

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Cabinet
Date:	26 July 2010
Title:	Local Enterprise Partnerships
Reference:	1859
Report From:	Director of Economic Development

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1. Executive Summary

1.1. The purpose of this paper is to establish the principles for setting up a Local Enterprise Partnership (LEP) to inform a submission to the Secretaries of State for Business, Innovation and Skills, and Communities and Local Government on or before 6 September 2010, in response to their invitation to council leaders, and economic partnerships.

1.2. This paper seeks to:

- set out the advice from Government on the purpose of LEPs;
- consider the finance that may be needed to support an LEP and the implications for existing partnership arrangements;
- highlight the potential significance of an LEP for the county's economic prospects; and
- put arrangements in place to approve a submission by 6 September 2010.

2. Contextual information

2.1. The coalition Government has decided to scrap the Regional Development Agencies (RDAs) and has invited local council leaders, local authority MAA partnerships and local business organisations to submit expressions of interest in forming a Local Enterprise Partnership (LEP). The invitation notes that these are expected to include groupings of upper tier authorities, being oriented towards functional economic and travel to work areas (see attached appendix).

2.2. The remit of these partnerships and any funding provision is uncertain, but the invitation refers to the following functions:

Partnerships will therefore want to create the right environment for business and growth in their areas, by tackling issues such as planning and housing, local transport and infrastructure priorities, employment and enterprise and the transition to the low carbon economy. Supporting small business start-ups will therefore be important. They will want to work closely with universities and further education colleges, in view of their importance to local economies, and with other relevant stakeholders. In some areas, tourism will also be an important economic driver. Further details will be set out in the forthcoming White Paper.

- 2.3. The White Paper may indeed clarify the Government's thinking to some extent, but it is thought that this process of inviting submissions is intended to inform the Government's thinking at this early stage. The White Paper is not yet complete and there is opportunity to informally submit conceptual ideas to officials ahead of the White Paper. The timetable is very short and therefore there will be little opportunity to do more than get in principle expressions of support from many of the organisations which would normally be consulted. To some extent democratic inclusiveness will need to be traded off with speed and clarity of the proposition. This is, however, only an expression of interest. Refinement and elaboration can follow if the County Council is invited to proceed. Success in this sense will be more likely, if the model makes sense in relation to other proposals coming forward in this part of the country. Early indications are that most counties in the South-East are considering LEPs based on county boundaries, with collaborative working on city regions and strategic alliances at the above county level. In Berkshire, there are two proposals, one focused round Reading Diamond, covering Reading, Wokingham, Bracknell and Theale in West Berkshire, and one encompassing all 6 Berkshire Authorities.
- 2.4. The Government envisages LEPs being led by an equal partnership of business and civic leaders and having a Board, of which the Chairman would be a prominent business leader. The initial advice in the invitation letter is that there will be no revenue support for these partnerships. However, there may be some Government funding channelled through LEPs for specific services. For example, a recent Government announcement envisages that the Regional Business Link Services will be abolished, with national support being provided through a website hosted by the relevant Department (BIS), and business start-up advice provided by the private sector, operating under LEPs. The Government envisages that local businesses will support one another through the LEP and other networks. Such funding is likely to be modest, especially in more prosperous parts of the UK.
- 2.5. Skills funding is also undergoing significant change, with much greater reliance on a well-informed market rather than a public sector planned and managed process. From Government announcements made to date, greater autonomy for training providers is envisaged, subject to their performance, and the Skills Funding Agency (SFA) is charged with better meeting business needs. It is anticipated that the SFA will be streamlined to perhaps 25% of its current size. Funding has already been switched by the new Government to place a greater emphasis on higher level apprentices, working directly with private companies. The public sector's role is therefore significantly diminished and a key interface will be with local colleges (FE). The LEP, if

properly formulated, could provide the umbrella to facilitate the dialogue between business and providers at the local level and to influence the market by creating intelligence on business needs and provider performance and communicating with students, adult learners and business to make sure they are well informed and to monitor market outcomes to feed back to providers.

