

Item 5

Funding for Local Enterprise Partnerships

Purpose of report

For information.

Summary

This paper sets out the funding streams of Local Enterprise Partnerships (LEPs).

Recommendation

Members are asked to note the paper.

Action

LGA Officers to follow up any actions agreed by the Panel.

Contact officer: Kamal Panchal
Position: Senior Adviser
Phone no: 020 7664 3174
E-mail: Kamal.panchal@local.gov.uk

Item 5

Funding for Local Enterprise Partnerships

Background

1. Launched in June 2010, Local Enterprise Partnerships (LEPs) were intended to be 'local groups of councils and business leaders' coming together to 'provide strategic leadership in their areas to set out local economic priorities'.
2. There are now 39 LEPs, covering the whole of England. Each LEP is very different – they have developed organically and their priorities reflect sub-regional needs, circumstances, strengths and opportunities.
3. There are essentially two types of LEP activity that requires funding: Core Funding and Project Funding.

Core funding

4. Core funding enables them to perform basic tasks such as providing a secretariat, structural support and communications. Each LEP has taken its own approach to its organisation and delivery, including the administrative functions that have been established.
5. The bulk of administrative and structural support comes from public sector partners. Overwhelmingly, it is local authorities who provide and fund the salaries of the personnel who run, and are involved in the LEP secretariat. Therefore the public sector tends to support LEPs in the form of human capital, FTE salaries, additional administrative resources and occasionally, monetary funding for specific project implementation.
6. In September 2012, the All Party Parliamentary Group on Local Growth recommended that "Government should commit to providing a modest amount of core funding to LEPs in order to ensure that they have a basic level of staffing and the ability to act independently and balance different local interests."
7. The government recently announced that a potential total of £24 million additional funding for LEPs will be made over the next 3 years "to help them plan and develop their work in support of local economic growth". For 2012/13 this means each LEP will be given £125,000. Thereafter, each LEP will be invited to bid for matched funding for 2013/14 and 2014/15, for up to £250,000 each year, setting out how they would be able to offer a cash match from public or private resources.

Project funding

8. LEPs will have projects and programmes that are likely to require funding. These will vary according to priorities agreed – such as supporting inward investment; transport issues or the development of the green economy. The vast majority of LEPs are not

Item 5

formal institutions or accountable bodies, therefore a council from the LEP area will act as the accountable body for government grants.

9. Four key sources of project/programme funding have been made available to LEPs and the areas they serve:
 - 9.1. Regional Growth Fund
 - 9.2. Growing Places Fund
 - 9.3. Other national sources
 - 9.4. Local sources

Regional growth fund (RGF)

10. RGF is not a LEP-specific fund, open to proposals from the private sector and any public private partnerships. However LEPs were expected to have played a coordinating role. It has a minimum bid threshold of £1 million. The RGF is a £2.6 billion fund operating across England from 2011 to 2016. It supports projects and programmes that lever private sector investment to create economic growth and sustainable employment. The first 3 rounds allocated £2.4 billion which is hoped will leverage over £13 billion of private sector investment and create or safeguard over 500,000 jobs.
11. Councils and local partners are disappointed with the delays and the bureaucracy attached to the Regional Growth Fund (RGF) which exemplifies that competitive bidding rounds based on national criteria lead to greater bureaucracy and less effective distribution of resources.

Growing Places Fund (GPF)

12. In November 2011, the Government launched the £500 million Growing Places Fund. The funding was split equally across the Department for Communities and Local Government (DCLG) and Department for Business Innovation and Skills (BIS). The fund has 3 aims:
 - 12.1. to generate economic activity in the short term by addressing immediate infrastructure and site constraints and promote the delivery of jobs and housing
 - 12.2. to allow local enterprise partnerships to prioritise the infrastructure they need, empowering them to deliver their economic strategies
 - 12.3. to establish sustainable revolving funds so that funding can be reinvested to unlock further development, and leverage private investment.
13. The LGA agreed that the GPF is a much better mechanism for allocating funds to LEPs to invest directly in local economies. The allocation of unring-fenced funds on a formulaic basis allows places to prioritise projects through investment frameworks and get investment underway earlier.

Item 5

Other national sources

14. As well as RGF and GPF, some LEPs have worked closely with their constituent local authorities in securing other funding, such as from the Local Sustainable Transport Funding (LSTF) or have secured broadband funding from the Broadband Delivery UK fund.

Local sources

15. A number of LEPs have secured other private sector funding such as Gloucestershire with £1.3 million private inward investment from a single investor and Leeds City Region securing £10 million private sector support for its Domestic Energy Efficiency programme.

Future funding issues

16. In his Autumn Statement, the Chancellor signalled that a greater proportion of growth-related spending would be devolved to local areas from April 2015, in response to Lord Heseltine's review of economic growth. The Government will devolve this spending on the basis of the strategic plans developed by LEPs by creating a single funding pot for local areas.
17. The Government will also take the opportunity to streamline its management of the EU Common Strategic Framework funds in England.
18. The LGA has backed Lord Heseltine's view in support of the devolution of budgets for transport, skills and employment. This view has been endorsed by the Chancellor and we welcome this direction of travel to support local economic growth. However, we would not support competitive bids for such funds, where Whitehall civil servants with no experience of business and localities decide how money is allocated. We await further details in the Spring.
19. On 18 September the Government formally published its plans for devolving Local Majors (Transport) Scheme funding. The primary decision making bodies on the use of the devolved funding will be Local Transport Bodies (LTBs), voluntary partnerships of local transport authorities and LEPs. The available funding will be distributed on a simple per-capita basis. Indicative figures for planning assumptions will be provided for each LTB in October 2012 with final figures determined following the Spending Review.
20. The LGA has welcomed proposals to align, simplify and devolve decision-making over the spending of EU funds on growth and skills. The current seven-year programmes represent around £8 billion, which local authorities and partners use to generate growth and give people the skills to benefit from it. To unlock full value from these funds it is important all local partners in LEP areas have genuine levers over funds and bring the co-finance needed to spend it, that they have the opportunity to manage funds where partners want to, and that large proportions of funds are not top-sliced into departmental budgets and programmes.

Item 5

Conclusion

21. The LGA will continue to lobby to ensure that local partnerships are able to access the resources that their economies need to grow. This includes devolution of decision-making over growth /economy related government funding as well as greater borrowing flexibilities and freedoms. The Economy and Transport Board have commissioned Centre for Cities to explore what an effective devolution programme on local growth could be.
22. In terms of core funding, generally LEPs agree that there needs to be a fine balance to undertake core activities and pursue LEP priorities and plans, whilst avoiding becoming large, costly public bodies that would risk alienating prospective partners.
23. Finally, the LGA has offered a package of support to local authorities or groups of local authorities. This includes specific support in relation to putting together City Deal propositions. The nature of the support is broad, involving peer support, research, events and seminars, as well as focussed member workshops. The LGA will continue to develop its offer to councils and their partners to ensure LEPs develop and are able to take advantage of greater devolution of e.g. growth funding, skills provision and transport.