

Local enterprise partnerships

Transition of LEP functions to CCN members: principles for success



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Executive Summary

Earlier this year, the Government announced its intention 'for the functions of local enterprise partnerships (LEPs) to be delivered by local Government in the future' and a rationale for this approach was to bring democratic accountability back to these functions.

This publication, developed by Ernst and Young LLP (EY UK) and commissioned by the County Councils Network (CCN), has explored the key themes and considerations for a successful transition of Local Enterprise Partnership (LEP) functions to local authorities, drawing on findings from economic analysis and insights from LEP leaders, policymakers and Council leaders and officers.

The purpose of this report is to identify the principles for a successful transition of LEP functions to Local Authorities, and the opportunities and risks associated with the transfer of these functions.

LEPs and Local Growth Funding – Key findings

This report explores the reasons behind LEPs' establishment, their funding sources, and the rationale for transitioning LEP powers to CCN members.

- ▶ Following the abolishment of the RDAs, LEPs became the vehicle for Government to stimulate and deliver growth across places in England. Led locally by the private sector in partnership with local authorities, LEPs accessed significant funding from central Government to deliver against their strategic growth plans for their regions.
- ▶ They were given the responsibility of setting out the economic growth strategy for their areas, building on the unique and specific strengths and opportunities in their regions. LEPs have played a key role in supporting business and enterprise through the growth hubs, disbursing grants and delivering growth programmes on behalf of Government.
- ▶ LEPs had access to a combination of fundings and have received an estimated £12 billion in public funding. Having accessed about £9 billion of LGF and utilising £8 billion across various growth initiatives, they were able to attract investments of £1.76 for every £1 of LGF spend.
- ▶ Our analysis shows that LEPs in CCN geographies were able to generate £1.97 of investments from the public and private sectors for every £1 of LGF spend, outperforming non CCN-LEPs areas who generated £1.41 of other investments in growth programmes for every £1 of LGF spent. Nonetheless, the leveraged investments (£1.76) is considerably lower than the Government's projected £4.81 in benefits for every £1 of LGF spend.
- ▶ However, recent reviews of LEPs highlighted issues such as the absence of a proper evaluation framework to assess their performance given the significant amount of public funds allocated to them. Ultimately, while leveraging additional public and private investment, this was considerably below Government projections on their potential economic impact. In addition, LEPs were not sufficiently held to account, and viewed as lacking democratic accountability. Issues that the LEP policy will have to resolve if the decision to transition is taken and to be viewed a success. This, and wider Government policy, has led to the Government proposing to end core funding for LEPs and transferring their responsibilities to local authorities.

Transitioning LEPs to Local Government – Key Findings

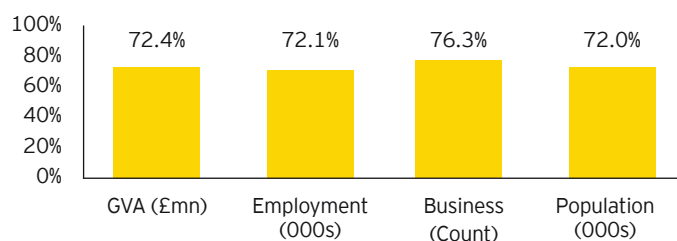
In the Government’s devolution white paper, a framework is exemplified for how LEP powers and functions could be brought under the remit of local democratic institutions. This would further empower local elected leaders to drive growth and bring LEPs under democratic control.

This policy direction recognises the potential as well as the role local authorities have played alongside LEPs, such as offering strategic and operational resources and support to LEPs to deliver on their economic growth mandate. Local authorities including CCN members have provided Accountable Body oversight to LEPs and have worked together with LEPs to secured public and private sector funding to deliver growth programmes in their regions.

Through our economic analysis this report demonstrates the critical role of CCN member councils in supporting the transition process and realising the economic growth potential it creates:

- ▶ **Spatial Alignment:** CCN members have partial or full coverage in 27 out of the 38 LEP regions (CCN-LEP group), 10 are fully encompassed by one or more County boundary CCN members and 17 are partially covered by at least one CCN member. The distribution of coverage highlights the significant representation and influence that CCN members hold within the LEP network. It underscores their role in shaping sub-regional development policies, driving economic growth, and fostering collaboration within these geographies. CCN members' involvement in both fully and partially covered LEP regions presents opportunities for coordinated strategies and concerted efforts to enhance competitiveness and drive progress.
- ▶ **Economic Scale and Coherence:** As the primary drivers of growth in the CCN-LEP group, CCN members will have an important role to play in facilitating a successful transition. This presents an opportunity for CCN members to enable strategic growth policies by promoting the expansion of economic activity beyond the city regions. CCN members have a dominant economic footprint within the CCN-LEP group, positioning them to advance the UK's growth agenda and drive regional prosperity. CCN members account for 72% (£666bn) of the GVA generated within the 27 LEP Regions, 72% (13m) of the total employment, 76% (1.2m) of businesses and 72% of the population.

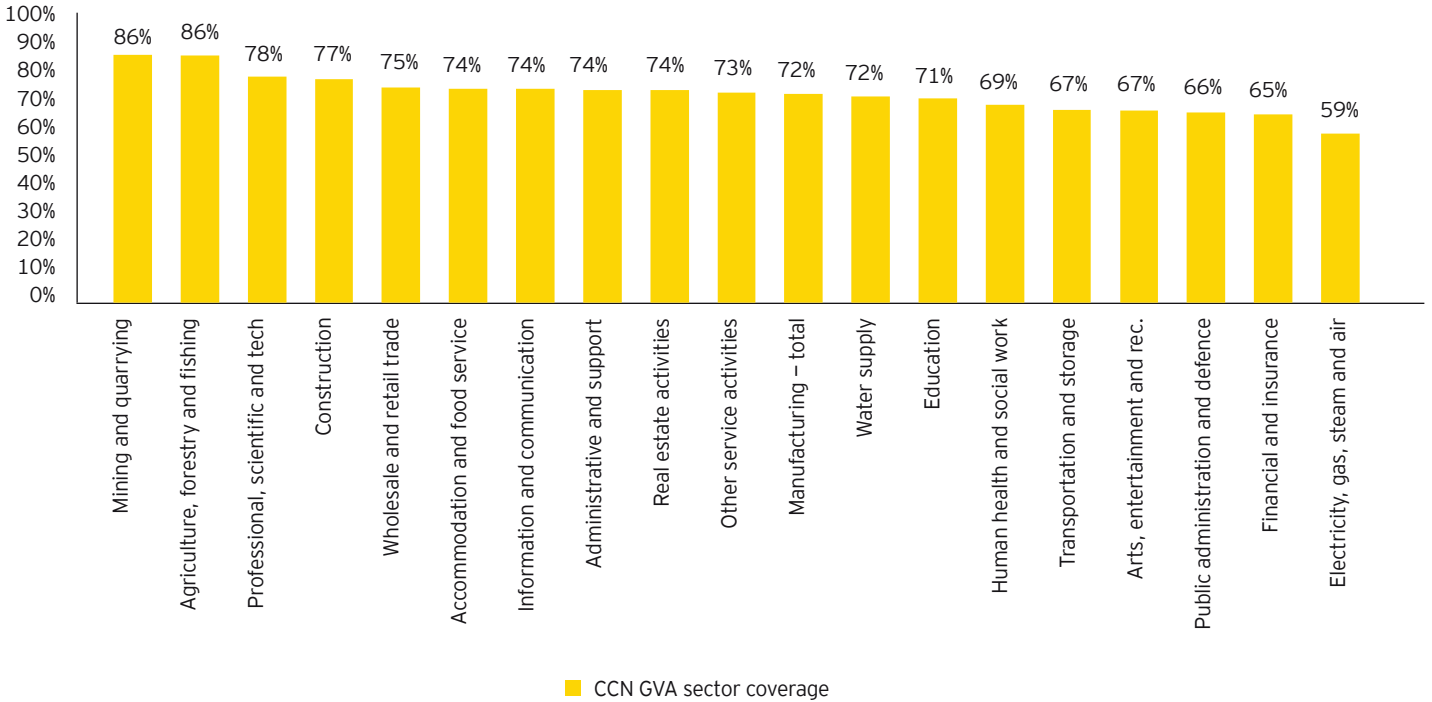
Figure 5 – CCN economic coverage (CCN-LEP – 27 regions)¹



Sectoral proficiency: A diverse range of sectors are represented in the 27 CCN-LEP group areas, demonstrating the broad understanding and participation CCN members will need to facilitate local prosperity in their regions. Within the CCN-LEP group, CCN members are already able to evidence their sectoral diversity and strengths; for example, CCN members within the group encompass £127bn (72.4%) of the UK’s manufacturing GVA output, and £91bn (74.5%) of the UK’s wholesale and retail trade. Businesses within these regions employ 225k (86.1%) of England’s jobs in agriculture, forestry and fishing, and 971k (75.8%) of people in construction .

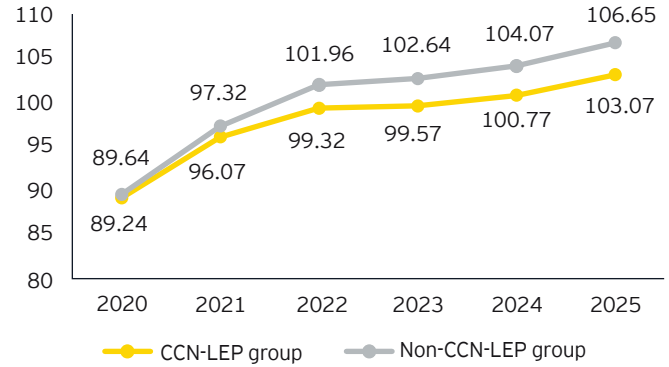


Figure 6 – CCN sectoral density in 27 LEP regions they fully or partially cover (CCN-LEP)



► **Growth Prospects:** Through evaluating the GVA output of CCN-LEP versus non CCN-LEP areas since the pandemic, a picture emerges of a slower recovery within CCN-LEP areas. CCN-LEP areas are forecast to take five years (until 2024) to recover the economic output lost during the pandemic. In comparison non CCN-LEP areas have an accelerated recovery curve that indicates by 2022 they had already outperformed their 2019 output by 2%. Further, the growth outlook to 2025 for the CCN-LEP group is currently forecast to be sluggish; whilst the CCN-LEP group entered the pandemic with larger economies (£926bn) than the non CCN-LEP group (£906bn) they lose ground across the years to 2022, and by 2025 the CCN-LEP group has grown by £28bn (3%) since 2019, compared with £60bn (6.7%) in the non CCN-LEP group. Urban areas typically benefit from well-developed transportation infrastructure, better access to skilled labour, and proximity to consumer markets, all of which contribute toward the marginal outperformance of this group. However, employment growth across both groups is low.

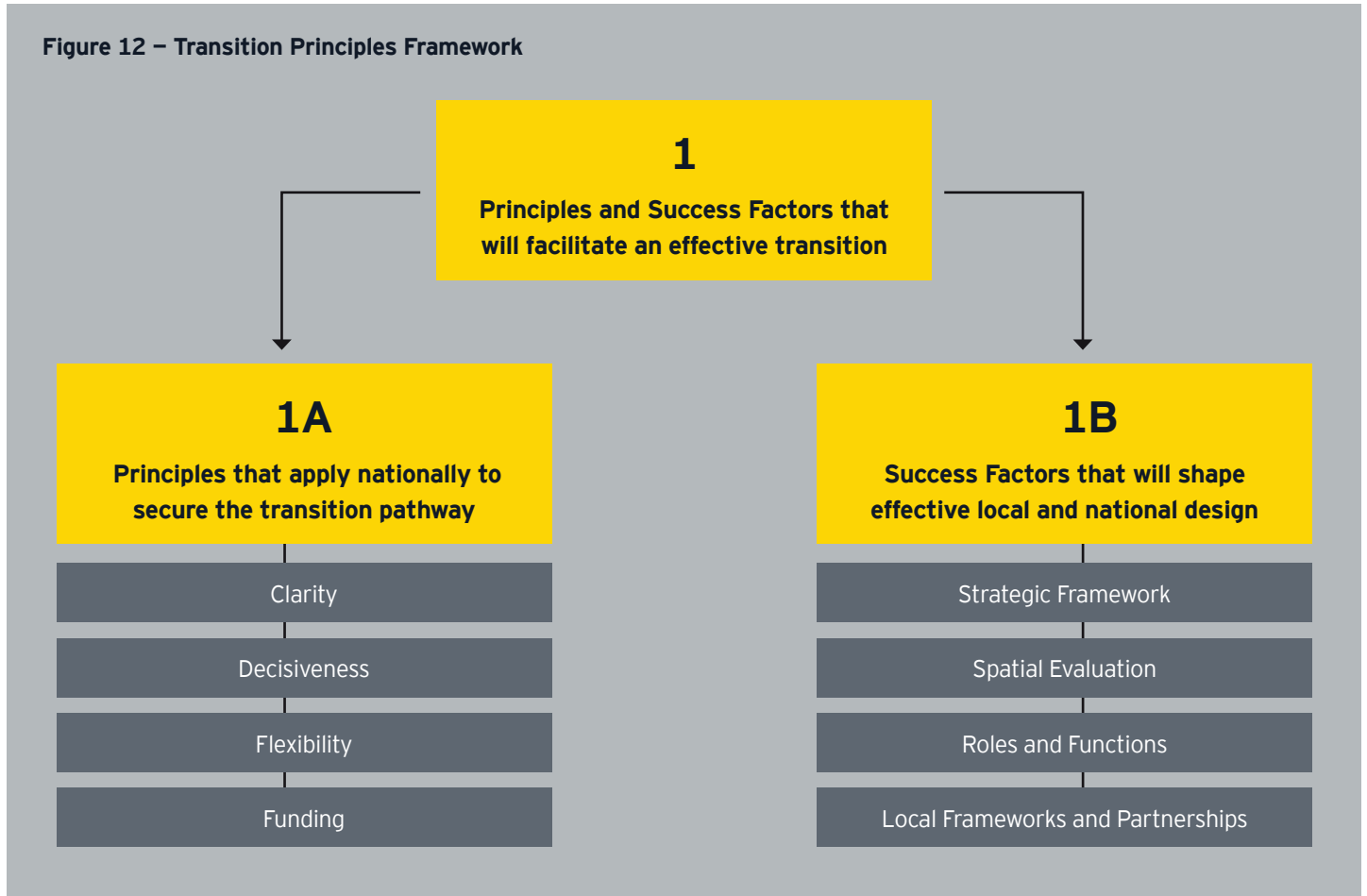
Figure 9 – Growth outlook of both analytical groupings (Index, 100 = 2019)



While our analysis also highlights the risks and opportunities presented by the transition process to achieving these economic outcomes, it has been demonstrated – through the economic rationale, CCN members’ capabilities and unique positioning – that CCN members are well positioned and capable of energising and amplifying economic growth responsibilities through the transition of LEP functions to local Government.

Transition Principles

This report identifies and describes the principles and success factors for the transition of LEP functions to local democratic institutions from the lens of CCN members in response to the Government's indication of its intention to transfer LEP functions to local democratic institutions by 2024.



Principles – National principles to secure the transition pathway

The principles which speak to the policy landscape on what needs to be considered nationally for smooth and successful transfer of LEP functions to CCN members represent the collective view of CCN and its members and were identified as critical to success.

1. Clarity: Providing clarity to ensure policies and transition directives are unambiguous would expedite and facilitate transfer of LEP functions at pace to CCN member authorities

Requirements for a successful transition:

- ▶ Clear directive on transition timeline
- ▶ Define accountability for Economic Strategy, Programme Delivery and Business Engagement

- ▶ Baseline functions that need to transfer
- ▶ Establish guideline on assets and liabilities distribution
- ▶ Define mechanism for allocation of funding to support transition planning

2. Decisiveness: Decisive action from Government is needed to steer policy direction and make decisions necessary to enable a smooth transition

Requirements for a successful transition:

- ▶ Confirm whether it is Government's expectation that the integration of LEPs will require Council approval
- ▶ Define a position on LEPs transitioning functions to upper-tier local authorities and policy model for future devolution if desired locally

3. Flexibility: There is the desire for Government to set out parameters in which actions will be taken and within those parameters allow UTLA to nuance their approach to transition depending on local circumstance.

