

Local Enterprise Partnerships (LEPs)

The purpose of this paper is to provide an update on lessons learned from the implementation of the Local Growth Fund in England. Some initial thoughts are provided on key areas relevant to potential future Regional Investment models in Wales and your comments are invited on these

Issue

1. At the May meeting, the Group considered a paper on a future regional investment model. An initial assessment of the role of LEPs in England was presented. The Group requested an update on lessons learned for its July meeting.

Background

2. Established in 2010, LEPs were initially intended as a strategic partnership, steering growth on a regional basis. They were not set up to be resource intensive in terms of their operation as programme delivery was intended to be undertaken through partner organisations. Since 2014, LEPs have entered into Local Growth Deals with the UK Government and managed related funding.
3. A number of reviews have taken place on the performance of LEPs since their inception. The key ones are National Audit Office reviews in 2016¹ and 2019², the Ministry of Housing, Communities and Local Government's National Review: Strengthening Local Enterprise Partnerships in 2018³ and, most recently, the House of Commons Committee of Public Accounts progress review of LEPs which was published on 5th July⁴.
4. A recent report by a UK-wide network for community groups has also received wide recent press coverage. The Communities in Charge campaign report⁵ calls for communities to be put directly in charge of any post-Brexit economic regeneration funding. Recommendations in the report include the re-casting of LEP Boards in England to better reflect non-business stakeholder views and establishment of parallel citizens' panels across LEPs to ensure that wider community views are understood and are built into Local industrial Strategies.

Key findings

5. The findings can broadly be characterised under the following headings (mostly used by Public Accounts Committee):

¹ [National Audit Office Report – Local Enterprise Partnerships \(2016\)](#)

² [National Audit Office Report – Local Enterprise Partnerships: an update on progress \(2019\)](#)

³ [National Review: Strengthening Local Enterprise Partnerships \(2018\)](#)

⁴ [House of Commons Committee of Public Accounts: LEPs progress review \(2019\)](#)

⁵ [Communities in Charge; Give people the power to prosper after Brexit \(2019\)](#)

- Oversight (national): the need to understand how and where investment is being made and what the impact that has at a local regional and national level (i.e. robust monitoring and evaluation systems and intelligent use of that data)
 - Scrutiny (regional): the need for standards of governance and assurance to be established (and monitored nationally), for oversight of investment decisions, appropriate capacity, and for high levels of transparency
 - Structure of regional bodies: the need for a consistent model, avoid overlapping geographical boundaries, and have broad and representative partnerships (both sectorally and in terms of diversity)
 - Capacity to deliver: identify capacity and capability gaps before funding is allocated, building leadership and programme management skills in order to manage complex projects / programmes more effectively.
 - Terms of funding: need to have clear set of outcomes linked to performance management and retain levers for incentives/sanctions, recognise funding profiles over life of investment programme (flexibilities between years), consider revenue costs more thoroughly, and incorporate capacity costs.
6. Annex A summarises the Public Accounts Committee report. Annex B sets out key findings from the other reviews of the LEPs. Annex C seeks to draw out some implications for a Welsh approach. It is clear that there is significant learning to be gained from the LEP approach. Some initial thoughts on how the findings could be used to inform a Welsh regional delivery approach are at Annex C. Annex C also incorporates views expressed at the May RIWSG meeting.

Next Steps

7. This paper highlights findings to date on the functioning of LEPs, complementing the paper presented to the previous meeting (May 2019) comparing different approaches to regional economic development investment.
8. We are already in discussion with officials in the Ministry of Housing Communities and Local Government and aim to visit a selection of LEPs to discuss their experience of implementing regional economic investment activities in order to support the work in developing the future implementation approach in Wales.
9. Our work with the OECD examining multi-level governance arrangements in Wales has already put in train detailed development work to avoid many of the issues highlighted in the LEP/Local Growth Fund model and provide tailored recommendations for a future Welsh approach.
10. More detailed work will be taken forward as part of the Implementation and Delivery sub-group. This will consider each of the different aspects of delivery for a Welsh model at a national, regional and local level (e.g. governance, representation, capacity, decision-making, oversight, etc.).

