

# GROWING LOCAL ECONOMIES AT PACE

How LEPs can support government



# FOREWORD

## MARK BRETTON

### LEP NETWORK CHAIR

As our economy faces the challenges of increasing inflation, a potential downturn, cost of living increases, wage demands, depleted consumer demand, and a tight skills market, the impact of business led local growth will be instrumental in growing and levelling up our economy. LEPs are already at the forefront of that revival, shaping the direction of local growth and turbocharging the local economies we are embedded in and know so well.

LEPs have already been through a government review with the Levelling Up White Paper concluding with a long-term plan to integrate us into Local Authorities by 2030, but in many areas such a plan may not exist for a number of years, if at all. In that instance, LEPs will continue to deliver local growth planning. The White Paper praised what LEPs have achieved, acknowledging the “vital role” we play in local economic growth and identifying the unique convening value that sets us apart from the rest “acting as important organisational means of bringing together businesses and local leaders to drive economic growth across England.”



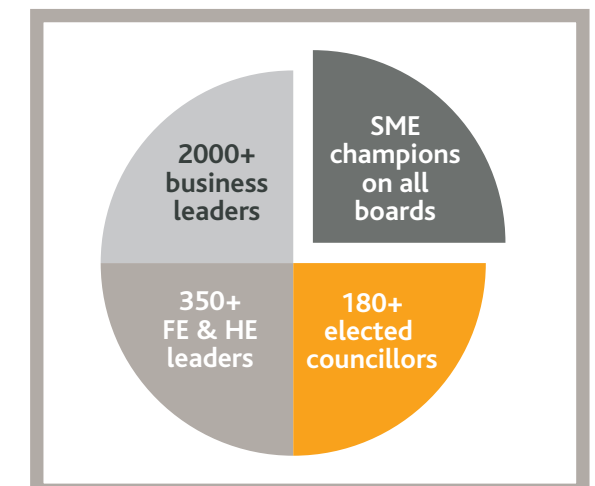
Recent events have shown just how fast the world around us can change. But LEPs have demonstrated they provide a stable, economically vital asset in changing times. As the head of Localis put on record – “During the darkest days of the 2020 lockdown, LEPs proved their worth in their ability to devise and deliver strategic over-ready economic recovery plans – armed with unrivalled local knowledge, insight and hard data - for many local areas”.

LEPs again stand ready to deal with the economic landscape we find ourselves in now. That means we are well placed to hit the ground running to work with the new Prime Minister and government – we cannot afford to delay – the challenge is immediate, we will put our regional strengths at the heart of local economic growth and innovation, exploit the power of that unique business led partnership, underline the critical influence of an independent local business voice in devolution, and support our SMEs to start, scale up, and find new global markets. In return we simply ask for a reset from the new government, which values the role of business, recognises the LEP asset on their doorstep, and values its contribution.

As we look forward to working with the future government to deliver better outcomes – it must be a respected collaboration if it is to succeed, one that recognises what LEPs can do for every area of this country.

Let’s get to work.

