

## LOCAL ECONOMY PARTNERSHIPS (LEPS) UPDATE

### 1 Purpose

To provide Scrutiny members with an update on the progress and future of Local Enterprise Partnerships.

To highlight some of the issues and uncertainties that continue and the evolving landscape, including the increasing powers and changing nature of the LEPS.

### 2 Recommendations

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| 2.1 | That Scrutiny Committee is asked to note the progress and achievements of LEPS so far, from which AVDC has and continues to benefit  |
| 2.2 | To understand and comment on some of the issues highlighted in the report which may need closer examination and review in the future |

### 3 Executive summary

- 3.1 AVDC is one of a number of local authorities that has an overlapping LEP arrangement, as its natural economic geography fits with both SEMLEP and BTVLEP, where it shares common 'travel to work areas' and shared workforce, housing, skills and infrastructure issues.
- 3.2 AVDC will continue to work to seize opportunities for the Vale, the Local Authority and its businesses, wherever it finds them. AVDC has benefitted strategically and financially from being part of two LEPS to-date, as have many of the other 39 LEPS who continue to see a future in overlapping LEPS.
- 3.3 AVDC has had a seat on both of the LEP Boards, which is helpful in being in a strong position to influence and ensure there is LEP impact in the Vale and its economic growth, benefitting AVDC's communities. As can be seen from the comments made further down in the paper, LEPS are relatively new and still finding their way. Furthermore, there is no certainty yet about what might happen after the 2015 general elections, although there would seem to be a cross party consensus that LEPS in some shape, form or function will remain.

### 4 Supporting information.

#### 4.1 The original rationale and purpose of LEPS

Following the abolition of the RDAs (Regional Development Agencies), the coalition Government were keen to have some form of economic body which operated at the sub-national level between central government and local authorities, in line with the 'localism' agenda.

In June 2010, areas were invited to bid to form Local Enterprise Partnerships (LEP), whose broad aims were set out in the Local Growth White Paper in October 2010.

It was intended that LEPS should demonstrate clear leadership in local areas, setting out local economic priorities and needs which reflected the 'functional economic areas' to stimulate private sector growth and job creation. In essence, the LEPS were tasked with identifying and dealing with real, on the ground practical issues, causing large scale frustration to businesses.

It has been widely recognised that economic development can only sensibly be done on a scale greater than most individual local authorities, namely across a 'functional

economic area', defined in part by 'travel to work area', where there is a reciprocal flow of people crossing boundaries on their way to work, and where housing, infrastructure, skills and jobs markets are interconnected.

It is a fact that businesses and enterprise do not acknowledge municipal boundaries and are not bounded by the horizons of their local council, when hiring staff or setting up new operations. Equally, Universities are unbounded by Local Authority boundaries as they seek research and other collaborations with industry that can utilise their research, innovation and other commercial services. Consequently, Buckingham University is an integral part of the South East Midlands University group SEMU, part of SEMLEP.

Essentially, at the outset, the role of the LEPs was to enable Local Authorities and business representatives collectively to:

- Shape, inform and be informed by the real needs of business;
- Develop private-sector led commercial business cases in response to national funding opportunities;
- Provide a mechanism for businesses and local authorities to lobby for an appropriate share of national resources;
- To harness the collective experience and insight of business and local authorities to focus priorities;
- To provide sustained and joined-up lobbying for business critical infrastructure (e.g. East/West Rail)
- To bring together views on how best to use funding proposals to support jobs, employment growth, skills and training

#### 4.2 Chronology of AVDC's involvement in two LEPs

##### **South East Midlands Local Enterprise Partnerships (SEMLEP)**

In March 2011, AVDC joined the South East Midlands LEP, as Aylesbury Vale is part of the natural 'functional economic area' of SEMLEP. SEMLEP itself, was an evolution and extension of an existing close working partnership with Local Authorities, which had previously been known as Milton Keynes South Midlands (MKSM), and had also co-operated in working towards a concept of the 'Oxford to Cambridge' arc.

##### **Buckinghamshire Thames Valley Local Enterprise Partnership (BTVLEP)**

After the first wave of LEPs had been approved, it was clear that certain parts of the country were not represented by a LEP, which included Wycombe, the Chilterns and South Buckinghamshire, who had been having discussions with the Thames Valley LEPs. AVDC was approached by the remainder of the County to agree to its involvement in the establishment of another Buckinghamshire wide LEP. As a result, BTVLEP was formalised and approved in January 2012, accompanied by a Memorandum of Understanding (MoU) setting out how the overlapping arrangement would need to work.