3. Finance

- 3.1. Both the Partnership for Urban South Hampshire (PUSH) and Hampshire Economic Partnership (HEP) receive significant funding from SEEDA. PUSH also receives growth point funding. The North Hampshire and M3 Corridor Economic Board does not receive any SEEDA funding. SEEDA also funds three Innovation and Growth teams across Hampshire and provides a number of other services in support of the economy, including inward investment activity and ongoing support for investors/major companies. Marine South-East provides support to firms in the marine sector to help them increase their productivity and market share. It is anticipated that some of these agency functions will be picked up at the national level (eg inward investment to the UK and access to finance), but there may be a number of functions that LEPs would want to provide, albeit more efficiently organised and with a much higher level of business driven activity. Further information will be obtained from SEEDA on the in year and 2011/12 budget cuts proposed to these organisations and their overall funding arrangements, to inform the development of the LEP submission.
- 3.2. The County Council contributes £88,000 to PUSH, some 28% of the Local Authority contributions, out of a total revenue budget in 2010/11 of ££2.13m. The Council makes a modest contribution of £15,000 core funding to HEP (about 16% of Local Authority contributions and less than 4% of its overall budget), which is around 40% funded by the public sector. The Council also makes modest grants to other business support organisations, including Enterprise First, which provides support for business start-ups along the lines envisaged in emerging Government statements.
- 3.3. In formulating its submission, the Council will need to be mindful of the implications of the whole public sector's likely reduced funding for partnership working in support of the economy, while potentially an expansion in the functions that need to be delivered and financed will be needed. A greater private sector funding share seems desirable given the anticipated financial context. However, it is unlikely to be possible to sustain this if the private sector does not see a slick, streamlined partnership operation, an orientation to action and improved outcomes for business and the economy. Time and money will be at a premium, so it will be vital to have high levels of trust and minimal bureaucracy, with a focus on delivering outcomes, excellent communication between partners and each organisation playing to its strengths and empowered to act within agreed boundaries. In a given sub-area of Hampshire, it is likely that partners will need to prioritise and focus for joint working on only two or three strategic interventions, considered of most importance to address the economic issues the area faces. This does not

preclude partners working individually towards a common vision and small numbers working collaboratively on the delivery of specific projects. These latter activities can operate outside a formal LEP construct where it provides no added value.

- 3.4. At the same time as the invitation for LEPs was issued, Government also announced it was setting up a £1 billion Regional Growth Fund (see attached appendix). Although there are strong messages that this is primarily intended to rebalance the economy, both geographically and where there is overreliance on public sector employment which will be at risk, there may be some opportunities for the South-East. It seems likely that, outside the private sector, LEPs would be the eligible bodies for applications to this Fund.

4. Key issues

- 4.1. In a more austere funding environment, Hampshire can expect to have to rely substantially on its own resources and creativity to drive improved economic performance. Negotiating changes to taxation arrangements, creating added value from pooled assets and a more entrepreneurial culture are all likely to be required and the need for these is common across Hampshire and beyond. Priorities for intervention will vary across the county due to different economic challenges, but the partnership structure to support improved outcomes and strategic intervention is likely to be most efficiently delivered at the level of Hampshire or bigger, depending on the topic. It is the regional level of governance and expertise that is disappearing. While the disappearance of much of the bureaucracy will be welcomed, in terms of providing expertise and influencing Government policy, LEPs will need to occupy the territory vacated by the RDAs to some extent.
- 4.2. The timetable for submission of interests is very short and therefore it will be difficult to test the full range of opportunities for collaborative working beyond Hampshire. In any event it is likely to prove valuable to work with different groups of authorities on specific issues rather than create very large, formal partnership organisations. A more flexible approach to 'strategic alliances' is therefore recommended at this stage with the opportunity to review this following the initial expression of interest stage. Potential strategic alliances might include a 'southern' LEPs alliance and a 'west London arc (A34) growth points alliance'. In supporting the marine sector, the southern LEPs might want to join with the Kent and Medway LEP, where there is also a substantial marine base. On some strategic influencing issues, such as funding support, it may be prudent to be part of a London and the South-East interest group. These should be seen as complementary alliances rather than alternative ones.
- 4.3. In keeping with the emerging market-oriented Government construct and the tight financing picture, it is proposed that the initial Hampshire LEP concept should provide only for a small amount of paid, dedicated resource, probably hosted by a partner organisation to minimise back office costs and with a monitoring/audit arrangement provided by a (different) local authority. This

would provide administrative support, communications and a Chief Executive Officer (CEO). To supplement this, individual partners, including business leaders, could provide expert support (eg high level financial and legal advice) and the leadership of individual projects, task groups and services, drawing together project teams as required, with project/service budgets assembled to support agreed deliverables. These can operate at different spatial levels, but all would be supported by a common executive function and CEO, who would need to mobilise the resources for project activity. That way, activity would only happen if it attracted sufficient support and resources.

