

Local institutions and local economic growth: the state of the LEPs in England

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Paper for the 'Local Economic Growth: Recession, Resilience and Recovery' Conference, 11-12 July 2013, McGrath Centre, St. Catharine's College, Cambridge

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Local institutions and local economic growth: the state of the LEPs in England

Introduction

Institutions and local economic growth

The state of the LEPs in England

Conclusions



What do we mean by institutions?

“Formal regulations, legislation, and economic systems as well as informal societal norms that regulate the behaviour of economic actors: firms, managers, investors, workers...Collectively, they define the system of rules that shape the attitudes, values, and expectations of individual economic actors. Institutions are also responsible for producing and reproducing the conventions, routines, habits, and ‘settled habits of thought’ that, together with attitudes, values, and expectations, influence actors’ economic decisions. ... Although these institutionally shaped attitudes, values, and conventions influence choices and constrain decisions regarding practices, they do not wholly determine them. There is still a major role here for individual agency to produce a variety of responses within the same sector, region, and nation-state.”

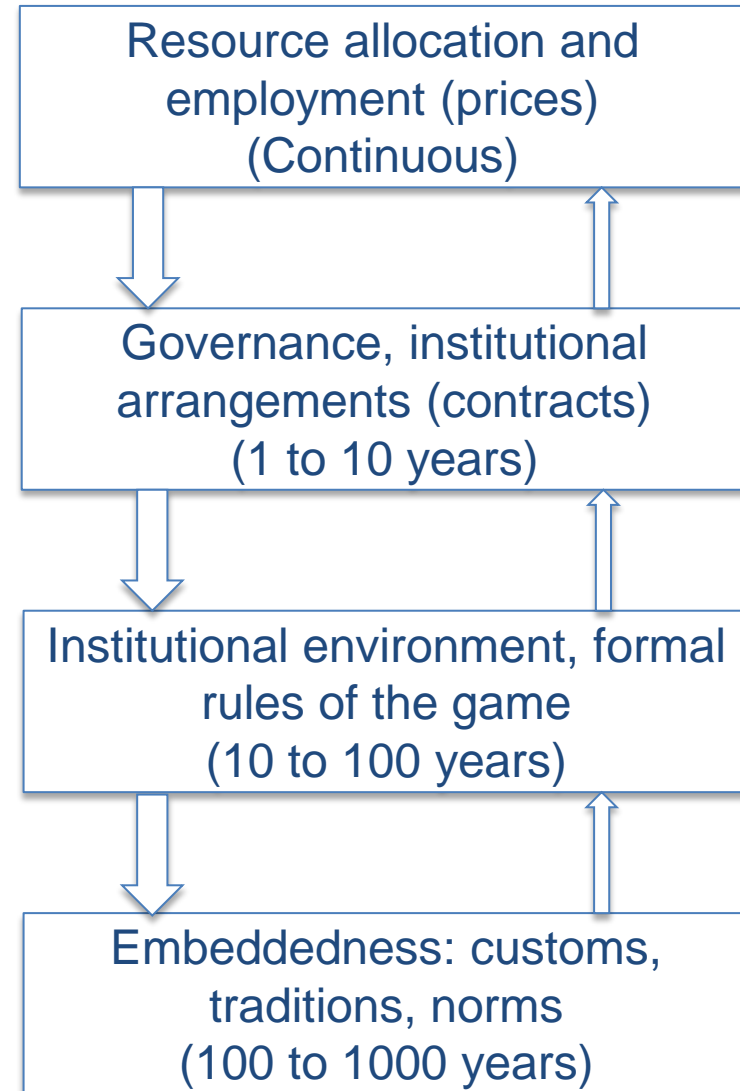
Levels of economic institutions

**L4: Neo-classical
Economics, agency
theory**

**L3: Transactions costs
economics**

**L2: Political economy
and property rights**

L1: Social theory



Institutions and economic growth

“institutions affect the incentives to reorganize production and distribution in order to exploit new opportunities, and the incentives to accumulate physical and human capital. For these reasons institutions are more fundamental determinants of economic growth than R&D or capital accumulation, human or physical.”

Institutions and regional economic growth

“Institutional factors are also critical. Formal and informal institutions that facilitate negotiation and dialogue among key actors in order to mobilise and integrate them into the development process are vital, as are those that enhance policy continuity. At times, the challenge is to create institutions that strengthen the region’s ‘voice’ in dealing with other regions and countries and those that foster linkages among the private, public and education sectors.”



Source:
OECD (2012:
25)
Promoting
Growth in All
Regions,
OECD: Paris.

