



Federation of Small Businesses
The UK's Leading Business Organisation

THE FUTURE OF LOCAL ENTERPRISE PARTNERSHIPS: THE SMALL BUSINESS PERSPECTIVE

Report by
Centre for Local Economic Strategies
and Federation of Small Businesses

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Federation of Small Businesses

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Foreword

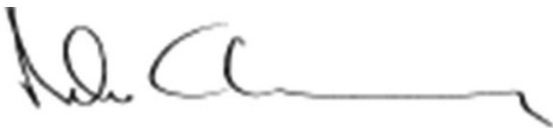


We have come a long way since the financial crisis of 2007-08. Output has now recovered to reach its pre-crisis peak and business confidence is soaring. As the recovery takes hold across the UK, the focus must be to ensure growth and prosperity are sustainable and broad-based. In England, we need a clear framework for driving growth at the sub-national level, across all regions.

Local Enterprise Partnerships (LEPs) have a critical role to play. It is difficult to imagine a more difficult beginning than the one that gave rise to LEPs. Announced during the 2010 emergency Budget, with no money and little guidance, LEPs have had to define themselves within the limits of the resources available to them. Some were able to build on strong existing partnerships, others were not. Unsurprisingly, this organic “bottom up” approach produced a diverse range of outcomes, with arrangements largely reflecting the circumstances of their creation.

The publication of Lord Heseltine’s report ‘*No Stone Unturned*’ in October 2012 focused attention on the future of LEPs, and raised important questions about their development. In response the FSB convened a meeting of its members with firsthand experience of engaging with LEPs. The overall picture was positive, but a number of concerns were raised regarding resources, governance, transparency, and the quality of engagement with the small business community. These could not be ignored, and we decided to engage the Centre for Local Economic Strategies (CLES) to look more closely at the issues raised with a view to informing recommendations.

The FSB supports the LEP model and is committed to ensuring all LEPs function transparently and effectively on behalf of the communities they serve. For growth to be geographically spread, LEPs need to work closely with small firms, which make up the vast majority of private sector businesses. This report aims to make a constructive contribution to the debate on the future of LEPs, and help LEPs harness the full potential of small businesses – ultimately benefitting their local economies.

A handwritten signature in black ink, appearing to read 'Mike Cherry'.

Mike Cherry LIWSc FRSA
National Policy Chairman
Federation of Small Businesses



Local Enterprise Partnerships (LEPs) were the Coalition Government's solution to its predecessor's approach to sub-national economic development, Regional Development Agencies (RDAs). The RDAs were seen as overly bureaucratic, driven by the public sector, stiflers of private sector innovation, and poor value for public money.

LEPs were seen by the Coalition Government as a new non-managerialist and non-prescriptive approach to sub-national economic development. Led by the business sector and operating under the principles of localism, they were designed to promote growth and create jobs and allow places to respond to the challenges posed by the recession. For CLES, LEPs were an opportunity to join up economic development activity across local government, the wider public and commercial sectors and the voluntary and community sector.

The reality of this approach has been flawed. LEPs have had a short life, but misunderstandings around their purpose and usefulness are abound.

They have been slow to get going, been stifled by centralism with a reluctance to devolve powers, responsibilities, or funding, and tend to be dominated by big business with little affinity to place. LEPs have gained the responsibility for European funding and other resources but without the statutory footing to be accountable for them. As powers to Combined Authorities and local government have developed, in some instances, LEPs are merely strategic vehicles. They are necessary because the Government wants them, but marginal in terms of the real business of local economic development and the everyday relationship with the business community.

This work with the FSB has highlighted a number of key considerations for CLES. LEPs must continue but we must have fundamental change. LEPs need to embed small business more effectively into their structures and activities; and join up far more effectively than is currently the case with local government over economic development and wider social issues.

A handwritten signature in black ink, appearing to read 'Neil McInroy'. The signature is stylized and includes a long horizontal flourish at the end.

Neil McInroy
Chief Executive
Centre for Local Economic Strategies

1. Executive Summary

Introduction

There are 4.9 million small businesses in the UK. Between them they employ 11.4 million people and have a combined turnover of £1.1 trillion¹. With 56.6% of small firms wanting to grow in 2014², they are an essential component of any economic growth strategy.

This report presents the findings of survey work undertaken by the FSB (the Federation of Small Businesses) and the Centre for Local Economic Strategies (CLES) in Spring 2014. The work has primarily sought to develop an evidence-based and balanced argument around the future of Local Enterprise Partnerships (LEPs) and the role of small businesses within that future. The work we believe has come at a critical stage in the evolution of LEPs.

The work has set out to achieve:

1. To better understand the development and performance of LEPs
2. To better understand how LEPs are engaging specifically with the small and micro business community
3. To help improve LEP practice through the development of robust recommendations and the highlighting of best practice within the sector.

To meet these objectives, we have undertaken a range of research activities. We have undertaken desk-based work looking at the governance structure of each LEP and their emerging European Investment Frameworks (EIFs)³. We have also issued surveys to each of the LEPs themselves, and gathered reflective opinion on the performance of LEPs from local authorities, FSB members, and FSB development managers who have regular contact with their respective LEPs. Finally, we have undertaken case studies with a smaller sample of LEPs through telephone discussions with LEPs and FSB representatives.

Analysis of survey findings

36 of the 39 LEPs provided a response to our survey. LEPs were asked a range of direct questions around their structures, resources, and activities; together with perception focused questions around challenges. 131 other stakeholders across local authorities and FSB representatives responded to a survey gathering opinion about their thoughts on LEPs and their own sectors role within LEPs. We have organised our analysis of the findings around three themes: resource; structure and governance; and performance.

¹ Department for Business, Innovation and Skills, Business population estimates for the UK and regions 2013.

² FSB Voice of Small Business Index Quarter 1 2014.

³ These are strategies each LEP has been required to put together for the allocation of European funding.

Resource

We found that there is a disparity in the levels of funding and capacity across LEPs. On the whole LEPs are under-resourced, with funding streams un-aligned. Although there was always an expectation that LEPs vary in this regard according to local need, we believe that resources in many areas fall short of that which is required to meet such local need in light of LEPs' new delivery related responsibilities.

- **Staff:** On average LEPs employ 8.4 full time direct employees and 1.7 full time seconded employees. The largest LEP has 40 full time directly employed employees, with the smallest having two full time directly employed employees
- **Budgets:** The largest amount of European Regional Development Fund (ERDF) and European Social Fund (ESF) resources allocated has been £745.9million for the period 2014 to 2020, with the lowest being just £13.8million, meaning disparity in resource across LEP areas. Just 42.3% and 29.7% of local authority and FSB representatives respectively believed LEPs were adequately resourced.

Structure and governance

We found that the lack of clarity on the remit, purpose and function of LEPs from Government has resulted in widespread misunderstanding and friction in practice. It has also created the opportunity for mission creep which has been unhelpful for these nascent institutions. In these circumstances problems regarding governance arrangements, transparency, accountability, and the role of stakeholder groups are unsurprising. The lack of resource apparent in most LEPs has doubtless contributed to many of the communication issues which have emerged. Whilst operating under the principles of localism, we would suggest that LEPs need stronger guidance on their powers, duties and accountabilities.

- **Role of the LEP:** 88.5% of LEPs felt that the primary role of the LEP was to provide strategic direction, compared to 72.5% of local authorities and 63.5% of FSB representatives
- **Role of small businesses:** 84% of LEPs saw the primary role of small businesses in LEP structures and activities as providing a voice for the sector. However, only 68.9% of FSB representatives saw this as the primary role. 24.3% of FSB representatives saw the primary role as providing place-based intelligence
- **Role of elected members:** 65.4% of LEPs saw the primary role of elected members on LEP Boards as providing a democratically accountable voice, compared to 42.5% of FSB representatives and 56.9% of local authorities
- **Board representation:** All 36 LEPs responding had at least one SME represented on their Board, with on average 30.3% of private sector composition of LEP Boards being SMEs
- **LEP priorities:** 82.2% of FSB representatives felt that the LEP in their area had set priorities reflective of the challenges and opportunities facing their locality, with 100% of local authorities feeling the same

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- **Business influence:** 39.2% of local authorities felt that large businesses exerted the greatest influence on LEPs with 37.3% feeling it was roughly equal between large businesses and small businesses. 66.7% of FSB representatives felt that large businesses exerted the greatest influence over LEPs
 - **Consultation:** Only 33.3% of FSB representatives and 23.2% of local authorities felt that the SME sector had been consulted through individual face-to-face meetings on EIFs, compared to 66.7% of LEPs who felt this had been a method of consultation
 - **Transparency:** Whilst 85.2% of LEPs felt that LEPs on the whole were being run openly and transparently, other stakeholders felt LEPs were much less transparent. 41.9% of FSB representatives felt that LEPs were not being run transparently and openly. 17.6% of local authorities felt LEPs were not being run transparently with 13.7% unsure. Worryingly, just 30.6% of LEPs have made their annual accounts publically available, with only 44.4% producing an annual report.

Performance

We have found that there is little consistency in performance monitoring across LEPs. This hampers accountability to local stakeholders and hinders robust assessment of LEP performance nationally. We also found that issues with consultation have resulted in opportunities being missed when designing SME support programmes in many areas. We believe that many of the consultation issues are primarily down to lack of resources for consultation and stakeholder engagement.

- **Leadership:** 72.2% of local authorities and 62.7% of FSB representatives felt LEPs provided effective leadership
- **Strategy:** 52.7% of FSB representatives felt the LEP strategy would address the problems facing the area, with 79.2% of local authorities believing it would
- **Delivery:** Only 61.1% of LEPs suggested that they identified suitable organisations to deliver programmes and projects through competitive tendering. Far fewer local authorities (30.4%) and FSB representatives (29.3%) felt LEPs were utilising competitive tendering as a way of identifying suitable organisations to deliver programmes and projects, suggesting a lack of formal processes or communication of them
- **SME competitiveness activities:** 53.8% of LEPs have allocated 31% or more of their European and associated match funding to SME competitiveness activities. 23.1% of LEPs have allocated more than 51% to SME competitiveness activities. 19.2% of LEPs have allocated 20% or less to SME competitiveness activities
- **Missed opportunities:** 77.3% of FSB representatives felt that LEPs should be providing procurement support as part of SME competitiveness activities compared to just 25% of LEPs who were actually planning to deliver such support. This mismatch can partly be seen as a result of problems with consultative processes used by many LEPs
- **Value for money:** 56.8% of FSB representatives strongly agreed or agreed the LEP would deliver good value for public money, with 71.2% of local authorities agreeing

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- **Added value:** 88.5% of LEPs felt that the LEP added value to existing economic development strategy and delivery activity in their locality to a great extent, with only 21.6% of FSB representatives and 32% of local authorities agreeing
 - **Evaluation:** Worryingly, only 11.1% of LEPs have commissioned an evaluation of their impact with 56% of those which have not yet done so, unsure as to whether they will do so in the future
 - **High flying Humber:** The Humber LEP has a strong small business focus and has delivered impressive results. Humber LEP reduced the thresholds for its grant allocations following consultation with small business representatives. As a result, over 40 small local businesses have been assisted, with an average cost per job created for this funding significantly lower than the national average detailed by the National Audit Office
 - **Riding high in York, North Yorkshire and East Riding:** The development of the York, North Yorkshire and East Riding LEP stemmed from a recognition that businesses in the LEP area are almost exclusively SMEs and, overwhelmingly, one or two person enterprises. This understanding of the local business community effectively framed the construction of the LEP Board and subsequently the formulation of networking groups. It has a remit focused on its strengths, and aims to grow the local economy through SMEs with the help of a range of existing local business networks
 - **Gfirst:** Chosen as retail pathfinder, GFirst worked with the Association of Town and City Management (ATCM) and other partners, supported by the Department for Business, Innovation and Skills (BIS), to develop a Retail Toolkit. The Toolkit supports town and high street growth and supports independent SME traders in developing their businesses. It has had a particularly positive impact on small businesses in Cirencester.

Challenges Facing LEPs

- **Resource:** only 18.1% of LEPs responding felt that they had sufficient staff, and only 13.6% felt that they had sufficient funds for projects and programmes
- **Mission drift:** 72.7% of LEPs feel that LEP policy has experienced mission drift. Of those LEPs which felt policy had experienced mission drift, 87.5% felt it had caused difficulty for their LEP.

Conclusion

Our overarching finding is that much of the current concern regarding LEPs as the mechanism for undertaking sub-national economic policy emanates from the lack of a clear vision for what they are meant to be, an insufficiently robust framework for their development, and a mismatch between their resources and the expectations placed upon them. Growth deals will bring more resources and LEPs will need to reflect on the implications of this for their remit, and the way in which they operate. It is essential that LEPs include their stakeholders in understanding what changes are required, and that they ensure these are communicated clearly.

Our research finds evidence to suggest that many LEPs have had issues with their consultative practices that have resulted in missed opportunities. There is also evidence that arrangements for ensuring openness and transparency require significant work.

Overall, the issue of accountability is hampered by the widespread lack of true measures of performance at both local and national level, and the allied issue of transparency will only gain in importance as the influence of LEPs over increasing amounts of public money continues to grow. This is an issue which requires urgent attention.

More widely, there needs to be an acceptance that the Local Growth Fund and European Structural and Investment Fund (ESIF) processes have changed the role of LEPs, and that the old ways of working will have to change to reflect their new responsibilities. LEPs will have a significant influence over how a combined total of over £17 billion of public monies will be spent in the years to 2020/21, and it is impossible to overstate the importance of ensuring that decision makers are held to account. While there is an understandable reluctance to impose uniform requirements on what are intended to be bespoke local arrangements, a compromise must be found in order to ensure that LEP structures, governance and decision-making are sufficiently transparent and accountable to stand up to expert scrutiny and robust challenges.

However, we do recognise that LEPs have continued to evolve and improve, and there are numerous examples of good practice on which to build. The progress that LEPs have made suggests that all parties should commit to LEPs as a means of driving sub-national economic growth, and that additional resource should be committed to them on condition of improvements in a range of areas.

Overall, the FSB and CLES continue to support the LEP model as the right approach to sub-national economic development, but reforms are required. These reforms must include a significant enhancement of arrangements for ensuring transparency and accountability. There must be recognition that the new powers come with new responsibilities, and that this requires a re-evaluation of resources and remits. Through this process, LEPs must remain localist and must be business-led. They must also ensure their new delivery responsibilities do not result in a loss of strategic focus. Therefore there is a clear need for a policy shift to address these issues and to provide confidence to, and support the engagement of, the small business community. To achieve this, the FSB and CLES believe that LEPs should seek to be:

- **Representative:** The LEP must be representative both in terms of the broad spectrum of local opinion, and the full range of business opinion. They should be constituted across all organisations within a locality with defined roles for business which should always include small businesses, local government and other stakeholders
- **Reflective:** The LEP must be reflective of the local drivers of growth, and of the aspirations of the wider locality. It must consider that growth goes beyond productivity and is also rooted in social and environmental considerations
- **Transparent:** The LEP must be transparent and open in all aspects of its decision making, and especially regarding resource allocation
- **Accountable:** The LEP must be accountable both locally and nationally with clear arrangements for demonstrating performance at local and national level.

In order to conform to these principles, LEPs need assistance from Government in three main areas:

- Clarity on their powers, duties and accountabilities
- Resources commensurate with the expectations placed upon them
- A robust means of demonstrating performance.

Recommendations

To assist in achieving the policy shift described above the following are a set of recommendations for the Government and for LEPs. Recommendations 1-7 are for the Government to consider. Recommendations 8-12 are broad points for consideration by LEPs, and recommendations 13-20 are small firms specific recommendations for LEPs.

Recommendations for the Government

The below are key policy recommendations for the Government and Departments.

Recommendation 1 – Clarify the purpose, function and economic geography of LEPs

- The Government needs to clarify the purpose and function of LEPs, reaffirming that they must remain business-led. This clarity needs to be combined with guidance on how LEPs consult and the role of those consultees, and further guidance on what a transparent LEP should look like. It also needs to be framed in a debate around functional economic geographies, and whether the existing boundaries of LEPs are effective.

Recommendation 2 – Consider placing LEPs on a statutory footing where required

- The Government needs to consider placing LEPs on a statutory footing in places where there are not existing structures, such as Combined Authorities. This would firm up the role of LEPs as drivers of economic growth and would ensure LEPs and local government work collaboratively on economic development strategy and delivery activity. It would also make LEPs and their activities more accountable to the electorate. In addition, the Government should review the role of LEPs in Combined Authority areas.

Recommendation 3 – Commit to LEPs cross-departmentally

- Related to their purpose and function, the Government needs to show cross-departmental support for LEPs. The importance of economic and social growth must be recognised across departments, with related commitments in the form of devolution of resource and power.

Recommendation 4 – Provide sustainable capacity building resource for LEPs

- Given the challenges around the disparity of capacity and resource within LEPs, the Government should support the future development of LEPs by providing sustainable capacity-building resources. This would enable LEPs to recruit their own independent staff. In reality, LEPs are only just forming their teams, so there is a need for dedicated capacity budget for staff wages, administration and to support secondments to enable alignment of LEP activities with those of other local stakeholders.

Recommendation 5 – Enhance resource for LEPs where of transparency arrangements are in place and review bidding processes

- The Government needs to enhance the support offered to LEPs for the achievement of priorities and wider outcomes, including funding. However, this needs to come with a proviso of accountability and transparency associated with performance against a range of outcomes. Central to transparency, the Government should require LEPs to publish a register of business interests. Linked to this, funding mechanisms for regional economic development need to be simplified and aligned. This means a review of requirements and timelines.

Recommendation 6 – Develop a wider set of LEP performance measures

- The performance of LEPs needs to be measured against a wider and more common range of indicators and outcomes than is currently the case. This includes jobs and economic growth as well as composition, governance, and social growth. The Government need to be more prescriptive around what these measures of performance constitute and publish the criteria against which it is measuring performance. These should be developed in consultation with LEPs and their main stakeholders.

Recommendation 7 – Set up a LEP scrutiny and oversight body

- Related to the point around LEP performance measures, the Government should set up a body to provide LEPs with scrutiny and oversight. Given the increasing funding channelled through LEPs, there is a need for transparency and accountability arrangements that enable value for money to be demonstrated to the public. In the interim, LEPs should be subject to greater scrutiny by parliamentary select committees and the National Audit Office. Arrangements for local accountability could also be strengthened through local business scrutiny panels.

General recommendations for LEPs

The below are key general recommendations for LEPs around collaboration, delivery, and evaluation.

Recommendation 8 – Work collaboratively on an internal and external basis

- There is a need for more collective and collaborative working on both an individual LEP basis and a cross-LEP basis. For individual LEPs, this needs to be on a whole place basis involving the public, commercial and voluntary sectors, with emphasis placed upon relationships and networks of organisations working towards shared priorities. LEPs should also work together to form a collective voice to ensure consistency in their approach towards the Government in seeking clarity over responsibilities and sufficient resources. All LEPs should appoint a stakeholder relationship manager whose role is to engage across and feed in the thoughts of business and other organisations into the LEP. LEPs should also have a designated person at board level responsible for SME policy, engagement and consultation.

Recommendation 9 – Recognise and use the economic development knowledge of local government

- LEPs need to recognise more effectively, than is presently the case, the role of local government and economic development teams in particular. To ensure value for money, LEPs need to complement and add value to existing economic development strategy and delivery activity by working in collaboration with local authorities and organisations in the public, commercial, and voluntary and community sectors which are already delivering such activity. This includes providing input into the prioritisation of key sectors for small businesses in the locality.

Recommendation 10 – Build evaluation into the activities of the LEP

- The process of evaluation needs to be built into the practice of LEPs as a matter of course. This means learning lessons around process and activity, particularly to date in terms of Strategic Economic Plans (SEPs), EIFs and specific funding streams. LEPs need to improve performance by evaluating what is working effectively and what is not. All investment should also be undertaken using project appraisal methods such as those recommended in the Green Book.

Recommendation 11 – Publish declarations of business interest

- As part of a Government requirement, LEPs should publish declarations of business interests. These would highlight where individuals on LEP Boards and business representative bodies delivering activities through the LEP have any potential conflicts of interest.

Recommendation 12 – Embrace business leadership and culture.

- LEPs must be business-led, and their culture should reflect this. A heavy reliance on public sector staff can lead to a public sector culture, which in some areas has resulted in consultation driven by the need to satisfy funding criteria rather than as a means of genuine engagement.

Small business focused recommendations for LEPs: towards a best practice model

The below are key recommendations for LEPs surrounding their relationship with small businesses.

Recommendation 13 – Communicate the LEP remit more effectively

- LEPs need to increase knowledge across a range of stakeholders, but notably small businesses as to what their purpose and remit is. Few businesses recognise the role of the LEP or even what a LEP is. LEPs need to use communication channels such as the FSB and networks of small businesses more effectively. All LEPs should have an individual with responsibility for stakeholder engagement in their area.

Recommendation 14 – Enhance LEP to small business relationships

- LEPs should seek to introduce means of enhancing LEP to small business relationships. We recommend that all LEPs assign a nominated individual Board member to be a link person between small business and the LEP Board. We also recommend that each LEP has a paid seconded officer whose role is to support business members of the LEP Board.

Recommendation 15 – Improve consultation on a range of LEP activity

- LEPs need to improve consultation with small businesses in a number of areas. These include: challenges facing the LEP area; priorities and wider strategy; activities relating to SME competitiveness; and monitoring impact. There is a diversity of roles for business representative bodies in enabling this; but also a need for direct face-to-face meetings with the sector.

Recommendation 16 – Business support should be a key element of LEP activity

- LEPs should have business support as a cornerstone of their strategy and programme activity. Alongside infrastructure development, business support is integral to meeting core priorities around creating jobs and growth. Business support should however include a range of activities including: access to finance; exporting; and procurement support for public sector contracts.

Recommendation 17 – Ensure the views of small business are always fully represented across the LEP but especially in sub-groups

- LEPs need to ensure that the views of small business are present across the LEP through the main Board, any business representatives networks and through sub-groups. Indeed, the sub-groups may be the area in which the small business sector can exert greatest influence. This mechanism enables small business to demonstrate their strengths and advise upon programme and project activity which are applicable to specific themes.

Recommendation 18 – Operate transparently through timely communications

- LEPs need to improve small business perceptions and reality around the transparency of LEPs. This means providing regular updates to the small business sector on activities and progress, publishing materials and accounts, and effectively declaring any conflicts of interest.

Recommendation 19 – Develop business representative networks

- LEPs should develop business representative boards, recognising the diversity of business types and sizes within LEP areas. These boards would facilitate regular meetings between the LEP and the local chairs of the FSB, together with convening business representative body networks across the FSB, the British Chambers of Commerce and the CBI.

Recommendation 20 – Develop fully transparent processes for allocating resource

- LEPs need to develop transparent and open processes for allocating resource. This should include SME friendly procurement processes and grant programmes open to small businesses, as well as social enterprise and the voluntary and community sectors.

2. Introduction

Small businesses are crucial to the UK economy in terms of jobs, output, and growth. Local Enterprise Partnerships (LEPs) are the vehicle chosen by Government in England to stimulate jobs and growth at the sub-national level. Yet small business involvement in LEPs has been questionable in many areas. LEPs face problems as a result of a lack of clarity over their remit, form and function. This work seeks to provide clarity as to how small businesses should be involved in LEPs, and the future of local economic growth.