#### LEP Boards include:

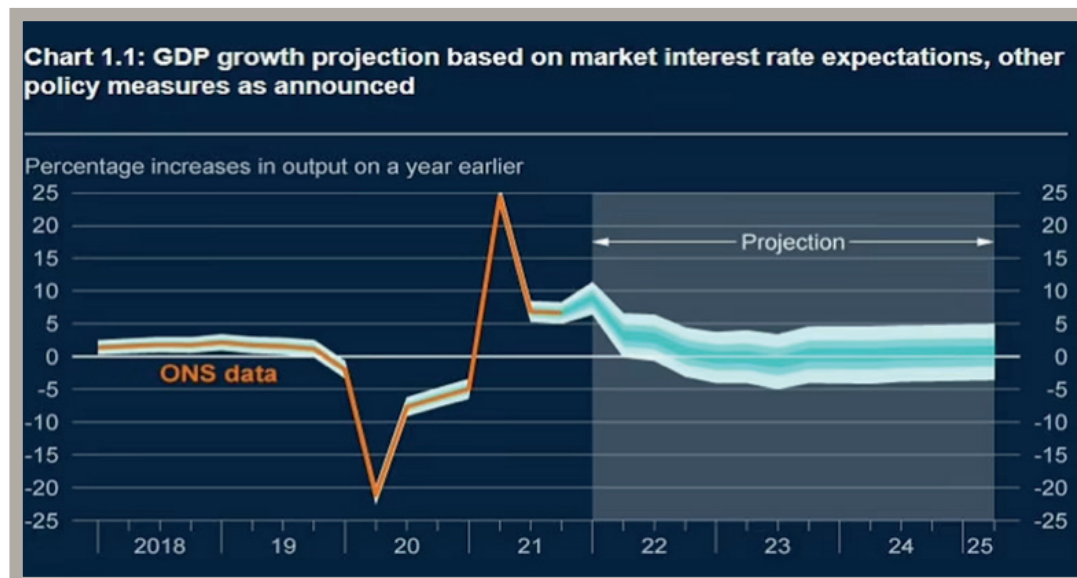




# THE CHALLENGE IS URGENT

LEPs see the challenges facing local businesses every day. With barely 1% growth predicted for 2023 and possible contraction of economic activity forecast, we desperately need to increase stubbornly low productivity levels, stimulate investment and local growth, exploit local innovation, support SMEs, and boost international trade by getting our world-class science and research breakthroughs to market.

LEPs need a minimum level of support to help government drive this forward at pace and a recognition of the role local business leaders can play. Latest projections show UK economy flatlining and at risk of recession.



# RESPECT THE REGIONS

The truth is the national economy is made up of disparate regional economies which LEPs understand well, each quite different and unique.

So, a one size fits all national plan can't be the answer and regional business leaders have continued to make that case.

LEP leaders can utilise their local business expertise to pivot and exploit local strengths and opportunities and we must reset a national pro-growth economic plan that recognises and respects the regions as central to producing an immediate blueprint for growth.

*'We must reset a national pro-growth economic plan that recognises and respects the regions.'*

# UTILISE POWER OF PARTNERSHIPS

The brokering and convening power of LEPs is what has helped pump over £25bn of private sector investment into our regions, and has seen almost 2.3m entrepreneurs and SMEs turn to LEPs in a single year to help them get started, grow, and export, as well as helping 3m people develop new skills.

What drives this unique capability are the local business leaders, including SMEs and entrepreneurs, working with public sector leaders, FE colleges and universities, united in a common mission. Harnessing the power of the private sector through LEPs will help 'reset' and strengthen the relationship with business – we mustn't lose that.

*'If LEPs didn't exist, Whitehall would be busy creating them.'*

Jonathan Werran, CEO, Localis,  
February 2022



# MAKE GOVERNMENT BETTER

Whitehall must recognise that the economy isn't the sole preserve of the Treasury, rather that every government Department must have a hand in creating the conditions for growth, from the digital agenda in DCMS, to the rural agenda in Defra and the obvious interests in BEIS, DIT and DLUHC.

Whitehall must work better together and end the silo mentality which often prevails. This follows into the many and varied funding streams which continue to dominate local growth and whose competitive approach can be counter-productive. These need to be better aligned and evidence driven. Incoming Secretaries of State should be charged with making sure that is the case.

As the latest economic growth report from our colleagues at the CBI, *'How Britain Grows Again,'* notes, "the next Prime Minister must have a plan for growth that dominates policymaking across ALL government departments."

*'Every government Department must have a hand in creating the conditions for growth.'*

# DEVOLUTION MOMENTUM

The momentum of devolution and giving freedom to areas to have a say on their own strategic economic direction can benefit a future government's ambitions, but it is vital that the private sector plays a central local role in that ambition and this can be achieved through LEPs.

Local businesses understand what works in their local economies – anchoring them in the process will help accelerate the ambitions of Government. It is local business that will deliver growth in the regions and the outcomes which devolution looks to deliver. If it does not have an independent and influential seat at the Local Authority table, the investment and opportunities that LEPs have achieved will be all the harder to secure. As the CBI rightly says, it is not good enough simply to consult with business, but business should be a central partner in co-design.

*'Business engagement (must be) used to inform what works in the boardroom and to co-create policies, not just consult on them.'*