Decentralisation



***Local* institutions and *local* economic growth: analytical themes**

Formulating strategy, priorities and appraisal of local assets

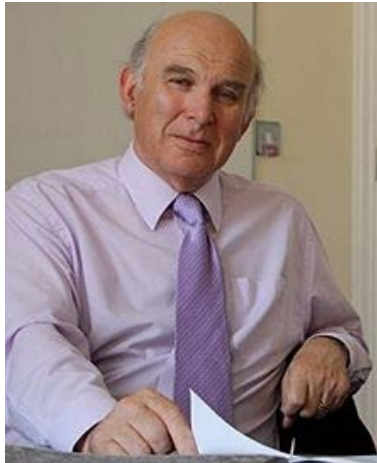
Providing organisational and co-ordination capacity

Mobilising actors and fostering linkages between public, private and civic sectors

Setting the framework and incentives for economic actors and activities

Generating and pooling resources

Providing voice in multi-level and multi-actor systems of government and governance



“...to invite local groups of councils and business leaders to come together to consider how you wish to form local enterprise partnerships” (29 June 2010: 1)



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

29 June 2010

Dear colleague,

Local enterprise partnerships

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

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

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

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

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

Role

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

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

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

Governance

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

Size

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

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

Going forward

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

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

Yours sincerely

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

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



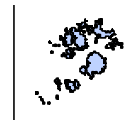
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REGIONAL DEVELOPMENT AGENCIES: ENGLAND



‘LEP-land’

se M3
31 London
32 Heart of the South West
33 Lancashire
34 Gloucestershire
35 Humber
36 Dorset
37 Swindon and Wiltshire
38 Northamptonshire