Requirements for a successful transition:

- ▶ LEP transition design should be for local leaders to define and match to local area needs and circumstances
- ▶ Strong guidelines rather than inflexible rules should be pursued
- ▶ National economic strategy that enables local economic strategies and autonomy to deliver and deploy resources to meet local priorities and outcomes

4. Funding: As Government is 'minded to' end LEP funding in 2024 and UK SPF funding commitment is not guaranteed beyond 2025, CCN members would benefit from Government clarifying future funding streams and allocation mechanisms that will target economic growth. To be able to deliver on the additional responsibilities that transfer to CCN members taking on the functions of LEPs, clarity is needed on how in-flight projects transferred from the LEPs would continue to be funded and the value of future funding including revenue allocation to support functions and programme delivery.

Requirements for a successful transition:

- ▶ Future funding must be reflective of existing requirements, ring-fenced to economic growth priorities and not time constrained
- ▶ Existing programmes must continue to be funded to committed levels
- ▶ Confirmation of retrospective compensation for transition costs incurred by Local Authorities
- ▶ Establishment of a transparent noncompetitive allocation process tied to place-based growth strategies

Success Factors that will shape effective local and national design

The Success Factors emanating from engagement with stakeholders to canvas a wide array of views and research identified key transition design considerations that will shape effective local and national design of LEP transition.

1. Determine a Strategic Framework: There is the need for a coherent strategy at the local level that builds on local opportunities to compliment national growth ambitions and Government's levelling up agenda. Strategic growth objectives are better defined at local level when Government sets out a framework at national level that

clearly outlines national strategic priorities and objectives, how resources and funding will be allocated to places and how performance and outcomes would be determined.

Activities for a successful transition:

- ▶ Consolidate LEP strategy and/or business plan objectives, alongside economic objectives from other plans such as Local Industrial Strategy, council (Economic Plan)
- ▶ Define, or validate the existing, Economic Plan and framework and set measures of success
- ▶ Establishing strategies that explore national opportunities as a means to elevate local priorities
- ▶ Set out strategies that encourage cross-border cooperation where appropriate

2. Evaluate the Spatial Capabilities: As LEPs span CCN members and combined authority boundaries, there is the need for appraisal for the most effective span of accountability and capabilities. Potential alignment with devolution and consideration of appropriate powers to enable economic development and drive collaboration.

Activities for a successful transition:

- ▶ Undertake spatial mapping of LEP, authority, anchor institution and economic mapping
- ▶ Assimilate impact and evaluation of LEP programmes and spending across the locality

3. Determine Roles and Functions: Where functions transfer from the LEPs to CCN members, clarifying the revised role of the local authority and how these functions would be delivered post transition is imperative for success.

Activities for a successful transition:

- ▶ Determining the revised requirement of these functions within the renewed structures
- ▶ Establishment of governance with significant business influence
- ▶ Integration of business voice in agenda setting
- ▶ Determining delivery strategies that leverage local context (presence of business bodies like chambers, lower-tier authority structures)
- ▶ Undertake option analysis for infrastructure already in place (e.g., growth hubs)

4. Shape Local Frameworks and Partnerships: There is the need to define and set out the right model of transition framed in the local context to deliver local economic growth by harnessing place strengths and opportunities for regional cooperation.

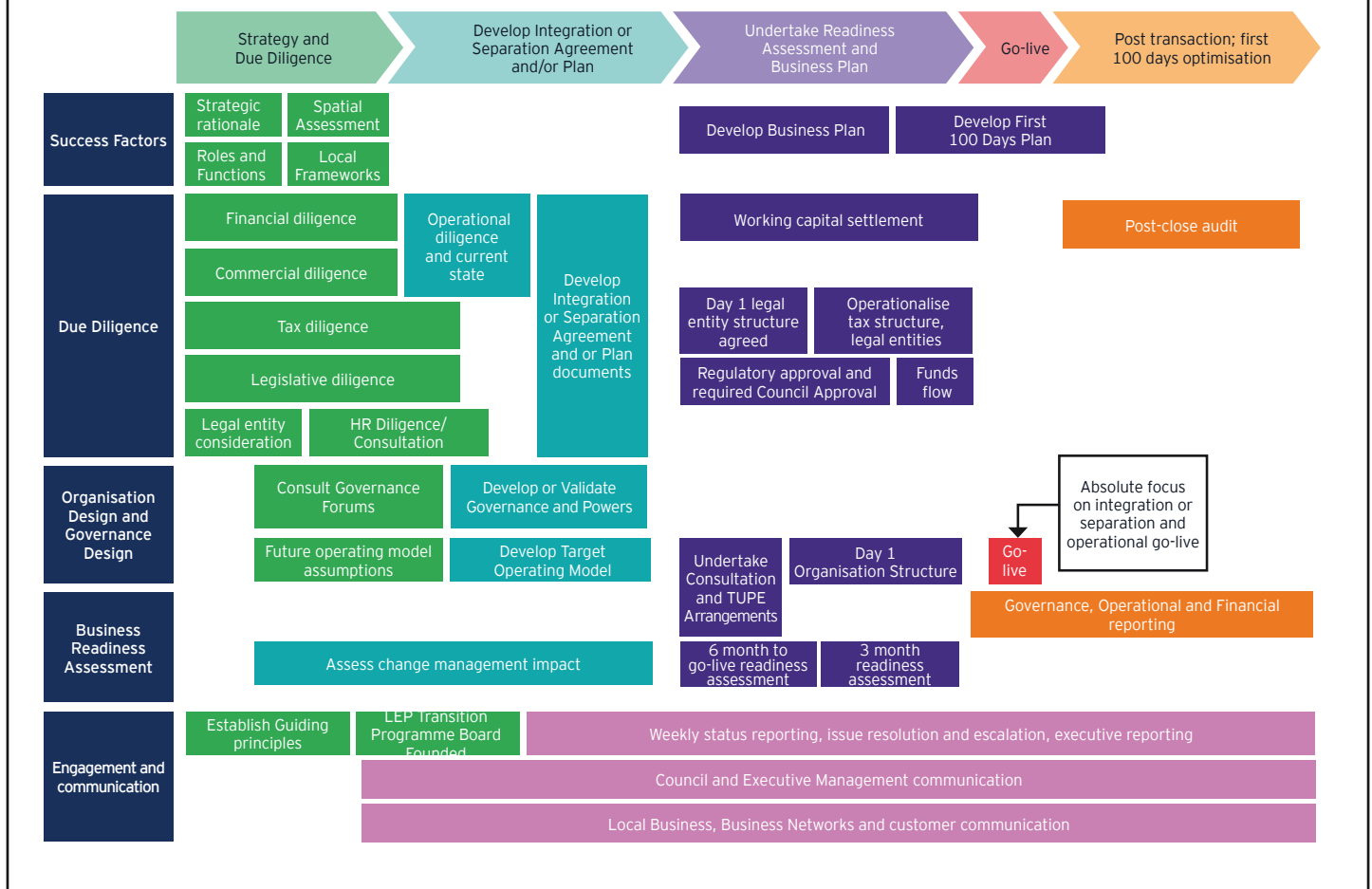
Activities for a successful transition:

- ▶ Establishment of place-based model of governance that considers true representation of local stakeholders
- ▶ Determine roles and opportunities for cooperation with pan-regional growth bodies
- ▶ Define and establish a partnership of councils to echo achievements and share best practice
- ▶ At local level, define intergovernmental framework that sets out where functions sit and how they will be delivered

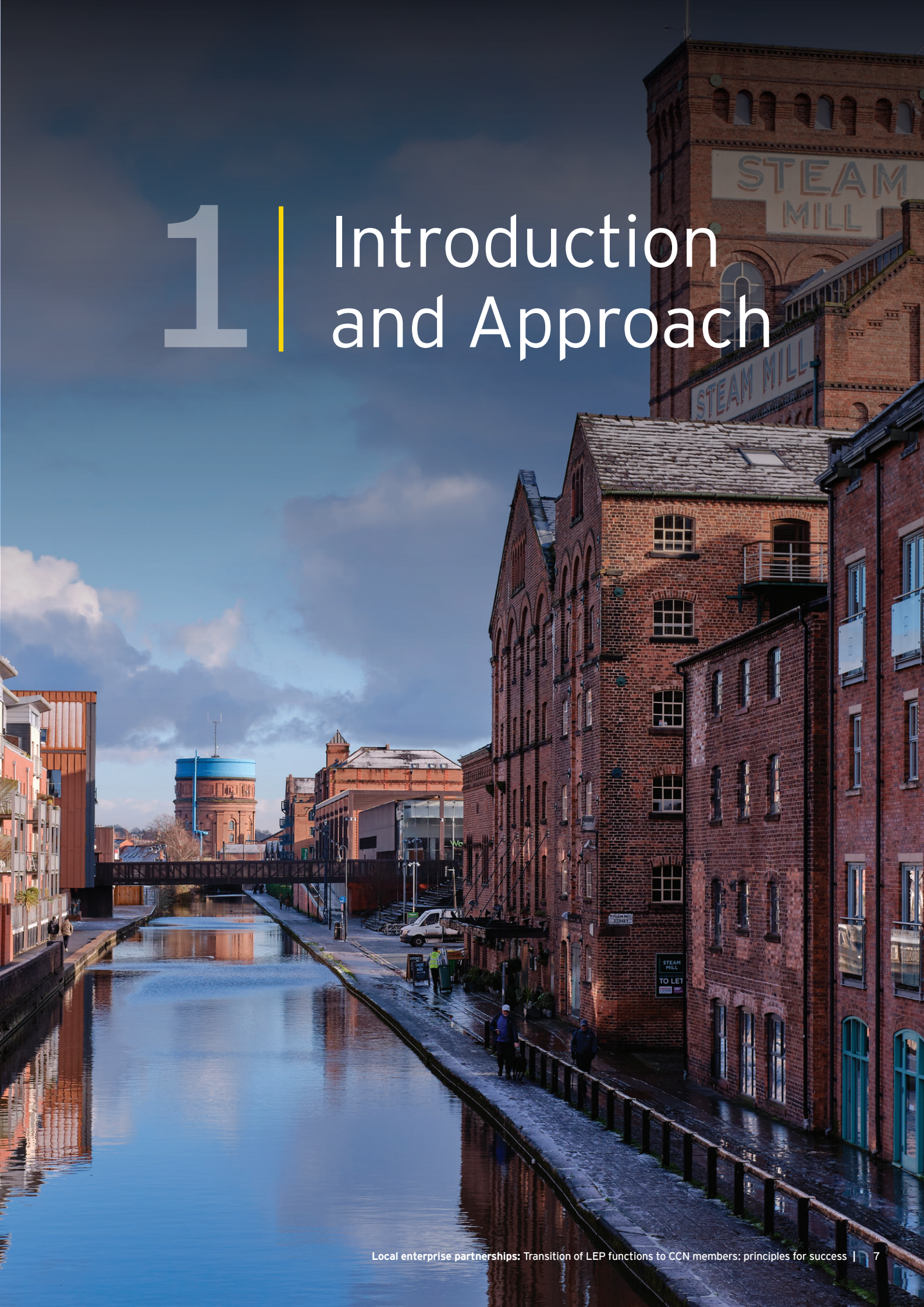
LEP Transition Roadmap

As a conclusion is drawn in local areas whether the LEP will be integrated into a Local Authority structure or continue in a revitalised form as an independent body, a clear roadmap must be followed to safeguard the future organisations mission, staff and assets. The following roadmap draws out the key steps essential to a robust, compliant and secure transfer or continuation of LEP organisations. Reflecting aspects of typical mergers and acquisitions roadmap will provide rigour to the programme plan; through due diligence, clear agreements and readiness planning both parties are fully protected and the future state designed effectively and setup for success.

Figure 13 – Typical LEP Transition Roadmap



1 | Introduction and Approach



1.1 Purpose of Report

At the Chancellor's spring Budget, the Government announced it intended 'for the functions of Local Enterprise Partnerships (LEPs) to be delivered by local Government in the future'.

An information gathering exercise by DLUHC, aimed at affected organisations, was undertaken to assess the potential implications of this proposal if taken forward.

This publication, developed by Ernst and Young LLP (EY UK) and commissioned by the County Councils Network (CCN), has explored the key themes and considerations for a successful transition of Local Enterprise Partnership (LEP) functions to local authorities, drawing on findings from economic analysis and insights from LEP leaders, policymakers and Council leaders and officers.

The purpose of this report is to identify the principles for a successful transition of LEP functions to local authorities, and the opportunities and risks associated with the transfer of these functions.

1.2 Approach

The approach taken to produce the findings in this report combines a comprehensive stakeholder engagement exercise, an analytical framework, integration of lessons learned from previous transitions, in particular RDAs, and the development of a roadmap.

Stakeholder engagement approach

A comprehensive engagement approach was implemented across a variety of stakeholder groups, ensuring that a wide range of views were canvassed as part of this work. This included stakeholders across local Government, central Government, community leaders, combined authorities, LEPs, and business representatives. Their wide-ranging perspectives were gleaned through reference groups, interviews and roundtable discussions, an inclusive approach designed to ensure that diverse viewpoints were carefully considered in the report, fostering a more holistic and representative analysis.

Analytical approach

An analytical framework was employed to assess the potential impact of local growth funding and the risk and opportunities resulting from the transition. This involved conducting research and economic analysis to understand the sphere of economic influence, use of funds, and to critically analyse how the transition could drive sustainable economic growth, job creation, and improved living standards.

Lessons learned

The report incorporates valuable insights gleaned from previous transitions, specifically the transition from RDAs to LEPs. Lessons learned from stakeholders and existing literature were carefully integrated, allowing for the identification of best practices, success stories, and challenges encountered during this process. This knowledge, highlighted in the report, serves to inform decision-making, enhance the overall effectiveness of the transition, and highlight any potential pitfalls to be mindful of during the transition.

Roadmap

The report provides a clear roadmap that outlines the strategic vision, objectives, and timeline for the transition. This roadmap serves as a guiding framework, providing a step-by-step plan for the implementation of the transition based on the insights gained from stakeholder engagement and the analytical assessment. It ensures a coordinated and systematic approach to the transition, including resource allocation and progress monitoring. The roadmap acts as a valuable tool to navigate the complexities of the transition, enabling effective management, accountability, and successful outcomes. The roadmap however should be adapted for each area as every transition will differ.

1.3 Methodology and limitations

To analyse the economic footprint of the LEPs and CCN member councils, LEP regions were mapped to their respective member authorities. A total of 38 LEP regions were considered and 27 were found to have a corresponding CCN member authority while 11 LEPs which were primarily in city regions did not have a corresponding CCN member authority. These groups of LEP regions were analysed using Gross Value Add (GVA), employment (including forecasted metrics), number of businesses and population metrics.

This research also looked at the impact LEPs have made from the utilisation of the Local Growth Funds by analysing additional inward investments and matched funding from public and private sectors, inward investment ratio per £ of Local Growth Fund spend, Local Growth Fund allocation per capita and levered investments per capita. Available data was limited to 30 LEPs of which 22 were CCN member authorities' associated LEPs – but remains an important point of comparison.

1.4 Definitions

Acronym	Meaning	Definition
CCN	County Councils Network	The CCN is a group of 37 county and unitary authorities representing 26 million people in England. The CCN acts as the voice for county authorities across Westminster, seeking funding, powers and better conditions for its members
LGF	Local growth fund	A £12 billion fund created as response to Lord Heseltine's 2012 report on how to stimulate economic growth at local level. Local strategic plans submitted to Government were used to negotiate 'Growth Deals' for the periods 2015/16 to 2020/21
MCA	Mayoral combined authority	Mayoral combined authorities are local Government entities set up by councils that wish to coordinate and jointly administer responsibilities over services such as transport, housing and social care. Mayoral Combined Authorities are led by an elected mayor ¹
GVA	Gross value add	The value generated by any unit engaged in the production of goods and services ²
FSB	Federation of Small Businesses	An organisation of small businesses that protects and promotes the interests of small businesses in the UK. It provides a national voice to make representation to Government on legislative and other public matters that affects small businesses
UTLA	Upper tier local authorities	There are 153 upper tier local authorities in England made up of 63 unitary authorities (including Isles of Scilly), 36 metropolitan districts, 33 London boroughs (including City of London) and 21 county councils. ³
LTLA	Lower tier local authorities	There are 164 lower tier local authorities in England's 21 county council areas. ⁴
LEP	Local enterprise partnerships	Local Enterprise Partnerships (LEP) are private sector-led partnerships between Local Authorities and business and designed to promote local economic development. They are non-statutory bodies responsible for stimulating, steering and driving growth by setting local growth strategies, providing business support and delivering growth programmes
RDA	Regional development agencies	Regional Development Agencies were commissioned to champion economic development at regional level under the RDA Act 1998. The RDAs had statutory responsibilities to further economic development, promote investments and employment, enhance skills development and contribute to sustainable economic development. The RDAs were closed in July 2012 as Government refocused economic growth strategy to sub-regional level which was to be driven locally
PRGB	Pan regional growth bodies	Pan-regional growth bodies are partnerships that drive regional growth and productivity by bringing together businesses and local leaders to work across boundaries and at scale to address issues that affect them. They are vital in setting regional strategic plans to enable targeted investments
DBT	Department for business and trade	Department for business and trade (DBT) was established in February 2023, it combines the business responsibilities of the former Department for Business, Energy and Industrial Strategy (BEIS) and the former Department for International Trade (DIT). The core responsibility of DBT is to facilitate and deliver economic growth across the economy through support for UK businesses

1. Institute for Government

2. Office of National Statistics

3. Office of National Statistics

4. Office of National Statistics

2

LEPs and Local Growth Funding

2.1 Background

This section explores the reasons behind LEPs' establishment, their funding sources, and the rationale for transitioning LEP powers to CCN members.

