial resources amongst the LEPs, the issues are nuanced. LEPs may appear *prima facie* to have relatively substantial levels of funding but if it is all earmarked for national and/or EU programmes then this may hamper its strategic influence and institutional resilience. A number of LEP archetypes can therefore be identified distinguished by the levels and types of core and programme funding (Table 2). Such distinctions are important in addressing future challenges for LEP resources relating to the ‘Single Funding Pot’ of the Local Growth Fund, how local partners ‘match’ funding from government, the leadership and management of EU programmes, and how technical assistance and allowed ‘overhead’/administration charges for programmes are utilised.

Table 2: LEP Archetypes by Financial Source

<table>
<thead>
<tr>
<th>Enhanced, high levels of un-ringfenced core funding</th>
<th>Strategic influencer</th>
<th>Strategic leadership of local economic institutional landscape</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Government core funding</td>
<td>“LEP-lite” – one of a number of players in local economic landscape</td>
<td>Programme/project ‘factory’ – needing to deliver prescribed specifics just to keep afloat</td>
</tr>
<tr>
<td>Low amounts and/or multiple small programmes</td>
<td>HIGH amounts and/or large programmes</td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ research
In terms of the key resource of people, taken at face value some LEPs, at the time of the survey in early 2013, claimed to have up to 60 direct staff (e.g. Liverpool City Region), and around one third of LEPs have 5-9 staff and a further third 1-4 staff (Figure 9). A key distinction here is between staff directly employed and at the disposal and direction of the LEP and those staff that effectively wear ‘two-hats’ in working for a LEP and a Leader’s Board and/or pre-existing partnership arrangement. In these circumstances the resources and capacity available to LEPs and/or to other partnerships and organisations becomes blurred. The management and co-ordination of the interests of the various institutions involved therefore becomes an issue.

Figure 9: Estimated Number of Direct Staff by LEP Area, 2013

Source: Authors’ survey

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52 For the survey, not every LEP provided information on the exact number of direct and indirect staff working on behalf of the LEP.
As the agenda has developed in the direction of increasing the funding and responsibilities for the LEPs, as set out in the 2013 Budget and CSR 2013, there are several fundamental issues on resourcing the LEPs. First, the pace of change has been rapid since 2010: moving from start-up, embryonic organisations to bidders and delivery managers for the Local Growth Fund and EU programmes in little over three years (Table 3).

**Table 3: Timeline of the evolution of the LEPs**

<table>
<thead>
<tr>
<th>Dates</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 May 2010</td>
<td>The Coalition Government is formed. The Coalition Agreement sets out the intention of the Government to support the creation of ‘Local Enterprise Partnerships’ (LEPs).</td>
</tr>
<tr>
<td>22 June 2010</td>
<td>The Emergency Budget announces the abolition of the 8 Regional Development Agencies (RDAs) in England.</td>
</tr>
<tr>
<td>29 June 2010</td>
<td>A joint letter from Eric Pickles and Vince Cable invites Local Authorities and Business Leaders to submit proposals to form LEPs.</td>
</tr>
<tr>
<td>29 June 2010</td>
<td>Nick Clegg launches the Regional Growth Fund (RGF).</td>
</tr>
<tr>
<td>6 September 2010</td>
<td>The Government announces that 57 proposals have been received from local areas to form LEPs.</td>
</tr>
<tr>
<td>28 October 2010</td>
<td>The Government confirms that 24 proposals to form LEPs have been agreed. 33 proposals have either been rejected or local areas have been asked to submit revised proposals. In the end, 39 LEPs were formed.</td>
</tr>
<tr>
<td>28 October 2010</td>
<td>The Local Growth White Paper sets out the</td>
</tr>
</tbody>
</table>