*(How Britain grows again, CBI, July 2022)*

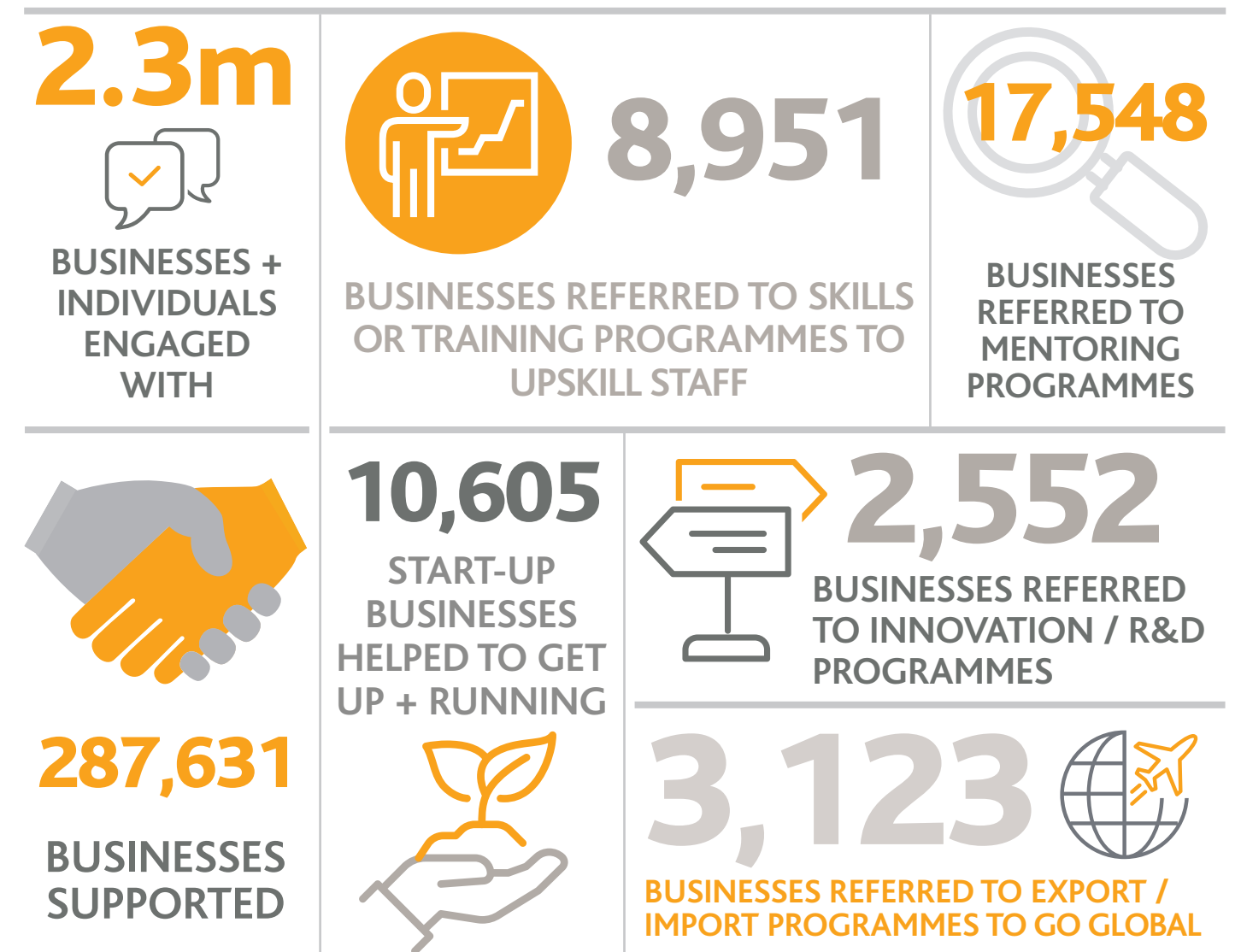
# BOOST SME SUPPORT

A reset to the local growth approach provides an opportunity to deliver better outcomes.

The SME sector, will provide the engine for growth within our regions. Support should be put in place to ensure the SME community can fulfil its potential. Despite the success of the Growth Hubs in working with over 2m businesses and individuals in a single year, funding has been cut by 50% to just £11m per annum.

This fails to understand the role the SME sector can and should play in regional and national growth and is a missed opportunity. The current approach by government also overlooks the role Growth Hubs can play in delivering the government's' priorities.

Latest figures from LEP Growth Hubs who support businesses across the country show that:





# REGENERATE RURAL

LEPs must serve the differing demands their local economies face—meeting the challenges of city regions, coastal areas, and rural communities. LEP figures show that the rural economy is 18% less productive than the national average because of its unique challenges, and with the majority of rural businesses being SMEs, around 98% – LEPs are ideally placed to support them.

LEPs are seeing rural businesses face very specific challenges compared to their urban counterparts – including access to external finances and investment, finding local staff with the right skills, a lack of affordable housing, dispersed poverty, and slow progress with essential business infrastructure like superfast broadband.

The current approach to Levelling Up is urban centric and overlooks the needs and opportunities in rural areas. This must be remedied and rural stimulus is vital.