This report presents the findings of work undertaken by the Federation of Small Businesses (FSB) and the Centre for Local Economic Strategies (CLES). The work has sought to explore the activities and performance of LEPs to date, with a specific emphasis upon the engagement and role of Small to Medium Sized Enterprises (SMEs). There are 4.9 million small businesses in the UK. Between them they employ 11.4 million people and have a combined turnover of £1.1 trillion. With most SMEs classed as small firms and with 56.6% of small firms wanting to grow in 2014, they are an essential component of any economic growth strategy.

The overarching aim of the work has been to develop an evidence based, balanced argument of what LEPs in the future should look like and the role of SMEs in that future. The FSB and CLES believe that small businesses are integral to the future of LEPs and the wider economic destiny of the UK. They provide jobs, a significant proportion of UK output, and have an affinity to local places. These are all key objectives of LEPs. This opening section discusses the policy background of LEPs and their engagement with small business; in addition to detailing the aims, objectives and methodology for this research.

2.1 Aims and Objectives

The overarching aim of this work is to develop an evidence based and balanced argument around the future of LEPs and the role of SMEs in that future. To support this aim, the FSB and CLES had three main objectives:

1. To better understand the development and performance of LEPs
2. To better understand how LEPs are engaging specifically with the small and micro business community
3. To help improve LEP practice through the development of robust recommendations and the highlighting of best practice within the sector.

2.2 Methodology

One of the main challenges associated with undertaking a study around LEP performance is the lack of a nationally agreed framework for measuring LEP progress. Our work has therefore used a range of sources to develop lines of inquiry. First, we have used the findings of the discussion held at the FSB Policy Chairman's Regional Conference in July 2013. Second, we have been informed by the core assessment criteria for Strategic Economic Plans (SEPs) as set out by the Department for Business Innovation and Skills (BIS) in *Growth Deals: Initial Guidance for Local Enterprise Partnerships*, in July 2013, with three core criteria being: ambition and rationale for intervention; value for money;

and delivery and risk. Third, we have undertaken desk based work exploring literature around LEPs and their governance structure and strategic priorities, as detailed in EIFS. And fourth, we have considered the thoughts of FSB Development Managers, staff based in England who have regular contact with their LEPs.

The output of this approach has been a set of lines of inquiry which have been populated through survey work, case studies and desk based research; and which have focused upon three themes around: resource; structure and governance; and performance.

2.2.1 Surveys

The FSB and CLES designed two surveys to populate the lines of inquiry. The first was a survey for LEPs to respond to. This sought factual information and views on a range of topics around the three core themes.

The second survey was aimed at LEP stakeholders, and sought the views of those local authority and small business representatives with personal experience of LEP engagement. The purpose of this survey was to enable a comparison of LEPs' perspectives on their own performance and that of two of their most important stakeholders, with a view to identifying gaps which may require attention. Stakeholder responses from the local authorities were from a mixture of local authority leaders and chief executives. For small business representation, the FSB surveyed its staff and member activists who have practical experience of LEP engagement. A wider survey of small firms had been considered but discounted on the grounds of historically low levels of awareness of LEP activity amongst small firms. The findings of the survey are detailed in section 3.

2.2.2 Case studies

To supplement the survey research work, the FSB asked CLES to undertake follow up case study interviews with a 20% sample of LEPs. The case studies were selected for a number of reasons in conjunction with the FSB. Some were 'Heseltine pilot' or 'thematic pathfinders'; others had alternative memberships arrangements; other were Business Growth Hubs; and some had detailed good engagement with SMEs through the survey. The purpose of the interviews has been to assess key aspects of the LEP in order to identify what works and what doesn't in relation to LEP best practice. A telephone interview was undertaken with Board members or senior officers at the selected LEP. In order to provide a balanced argument, CLES also spoke to FSB representatives in each LEP area to ascertain their perspective. The written up case studies are detailed in section 4 of this report.

The findings from the survey and case studies have been used to inform our recommendations for central government and LEPs themselves, as detailed in section 6.

2.3 Background

The policy agenda around LEPs is at a critical stage. With under a year remaining until a General Election, political parties are preparing their plans for growth and jobs and considering how LEPs fit into their policy frameworks. After a slow start, LEPs are beginning to derive responsibility for the economic destiny of their locality. Most now have fully functioning boards and sub-groups, evidence based priorities, plans for the distribution of funds from Europe, and SEPs focused on attracting investment and central government resources. They also have, to some degree, started to deliver with partners upon meeting some of those priorities.

This section of the report sets the scope for the research by exploring the policy context in relation to the development and evolution of LEPs. We particularly explore policy development chronologically, and review various pieces of research exploring LEP performance to date. We also seek to understand the role Government intended for small businesses. The section is designed to inform the focus of this work which is around exploring the relationship between LEPs and small business. In subsequent sections we detail the findings of survey and case study work with LEPs and FSB representatives and offer recommendations for Government and LEPs themselves.

2.4 The LEPs to date

In 2010, the Government set out a plan for local economic growth in the White Paper *Local growth: realising every place's potential*⁴. This White Paper aimed to shift powers to local communities and businesses principally through the closure of the Regional Development Agencies (RDAs) and the introduction of LEPs. The Government invited local business and civic leaders to form LEPs.

The LEPs are all very different: some are new partnerships, others pre-existing. Some are central to local economic development thinking, whilst others are more peripheral. Initially, the Government seemed to view LEPs as light touch strategic vehicles. However, since then their role has developed. A key trigger to their development was a review by Lord Heseltine in October 2012⁵, commissioned by the Chancellor and Secretary of State for Business, Innovation and Skills. This work explored ideas to stimulate economic growth at the local level. His report made 89 recommendations, 81 of which were accepted by Government in March 2013⁶. Heseltine's report and the incremental development and augmentation of their role mean that LEPs now have responsibility over the Growing Places Fund (GPF), Enterprise Zones, and the development of EIFs with subsequent allocation of associated European resource of around €6.5 billion (approximately £5.1 billion).

From 2015/16 they will take responsibility for further growth funding through the local Growth Deals, negotiated with central government based on the recently completed SEPs as part of the Single Local Growth Fund (LGF). The SEP process follows on from EIFs and City Deals, and adds to a cluttered and disjointed picture of sub-national growth funding across England.

4 Department for Business, Innovation and Skills, 2010. Local growth: realising every place's potential. Available at: <https://www.gov.uk/government/publications/local-growth-realising-every-places-potential-hc-7961>

5 Heseltine, M., 2012. No Stone Unturned: In Pursuit of Growth. London: Department for Business, Investment and Skills. Available at: <http://www.bis.gov.uk/assets/biscore/corporate/docs/n/12-1213-no-stone-untuned-in-pursuit-of-growth.pdf>

6 HM treasury and Department for Business, Investment and Skills, 2013. Government's response to the Heseltine Review. <https://www.gov.uk/government/publications/governments-response-to-the-heseltine-review-into-economic-growth>

These Growth Deals will see a minimum of £12 billion invested in local economies over the years 2015/16 to 2020/21, with half of this sum already allocated in an initial tranche of deals announced by the Deputy Prime Minister on 7th July 2014. That same day he announced that Growth Deal discussions for future years will begin immediately for the unallocated minimum of £6 billion of the £10 billion available for 2016/17 to 2020/21.

Table 1 details the LGF settlements for 2015/16 (total across all LEPs of £2 billion) and the EIF settlements for 2014/20 in Euros. There is a further column with approximate conversions of allocations made in Euros, to pounds Stirling. (Exchange rate accurate at time of writing).

Table 1: Funding settlements by LEP

LEP	LGF (2015/16) (£m)	European (2014/20) (Euros m)	European (2014/20) (Approx £m)
Black Country	35	176.6	139.5
Buckinghamshire Thames Valley	11	13.8	10.9
Cheshire & Warrington	20	141.6	111.9
Coast to Capital	44	67	52.9
Cornwall & the Isles of Scilly	11	590.4	466.2
Coventry & Warwickshire	18	135.5	107
Cumbria	9	91	71.9
Derby, Derbyshire, Nottingham & Nottinghamshire	47	244	192.8
Dorset	24	47.1	37
Enterprise M3	35	45.5	35.9
Gloucestershire	24	38.1	30.1
Greater Birmingham & Solihull	63	254.8	201.3
Greater Cambridge & Greater Peterborough	21	75.2	59.4
Greater Lincolnshire	48	133	105.1
Greater Manchester	170	413.8	326.9
Heart of the South West	63	117.8	93.1
Hertfordshire	53	69.2	54.7
Humber	29	102	80.6
Lancashire	84	265.2	209.5

Leeds City Region	73	389.5	307.7
Leicester & Leicestershire	28	125.7	99.3
Liverpool City Region	46	220.9	174.5
London	151	745.4	588.9
New Anglia	60	94.1	74.3
North Eastern	112	537.4	424.6
Northamptonshire	19	54.8	43.3
Oxfordshire	16	19.3	15.3
Sheffield City Region	46	207.2	163.7
Solent	46	42.9	33.9
South East	84	185.1	146.2
South East Midlands	31	87.9	69.4
Stoke-on-Trent & Staffordshire	21	160.9	127.1
Swindon & Wiltshire	13	43.4	34.3
Tees Valley	23	201.7	159.3
Thames Valley Berkshire	17	28.5	22.5
The Marches	13	113.3	89.5
West of England	79	68.3	54
Worcestershire ⁷	13	67.8	53.6
York & North Yorkshire	34	97.1	76.7
Subtotal ⁸	1735	-	-
Funding and borrowing to be assigned ⁹	267	-	-
Total	2002	6512.8 ¹⁰	5144.8

⁷ This includes match funding for European Social Fund skills activities and Housing Revenue Account Borrowing, which is to be confirmed during Autumn 2014.

⁸ The figures in this column are taken directly from the Deputy Prime Minister's press release "Growth Deals: Firing Up Local Economies" issued on 7th July 2014.

⁹ Includes £2.4 million broadband investment; additional payment of this sum dependent upon full delivery of planned LEP projects.

¹⁰ The difference between this figure and the official EU figure of "around €6,512.7 million" is a result of rounding.

2.5 The performance of LEPs

Assessments so far suggest that the performance of LEPs to date has been mixed¹¹, with some confusion around purpose,¹² and with partnerships progressing at different speeds. Indeed some LEPs have been potentially sidelined by the setting up of Combined Authorities in Greater Manchester, Sheffield city region, Leeds city region, Liverpool city region, and the North East. These areas are advancing new relationships with central government and recalibrating local economic development accordingly. LEPs in these areas could arguably be seen as increasingly irrelevant, merely serving as a means to fit in with Government policy and accommodate the drawing down of Whitehall and EU funds, rather than being at the heart of local economic thinking and strategy.

This patchy picture is highlighted in a recent report by the National Audit Office, which suggested the progress of LEPs has been affected by limited resources and capacity¹³. Moreover, a report by the Smith Institute and the Regional Studies Association highlighted the messy and artificial geographies of LEPs¹⁴.

Perhaps due to the above identified difficulties, any assessment of LEPs has focussed on process, rather than their central role in improving economic performance in local areas. The All Party Parliamentary Group (APPG) on Local Growth, Local Enterprise Partnerships and Enterprise Zones' initial enquiry, and a report by the Chief Economic Development Officers Society (CEDOS), focused on what was needed to make them function better as entities¹⁵ and the importance of local authority support¹⁶. There was a recognition, and recommendation, that LEPs needed genuine devolution of power and influence, sufficient funding and improved connectivity with central government and their economic policy in order to succeed. Furthermore, a team from the Centre for Urban and Regional Development Studies (CURDS) at the University of Newcastle indicate in a survey based report that LEPs have a 'lack of long-term vision and strategy for their strategic development' with some 'fundamental tensions yet to be resolved'¹⁷.

The Government has responded to these ongoing concerns with a series of fund allocations. BIS made an initial £5million LEP Start Up Fund available to help LEPs get their core operational capacity in place¹⁸. This was to be spent during 2011-12 and used to support new posts, facilities, and business engagement activity. Since March 2012 the Government has made capacity, core, and strategy funding allocations to the end of 2014/15 with a combined total of nearly £42 million¹⁹. In terms of what this means on a per LEP basis, LEPs have had up to £500,000 from central government for core funding and the development of their SEPs for each of the years 2012/14 and

9 McInroy, N., 2011. Local economies in peril. Local Government Chronicle. Available at: <http://www/lgcplus.com/blogs/local-economies-in-peril/5026521>

10 Tomaney, J., Pike, A. and McCarthy, A. 2012. The governance of economic development in England. In Ward, M and Hardy, S, (ed.) 2012. Changing Gear: is localism the new regionalism?. London: The Smith Institute and Regional Studies Association

11 Department for Communities and Local Government and Department for Business, Investment and Skills, 2013. Funding and Structures for Local Economic Growth. National Audit Office. Available at: <http://www.nao.org.uk/wp-content/uploads/2013/12/10285-001-Local-economic-growth.pdf>

12 Ward, M. And Hardy, S. (eds), 2013. Changing gear –is localism the new regionalism?. London: The Smith Institute and Regional studies Association.

13 APPG on Local Growth, Local Enterprise Partnerships and Enterprise Zones, 2012. An Inquiry into the Effectiveness of Local Enterprise Partnerships. House of Commons: London. Available at: http://appglocalgrowth.files.wordpress.com/2012/09/appg_report_003.pdf

14 Walker, P., 2013. Local Authorities, Local Enterprise Partnerships and the Growth Agenda: First Report of Joint Research Project. Dorset: CEDOS and ADEPT

15 Pike, A. et al., 2013. Local Institutions and Local Economic Growth: the State of the Local enterprise partnerships (LEPs) in England - A national survey. SER discussion paper 150. Available at: <http://www.spatialeconomics.ac.uk/textonly/SERC/publications/download/sercdp0150.pdf>

16 Department For Business Innovation and Skills, Local Enterprise partnership Start Up Fund Guidance Note, May 2011.

17 Hansard 28 Apr 2014: Column 494W. The Figures are derived from the table deposited in the House of Commons' library by Communities and Local Government Minister Kris Hopkins in response to a Parliamentary Question for written answer from Toby Perkins MP.

2015/16 subject to match funding of £250,000 from partners' resources in each of those years.

Government has also set up a local growth 'What Works Centre' to provide decision-makers with better evidence around effective economic development intervention, whether, that be generally or in relation to themes such as business support and skills.

However, actual performance in terms of real added value of the LEPs, in the absence of any standard indicators of performance, is difficult to discern. In its report, the House of Commons' Business Innovation and Skills Select Committee indicated the need for clear indicators of performance to enable accountability, monitoring and scrutiny of the use and value of public resources by the LEPs²⁰. These themes have been reflected in the criteria for Local Growth Deals.

With regard to the actual performance of the areas in which LEPs operate in, this has been subject to work by the LEP Network^{21/22/23}. This work comprehensively details a range of growth and economic performance indicators. However, it makes only an implicit reference to how the work and effectiveness of LEPs as bodies (including composition, governance and strategy) relates to the area's economic and social performance. To date, there is no direct work on possible attribution of LEPs to outcomes.

2.6 LEPs and small business – the policy agenda

In the Local Growth White Paper²⁴ that established LEPs, there is very little time given to LEPs relationship with SMEs. Business support for SMEs has been centralised through the ending of the Regional Development Agencies, local Business Links, and the move to a website and national call centre, with little thought apparently given to LEPs and SMEs²⁵.

LEPs role in the Regional Growth Fund (RGF) was initially more concerned with supporting larger businesses to grow with its requirement that eligible bids must be in excess of £1 million. The fund was subsequently opened up, which enabled LEPs develop mechanisms to support SMEs through RGF. This included a growing number of LEPs, like Humber LEP (see case study 1), and the finance model established by a partnership of four LEPs that secured £25 million RGF money to finance local manufacturing supply chain SMEs .

The European Structural and Investment Funds (ESIF) Growth Programme for England (2014-2020), marks a turning point, and placed LEPs at the heart of strategy development and delivery. From 2013, LEPs have led on negotiating local EIF strategies which collectively should deliver much of the UK's commitment to *Europe 2020*²⁶ and have been allocated just under 94%²⁷ of England's ERDF

20 House of Commons and Business, Innovation and Skills Committee, 2013. Local Enterprise Partnerships, Ninth Report of Session 2012–13, HC598. London: The Stationery Office

21 LEP Network, 2013. Local economies and the growth challenge: Review of Local Enterprise Partnership Area Economies in 2013. Available at: [http://www.lepnetwork.org.uk/assets/files/Final%20LEP%20Network%20Annual%20Report%202013%20\(Aug\)%20\(1\).pdf](http://www.lepnetwork.org.uk/assets/files/Final%20LEP%20Network%20Annual%20Report%202013%20(Aug)%20(1).pdf)

22 LEP Network, 2012. Creating successful local economies: Review of Local Enterprise Partnership area economies in 2012. Available at: <http://www.lepnetwork.org.uk/assets/files/FINAL%20LEP%20Network%20Annual%20Report%20into%20LEP%20Area%20Economies%202012.pdf>

23 LEP Network, 2014. Building Local Advantage: Review of Local Enterprise Partnership Area Economies in 2014. Available at: <http://www.wlep.co.uk/assets/REVIEW-OF-LEP-AREA-ECONOMIES-2014.pdf>

24 Local Growth: realising every place's potential (London: 2010): https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32076/cm7961-local-growth-white-paper.pdf

25 LEPs across the UK secure new funding model for SME growth, 7 November 2011, <http://centreforenterprise.com/2011/11/07/leps-across-the-uk-secure-new-funding-model-for-sme-growth/>

26 Europe 2020: EU's strategy for smart, sustainable and inclusive growth: http://ec.europa.eu/europe2020/index_en.htm

27 European Regional Development Fund and European Social Fund: UK allocations 2014 to 2020, letter to LEPs, 17 April 2014: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307492/bis-14-772-uk-allocations-eu-structural-funds-2014-2020-letter.pdf

and ESF funding (around €6.5 billion), with an additional €221 million of the European Agricultural Fund for Rural Development (EAFRD)²⁸. This is about 6% of the UK budget for rural development.

Guidance to LEPs on developing EIF strategies has placed SMEs at the heart of LEP thinking and delivery. Thematic Objective 3 of the preliminary guidance, “Enhancing the competitiveness of SME Enterprises” has been particularly important²⁹.

This stems from a low point in policy terms when SME access to finance in the UK was highlighted by the 2013 European Commission as particularly poor compared to the rest of the EU³⁰. In contrast, the Government’s Growth Programme “aims to make the UK the best place in Europe to start, finance and grow a business”³¹.

‘SME Competitiveness’ is therefore a main strand of LEPs’ strategic development work, and will form a major part of LEP delivery of those EU fund strategies. The UK’s EU programme has flagged a number of areas that LEPs should consider, including access to finance, skills, and commercialisation of research and development. Through EAFRD there is an emphasis on rural SMEs too. Department for Environment Food & Rural Affairs (DEFRA) guidance includes four areas of potential delivery for LEPs. This includes: “funding new and developing micro, small and medium sized rural business”.

The following section of the report analyses the findings of a survey of LEPs and a survey of other stakeholders. The survey was directed at four different types of organisations and stakeholders in the first instance namely:

- LEPs (Chief Officers and Chairs)
- FSB Development Managers
- FSB Member businesses (one representative per LEP area)
- Local authorities (Chief Executives and Leaders).

36 of the 39 LEPs across England responded to the survey focused upon LEPs. This represents a response rate of 92.3%. The vast majority of responses were provided by LEP staff or secondees with around a third by the Chief Executives themselves. The remaining responses were from Chairs of LEP Boards or Board members.

A total of 131 other stakeholders responded to the survey targeted at local authorities and small business representatives. 57.2% of other stakeholder respondents were small business representatives, and 42.8% were from local authorities with just over 28% of these being local authority leaders or chief executives. In terms of the responses of other stakeholders, all the LEP areas are represented with at least one response apart from the Black Country and Sheffield City Region.

28 EAFRD allocations to LEPs: <http://rdpenetwork.defra.gov.uk/news-and-publications/rdpe-news/eafrd-allocation-to-local-enterprise-partnerships>. LEPs will also develop strong links with EAFRD-funded LEADER projects.

29 Development and delivery of the European Structural and Investment Funds strategies: supplementary guidance to local enterprise partnerships (BIS: July 2013), p.32 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224755/13-1049-development-and-delivery-european-and-investment-fund-strategies-guidance-for-leps.pdf

30 2013 European Commission’s recommendations for the UK: http://ec.europa.eu/europe2020/europe2020-in-your-country/united-kingdom/index_en.htm

31 ESIF: preliminary guidance to LEPs: <https://www.gov.uk/government/publications/development-of-eu-structural-and-investment-fund-strategies-preliminary-guidance-to-local-enterprise-partnerships>

3. Analysis of Survey Findings

This section describes and discusses the key findings from the surveys, and focuses on the themes of resource, structure and governance, and performance, with comparisons offered where appropriate across local authority and FSB representatives.

3.1 Resource

LEPs have received some funding to develop their capacity in terms of staffing and to develop priorities and strategy. With the aim of understanding the capabilities of LEPs to achieve their remit, we asked LEPs how they had utilised this resource and about their staffing structures. We also asked about how LEPs were leveraging in resource and the type of resource being levered. **We found that there is a significant disparity of levels of funding and capacity across LEPs and on the whole LEPs are under-resourced, with funding streams un-aligned.**

3.1.1 Capacity funding

LEPs have needed to develop boards, strategy, and practice for EIFs and SEPs. Different LEPs have had different levels of staff capacity and resource to develop these activities. **We found that many LEPs lack sufficient capacity to deliver what is now being expected of them.**

A lack of in-house capacity for research and strategy development

LEPs were asked in the survey to detail the proportion of their capacity building monies which had been used for particular activities. Table 2 details that the greatest average spend was on wages at 47.3% of capacity building spend. **This was followed by external consultants at an average of 29% of capacity building spend.** This emphasis upon external consultants suggests that there is a lack of internal capacity in LEPs to undertake consultation (this emerges as a key theme in later parts of this report), to develop strategy, and respond to requests around EIFs and SEPs. Given the emphasis upon LEPs being about devolved responsibility to local areas, the **FSB and CLES would argue that research and strategy development needs to be more effectively informed by different actors within localities across the commercial, public and voluntary sectors; thus requiring greater capacity and resource.**

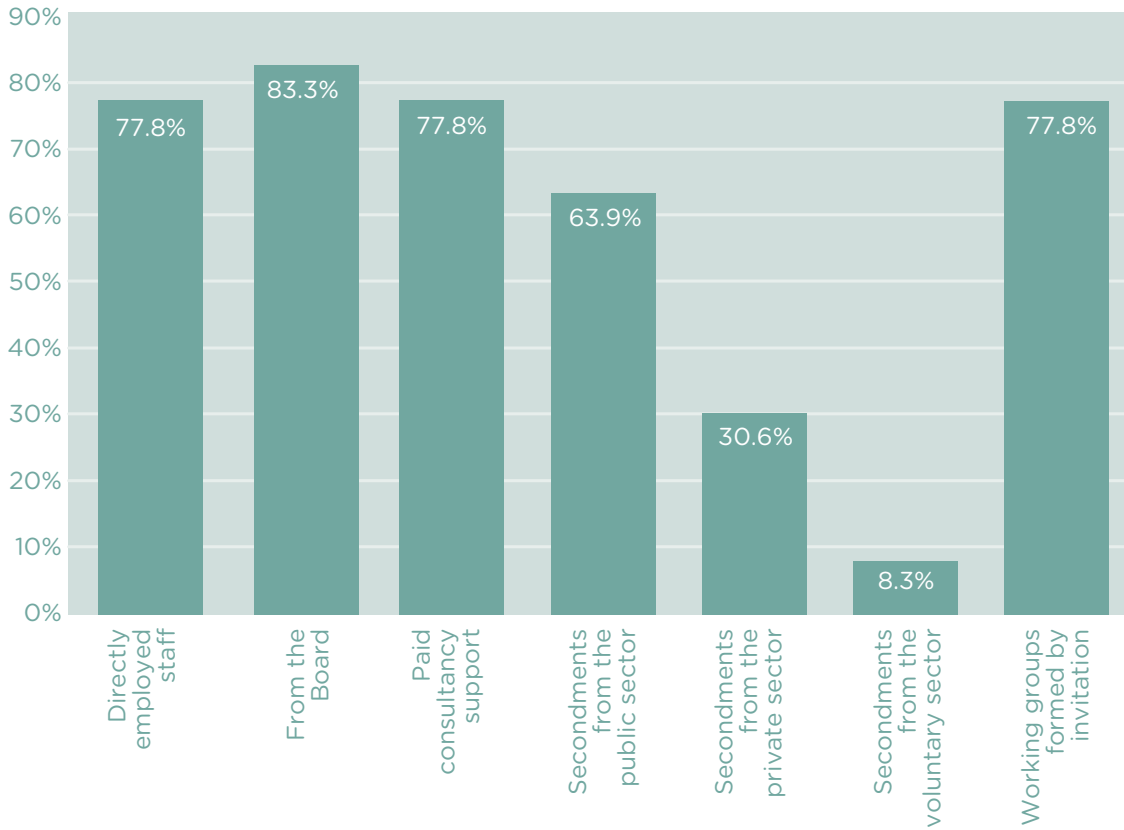
Table 2: Percentage of capacity building funding used by activity (LEP perspective)

Theme	Percentage of resource allocated to theme to date
Wages	47.3%
Website development	9.5%
PR and communications	13.9%
External consultants	29.0%
Remuneration for Chair and Board Members	0.9%

Figure 1 highlights that LEPs have used five key ways of obtaining skills and expertise. Over 63% of LEPs have obtained skills through secondments from the public sector, with only 30.6% having done so through private sector secondments.