Annex A: Summary of the Public Accounts Committee report, *Local Enterprise Partnerships: progress review* (June 2019)

No	Conclusion	Recommendation
1	Despite spending up to £12 billion of taxpayers' money, the Department has no real understanding of the impact which the Local Growth Fund has had on local economic growth.	In the absence of national evaluation, the Department should use the performance data it receives from LEPs to build a national picture of what is working most effectively in boosting growth and use this to inform the design and plans for evaluation of the UK Shared Prosperity Fund.
2	The Department has improved the assurance framework for LEPs but there is a long way to go before all LEPs are held to account and their work scrutinised effectively.	The Department should set out how it is going to assess local capacity to scrutinise LEPs' activities and how it will facilitate LEPs' accountability to their local areas.
3	There are entrenched difficulties with LEPs' overlapping geographical boundaries which are supposed to be resolved by April 2020.	The Department should set out a clear timetable showing how it will meet the April 2020 deadline and what action it will take if local authorities fail to agree on overlapping boundaries.
4	LEP boards are not yet sufficiently representative of their local areas.	Within the next 12 months, the Department should work with LEPs to agree a broader set of diversity targets for LEP boards. This should include targets that reflect the makeup of local businesses in their areas.
5	LEPs continue to underspend their funding allocation each year, calling into question their capacity to deliver complex projects.	The Department should write to us within three months to set out the results of its analysis of LEP capacity and how it will use this information to improve LEPs' delivery of complex projects.
6	There is a risk that funding allocated on the basis of local industrial strategies may not go to areas with the greatest need.	The Department should support LEPs to develop robust local industrial strategies based on the economic need of their areas and clearly set out how they will ensure a balance between supporting both high performing areas and areas which are lagging behind.

Annex B: Key findings from other LEP reviews

Strategy

LEP's Local Industrial Strategies have to be agreed by the Ministry for Housing, Communities and Local Government (MHCLG). Whilst designed to respond to local need, a focus on four defined areas of activity were set to ensure consistency of approach across the LEP network. These areas were strategy, allocation of funds, co-ordination and advocacy.

Monitoring/Reporting

LEPs are required to produce an annual Delivery Plan, reporting to MHCLG on agreed outputs through an annual performance review and monthly reporting, evaluation frameworks and quarterly monitoring reviews where considered appropriate.

Performance measures

In 2016 it was reported that specific, quantifiable objectives for expected achievements from Growth Deals had not been set, meaning that it will be difficult to assess what they have delivered. Without a specific objective for what they hoped to achieve, it was also not clear how it was determined that the funding provided to the Local Growth Fund overall would be sufficient.

To improve LEPs inconsistencies in delivering investment goals and to ensure that intended activities are seen to be providing all expected of them, a closer more prescriptive monitoring and reporting regime has been introduced over time.

Sanctions

Withholding of funding from LEPs remains the main mechanism for correcting LEP underperformance or non-compliance. As LEPs are not statutory bodies, there is not the same power to intervene as with failing local authorities.

Funding Allocations

LEPs face challenges in planning complex projects with annual funding allocations.

Governance

A Local Enterprise Partnership Assurance Framework was established to provide guidance around what LEPs need to build into their own Local Assurance Frameworks. It explained how appraisal, monitoring and evaluation of schemes should deliver value for money and provided Government, stakeholders and the public the necessary assurances that LEPs have the policies and processes in place to ensure the robust stewardship of public funds.

In April 2019 a new National Local Growth Assurance Framework was launched containing mandatory requirements for governance, accountability and transparency,

alongside recommended best practice. It is considered the minimum standard for LEPs to adhere to and all LEP Local Assurance Frameworks must conform to these standards. LEPs compliance is assessed during the annual performance process

Capacity

LEPs are dependent on local authority partners for staff and expertise. It is essential that LEPs have their role and remit clearly defined and that all necessary skills and resources are readily available to deliver the activities expected of them and their local authority/private partners.

Separation

In delivering the strategic leadership for growth across their area, LEPs provide a distinctive role from individual local government institutions.

They are not intended to displace or duplicate business organisations which are representing businesses at a local level, and it is important to ensure said roles are defined, understood and maintained.

Associated with this, the accountable body role undertaken by a local authority must be delivered with appropriate membership arrangements, recognising the risk management and other role that body fulfils on behalf of the LEP.

