

BIS Select Committee enquiry into Local Enterprise Partnerships – August 2010

At present, little is known about the possible makeup of Local Enterprise Partnerships (LEPs). The Coalition document simply refers to 'joint local authority-business bodies brought forward by local authorities themselves to promote local economic development'. That proposals should emerge from local authorities rather than from central government is a sensible approach but without knowing the detail of any such proposals it is difficult to comment extensively. That said the BVCA supports the Coalition's continuation of a regional investment strategy. The idea behind RDAs to create a neutral space for business and politicians to come together to attract private investment, is a sensible one and we would like to see some aspect of this retained - but we do recognise that their performance has been mixed.

Individual RDAs have highlighted examples of investment undertaken on their watch, but how much of this is explicitly down to the contribution of the RDA and represents genuine added value is open to question. After nearly a decade of operation, the UK economy is still heavily tilted towards London with very little in the way of new private sector employment created outside of the South East. On that basis RDAs have failed in their principle task to rebalance the economy away from London and the South East. We share the Coalition's analysis that a regional investment strategy is necessary but that a new approach is called for.

The direct experience of the venture capital sector as regards the RDAs has been, perhaps unsurprisingly, extremely varied. There are many parts of the country where venture capital has not been advanced much by the RDA system. There are others, however, where there is a strong sentiment among venture capital houses that their RDAs have been extremely valuable actors and they would strongly prefer that the LEPs which might be created in their areas retain at least some of the features of the former RDAs. The North East of England is an area where the existence of an RDA has measurably improved investment in venture capital activities. Venture capital in the North East went backwards after 3i took the decision to close its Newcastle office a number of years ago and only experienced a revival when One North East emerged to foster the expansion of venture capital firms such as Northstar and NEL. There is a very strong body of opinion here that it is vital for venture capital that there is a permanent investor presence in the North East and a body of a size capable of a seriously strategic approach. If a patchwork of small LEPs which regarded each other as rivals were to be established instead, investment in that region would certainly suffer.

The Business Secretary has said in evidence to the BIS Committee on 20th July that he will not be prescriptive about form and indeed he said that he would look favourably on proposals that maintained a strong regional structure allied to sub-regional LEPs (Q10). For this to work, locally elected politicians must draft the proposals with support from local businesses where it is sought.

I am encouraged on that basis to see the progress made in the East Midlands where four Local Authorities have come together to produce a joint proposal that focuses on "Provide strategic leadership to establish local economic partnerships...Co-ordinate economic development activity including sites and buildings, training and skills and business start-ups". It also makes mention of coordination with neighbouring LEPs – an important point for the reasons state above.

The question of whether they are 'business led' or 'joint local authority – business bodies' is an important one. We believe that not only should LEPs have a business chair but their makeup should be predominantly from business as well. Aiming for say a 50:50 split between local councillors and business leaders risks creating the atmosphere of a political bunfight as politicians from different parties work at cross purposes as they try to secure investment for their respective wards (our

members have experience of this happening within the RDA structure and under LEPs the problem would likely be more acute). It is also important that within the business community, a broad demographic of stakeholders is identified to participate and where appropriate to sit on the board. Appointments to the boards of LEPs should be subject to scrutiny, approval and veto by local councils and mechanisms should be in place for continuous democratic accountability. But the day to day decision making of the LEP must operate in an apolitical space with decisions based on economics and not party politics.

Likewise we would expect the specifics of LEP remits to be determined at a local level but when devising an approval process, we would suggest that Government encourage LEPs to focus mainly on attracting inward investment. In the past they have strayed into a much broader ambit with varying effectiveness. By seeking to confine LEPs to attracting investment their effectiveness will be increased through better focus as well controlling costs in what is difficult spending climate for local and central government alike.

Recommendations

- **Proposals should emerge from locally elected politicians but approval from the Secretary of State should be subject to the LEP being business led, preferably with a business chair**
- **Their remit should be strictly constrained to attracting inward investment – access to finance is better handled by Capital for Enterprise as a discreet process**
- **The performance of LEPs should be strictly monitored and audited with rigorous democratic accountability – approval should be subject to periodic review with success judged on genuine added value with respect to inward investment**
- **LEPs have the potential to bring about lasting social benefits. But their success should be judged on delivering private sector jobs and investment to the regions and rebalancing the UK economy. To deliver lasting change, their activities must be commercially driven.**