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53 The LEP proposals ‘rejected’ by the Government in October 2010 were: Bexley, Dartford and Gravesham; Blackpool and Fylde Coast; Coastal West Sussex; County Durham; Cross Roads of England; Devon, Plymouth and Torbay; East Anglia; East Sussex; Gatwick Diamond; Gloucester, Swindon and Wiltshire; Hampshire; Hull, East Riding and Scarborough; Kent-Essex; Kent and Medway; Newcastle-Gateshead; Northumberland and North Tyneside; Pennine Lancashire; South Somerset and East Devon; South Tyneside and Sunderland; Surrey Connects; Stoke on Trent and Staffordshire; Visitor Economy Southern England; and West Midlands.
<table>
<thead>
<tr>
<th>Dates</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 December 2010</td>
<td>BIS Select Committee publishes the report: ‘The New Local Enterprise Partnerships: An Initial Assessment’.</td>
</tr>
<tr>
<td>21 January 2011</td>
<td>RGF Round 1 closes.</td>
</tr>
<tr>
<td>15 March 2011</td>
<td>The LEP Network is formed – with the British Chambers of Commerce – in receipt of DCLG funding – providing the Network’s secretariat.</td>
</tr>
<tr>
<td>23 March 2011</td>
<td>In the Budget it is announced that 11 Enterprise Zones (EZs) will be designated to LEPs. A competitive process will take place for a further 10 EZs to be awarded to interested LEPs.</td>
</tr>
<tr>
<td>1 April 2011</td>
<td>The Greater Manchester Combined Authority comes into formal existence.</td>
</tr>
<tr>
<td>30 June 2011</td>
<td>Deadline for proposals from LEPs seeking to secure a ‘Second Wave’ EZ.</td>
</tr>
<tr>
<td>1 July 2011</td>
<td>RGF Round 2 closes.</td>
</tr>
<tr>
<td>4 July 2011</td>
<td>The Government receives 29 proposals from LEPs bidding for a ‘Second Wave’ EZ.</td>
</tr>
<tr>
<td>3 October 2011</td>
<td>Government announces two EZs (Humber and Lancashire) are to be created in response to redundancies announced by BAe Systems.</td>
</tr>
<tr>
<td>7 November 2011</td>
<td>The Government launches the Growing Places Fund (GPF) for LEPs.</td>
</tr>
<tr>
<td>January 2012</td>
<td>The Government launches a consultation on the formation of Local Transport Boards.</td>
</tr>
<tr>
<td>31 March 2012</td>
<td>RDAs operationally closed. They would be dissolved as legal entities on 1 July 2012.</td>
</tr>
<tr>
<td>1 April 2012</td>
<td>All 24 Enterprise Zones ‘go live’.</td>
</tr>
<tr>
<td>Dates</td>
<td>Events</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>13 June 2012</td>
<td>RGF Round 3 closes.</td>
</tr>
<tr>
<td>18 September 2012</td>
<td>The first 8 City Deals are ‘formalised’ with the Government.</td>
</tr>
<tr>
<td>29 October 2012</td>
<td>The ‘competition’ for a Second Wave of City Deals is launched.</td>
</tr>
<tr>
<td>31 October 2012</td>
<td>Lord Heseltine’s “No Stone Unturned” report is published.</td>
</tr>
<tr>
<td>23 January 2013</td>
<td>The Government publishes indicative funding allocations to Local Transport Boards.</td>
</tr>
<tr>
<td>19 February 2013</td>
<td>20 Second Wave City Deals are invited by the Deputy Prime Minister to negotiate final deals.</td>
</tr>
<tr>
<td>18 March 2013</td>
<td>The Government’s response to Lord Heseltine’s report is published, which includes its support for the creation of the Local Growth Fund.</td>
</tr>
<tr>
<td>20 March 2013</td>
<td>RGF Round 4 closes.</td>
</tr>
<tr>
<td>15 April 2013</td>
<td>DBIS publishes preliminary guidance for LEPs on the Development of EU Structural and Investment Fund Strategies.</td>
</tr>
<tr>
<td>26 April 2013</td>
<td>BIS Select Committee publishes its 9th Report of Session 2012-13 – ‘Local Enterprise Partnerships’.</td>
</tr>
<tr>
<td>10 June 2013</td>
<td>13 EZs shortlisted to receive funding from the £100m Local Infrastructure Fund.</td>
</tr>
<tr>
<td>25 June 2013</td>
<td>Press reports indicate that the LEPs Chairs have formed an alternative group (“The 39 LEPs”) to the LEP Network.</td>
</tr>
<tr>
<td>26 June 2013</td>
<td>At the Comprehensive Spending Review 2013, the Chancellor announces the size of the Local Growth Fund (£2bn per annum).</td>
</tr>
<tr>
<td>27 June 2013</td>
<td>The Government publishes ‘Investing in Britain’, which sets out further detail on the Local Growth Fund and other funding streams available to LEPs.</td>
</tr>
<tr>
<td>Dates</td>
<td>Events</td>
</tr>
<tr>
<td>-----------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>27 June 2013</td>
<td>DBIS publishes indicative allocations (to LEPs) of €6.2bn European Union Strategic Investment Funds (2014-2020).</td>
</tr>
<tr>
<td>11 July 2013</td>
<td>RGF Round 4 successful bidders announced and AMR on RGF Rounds 1 and 2 published.</td>
</tr>
</tbody>
</table>