At this time, 39 LEPs had been approved covering the whole country, SEMLEP being the 7<sup>th</sup> largest and BTVLEP the second smallest, many of which still continue to having overlapping areas today. Within SEMLEP, Cherwell, South Northants and some other Northamptonshire Districts are also in two LEPs.

#### 4.3 A transformational change in LEP powers and functions

##### **Heseltine Review and devolution of funding**

A transformation in how LEPs were perceived occurred in October 2012, following the publication by Lord Heseltine of *“No Stone Unturned in Pursuit of Growth - a new partnership for growth”*. This report consisted represented a comprehensive economic plan to improve the UK’s ability to create wealth and consisted of a series of 89 recommendations to Government. These 89 recommendations were concerned with injecting greater stability into the economy, creating conditions for growth and maximising the UK’s economic performance.

The main thrust of these recommendations revolved around the potential for greater devolution of powers and funding to local areas (LEPs) by arguing for a major rebalancing of responsibilities for economic development between central and local government and between government and the private sector.

It represented a series of measures to unleash the potential of local Leaders, businesses and the economy at the local level.

##### **Autumn statement December 2012**

The Government’s initial response was positive and began to set the direction for the devolution of central departmental government spend to local areas. In short, the remit and importance of the LEPs now began to take on greater significance. The key recommendations adopted were as follows:

- empowering LEPs to assume responsibility for the devolution of some central government departmental spending into a LEP controlled single funding pot, called the Single Local Growth Fund (SLGF), with effect from April 2015
- allocating capacity funding of £250k to each LEP for 2012-2014 to enable them to develop the strategic economic growth plan for the area to bid for devolved funding
- agreeing to devolve a greater proportion of cross departmental growth-related funding from 2015, with a commitment to maintain similar levels each year until 2020
- aligning the EU common strategic framework plan priorities 2014-2020 and funding with LEP growth plans
- giving LEPs a new role in setting skills strategies, especially around employer led demand
- providing an additional £350m for Regional Growth Funding (RGF) bids
- enabling Local Authorities to come together in different ways to form Combined Authorities or other different governance models to allow for greater co-operation across LEP areas

##### **2013 budget announcement**

However, the scale of intent and funding proved to be a disappointment when the Government responded in the March budget 2013, in announcing only a £2bn single pot of growth funding for 2015, much smaller than the £59bn Heseltine had wanted over 5 years. The pot into which LEPs could bid for 2015 was £2bn and includes a proposal to top slice the New Homes Bonus (NHB) nationally by £400m. The government have recently consulted on this proposal and have yet to confirm that this will be the confirmed arrangement and local authorities have strongly objected to this proposal.

Bids for single pot funding will be allocated by formula (50%) and the rest by a competitive bidding process. It was indicated that similar levels of funding would be provided each year until 2020, after which it would be reviewed in line with Comprehensive Spending Round Reviews (CSR).

However, in return for this funding, LEPs would have to clearly demonstrate how they would make their area the best place to do business and show the clear difference they would make, as well as demonstrate how they can work across boundaries on areas such as transport, inward investment and EU programmes etc. The constitution of the amount available for funding on a national basis for 2015 is broken down as follows:

Creation of a single growth fund of £2bn from 2015:

Local Authority Transport Majors	£819m
Local sustainable Transport fund (capital)	£100m
Integrated transport block	£200m
Further education capital	£330m
European Social Fund (ESF) match	£170m
New Homes Bonus (NHB)	£400m
<b>Total</b>	<b>£2,019m</b>
Of which capital represents	£1,449m

Although this is allegedly single pot funding, there are strong indications that some part of the bidding process will be judged against “old departmental “ criteria, in particular transport..

In addition, EU funding allocated for the period 2014- 2020 has been announced which is as follows:

- SEMLEP circa £88m
- BTVLEP circa £17m

#### 4.4 Current state of play – where are we now?

4.4.1 It is recognised that LEPs are still at an early evolving stage of development and are still in experimental mode. Moreover, it is recognised that LEPs cover different geographies and are of different characters, capabilities and capacities, although all they are focused on growth, competitiveness and investment.

AVDC’s current position is that it will continue to work with partners with whom it has a proven track record of collaboration in a naturally occurring ‘functional economic area’ and with whom it has and continues to benefit. Many of the 39 LEPs have Local Authorities that are in two or more LEP areas, precisely because they recognise that their long term interests are served by what happens in both LEPs and that they are able to influence what happens at the ‘top table’ – one example is Barnsley who are positioned in both Leeds and Sheffield City Region LEPs.