Figure 1: Ways of obtaining skills and expertise (LEP perspective)

How does the LEP obtain skills and expertise?



The reliance on external support suggests that some LEPs have insufficient resources to employ their own staff directly. They are very reliant on public sector secondments and consultancy support as a means of obtaining skills and expertise. We would also expect all LEPs to be obtaining skills and expertise through thematic working groups.

3.1.2 Staffing

Staff are integral to how an organisation operates and functions. They are also the personification of how an organisation is viewed externally. We wanted to understand how many staff LEPs were employing and the breakdown of types of employment. **We found that there were significant variations across LEPs in the number of staff they employ. Even allowing for natural variations in staff numbers based on the locally determined scope of the LEP, responses received still suggest that many LEPs are inadequately resourced to universally deliver what is expected of them.**

Small and directly employed staff teams

In many cases LEPs have limited staff resources. This restricts their ability to spend time building relationships with stakeholders, evidencing challenges in their locality, and consulting on strategy and programme development. Instead time is largely spent servicing Boards and sub-groups. Table 3 details the average number of people employed by LEPs in relation to full and part time employment and secondments. **On average LEPs employed 8.4 full time direct employees and 1.7 full time seconded employees.**

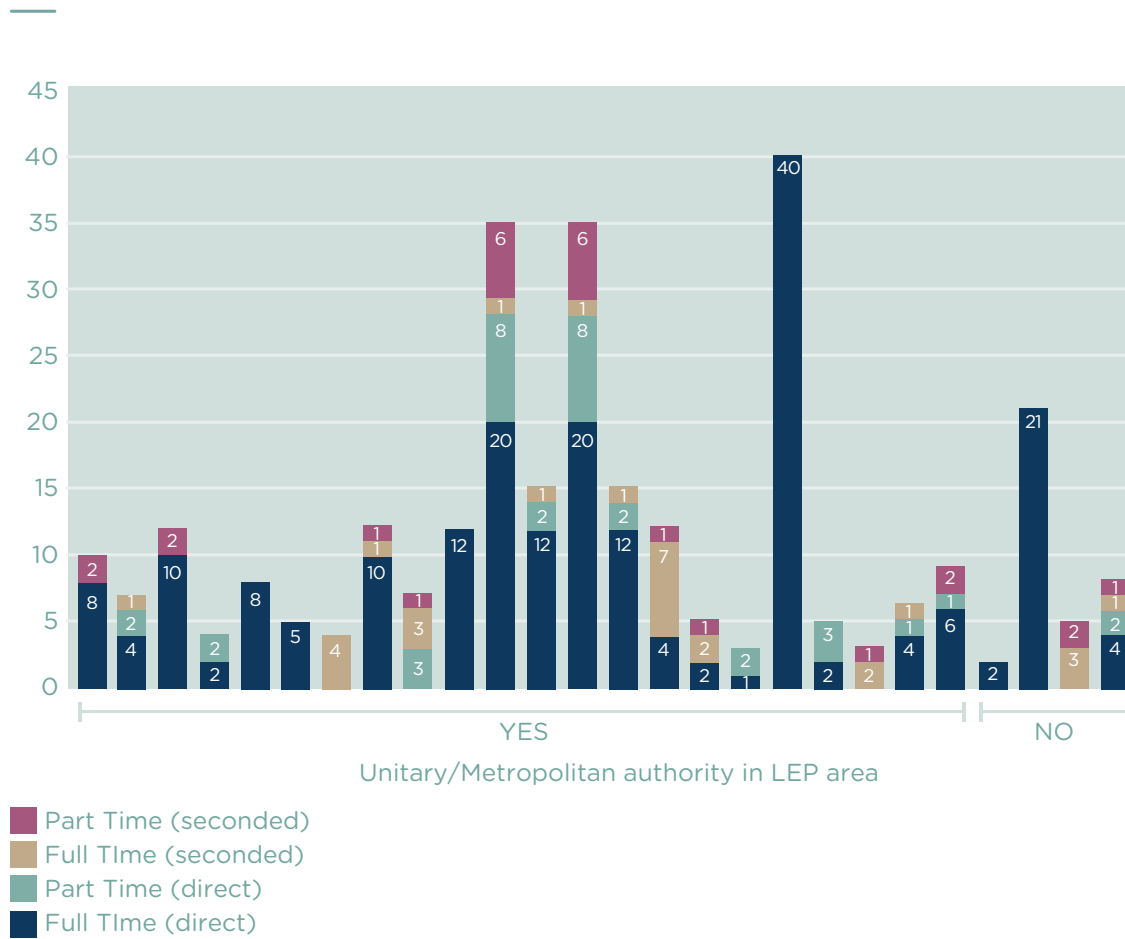
Table 3: Average number of employees per LEP

Role	Average number of employees
Full time (directly employed)	8.4
Part time (directly employed)	1.7
Full time (seconded)	1.7
Part time (seconded)	1.6

In terms of total number of employees, **the largest LEP had 40 full time directly employed members of staff; with the smallest having 2 full time directly employed members of staff.** This suggests huge variations in capacity and resource to service LEPs and deliver priorities. The breakdown of staff by LEP area and also whether there is a unitary or metropolitan authority in that LEP area is detailed in figure 2.

Figure 2: Number of staff employed by LEP area

How many members of staff do LEPs employ?



A continued emphasis on local authority staff

Many of the staff working directly for LEPs have come from local authority backgrounds, or have been seconded across to the LEP from the public sector. **Indeed, 32% of LEPs identified that they had used capacity building funding to contribute to the wages of public sector secondees, while none of the LEPs stated that they had used capacity building funding to contribute to the wages of private sector secondees.** This is arguably not an effective use of public money, and this reliance on public sector staff can result in LEPs' independence being called into question. In some instances, the local authority involvement has led to the conclusion that certain LEPs are being run by local authorities to a greater or lesser extent. There are strong arguments to suggest that this should be balanced by a stronger direct and secondee role for business representatives and individuals on LEP staff teams on a paid basis. However, such arrangements would require careful handling to avoid similar accusation of LEP capture by one private interest or another. As such it is arguable that, for LEPs to have their own identity, they must have a greater staff resource of their own.

Correlation between staff and resource

The LEPs with the larger staff teams were ones which have evolved from existing city-regional or sub-regional structures and those with the greatest levels of funding coming from the EU and other sources. **Indeed, the LEP with the highest income in the last financial year, and the highest spend on administration and programmes, was the one with the largest staff team.** The LEPs with the smallest staff teams tended to be singular County authorities or collaborations of County authorities. This means there are disparities between LEPs in terms of what they can achieve.

In terms of the types of roles of employees of LEPs, on average 4.6 staff members work on economic regeneration and strategy development, with on average 2.1 being in managerial positions. The FSB and CLES would suggest that there needs to be a greater emphasis upon network development and using Board members and business representative bodies to engage a wider range of organisations in the principles and priorities of LEPs, as well as more diverse staff teams encompassing private sector secondees.

3.1.3 Programme budgets

Over the course of the last four years LEPs have been able to access a range of different types of resources to deliver against their priorities. We wanted to understand how LEPs had levered in resource and the types of funding they were accessing. **We found a massive disparity in amounts of resource being attracted by LEPs, and that this was provided for on an ad-hoc basis via a fragmented array of funding streams, each with their own bidding processes, timetables and reporting mechanisms.** The Growing Places Fund has been allocated on a similar basis as some of the pre-collated, non-competitive, elements of the Local Growth Fund. As such, LEP funding can be seen to have disparity built in.

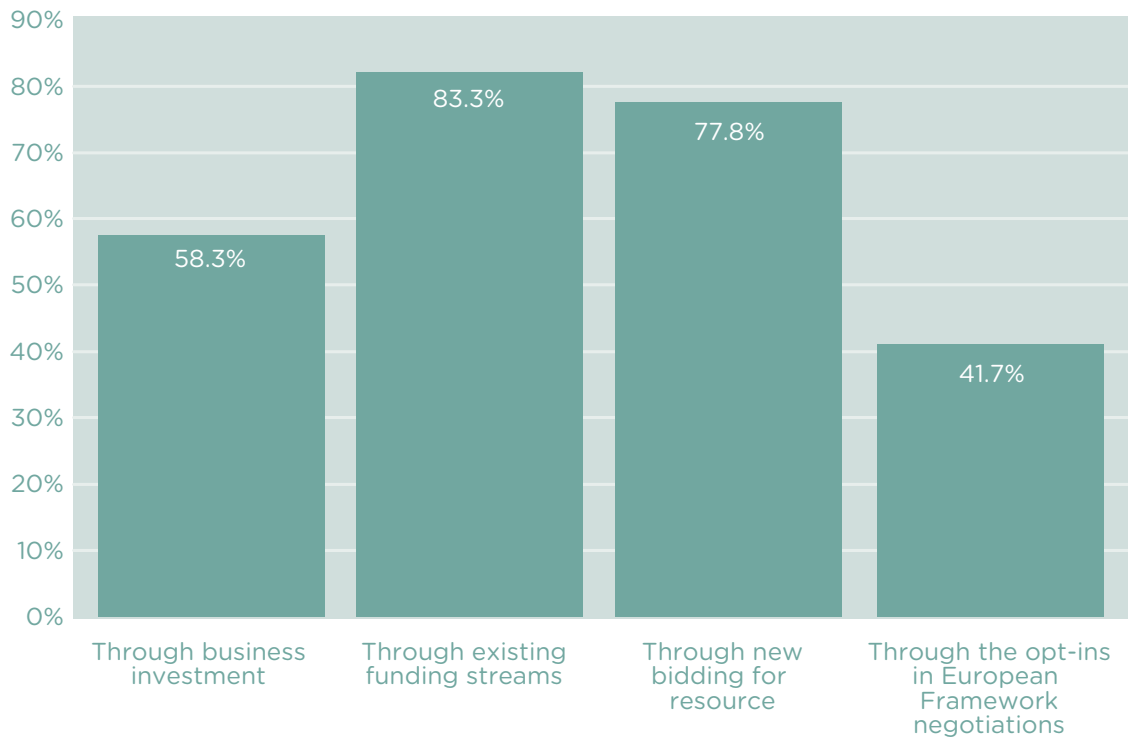
Disparity in levels of LEP funding

LEPs have become both the responsible body for existing funding sources, such as European monies through the EIFs, and for attracting new resource into LEP areas through strategy such as the SEP. European allocations are dependent upon the size of the locality and the scale of challenges around infrastructure and unemployment, for example. **The largest amount of ERDF and ESF allocated has been £754.4million over the period 2014 to 2020, with the lowest £13.8million, meaning disparity in resource across LEP areas.**

To date, LEPs have levered in funds into their areas in two main ways as highlighted in figure 3.83% have done so through existing funding streams, with 77.8% undertaking new bidding for resource. Given the timing of the survey, which was issued prior to the formal sign off of some EIFs, it is perhaps unsurprising that only 41.7% of LEPs have levered in funds through the opt-ins in framework negotiations.

Figure 3: Ways of leveraging funding (LEP perspective)

How have funds been levered into the LEP area to date?

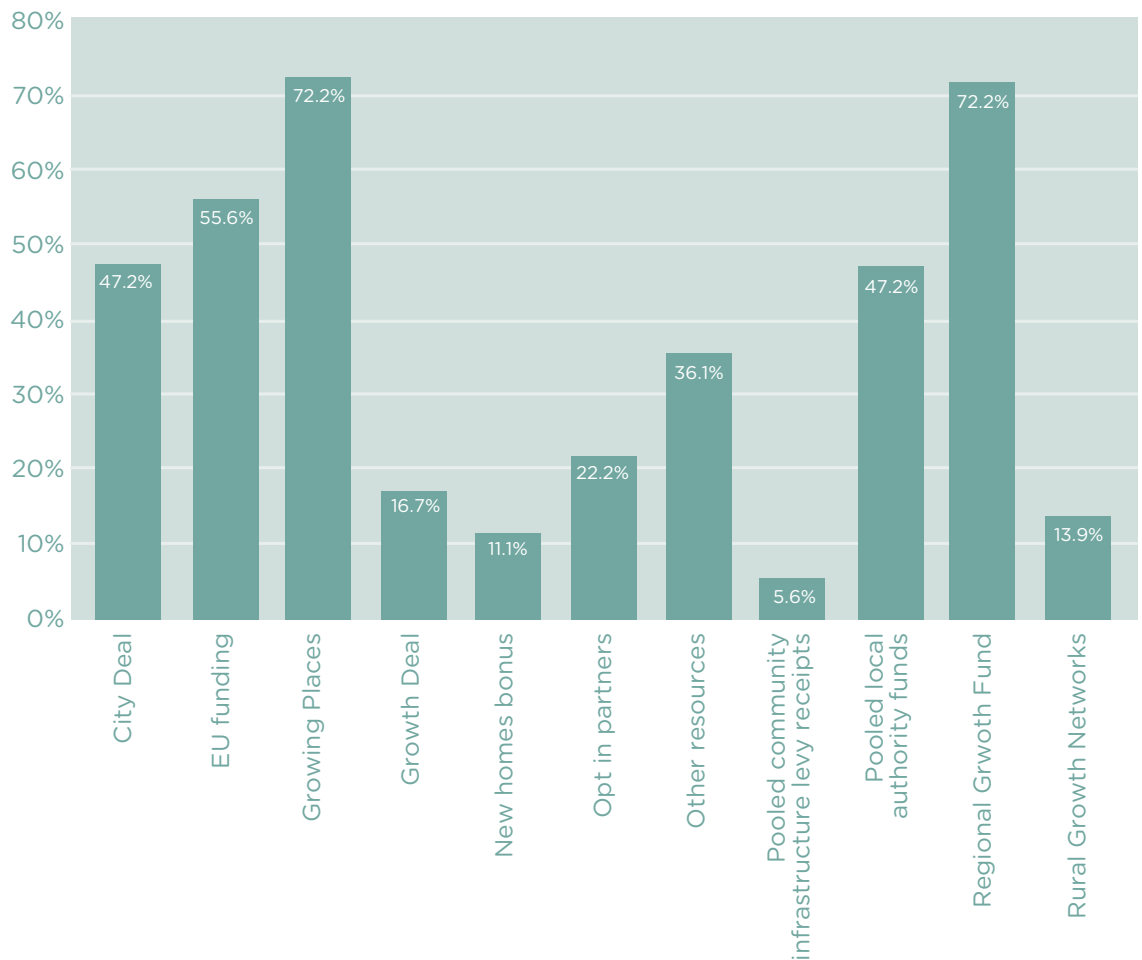


Capacity challenges as a result of ad-hoc and fragmented funding streams

In terms of the sources of this funding, the streams have been relatively varied, as detailed in figure 4. However two key sources of funding exist across the majority of LEPs. Of the LEPs that responded to this question **72.2% have secured funding from both the RGF and the GPF**. The RGF is a resource which has been allocated through four rounds of bidding since 2010. Similarly, the GPF was allocated to LEPs in 2011. 55.6% of LEPs have funding secured through European monies. However, it is anticipated that resource from this, opt-in monies, and Growth Deal will increase as LEP delivery matures. 36.1% of LEPs have secured money from other sources. These other sources include business rate returns through Enterprise Zones.

Figure 4: Sources of funding (LEP perspective)

What sources of funding have LEPs secured?



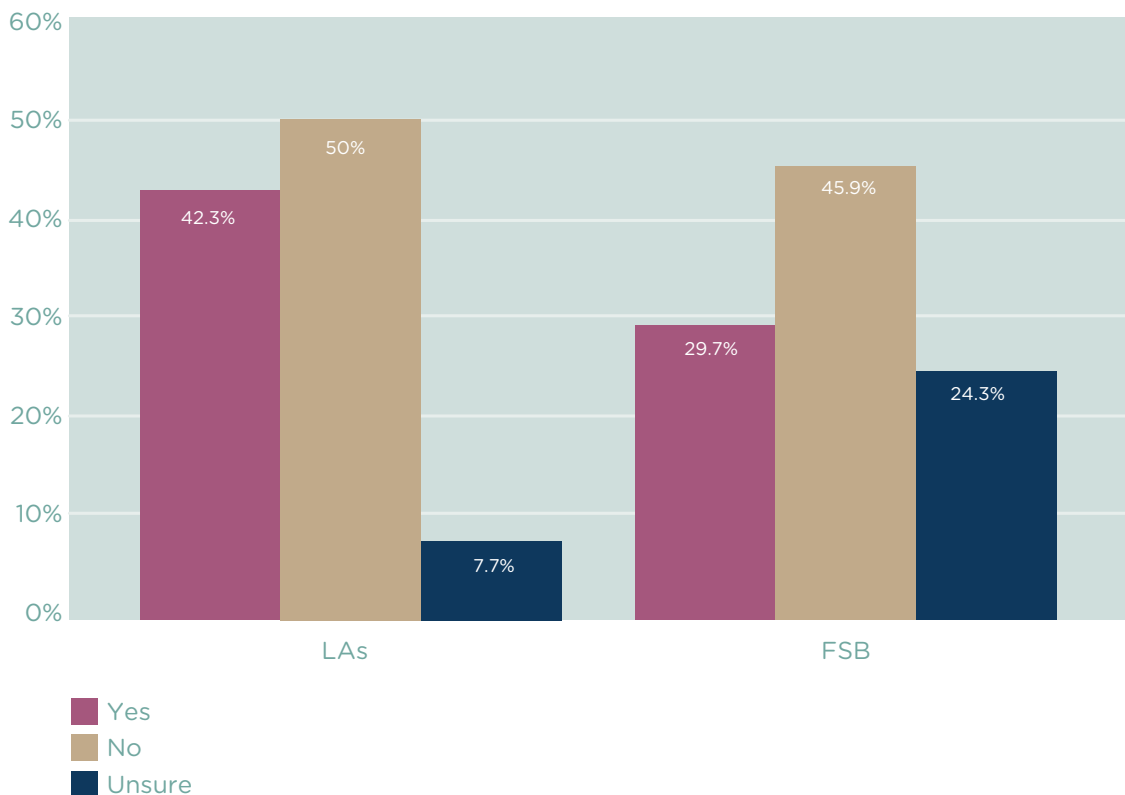
The challenge for LEPs here is that there are lots of different sources of funding, each with their own bidding arrangements, timetables, and reporting mechanisms. This fragmentation means that LEP staff, alongside servicing Boards, are spending much of their time bidding for single pots of money, again presenting capacity issues. The FSB and CLES would argue that there is a need for a more joined up approach to funding and monitoring. Reflective of the nature that the majority of funding is yet to come on stream, few LEPs were able to answer the question around the amount of resource levered to date.

3.1.4 Concluding thoughts

The funding levered into LEP areas to date has largely come from established funding sources such as RGF. There are disparities in levels of resource for LEPs and fragmented funding streams are presenting challenges for LEPs with little capacity. This lack of adequacy of resource is reflected in figure 5 through the reflections of other stakeholders. **Only 42.3% and 29.7% of local authority and FSB representatives respectively believed LEPs were adequately resourced.**

Figure 5: Adequacy of LEP resource (Local Authorities (LAs) and FSB)

Is the LEP in your locality adequately resourced?



With regard to fragmentation, it is worth noting the July 2014 report *'Fragmented Funding'* by Shared Intelligence for the Local Government Association, which suggests that government funding for growth is becoming even more disjointed. It claims that the number of funding streams has doubled since Lord Heseltine's report, despite his having recommended a "single pot" approach to address the problems associated with having a profusion of funding streams, each with its own particular objectives, timetable and requirements. The research also states that there were 124 funding schemes for local growth and regeneration across 20 departments and agencies, amounting to over £22 billion in 2013-14, with around half of these requiring local authorities, businesses and charities to

bid for money. Shared Intelligence suggests that the average cost of putting together funding bids for local authorities alone was about £30,000. It also cost local authorities an estimated 33 days in officer time, per bid. While it is accepted that this research was focused on Local Authorities, not LEPs, the implications are clear given the range of funding streams that LEPs already engage in to secure funding.

We would argue that there is the need to do the following in relation to resource:

- Provide a dedicated and continuous pot of resource for LEP capacity to cover direct independent staff;
- Increase the number of secondees from private business, particularly small businesses;
- Take advantage of emerging resources from Europe and the Local Growth Fund;
- Work with local authorities and other organisations to pool resource in order to meet collective priorities and outcomes; and
- Join up bidding processes, timetables, and reporting mechanisms which LEPs have access to in order to reduce demands on LEP staff capacity for bidding.