The Government announced the approval of 24 LEPs in the October 2010 White Paper *Local Growth: Realising Every Place's Potential*. A further 15 LEPs were approved, taking the total to 39 (two LEPs merged in 2016, meaning there are now 38). All areas of England are covered by a LEP.⁵

LEPs are non-statutory bodies, and so have a great deal of discretion in how their membership is composed, although Government wrote to local authorities in 2010 that 'to be sufficiently strategic, we would expect that partnerships would include groups of upper tier authorities'. The Government was also clear that LEPs must have a chair and at least half of their members from the private sector.

2.2 Roles and Responsibilities

LEPs were established to drive local economic growth across England. They took over various responsibilities from RDAs following their closure including working with central Government to set local investment priorities, assisting people in returning to work through collaborations with local employers and job centres, leading local business regulation changes, supporting local high-growth businesses, and contributing to national priorities such as digital infrastructure and renewable energy projects.⁶

LEPs also deliver a number of other wider interventions for central Government such as Growth Hubs, and holding responsibility around Enterprise Zone location decisions, and investing the business rates generated within such Zones to support wider economic development.

Currently LEPs responsibilities can be defined against three high-level functions:

- 1. Economic Growth** – providing the local strategic planning and capacity needed to grow the Private Sector, providing advocacy, targeting investment and support to both existing and emergent sectors and businesses.
- 2. Delivery and Allocation Vehicle for Government** – as evidenced by the Local Growth Funds, LEPs have played a critical role in distributing funding in their localities. In this role they have applied granular understanding of local

needs to run application and allocation processes for grants and loans.

- 3. Voice of Business** – through Private Sector representation on LEP Boards, fostering business networks and immersing themselves in business communities, LEPs have played a fundamental role as the voice of business in local areas.

Whilst a broad description, it is clear LEPs have also been making significant wider contributions to local prosperity on investment, industry and skills outside of this core remit.

2.3 LEP Funding

Initially intended to be self-funding vehicles via the leverage of private investment, LEPs have had access to a combination of funding sources, including Government grants, contributions from local authorities, private sector investments and European Union funding. In all, it is estimated that LEPs received almost £12 billion in public funding between 2010-11 and 2019-20.⁷

Following Lord Heseltine's 2012 report, 'No stone unturned in pursuit of growth', Government responded by announcing the creation of the Local Growth Fund in the 2013 spending review that would allocate £2 billion a year to Growth Deals for the periods 2015/16 to 2020/21. Funds were indicatively allocated to the LEPs based on Growth Deals agreed with Government on the back of their multiyear strategic growth plans.⁸

By 2016, the Government had allocated a total of £7.3 billion of the Local Growth Fund to the LEPs. Total allocation via Growth Deals grew to £9.1 billion in 2019 and an additional £3 billion was allocated through other means.⁹

2.3.1 Historical sources of LEP funding¹⁰

- 1. Startup funding:** in 2011, a one-off £5 million startup fund was given to LEPs to cover expenses such as trainings and initial engagement with business communities.
- 2. Further Capacity Funding:** £25 million was set aside in the 2012 Autumn Statement to provide capacity building within LEPs to enable them to support the development and delivery of their strategic plan. Each LEP was offered £125,000 for 2012/13 to provide immediate support.
- 3. Regional Growth Funds:** This was a £2.7 billion fund set aside for a 5-year period covering 2011/12 to 2015/16. Forty-three awards were made to LEPs worth £433 million in four rounds. Awards were made based on the strength of their applications.

⁵ [Local Growth: Realising Every Place's Potential](#)

⁶ [Local enterprise partnerships | Institute for Government](#)

⁷ [Local enterprise partnerships | Institute for Government](#)

⁸ [Local Enterprise partnerships, A report by the Comptroller and Auditor General | National Audit Office](#)

⁹ [Local Enterprise partnerships, A report by the Comptroller and Auditor General | National Audit Office](#)

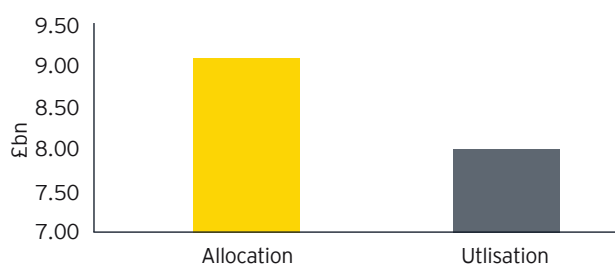
¹⁰ [Local Enterprise Partnerships | Briefing Paper Number 5651 | House of Commons](#)

4. **Growing Places Funds:** Set up to tackle constraints on infrastructure investment, with a focus on housing and transport. £770 million was set aside and so far, £730 million has been disbursed to LEPs. £673 million was disbursed for capital funding while £57 million was disbursed for revenue funding. £652 million has been allocated to 305 infrastructure projects. Funds were mostly awarded to projects on loan-only bases but could be disbursed as grants or a combination of loan and grants and equity. This ensured the fund could be revolved around multiple projects.
5. **Local Growth Fund:** A £12 billion fund created in response to Lord Heseltine's 2012 report on local growth. Local strategic plans submitted to Government were used to negotiate 'Growth Deals' for the periods 2015/16 to 2020/21.
6. **EU structural and investment funding:** £5.3 billion was received from the European Regional Development Fund and European Social Fund between 2014 and 2020. LEPs were given the responsibility to design and deliver strategies on how best to use this funding.
7. **Getting Building Fund:** A £900 million fund to deliver skills, infrastructure, and jobs. Targeted at areas most impacted economically as a result of the pandemic. The fund set out to deliver 'shovel-ready' infrastructure projects agreed with mayors and LEPs.
8. **LEP core funding:** A yearly allocation of £500,000 (subject to securing a £250,000 match funding from local partners) disbursed in two tranches

2.3.1.1 Local Growth Fund (LGF) Utilisation and Impact

Between 2015 and 2019, £9.08bn was allocated to 38 LEPs through three growth deals. By the end of 2021, £8bn had been utilised by the LEPs. This is 89% of total allocation, with utilisation of 87% for the 22 LEPs in CCN geography – in line with national utilisation.

Figure 1 – Local Growth Fund Allocation and Utilisation



11 EY analysis

12 The LEP Network | Supporting all 38 LEPs across England

30 LEPs (those that made data available) including the 22 with CCN member representatives were analysed for LGF spend on growth programmes and the inward investments attracted from public and private sectors.

Some 30 LEPs with a total allocation of £6.4bn in growth deals leveraged a further £11.2bn of public and private sector investments to generate growth programmes worth a total of £17.6bn, this indicates that £1.76 of additional investment was leveraged from public and private investors for every £1 of LGF invested in the LEP regions.

LEPs in CCN geographies were able to generate £1.97 of investments from the public and private sectors for every £1 of LGF spend, outperforming non CCN-LEPs areas who generated £1.41 of other investments in growth programmes for every £1 of LGF spend¹¹. This emphasises the track record of county regions in driving public and private sector investments.

Figure 2 – Growth fund spend vs. leveraged investment, 2016-21 (for the 30 LEPs reviewed)

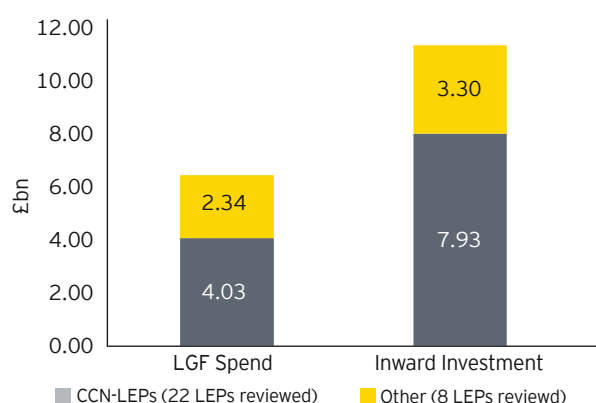


Figure 3 – LGF allocation and leveraged investment per capita

LGF allocation per capita (CCN-LEPs)	£161
LGF allocation per capita (All LEPs)	£159
Leveraged investment per capita (CCN-LEPs)	£280
Leveraged Investment per capita (All LEPs)	£271

According to their representative body, the LEP Network, their accomplishments include:¹²

- ▶ Helping to build 100,000 new homes
- ▶ Leveraging £25bn of private investment
- ▶ Supporting over 2m businesses
- ▶ Creating over 180,000 jobs
- ▶ Helping 3m people develop new skills

LEPs have proven to be beneficial to their respective

13 Local Enterprise Partnership: Progress Review

14 Local Enterprise Partnership: Progress Review

regional economies – supporting jobs, skills and creation of business networks relating to innovation. Nonetheless, the leveraged investments (£1.76) is considerably lower than the Government's projected £4.81¹³ in benefits for every £1 of LGF spend.

Despite the accomplishments recorded by the LEPs over the years, in 2019, a progress review¹⁴ by the Committee of Public Accounts found that despite the significant funds allocated

to LEPs by central Government, the relevant Government Department had not set out quantifiable objectives for the growth deals making it difficult to understand the impact LGF has had on local economic growth. It also called out issues of accountability despite the existing assurance framework for LEPs, pointing out that there is still a long way to go before LEPs are held to account and scrutinised effectively.

Conclusion

Following the abolishment of the RDAs, LEPs became the vehicle for Government to stimulate and deliver growth across places in England. Led locally by the private sector in partnership with local authorities, LEPs accessed significant funding from central Government to deliver against their strategic growth plans for their regions.

They were given with the responsibility of setting out the economic growth strategy for their areas, building on the unique and specific strengths and opportunities in their regions. LEPs have played a key role in supporting business and enterprise through the Growth Hubs, disbursing grants and delivering growth programmes on behalf of Government.

LEPs had access to a combination of fundings and have received an estimated £12 billion in public funding. Having accessed about £9 billion of LGF and utilising £8 billion across various growth initiatives, they were able to attract investments of £1.76¹⁵ for every £1 of LGF spend.

Our analysis shows that LEPs in CCN geographies were able to generate £1.97 of investments from the

public and private sectors for every £1 of LGF spend, outperforming non CCN-LEPs areas who generated £1.41 of other investments in growth programmes for every £1 of LGF spent. This emphasises the track record of county regions in driving public and private sector investments.

However, recent reviews of LEPs highlighted issues such as the absence of a proper evaluation framework to assess their performance given the significant amount of public funds allocated to them. Ultimately, while leveraging additional public and private investment, this was considerably below Government projections on their potential economic impact. In addition, LEPs were not sufficiently held to account, and viewed as lacking democratic accountability – issues that the LEP policy will have to resolve if the decision to transition is taken and to be viewed a success. This, and wider Government policy, has led to the Government proposing to end core funding for LEPs and transferring their responsibilities to local authorities. The next chapter now explores this in more detail.



15 EY analysis of 30 LEPs

3

Transitioning LEPs to Local Government

3.1 Background

3.1.1 Why is Government considering transferring LEP responsibilities?

In 2019 the Government commissioned a review¹⁶ of LEPs to assess their performance against the allocations they have received through Growth Deals and other means. In this review, it was concluded that despite allocating up to £12 billion of public funds to LEPs, the then Ministry of Housing, Communities and Local Government had no robust evidence case for the impact of the Local Growth Fund on local economic growth. This was because the ministry had not set out how utilisation of this fund would be evaluated against the overall objective of local growth, making it difficult to justify the accomplishment of LEPs.

By 2022, the Government's devolution agenda for England recognised the benefits to be had from bringing LEPs under democratic control, and the Levelling Up White Paper¹⁷ promised that LEPs services and business voice would be a key element of the Government's new plans in this area, so the voice of business could be heard loud and clear in the delivery of the White Paper's 'missions'. As a result, the Devolution Framework within the Levelling Up White Paper set out that any Level 2 or 3 devolution deal would include the transfer of LEP functions to associated upper-tier or combined authorities.

The Chancellor recently went further. At the 2023 Spring Budget, he announced that 'the Government is committed to empowering democratically elected local leaders at every opportunity. To this end, the Government intends for the functions of LEPs to be delivered by local Government in the future' - irrespective of the devolution agenda. Subsequently, an information-gathering exercise by DLUHC, aimed at affected organisations, was undertaken to assess the potential implications of this proposal if taken forward.

The minded-to decision to transfer LEP functions aims to streamline governance and decision-making processes, enhancing coordination and accountability at the local level. It reflects the Government's ongoing commitment to optimise sub-regional development efforts and promote stronger collaboration between local authorities and businesses. The potential transition to local authorities seeks to enhance governance, coordination, and decision-making processes, ultimately driving local economic growth in a more streamlined and cohesive manner.

3.2 Local authorities and LEPs

3.2.1 The role of local authorities in LEPs

LEPs and local authorities have an extensive history of working together to drive economic growth through joint decision-making and delivery of growth initiatives and programmes. This is underpinned by the national ambition to grow the economies of local areas through local leadership.

These shared ambitions have led to local authorities organically evolving their roles within LEPs in a number of ways to offer strategic, operational and financial capacity and advice. For example, Local Authorities offer accountable body oversight, many council members are also Board members within LEPs, and many LEPs and Councils have jointly secured public and private sector funding for their local businesses and infrastructure initiatives.

The Accountable Body role in particular has been a crucial one, a role currently fulfilled by UTLAs across all LEPs. To provide accountability in decision-making, Local Growth Fund is paid via section 31 grant determination to a lead local authority who serves as the accountable body for the LEP. It is the responsibility of the lead local authority to put measures and appropriate arrangements in place to ensure funds are managed properly and in line with existing local Government systems. Local authorities, where they are the Accountable Body for LEPs, have been instrumental in ensuring that the decisions and activities of the LEPs they are responsible for conform with their legal obligations. Other responsibilities of the Accountable Body are:

- ▶ Ensuring that funding is effectively utilised
- ▶ Overseeing the decisions made by the LEPs in approving projects
- ▶ Holding records of documents relating to LGF and maintaining records of LEP proceedings
- ▶ Making sure arrangements are in place for local audit of funding allocated to LEPs

3.2.2 Are CCN members well-positioned to take on these LEP responsibilities?

Following extensive engagement with their membership, CCN were clear in their response to the Government consultation that "*LEP powers and funding must be vested in upper tier local authorities*":

¹⁶ Local Enterprise Partnerships: progress review | House of Commons | June 2019

¹⁷ Levelling Up – Levelling up the United Kingdom

Rationale to transfer LEP functions to UTLA: Extract from CCN's response to Government consultation on LEP transition

With their scale, their economic coherence, local and strategic relationships, and their capacity and capability, upper tier local authorities – be they county or unitary – are ideally placed to undertake the key functions of LEPs of setting strategy, developing and delivering programmes and ensuring robust governance .

LEPs are often coterminous with upper-tier councils or devolved governance and in turn, coterminous with functional economic areas or whole county geographies. It follows that these authorities and geographies are the most appropriate spatial level to effectively deliver LEP functions – such as assessing employer demand across a particular economic area and working with providers to meet that demand.

Upper tier local authorities currently provide the Accountable Body for every single LEP, with 21 of the 38 accountable bodies CCN member councils. In many cases the county or unitary authority also provides the administrative support for the LEP, and some authorities even directly employ LEP staff. These arrangements will help the Government achieve its ambition of a smooth and seamless transition, with minimal disruption.

The Levelling Up White Paper's devolution framework places upper tier local authorities as the heirs to LEP powers as the bodies to receive devolved powers in relation to skills, transport and infrastructure. Transferring functions to upper tier local authorities would therefore support existing policy.