#### 4.4.2 A complicated and evolving landscape to work with

A lot has happened since the Coalition took office and yet a lot of the initiatives have yet to bed down and impact. It is early days in the development of the LEPs and as a result, AVDC along with many others across the Country is still finding its way. However, in so doing, it is trying to keep abreast of all the changes and opportunities, whilst at the same time trying to ensure '**no door is closed**' to any opportunity that comes along, from which it might benefit.

Some opportunities might present themselves to one LEP as opposed to another and AVDC has to position itself to understand these opportunities, by working them through with other parties, before any commitments or decisions can be taken one way or the other.

Recent opportunities which have presented themselves solely through SEMLEP have included an opportunity to explore what being part of a City Deal would mean and the possibility of benefitting from a share of future business rates uplift from the Northamptonshire Enterprise Zone.

Below is an illustration of the initiatives we have to keep up with and relationships we need to maintain to position AVDC for future benefits to the area and its businesses.

- 1) there are a plethora of new partnerships and bodies - LEPs, Local Transport Boards, Combined Authorities
- 2) there are a range of national enterprise and innovation agencies and functions – UK Trade and Investment (UKTI), the Technology Strategy Board (TSB) etc
- 3) there are new sub-regional instruments – 28 City Deals, 39 LEP growth deals
- 4) there are new local instruments – community and neighbourhood budget pilots
- 5) there is a continuous stream of new policies to embed down – Community Infrastructure Levy (CIL), New Homes Bonus (NHB), Enterprise Zones (EZs), planning reforms
- 6) there are a range of new funding instruments – Regional Growth Fund (RGF), Growing Places Fund (GPF), Tax Increment Financing (TIF), business rates retention etc

#### 4.4.3 The priorities for the LEPs 2013-2015

LEPs currently have to meet very significant and complex government expectations and EU compliance. What is clear is that this period of time should be spent in building a strategic economic leadership team with a shared vision and intervention strategies **but not in isolation**, as no LEP is an island nor is economic development.

LEPs must prove themselves to be ready to accept new powers and responsibilities in a transparent and fully accountable manner, as they are intended to be subnational bodies that are locally accountable, have devolved powers and resources at their disposal to be able to develop the economy and create an economic destiny, in tune with local place-based advantages to create a better quality of life for all.

They currently have a huge workload, not only of delivering against existing and new initiatives arising from Government and consultations, but focusing on providing the **evidence and story** to support both the EU 2014-2020 plan, which had to be submitted in draft form by early October 2013 and which will need to be finalised in January 2014, as well as the Single Local Growth Plan, the first draft needing to be submitted to Government by December 2013, for ongoing discussions with Government between January 2014 and April 2014, before being finalised in June 2014.

The key principle is of Growth Deals will be a partnership between the Government and Local Enterprise Partnerships, where the Government will respond to the offers made by Local Enterprise Partnerships in pursuit of the shared objective of growth. The Government and Local Enterprise Partnerships will negotiate Growth Deals on the basis of the Local Enterprise Partnership's Strategic Economic Plan.

#### 4.5 How has AVDC benefitted so far ?

AVDC has had a seat on the Board of the two LEPs and has significant involvement of the CEO and Economic Development and Planning officers on various working groups, especially where they support and take forward AVDC's economic development strategy aims and objectives and develop projects/programmes in support of business.

Since Members had the opportunity of engaging with the LEPs at an early stage in 2012, matters have moved on apace. The most significant summary highlights of how AVDC has benefitted to-date include:

##### **East/West Rail**

Through a partnership called the East/West Rail consortium, consisting of Local Authorities and both LEPs, partners have managed to agree to provide local contributions to secure the Government's transport funding to deliver the East/West Rail from Bedford to Oxford by 2017, with an Aylesbury spur.

##### **Superfast Broadband**

BTVLEP have managed to secure £18m funding to support the roll out of superfast broadband across Buckinghamshire, through its Connected Counties partnership with Hertfordshire. This will be begin to be implemented on the ground by December 2013 and will significantly benefit Aylesbury Vale.

##### **Key employment site investment**

SEMLEP has agreed to an upfront investment of £4.4m of Growing Places Fund (GPF) to help upgrade the utilities and infrastructure to the Silverstone site, to accelerate the development and implementation of the Masterplan for commercial economic growth. This is Aylesbury Vale's most significant new employment opportunity in the Vale and especially important, since the recent investment by MEPC of £32m for a 999 year lease, who are keen to progress the realisation of their asset and return on investment.

##### **Town centre masterplan**

BTVLEP are working very closely with AVDC on the development masterplan for the Town Centre and have already invested £2m GPF funding to support public realm works around the Waterside development.

##### **Sector and skills development**

AVDC continues to work closely with SEMLEP and BTVLEP on the development and promotion of the High Performance Technologies sector, of which Silverstone is a part, as well as advanced engineering and manufacturing across the sub region.