3.2 Structure and governance

Any organisation requires clarity around its remit, form and function. We wanted to understand the remit and structure of LEPs, the make-up of their Boards and sub-groups, their mechanisms of consultation, the roles of various stakeholders, and their lines of transparency and accountability. **We found that because there was no clarity on the remit, purpose and function of LEPs, misunderstanding and friction have been created around roles and transparency.**

3.2.1 LEP remit

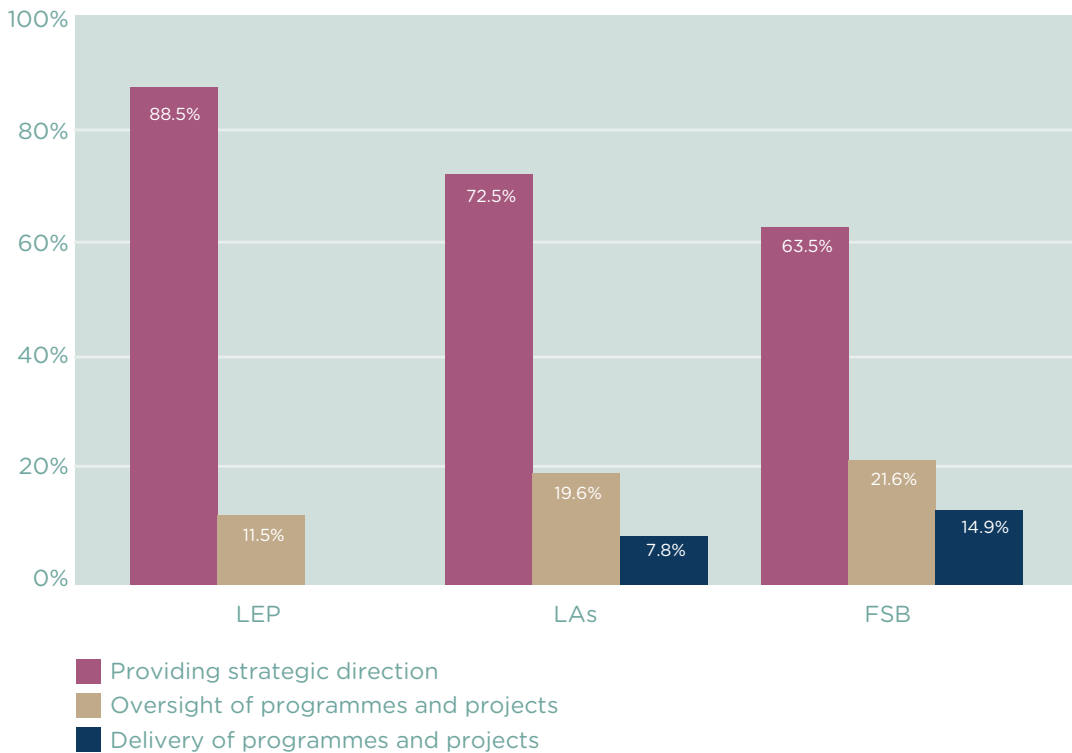
In order to work effectively, organisations need to have a clear remit. We wanted to understand what different stakeholders felt the primary role of LEPs was. **Our evidence shows disagreement around what LEPs primary role should be, which is reflective of the lack of guidance from central government as to what the purpose of LEPs is.** Whilst this is in line with the Government's principles of localism, we believe that LEPs need a clearer set of operational parameters and clear high level guidance on what is expected of them.

A disagreement on the remit of LEPs

As detailed in figure 6, **88.5% of LEPs felt that the primary role of the LEP was to provide strategic direction**, with 11.5% of LEPs seeing the primary role as being the oversight of programmes and projects. No LEP saw their primary role as delivery. Interestingly, other stakeholders disagreed on the primary role for LEPs in their areas. **72.5% of local authorities felt that the primary role was to provide strategic direction;** with 19.6% suggesting it was instead the oversight of programmes and projects; and 7.8% as the delivery of programmes and projects. **63.5% of FSB representatives felt that the LEPs primary role was to provide strategic direction**, with 14.9% seeing it as delivering programmes and projects. This suggests a disconnect between LEPs perception of their primary role and that of their key shareholders in a number of areas.

Figure 6: The primary role of LEPs in localities (LEPs, LAs and FSB)

What do you see as the primary role of the LEP in your locality?



3.2.2 LEP Board membership

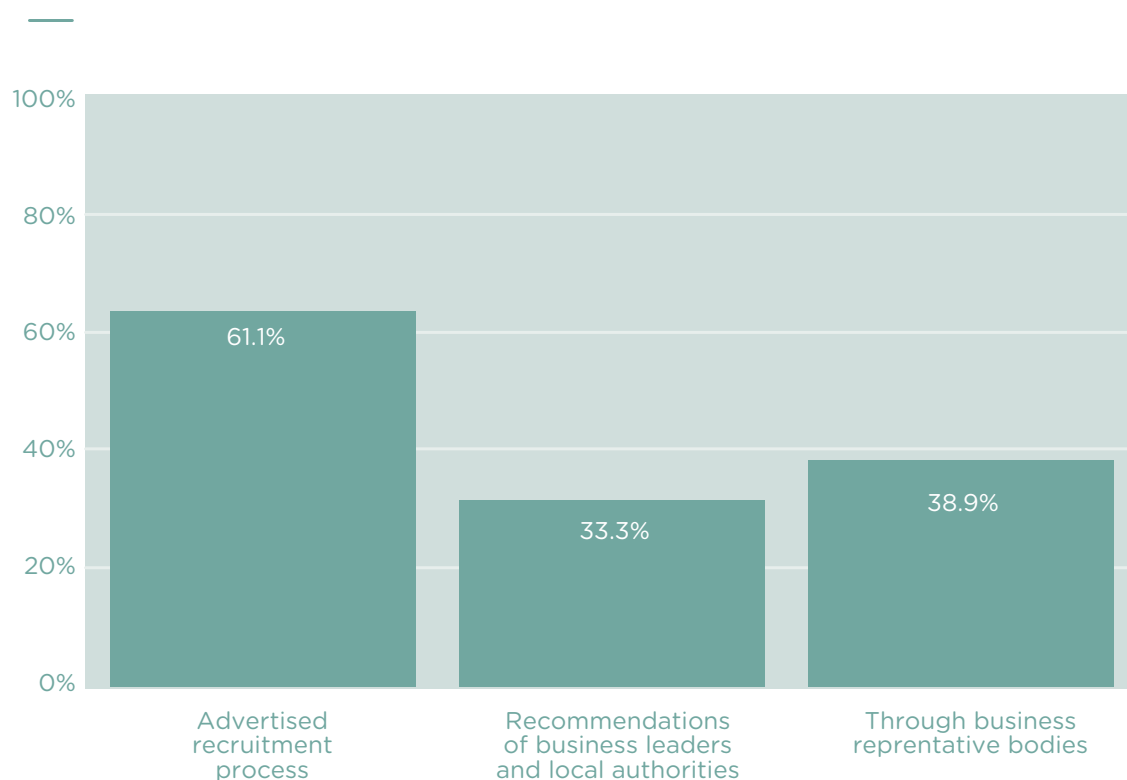
LEPs were designed to be run and governed by private sector representatives, with the Chair being a business representative. Our work sought to understand the make-up of LEP Boards and the representation of small businesses. We found that small businesses are under-represented in LEPs. We also argue that important decisions should not just be made at Board level.

No agreed process for recruiting Board members

The constitution and role of LEP Boards has been open to some debate amid concerns about: transparency; scale; diversity across public, commercial and voluntary sectors; and accountability mechanisms. Composition of Boards, and the means of identifying Board members, should be undertaken in a considered and open way to enable transparency. However there appears to be a lack of a collective process across LEPs to recruiting Board members. As detailed in figure 7, 61.1% of LEPs suggested that they had used advertising as a way of recruiting Board members. 38.9% of LEPs used business representative bodies, with 33.3% utilising the recommendations of business leaders and local authorities.

Figure 7: Recruitment process for Board members

How did you recruit your Board members?



LEPs need to be about more than just a Board

Several factors need to be taken into consideration here around Board membership. First, the FSB and CLES believe that LEP Board membership is not just about a presence on a Board or numbers. It needs to be about influence and relationships alongside a two-way dialogue between Board members, representatives of sectors and businesses themselves. An effective LEP Board will have good quality relationships across its members, building on the strengths of different organisations. Second, the LEP is not just about the main Board. Instead, and perhaps more importantly, the various sub-groups present organisations across sectors with the opportunity to engage. The emphasis upon identifying organisations transparently and using a clear, agreed process also needs to apply to these sub-groups. Third, whilst LEPs have always been promoted as business led vehicles, we would argue that a more balanced composition across different sizes of business and with public and voluntary sector representation would lead to a better outcome. However, as discussed previously, LEPs need capacity to exert influence, develop relationships, and consult across organisations.

LEPs have an under-representation of small businesses on their board

Desk research undertaken by CLES prior to the survey suggested that **36 LEPs had at least one SME represented on their Board, with on average 30.3% of private sector composition on LEP Boards being SMEs.** However, only 6 of the LEPs were chaired by an

individual currently running an SME. With SMEs being so integral to the success of the LEP programme, not least because of the EU emphasis on this group, we felt that knowledge and experience of SMEs would be required at board level. The survey found that 56% of LEP Chairs have had experience of running a SME and that 36% have with no such experience. 8% of LEPs were unsure of Chairs experience of SMEs. This experience and understanding is important in its own right, and also helps to inform where SMEs best sit within the LEP. **SME representations must have the support of the small business community so that they can facilitate a meaningful dialogue between this important constituency and the LEP.**

Sub-groups matter

Important decisions are not just made at board level, the work of formal subcommittees and ad hoc working groups is often just as significant, particularly in complex areas which demand attention to detail. On average the survey revealed that LEPs have 6.7 subgroups. The majority of LEPs have aligned their sub-groups to the themes associated with the national growth strategy or European funding. LEPs tend to have sub-groups around infrastructure, housing, skills and employment, business growth, and low carbon development. SMEs tend to be much more engaged on LEP sub-groups than at full Board level. LEPs reported that dozens of SMEs were involved in their sub-groups, which appears representative across all the LEPs responding to the survey. In terms of the themes of SME engagement in LEP sub-groups; they tend to be focused upon those around business growth and innovation and skills. It is again important to note that whilst representation is important, the effectiveness of a LEP's governance will be judged on the quality of this representation and the relationships across businesses of all sizes and across sectors. This needs to filter through the LEP and be based around ongoing dialogue.

3.2.3 Consultation

LEPs have been expected to consult a range of stakeholders on their development, their assessment of challenges in their locality, their plans for growth and their frameworks for European investment. We asked specifically how LEPs had identified challenges and how they had consulted on EIFs. **We found that whilst most LEPs seem to have consulted well on challenges and strategy, many seem to have consulted less well on the EIFs, leading to a mismatch in the demands of small business and the activities which LEPs are delivering.** This mismatch and links with performance are discussed in the performance section of this report.

Good consultation by LEPs on identifying challenges

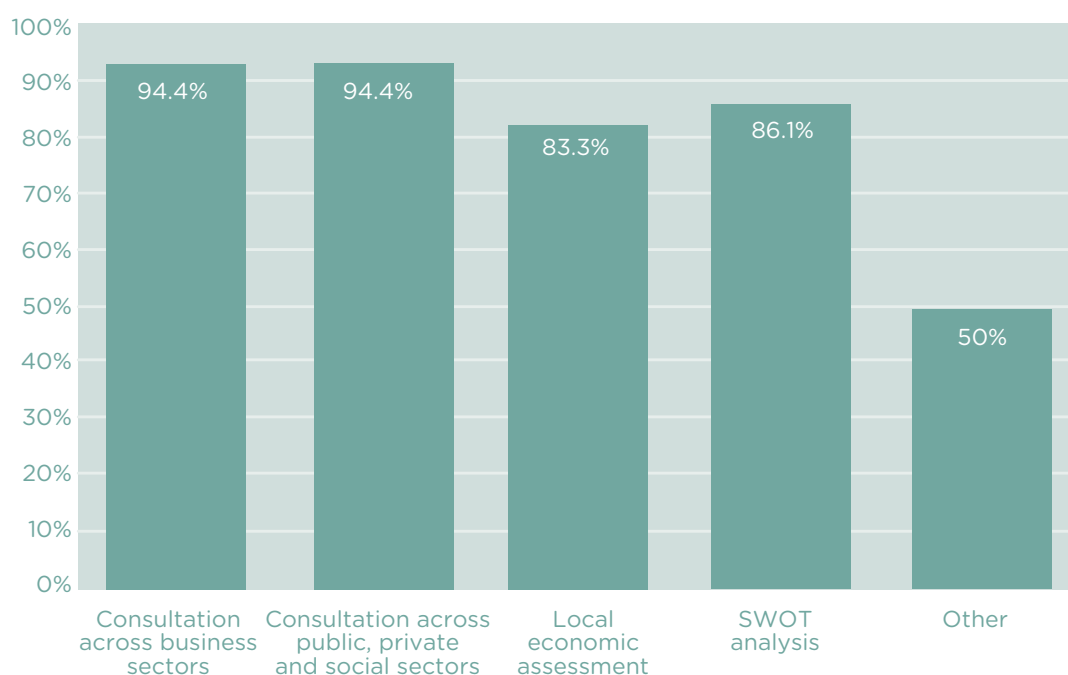
To develop effective strategy, LEPs need to move through a process involving data collection and assessment, priority setting, action planning and delivery. It is important that a range of locally reflective stakeholders are involved in this process. If LEPs are to have support, they must consult local opinion. The survey revealed that all LEPs had undertaken some form of consultation as a way of identifying the challenges facing their area. As highlighted in figure 8, **94.4% of LEPs used both business consultation and cross-sector consultation as a means of identifying key challenges.** 50% of LEPs stated that they had identified challenges facing their LEP area through other means. These included:

- Through engagement with central government departments
- Through an independent economic review of the LEP area
- Through utilising existing evidence bases such as Local Economic Assessments and existing strategy.

This suggests that evidence gathering has been a key part of LEP development and strategic activities.

Figure 8: Ways of identifying challenges facing LEP areas (LEP perspective)

How have you identified the key challenges facing your LEP area?



The breadth of ways in which LEPs have identified challenges facing their areas appears to be comprehensive and reflective. **82.2% of FSB representatives felt that the LEP in their area had priorities reflective of challenges and opportunities facing their locality, with 100% of local authorities doing so.** This suggests that other stakeholders on the whole felt that effective evidence gathering and consultation informed the identification of challenges and the development of priorities.

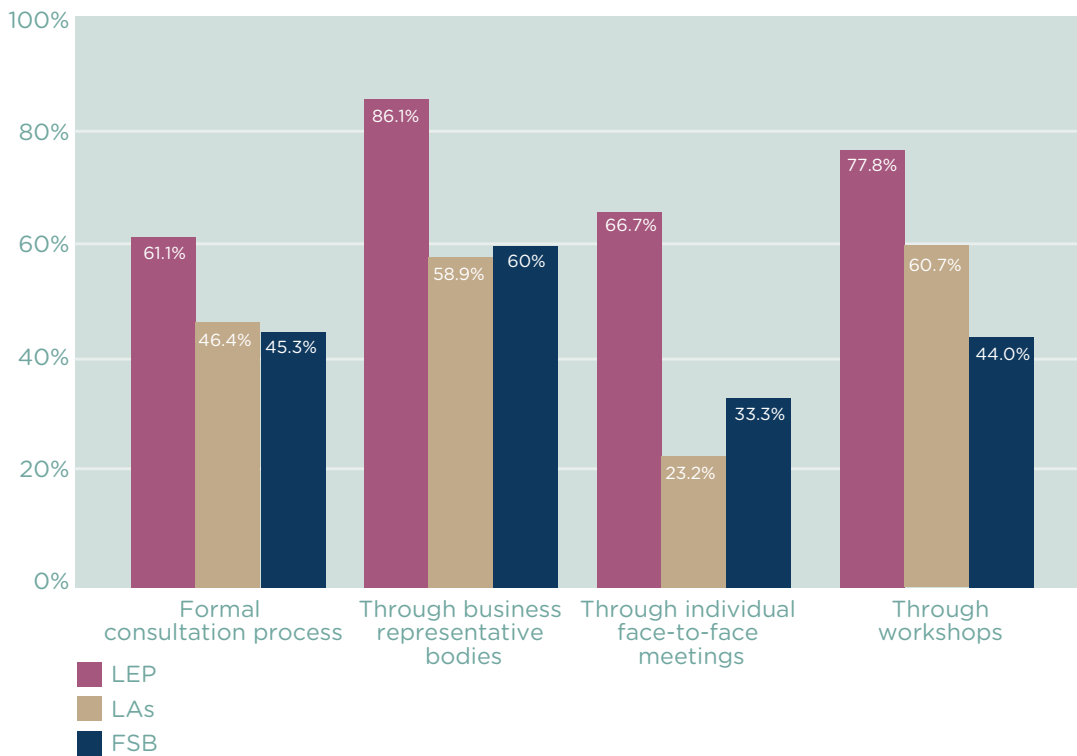
Poor consultation of SMEs for EIFs

EIFs were designed to highlight how LEPs would be allocating European resource through European Regional Development Fund (ERDF) and European Social Fund (ESF) to specific areas of thematic activity. The expectation of Government was that LEPs would consult with a range of stakeholders on the development of those frameworks.

The survey of LEPs revealed that all responding LEPs felt they had consulted the SME sector in some way on the development of EIFs. However, as highlighted in figure 9, other stakeholders were far less positive than LEPs in relation to EIF consultation. 10.7% of FSB respondents felt that the SME sector had not been consulted on EIFs at all. In terms of type of consultation, **only 33.3% of FSB representatives and 23.2% of local authorities felt that the SME sector had been consulted through individual face-to-face meetings, compared to 66.7% of LEPs who felt this had been a method of consultation.**

Figure 9: Ways of consulting the SME sector (LEPs and FSB)

In what ways do you believe the SME sector has been consulted on the development of EIFs and SEPs?



The above mismatch between LEP and other stakeholder perceptions on consultation of small businesses is interesting. It suggests that LEPs are lacking the capacity to effectively consult on issues which require more detail, most notably around funding streams. Here the process is more rushed, with the timetables from central government not conducive to effective consultation. This also reflects the use of external consultants to develop EIFs which again reduces scope for more localised consultation. As discussed later on, the lack of consultation has meant that the activities being delivered through the SME competitiveness element of the EIFs are not always as effective as they could be.

Work to be done on LEP to SME consultation

There are also challenges around direct consultation between LEPs and small businesses. 85.2% of LEPs suggested that they had a permanent mechanism in place for facilitating direct communication between SMEs and LEP Chairs and Chief Executives. The mechanisms of engagement identified by LEPs included:

- Regular meetings between the LEP and the local Chair of the FSB
- Through a specially convened business representative bodies group
- Through representation on LEP Boards by the British Chambers of Commerce
- Through more localised area business boards which feed into the overarching Board and sub-groups.

While important, the FSB and CLES would argue that SME consultation needs to go beyond the above and potentially include protocols for small business engagement. We would suggest that all LEPs require a dedicated member of staff focused on stakeholder consultation across a range of organisations.

3.2.4 Role of other stakeholders

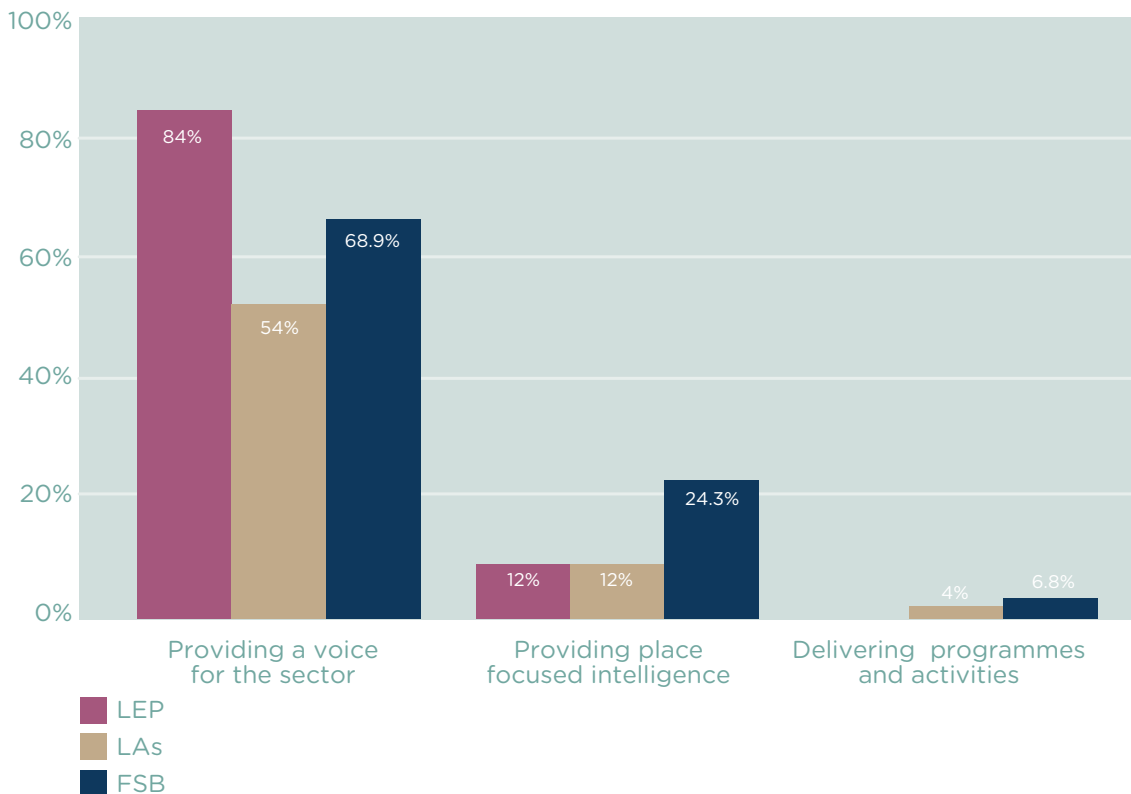
LEPs should operate under the principles of 'whole place'. This means a range of stakeholders across the public, commercial and voluntary sectors should be engaged whether it be through main Boards, sub-groups, delivering programmes and projects, networking, or simply influencing and contributing towards outcomes. We asked LEPs and other stakeholders what they felt the primary role of small business, large business, and other stakeholders was in LEPs. **We found that there was a misunderstanding of what the roles of different stakeholders should be, and that small businesses were under-represented on LEPs.**

Small business should have both a voice and prominent role

Business involvement in LEPs should include both large companies and small firms. LEPs were asked in the survey what they felt the primary role of SMEs in LEPs was. As detailed in figure 10, **84% of LEPs saw the primary role of SMEs in LEP structures and activities as providing a voice for the sector.** 16% saw the primary role as providing place-focused intelligence. Interestingly, none of the LEPs responding to the survey saw the primary role as being delivering programmes and projects. The reflections of local authorities largely tallied with those of the LEPs with 54% also seeing the primary role as providing a voice for the sector. **However, a relatively low percentage of FSB representatives (68.9%) see SMEs' primary role as providing a voice for the sector, with 24.3% seeing it as providing place based intelligence.**

Figure 10: The role of small business (LEPs, LAs and FSB)

What do you see as the primary role of SMEs in LEP structures and activities?



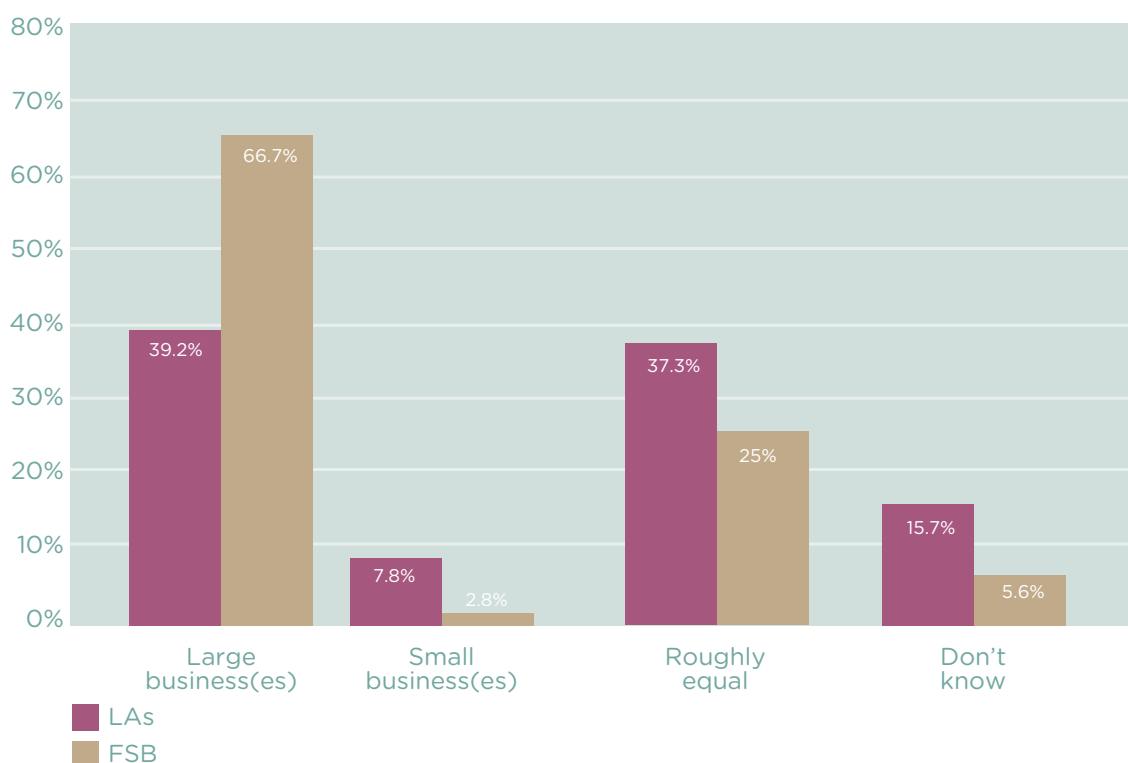
The FSB and CLES would argue that LEPs should seek to understand the potential of local actors to offer more to the LEP than in their perceived primary role. In the case of small firms, this means offering more than providing a voice for the small business community.