- 4.4. Whilst this concept can underpin thinking, arrangements need to be kept flexible until the overall funding context and timetable is understood and the consequences for existing partnership arrangements and the staff and property assets and liabilities have been reviewed.
- 4.5. Whichever model is chosen for a Local Enterprise Partnership, the Council will need to consider carefully whether it can afford to sustain its contribution to so many diverse groups as currently. A single, integrated arrangement will be more attractive to business, provided it is effective in tackling the constraints to business growth. The model will need to be relevant to all key partners, if it is to best fulfil its potential. However, within these objectives, a more outcome and activity driven approach to partnership working is needed, which can minimise the overhead, commit to actions, and flex to meet the funding and other resources relevant partners are willing to commit.

5. Future direction

- 5.1. The timetable for LEPs is not yet known but the indications are that the RDAs will be wound up no earlier than Summer 2011 and by March 2012, which will probably be when LEPs can fully operate. Shadow arrangements will ideally be set up in advance of this. SEEDA funding for existing partnership bodies and business support agencies is to be cut in year and disappear altogether from April 2011. However, some functions will be taken over by the Department of Business and Industry.
- 5.2. As the accountable body for PUSH and the Hampshire Local Area Agreement (LAA), Hampshire County Council is well placed to take such a role for an LEP in the first instance. Longer term, should it prove possible to mobilise a more private sector driven model across Hampshire, different arrangements may prove attractive, but this is likely to require a transition period. Business Southampton, which has developed to operate without any public sector funding through a business champions model, could be a useful concept to underpin how the business part of the model might operate across Hampshire.
- 5.3. Project leadership is likely to continue to need to be provided by local authorities in the short run, as currently happens in a myriad of ways across Hampshire, depending on the topic, partner interest and partner skills (eg Havant Public Service village, Eastleigh Riverside employment site, e-

Hampshire broadband project). Where projects are heavily dependent on substantial external grant finance, there will almost certainly need to be a rethink before progress can be made in the new financial climate.

- 5.4. It may be possible to merge a number of existing partnership support arrangements to achieve a cost-effective function and ensure best opportunity for retaining expert staff working under existing structures and arrangements, which are likely to shortly become unaffordable, leaving property and staffing liabilities for partners to resolve.
- 5.5. At the stage of initial submission, it is probable that only a broad statement of principles and intent could be signed up to with strategic alliances, and the construct would need to be developed at a later stage once the way forward on local enterprise partnerships is clearer and the fate of business support activities and agencies currently funded by SEEDA is known. It seems likely that the Council would wish to pursue above county level strategic alliances with other local authorities in some form, whether or not it sets up a formal LEP. However this will be more difficult if those authorities are operating through business led LEPs.

6. Recommendations

- 6.1. That the Director of Economic Development be authorised to prepare a submission for a local enterprise partnership which provides for partnership working at three levels – Hampshire-wide, beyond Hampshire and sub-Hampshire.
- 6.2. That a joint submission be made with Hampshire Economic Partnership and if possible with Southampton and Portsmouth City Councils and the Isle of Wight Council. If that is not possible, still to make a submission encompassing the whole of Hampshire.
- 6.3. That endorsement, in principle, be sought from other top tier authorities in parts of the South East and South West regions, for joint working on common strategic ambitions and also to influence the development of policy, funding mechanisms and access to grant aid.
- 6.4. That endorsement, in principle, be sought from other councils, business representative organisations in Hampshire and from major employers.
- 6.5. That the Director of Economic Development, in consultation with the Executive Members for Policy and Resources and Economic Development and Rural Affairs, be authorised to submit preliminary views, based on the above model, to inform the emerging White Paper on Localism and to make the fuller expression of interest, by 6 September 2010.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. Not applicable.

2. Impact on Crime and Disorder:

2.1. Not applicable.

3. Climate Change:

a) How does what is being proposed impact on our carbon footprint / energy consumption?

Not applicable.

b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Not applicable.