# LEPs HAVE SKIN IN THE GAME

LEPs have continued to support the key drivers of regional growth to help reduce regional inequalities and stand ready to work with the new Cabinet to turbo-charge delivery. We are already making inroads to achieve better outcomes in the critical areas of future growth, and have skin in the game, namely in:

## Decarbonisation and Net Zero

LEPs are enabling local businesses to make huge advances in sustainable air travel with pioneering advances such as developing the first test flight of a hybrid electric aircraft, or working with Rolls-Royce on potential new sites for their new nuclear Small Modular Reactor (SMRs) that will provide affordable, low carbon electricity for the future.

D2N2 LEP's Hydrogen Taskforce aims to be a key building block for the Midlands Engine as part of a new strategy for hydrogen technologies. Derby set out its aim to become the UK's centre of excellence for future fuel technologies, using the city's advanced manufacturing expertise to revolutionise the way low-carbon energy is used to power businesses, transport and homes.

Hydrogen is increasingly recognised as a viable and low carbon future fuel that can help the UK meet its net zero commitments by 2050. The D2N2 hydrogen taskforce has been set up to lead by example and foster collaboration to create pace and greater co-ordination, as well as a strong single voice to investors and Government.

Following market analysis by Derby City Council and Arup, D2N2 has re-purposed £6.5m for projects to stimulate low carbon innovations that are too risky for the market. D2N2 intends to announce shortly the seven successful projects, four of which relate to generation and adoption of clean hydrogen for industry and transport.



## Investment Zones

LEPs have a proven track record in stimulating Enterprise Zones, Freeports, Town Deals and Opportunity Zones and are well placed to build the 'Investment Zones' of the future – with a ready made implementation vehicle in LEPs, based on over a decades worth of experience establishing and operating these zones, we could hit the ground running. While government momentum slowed on these in recent years, LEPs believe a refreshed approach to reinvigorate the concept could play a vital role in stimulating local activity, attracting global investment and growing local economies at pace.

Such zones are a proven model for delivery with real growth opportunities, and good local governance that's already embedded in participating LEPs and their Local Authority partners. Experience shows these zones have been a major stimulus in developing key clusters in automotive, life-sciences etc and have done so in key strategic sites that also attract high skill jobs and housing, as well as having a transformational levelling up effect. With minimal upfront capital costs from government, the zones would also support supply chains and construction chains, while relying on business rate retention to forward fund development costs removing the need to top slice existing government programmes.

## Skills

LEPs are working hand in hand with local business, through our Skills Advisory Panels (SAPs) and are leading work with DCMS to develop our Local Digital Skills Partnerships, to build a local skills pipeline for the future. LEPs are a unique mine of local data and information that can identify exactly where local skills investment is needed in their respective areas.

LEPs also co-fund the Career and Enterprise Company's Enterpriser Advisor network, which has brought nearly 3,000 business volunteers into schools to support and stimulate vital career choices for students. It's the unique convening role of LEPs that increases the benefit, scale and reach of this CEC partnership and has enabled more business stakeholders to connect directly with their local schools.

LEPs are also working in cross-partnership to deliver solid results for their Skills Bootcamps and Institutes of Technology – addressing urgent skills needs in areas like green technology, HGV and logistics sector, digital, advanced manufacturing, and construction sector. That said LEPs are excluded from delivering the government's Local Skills Improvement Plans (LSIPs) which remains an anomaly, although we have provided support to Local Skills Improvement Plans bidders who came to us for help, again underlining the direct value LEPs bring to partners on the ground.

## Science & Innovation

It holds true that "you haven't a prayer of being a science superpower unless you become an innovation nation." (Innovation Minister, 27th June 2022 LEP Network Conference). LEPs are a galvanising force creating a variety of innovative cluster activity across England, from growing a burgeoning space industry in Cornwall, and building a cyber security specialism in Gloucestershire, to advanced manufacturing in Manchester, and exploiting the latest cutting-edge developments in ceramic technology in Stoke-on-Trent.

## Global Trade

LEPs are working with local businesses on strategic economic planning that exploits international trade opportunities, increasing international trade and investment activity by identifying local economic opportunities that make the most of area and regional strengths, particularly through the development of LEP led clusters and sector specialisms that help stimulate international investment and function as catalysts for further global investment.

LEP investment has boosted global trade opportunities for local firms including a sealant and adhesive manufacturer firm called Polyseam.

The £2.3m facility includes research and development, engineering, planning and storehouse space as well as three modern manufacturing units containing the latest technology. The investment in the manufacturing site has included £230,000 from the Leeds City Region Enterprise Partnership's grant programme.