In addition, previous work¹⁸ from CCN has shown how important the role of county and unitary authorities are in driving local growth in six key areas that are directly relevant to the transition of LEP functions:

- 1 Convenor** – County and unitary authorities will regularly take the lead in bringing together different parties and stakeholders, including business, to create and then deliver the strategic vision for a place.
- 2 Facilitator** – County and unitary authorities have often facilitated delivery by removing particular barriers to growth which has generally occurred through local leadership or strategic investment.
- 3 Vision-setter** – A clear and unified place-based strategy is increasingly seen as important to driving place-based growth. County authorities are frequently taking the lead role across multiple partners in establishing this vision/ clarity of purpose.
- 4 Communicator** – County authorities frequently take the lead role in communicating about the place, leading on the discussion with Government around investment and promoting the strengths and opportunities that exist within a particular place.
- 5 Capacity** – County and Unitary authorities have also provided additional capacity around delivery, such as providing resources (people and time) to support the development and delivery of key projects and programmes.
- 6 Funding** – CCN member authorities are responsible for 58% of all gross revenue and capital growth-related expenditure in their areas. They use their financial

resources to enable strategic leadership by using capital programmes to fund projects, secure private investment and release wider opportunities or unlock latent potential.

Upper tier Authorities also have a track record in successfully marketing the strengths of their local areas to drive inward investment, a key capability required to enhance the UK's growth and investment agenda.

In the event LEP functions are transitioned into UTLA it would also present a valuable opportunity for CCN members to leverage their local knowledge and sectoral strengths in formulating strategic policies that can further stimulate economic development.

For instance, EY's previous report Global Britain, Global Counties, showed that through FDI investment, CCN members contribute significantly to job creation in the UK economy, both in terms of volume and per capita. Over the past four years, FDI has generated more jobs (40,169) in county areas compared with London (39,357), despite the capital attracting nearly 1,000 additional projects. Notably, each FDI project secured in a county, generate an average of 83 jobs, surpassing the figures for MCAs and London. These national headlines translate into tangible growth within our communities, with FDI consistently creating a minimum of 10,000 jobs for CCN authorities annually. These achievements strengthen local employment outcomes and promote diversification alongside amplification of economic opportunities¹⁹

¹⁸ Grant Thornton | Place Based Growth: The Role of Counties in 'Levelling Up' England

¹⁹ Global Britain, Global Counties - Attracting Foreign Direct Investment, Nov 22

3.2.3 Economic Rationale, Risks and Opportunities

Assessing the potential risks and opportunities arising from the transfer of LEP functions to CCN members requires a comprehensive understanding of the geographical and economic dynamics of LEP regions and their corresponding CCN members. The analysis in this report aims to determine the suitability and readiness of CCN members to undertake these responsibilities.

In analysing the economic footprint of the LEPs and Councils, LEP regions were mapped to their respective CCN members. Of the 38 LEP regions 27 were found to have a corresponding CCN member authority, while the remaining 11 LEPs were primarily in city regions without a corresponding CCN member authority (see figure 3 of map). Two analytical groupings were therefore created:

1. **CCN-LEP** – This group consists of 27 LEP regions that have a corresponding CCN member.
2. **Non-CCN-LEP** – This group comprises of 11 LEP regions that do not have a corresponding CCN member

These groups of LEP regions were analysed using Gross Value Add (GVA), employment (including forecasted metrics), number of businesses and population metrics.

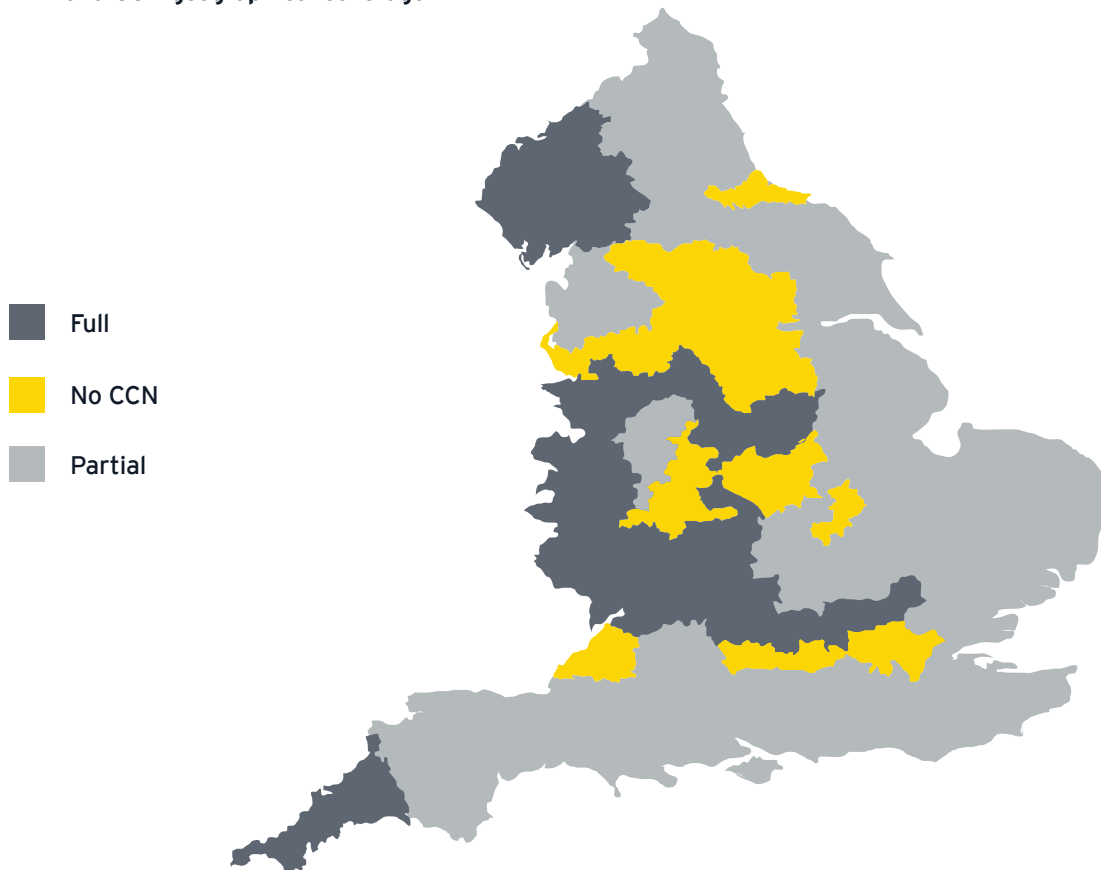
The analysis undertaken indicates CCN members, as Upper Tier Local Authorities, are an organic home for LEP powers due to factors such as spatial alignment, economic scale and coherence, sectoral proficiency, and growth prospects which are explored in more detail below.

Spatial Alignment

This distribution of coverage highlights the significant representation and influence that CCN members hold within the LEP network. It underscores their role in shaping sub-regional development policies, driving economic growth, and fostering collaboration within these geographies. CCN members' involvement in both fully and partially covered LEP regions presents opportunities for coordinated strategies and concerted efforts to enhance competitiveness and drive progress.

CCN members have partial or full coverage in 27 out of the 38 LEP regions (CCN-LEP group), 10 are fully encompassed by one or more CCN member and 17 are partially covered by at least one CCN member.

Figure 4 – LEP and CCN geographical coverage



Opportunities and Risks

Opportunities

Enhanced Regional Focus: CCN members hold a granular appreciation of the economic and socioeconomic needs of their areas, making them a natural home to transition LEP functions and powers to. The 10 LEP regions fully covered by CCN members can benefit from their deep understanding of local interactions and dynamics, enabling targeted strategies that align with the region's specific needs and strengths.

Leveraging Council Powers: For business networks and businesses an opportunity emerges through the transition to form asks of the Local Authority. With a broader range of powers around transport, highways, economic growth, planning (unitary councils only), finance and commercial than LEPs, the challenge is with businesses to think creatively about how to work with a local authority partner to harness the additional powers already held.

Leveraging existing relationships: CCN members, who already have established relationships with local stakeholders, can play an important role in managing the transition. A previous survey by CCN showed that some 85% of their member councils said they had 'good' or 'very good' relationship with their LEPs, reflecting the resources and infrastructure our councils have provided to these

organisations.²⁰ Their existing networks and knowledge of the local context can facilitate smoother coordination and ensure that the interests of local communities and businesses are considered and managed through the process.

Risks

Unequal Impact: The 17 partially covered LEP regions may face greater risks during the transition, increasing the complexity of the boundary and spatial assessments needed, and post-transition risking different application of resources between different authorities could create disparities in support and investment across the former LEP region. It will be important to assess and mitigate potential disparities, ensuring all localities receive equitable opportunities for growth.

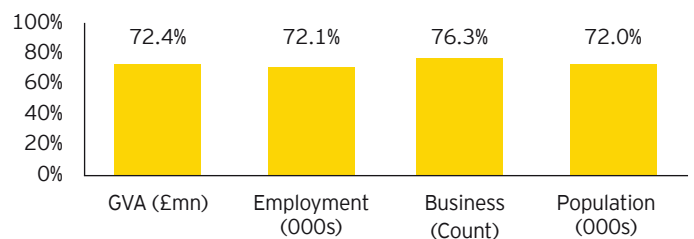
Wider or new bodies: As the devolution landscape is at varying stages of maturity across the UK there is no smooth transition for LEP functions. There is limited coherence on spatial requirements at regional and pan-regional level which presents risks for the LEPs and CCN members where there is partial coverage. This makes transition a challenge and without clarity may lead to varied models on regional geographies and interfaces with pan-regional geographies roles and structures.

Economic Scale and Coherence

As the primary drivers of growth in the CCN-LEP group, CCN members will have an important role to play in facilitating a successful transition. This presents an opportunity for CCN members to enable strategic growth policies by promoting the expansion of economic activity beyond the city regions.

CCN members have a dominant economic footprint within the CCN-LEP group, positioning them to advance the UK's growth agenda and drive regional prosperity. CCN members account for 72% (£666bn) of the GVA generated within the 27 LEP regions, 72% (13m) of the total employment, 76% (1.2m) of businesses and 72% of the population.

Figure 5 – CCN economic coverage (CCN-LEP – 27 regions)



The 11 regions not covered by a CCN member still play a substantial role in terms of economic activity, employment, business engagement, and population. These 11 regions, which include 7 mayoral combined authorities and city regions, account for 50% of the GVA, 45% of employment, 44% of the number of businesses, and 42% of the total population when evaluated against the combined 38 LEP regions.

²⁰ CCN Consultation Response. Local Enterprise Partnerships Future Funding (2023)

Opportunities and Risks

Opportunities

Driving Growth Agenda: As the majority of economic activity already occurs within County boundaries, CCN members can apply their expertise and local knowledge, in the formulation of strategic policies that continue to promote and drive economic development and prosperity.

Expansion of Economic Activity beyond City regions: While CCN members have a strong presence in the fully covered LEP regions, the partially covered LEP regions still contribute significantly to overall economic activity and population. This presents an opportunity for CCN members

to leverage their influence and encourage the expansion of economic activity beyond the city and more urban regions.

Risks

Coordination and planning: The transition process itself carries risks, especially for the partially covered LEP regions. Ensuring a smooth and successful transfer of powers will require careful planning, coordination, and effective management. There may be challenges in aligning different governance structures, policies, and priorities, which could potentially lead to delays or inefficiencies.

Sectoral proficiency

A diverse range of sectors are represented in the 27 CCN-LEP group areas, demonstrating the broad understanding and participation CCN members will need to facilitate local prosperity in their regions.

Within the CCN-LEP group, CCN members are already able to evidence their sectoral diversity and strengths; for example, CCN members within this group encompass £127bn (72.4%) of the UK's manufacturing GVA output, and £91bn (74.5%) of the UK's wholesale and retail trade. Businesses within these regions employ 225k (86.1%) of England's jobs in agriculture, forestry and fishing, and 971k (75.8%) of people in construction.

This highlights the important continued role of CCN members in job creation, economic growth, and workforce support within the sectors across LEP regions they cover. Moving forward, CCN members can play an increasing role in shaping the employment landscape and driving employment opportunities through folding in their employment networks, capacity and advocacy services into a coherent offer.

CCN sectoral density is particularly high in rural sectors, which are often associated with lower economic productivity levels, such as agriculture, forestry and fishing and mining and quarrying. However, rural areas often possess unique assets and strengths such as natural resources, agricultural potential, tourism attractions, or specialised industries. By acknowledging these advantages and addressing specific challenges through this transition, rural CCN member areas can promote a different model of economic development that can help the UK meet other policy objectives around climate change or increasing self-sufficiency for example.

Figure 6 illustrates the GVA coverage of CCN members in sectors within the CCN-LEP network while figure 7 indicates whether these sectors are considered growth sectors considering their corresponding UK GVA and employment growth from 2010 to 2019.

The charts highlight that CCN members will play a crucial role in high-growth sectors such as professional, scientific and technology and information and communication sectors, given they account for 78.3% and 74.1% respectively of sector GVA within the CCN-LEP area. Both sectors have grown significantly from 2010-2019 in the UK with strong employment growth of 32.4% and 27.5% respectively. CCN members' capacity and policy interventions will be instrumental in the ongoing development and competitiveness of the UK economy beyond the transition period, leveraging the assets they bring alongside wider collaboration across, for example, clusters and innovation.



Figure 6 – CCN sectoral density in 27 LEP regions they fully or partially cover (CCN-LEP)²¹

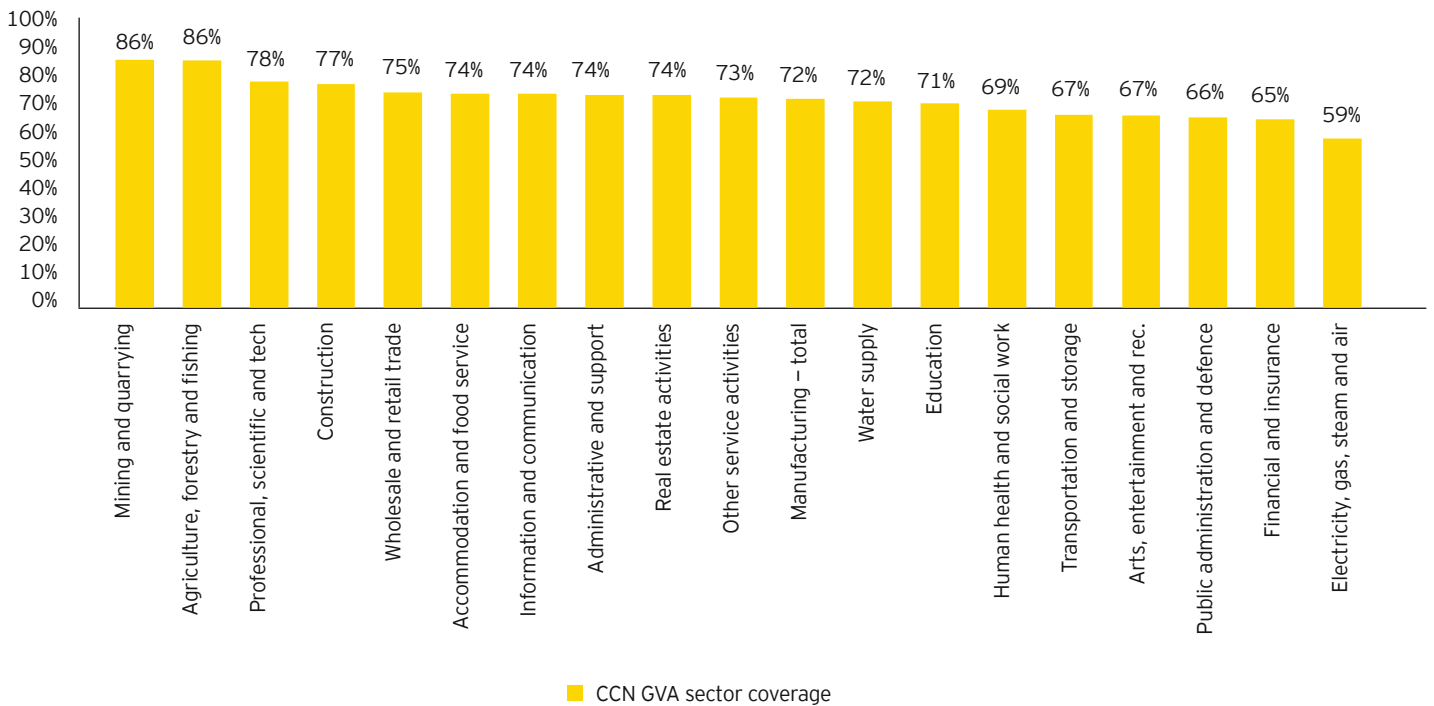
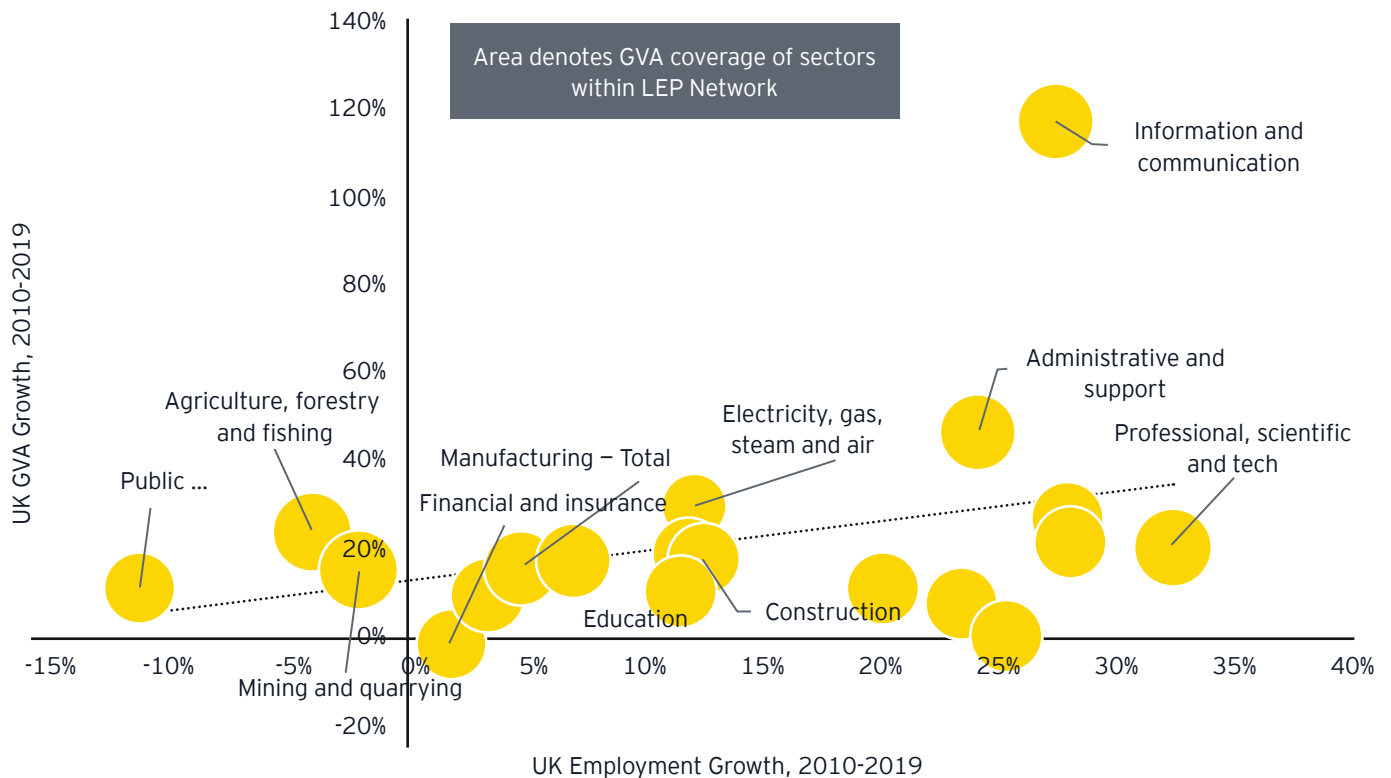