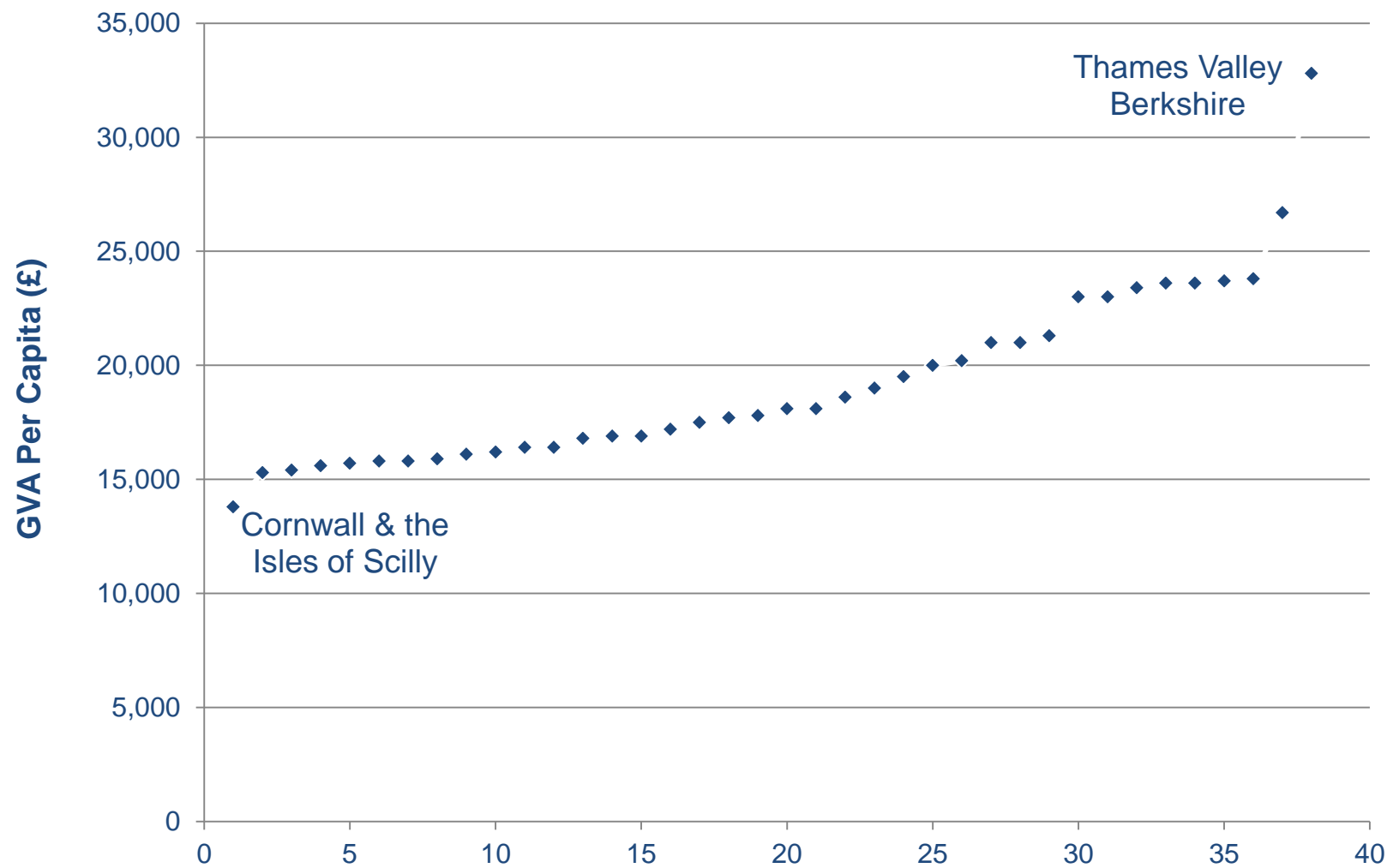




unleashing potential through partnership



GVA per capita (£) by LEP area, 2011



Source: Calculated from ONS

National Survey Study: Aim and method

Aim: To examine the current position and prospects of the 39 LEPs in England

Methods:

- Survey interviews (between December 2012 and February 2013) with 39 LEPs (100% response rate) of Chairs and/or Chief/Senior Officers - 13 (33%) face-to-face
- Review of secondary sources (e.g. LEP websites, LEP Network reports, Government documents and independent studies)
- Follow-up exercise to gather additional technical data
- Academic and practitioner seminar, March 2013

Formulating strategy, priorities and appraisal of local assets?

Vision(s)

Different kinds of strategy

Varied prioritisation approaches

Uneven utilisation of evidence base and analysis

Varied consultation practices

Providing organisational and co-ordination capacity?

Emergent organisational models

Modifying existing or building new partnerships

Unsettled governance and accountability

Culture concerns

Emergent organisational models

Legal Status

Incorporation (with single (i.e. LA) or multiple shareholders)

Unincorporated partnerships

Part of broader Local Authority or City Region/Mayoral strategic governance arrangements (e.g. Combined Authority, Greater London Authority/Mayor)

Modi operandi

LA Leaders Boards

Board leads (public and private)