Source: Authors’ research

Concerns are evident amongst LEPs that this seemingly unplanned and rapid pace of development has precluded their organic growth and evolution as institutions. Second, the accountability and transparency of the LEPs in their handling of increasing amounts of public funding is unresolved – as the BIS Select Committee recognised. How can LEPs demonstrate the appropriate stewardship of resources? Will LEPs require sophisticated resource, delivery and performance management arrangements at scale and levels of transparency that means they will have to ‘run before they have learned to walk?’ The required administration of funding will require substantive investments in the organisational capacity of LEPs just to manage the funds. Devising innovative and flexible ways of integrating and pooling funds will require yet more resource and time. Such issues will need further clarification as Government core funding and local match requirements commence (effectively from April 2013).

6. Effectiveness and working relations

The way in which specific institutions inter-relate and work with multiple actors within wider institutional arrangements stretching across the supranational, national, regional and local levels are centrally important to their influence upon economic growth at the local scale. Given their relatively limited resources and insertion into a fragmented and evolving landscape of economic development governance, working relationships with relevant partners in the public, private and civic sectors have been critical to LEP effectiveness. One LEP described this as “partnership capital” (Authors’ Interview, 2013). Most if not all LEPs were focused upon trying to interpret the shifting landscape and identifying where they could genuinely add value through their activities, especially in providing the lead and mobilising actors.
In local-central relations, many LEPs welcomed the direct connections to Central Government departments and officials. Numerous LEPs found it more effective rather than having to engage with a regional tier of institutions. Whether it is considered effective for Central Government civil servants to be dealing with the demands of 39 LEPs is another question. That said, some LEPs were becoming well connected and forming substantive relationships with government departments to inform and influence their own work and to seek to shape central government thinking on issues relating to LEPs. Relations between LEPs and other institutions and functions centralised following the dismantling of the RDAs such as the Technology Strategy Board and UK Trade and Investment were uneven. Some LEPs had agreed formal memoranda of understanding while others had not. The unevenness of the local-centre relations was reinforcing the picture of a cadre of more capable LEPs pulling ahead of the rest in developing their contact networks and deal-making skills with central government as well as capacity and ability to influence local growth in their areas.

The relations between LEPs and their respective BIS Locals were revealed as positive and supportive. As discussed in relation to organisation and governance, LEP-local authority relations were pivotal to LEP role and effectiveness. Securing and sustaining business engagement is a critical element in the rationale for LEPs but has become a challenging task. With some LEPs already experiencing turnover in their business sector board members (including Chairs) as terms of office come to an end. In terms of joint and cross-boundary working, some LEPs have begun to consider joint working and even merging operations, whilst some local authorities, such as the City of York, have looked to cement their membership in one LEP (i.e. Leeds City Region) rather than be members of two LEPs.54

54 For example, an options paper drawn up by Derby, Derbyshire, Nottingham and Nottinghamshire LEP has suggested merging with Leicester and Leicestershire LEP: http://www.lgcplus.com/news/exclusive-east-midlands-lep-merger-discussed/5058872.article
7. **Innovations**

As a source of new ideas and knowledge, institutions are potential fonts of innovation in addressing local economic growth issues. As new institutions with limited resources working within a context of chronic low growth and state austerity in the wake of the global financial crisis, LEPs have been effectively forced to innovate. The cliché of ‘necessity as the mother of invention’ was used by several LEPs to describe their ingenuity in the context of scarce resources. Innovations were evident across the LEPs in their early years. Initiatives ranged from adaptive innovation in traditional local growth areas (e.g. business support hubs/portals, managing GPF) to formative work on topics such as retail, ageing, water, and coastal management. A critical issue for the future development of the LEPs is how strategic, sustainable and transferable are LEP innovations – especially given the competing demands of new purposes and the need for stronger information and knowledge sharing amongst the LEPs, tempered by their sometimes competitive inter-relations.