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To: Local Authority Leaders and Business Leaders
Cc: Local Authority Chief Executive Offices

29 June 2010

Dear colleague,

Local enterprise partnerships

We are writing to you to invite you to work with the Government to help strengthen local economies. The Coalition Government is committed to reforming our system of sub-national economic development by enabling councils and business to replace the existing Regional Development Agencies. The purpose of this letter is to invite local groups of councils and business leaders to come together to consider how you wish to form local enterprise partnerships.

We are working with the Regional Development Agencies (RDAs) to enable this transition. We are reviewing all the functions of the RDAs. We believe some of these are best led nationally, such as inward investment, sector leadership, responsibility for business support, innovation, and access to finance, such as venture capital funds. Some of their existing roles are being scrapped, such as Regional Strategies. The forthcoming White Paper on sub-national economic growth will set out our approach in more detail.

Separate arrangements will apply in London, where discussions are currently underway with the Mayor of London on how we can further decentralise powers, particularly in the context of the abolition of the Government Office for London.

We are determined that the transition from the existing RDAs be orderly, working to a clear timetable.

Meanwhile, we are keen to encourage local businesses and councils to work together to develop their proposals for local enterprise partnerships. We want to encourage a wide range of ideas, and to aid that, we would suggest some parameters.

Role

We anticipate that local enterprise partnerships will wish to provide the strategic leadership in their areas to set out local economic priorities. A clear vision is vital if local economic renewal is to be achieved. The Coalition Government is determined to rebalance the

economy towards the private sector. We regard local enterprise partnerships as being central to this vision.

Partnerships will therefore want to create the right environment for business and growth in their areas, by tackling issues such as planning and housing, local transport and infrastructure priorities, employment and enterprise and the transition to the low carbon economy. Supporting small business start-ups will therefore be important. They will want to work closely with universities and further education colleges, in view of their importance to local economies, and with other relevant stakeholders. In some areas, tourism will also be an important economic driver. Further details will be set out in the forthcoming White Paper.

Governance

To be effective partnerships, it is vital that business and civic leaders work together. We believe this would normally mean an equal representation on the boards of these partnerships and that a prominent business leader should chair the board. We would, however, be willing to consider variants from this, such as where there is an elected mayor responsible for the area, if that is the clear wish of business and council leaders in the partnership area. The governance structures will need to be sufficiently robust and clear to ensure proper accountability for delivery by partnerships.

Size

We have been concerned that some local and regional boundaries do not reflect functional economic areas. We wish to enable partnerships to better reflect the natural economic geography of the areas they serve and hence to cover real functional economic and travel to work areas.

To be sufficiently strategic, we would expect that partnerships would include groups of upper tier authorities. If it is clearly the wish of business and civic leaders to establish a local enterprise partnership for a functional economic area that matches existing regional boundaries, we will not object. We will welcome proposals that reflect the needs of every part of England, not least areas that are economically more vulnerable. Government is keen to work closely with and through capable local enterprise partnerships which meet these criteria.

Going forward

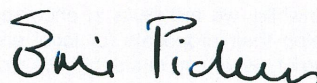
As set out in the Budget, we will publish a White Paper later in the summer, which will set out the Government's approach to sub-national growth. Legislation to abolish RDAs and enable local enterprise partnerships was announced in the Queen's speech and is expected to be introduced to Parliament in the autumn.

We would therefore welcome outline proposals from partnerships of local authorities and businesses, reflecting the Coalition Government's agenda, as soon as possible, and no later than 6 September.

Yours sincerely



The RT Hon Dr Vince Cable MP
**Secretary of State for Business,
Innovation and Skills
and President of the Board of Trade**



The RT Hon Eric Pickles MP
**Secretary of State for
Communities and Local Government**

CabinetOffice

News Release

CAB 110-10**29 June 2010**

£1 billion fund to help regional business

Deputy Prime Minister Nick Clegg today launched a £1 billion Regional Growth Fund to help areas and communities at risk of being particularly affected by public spending cuts. The fund, which will operate in 2011/2012 and 2012/2013 will help areas most dependent on public sector employment as the country makes the transition to private sector-led growth and prosperity. Both private bodies and public-private partnerships will be able to bid for funding by demonstrating that their proposal will bring in private investment and support sustainable increases in private sector jobs and growth in their area.

Speaking in Bradford after the first Coalition Cabinet meeting outside of London today, Nick Clegg said:

"While we sort out the nation's finances we can also help to foster a thriving and more balanced economy so that no region or community gets left behind.