Figure 7 – CCN members have an important role in facilitating sectoral growth beyond the transition period²²



²¹ EY analysis, Oxford Economics data

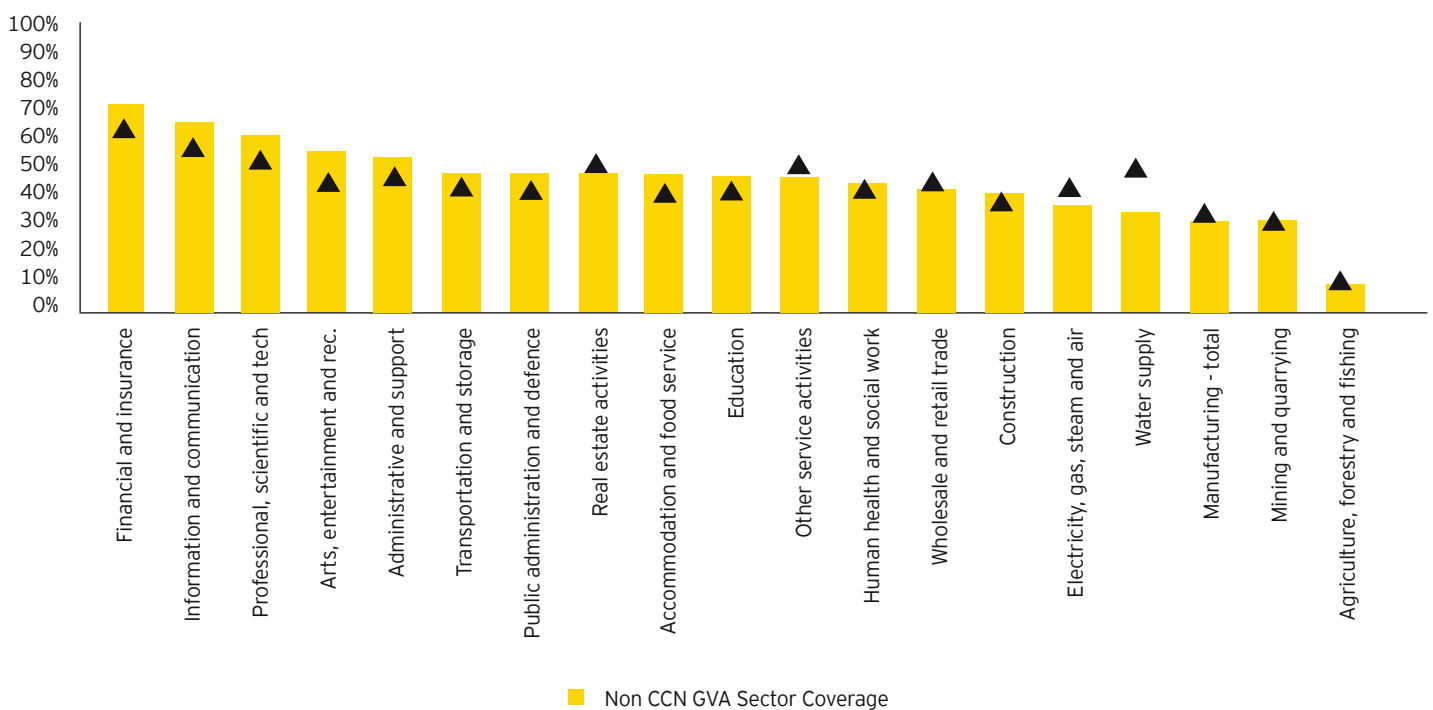
²² EY analysis, Oxford Economics data

Figure 7 shows the CCN sectoral density in 27 LEP regions they fully or partially cover (CCN-LEP). Figure 8 shows that the LEP regions without CCN coverage make a significant contribution to the GVA and employment in highly productive knowledge-based service sectors. These regions, typically metropolitan boroughs and combined authorities that encompass one of the core cities, attract sectors such as financial and insurance, information and communication, and professional, scientific, and technology, accounting for a significant proportion of the overall GVA and employment

across all 38 LEP regions.

By leveraging the expertise of non CCN-LEP regions, for example by developing sector strategies that span urban and rural boundaries, localities can develop a holistic offer for businesses making location decisions and encourage local integration of supply chains that can encourage agglomeration or clusters and make best use of assets. This also supports better planning across wider economic investments such as infrastructure.

Figure 8 – Non-CCN sector coverage across all 38 LEP regions (non CCN-LEP)²³



Early within the transition process, CCN members should critically analyse the existing and potential size of their sectors, facilitating comparative sectoral advantages to be nurtured, and identification of constraints that have hampered growth to be remediated. CCN members subsequent expertise

and collaboration with the sector leaders, businesses and networks identified through this work, especially in high-growth sectors like professional, scientific, and technology, will be important for the post-transition development and competitiveness of the UK and regional economies.

²³ EY analysis, Oxford Economics data

Opportunities and Risks

Opportunities

Design growth strategies founded on comparative advantages: Successful strategic economic planning develops a clear logic between the strengths of an area and the policy and financial interventions that will drive growth. Through LEP transition CCN members have the opportunity to revisit existing strategies undertaken by LEPs and either validate the continued direction of the plan and reinforce implementation, or revisit plans that can further integrate their role in unlocking growth. In many cases Local Authorities have already developed Economic Plans that they will be integrating LEP insights into.

Regional competitiveness: CCN members can strengthen their position in knowledge-based sectors and contribute to

the overall competitiveness of the regional economies. This can attract investment and stimulate further growth and employment in these sectors across boundaries.

Risks

Retention of Partnerships and Local Knowledge: LEPs have developed extensive knowledge of the innovation capacity and levers of their local areas, alongside an applied knowledge of their economic footprint. Maintaining relationships during the transition and building on insights will provide local authorities with a firm platform for prosperity. Effectively managing the fall-out from LEP closure will be extremely important to keep businesses engaged and ensure the platforms that LEPs provided are built upon to drive better outcomes

Growth prospects

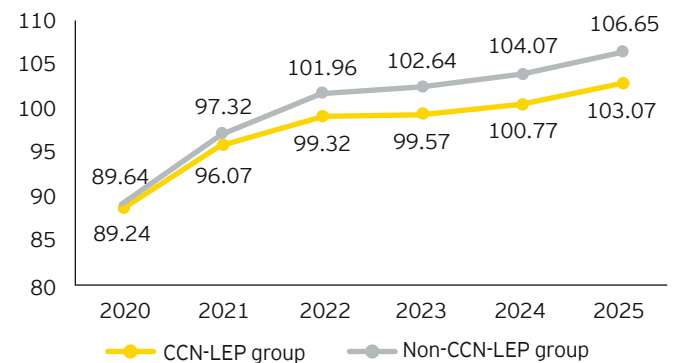
By implementing targeted strategies and collaborating with high-growth regions, CCN members can leverage the available opportunities from the transition to drive economic growth and job creation in their respective localities.

Upon analysing GVA growth in CCN-LEP regions and non-CCN-LEP regions since the onset of the pandemic, it has become evident that CCN-LEP areas are experiencing a slower recovery. It is projected that CCN-LEP areas will require five years, until 2024, to fully regain the economic output lost during the pandemic. In contrast, non-LEP areas have exhibited an accelerated recovery trajectory, surpassing their 2019 output by 2% as early as 2022 as shown in figure 9.

Looking ahead to the growth outlook until 2025, the CCN-LEP group is expected to face sluggish progress. Despite entering the pandemic with larger economies (£926 billion) compared with the non CCN-LEP group (£906 billion), the CCN-LEP areas

gradually lose ground over the years leading up to 2022. By 2025, the CCN-LEP group has only grown by £28 billion (3%) since 2019, while the non CCN-LEP group has experienced a more substantial increase of £60 billion (6.7%). This discrepancy indicates that the non CCN-LEP areas, often characterised by their urban nature have managed to capitalise on their strengths and achieve stronger economic growth.

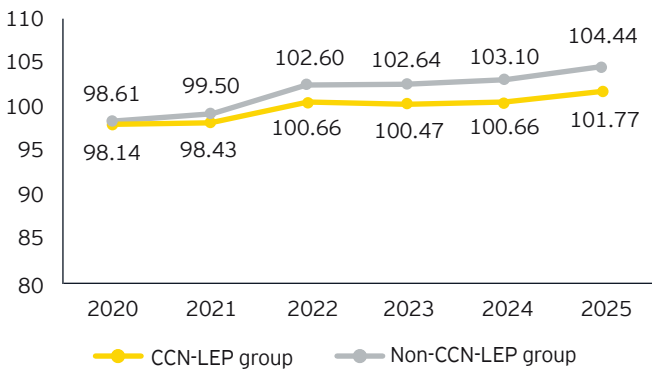
Figure 9 – Growth Outlook of both analytical groupings (index, 100 = 2019)²⁴



Urban areas typically benefit from well-developed transportation infrastructure, better access to skilled labour, and proximity to consumer markets, all of which contribute toward the relative outperformance of this group. However, despite employment rebounding to pre pandemic levels for both groups by 2022, the forecast indicates that by 2025, the non CCN-LEP regions are expected to grow by 4% (634k jobs) compared with 2019 levels, while the CCN-LEP regions are projected to grow by only 2% (322k jobs). As LEP transition takes shape the importance of continuing to tackle economic inactivity during a period of labour tightness will be key.



Figure 10 – Employment Outlook of both analytical groupings (index, 100 = 2019)²⁵



In contrast, rather than focusing on agglomeration more, rural areas may focus their efforts on understanding clusters and interconnectivity between their supply chains. For example, if having identified a concentration of agricultural businesses, an exploration of the cluster would identify upcoming trends in automated machinery, vertical and agri-farming alongside requirements for feed and fertilise products, efficient storage and distribution networks and innovation that could formulate a new strategy. CCN members in these CCN-LEP regions should also strive to understand these differences compared with urban areas and address specific challenges in their respective areas to ensure more balanced and inclusive growth in the future.

Opportunities and Risks

Opportunities:

Collaboration among CCN members: The transition period presents an opportunity for collaboration and knowledge-sharing among CCN members. Higher growth regions can share best practices and enabling infrastructure to regions that are lagging behind, fostering a more balanced and inclusive approach to economic development.

Risks:

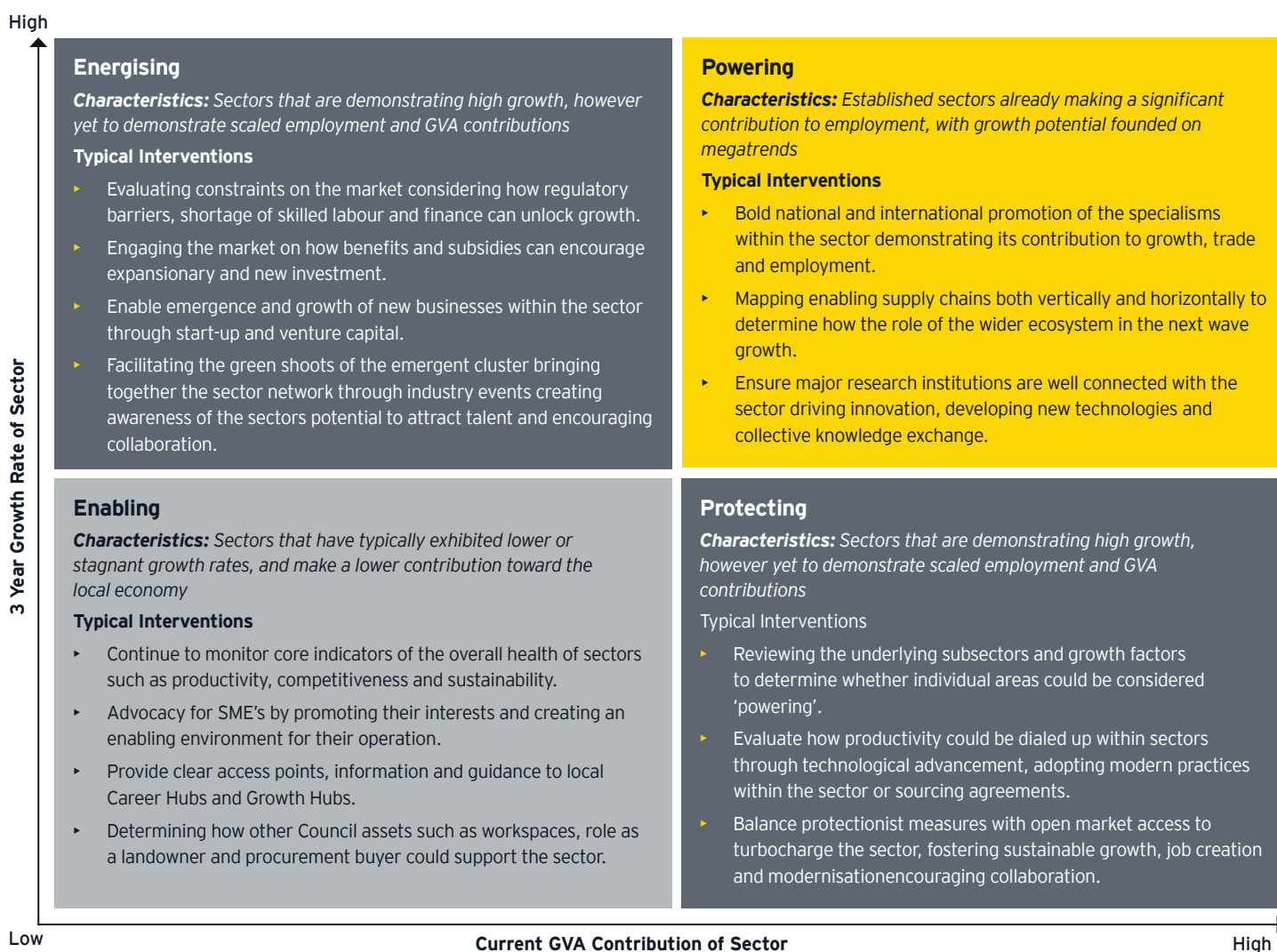
Lack of coordination: Shifting functions from LEPs to CCN members may lead to a lack of coordination and a fragmented approach to economic development. Without a centralised body overseeing regional development, a role the LEP Network has previously supported, there is a risk of losing strategic economic oversight, disjointed strategies and inward investment strategies that compete for similar sources of investment potentially harming overall UK inflows.