8. **Lessons learned and capacity building**

As “carriers of history”\(^{55}\), institutions inform the behaviour of actors in relation to economic growth by acting as repositories of behaviour, experience, knowledge and practice – knowing what works and what does not work where and when in particular local contexts. In this way, institutions play a critical role against a backdrop of scarce resources and heightened government concern with effective public policy and value for money\(^{56}\). While in the early stages of their evolution, the LEPs have had to engage in intensive ‘learning by doing’, negotiating a complex, uncertain and unfolding policy and funding landscape – often further complicated by mixed and conflicting messages from government Ministers from different government departments and even Ministers within the same government departments. Fundamentally, it seems as if the relationships between the Government’s ‘Local (economic) Growth’ and ‘Cities’ agendas are not always clearly defined and articulated. Reflection and learning from

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their existing practice as institutions has informed the identification of issues for building LEP capacity.

While relatively early days in their development, the fledgling LEPs identified a number of lessons learned from their experiences. First, in the context of their limited size and resources, partnership building was critical to the LEPs, especially in establishing working relationships with new partners and building local delivery capacity. Second, managing the key strategic relationships in the nexus between the troika of the business board members, local authorities and central government was hugely important from the outset. Third, securing the services of strong and capable Chairs was revealed as pivotal. Chairs were required that were able to lead, define and articulate what the LEP was for and what it was about, development and communicate strategy and priorities, and lead on the strategic relationship management. Fourth, while difficult and challenging in a complex and shifting landscape of economic development governance involving multiple actors across multiple levels, developing appropriate governance arrangements is becoming an urgent issue for LEPs, heightened by the impending increases in their resources and responsibilities. Last, LEPs were conscious of the need to embed evaluation into their activities to ensure assessment yardsticks are integrated into their work to enable understanding of where, when and if they are adding value and making a difference on local economic growth.

As institutions in their infancy, substantive capacity building issues were identified across the 39 LEPs. Although importantly, to date there has been little systematic and collective thought given to their long-term institutional development needs. Many LEPs have had to hit the ground running and operate on a tactical basis at breakneck speed without having time to consider and reflect upon their future trajectory. Indeed, the rapid establishment of the LEPs, short-term demands and lack of legislative basis have prompted some anxieties about their longevity and sustainability, especially in the
context of the history of institutional churn and periodic reorganisations of economic
development governance in England\(^57\).

In terms of building their capacity, first, many LEPs were particularly protective and
concerned to develop their individuality, often actively taking a competitive stance \textit{vis-à-vis} other LEPs to progress their ambitions. Second, LEPs embraced the potential of
localism and developing their autonomy, with some displaying an instinctive scepticism
about national processes and, in some cases, even the contribution of The LEP
Network\(^58\). Third, some recognition is evident on shared concerns across the LEPs on
a case-by-case (e.g. VAT or European Funding) or ‘good neighbour’ (e.g. strategic
transport and/or spatial planning) basis.\(^59\) Some LEPs were able to identify wider and
often longer-term issues where collaboration would make sense, including learning
‘what works where and when’ and not ‘reinventing wheels’, functional issues like EU
programmes or dealing with Local Transport Boards or Skills Boards. Last, however,
was the growing sense amongst LEPs of the need for a step change in their capacity
given the potentially increased powers and resources and demands to deliver on
Government agendas to 2015 and beyond.

9. Conclusions

As critics of the role of institutions in distorting or causing malfunctions in the
operation of the market processes underlying economic growth are quick to point out,
individual institutions and sets of institutional arrangements do not offer
straightforward and/or optimal solutions\(^60\). Alternative views interpret institutions as
critical parts of the adaptive capacity of local economies to cope with disruptive change
and foster resilience to withstand, bounce back and reinvigorate economic growth.


\(^{58}\) In an article in \textit{Regeneration and Renewal} (25 June 2013), it was reported that the 39 LEP Chairs were seeking to reform the national umbrella organisation for the LEPs: \url{http://www.lgeplus.com/news/lep-network-faces-arab-spring/5060242.article}

\(^{59}\) Local Authorities, such as the South East 7, are also working together on joint issues such as public sector efficiencies and spatial planning.

following shock events. In this context, where the LEPs in England have got to in their institutional development is part of responding to the call for “a richer account of where good institutions come from, the shape they take, and how they need to evolve to support long-term growth” (Rodrik 2003: 12). Connecting to the international interest in the role of institutions in economic growth and three years on from the invitation to local actors from the Secretaries of State in DBIS and DCLG, this study sought to take stock of where the LEPs are at and where they are heading by analysing their strategies and priorities, organisation and governance, resources, effectiveness and working relations, innovations, lessons learned, and future barriers and challenges.