Large businesses exert the greatest influence over LEPs

LEPs have been driven to date by big business. As already highlighted, over two-thirds of the private sector representation on LEP Boards are from businesses with more than 250 employees (0.1% of the UK's total business base). This reality of governance is certainly reflected in the perception of other stakeholders as to whether large or small or a mix of the two exerted the greatest influence on the LEP in their locality. As detailed in figure 11, **39.2% of local authorities felt that large businesses exerted the greatest influence with 37.3% feeling it was roughly equal between large business and small businesses. 66.7% of FSB representatives felt that large businesses exerted the greatest influence over LEPs.** Only 7.8% of local authorities and 2.8% of FSB representatives felt that small business exerted the greatest influence over LEPs.

Figure 11: The influence of different business types on LEPs (LAs and FSB)

Who exerceises the greatest business influence in the LEP in your locality?



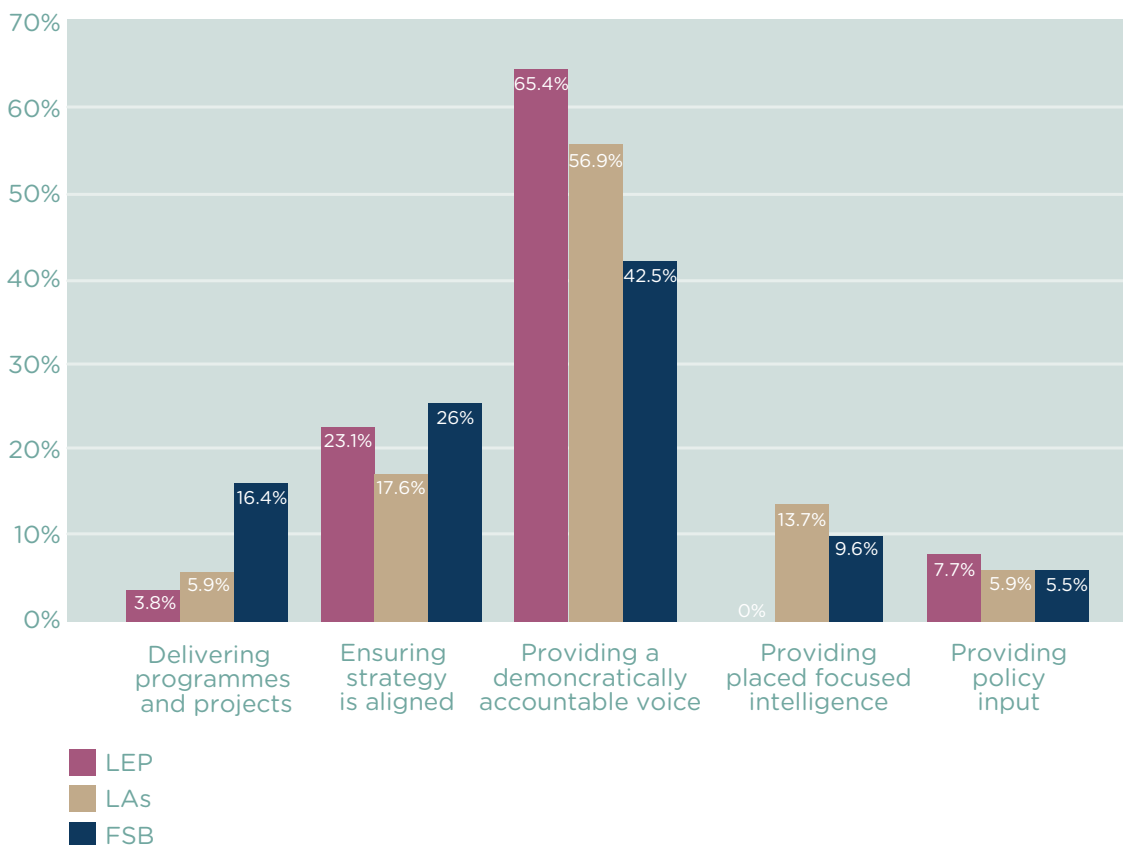
This raises the question of balance amongst business representatives. While LEPs should be business-led, care must be taken to ensure that all shades of business representation are heard, and have an influence on the decision making process. LEPs should not be dominated by one or two narrow interests. The need for a balance of business interests also raises the practical question of SME and small business sector capacity to provide representation. This will not be uniform across all LEP areas, and it is for local representatives to decide where their voice would best be heard. This could be through a representative on the main Board, but if the Board is genuinely listening to its business representative Boards and thematic sub-groups, a small business or SME representative may not necessarily be required.

Elected members and local authorities should have a rounded role encompassing democratic accountability, strategy formulation, and delivery

A further component of effective decision making arrangements is how the LEPs are held to account. This led us to look at the role of elected local authority representatives. LEPs are expected to have some form of democratic representation from local authorities in their area on their main Board. This does not have to be elected members from every local authority in the LEP area, but a sample of members. LEPs also need to be clear on what the role of elected members in LEPs should be. As detailed in figure 12, **65.4% of LEPs saw the primary role of elected members and local authorities on LEP Boards as providing a democratically accountable voice.** Only 3.8% of LEPs felt that the primary role was delivering programmes and projects. However, other stakeholders saw local authorities as having more of a rounded role encompassing democratic accountability, strategy formulation, and delivery. **42.5% of FSB representatives felt that providing a democratically accountable voice was the primary role, while 56.9% of elected representatives and local authorities felt the same.** 16.4% of FSB representatives saw the primary role of local government as delivering programmes and activities with 5.9% of local authorities themselves seeing delivery as the primary role.

Figure 12: Primary role for elected members (LEPs, LAs and FSB)

What do you see as the primary role of elected members and local authorities on LEP boards?



In order to ensure more of a whole place approach to LEP strategy and delivery, the FSB and CLES would argue that the role of elected members and local government needs to go beyond being a democratic voice. **There is a need to ensure the priorities of LEPs are aligned to those of local government including around social as well as economic outcomes.** There is also a need for LEPs to take advantage of the remaining economic development presence and expertise within local government particularly around evidence, strategy development, partnership working and delivering programmes and projects.

3.2.5 Transparency

Transparency is essential to the legitimacy of any set of decision making arrangements or organisation. We sought to understand the information LEPs made publically available and whether different stakeholders felt LEPs were transparent and open. **We found that LEPs were not sufficiently transparent in the way they spend public funds, and were not providing full lines of accountability to the state or localities.**

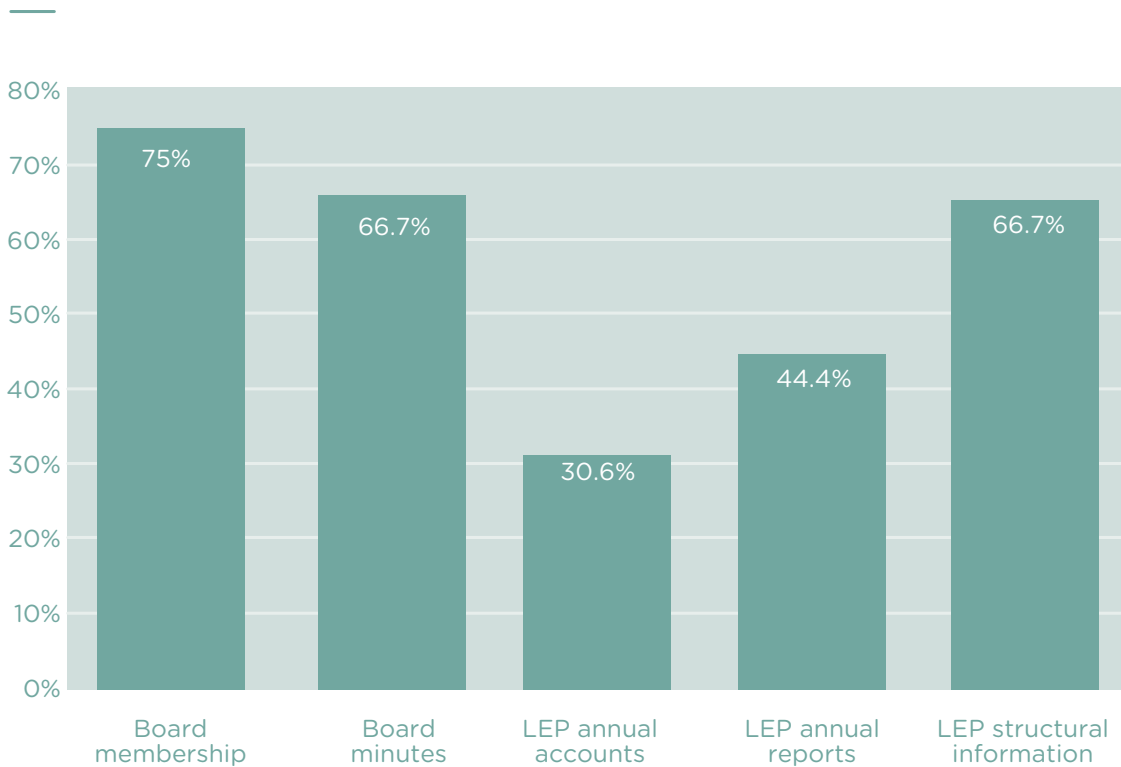
LEPs should be making more core materials available publically

LEPs should be providing publically accountable information about their membership, their Board practices, their finance and their decision making processes. The survey of LEPs suggests many are failing to provide sufficient information to enable true accountability to the public. As detailed in figure 13, **only 30.6% of LEPs have made their annual accounts publically available, with 44.4% producing an annual report.** 75% of LEPs make information about their Board membership publically available, with 66.7% making Board minutes and structural information available respectively. The FSB and CLES would argue that whilst it is positive that sharing of material is being undertaken, LEPs need to make more of their core information available for scrutiny in an accessible form.

LEPs are not helped here by a lack of guidance on what good information is, and what good lines of accountability are. Much of LEP material is cumbersome, descriptive and technical; with a perception that it lacks scrutiny and full democratic decision making process. Further information, in particular, needs to be made available concerning annual accounts and annual reports.

Figure 13: Information made publically available (LEP perspective)

What information do you make publically available?



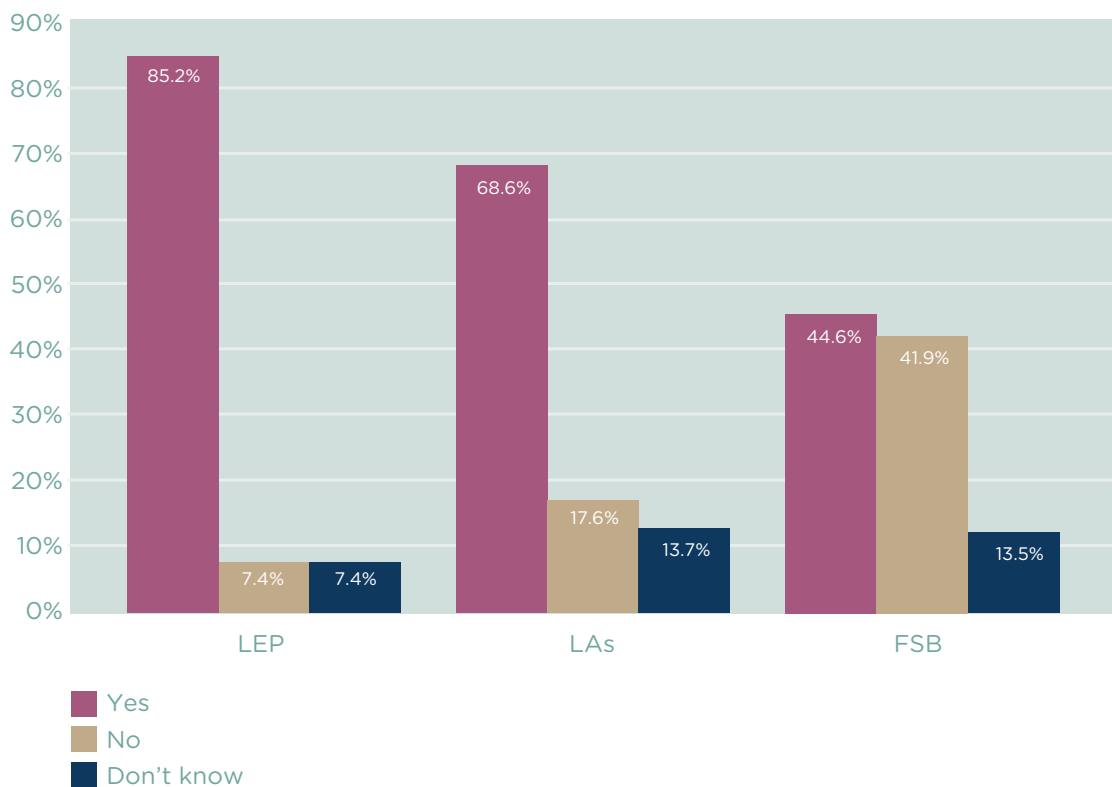
Related to the point around information is how LEPs are accountable for spending of public resources. The FSB and CLES believe LEPs should be accountable, like any other organisation which spends public money, to central government and the electorate through: appraising spend using Green Book methodologies; monitoring performance against key indicators; maintaining dialogue with the electorate at both local and national levels; and evaluation of the value for money of intervention.

Many LEPs are not sufficiently transparent and open

The FSB and CLES would argue that LEPs need to be open and transparent in particular about: their Board selection and constitution, their consultation processes and evidence bases and their processes for allocating resource. **Whilst 85.2% of LEPs felt that LEPs on the whole were being run openly and transparently**, other stakeholders felt LEPs were much less transparent. As figure 14 highlights, **41.9% of FSB representatives felt that LEPs were not being run transparently and openly. 17.6% of local authorities felt LEPs were not being run transparently, with 13.7% being unsure.** Interestingly, 7.4% of LEPs felt that LEPs were not being run openly and transparently, while a further 7.4% were unsure.

Figure 14: Perceptions of the transparency of LEPs

Do you believe LEPs are being run transparently and openly?



Other stakeholders were asked to comment on their response around transparency with the following emerging as key themes as to why LEPs were not viewed as transparent and open:

- Lack of opportunity for small businesses to engage
- Lack of independent scrutiny body
- Attendance at meetings being strictly controlled
- Poor communication of priorities and strategy
- Democratic deficit on the selection of Board members
- Lack of consultation with the business community during development
- Lack of representation across different business sizes.

3.2.6 Concluding thoughts

Overall, we would argue that there is a need to do the following in relation to governance and remit:

- There is a need for clarification as to what the primary role of LEPs within place is. Is it about strategy, oversight, or delivery or, is it about a combination of the three?
- Think about the quality of Board member relationships rather than numbers
- Remember the LEP is not just about the main Board and transparency of engagement needs to be reflected across sub-groups
- Networking is important in ensuring engagement with the LEP given small staff teams
- Local knowledge as opposed to external consultants should be utilised to inform priorities and strategy development with particular roles for local government and small business representative bodies.

LEPs have used a range of ways of identifying challenges facing their areas and consulting with the small business sector on the development of EIFs. However, the quality of consultation has varied by LEP area and is reflected in levels of resource and staffing. We would argue that there is a need to do the following in relation to consultation away from the public sector style culture of consulting to satisfy funding criteria:

- LEPs should instead use consultation as a way of developing relationships, sourcing intelligence and improving understanding of issues facing small businesses.

LEPs need to engage a range of organisations across the public, commercial and voluntary sectors. We would argue that LEPs need to do the following in relation to representation and the role of other stakeholders:

- Adopt a 'whole place' approach to engagement
- Formally identify the role of other stakeholders on LEPs
- Align the strategy and priorities of local government to LEPs and utilise economic development expertise where appropriate.

Whilst LEPs are sharing information, there is a need to do the following in relation to transparency and accountability:

- Scrutinise the decision making processes of LEPs more effectively including appraisal of funding decisions
- Ensure LEPs and their programmes are fully evaluated for value for money and impact.

3.3 Performance

Any organisation or decision making body should have in place robust means of making decisions about programmes and projects and monitoring the performance of its own functions and those delivering activities on its behalf. Additionally, the activities being delivered by organisations should be reflective of the demand of service users. We have sought to understand the leadership, delivery processes and performance mechanisms of LEPs. **We have found that there is little consistency in performance monitoring across LEPs, and that problems with consultation methods has resulted in opportunities being missed in some areas.**

3.3.1 Leadership

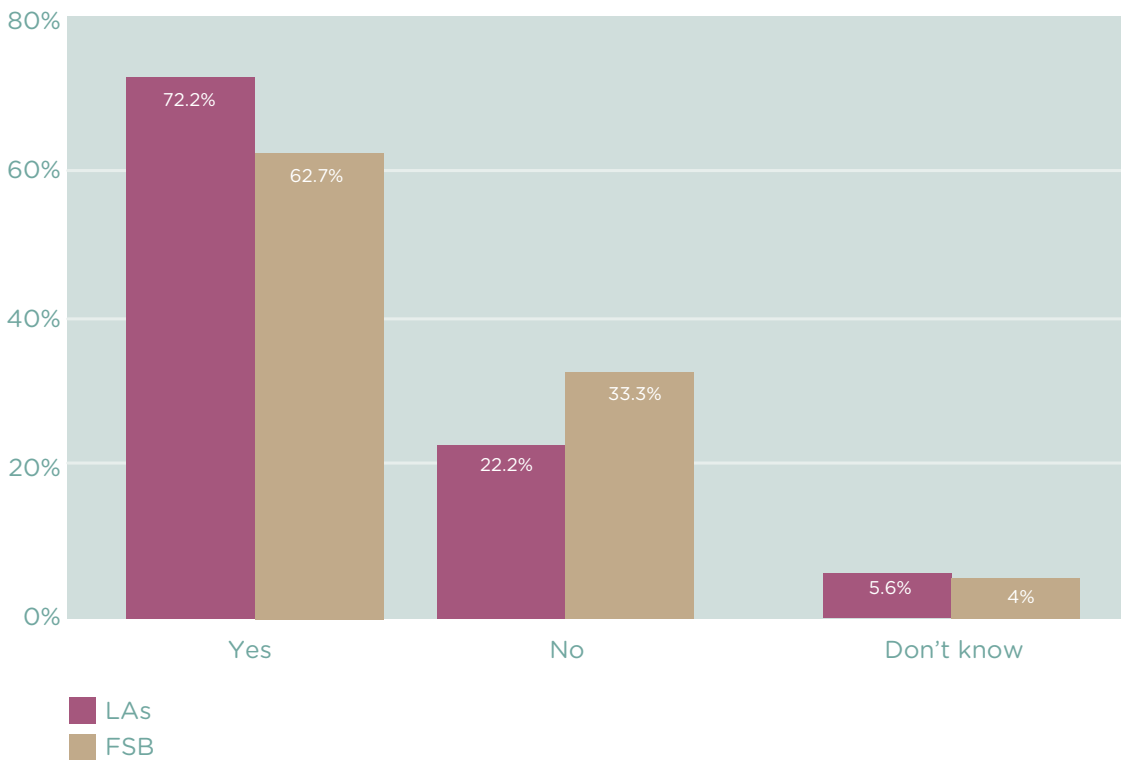
LEPs are expected to focus activity around economic growth and job creation in their areas. Leadership of other stakeholders is therefore an integral part of this. We sought to understand the extent to which LEPs have had this leadership. **We found that while LEPs perform relatively well on this measure, they could become more effective leaders of economic activity through better alignment to existing strategy.**

LEPs need to become more effective leaders of economic activity

The delivery of sub-national economic development activity not only needs an effective evidence base and strategy, but also leadership which stewards and drives delivery. As already identified, 89.2% of other stakeholders (combining local authorities and FSB representatives) felt that LEPs have identified challenges which are reflective of their area. However, other stakeholders were less enthused about the ability of LEPs to provide effective leadership to the geographical area it represents. As detailed in figure 15, **72.2% of local authorities and 62.7% of FSB representatives felt LEPs provided effective leadership.**

Figure 15: The leadership of LEPs on economic activity

Does the LEP in your locality provide effective leadership for the area it represents?



The FSB and CLES would argue that the leadership of LEPs needs to be enhanced and more effectively linked to democratic accountability. That means LEP priorities and activities being aligned to other local economic development strategy and functions, such as around procurement. It also means more effective engagement with local government, the wider public sector, and voluntary sector organisations. It must, however, be recognised that LEPs on the whole have little capacity to do this and as argued are under-resourced.

LEPs need to more effectively cut across economic challenges

Similarly, there is a mismatch between the extent to which other stakeholders believe LEPs have identified the correct challenges facing their area, and the extent to which they believe the LGF would adequately address the problems facing the LEP area. **52.7% of FSB representatives felt the LEP strategy would address the problems facing the area, with 79.2% of local authorities believing it would.** This again suggests that there is a need for more of a joined-up approach to sub-national economic development where the emphasis is not solely on the LGF, but other physical, economic and social regeneration sources including the Work Programme.

3.3.2 Delivery

While LEPs were designed to have a considerable degree of flexibility, they were originally intended to focus on providing vision and leadership, rather than project delivery. However, this is the way in which LEPs are increasingly moving as shown by their responsibility for allocating European and other forms of resource. This shift in remit from a strategic role to one combining strategy and delivery has come without a clear supporting narrative setting out the vision for LEPs. Consequently the direction of travel the future of LEP activity remains unclear.

With a LEP role in delivery firmly on the agenda, we wanted to understand the processes LEPs were utilising to allocate resource, and whether delivery activities matched the demand of their primary clients, the business sector. Given the ESIF Objective 3 focus on enhancing SME competitiveness, we expected extensive consultation with the small business community as the majority of SMEs are small. However, **we found evidence of problems with consultation on business needs in a number of areas and believe that opportunities have been missed as a result.** The timescales, concurrence and resource demands of the ESIF and Growth Deal processes may have played a significant part in this.