Empowering CCN members in this role has the potential to facilitate more effective local governance, promote sustainable economic growth, and enhance the overall well-being of their communities. Figure 11 demonstrates how evaluating sectors by their growth rates and GVA contribution can help CCN members develop interventions that are sector specific and further generate growth:

²⁴ EY analysis, Oxford Economics data

²⁵ EY analysis, Oxford Economics data

Figure 11: Sectoral appraisal model



3.2.4 Lessons Learned

3.2.4.1 The RDA closure

Regional Development Agencies (RDA) were commissioned to champion regional economic development with statutory responsibilities to further economic development, promote investments and employment, enhance skills development and contribute to the sustainable development of their regions. In June 2010, a decision was made to abolish the RDAs as Government refocused economic growth strategy to sub-regional levels driven locally by local stakeholders. As a result, eight individual transfer schemes were made by Government under the Public Bodies Act, transferring the majority of RDA's remaining projects, contracts and operational assets to new delivery bodies.²⁶

There are key lessons from the closure of these regional bodies applicable to LEP transition with focus on the considerations and operational practicalities that are critical for a successful and smooth transition. The closure programme set three 'overarching golden rules'²⁷ that are summarised below on how best to navigate this kind of complex and often sensitive programme:

- ▶ Decide very quickly what governance structure you will need and the resources – people and financial capacity – necessary for the task. Then get the right people with the right skills in place early on and find ways of keeping them. Closure is a totally different task to business as usual.
- ▶ Everything takes longer than you expected, so make decisions as early as possible so each workstream can

²⁶ Regional Development Agencies Operational Closure | UK Parliament | Volume 542: Debated on 27 March 2012

²⁷ CLOSING THE RDAS | Lessons from the RDA Transition and Closure Programme

at the very least start to plan from the start of the programme.

- ▶ Understand who your stakeholders are, ensure they understand what you are trying to do and get confirmation of their backing for your programme as early as possible in the process.

These rules have become even more relevant as the LEP transition landscape becomes muddled. There will be complex challenges ranging from geographical factors that could affect how functions transfer to the absence of a framework that sets out the principles and considerations that apply to the different scenarios under which transition might occur.

3.2.4.2 Summary of lessons from LEP transition in combined Authorities

In places where LEP functions have already transitioned to Combined Authorities, there are further lessons that can be drawn from the experiences of the institutions involved in the transition process in transferring functions, programmes and assets to local authorities, summarised below:

- ▶ Reach a clear consensus on how economic growth would work in the local authority once LEP functions transfer
- ▶ Set out the vision for growth that is framed around outcomes, define the structures, partnerships and governances that is suitable for the local circumstance

- ▶ Clarify how to make the business voice 'real' and part of the landscape. Not on the sidelines and not hidden in governance sitting alongside elected representatives
- ▶ As functions transfer, put the right structures and resources in place and on time that would facilitate programme delivery and build capabilities to monitor impact, manage finances and deliver services
- ▶ Work with and alongside Government to explore areas of collaboration. Setting out a framework that shows how the local authority would work and collaborate with Government and other local and regional players
- ▶ It is important that local authorities who take up the LEP functions continue to work and collaborate across boundaries. In some areas, there are some major programmes that cross geographical boundaries that are delivering significant outcomes at regional level

3.2.4.3 LEP Transition – opportunities and risks

There are risks and opportunities in the current transition landscape that have come to light through engagement with CCN members, other local authorities and LEPs. These opportunities and risks are worth evaluation in the current transition landscape and future policy design.

Opportunities and Risks

Transition landscape risks

- ▶ The closure of LEPs may mean that strategic economic development could disappear, taking out a layer of strategic thinking on the economy and growth. With the current budget constraints and without economic development and growth being a statutory responsibility for CCN members, there is the risk economic growth and strategy capacity is deprioritised in challenging budgetary environments where delivery of statutory functions overrides other services provided by local authorities.
- ▶ There is a real risk that skills and knowledge will be lost if strategic oversight and responsibility is not transferred and retained. The roles of Economic Developers are not well understood and those that have been within the landscape at a strategic level may take flight if 'strategic thinking' is not seen as a key requirement in functions that transfer to CCN members.

Transition landscape opportunities

- ▶ It has been argued that LEPs have operated outside of democratic oversight. Transitioning LEP functions to CCN members would add legitimacy to the functions by bringing them under democratic accountability and control through governance and partnerships that balances the voice of business with democratic mandate.
- ▶ There is an opportunity to turbo charge LEP activities through CCN Members where they have the opportunity to adopt a more holistic and place-based approach due to the powers, structures and capabilities they have in place. Providing CCN Members with the functions and remit to act in this capacity, as well as maintaining core funding that LEPs previously received, should enable a significant uplift in economic activity.

Conclusion

In the Government's devolution White Paper, a framework is exemplified for how LEP powers and functions could be brought under the remit of local democratic institutions. This would further empower local elected leaders to drive growth and bring LEPs under democratic control.

This policy direction recognises the potential as well as the role local authorities have played alongside LEPs, such as offering strategic and operational resources and support to LEPs to deliver on their economic growth mandate. Local authorities including CCN members have provided Accountable Body oversight to LEPs and have worked together with LEPs to secure public and private sector funding to deliver growth programmes in their regions.

Through our economic analysis we have also demonstrated the critical role of CCN member councils in supporting the transition process and realising the economic growth potential it creates:

- ▶ **Spatial Alignment:** The distribution of coverage highlights the significant representation and influence that CCN members hold within the LEP network. It underscores their role in shaping sub-regional development policies, driving economic growth, and fostering collaboration within these geographies. CCN members' involvement in both fully and partially covered LEP regions presents opportunities for coordinated strategies and concerted efforts to enhance competitiveness and drive progress.

- ▶ **Economic Scale and Coherence:** As the primary drivers of growth in the CCN-LEP group, CCN members will have an important role to play in facilitating a successful transition. This presents an opportunity for CCN members to enable strategic growth policies by promoting the expansion of economic activity beyond the city regions.
- ▶ **Sectoral proficiency:** A diverse range of sectors are represented in the 27 CCN-LEP group areas, demonstrating the broad understanding and participation CCN members will need to facilitate local prosperity in their regions.
- ▶ **Growth Prospects:** By implementing targeted strategies and collaborating with high-growth regions, CCN members can leverage the available opportunities from the transition to drive economic growth and job creation in their respective localities.

While our analysis has also highlighted the risks and opportunities presented by the transition process to achieving these economic outcomes, it has been demonstrated – through the economic rationale, CCN members' capabilities and unique positioning – that CCN members are well positioned and capable of energising and amplifying economic growth responsibilities through the transition of LEP functions to local Government.



4

Transition Principles

As outlined in the 'Transitioning LEPs to Local Government' section above, the LEP landscape is varied. Over the twelve years LEPs have operated they have organically evolved from their original structures and functions to a broad spectrum of organisations with some small, strategic organisations through to much larger bodies hosting Growth Hubs, Careers Hubs and Investment Funds. This means that any pathway to transition is complex as there is no common baseline and reinforces the need for individual transition plans.

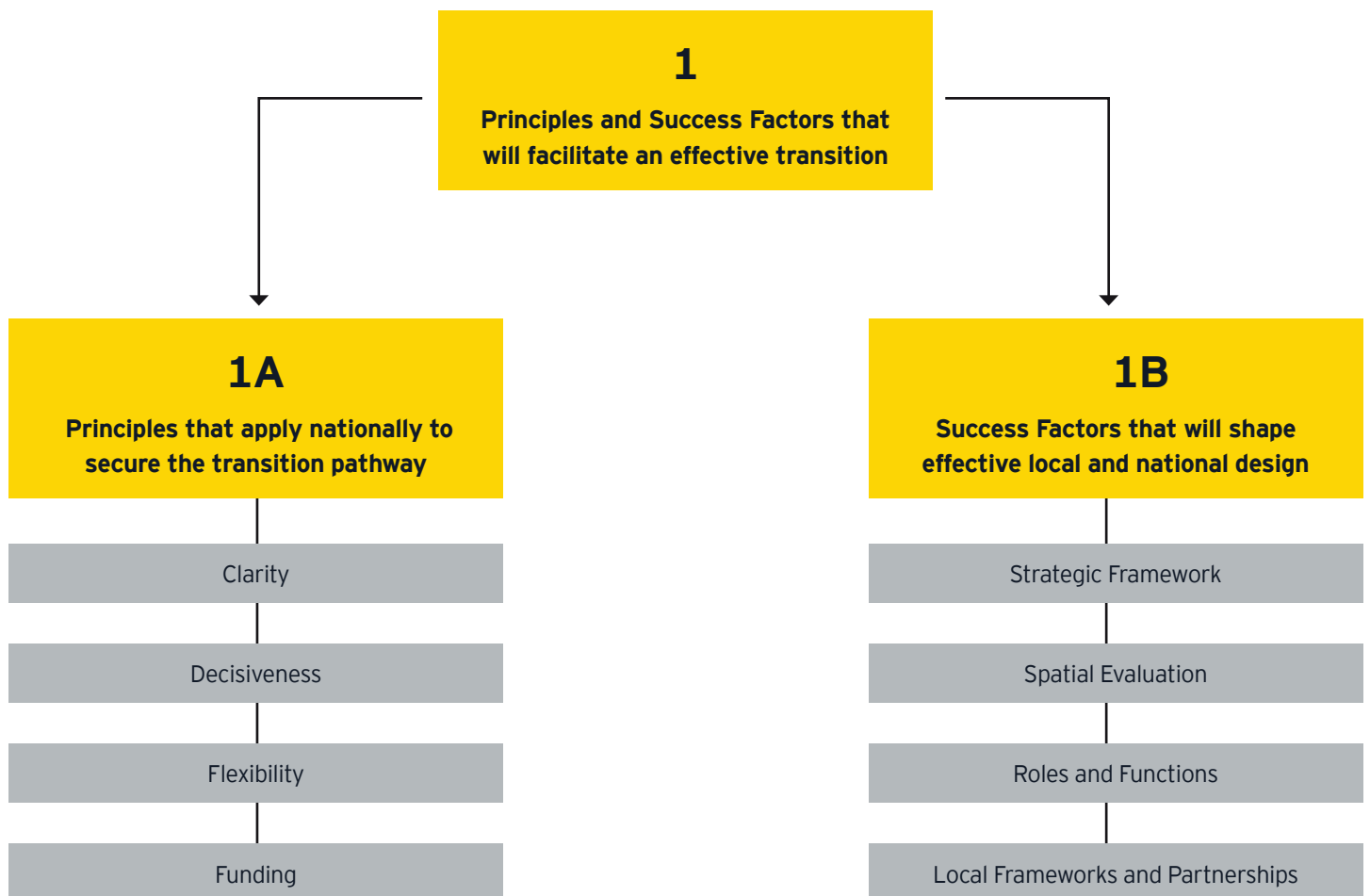
As outlined in the DBT report, LEPs have varying corporate and personnel structures with a median of 16 staff (although the largest employs 520 staff) alongside differing funding allocations and sources, and consequently delivery of a breadth of functions.²⁸ The different structures and operating

models have also been a response to the particular demands of specific local areas.

LEPs also vary in their alignment with geographic boundaries of Local Authorities as they were created based on functional economic areas, which brings further complexity. In some areas, LEPs enjoy close working relationships with the local authorities and in others maintain high levels of independence. This variability indicates how transition demands will vary across counties due to different place-based factors.

Through engagement across CCN Members and the wider network, two clear requirements have emerged, firstly to set out principles for the transition pathway and then to define success factors that can shape local and national transition. Figure 12 below outlines the principles and success factors:

Figure 12 – Transition Principles Framework



²⁸ Local Enterprise Partnerships Capacity and Capabilities Assessment | BEIS | 2020

4.1 Principles – National principles to secure the transition pathway

These principles set out considerations for Government that apply nationally and are seen as being critical for a successful integration of LEP functions into local democratic institutions. These four principles are fundamental propositions to help realise a renewed framework with the right tools to level up and unlock growth at local levels, without losing the infrastructure and remit that has been carried out by the LEPs.

4.1.1 Clarity

Providing clarity to ensure policies and transition directives are unambiguous would expedite and facilitate transfer of LEP functions at pace to CCN member authorities.

■ Why is this imperative to an effective transition?

Sufficient clear guidance must address practical transition considerations such as assets transfer, transition timeline, devolution of functions and powers to reduce legal, financial, and regulatory risks. The lessons from the RDA closure emphasised the need to make decisions early and quickly to enable parties to plan right from the onset of the programmes, avoiding potential pitfalls such as the loss of key talent that result from delayed action from policymakers.

■ What are the landscape requirements under the principle of clarity to enable successful transition?

1. Clear directive on transition timeline

There is the need for clear directives on the transition timeline, factoring in the varying degrees of complexities faced by CCN members and LEPs in transitioning functions and assets in different geographies and local contexts.

CCN members would benefit from a transition timeline that is commensurate with the demands of their local areas and boundaries. Key decisions critical to the transition timeline needs to be made in a context informed by the objectives and funding intentions of central policymakers. A key example is the need for a clear policy direction on the future of LEPs by summer. This is critical for transition.

2. Define accountability for Economic Strategy, Programme Delivery and Business Engagement

CCN members have never stepped away from strategic economic planning, despite LEPs playing an important role

in setting economic growth strategies. Unitary and lower tier local authorities are also delivering economic and business support programmes through UK Shared Prosperity Fund (UK SPF). There is the need for policymakers to define clear accountability for economic strategy, programme delivery and business engagement during and after transition. CCN members would benefit from a clear understanding of how local economic strategies would be endorsed, supported and resourced by Government. This would ensure mandates and roles of UTLAs, LTLAs and LEPs in driving local growth agenda are well understood.

3. Baseline functions that need to transfer

The roles of LEPs and the services they provide have evolved over time beside their core function of driving local economic growth supported by business-led boards. They have since expanded their remit to cover business support, careers, and skills support. In the current transition landscape, there is no clarity from policymakers on the functions, roles and services that are mandatory to transfer and continue. Some may argue that LEPs have moved away from their historic mandate and expanded their offerings to include services that guarantee they remain solvent and commercially competitive. There is the need to establish a baseline of functions that are mandatory to transfer and continue and when services do not contribute to the legacy LEP mandate, provide local authorities the powers to strip back services.

4. Establish guideline on assets and liabilities distribution

Clear guidelines are needed to determine how historic and future assets and liabilities of a LEP would be distributed as part of the transition process. For instance, where there is one LEP area but multiple upper tier local authorities or where LEPs are encumbered by future obligations such as loan repayments. CCN members would benefit from a framework that sets out when and how current and future assets and liabilities of a LEP will be distributed or retained.

LEPs enjoyed multiyear funding from growth deals negotiated with central Government through their multiyear strategic economic plans. They have also received allocations through a competitive process from other funding streams to deliver growth programmes on behalf of Government. The 38 LEPs in England have so far been allocated £9.1 billion through Growth Deals to drive economic growth in their local areas, with another £3 billion allocated via other means²⁹. This framework provided certainty of guaranteed funding for

²⁹ House of Commons | Local Enterprise Partnerships: progress review | 2019

growth programmes agreed with Government. As CCN members take on the functions and roles of LEPs, there is the need to define the mechanism for future funding allocations during and after transition to support strategic economic planning and programme delivery should these functions transfer. A clear unambiguous pathway to fund local growth opportunities will provide confidence in long-term planning and resourcing to deliver programmes that foster growth across CCN regions.

5. Set out baseline expectations for integration or LEP continuation agreements

Government announced recently that it is 'minded to' end funding support for LEPs from April 2024 and for their functions to transfer and be delivered by local authorities. However, there are no firm directives to LEPs to close and transition into local authorities and some LEPs may choose to continue to operate as private entities. A clear Government position on the integration or continuation of LEPs as a going concern and stipulating the baseline agreements required by both parties in an integration or LEP continuation scenario will mitigate potential regulatory and legal risks in the transition process.