This latest investment marks the next stage in the company's ambition for further growth. It has enabled Polyseam, which is owned by Protecta Group AS, to continue its international expansion programme. The company exports to more than 40 countries and the new facility is helping to boost the company's export business, which now accounts for 80% of its sales. The business has grown to boast international offices in Norway, Sweden, Poland as well as a network of international distributors.





## Innovation Drivers

LEPs are deeply embedded in leading projects and programmes on behalf of their regions, with local partners calling on the LEPs capability, capacity and evidence base.

Most recently we have seen LEPs leading on submissions to Rolls-Royce to identify potential sites for the location of the new Rolls-Royce SMR (Small Modular Reactor) factories. These developments will lead the way in providing affordable, low carbon electricity for the future. Cumbria LEP has also led the detailed submission for a new prototype fusion power plant, known as the Spherical Tokamak for Energy Production (STEP). LEPs are instrumental in helping to drive these innovations – we can't afford to waste that scale of talent and expertise.

LEPs are champions of place based economic growth with an unrivalled understanding of local economic strengths, whether that's exploiting cluster specialisms like Hertfordshire LEP's Cell and Gene Therapy Catapult in Stevenage, or the Solent LEP which was named Clean Maritime Enabler at the Maritime UK Awards earlier this year in recognition of its contribution to projects which are decarbonising one of the UK's most significant clusters and inspiring a new generation of green maritime innovators. We also collaborate across LEP boundaries, for example Buckinghamshire, Hertfordshire and Surrey LEPs working together in the creative film media industry where the UK is a global leader.

The Solent's maritime sector contributes around 25% of the total economic output of the Solent economy and drives a powerful £7.7bn economy – a world-class sector at the forefront of change and innovation in maritime. The Solent LEP has established Maritime UK Solent as an industry-led partnership to promote a thriving maritime sector within the Solent, in order to provide leadership, champion, and support the growth of the sector and ensure the Solent maintains its position as the world's premier maritime cluster.

 **SOLENT LOCAL  
ENTERPRISE PARTNERSHIP**



# A WORD ON FUNDING

LEPs remain a fantastic asset for the country (returning vastly more than is put in), but it is a major challenge for us as we lurch from year-to-year hand to mouth funding, which sucks away Board time and creates continual 'going concern' challenges.

What is urgently needed to retain our people, not least the business leaders who give their time freely and the c.1000 in our employed teams, is an on time multi-year core funding settlement at a level which enables LEPs and our Growth Hubs to do the job.

LEPs now need one simple commitment from the new government that can put us and our staff on a firmer sustainable footing – a multi-year funding settlement.

*'LEPs need a simple multi-year funding settlement that is commensurate with the task at hand.'*

Mark Bretton, Chair, LEP Network





# WHAT NEEDS TO HAPPEN

- 1** A one size plan does not fit all - our regional economies have very disparate and unique strengths which is greater than the sum of its parts and government must work with LEP business leaders who know how to exploit these strengths effectively.
- 2** To make this work, government departments must recognise and engage directly with LEPs and exploit the brokering and convening capability they deliver for national economic programmes on the ground. This includes: a consistent approach from DfE to skills engagement with business; ensuring organisations like Innovate UK work even more closely with LEPs; closer working with DIT to exploit global trade opportunities.
- 3** A defined role for a local independent business voice must be central to devolution and the levelling up agenda, not an afterthought.
- 4** It is essential that government work with LEPs or commission them to build the investment zones of the future as they are the ready-made vehicle to do this with the processes and systems in place to grow local economies at the pace needed.
- 5** To underpin this, LEPs need a simple multi-year funding settlement that is commensurate with the task at hand and stabilises business support and investment, including reinstating the funding of LEP Growth Hubs that continue to support millions of entrepreneurs and local businesses.

LEPs wholeheartedly agree with the CBI's call on a future government that business engagement must mean business leaders are used to inform what works in the boardroom and, critically, to co-create policies, not just consult on them.

With 2,000+ local business leaders and entrepreneurs on hand in LEPs, there is already the means to do this in tandem with the likes of CBI, Chambers of Commerce and FSB etc. But this independent local business voice must be safeguarded by government to ensure it is neither lost nor used as a box ticking exercise because of its integration into a Local Authority – there is a danger devolution could damage the effective local partnerships which are in place and working so well today.

LEPs stand ready to unlock investment and re-ignite growth now; we are the local catalyst that can do that – but we need safeguarding, support and recognition from Government in the next funding round.



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