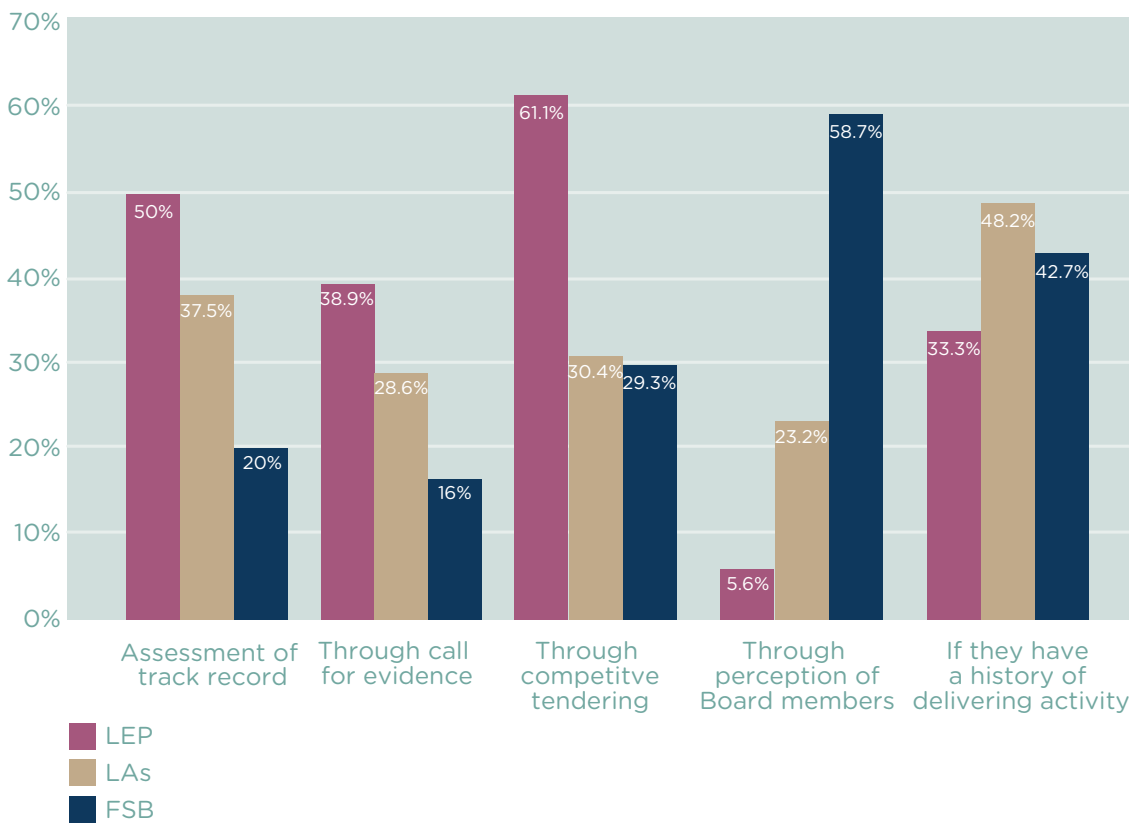
LEPs undecided in the identification of delivery organisations

As LEPs mature they are increasingly moving into the domain of commissioning delivery activity in the form of programmes and projects. However, progress with developing robust processes for identifying organisations to deliver such programmes and projects, and for allocating resources, is subject to considerable variability. Indeed, several LEPs skipped the question around ways of identifying suitable organisations to deliver programmes and projects. Of the LEPs which did answer this question and as detailed in figure 16, **61.1% suggested that they identified suitable organisations to deliver programmes and projects through competitive tendering. 5.6% suggested that they identified suitable organisations “through the perception of Board members”,** which raises concerns over transparency and accountability.

This concern is clearly reflected in the thoughts of other stakeholders with 58.7% of FSB representatives suggesting that their LEP identifies suitable organisations “through perception of Board members”. **Interestingly, far fewer local authorities (30.4%) and FSB representatives (29.3%) felt LEPs were utilising competitive tendering as a way of identifying suitable organisations to deliver programmes and projects.**

Figure 16: Identifying suitable organisations to deliver programmes and projects

Perception of ways of identifying suitable organisations (LEP, LAs and FSB)



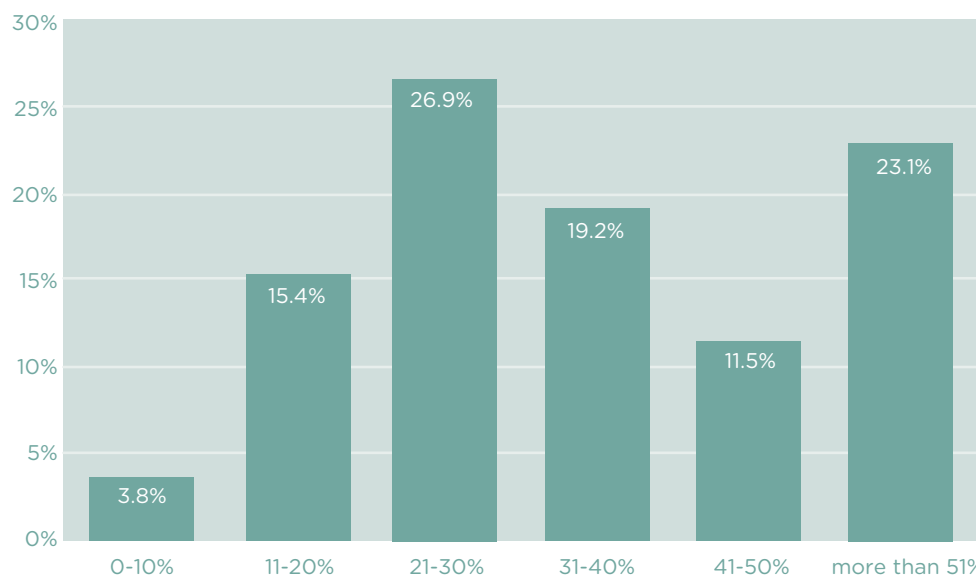
The identification of suitable organisations clearly needs to be widened and become more open and reflective of local business bases and organisations. There is a need for LEPs to formalise their processes around identifying suitable organisations to deliver programmes and projects. There is a particular need to ensure procurement processes are reflective of those utilised in the public sector and importantly are small business friendly. LEPs need a more responsible and transparent process of allocating resource.

LEPs are allocating some funding to support SME competitiveness

The guidance around the EIFs stipulates that LEPs are required to allocate percentages of ERDF, ESF and associated match funding to specific themes. These include social inclusion (a minimum of 10%) and SME competitiveness (a minimum of 30%). As detailed in figure 17, **53.8% of LEPs have allocated 31% or more of their European and associated match funding to SME competitiveness activities. 23.1% of LEPs have allocated more than 51% to SME competitiveness activities.** 19.2% of LEPs suggested that they had allocated 20% or less of their resource to SME competitiveness activities. (It should be noted that LEPs will be using resource aside from European monies to provide SME competitiveness activities.)

Figure 17: Proportion of funding allocated to SME competitiveness activities (LEP perspective)

Approximately what proportion of European and associated match funding has been allocated for SME competitiveness activities?



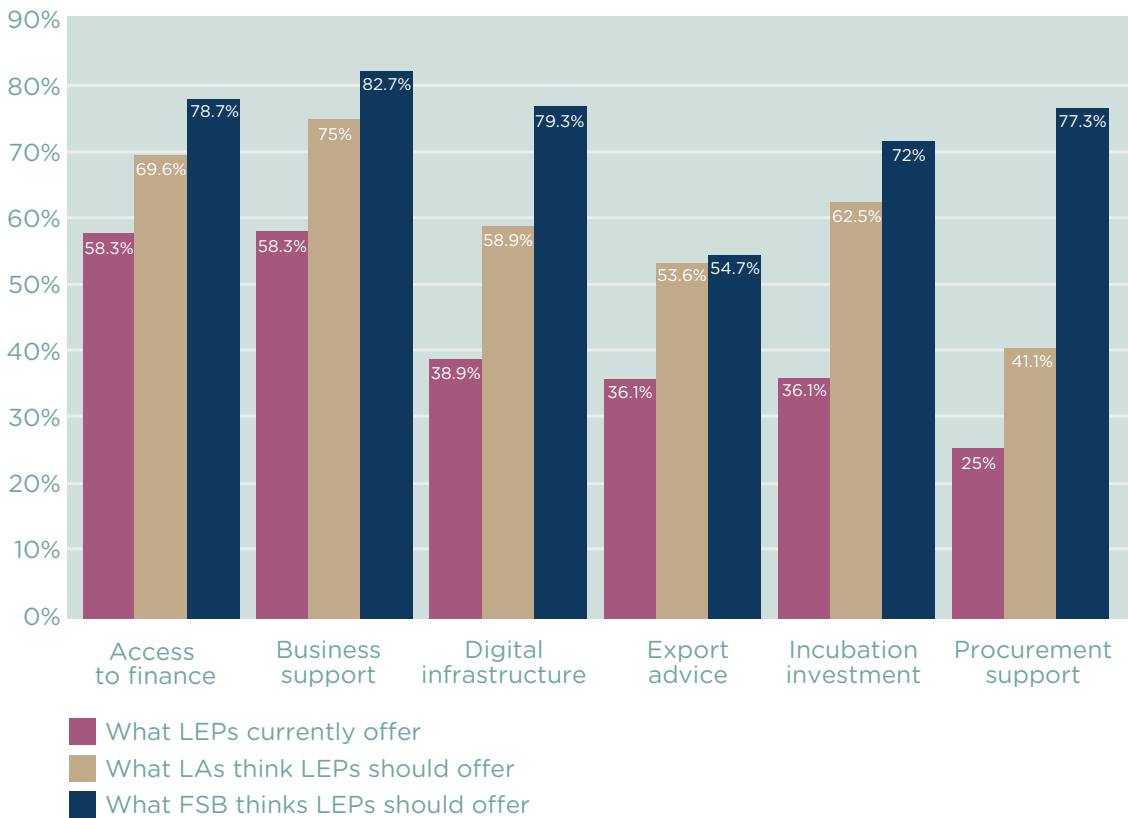
LEPs need to continue to allocate resource to SME competitiveness activities. This will develop as the European and other funding allocations begin to be developed into programmes and projects.

LEPs need to consult more on SME competitiveness activities

The work undertaken by the FSB and CLES prior to the survey exploring the draft EIFs identified that LEPs were undertaking several key activities around SME competitiveness. The survey sought to identify the extent to which LEPs were undertaking six of these activities. As detailed in figure 18, LEPs felt they were delivering two key activities in relation to SME competitiveness. 58.3% of LEPs are undertaking activities around both business support and access to finance. However there were significant differences in what LEPs were delivering around SME competitiveness and what small businesses want suggesting a lack of effective consultation with the sector. As detailed in figure 18 there were key gaps across all areas of activity with **77.3% feeling LEPs should be providing procurement support compared to just 25% of LEPs who were actually planning to deliver such support**. Gaps are also particularly prevalent in the areas of incubation investment and digital infrastructure. Local authorities felt that LEPs should be providing a wider set of activities around SME competitiveness. Incubation investment was the activity where there was the greatest gap in LEP and local authority perception.

Figure 18: Types of activities to support SME competitiveness

What activities are LEPs undertaking to support SME competitiveness, what should they do?



Given the centralisation of business support activities and in some cases the devolving of funding to the trading arms of the British Chambers of Commerce, the FSB and CLES would argue that LEPs need to be engaging more adroitly with the SME sector and work with a range of localised organisations to deliver activities. LEPs should be obliged to consult on SME competitiveness activities to ensure supply matches demand.

3.3.3 Added value and evaluation

LEPs should be complementing the economic development strategies and activities of local government and other stakeholders, and adding value. They should also be monitoring and evaluating their impact. We sought to identify the extent to which added value was being achieved. **We found that LEPs need to be evaluating their impact more effectively. This includes thorough appraisal of intervention and actual delivery impact.** However, LEPs face significant challenges in this area as a result of the various bidding processes and monitoring requirements of different funding streams.

LEPs need to more effectively align activity to existing economic development strategy and activity

The priorities of LEPs should be aligned to, and add value to, the priorities of local government and other stakeholders within place. The survey identified that **88.5% of LEPs felt that the LEP added value to existing economic development strategy and delivery activity in their locality to a great extent. Interestingly, other stakeholders were far less complimentary, with only 21.6% of FSB representatives feeling that the LEP adds value to economic development strategy and delivery to a great extent, with 32.7% of local authorities saying the same.**

Expectations that LEPs will deliver value for money

Despite the findings above, a higher proportion of other stakeholders felt that LEPs in their area will deliver good value for the public money being invested in programmes and projects. **56.8% of FSB representatives strongly agreed or agreed the LEP would deliver good value for public money, with 71.2% of local authorities doing so.** This links back to the issue of identifying challenges, suggesting that LEPs have largely succeeded in creating the correct strategy and priorities, but the transparency of funding decisions needs to become more effective, as does the leadership from Government and the LEPs themselves as to their purpose.

LEPs are monitoring performance but more work is needed on evaluation

92.6% of LEPs suggested that they had a process in place for monitoring performance; with 76.9% using key performance indicators. The key means of monitoring performance is two-fold. First, LEPs have developed performance frameworks or key performance indicators. Second, LEPs project manage programmes and projects using outputs and milestones. **However, only 11.1% have commissioned an evaluation at their impact; with 56% of those which have not yet done so, unsure as to whether they will do so in the future.** This lack of emphasis on evaluation suggests there is a need to improve accountability of LEPs and the impacts their interventions have.

3.3.4 Concluding thoughts

Overall, it seems that a significant majority of those surveyed agree that the LEP in their locality has priorities which are reflective of the challenges and opportunities facing their locality. However, challenges around leadership and delivery have been identified. We would argue that there is a need to do the following in relation to priorities and strategy:

- Link the priorities and leadership of LEPs more closely to those of local government and the voluntary and community sector as well as small businesses, to ensure a whole place approach
- Link LEP economic development activities to those of other stakeholders and resources such as procurement and the Work Programme.

As highlighted above the survey suggests, there is a need for more transparent processes when it comes to identifying suitable organisations for delivering programmes and projects and in allocating resource. There is a wide mismatch between the perspective of LEPs and that of other stakeholders.

We would argue that there is a need to do the following in relation to delivery and allocating resource:

- Ensure the identification of suitable organisations to deliver programmes and projects is undertaken in an evidence based and robust manner. Avoid using only main Board perceptions but instead utilise the knowledge and expertise of sub-groups as part of a rounded process
- Board members should have no links to organisations delivering services to avoid conflicts of interest
- Building on existing practice, develop small business friendly procurement processes for allocating resource.

LEPs are recognising the importance of business support activities to economic growth and jobs. Overall, LEPs are spending an increasing proportion of total funding on business support. There is, however, a challenge around consultation with a mismatch between the demand of small businesses and the activities of LEPs. We would argue that there is the need to do the following in relation to activities to support small firms:

- Work with a wider array of localised business support providers to ensure a more rounded offer
- Provide further activities than is currently the case in relation to procurement support.

Overall, despite some considerable resource challenges, most LEPs are viewed as being good value for public money which bodes well for the delivery of forthcoming projects funded by the 2014-2020 round of European monies, and the LGF. However, we would argue that there is the need to do the following in relation to value for money:

- Pool central government department pots for economic development and infrastructure to a greater extent than is currently the case, and work with the LEPs to deliver activities
- Become more transparent around resource levels of LEPs and decision making processes
- Evaluate the effectiveness or otherwise of interventions.

4. Case Studies

This section of the report presents a series of case studies about the practice of LEPs. These are designed to supplement the findings of the survey with more detail about the activities of LEPs, notably in relation to small businesses. Evidence has been drawn from conversations with both LEP and FSB representatives.

4.1 Case study 1 – Humber

The Humber was chosen to be a case study as it is one of the two Heseltine Pilots and it has undertaken innovative small business focused work utilising the RGF. The Humber LEP has been positive in its engagement with small firms and has utilised in the skills they have to offer. The LEP's Chair is an individual with a history of running small businesses. This has reflected the approach of the Board with a key emphasis upon consulting and involving the sector. The FSB has a full place on the Humber LEP Board and has thereby provided the organisation, and the sector, with strategic input into the activities of the LEP.

Integral to the development of the LEP in Humber is the locality's wider vision for inward investment, economic growth and regeneration. The LEP is just one part of the wider transformation of the area and is working collaboratively with local authorities, other economic development agencies, and the wider business sector to help realise its potential. There is a key emphasis upon Humber taking advantage of its strengths and opportunities, including the growth potential of low carbon sectors.

Small business is key to the Humber LEP in achieving the wider vision for the locality. This is reflected in the LEP's use of resource and particularly RGF. The 'Growing the Humber' programme is a £30 million Business Improvement Grant scheme (funded through RGF). It is designed to unlock projects that have the potential for job creation, with £7 million ringfenced to support the renewables industry. The small business sector has been consulted throughout the grant allocation process, with the FSB successfully lobbying for the minimum level of grant available to be lowered, initially from £50,000 to £20,000, and then lowered, again from £20,000 to £5,000, in order to make the fund more accessible to small and micro businesses.

The outcomes of a small business driven approach have been impressive to date. Over 40 local small businesses have accessed the grant, with the average cost per job created for this funding significantly lower than the national average detailed in a National Audit Office report³². More impressive is the phenomenal change that the Humber area is achieving due to the joined up nature of economic growth activities, of which the LEP is part of a collaborative approach which encompasses the enthusiasm of a range of agencies. One area of concern in Humber is however the lack of evidence of the impact of the Heseltine pilot; this however may have been subsumed by the existing effectiveness of the LEP.

In summary the following has been key in Humber's success:

- **Early engagement, consultation and involvement of the small business sector**
- **Governance and leadership which is reflective of and knowledgeable about small business**
- **Joining up LEP activities with those of other agencies and having a collaborative vision for improvement.**

³² Progress Report on the Regional Growth Fund, HC 1097 Session 2013-2014, (NAO: February 2014): <http://www.nao.org.uk/wp-content/uploads/2015/02/Progress-report-on-the-regional-growth-fund.pdf>

4.2 Case study 2 – Worcestershire

The Worcestershire LEP was chosen as a case study because of its work in engaging SMEs through its Business Representative Board (BRB). It has sought to engage the FSB, other business representative bodies and the local voluntary sector. The BRB is intended to provide advice and constructive critical challenge to the full LEP Board as well as being a conduit for wider engagement with business, the public and third sector leaders and communities.

The idea for the BRB came from the FSB and similar arrangements in Shropshire. The BRB in Worcestershire has however not been as effective as its counterpart in Shropshire for a number of reasons. First, it has not met very often, meaning that sustaining interest from business and particularly small business has been difficult. Second, the BRB has not moved at the same pace as the LEP itself, meaning that it has often been 'behind the curve', particularly in terms of consultation around the EIF and the SEP. Third, the BRB has been under-resourced as it has had no funding. This is a challenge in that the County Council has previously had to take responsibility for the Secretariat, with the Chamber now as Secretariat for the full LEP Board. Fourth, the BRB has taken on an information dissemination remit from the main LEP Board as opposed to informing the LEP Board of business needs.

The challenges associated with the BRB as outlined above have not been as a result of a lack of will. Indeed, the FSB, the British Chambers of Commerce and the Institute of Directors were involved in the selection process for Board members. There is however a need for the LEP to more effectively reflect the needs of small business and to reach out to small business. One way of doing this would be through the creation of a small business theme group on the LEP which caters for how small firms can take advantage of infrastructure developments and growth opportunities.

The Worcestershire LEP recognises that it cannot do everything, and so there is a need to clearly define its priorities, communicate decisions, and remain business focused, and operate in terms of a wider partnership. This wider partnership remit is integral in terms of the engagement of the FSB and small business across all levels of the LEP.

In summary, the BRB is a solid means of drawing together different business types and sizes. However, the following improvements could be made:

- The BRB could have a stronger role in informing the LEP Board
- Small business needs its own channel of engagement into the LEP through a designated sub-group
- The LEP needs to more effectively join up activities with local government, and ensure small business activities are provided alongside infrastructure development.

4.3 Case study 3 - York, North Yorkshire and East Riding

The York, North Yorkshire and East Riding LEP was chosen as a case study because it was viewed as having a good reputation for small business engagement by the FSB. The development of the York, North Yorkshire and East Riding LEP stemmed from a recognition that businesses in the LEP area are almost exclusively small firms. This understanding of the local business market effectively framed the construction of the LEP Board and subsequently the formulation of networking groups. At the outset of the development of the LEP, the FSB and the wider small business community were involved in a series of task and finish groups designed to shape the destiny of the LEP. The overarching aim of the LEP is to grow the local economy through SMEs.

This emphasis on SME development is reflected in the leadership of the LEP, with the Chair and key members of the Board coming from small businesses. As a result there has been a strong emphasis on SMEs in the development of the SEP and in the activities being delivered through the LEP. Even the LEP name (shortened to 'Enterprise Partnership') is promoted alongside the brand name 'Business Inspired Growth'. The LEP's offer, and its approach to change, precedes statements about strategic purpose. Its language and approach are immediately accessible to small businesses.

Whilst there is a maturity to the engagement of the FSB, other business representative bodies are also engaged. Many of the sub-structures of the LEP are framed by, and promote existing local networking opportunities, such as those provided through the FSB, the Institute of Directors, and the British Chambers of Commerce. The LEP aims to help grow the membership of these networks. These networks in turn promote LEP-generated opportunities, boosting and inevitably tailoring the marketing, engagement and reach of the LEP.

In terms of funding and activity, 60% of LEP resources so far have been allocated to business support themes and 41-50% of EU money will be invested in SME competitiveness activities. This includes a micro business programme. This is reflective of a LEP which is clear on what its remit is in relation to the geographical area which it serves. Therefore, the emphasis is not on housing and infrastructure (which are seen as the domain of public agencies), but instead on inspiring and supporting small business.

The approach of the York, North Yorkshire and East Riding LEP has been to date positive and effective. However, there are two opportunities that merit further consideration. The first is around reinstating task and finish groups to decide upon SME competitiveness activities, ensuring it is reflective of demand across the area. The second is around the tourism pilot, largely through ensuring there is sufficient understanding of the varied types of business in the LEP area which undertake tourism related activities.

In summary, the following has been key in York, North Yorkshire and East Riding:

- **Framing the LEP around the demands and involvement of small business**
- **Having task and finish groups which are practical and have a grounded small business focused outcome**
- **Linking LEP activity to the nature of the geographical area which it serves.**

4.4 Case study 4 - Greater Birmingham and Solihull

The Greater Birmingham and Solihull LEP was chosen to be a case study as it is one of the two Heseltine Pilots. This LEP has been set up with strong communications activities at its heart and is a professionally run operation drawing upon the expertise of staff seconded from the local authorities. However, there have been some questions raised regarding the representation of small and micro businesses at senior Board level.

It is a professionally run operation drawing upon the expertise of staff seconded from the local authority and based in the local offices of the British Chambers of Commerce.

This emphasis upon communications reflects the way in which it engages with the FSB and the wider small business community. The FSB has supported the LEP in promoting the events which it runs for the small business sector. The FSB is also seen as part of the wider strategic engagement approach of the Greater Birmingham and Solihull LEP which is around facilitating and developing networks. The Greater Birmingham and Solihull LEP sees itself as a cross-sector partnership which enables growth and jobs. The whole remit of the LEP is focused upon facilitating networks across and within the private, commercial and voluntary sectors. It then utilises this networking to enable awareness raising and collaborative working to deliver outcomes which are beneficial for the locality.

The role of the FSB as a key networking organisation is reflected in its position on the Executive Officers Group for the LEP. This includes a range of organisations, and is designed to be a conduit between the strategy of the Board and organisations with a remit for networking and delivery activity. The key challenge is that this group has a very limited role in decision-making. Instead, it is a 'yes' group for the wider LEP Board simply disseminating information and adhering to strategy.