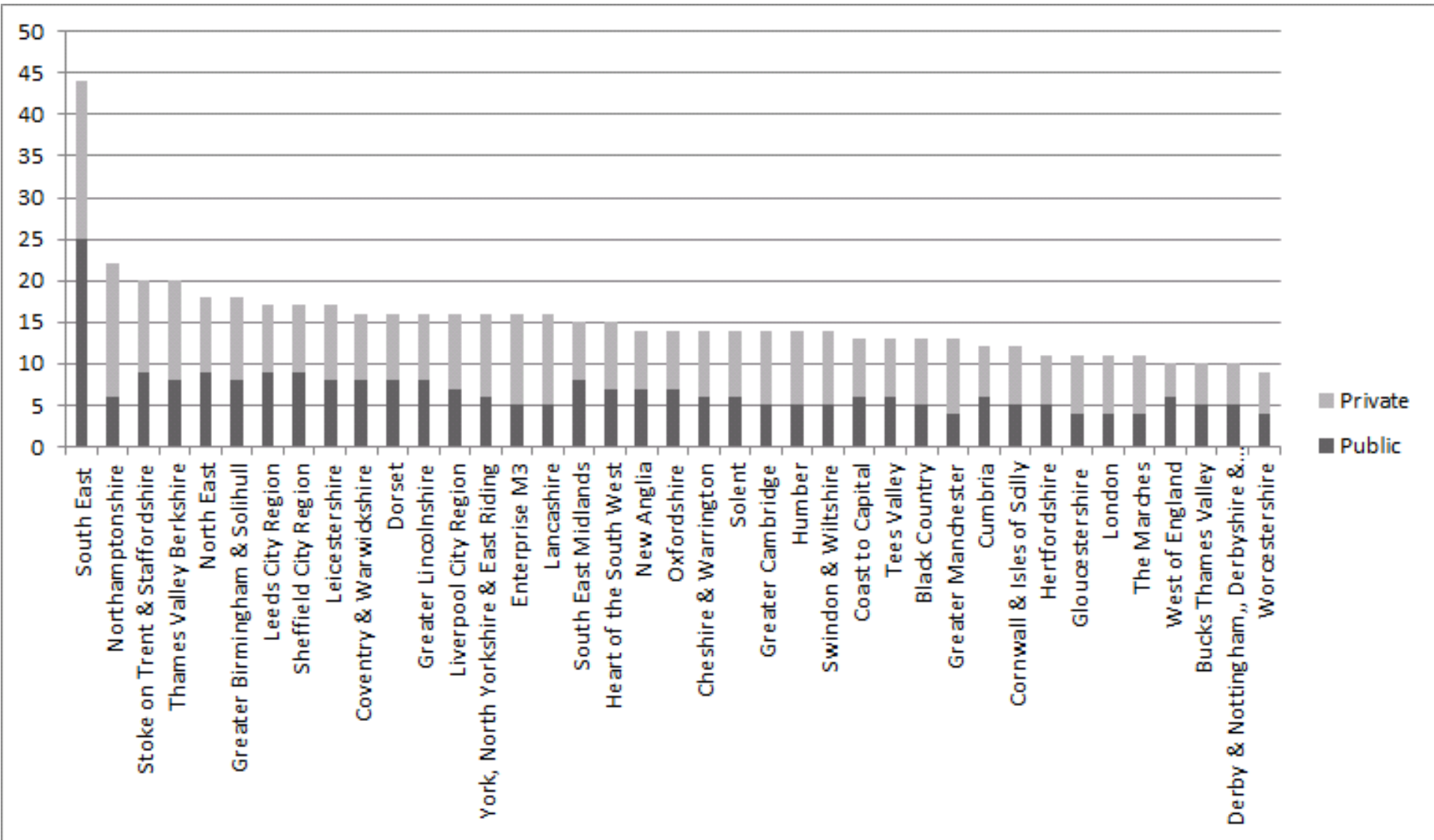
Standing sub-groups

‘Task and finish’ groups

Delivery Partners

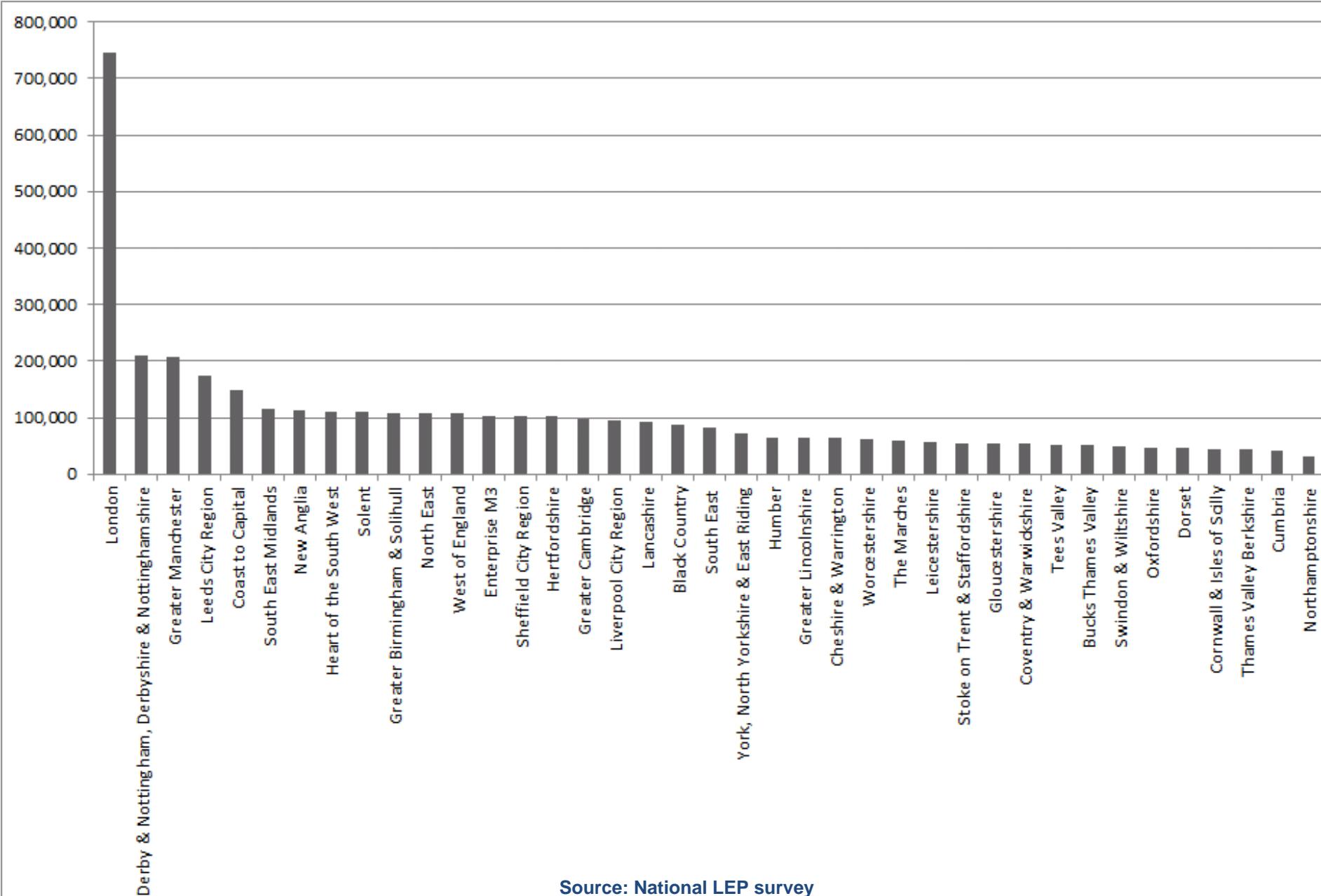
Business Membership body support arrangements