"The Regional Growth Fund will create the conditions for growth and enterprise in the regions by stimulating investment and create sustainable private sector jobs.

"Alongside our commitment to waive some employment taxes for new businesses starting up in targeted regions of the country, this fund can make a real difference to companies during difficult times."

Nick Clegg also set out plans for local enterprise partnerships that will bring together councils and business on an equal footing with one voice, replacing the current Regional Development Agencies (RDAs). In a joint letter sent to councils and business leaders today, Business Secretary Vince Cable and Communities Secretary Eric Pickles have asked them to consider forming new local enterprise partnerships that can provide strategic leadership in their local areas and create the right environment for business success and economic growth.

Vince Cable, the Business Secretary said:

“We are determined to rebalance the economy towards the private sector, so it’s important we create a more effective structure to drive economic growth and development across the country.

“We want a structure that reflects the genuine interests and commitment of enterprise, local councils and other stakeholders like universities and colleges. Local enterprise partnerships will provide that vision and then take on the task of renewing local economies and tackling local barriers to growth. Today we are asking them to tell us about their vision and I’m looking forward to what they’ve got to say.”

Eric Pickles, the Communities Secretary said:

"If you want to rebuild a fragile national economy you don’t strangle business with red tape and let bloated regional quangos make all the decisions. Urgent action is needed to rebuild and rebalance local economies so that new businesses and economic opportunities spread across the country.

"The solution needs to be local - we know that when councils and local business work hand in hand they can drive economic growth together and places can be transformed. Local enterprise partnerships are central to this vision which is why we are asking them what they need.

"By giving up central control we will put democratic accountability back into the local economy making it responsive to the needs of local business and local people."

Local enterprise partnerships will tackle issues including planning and housing, local transport and infrastructure, employment, enterprise and supporting business start-ups. Other roles currently carried out by the RDAs will be led nationally, such as inward investment, sector leadership, business support, innovation and access to finance.

Further details of the Regional Growth Fund, and the creation of LEPs, will be set out in the forthcoming White Paper on local and regional growth.

Alongside this, Ministers also today announced plans for a Green Paper on business finance. As part of the government's strategy to encourage investment in growing companies in areas overly dependent on public sector employment, the Green Paper will consider the evidence, and identify any barriers to the supply of finance in such areas. It will consider whether more can be done to encourage bank finance, and also look at other possible sources of finance - such as growth capital and equity finance. The paper will also consider the role for local stock exchanges, and whether concerns about lack of liquidity and diversification can be overcome.

Notes to Editors

1. Full details of the Regional Growth Fund, including who will be eligible to apply, and the criteria and process for assessing bids, will be set out in the forthcoming White Paper on local and regional growth.

2. Budget 2010 announced:

The Government will shortly announce details of a scheme to help new businesses in targeted areas of the UK that need it most. During a three year qualifying period, new businesses which start up in these areas will get a substantial reduction in their employer National Insurance Contributions (NICs). Within the qualifying period, these employers will not have to pay the first £5,000 of Class 1 employer NICs due in the first twelve months of employment. This will apply for each of the first 10 employees hired in the first year of business and operate in selected countries and regions. Subject to meeting the necessary legal requirements, the scheme is intended to start no later than September 2010. Any new business set up from 22 June 2010 which meets the

criteria set out in the forthcoming announcement will benefit from the scheme; and to help areas and communities particularly affected by reductions in public spending make the transition to private sector-led growth and prosperity, the Government will create a Regional Growth Fund in 2011-12 and 2012-13. This Fund will operate in England only and support increases in business employment and growth. The Devolved Administrations will be encouraged to undertake similar action.

2. The Government's Coalition Programme states: *"We will support the creation of local enterprise partnerships – joint local authority-business bodies brought forward by local authorities themselves to promote local economic development – to replace Regional Development Agencies (RDAs). These may take the form of the existing RDAs in areas where they are popular."*

3. Local enterprise partnerships will tackle issues including planning and housing, local transport and infrastructure, employment, enterprise and supporting business start-ups. Other roles currently carried out by the RDAs will be led nationally, such as inward investment, sector leadership, business support, innovation and access to finance.

4. The Government is determined that the transition from RDAs to local enterprise partnerships will be orderly, working to a clear timetable. Legislation to abolish them was announced in the Queen's speech and is expected to be introduced to Parliament in the autumn.

ENDS

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