There are a two main challenges around SME engagement and the Greater Birmingham and Solihull LEP. First, although the focus of the LEP is largely upon infrastructure and making the most of the enterprise zone, its activities are not necessarily conducive to SME development. Instead, the small business sector would be expectant of wider business support activities around exporting or procurement support. Second, the activities of the LEP are not necessarily reflective of the types of business in the locality. There's a particular lack of emphasis on retail and manufacturing, which are both important areas of small business activity.

There is also scope for improvement in the relationship between the LEP and local authorities in the area. In particular, there is a need to ensure physical regeneration and infrastructure activities are aligned. Furthermore, performance and the impact of the LEP upon small business growth and the development of the economy could be more adroitly measured. Whilst being designated as a Heseltine Pilot, there is a lack of tangible evidence as to the impact of such status on the Greater Birmingham and Solihull LEP.

In summary, **the Greater Birmingham and Solihull LEP is professional and strong in communicating its activities.** However the following improvements can be made:

- **There needs to be a two-way relationship between the LEP Board and the Executive Officer Group whereby the Group is a policy influencer, and decision-maker, as well as an informer**

- **There is a need to be more reflective of the demands of small businesses particularly in retail and manufacturing when it comes to LEP activities**
- **The LEP needs to more effectively join up its activity with that of local government to avoid duplications and ensure added value.**

4.5 Case study 5 – Gfirst

The Gfirst LEP was chosen as a case study because it is the retail pathfinder LEP. This LEP serves the Gloucestershire area and has had a particular remit around improving town centres and high streets, notably in Cirencester. In relation to FSB engagement, the Gfirst LEP has been highly visible due to its strong communication activities. Large businesses have been involved from the outset and have helped to showcase the profile of the LEP to not only the public sector in the locality but also business and the wider community. The LEP is seen by wider stakeholders as being skilled in portraying a positive message about the activities and achievements of the LEP.

The FSB have been involved in the Gfirst LEP through the Business Membership Group which advises the overarching Executive Board for the LEP. Engagement by the FSB and wider Gloucestershire based small businesses in the LEP could have been more effective. For example, the LEP is responsible for the £10 million Growth Hub, which is designed to support high-growth small to medium sized growth enterprises. However, the initial Board of the Hub, until the intervention of the FSB, was largely driven by large businesses. Two roles have been subsequently created for small businesses.

In terms of activities, the retail pathfinder has had an effective impact upon the town of Cirencester and small business. Chosen as retail pathfinder, GFirst worked with the Association of Town and City Management (ATCM), other partners, and BIS, to develop a Retail Toolkit.

The Toolkit supports town and high street growth and can support small independent traders to develop their business. The Toolkit focuses on four areas: people and footfall (access, usage, community spirit); diversity and vitality of place (retail, culture, leisure offers, markets, events, safety); consumer and business perceptions (business confidence, satisfaction with retail offer, visitor experience); and economic characteristics (retail sales, partnership working, charity shops, vacant units, evening/night time economy). As a result of the pathfinder work on the Retail Toolkit, a number of independent traders have developed their use of IT, engaged in influencing local town centre strategic activity, increased community trust and are benefiting from a partnership with students from the local university.

In summary, the Gfirst LEP and its retail pathfinder has been effective in supporting small businesses in the retail sector. However there is scope for the following improvements to be made in relation to the wider engagement with small businesses:

- **There is a need to align the knowledge sets of small businesses more effectively to the activities of programmes such as the Growth Hub.**

4.6 Case study 6 – Liverpool

The Liverpool LEP was chosen as a case study to look at its membership structure, and the links between the LEP and the Combined Authority. The Liverpool LEP has superseded the previous sub-regional economic partnership on Merseyside known as the Mersey Partnership, though there has been a continuation of structures and the Partnership's membership model. This involves a fee paying mechanism where members pay to access the Partnership and its activities. Full voting membership has three levels, with concomitant fees set at £5,250, £21,000 and £52,500. The level of service is reflected in the fees. For firms interested in a non-voting membership, there are arrangements for offering cheaper membership for tourism and city centre based businesses. The membership scheme has over 450 members³³ from the over 37,000 businesses in Liverpool City Region³⁴.

The fee paying mechanism creates two main problems. The first is that it creates a division between those firms that are willing and able to pay to be members, and those that are not. Unsurprisingly for an organisation with this structure in a Combined Authority area, the LEP is dominated by the public sector, other economic development vehicles, representative bodies for large business, and large businesses themselves. Approximately one fifth of the Board are made up of public sector members, with four fifths from large organisations within the private sector. The second problem is that the fee paying structure naturally raises questions as to how the LEP balances the interests of its fee paying members, and those of the non members that make up the overwhelming majority of businesses in Liverpool City Region. This challenge is further compounded by the Partnership's marketing material which suggests that membership provides access to key decision makers within the city-region. Given the influence of the LEP over spending decisions regarding significant sums of public money, this is a tension that needs to be resolved.

Small businesses are also challenged by the types of activity undertaken by the Liverpool LEP. Many of these are driven by national and European funding sources and focused around infrastructure driven growth. This can make effective engagement difficult.

One means of enabling collective engagement is through the Business Growth/Representative Board. This has been run on an information dissemination basis as opposed to being able to influence wider LEP strategy, priorities and activities. The LEP in Liverpool is also working to improve the business support offer within the city-region through streamlining it. This requires effective consultation with the full range of business opinion including small businesses themselves in order to understand the types of services required. This is not yet happening. There is a need for more networking events to engage small business in such activities, and potentially the need for an SME committee on a non fee paying basis within the structure of the LEP to drive such activity.

Despite the challenges posed by the membership model, the Liverpool LEP are looking to support SMEs through ESIF delivery activity. Over a third of all funding has been allocated to SME competitiveness activities across two strands of 'the business economy' and 'the innovation economy', with a host of bespoke support beginning to be provided around supply chain development and ICT. In its EU Structural and Investment Fund Strategy 2014-2020 it has prioritised the need to address the 18,500 deficit in the number of businesses in the region compared to the national average, and has committed to delivering of programmes of professional advice to SMEs, including patent

33 http://www.liverpoollep.org/about_lep/membership.aspx

34 Liverpool City Region Local Enterprise Partnership EU Structural and Investment Fund Strategy 2014-2020, p5

applications, legal advice, and tender training, it has also sought to provide the finance for all stages of the business cycle, including proof of concept and early stage funding.

There is a further important point to add here about LEP strategy and delivery. The Liverpool LEP sits within the Liverpool Combined Authority, a democratically accountable body. There is potentially a need for the Combined Authority to work more collaboratively with the LEP in order to lead economic development activity in the area.

In summary, the Liverpool LEP has been effective in re-inventing existing partnerships within the city-region. However, there is a need for the following improvements:

- **The membership structure of the LEP needs to be reviewed**
- **National programmes being delivered through the LEP need to be tailored to the local needs of small businesses**
- **Small businesses need a formal route into influencing activities around business support, potentially through a small business committee which feeds into the main LEP Board**
- **The main Board needs a broader base for representing small firms than it has currently**
- **The LEP should have an independent panel for scrutinising applications for project funding**
- **The LEP needs to join up economic development activity with the Combined Authority to ensure a collaborative approach.**

4.7 Case study 7 – Leeds City Region

The Leeds City Region was chosen as a case study in order to explore, in more detail, its emphasis upon attracting inward investment as a result of the LEP being in a Combined Authority. The Leeds City Region LEP is driven by a desire to attract inward investment and specifically large business to the area in the hope of fostering growth. This is reflected in both the composition of its Board, the engagement of the small business sector and the contents of its SEP.

Looking at Board composition first, the Leeds City Region main Board is dominated by public sector organisations and large businesses. The large businesses are not necessarily indigenous to the city region, but organisations which have histories of supporting inward investment and themselves being inward investors. In terms of small business involvement, the FSB and other business representative bodies have sought to secure involvement on, and engage with, the LEP Board. However, engagement has largely been restricted to disseminating information as opposed to directly influencing decision-making. In relation to the SEP, the three priorities are around transport and broadband, inward investment, and sector specific employment and skills development.

Each of the above three factors presents challenges for the small business sector in that they lack representation on the LEP. There is a perception that the LEP is seeking to attract new business as opposed to supporting existing business. Further, the sectors identified for growth are ones which are not necessarily reflective of the existing business base or the demands of the Leeds City Region. Overall there is a perception that, although the apprenticeships and broadband project are beneficial for SMEs, the vast majority of the projects funded by the LEP are more geared to supporting

bigger business. The view is understandable given the rules for RGF and Growing Places, which have minimum thresholds of £1m and £500,000 respectively. Although RGF has seen some small business friendly changes, the perception remains that it is predominantly aimed at larger businesses.

Having stated the above, there are some LEP driven programmes which are proving to be beneficial in supporting small businesses. Through the Leeds City Region LEP City Deal, a £4.6 million Apprenticeship Hubs Programme has been established. The aim, through an SME-friendly approach to apprenticeships, is to create 2,500 apprenticeships with SMEs. The programme is delivered through local Apprenticeship Hubs or Apprenticeship Training Agencies (ATAs). ATAs, for an all-inclusive fee, recruit and shortlist candidates and then act as the legal employer taking full responsibility for all HR supervision, and quality assurance and training.

Similarly, through the Super-Connected Cities programme and related delivery, SMEs are given support understanding the benefits of broadband and offered support. There are similar programmes of activity around exporting and utilising RGF for small business focused projects, which are at early stages, but which have scope to enable small business to contribute to growth-related priorities.

The core challenge for the small business sector in relation to economic development activity in West Yorkshire is however the lack of clarity over who is doing what. The Leeds City Region LEP is undertaking activity as is the West Yorkshire Combined Authority. There is a need to ensure activities are joined up to avoid duplication and to reduce confusion.

In summary, the Leeds City Region LEP is providing some effective activities in relation to small business support, notably around apprenticeships and broadband. However, there is a need for the following improvements:

- **Small business and wider business representative body engagement needs to be enhanced in LEP decision making structures**
- **LEP priorities around inward investment need to be balanced with the demands of the existing business base**
- **There is a need for more effective communication of the activities of the LEP and the activities of the Combined Authority and how they differ.**

4.8 Case study 8 – South East

The South East LEP operates on a scale not seen in other LEP areas. Covering the geographies of Essex, Kent and East Sussex, it has an overarching Board comprising of over 40 members across the commercial, public and university sectors. To deal with this complexity of scale and a lack of staffing resources (only five staff operate across the region), the South East LEP has adopted a federal structure covering its three main geographies: Kent and Medway, East Sussex, and Greater Essex. There is further localised working in South Essex and the Thames Gateway. Each area chooses its own representatives (including three LEP Vice-Chairs, one per area), works together on its own footprint, and manages its own engagement mechanisms identifying how local networks and structures link in and have a voice.

Across each of the three federal areas, the LEP has placed heavy emphasis upon infrastructure and housing to support further growth within the LEP area and taking further advantage of the wealth of London and the wider South East region. This is reflected in the contents of the South East LEP's Growth Deal.

Whilst there are variations across the three federal geographies, the experience of small business engagement with South East LEP remains mixed. The LEP has a small business representative on the Board, and has involved small business representatives in selecting Chairs of sub-groups. Small businesses have also been involved in the activities of these sub-groups. However, consultation on SEPs and EIFs has not engaged the small business sector to the degree to which it should have done. This is reflected in two ways. First, there is a perception that the LEP Board is dominated by people from large businesses, with an alignment to the overarching themes of the LEP. Second, consultation on SEPs and EIFs has not engaged the small business sector to the degree to which it should have done. This is potentially down to the focus upon infrastructure and housing and housing as well as the formidable challenge of engaging such a wide group of stakeholders with such little resource

Going forwards, South East LEP will need to improve the effectiveness of its small firm engagement strategy, not least 60% of its EU resources have been allocated to SME competitiveness activities. There is a clear need for the small business sector to become more effectively engaged in informing the activities that constitute this SME competitiveness strand. This means well organised and communicated events that cut across the breadth of small businesses in each of the three geographies, and which enables small firms to take advantage of the wider infrastructure driven activities of the LEP. There is also a need to ensure LEP activities are aligned to other infrastructure-focused activities already underway in the South East and being delivered by local authorities and the Highways Agency.

In summary, the South East LEP has sought to overcome the challenges of scale by adopting a federal model. This has reduced complexity, but there is the need for the following improvements:

- **More effective consultation and engagement on LEP activities in the small business sector to ensure it is reflective of issues beyond infrastructure and housing**
- **Use the networks of the FSB and other business representative bodies to inform activities around SME competitiveness.**

5. The Challenges facing LEPs

Sections 3 and 4 of this report have explored the findings of the survey of LEPs and other stakeholders in relation to three themes of resource, structure and governance, and performance. They have also delved a little deeper into the activities of LEPs through a series of case studies. The next section of the report uses further evidence derived from the survey to identify the challenges facing LEPs in the future. These in turn inform the conclusions, our broad manifesto for the future of LEPs, and recommendations for central government and LEPs detailed in section 6. We found that LEPs are facing key challenges around capacity and resource, with the lack of clarity from central government around purpose of LEPs potentially leading to mission drift.

5.1.1 The core challenges facing LEPs

LEPs clearly face a number of challenges which have been referred to throughout the report. We wanted to explore these challenges in more detail by asking LEPs, local authorities and FSB representatives the extent to which they agreed with statements around resource, staffing, and statutory footing. We found that whilst all stakeholders felt that LEPs lacked sufficient resource and capacity, there was disagreement in the extent of this.

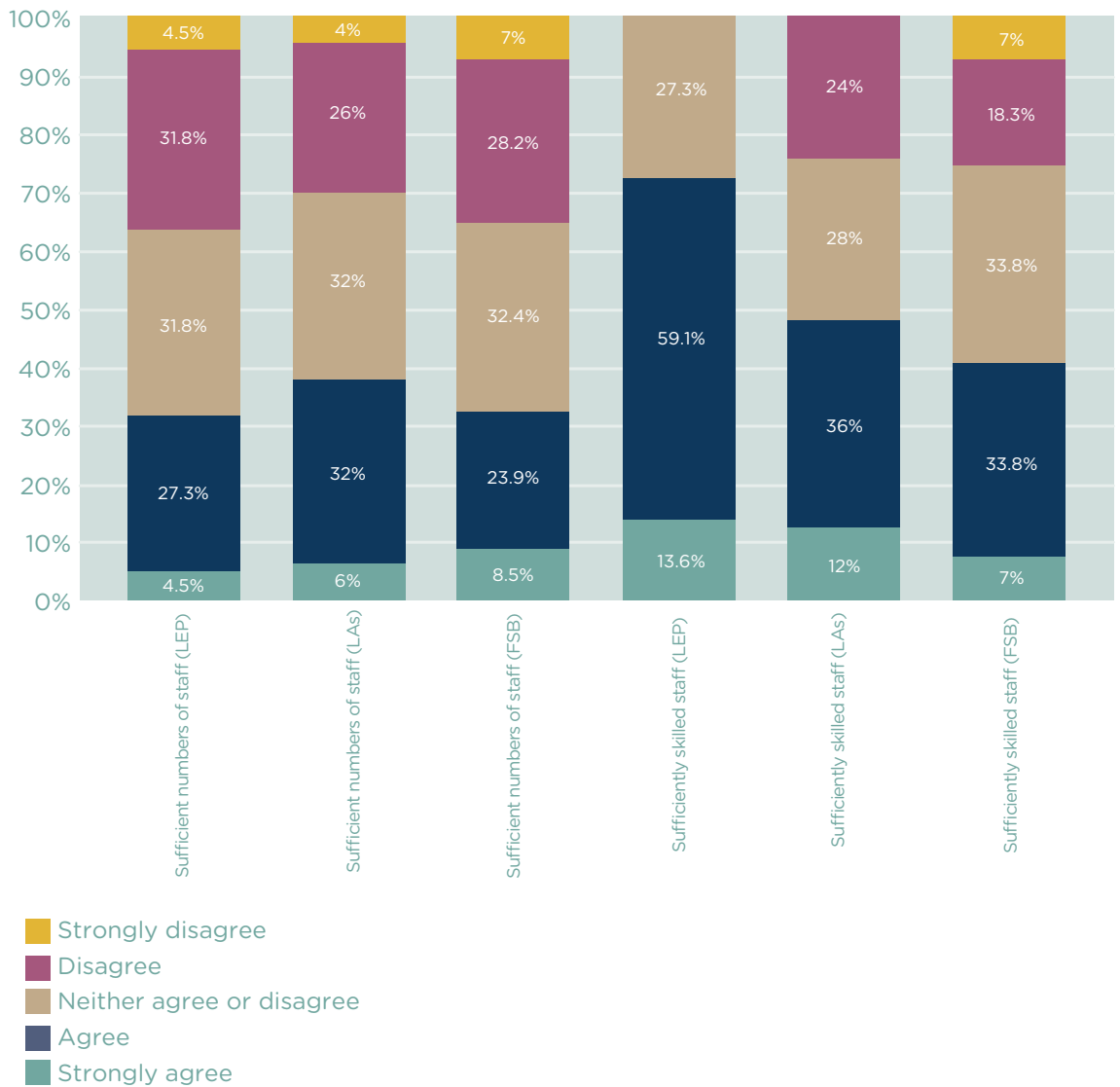
A lack of sufficient staff

LEPs and other stakeholders were asked questions about staffing. As detailed in figure 19, **only 31.8% of LEPs strongly agreed or agreed that they had sufficient numbers of staff**, with 36.3% disagreeing or strongly disagreeing. Comparatively, 38% and 32.4% of local authorities and FSB representatives respectively either strongly agreed or agreed that LEPs had sufficient staff, with 30% and 35.2% disagreeing or strongly disagreeing.

72.7% of LEPs strongly agreed or agreed that they had sufficiently skilled staff, with none disagreeing. However only 48% and 40.8% of local authorities and FSB representatives respectively strongly agreed or agreed that LEPs had sufficient staff, with 24% at local authorities and 25.3% of FSB representatives disagreeing or strongly disagreeing.

Figure 19: Agreement with statements about LEP staffing

Do LEPs have sufficient staff and sufficiently skilled staff?



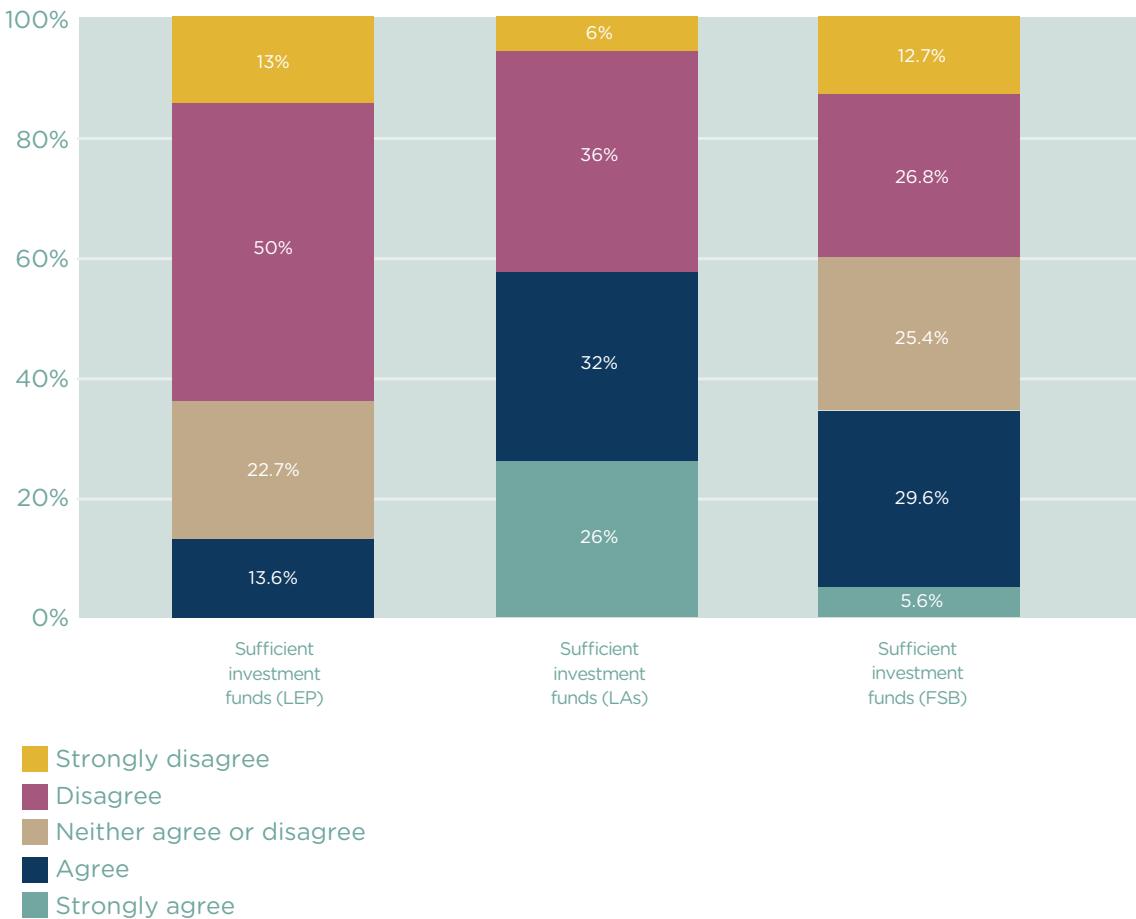
This suggests that LEPs need more staff, but they need to be more open to staff with a wider skill set including those reflecting more accurately the needs of small businesses.

A lack of sufficient resource

LEPs and other stakeholders were asked questions about funding. As detailed in figure 20, **only 13.6% of LEPs strongly agreed or agreed that they had sufficient investment funds** for programmes and projects, with 63.6% disagreeing or strongly disagreeing. Comparatively 58% and 35.2% of local authorities and FSB representatives respectively either strongly agreed or agreed that LEPs had sufficient investment funds, with 42% and 39.5% disagreeing or strongly disagreeing.

Figure 20: Agreement with statements about LEP funding

Do LEPs have sufficient investment funds?