CCN is clear that if "LEPs continue to function without any democratic legitimacy and mandate after April 2024, a patchwork governance structure and picture of business support will begin to emerge which will benefit no-one. Government must be decisive. One County Authority has a LEP which intends to continue as a not-for-profit private company, having followed guidance to incorporate. If the LEP loses core funding and their strategic role for Government, they will become one of a number of businesses in an already competitive market – with the obvious impacts on procurement costs."



4.1.2 Decisiveness

Decisive action from Government is needed to steer policy direction and make decisions necessary to enable a smooth transition.

Why is this imperative to an effective transition?

Lessons from the RDA closure emphasised the importance of making decisions early and quickly to provide clarity in an often muddled and complex transition landscape. The transition process is complex and often sensitive and could present challenges to CCN members and LEPs as they embark on non-business-as-usual activities if transfer of LEP functions to CCN members is imminent.

What are the landscape requirements under the principle of decisiveness to enable successful transition?

1. Confirm whether it is Government's expectation that the integration of LEPs will require Council approval

Many places are already on the transition journey – where they are coterminous; where there are good relationships and governance; where they are on a devolution journey – this can help with complexities of transition. However, for many it is very complex and a clear policy directive around Council Members democratic responsibilities is critical to ensure a clear transition pathway for all including geographies, functions and responsibilities.

2. Define a position on LEPs transitioning functions to UTLA and policy model for future devolution if desired locally.

A decision is needed to define the category of local democratic institutions that would take up the functions of LEPs. In many instances, LEPs are coterminous with Upper Tier Local Authorities (UTLA) which are in turn representative of functional market areas, providing the most appropriate spatial level to deliver LEPs functions. Our analysis highlights the significant representation and influence that CCN members possess within the LEP network. This distribution of coverage underscores the pivotal role of CCN members in shaping regional development policies, driving economic growth, and fostering collaboration within these regions.

UTLAs have served as the Accountable Body for LEPs and in many cases provide administrative support to LEPs including buildings and staff. UTLAs are charged with the responsibility of developing long-term economic plans for their regions, transitioning LEPs functions to these authorities would give them the added responsibility of developing and delivering economic growth strategy, expanding their remit beyond

economic planning and regeneration. This will provide another lever to drive local growth and bring democratic oversight and accountability and help the Government achieve its ambition of a smooth and seamless transition, with minimal disruption.

4.1.3 Flexibility

There is the desire for Government to set out parameters in which actions will be taken and within those parameters allow UTLA to nuance their approach to transition depending on local circumstance.

■ Why is this imperative to an effective transition?

Beyond those specific areas identified above where clarity and decisiveness are called for from policymakers, flexibility should be provided to Local Authorities in both the design of the LEP transition and subsequent execution of economic growth functions.

■ What are the landscape requirements under the principle of flexibility to enable successful transition?

1. LEP transition design should be for local leaders to define and match to local area needs and circumstances

Local circumstance like growth drivers, geography and whether devolution deals are set to be negotiated or already in place are some of the factors that will influence transition design. These contexts vary across regions and are best defined by local leaders. Setting parameters that allow flexibility at local levels to design and execute transition in a way that suit local circumstance would unlock opportunities to tailor the growth landscape of local areas to local needs. CCN members know their local context and with their convening powers and relationship with local stakeholders and businesses are well placed to develop economic strategies tailored to harness local and national opportunities to benefit their regions.

2. Strong guidelines rather than inflexible rules should be pursued

The devolution framework provides an example template for how policy can be designed with both the sufficient flexibility and options for areas to define and own local design, whilst still reflecting central policymakers' ambitions. A similar framework would help to address areas of uncertainty that are critical to the transition process, such as the need for a framework for future allocation of fundings to support economic growth beyond March 2025 when UK Shared Prosperity Fund (SPF) support would end. Equally, recognition of needed freedoms in the local context –



such as how local and regional business bodies will be represented in governance structures – will increase the likelihood of success.

3. National economic strategy that enables local economic strategies and autonomy to deliver and deploy resources to meet local priorities and outcomes

CCN members can deliver programmes that are more impactful when they take the responsibility of deploying funding to strategic areas of their local economies.

A national framework that defines national priorities but devolves the responsibilities of developing local strategic economic plans and outcomes to CCN members, signed off by Government but delivered within models set locally, would empower local communities to drive local growth.

A local model that allows flexibility to determine what programmes and functions would be delivered directly by councils and what might be commissioned to balance investments, skills and business support, would ensure that CCN members are able to make best use of their limited resources to deliver better value for money, make best use of infrastructure that is in existence and drive greater impact in their local areas.

4.1.4 Funding

As Government is 'minded to' end LEP funding in 2024 and UK SPF funding commitment is not guaranteed beyond 2025, CCN members would benefit from Government clarifying future funding streams and allocation mechanisms that will target economic growth. To be able to deliver on the additional responsibilities that transfer to CCN members taking on the functions of LEPs, clarity is needed on how in-flight projects transferred from the LEPs would continue to be funded and the value of future funding including revenue allocation to support functions and programme delivery.

■ Why is this imperative to an effective transition?

Without certainty of the value of funding to be transitioned and any conditions attached, CCN members are exposed to new burdens without appropriate financial foundation and non-statutory responsibilities which may put their capacity to sustain and deliver strategic economic planning and growth programmes at risk.

■ What are the landscape requirements under the principle of funding to enable successful transition?

1. Future funding must be reflective of existing requirements, ring-fenced to economic growth priorities and not time constrained.

If future allocations are not reflective of the demands and requirements of the functions transferred, additional strain is placed on the limited resources of CCN members. If national policy direction permits, avoiding redistribution and retaining current levels of funding in each geography would guarantee programmes are continued and delivered at the same levels. A new regime of funding where utilisation is not constrained by time but ringfenced to growth priorities and flexible in scope would remove the limitations of prescriptive funding further constrained by the presence of a 'utilisation time window'.

Under the current system where CCN members are required to utilise their funding allocations within a specified window or stand the risk of losing such funding, there is the risk that decisions on deployment and utilisation may become suboptimal due to the requirement to spend within the pre-determined window and short term, ultimately impacting growth outcomes and ability to deliver strategic programmes, rather than tactical. This would lead to such scenarios as small regeneration activity rather than major development.

2. Existing programmes must continue to be funded to committed levels

Where functions are transferred to CCN authorities, commitment to maintaining the current levels of funding for functions and programmes in flight will ensure local authorities can continue to deliver on their existing commitments without the risk of reprioritising programme areas, not delivering against contractual obligations in some circumstances or failing to deliver against the original business cases. There is the need for the confirmation that future funding, grant decisions and monitoring can be integrated into Accountable Body or Section 151 powers.

3. Confirmation of retrospective compensation for transition costs incurred by Local Authorities

CCN members incur cost from the transition process emanating from due diligence obligations. Confirmation by central Government on the retrospective compensation for transition cost would ensure no added pressure is placed on the limited resource of CCN members.

4. Establishment of a transparent non-competitive allocation process tied to place-based growth strategies

The current competitive model for allocating funding to programmes that require bidding and evaluation nationally may constrain value for money for taxpayers when resources and time are channelled into these processes without guaranteed success. A transparent non-competitive allocation process that is tied to place-based growth strategies will free up resources and time that would otherwise be invested in the competitive bidding process. This would accelerate delivery much more quickly and achieve greater value for money and outcomes for taxpayers.



4.2 Success Factors that will shape effective local and national design

Four success factors have emerged from the analysis of transition lessons, engagements with CCN members, LEPs and other Local or Combined Authorities who have undergone the transition process. These success factors which apply locally and nationally are at the heart of executing a successful transfer of LEP functions in the medium-term transition period and in delivering future growth initiatives in the renewed economic landscape post transition.

The Success Factors are explained below:

4.2.1 Determine a Strategic Framework

There is the need for a coherent strategy at the local level that builds on local opportunities to compliment national growth ambitions and Government's levelling up agenda. Strategic growth objectives are better defined at local level when Government sets out a framework at national level that clearly outlines national strategic priorities and objectives, how resources and funding will be allocated to places and how performance and outcomes would be determined.

Consideration should be given to the development of a national framework that links local economic plans and strategies to national initiatives. The Industrial Strategy and Local Industrial strategies have been cited as a good example of setting the national context to enable local areas with their expert knowledge of their local economies to drive a focused plan for growth. It is important that every place recognises their real local strengths so not all places are chasing the same sectors/clusters/growth agendas. Understanding local context is within the gift of top tier Authorities underpinned by sound economic analysis to develop coherent strategies.

■ Why is this imperative to success?

Policymakers and CCN members need to agree or validate strategic objectives for Economic Growth and Delivery in the post LEP landscape to set a North Star for the local plans and transfer of the economic growth function. CCN Members need to be given the authority to drive strategic economic development which their scale, geographies and local leadership can support even though it is not currently a statutory requirement like it is with Combined Authorities. Where CCN Members are not pursuing devolution there is a need for a framework that supports economic growth as functions transfer – leading longer term to potential devolution but providing an opportunity to start the journey and for CCN Members to show strong collective leadership.



■ What activities will secure success for local leaders and policymakers?

1. Consolidate LEP Strategy/Business Plan objectives, alongside Economic objectives from other plans such as Local Industrial Strategy, Council (Economic Plan)

CCN members would benefit from adopting a robust economic framework that consolidates the LEP industrial strategy with local economic development plans, local infrastructure plans and the Government's levelling up agenda to create a holistic and coherent place-based strategy that creates a conducive investment landscape and targets local growth drivers to scale up economic activities and drive growth at a strategic level long term.

2. Define, or validate the existing, Economic Plan and framework and set measures of success

The transition process has the potential to bring with it a redefined economic landscape as LEP functions transfer, economic geographies reconsidered, and strategic priorities and delivery approaches redesigned. Where LEP functions transfer to CCN members, the added responsibilities they take on are defined by the functions that transfer to them. As they take on these functions, redefine relationships with businesses, with business bodies, with Government departments and explore collaborative opportunities with other institutions within and across their geographies – it is imperative to renew or revalidate existing economic plans and set measures of success in the light of the emergent economic landscape and renewed responsibilities underpinned by new governance, strong leadership and associated structure.

Case Study | Buckinghamshire Place-Based Growth Board

Strong consensus, shared ambitions for positive economic growth, and geographical coterminosity put Buckinghamshire in an excellent position to offer a positive model for integration. Building on strong foundations of close working between the council, LEP and Buckinghamshire Business First (the delivery organisation for the Growth and Skills hubs), Buckinghamshire started its journey towards integration in 2022 when the Growth Board and LEP agreed to work towards a new model of place-based governance.

Proposals for a new Place Based Growth Board were agreed by the council's cabinet and LEP in February 2023. This saw the evolution of the LEP Board to become the Enterprise and Investment Board within the Growth Board structure along with a new Skills Board, Regeneration Board and integration of the local levelling up programme through the Opportunity Bucks Board.

The Key lessons learnt from the transition process

1. Strong Growth Board – working as a public-private sector collective since 2018 to develop a shared strategic vision for economic growth provided the platform to evolve.

2. Benefits of coterminous organisations – sharing the same county geography across our key partner organisations enabled a close-knit group of partners to have open conversations about what is best for Buckinghamshire and ensured proposals were in the best interests of the place.

3. Effective relationships at all levels – close relationships at leadership and management levels ensured issues could be resolved.

Things that were considered important from a transition perspective in the local context

The driving aim of transition proposals has been to preserve the best of existing arrangements particularly the benefits of a strong independent business voice. The new boards are strongly positioned to give a holistic view to steer meaningful economic activity. The new approach has identified opportunities for efficiency and removal of duplication between the three key organisations working together as 'Team Bucks'. This enables greater clarity about roles including, externally, and presents a unified voice to champion the growth of the county. Ensuring that transition plans put Buckinghamshire in a strong position to move forward with devolution ambitions was crucial, particularly to enable establishment of the new Pooled Investment Fund.

3. Establishing strategies that explore national opportunities as a means to elevate local priorities

In the Levelling Up White Paper,³⁰ Government set out system reforms and policy programmes to:

- ▶ Boost productivity, pay and jobs and living standards by growing the private sector, especially in those places where they are lagging.
- ▶ Spread opportunities and improve public services, especially in those places where they are weakest.
- ▶ Restore a sense of community, local pride and belonging especially in those places where they have been lost.
- ▶ Empower local leaders and communities, especially in those places lacking local agency.

The White Paper sets the national ambition to level up and tackle opportunity inequality across and within regions in the United Kingdom. This presents an opportunity for CCN members to echo and embed the national agenda into local growth plans and strategies to deliver growth at local level aligned to Government's ambition to level up regions

experiencing economic disenfranchisement. As with the ambitions in the White Paper this brings an opportunity to enable CCN Members to help set the plans for some of the more rural parts of the nation.

4. Set out strategies that encourage cross-border cooperation

Economic development and cooperation are seldom bound to geographies. CCN members could leverage their economic geographies, sector strengths and local capabilities and connections to drive cross border cooperation to collaborate and deliver growth programmes and initiatives.

As shown in the 'Transitioning LEPs to Local Government' chapter, CCN members are key drivers of growth in sectors such as professional, scientific and technology; mining and quarrying; forestry and fishing across 27 LEP areas, showcasing the significant role they play in the overall economic prosperity of the country. Their expertise and collaboration within these sectors and in future growth areas will be important for the post-transition development and competitiveness of the UK and regional economies.

³⁰ Levell Up the United Kingdom, 2 February 2022

CCN members would benefit from emphasising cross border cooperation in their growth strategy, leveraging sectoral strengths, diverse business base and capabilities to scale economic benefits. Increasing collaboration, pulling resources together and tapping into specific and unique strengths of places across the region would position CCN members to reap the benefits of scale through agglomeration. There is the opportunity to invest and develop infrastructure, transport links and region-wide programmes to stimulate growth through private sector investments and employment.

Given non CCN-LEP regions play an outsized role in high productivity, knowledge-based sectors, CCN members can bridge regional productivity disparities by partnering with non CCN-LEP regions, which excel in these high-productivity sectors. These collaborations can provide access to innovative ideas, technologies, and successful approaches that have boosted productivity in those regions. By implementing best practices and drawing insights from these partnerships, CCN members can improve their own productivity levels. Moreover, these collaborations hold the potential to drive economic growth and mutual success for both CCN members and non CCN-LEP regions.

4.2.2 Evaluate the Spatial Capabilities

The distribution of geographical and economic coverage of CCN members in the LEPs network highlights their significant influence and representation in driving growth and fostering collaboration within these regions. As discussed in the 'Transitioning LEPs to Local Government' chapter, 27 LEP regions are fully covered by CCN members, pointing to the fundamental roles CCN members play in shaping regional development policies and driving economic growth.

■ Why is this imperative to success?

As LEPs span CCN members and Combined Authority boundaries, there is the need for appraisal for the most effective span of accountability and capabilities. Potential alignment with devolution and consideration of appropriate powers to enable economic development and drive collaboration is important.

■ What activities will secure success for local leaders and policymakers?

1. Undertake spatial mapping of LEP, Authority, Anchor Institution and Economic Mapping

CCN members can draw insight from the spatial mapping of their geographical coverage in relation to the footprint of their LEP regions. Doing so will allow them to understand the opportunities present in their place from the distribution of economic and productivity drivers and the levers to enable economic

development. Where a LEP area spans multiple local authorities, there are collaborative opportunities that can leverage place strengths to drive growth across the economic area.

There is the need to undertake spatial mapping of economic and sector coverage to identify growth drivers, labour and local capabilities that define future growth opportunities. CCN members are better positioned to develop economic strategies that look at place-based opportunities with an in-depth understanding of the local context where these factors are well understood.

2. Assimilate impact and evaluation of LEP programmes and spending across the locality

LEPs have contributed significantly to infrastructure and economic growth programmes, creating employment and attracting private sector investments into their economic areas. Analysis of 22 LEPs covered by CCN geographical footprint showed an inward investment of £2 into local economies for every £1 of Local Growth Fund (LGF) invested in growth programmes. LGF investments have brought in significant benefits to the economies of the LEP regions. Transitioning LEP functions to CCN members will build on their knowledge of the local economy and lever on their convening powers and existing relationships with local stakeholders to influence and drive economic growth for their region to continue to build on what has been achieved by LEPs. There is a significant risk that the capabilities and infrastructure that have been built up by LEPs will be lost and a real risk of focus and capacity to drive economic development and growth, particularly with the projected growth of the UK GDP expected to be a modest 0.2% in 2022 and 1.7% in 2023.³¹

CCN members should consider evaluating the LEP programmes and spendings across their region to understand how they have delivered against desired outcome, impact and value for money. This will draw out lessons and opportunities to redefine how future programmes could be delivered post transition.