Partnerships

LEPs have had success in identifying and bringing together effective private and public sector leaders, acting as champions for their area's economic success. They have also created new partnerships between the public and private sector across administrative geographies that represent the diversity of local businesses and communities.

There is a commitment to supporting LEPs to achieve more diversity on their boards, with a target of equal gender representation by 2023. Currently, on average, 27% of LEP board members are female

LEP boundaries

As LEPs were formed on a voluntary basis and asked to operate across functional economic areas, many overlapped. In 2018 it was reported that "retaining overlaps dilutes accountability and responsibility for setting strategies for places".

Evaluation

The 2019 NAO report notes that no evaluation has been carried out on Local Growth Funds delivered through LEPs to establish what works locally for future interventions in local growth, including the new UK Shared Prosperity Fund.

Annex C: Implications for design of Welsh regional approach

The following are initial thoughts on how the findings from LEP reviews could be used to inform a Welsh regional delivery approach. This incorporates views expressed at the May meeting of this Group. Further detail will be developed as part of the work of the Implementation and Delivery sub-group.

Strategy (i.e. National Framework and regional economic plans):

- Strategic plans should align with Welsh Government policy and the Wellbeing of Future Generations Act.
- There should be consistency in strategic plans and consideration should be given to a template model for regional or local planning.
- Strategic Plans should be able to illustrate how the priorities or indicative activities outlined will be delivered.
- Regional Strategies should be based on the economic need of their areas and clearly set out how they will ensure a balance between supporting both high performing areas and areas which are lagging behind.

Setting goals and monitoring and reporting

- Clear and standardised performance measures and expected outcomes should be agreed at the outset to enable a continual, consistent and comparable evaluation of growth indicators to ensure future Regional Investment achieves what is required.
- Further consideration will need to be given to incentives and sanctions, including measures to address underperformance, such as links to funding or delegated functions.
- Wales should have a robust evaluation framework in place at an early stage to assess the effectiveness of and to learn lessons on what works for interventions in regional growth.

Funding allocations:

- Funding allocations should support longer term planning and delivery of clear outcomes, consider different spending profiles (e.g. infrastructure will have an initial delay), support capacity and effective programme management (including monitoring, evaluation and assurance), and allow for appropriate capital and revenue funding.

Governance

- There should be a requirement to adhere to codes of conduct based on the Nolan principles of public life (act in public interest, integrity, objectivity, accountability, openness, honesty, leadership).
- The necessary scale and scope of governance arrangements and assurance frameworks should take account of the level of decentralisation of decision making and financial delegation.
- An overarching assurance framework should be developed to provide consistency of approach, with clear and appropriate responsibilities and accountability throughout.
- This should be supported by robust governance monitoring and reporting processes through a well-defined management and accountability structure.
- Decisions taken, procedures and financial performance should be transparent with a common and open reporting mechanism.
- Induction and ongoing training should be provided by managing bodies on requirements and responsibilities.
- Further consideration should be given to the statement that 'making people properly accountable is more about culture and actual implementation than it is about guidance' and how this can be embraced.
- There should be a requirement for registers of interest and published policies on managing conflicts of interest. There should also be a publicised whistleblowing policy and arrangements for confidential reporting of allegations of untoward concerns by third parties/the public.
- Governance arrangements should support and facilitate partnership working and co-ordination between local, regional and national levels.

Capacity and partnerships

- The capacity and capability of organisations to deliver to expectations must be assessed and addressed prior to any delegation of responsibilities.
- Appropriate funding should be identified and put in place to support capacity building and ongoing delivery relative to levels of funding being managed
- The different roles, requirements and responsibilities of organisations involved in a regional approach to growth should be clear and measurable from the outset.
- Further work should take place on establishing the critical factors for successful partnerships for effective regional growth.

- Implementation arrangements should support opportunities for engagement on cross regional issues and help avoid duplication and unhealthy competition between regions.
- Partnerships must be representative and avoid 'capture' by any particular sector or actor, with clear identification and management of conflicts of interest.
- Wales should develop a plan to encourage diversity in the planning of and decision making for regional interventions so that decision making mechanisms are representative of the local area.
- Geographical boundary overlaps should be avoided so that accountability and responsibility for setting strategies for places is not diluted.