Board size and membership by LEP area



Source: National LEP survey

Population per Board Member by LEP area



Generating and pooling resources?

Variation in staffing

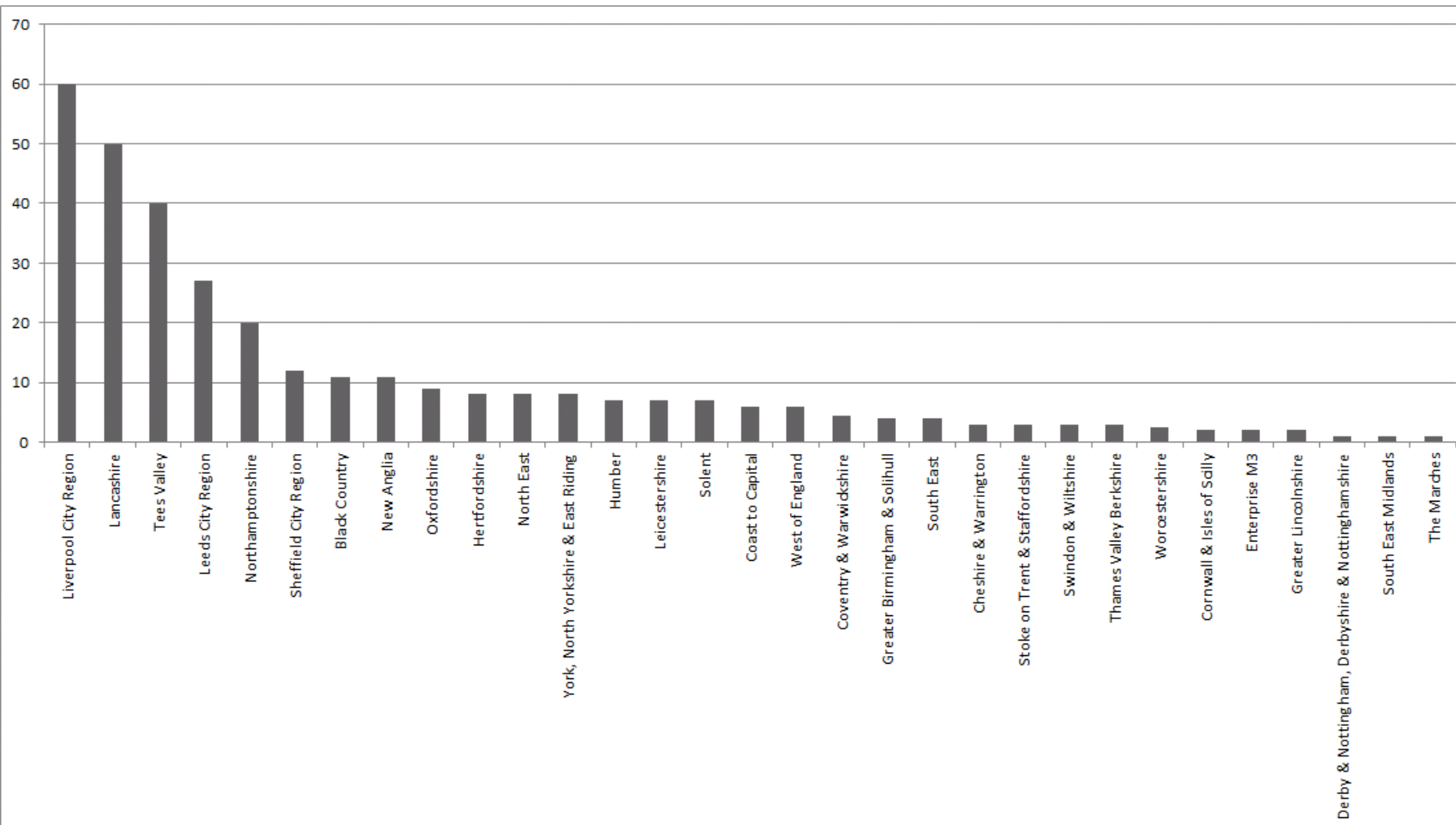
Chairs

Boards

Variation in financing

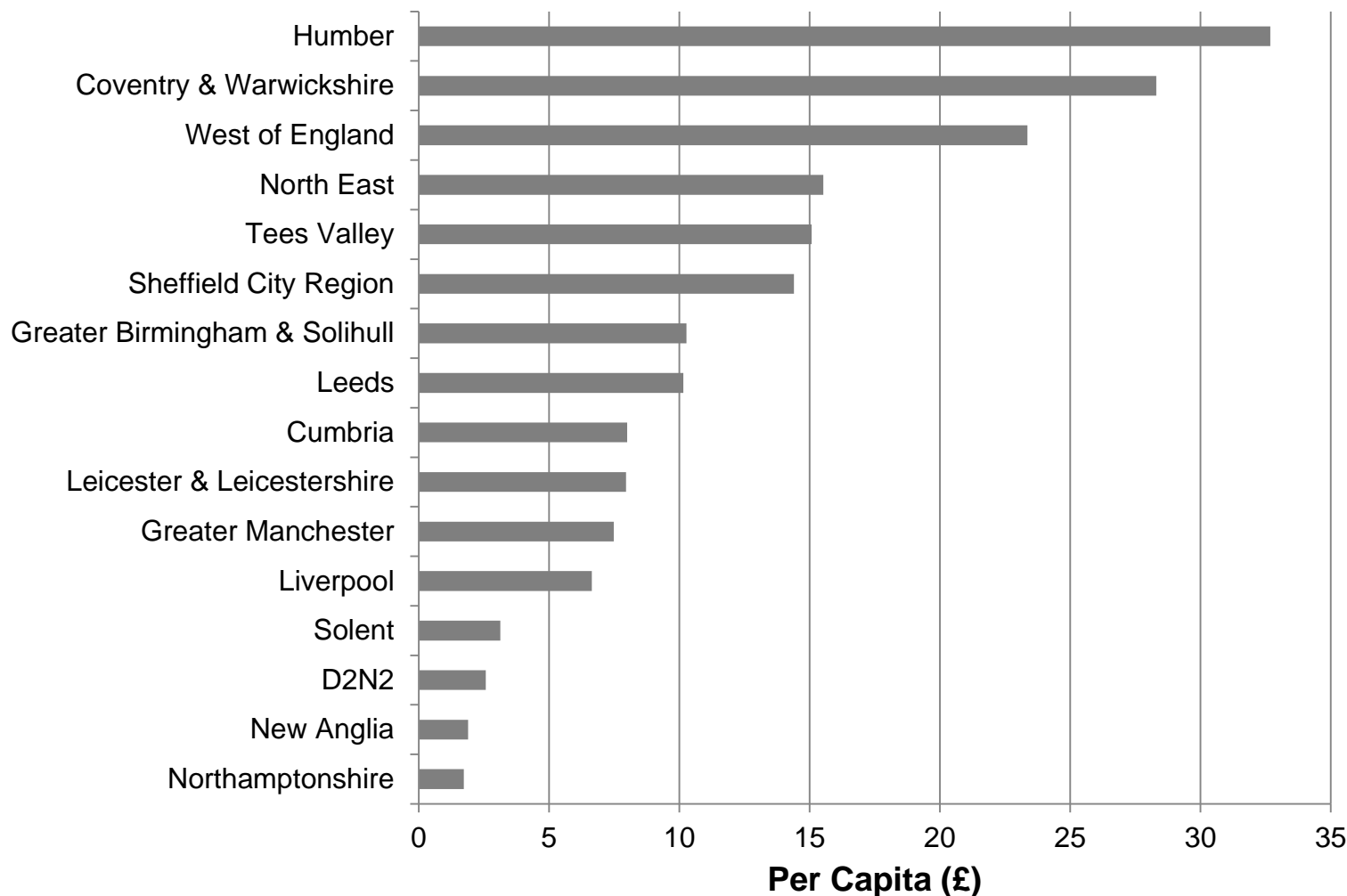
Level, flexibility, sustainability...