Although diversity and variety is marked across the 39 LEPs, their role and contribution is being compromised by a fragmented and shifting landscape of economic development governance and the absence of a longer-term vision and strategy for their development. While the Heseltine review, the Government’s response and the announcements in the CSR 2013 have attempted to address this issue, fundamental concerns still remain. The task of resolving the direction and nature of the strategic development of the LEPs is troubled by a number of fundamental tensions. First, Government appears torn and able only to find uneasy balances between centralism and localism – demonstrated most recently in the process it plans to follow in agreeing Strategic Economic Plans for LEPs and the competitive allocation mechanism for the Local Growth Fund. On one side, Government has centralised in some key areas against the backdrop of austerity, deficit reduction and the search for efficiencies, savings and value for money. On the other side, Government has at the same time promoted ‘Localism’ of various forms and decentralised responsibility in key areas. This approach has created an uneven and complex landscape of economic development governance. It involves multiple actors at geographical multiple levels – supranational, national, local, city, city-regional, community, neighbourhood – overseen by questionable systems of accountability, responsibility and transparency. This uncertain and unfolding picture absorbs huge

amounts of time and effort to interpret amongst the LEPs and their partners. Deciphering this complex and moving picture to develop strategic and longer-term views on local economic growth is difficult and problematic for local actors.

Second, it is unresolved whether the LEPs are or should be competitors and/or collaborators. The Government’s Local Growth agenda is enthusiastic about competition in driving-up economic performance and fostering innovation. Several from the Government’s array of mechanisms for allocating funding are based on competitive principles. But given the relatively small size, capability and resources of some LEPs and the challenges of addressing large scale and longer-term constraints on local economic growth, the rationale of co-operation between LEPs has been mooted too. Lord Heseltine raised the question of the geographies of the LEPs in better matching functional economic areas and avoiding overlap, and encouraging joint working between LEPs and other partners where appropriate. In a collaborative model, the benefits of knowledge exchange and learning might be spread out across ‘LEP-land’. If rebalancing is still a serious Government concern rather than just a rhetorical device then some thought on how the overall system inter-relates and works might help. Where does Government see the appropriate balance between competition and co-operation? More capable and stronger LEPs forging ahead? Less capable and weaker LEPs failing? Consolidation and merger reducing the number of LEPs? Incentives to co-operate on shared issues? Across the 39 institutions, there is a risk of more capable and stronger LEPs in the already more economically prosperous areas pulling ahead; leaving less capable and weaker LEPs struggling to keep up – even failing and merging. Is Government prepared to let this process unfold in a *laissez-faire* fashion? Will a new version of the initial ‘white spaces’ not covered by LEPs emerge and be acceptable? Or will Government attempt to encourage neighbouring LEPs to absorb areas and engineer territorial mergers amongst LEPs?

Third, given the growing roles and responsibilities being accumulated by the LEPs – on EU Structural and Investment Funds, Strategic Economic Plans and funding bids,

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EZs, GPF, RGF and the LGF amongst others – there is concern about ‘bureaucratisation’ and whether or not they can maintain their agility and business-led focus. Whether or not business leaders will stay engaged and contribute to LEPs as they become more oriented to bidding for and planning to use available public funding streams will be critical. A central question is will the breadth of ambition for and expectation of LEPs, stimulated by Government’s response to Heseltine, crowd-out and distort their organic growth as private sector-led, robust, viable, locally-owned/valued and sustainable institutions?

Fourth, the study confirmed the widely held belief that the LEPs are working with limited capacity and resources. It went further too in detailing the extent and geographical variation of staffing and finances. The Government’s mixed models of funding allocation – uniform and competitive – have reinforced this geographically uneven picture. For a Government wrestling with the tension between centralism and localism in focusing on LEPs to try and get local growth off the ground, there continues to be questions about whether or not LEPs have appropriate and sufficient capability and resources to deliver. The clamour for more powers and funding has grown.