31 Oxford Economic and EY Item Club data

4.2.3 Determine Roles and Functions

Where functions transfer from the LEPs to CCN members, clarifying the revised role of the local authority and how these functions would be delivered post transition is imperative for success.

■ Why is this imperative to success?

Transfer of the three core LEP functions (Business Voice, Economic Growth and Business Support and Skills) would ensure CCN members can draw on the breadth of these functions complimented by their convening powers and local knowledge to deliver growth plans and programmes for their regions.

■ What activities will secure success for local leaders and policymakers?

1. Determining the revised requirement of these functions within the renewed structures

There is the need to reevaluate LEP functions which have evolved over time as LEPs have responded to local needs to assess local LEP models and functions. There is a risk if clear direction is not provided and LEPs move away from dependency on public funds into self-preservation and income generating model of operation that functions become fragmented. If functions transfer to CCN members, there is a strategic case to reaccess the LEP offer and to strip away services that do not add value to local growth. However, there is consensus among CCN members that Growth Hubs need to continue, careers and skills support too but with the right models to support. This is likely to vary across places.

2. Establishment of governance with significant business influence

LEPs were set up to shift powers to local communities and businesses by bringing onboard local businesses and civic leaders that operate within areas that make economic sense, to provide strategic leadership and set local priorities to help communities achieve their full potential.

A structure that still retains significant business influence is essential to steer growth strategies and programme delivery towards local economic needs to stimulate investments from the private sector. CCN members would benefit from a governance that ensures the diversity of business voices are represented as required at local levels, allows significant representation and input from local businesses and business bodies like Federation of Small Businesses (FSB) and Chamber of Commerce in driving local economic initiatives but takes opportunity from leveraging the leadership provided from the democratic constitution.

Ensuring that a strong, independent and diverse business voice is maintained and meaningfully engaged with, will be critical to the success of local authorities in taking on LEP functions. Lincolnshire has done some good work in this area. As part of their ambitions for devolution, they sought the views not just from local umbrella organisations such as the local FSB, Lincolnshire Chamber and Hull and Humber Chamber of Commerce, but also from a range of small and large local employers, including: British Steel, Siemens and Lincoln University. In total, organisations representing over 40,000 local employees attended the roundtables, and businesses representing around 14,000 employees were engaged.



Case Study | Shropshire's Economic Growth Strategy

What's next for Shropshire – An Economic Partnership to Drive an Economic Growth Strategy and Action Plan

Shropshire Council established an Economic Recovery Taskforce during the pandemic to collaborate on solutions for restarting the economy. The taskforce involved businesses, Government departments, voluntary sectors, and educators to share intelligence, data and knowledge and lead action-focused delivery. The county's response to the challenges and opportunities during this period has been praised for its innovation, flexibility, and collective effort thus setting the context for Shropshire's new Economic Growth Strategy.

A new Economic Growth Strategy for 2022-2027 was co-created with partners, seeking funding and intervention support from the Government. Shropshire Council is considered as the custodian of this Economic Growth Strategy, delivery of the strategy will be achieved across a number of actions and interventions working with numerous private and public sector partners across Shropshire. The success of this revitalised joint-working environment and its outcome of the strategy led to the emergence of the Shropshire Economic Partnership Board (SEP). The Shropshire Economic Partnership Board was formed to take ownership of the strategy and merge the Shropshire Business Board with the Shropshire Economic Taskforce, therefore laying the foundation of a new partnership to drive economic growth. The SEP board meets regularly and has established sub-groups to drive the action plan.

Key lessons learnt from the transition process

During the transition process, several lessons were learned. Genuine co-creation of the strategy involving

various sectors was crucial for success and ownership and the willingness of businesses to engage with the Council demonstrated their trust and support.

The transparency in setting up the SEP Board, the actions the Council took to support economic recovery and the role the Council played during lockdown raised awareness of its value to the business community.

The importance of values such as resilience, inclusivity, sustainability, wellbeing, and health is a key lesson learnt in the transition process thus were prioritised and integrated within the delivery of activities.

Important considerations from a transition perspective in the local context

The rural nature of Shropshire presented challenges in terms of infrastructure, transport, and digital technology. Shropshire is the second largest inland council with a population size similar to Nottingham but an area 44 times bigger.

The local context highlighted the predominance of rural areas in Shropshire and the need for robust and sustainable infrastructure. The county faces a gap in higher-paid, skilled jobs, leading to youth migration and reliance on an ageing population for economic growth. The majority of businesses are small enterprises, and there is potential for growth in the green economy and workforce development.

Overall, Shropshire aims to drive economic growth through collaboration, innovation, and a focus on its unique assets and values.

3. Integration of business voice in agenda setting

Local businesses whilst being seen as the customer of most growth initiatives, should take part in economic agenda setting and in the development of local economic strategies. This ensures that business perspectives are incorporated from the onset in the development of local growth plans and strategies and in creating a sense of partnership, deeper and meaningful relationships are fostered. There is also the opportunity for CCN members to engage with businesses in a more dynamic and flexible way by working with the right cohort of businesses when setting agendas and dealing with specific issues and sectors that impact them in a timely manner.

4. Determining delivery strategies that leverage local context (presence of business bodies like chambers, lower tier authority structures)

CCN members can leverage their economic footprints, sector strengths, knowledge of the economic and demographic demands of their local areas and the relationships with local stakeholders to deliver place-based growth programmes and attract investments to their geographies. With their convening powers, CCN members could draw support from businesses, local authorities and anchor institutions in their local domain such as higher education institutions, chamber of commerce and FSBs to formulate strategies tailored to deliver economic



outcomes for the benefit of their local areas, building on what LEPs have achieved but taking the opportunity to leverage and foster new partnerships and collaborations and ensure business has an active voice supported by the Authority.

5. Undertake option analysis for infrastructure already in place (e.g., growth hubs)

Growth Hubs have been a key business support structure which many businesses have since got used to. The Government has been undertaking a review of the business support landscape for some time. There were unanimous views through the engagement that Growth Hub infrastructure should continue but be aligned with new governance and structure arrangements defined in local places.

4.2.4 Shape Local Frameworks and Partnerships

There is the need to define and set out the right model of transition framed in the local context to deliver local economic growth by harnessing place strengths and opportunities for regional cooperation.

■ Why is this imperative to success?

Local circumstances differ across CCN member geographies, shaped by local demands arising from geographical, demographic, and economic context.

■ What activities will secure success for local leaders and policymakers?

1. Establishment of place-based model of governance that considers true representation of local stakeholders

Governance is best determined at local level. CCN members would benefit from a governance model that is tailored to their place, tapping into opportunities that exist in their local context and bring together key stakeholders and local actors

on the transition journey and into delivery – ensuring a focus on the functional responsibilities and enabling a strong business voice alongside bringing the strengths of democratic powers. Good governance will require focus, leadership and clear agreed plans to align stakeholders.

The Shropshire case study presented earlier in the section proves that there are opportunities in adopting place-based models relevant to the local circumstance to articulate an economic partnership that represents the voice of local businesses and stakeholders.

2. Determine roles and opportunities for cooperation with pan-regional growth bodies

Pan regional growth bodies are supported by Government to bring added regional value on top of metro mayors and city devolution deals. These bodies foster cross-border economic relationships, accelerating agglomeration benefits to create scale and impact. It is evident that operating at pan regional level delivers additional economic benefits.³² Whilst there is the opportunity for CCN members to partner with pan-regional bodies and pool resources to create scale, there is the need for policymakers to clarify and delineate the roles and economic responsibilities of both parties in each functional economic space. This will mitigate against missed opportunities to collaborate in areas of strategic interests at regional levels.

3. Define and establish a partnership of councils to echo achievements and share best practice

There is the need for the continuation of a network to oversee economic priorities for CCN members. The LEP network has advocated and championed the value of the LEPs in driving local economic growth across the country, negotiating on behalf of the LEPs and acting as a central source for information and data on LEPs at national level.³³ It was noted that the LEP Network had added real value to

³² Written evidence submitted by western gateway - <https://www.committees.parliament.uk/writtenevidence/10693/html>

³³ LEP network - <https://www.lepnetwork.net>

the LEPs and therefore continuing a network to support transition and longer term would be beneficial. CCN and CCN members should consider setting up a network of councils or leveraging the existing network to oversee strategic priorities of members, echo achievements and share best practices. A network that would serve as the unified voice of members to advocate and negotiate on their behalf with Government and to act as the central source for data and information.

4. At local level, define intergovernmental framework that sets out where functions sit and how they will be delivered

There is the need to set out a framework that defines the roles of the different actors in the economic landscape in the post transition era. In LEP regions that span multiple local authorities that include unitary authorities and county councils, there is the opportunity to define how and when functions could be transferred across UTLAs or devolved

down to LTLAs by factoring in their capacities and capabilities to deliver on those functions and where such transfer could deliver better outcomes. This would set the stage for a flexible and collaborative landscape that would ensure that the resources, strengths and capabilities of the different tiers of local authorities are exploited to best effect to deliver regional economic benefits. This would also lay the path towards potential devolution where plans are not already underway.

As functions transfer to CCN members and they begin to play a more strategic role in driving growth in their geographies, care must be taken that they do not simply recreate regional Government offices. There is the need for policymakers to reaccess and redefine the roles of regional Government growth teams like DBT and DLUHC and access how they could become the growth brokers and the interface for CCN members to navigate the family of Government departments in the post transition era.

Conclusion

The requirements that would underpin a successful transfer of LEP functions to CCN members emerged from engagements with local authorities including CCN members and wider, firstly to set out principles for the transition pathway and then to define the success factors that apply regardless of the transition complexity.

Four Principles were identified and deemed vital in securing the transition pathway. These principles: Clarity, Decisiveness, Flexibility and Funding apply to the policy landscape for LEPs transition, representing the collective views of CCN members on what is needed from policymakers to ensure smooth transition of LEP functions.

In addition, the four Success Factors vital in shaping effective transition design and ensuring continued delivery of these functions post transition were identified:

- ▶ Spatial evaluation
- ▶ Strategic framework
- ▶ Local framework and partnerships
- ▶ Roles and functions

These principles and factors outline what CCN members and policymakers need to take into consideration to ensure that the opportunities and benefits of transferring LEPs functions to local authorities are maximised and Government's ambition of stimulating and delivering growth at local level is realised.

However, it is crucial to strike a balance between local autonomy and the need for coordination and capacity-building at a higher level. While local authorities may be well-equipped to address local issues, a certain level of centralised coordination and support can enable them to tap into broader resources, share best practices, and leverage economies of scale.

By recognising this trade-off, CCN members and policymakers can ensure that the Government's ambition of stimulating and delivering growth at the local level is realised. Maximising the benefits of transferring LEP functions to local authorities requires a thoughtful approach that considers the strengths of local knowledge and capacity while maintaining a level of coordination and support to facilitate effective implementation and foster overall growth



5

LEP Transition Roadmap

LEP Transition Roadmap

As a conclusion is drawn in local areas whether the LEP will be integrated into a Local Authority structure or continue in a revitalised form as an independent body, a clear roadmap must be followed to safeguard the future organisations mission, staff and assets.

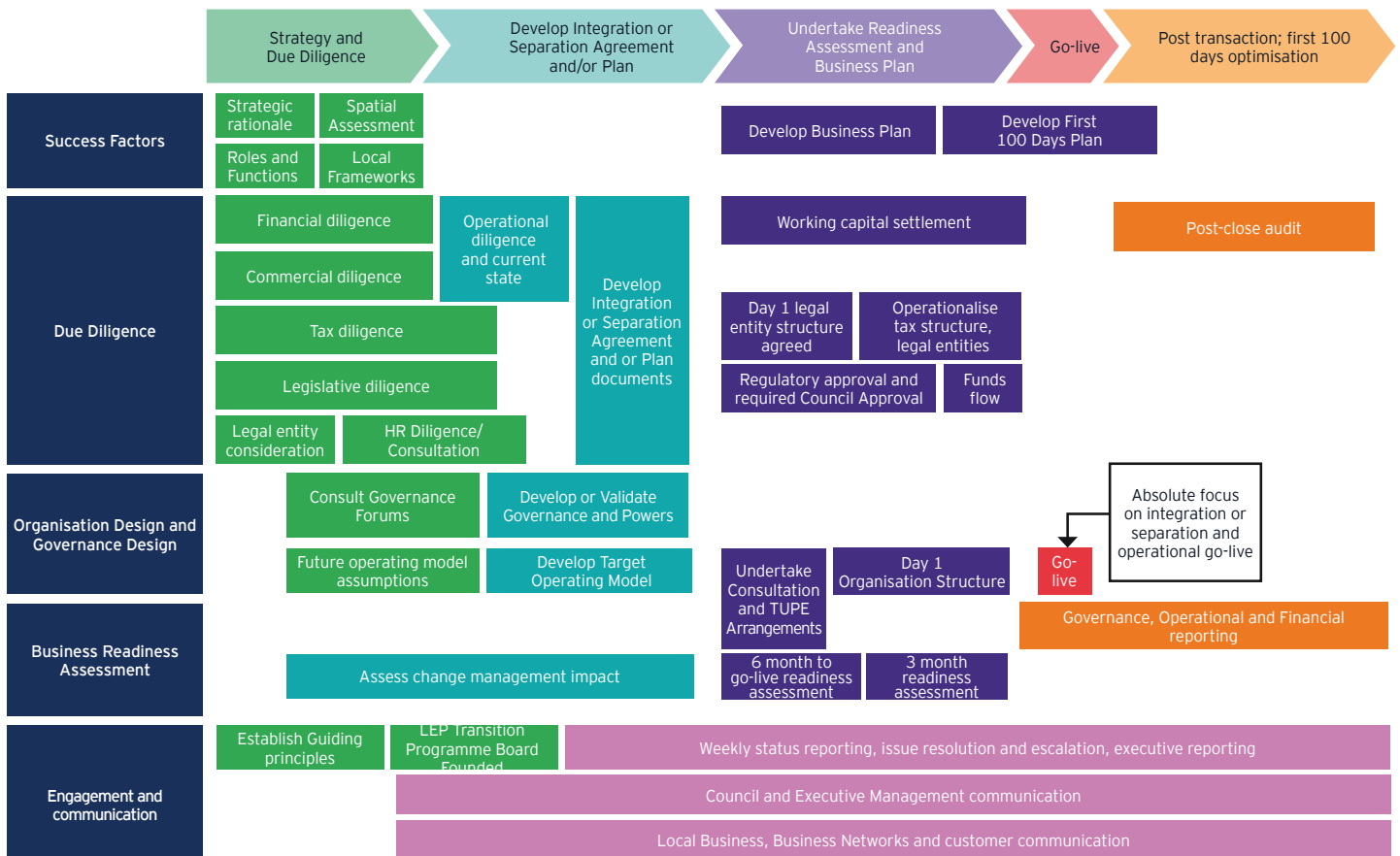
The Government's 'minded to' decision is yet to have firm timelines defined for the necessary operational, financial and regulatory activities needed to close LEPs effectively. A typical timeline for an integration of this nature, even with highly aligned and motivated leadership, is a minimum nine-month work programme meaning CCN members must be on the front foot in their planning. Whilst this is in advance of the Government's guidance expected before Summer Recess, it is

necessary to provide key foundations for the LEP Transition Programme in local areas.

The following roadmap draws out the key steps essential to a robust, compliant and secure transfer or continuation of LEP organisations. Reflecting aspects of typical mergers and acquisitions roadmap will provide rigour to the programme plan; through due diligence, clear agreements and readiness planning both parties are fully protected and the future state designed effectively and setup for success.

Irrespective of where Council's currently sit on the existing programme plan, it can act as a useful checklist of activities necessary:

Figure 13 – Typical LEP Transition Roadmap:



Much like LEP transition design; the roadmap will need to be tailored to the pace of change and proposals for various localities. Experience from those who have already undertaken this process is that potential exists for different LEP functions to move at different paces, for example Economic Intelligence functions can often be tightly bounded and moved into existing structures faster than Business Growth functions that might be entirely new to Local Authority provision or require a separate structure or body.

The design of a roadmap that both reflects local circumstances and provides the time to ensure alongside the necessary functional and formal activities builds sufficient capacity to secure the hearts and minds of colleagues from across organisations on the new future is a most imperative success factor for the Transition. Ultimately transition will need really effective leadership from CCN members and all partners to make transition a success.

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