Estimated direct staff by LEP area



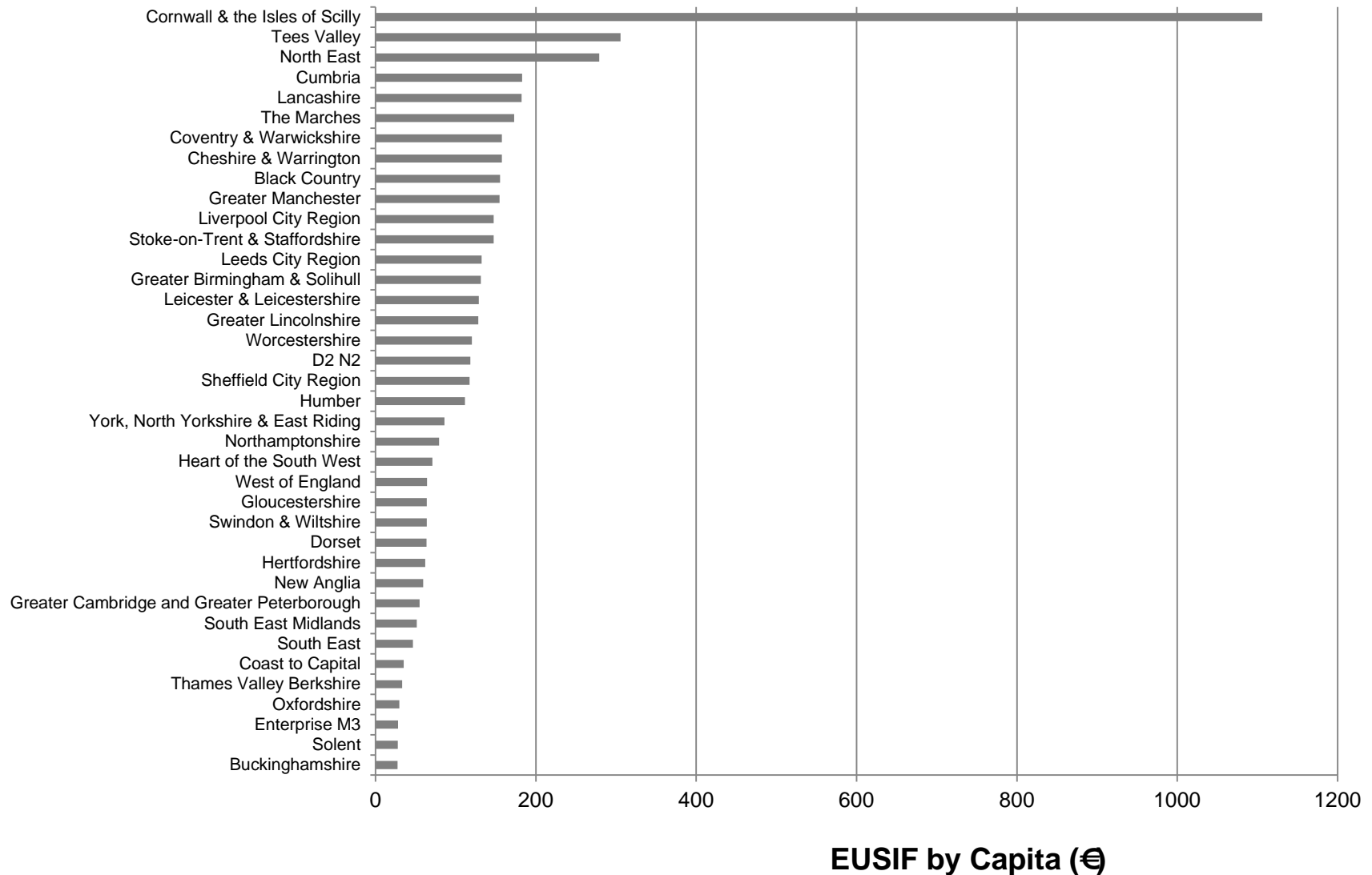
Source: National LEP survey

RGF Allocated to LEPs by Per Capita (£)