Last, for the ‘LEP Family’, there is the issue of whether or not it develops a more coherent voice and begins to articulate its collective interests with Government. This could include issues currently within and beyond the scope of LEPs, for example the future direction of City Deals, Combined Authorities and the Local Growth Fund, local authorities, or other role players (e.g. universities, government agencies etc.). The survey revealed that many LEPs welcomed the more direct relationship with Central Government in the absence of the regional tier of institutions. But as the limits of the current centre-local relations and deal-making nature of public resource allocation become more apparent in the unevenness and inconsistency with which Central Government is dealing with each LEP, will the LEPs (and/or others) turn – in Lord
Heseltine’s words “revolt”63 – and start making more specific demands on powers and funding, especially given the disappointment felt by many at the size and format of the Local Growth Fund?

Our conclusions, then, are that given the lack of long-term vision and strategy for their strategic development, the fundamental tensions yet to be resolved and their institutional deficits in authority, capability and resources, at this stage in their evolution the LEPs will struggle to exercise substantive influence upon local economic growth. Continued state austerity, chronic low growth and brittle and uncertain economic conditions in the short and medium-term will further trouble this central task.

Even given the history of flux and institutional churn in the governance arrangements for economic development in England and the alphabet soup of acronyms of the institutions of previous eras, in the context of state austerity amongst the relevant actors it was felt that LEPs were likely be around for a while with little prospect of radical change whatever the outcome of the General Election in 2015. This perspective was articulated by the Shadow Business Secretary, Chuka Ummuna, in a speech to the Chartered Institute of Public Finance and Accountancy (CIPFA) 2013 Conference:

> We [the Labour Party] welcomed Lord Heseltine’s review, and wished the Government had gone further, matching their rhetoric with action...we will seek to build on Local Enterprise Partnerships. Tweaking and strengthening where necessary. Matching the capacity to play a greater leadership role with clearer accountability.

Amongst the local actors there is little appetite for further institutional change and upheaval, the costs and disbenefits of which were still being felt by many in the wake

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of the dismantling of the regional tier\footnote{Pike, A., Coombes, M., O’Brien, P. and Tomaney, J. (2012) The Case for the Abolition of RDAs in England: An Assessment, Unpublished Paper, CURDS, Newcastle University: Newcastle Upon Tyne.}. Fundamentally, local actors were trying to get on with the job of growing prosperity locally. “LEPs may come and go but the rationale for the local partnerships remain” as one local actor put it (Authors’ Interview, 2013). Yet, looking from the outside in, as a way of organising the institutional arrangements for economic development the LEPs in England look relatively small and seriously under-powered for the task in an international context of competition for the resources critical to economic growth including investment, jobs and innovation.

In broader institutional development terms, there are two final points we would seek to make. First, whilst there may be a lack of appetite for ‘revolutionary’ institutional reform post-2015 (perhaps influenced by the recent experience with the dismantling of regional institutional architecture in 2010-11), it is likely that the geographies, roles and functions, and governance of LEPs, will significantly change post-2015. This will partly build on the experience of intensive (and ‘game-changing’) LEP task-based activity between 2013 and 2015. However, it will also be highly influenced by the language and approach of a new Government of whatever political colour(s). The narratives of deficit reduction, localism and rebalancing redolent of the current era will surely be supplanted by an incoming administration with new language and stories.

Second, despite popular orthodoxy, LEPs are not “the only game in town”\footnote{LGC (2011) ‘The Only Game in Town’: http://www.lgcplus.com/the-only-game-in-town/5036806.article} in the institutional landscape of sub-national development in England. Local authorities are collectively progressing Combined Authorities, Community Budgets and a ‘rewiring’ of national and local government in the midst of unprecedented fiscal consolidation and public expenditure reductions.\footnote{LGA (2013) Rewiring Public Services, Local Government Association: London.} In another domain, associations of universities and research institutions are seeking a narrative for sub-national development of the knowledge economy. LEPs need to work collectively both to deliver the 2013-15 agenda effectively; but also to think about and craft a position for their roles and
functions in the leadership of local economic growth in the long term. If we accept the premise that institutions are (one of the) ‘fundamental determinants of economic growth’, the need for LEPs to undertake this longer-term deliberation on their role in sub-national economic development landscapes, as institutions in their own right, will become an increasingly important priority as the 2015 General Election approaches.
Spatial Economics Research Centre (SERC)
London School of Economics
Houghton Street
London WC2A 2AE

Tel: 020 7852 3565
Fax: 020 7955 6848
Web: www.spataleconomics.ac.uk

SERC is an independent research centre funded by the Economic and Social Research Council (ESRC), Department for Business Innovation and Skills (BIS) and the Welsh Government.