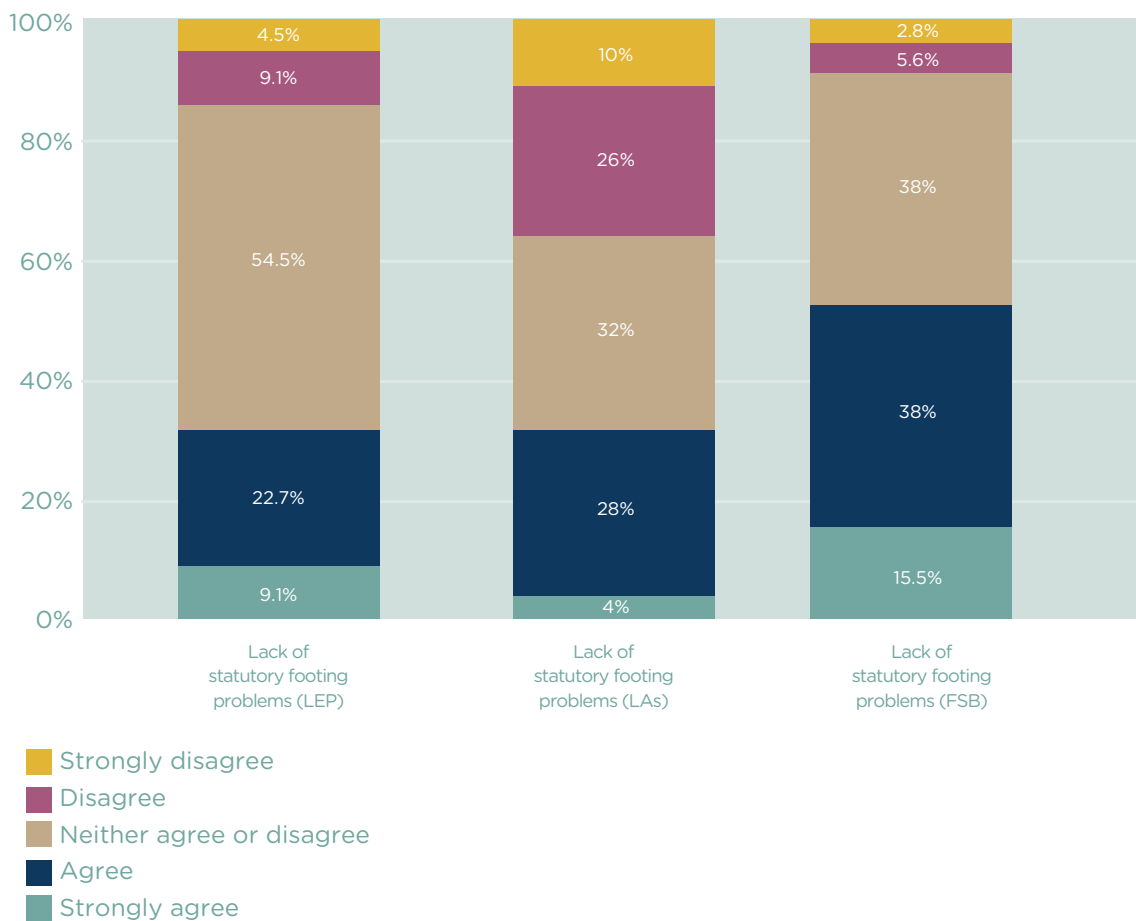
This suggests that LEPs on the whole need more resource for programmes and projects but there needs to be a stronger joining up of resource across local authorities and the private sector, including small businesses.

Scope for a statutory footing for some LEPs

LEPs and other stakeholders were asked questions about whether a lack of a formal statutory footing caused problems for LEPs. As detailed in figure 21. Nearly a third of LEPs either agreed or strongly agreed on the need for a statutory footing for LEPs, with the bulk of the remainder, over half, neither agreeing or disagreeing. Local authority representatives split roughly into thirds between degrees of agreement or disagreement, and neutrality. FSB representatives provided the loudest calls for a statutory footing with over half agreeing or strongly agreeing that this was needed.

Figure 21: Agreement with statements about statutory footing

Does a lack of a formal statutory footing cause problems for LEPs?



This suggests that more of a statutory footing may be appropriate for some LEPs but perhaps not universally, notably not in areas where there is already a combined authority.

Key challenges around lack of remit, resource, and capacity

To supplement the quantitative focused answers above, LEPs and other stakeholders were asked to identify qualitatively what they felt were the main challenges facing the LEP in their locality and LEPs generally. Among the key comments of LEPs were:

- 'we have not had long enough to make a difference and the expectations of Government have been unrealistic'
- 'Government needs to be clearer. LEPs cannot do everything given their resources'
- 'there is a lack of core resource and a lack of clarity from Government on their policy requirements'
- 'there is a need for genuine devolution of funding and powers from central government in order to unlock the massive potential of city regions'
- 'mission creep is a big challenge, yet we are increasingly expected to do everything for everybody'
- 'we lack the capacity to deliver the increasing expectations'.

The key comments of other stakeholders around challenges can be themed as follows:

- LEPs lack resources
- The approach to communications with small businesses
- Demonstrating added value and impact
- Relationships with local authorities
- The geographical size of the LEP area
- Lack of business representation of all sizes
- Lack of public-private relationships
- Changing government priorities and policy around localities.

5.1.2 Mission drift

Linking into many of the barriers and challenges described above is the issue of 'mission drift'. We therefore asked whether LEPs and other stakeholders felt LEPs had experience this. We found that LEPs were more likely to think that their organisations were experiencing mission drift than other stakeholders suggesting that they have been adversely affected by the lack of Government clarity.

Mission drift causing difficulty for LEPs

Whilst the concept of LEPs fits largely within the spirit of localism, the funding policy associated with LEPs remains highly centralised, as does control over them. **Indeed, 72.7% of LEPs feel that LEP policy has experienced mission drift. Of those LEPs which felt policy had experienced mission drift, 87.5% felt it had caused difficulty for their LEP.**

The key identified reasons for difficulty were:

- The fact that the remit of LEPs is ever-expanding. The majority did not expect remits around European funding and particularly employment and social exclusion programmes
- LEPs have become more centrally controlled, moving away from the Government's original encouragement of LEPs to determine their own agendas and priorities
- The short timeframes placed on LEPs by the Government
- Being asked to engage in agendas such as welfare which were identified as more being the domain of the local authority.

Comparatively, 28.6% and 49.3% of local authorities and FSB representatives respectively felt that LEPs had experienced mission drift. This suggests there is acute need for clarity as to what the purpose and function of LEPs is.

5.1.3 Concluding thoughts

LEPs are clearly facing a number of barriers to improvement, challenges and mission drift, many of which are as a result of Government policy. We would argue that there is the need to do the following in relation to these challenges:

- Make sufficient funding available for LEPs
- Consider the scope for LEPs to be more adequately staffed, building on the resource of partner organisations
- Consider whether LEPs need more of a statutory footing, notably in areas without a Combined Authority
- Clarify government policy regarding the role and remit of LEPs.

6. Conclusion and recommendations

The final section of this report acts as a conclusion and offers recommendations for central government in relation to LEP policy and for LEPs themselves. The content of the section has been drawn from the core findings of the survey of LEPs and other stakeholders as, well as the best practice and improvement elements of the case studies.

6.1 Concluding thoughts: the future of LEPs

The policy agenda around LEPs is at a critical stage. The majority have now: formulated Boards; consulted on the challenges facing their areas; developed priorities and strategies; and put mechanisms in place as the responsible body for European Funds and a raft of economic growth focused initiatives including RGF.

This frenzied activity of the last few years masks a number of questions which people working in economic development have about LEPs:

- Do LEPs have a clear enough remit?
- Is the geography of LEPs as 'broad' 'natural' economic areas correct?
- Are they the correct vehicle to deliver growth and jobs and meet the wider objectives of the national growth plan?
- Is the (big) business sector the correct conduit of strategic economic development policy activity at a sub-regional level?
- Do LEPs across England have sufficient, resource, clout and power to really influence economic change
- Are LEPs sufficiently accountable to not only the electorate but also the various organisations with a stake in LEP areas including local government, small businesses and the voluntary and community sector?
- Do LEPs have the required capacity and knowledge to deliver the asks of Government?
- Are LEPs effectively demonstrating their performance and the impact they are having upon their areas?

For the FSB and CLES, the answer to many of these questions is 'maybe'. Collectively, we have a number of concerns about the way in which central government policy around LEPs has been defined over the last four years and how LEPs have operated.

First, LEPs are still developing and effectively we have a hiatus moment currently where the form of LEPs is in place but they are not yet quite ready to function effectively, since they do not have a defined remit.

Secondly, related to this form, LEPs have put in place Boards consisting of, in most cases, cross-sector representation but with heavy emphasis on the private sector as required. However, this emphasis upon a main Board has meant that there are people at the table to provide a voice but without a modus operandi of what their role is, together with what the purpose of the LEP is.

Third, LEPs appear to be stifled by a range of different funding streams and timeframes around bidding which has implications for capacity.

Fourth, LEPs have been insufficiently resourced to develop staff teams, boards, priorities and strategy. Given the scale of the issue around growth and local economies which many LEP areas are having to deal with, this is untenable.

Fifth, central government and LEPs themselves have talked positively about the engagement of different sectors and organisations in LEP business including local government, SMEs and the voluntary and community sector. This has however come without the requisite quality relationship with LEPs or an understanding of roles within LEPs of various organisations and the function of LEPs themselves.

Finally, LEPs simply have not provided the required transparency, openness and decision making quality for other stakeholders in place to be confident of their motives and decision making. This is also reflected in the lack of a systematic way of measuring and demonstrating LEP performance.

So what we have is a means of undertaking sub-national economic policy which lacks a framework of what it is for, which is unclear around the roles and responsibilities of different stakeholders, and which lacks transparency, openness and true measures of performance.

Despite all of the above, the FSB and CLES do support LEPs and agree that as sub-national vehicles dedicated to economic growth and job creation, they have an important role to play. However, there is a clear need for a policy shift to address the issues facing LEPs and to provide confidence to, and secure engagement, of the small business community.

To achieve the desired shift, the FSB and CLES believe that LEPs should seek to be:

- **Representative:** The LEP must be representative both in terms of the broad spectrum of local opinion, and the full range of business opinion. They should be constituted across all organisations within a locality with defined roles for business which should always include small business, local government and other stakeholders
- **Reflective:** The LEP must be reflective of the local drivers of growth, and of the aspirations of the wider locality. It must consider that growth goes beyond productivity and is rooted in social and environmental considerations
- **Transparent:** The LEP must be transparent and open in all aspects of its decision making, and especially so regarding resource allocation
- **Accountable:** The LEP must be accountable both locally and nationally with clear arrangements for demonstrating performance at local and national level.

In order to conform to these principles, LEPs need assistance from the Government in three main areas:

- Clarity on their powers, duties, authorities and accountabilities
- Resources commensurate with the expectations placed upon them
- A robust means of demonstrating performance.

6.2 Recommendations

To assist in achieving the policy shift described above the following are a set of recommendations for the Government and for LEPs. Recommendations 1-7 are for the Government to consider. Recommendations 8-12 are broad points for consideration by LEPs, and recommendations 13-20 are small firms specific recommendations for LEPs.

6.2.1 Recommendations for the Government

The below are key policy recommendations for central Government and Departments.

Recommendation 1 – Clarify the purpose, function and economic geography of LEPs

- The Government needs to clarify the purpose and function of LEPs, reaffirming that they must remain business-led. This clarity needs to be combined with guidance on how LEPs consult and the role of those consultees, and further guidance on what a transparent LEP should look like. It also needs to be framed in a debate around functional economic geographies, and whether the existing boundaries of LEPs are effective.

Recommendation 2 – Consider placing LEPs on a statutory footing where required

- The Government needs to consider placing LEPs on a statutory footing in places where there are not existing structures, such as Combined Authorities. This would firm up the role of LEPs as drivers of economic growth, and would ensure LEPs and local government work collaboratively on economic development strategy and delivery activity. It would also make LEPs and their activities more accountable to the electorate. In addition, the Government should review the role of LEPs in Combined Authority areas.

Recommendation 3 – Commit to LEPs cross-departmentally

- Related to their purpose and function, the Government need to show cross-departmental support for LEPs. The importance of economic and social growth must be recognised across departments, with related commitments in the form of devolution of resource and power.

Recommendation 4 – Provide sustainable capacity building resource for LEPs

- Given the challenges around the disparity of capacity and resource within LEPs, the Government should support the future development of LEPs by providing sustainable capacity-building resource. This would enable LEPs to recruit their own independent staff. In reality, LEPs are only just forming their teams, so there is a need for dedicated capacity budget for staff wages, and administration and to support secondments to enable alignment of LEP activities with those of other local stakeholders.

Recommendation 5 – Enhance resource for LEPs where transparency arrangements are in place and review bidding processes

- The Government needs to enhance the support offered to LEPs for the achievement of priorities and wider outcomes, including funding. However, this needs to come with a proviso of accountability and transparency associated with performance against a range of outcomes. Central to transparency, the Government should require LEPs to publish a register of business interests. Linked to this, funding mechanisms for regional economic development need to be simplified and aligned. This means a review of requirements and timelines.

Recommendation 6 – Develop a wider set of LEP performance measures

- The performance of LEPs needs to be measured against a wider and more common range of indicators and outcomes than is currently the case. This includes jobs and economic growth as well as composition, governance, and social growth. The Government need to be more prescriptive around what these measures of performance constitute and publish the criteria against which it is measuring performance. These should be developed in consultation with LEPs and their main stakeholders.

Recommendation 7 – Set up a LEP scrutiny and oversight body

- Related to the point around LEP performance measures, the Government should set up a body to provide LEPs with scrutiny and oversight. Given the increasing funding being channelled through LEPs, there is a need for transparency and accountability arrangements that enable value for money to be demonstrated to the public. In the interim, LEPs should be subject to greater scrutiny by parliamentary select committees and the National Audit Office. Arrangements for local accountability could also be strengthened through local business scrutiny panels.

6.2.2 General recommendations for LEPs

The below are key general recommendations for LEPs around collaboration, delivery, and evaluation.

Recommendation 8 – Work collaboratively and on an internal and external basis

- There is a need for more collective and collaborative working on both an individual LEP basis and a cross-LEP basis. For individual LEPs, this needs to be on a ‘whole place’ basis involving the public, commercial and voluntary sectors, with emphasis placed upon relationships and networks of organisations working towards shared priorities. LEPs should also work together to form a collective voice to ensure consistency in their approach towards the Government in seeking clarity over responsibilities and sufficient resources. All LEPs should appoint a stakeholder relationship manager whose role is to engage across and feed in the thoughts of business and other organisations into the LEP. LEPs should also have a designated person at board level responsible for SME policy, engagement and consultation.

Recommendation 9 – Recognise and use the economic development knowledge of local government

- LEPs need to recognise more effectively, than is presently the case, the role of local government and economic development teams in particular. To ensure value for money, LEPs need to complement and add value to existing economic development strategy and delivery activity by working in collaboration with local authorities and organisations in the public, commercial, and voluntary and community sectors which are already delivering such activity. This includes providing input into the prioritisation of key sectors for small businesses in the locality.

Recommendation 10 – Build evaluation into the activities of the LEP

- The process of evaluation needs to be built into the practice of LEPs as a matter of course. This means learning lessons around process and activity, particularly in terms of SEPs, EIFs and specific funding streams. LEPs need to improve performance by evaluating what is working effectively and what is not. All investment should also be undertaken using project appraisal methods such as those recommended in the Green Book.

Recommendation 11 – Publish declarations of business interest

- As part of a Government requirement, LEPs should publish declarations of business interests. These would highlight where individuals on LEP Boards and business representative bodies delivering activities through the LEP have any potential conflicts of interest.

Recommendation 12 – Embrace business leadership and culture.

- LEPs must be business-led, and their culture should reflect this. A heavy reliance on public sector staff can lead to a public sector culture, which in some areas has resulted in consultation driven by the need to satisfy funding criteria rather than as a means of genuine engagement.

6.2.3 Small business focused recommendations for LEPs: towards a best practice model

The below are key recommendations for LEPs surrounding their relationship with small businesses.

Recommendation 13 – Communicate the LEP remit more effectively

- LEPs need to increase knowledge across a range of stakeholders, but notably small businesses as to what their purpose and remit is. Few businesses recognise the role of the LEP or even what a LEP is. LEPs need to use communication channels such as the FSB and networks of small businesses more effectively. All LEPs should have an individual with responsibility for stakeholder engagement in their area.

Recommendation 14 – Enhance LEP to small business relationships

- LEPs should seek to introduce means of enhancing LEP to small business relationships. We recommend that all LEPs assign a nominated individual Board member to be a link person between small businesses and the LEP Board. We also recommend that each LEP has a paid seconded officer whose role is to support business members of the LEP Board.

Recommendation 15 – Improve consultation on a range of LEP activity

- LEPs need to improve consultation with small businesses in a number of areas. These include around: challenges facing the LEP area; priorities and wider strategy; activities relating to SME competitiveness; and monitoring impact. There is a diversity of roles that business representative bodies can play in enabling this; but also a need for direct face to face meetings with the sector.

Recommendation 16 – Business support should be a key element of LEP activity

- LEPs should have business support as a cornerstone of their strategy and programme activity. Alongside infrastructure development, business support is integral to meeting core priorities around creating jobs and growth. Business support should however include a range of activities including: access to finance; exporting; and procurement support for public sector contracts.

Recommendation 17 – Ensure the views of small businesses are always fully represented across the LEP but especially in sub-groups

- LEPs need to ensure that the views of small businesses are present across the LEP through the main Board, any business representatives networks and through sub-groups. Indeed, the sub-groups may be the area in which the small business sector can exert greatest influence. This mechanism enables small businesses to demonstrate their strengths and advise upon programme and project activity which are applicable to specific themes.

Recommendation 18 – Operate transparently through timely communications

- LEPs need to improve small business perceptions and reality around the transparency of LEPs. This means providing regular updates to the small business sector on activities and progress, publishing materials and accounts, and effectively declaring any conflicts of interest.

Recommendation 19 – Develop business representative networks

- LEPs should develop business representative boards, recognising the diversity of business types and sizes within LEP areas. These boards would facilitate regular meetings between the LEP and the local chairs of the FSB, together with convening business representative body networks across the FSB, the British Chambers of Commerce and the CBI.

Recommendation 20 – Develop fully transparent processes for allocating resource

- LEPs need to develop transparent and open processes for allocating resource. This should include SME friendly procurement processes and grant programmes open to small businesses, as well as social enterprise and the voluntary and community sectors.

Starting the small business discussion in your LEP:

LEPs should be asking themselves key questions as to whether they are effectively engaging and involving small businesses in the LEP. An answer of yes to each of the below would be a best practice model of SME involvement:

1. Is the LEP utilising small business representative body capacity alongside its own staffing and that provided through public sector secondments?
2. Are small firms directly, or through business bodies, represented on the LEP Board?
3. Are small firms directly engaged with appropriate thematic LEP sub-groups?
4. Are small firms being directly consulted on the challenges facing LEP areas and appropriate priorities?
5. Are small firms being consulted through appropriate business representative networks drawing together LEPs and FSB Regional Chairs and Development Managers?
6. Are small firms providing a triumvirate of roles in the LEP in terms of providing a voice for the sector; providing place based intelligence; and delivering activities?
7. Are LEP activities around SME competitiveness reflective of the demands of local SMEs?
8. Are LEP processes for allocating resource small business friendly?

The FSB's internal guidance on LEP best practice is attached at Appendix 1 for information.

Appendix 1

Best Practice Model for Local Enterprise Partnerships

Vision and direction

1. All LEPs should have a clear vision for their area, and ensure that this is clearly communicated, for example through publically available strategy documents and a mission statement.
2. All LEPs should ensure that the LEP vision is business focused and relevant to the needs of the economic area it serves.
3. All LEPs should have a clear understanding, clearly communicated, of the role of the LEP, and what if any role it plays in resource allocation and programme delivery.
4. All LEPs should be reflective of other economic development strategy and delivery activity.

Small business consultation and representation

5. All LEPs should have a clearly defined mechanism for facilitating communication between the board and the small business community. This should include a named individual on the board with responsibility for small business issues. Such an individual would be expected to have relevant experience and the demonstrable support of the local small business community.
6. All LEPs should ensure that they have a small business sub-group unless there is a stronger local arrangement already in place which is capable of providing effective small business engagement.
7. The appointment of the Board member with responsibility for small business issues should be subject to the approval of the small business sub-group, or equivalent body where alternative arrangements exist.
8. All LEPs should ensure that the small business representative body has a close working relationship with the named Board member.
9. All LEPs should ensure that the Board has at least one representative with a robust claim to representation of the small business sector.
10. All LEPs should ensure that the LEP secretariat includes a named individual with responsibility for supporting the business representatives on the LEP with timely briefing and research.
11. All LEPs should ensure that their stakeholder managers engage effectively with small business representatives, and work effectively with the named representative at Board level to ensure good communications between the Board and small business opinion.
12. All LEPs should ensure that their Boards and sub-groups are business-led.

Transparency

13. All LEPs should publish the process for the selection of the Chair and Board members.
14. All LEPs should publish details of the membership of the Board and all sub-groups.
15. All LEPs should publish and maintain a register of the business interests of those playing an active role in the LEPs decision making processes.
16. All LEPs should publish a register of interests for Board members and members of sub-committees.
17. All LEPs should publish key documents including but not exclusive to: Board and sub-committee terms of reference, membership and minutes; annual accounts; and an annual report.
18. All LEPs should ensure that where the LEP has a role in programme delivery, it has transparent and robust processes for selecting delivery partners.
19. All LEPs should ensure that potential conflicts of interest are taken into consideration when delivery contract awards are made.
20. All LEPs should consider having their accounts independently audited.

Performance

21. All LEPs should develop robust performance criteria in partnership with their stakeholders.
22. All LEPs should provide regular progress updates on performance against these criteria to stakeholders, as agreed with them.
23. All LEPs should consider conducting regular evaluation audits of process and performance to help identify areas for improvement, and assess progress.
24. All LEPs should ensure that consultation exercises are timely, and meaningful. Timescales should be sufficient to allow business representatives to scrutinise proposals, conduct their own consultations, and develop a response. LEPs should be obliged to publish a response to substantive points raised as part of any consultations undertaken.
25. All LEPs should ensure small business opinions and priorities are effectively taken into account through meaningful consultation when developing delivery programmes.
26. All LEPs should ensure any procurement processes influenced by the LEP are small business friendly, and in keeping with the FSB's principles of small business friendly procurement. (See Appendix 2)
27. All LEPs should consider providing procurement training for small firms as part of their business support programmes.
28. All LEPs should ensure that papers for all LEP meetings should be circulated to business representatives no less than 10 working days before a meeting.
29. All LEPs should ensure wherever possible that Board and sub-group members receive the meeting schedule for the year at the beginning of the year.
30. All LEPs should ensure that minutes are circulated no more than 10 working days after meetings.

Appendix 2

FSB principles of small business friendly procurement

The FSBs main recommendations for procurers seeking to increase spend with SMEs and Micro/ Small Enterprises (MSEs) are:

- 1. Strategy and Policy:** Increasing procurement spend with SMEs/MSEs requires leadership. As such SME/MSE friendly policies should be agreed at top management level within any organisation or company.
- 2. Spend Analysis:** Procurers need to have mechanisms in place to record and analyse where and with which businesses their money is spent. This should include measuring the size of enterprise – medium, small and micro, and there should be robust reporting arrangements for the results.
- 3. Opportunity creation:** Procurers need to create more opportunities for small firms by packaging their procurement in small lots wherever practical, and by avoiding the temptation to aggregate contracts. Contract aggregation may seem superficially attractive but this can reduce competition pressure through over reliance on a limited number of major suppliers. Procurers should also be wary of long contracts, as these effectively close the market and thereby reduce competition pressure.
- 4. Process Simplification:** Procurers should adopt appropriate best practice with regard to their use of pre-qualification questionnaires (PQQs), which may include the adoption of existing, standardised PQQs; online prequalification; and discontinuation of PQQs and other requirements where they are unnecessary. Simplified prequalification processes for smaller procurements below EU thresholds should be considered for public sector procurers.
- 5. Proportionate requirements:** Procurers should also ensure their use of selection requirements is proportionate and based purely on the needs of the contract. These requirements include minimum experience, insurance, or turnover criteria, or information requirements such as for audited accounts.
- 6. Recognition of existing accreditations:** Procurers should take account of the third party accreditations that a firm already has, rather than insisting that all bidders are registered with a specific accreditation body as a blanket requirement.
- 7. Small business engagement:** Procurers should ensure that regular training opportunities and supplier pre-engagement activities are available for small firms in their area, to ensure that capacity is built ahead of opportunities becoming available and support market shaping.
- 8. Payment practices:** Procurers should put in place and monitor specific payment policies for small business suppliers, ideally following the lead of national Government pledges to pay within 10 days of receipt, but no more than 30 days other than in exceptional circumstances. Procurers should also use contract clauses to ensure that prime contractors pass on fair payment terms to subcontracted suppliers, and that the subcontracted suppliers likewise pass on terms through throughout the supply chain.



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