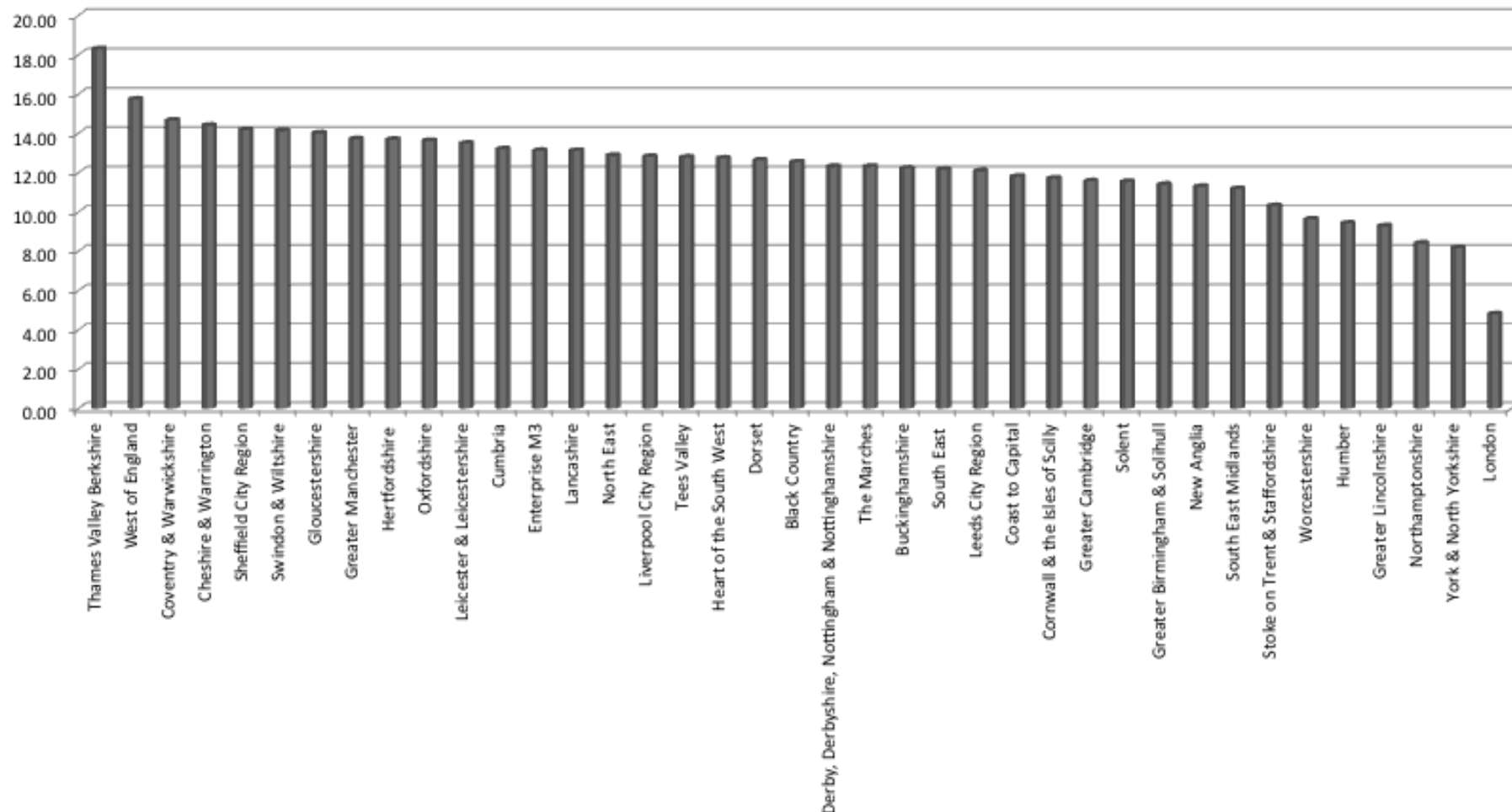
Source: Calculated from BIS data; Excludes the £125m national Advanced Manufacturing Supply Chain Initiative (AMSCI)

EUSIF Allocations to LEPs per Capita



Source: Calculated from BIS data

GPF allocations per capita by LEP area, 2012



Total resources under the strategic influence of LEPs and City Deals 2012-13 to 2020-21

Resources already announced	Amount (£m)
Growing Places Fund	730
Regional Growth Fund	380
City Deals	489
Public Loan Works Board	1,500
TOTAL	3,099
Additional resources announced in the Spending Review	Amount (£m)
Single Local Growth Fund	12,114
EU Structural & Investment Funds	5,300
TOTAL ADDITIONAL RESOURCES	17,414
AGGREGATE TOTAL	20,513

Mobilising actors and fostering linkages between public, private and civic sectors?

Seeking to add value

Direct local-central connections

LEP-BIS Locals

Uneven LEP relations with other centralised functions

LEP-Local Authority relations

Gaining and sustaining business engagement

Conclusions I

Fragmented and shifting institutional landscape of economic development governance

Diversity and variety

Longer term vision, plan, role...?

- Centralism *and/or* localism
- Competitors *and/or* collaborators
- Agility *and/or* “bureaucratisation”
- Limited capacity and resources

“LEP family” collective voice and advocacy

Inability to exert substantive influence on local economic growth

Conclusions II

Identification and examination of analytical themes concerning local institutions and local economic growth

The limits of localism in the “austerity state” (Shäfer and Streeck 2012: 19)

Endemic institutional churn and disruption problematic (historically acute in England)

Appropriate type, scale and nature of institutions?

Some institutional capacity better than none?

Acknowledgements

This project has been undertaken as part of the Spatial Economics Research Centre (SERC) funded by Economic and Social Research Council, Department for Business, Innovation and Skills and the Welsh Assembly Government
(www.spatial-economics.ac.uk)