##### **EU and Growth plans**

AVDC is working closely with both SEMLEP and BTVLEP on informing their skills plans for the future.

We continue to work with both LEPs in ensuring that our Local Authority and business needs are reflected in the emerging draft EU and Growth plans which the LEPs are preparing. Furthermore, we are working to bring the LEPs together to share their emerging plans with AVDC and each other, to align interests where there is

bigger impact and where local match is concerned and will continue to do this as these plans are formed.

#### **MK/SEMLEP City Deal**

An ongoing discussion with MK/SEMLEP and Government Ministers around a City Deal, which ultimately could provide additional revenue streams to support the delivery of services in communities, where Local Authorities are accepting significant housing growth under their Local Plans.

If this were to be successfully negotiated, it would also bring significant funds to bolster the sub-regional business support known as a 'growth hub', as the second wave City deals can bid into a Regional Growth Fund (RGF) pot which could draw down at least £2.5m in addition to local match. In addition, there is a skills strategy asking for greater freedoms to deliver more employer led skills programmes, apprenticeships and work readiness programmes, building on what has already been achieved with the likes of Arla and the UTC for instance, but developing similar programmes in other sectors where there is a need, such as in manufacturing and engineering.

Whether successful or not, the whole discussion has made SEMLEP aware that the New Homes Bonus (NHB) funding is significant to the Local Authorities and that rather than keep the NHB top sliced funding in a central growth fund LEP pot, they have sent a letter of intent to all Local Authorities making it known that the intent will be to repatriate those monies to those areas delivering new housing growth, as was the original intent of the NHB.

#### 4.6 What now for the future?

Although LEPs are not perfect, it is clear that there will be little appetite, post 2015 elections, for another wholesale reorganisation of the economic development infrastructure.

However, some are suggesting that 39 LEPs is still too many and there may be a need for further slimming down and re-configuration of LEPs under a new Government. It has been suggested that a future Labour government would inherit a patchwork quilt of regional, sub-regional and local structures of economic governance and that they would be *"interested in finding ways of strengthening and extending partnerships between businesses, communities and elected leaders within and across areas", suggesting that one way to improve them would be to widen the geographical coverage, even bringing 'core cities' together with their wider hinterland"*.

In any event, whichever party comes to power, LEPs would be here to stay.

Equally Local Authorities will have a key role to play as democratically accountable bodies who would have both a key strategic and delivery role to play. Whatever shape and form LEPs take in the future, they will be primarily focused around an economic development model which consists of three core aspects:

- physical investments (assets, infrastructure)
- enterprise and innovation eco-systems (HEIs, business agglomerations, value/supply chains, local markets)
- community regeneration and economic inclusion (NEETS, rural, areas of multiple deprivation)

AVDC should continue to work with partners with complementary activity and where they have strengths which our area and businesses can benefit from. Ultimately, any LEP will need to have critical mass to be nationally significant and deliver Government outcomes and be globally significant with a recognisable coherent profile and reputation and prove that they are delivering growth.

## Issues and uncertainties which will need resolving at some stage along the evolutionary journey

### **Governance:**

Greater accountability and wider representation is key. Local Authorities have a democratic mandate and stewardship role which will involve influencing priorities, engaging with strategists, fostering and scrutinising delivery activities. They also have experience of addressing legislative challenges around planning and procurement processes

### **Resources:**

Local Authorities will continue to have a major role to play especially with the partial re-localisation of business rates, through our planning function, and a possible reformed government finance system to raise revenue in future for economic development purposes

### **Business engagement:**

Businesses are meant to know how to stimulate private sector growth, hence guide local economic strategies and lead the design of policies to support growth. With the allocation of new powers to the LEPs, it is important that these new powers and level of funding will be significant to ensure the continued commitment of businesses, who must be representative of the broader business demography and motivated by the interests of the area

### **Overlapping LEPs:**

Whilst significant uncertainty over the future shape and direction of travel of LEPs still exist and significant lobbying from different factions and perspectives is still underway, AVDC should continue to maintain its dual stance of being in an overlapping area that looks south to Buckinghamshire and the Thames Valley and north to the South East Midlands to position itself to take advantage of the benefits that could potentially accrue from both, whilst remaining alive to ongoing developments. There is no immediate pressure or need for AVDC to decide at this point as to whether it should ultimately be in one LEP or two.

## **5 Response to Key Aims and Objectives**

Economic Development functions of the council contribute to the corporate plan objectives of Growing the Economy of the Vale and Deliver Efficient and Economic Services.

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Background papers: None