



Department for
Business, Energy
& Industrial Strategy

LOCAL ENTERPRISE PARTNERSHIPS CAPACITY AND CAPABILITIES ASSESSMENT

BEIS Research Paper Number: 2020/011

July 2020



Acknowledgements

This report was prepared for the Department of Business, Energy and Industrial Strategy by Adroit Economics and Warwick Economics & Development and does not necessarily reflect the views of BEIS.

The authors wish to acknowledge the input and support they received from the study steering group, individual Local Enterprise Partnerships and from the LEP Network in the production of this report.



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Executive Summary

The aim of this research has been to assess the institutional capability (roles, functions, and resources) of all Local Enterprise Partnerships (LEPs) in England to successfully deliver applicable place-based policies such as the Industrial Strategy.

The findings presented in this report are based on interviews conducted with LEPs in July and August 2019 and will not reflect the progress made in institutional capability since the study concluded in October 2019.

The research has sought to answer the following questions:

What functions and practices does a local delivery body akin to a Local Enterprise Partnership need to discharge the roles and responsibilities given to them in the Strengthened Local Enterprise Partnerships review?

From our review of published literature relating to local delivery organisations and from discussions with LEPs and the organisations who work with them, we have identified three roles LEPs need to perform in order to discharge the responsibilities given to them. These are:

- Setting strategy
- Developing and delivering programmes
- Ensuring robust governance

In order to perform each role effectively and efficiently, LEPs need a combination of capacity (e.g. staff, funding) and capabilities (i.e. the ability to do something with those resources).

Does the research give rise to any concerns about the current capacity and capability of LEPs to carry out what is expected of them?

The majority of LEPs believe they have the capacity and capabilities they need to set strategy, develop and deliver programmes, and to ensure robust governance of their activity.

However, the sustainability of some LEPs, whilst not an issue at present, could become more pressing if such a LEP, or one of its local partners, was to lose a key member of staff or cease to be able to offer a certain function.

How confident are LEPs in relation to the development of Local Industrial Strategies?

LEPs are highly confident in their ability to develop Local Industrial Strategies. For instance:

- All LEPs are confident to some degree that they can communicate the aim of the Industrial Strategy and other place-based policies to local stakeholders.
- 73% of LEPs have, to date, held 10 or more public or invitation-only events to explain the development of their local industrial strategies.
- 95% of LEPs are confident or very confident at explaining the economic geography of their local industrial strategies. All LEPs are confident that they have a good understanding of the situation facing their local economy and 63% are very confident in this understanding.

How confident are LEPs in relation to governance requirements placed on them?

LEPs are confident they can meet the enhanced governance requirements placed upon them in recent years. For instance:

- All 38 LEPs agree or strongly agree they can meet the scrutiny requirements that government has set out in the National Local Growth Assurance Framework.
- LEPs agree they can produce reports to service multiple governance processes.
- 95% of LEPs agree they include performance data in important documents on a systematic basis.

Are there differences in capacity and capabilities between LEPs? If there are, what explains these differences?

There are four LEPs who say that their capacity and capabilities are insufficient in relation to the setting of strategy, developing and delivering programmes, and ensuring robust governance. A further seven LEPs say their capacity and capabilities are insufficient in relation to two out of the three roles covered in the Framework. **We recommend that government and these LEPs' Area Leads consider in more detail whether these LEPs require additional support.**

Analysis undertaken by type of LEP shows that the 10 LEPs in Mayoral Combined Authority (MCA) areas plus two other large city region LEPs have or perceive their capacity and capabilities to be significantly greater than those of non-MCA LEPs.

LEPs with fewer than 20 FTEs in total¹ are no less confident than LEPs with more staff when it comes to communicating place-based policies. However, their lack of capacity means that in areas such as data collection and analysis, the setting of strategy, and the monitoring, auditing and evaluating of activity this group of LEPs is undertaking fewer activities than its peers.

LEPs with annual budgets below the average (mean) reported by all LEPs (<£1.6m)² appear no less confident of their capacity or capabilities than LEPs with larger annual budgets.

Do LEPs need further capacity to perform what is expected of them?

Whilst 60% of LEPs have some confidence that they have the means to offer the terms and conditions necessary to recruit high quality staff, a significant minority (40%) do not have this confidence. A minority of LEPs have concerns about their capacity to set strategy, and/or want more capacity to develop and deliver programmes, and/or want more capacity around ensuring robust governance.

LEPs work with neighbouring LEPs on a regular basis and share their analysis and thinking with local partners. Many LEPs want to support local partners in the delivery of programmes and projects but feel they lack the capacity to do so. Once a project or programme has been

¹ The median number of total LEP staff employed (direct employees + secondees) was 20 (full-time equivalents). Throughout the report we look at differences in responses from LEPs with fewer staff than the median.

² The average (mean) annual budget reported by LEPs was £1.6m. Throughout the report we look at differences in responses from LEPs with an annual budget below this figure.

given LEP funding, many LEPs rely on local partners to carry out processes necessary for good project management.

To ensure the capacity, capabilities and sustainability of LEPs:

- **We recommend that dialogue between LEPs and government becomes more focused on the capacity they will need to deliver their future role in local policy making and less on how LEPs should administer themselves day-to-day.**
- **We recommend a slight increase in LEP revenue funding.** A minority of LEPs said they wanted more funding from government to support their strategy setting activity. A majority requested more funding for programme delivery and management activity. If government wishes, this funding increase could be targeted on non-MCA LEPs and those LEPs with fewer staff, as these two (overlapping) groups are more likely than other LEPs to report gaps in capacity and capabilities.
- **We recommend that the government provides LEPs with a guarantee of longer-term, multi-annual revenue funding.** We suggest that government could agree 3-5 years of future revenue funding for LEPs. Such a timeframe would make it easier for LEPs to recruit staff and enable them to support longer-term, transformational projects within their local economies.
- **We recommend that the government investigates whether 'back office' functions (e.g. legal and procurement teams) could be made available to LEPs who don't have these resources in house.**
- **We recommend that regular meetings/updates need to be put in place outside of the LEP annual review process to give LEPs access to senior policy makers.** LEPs praise the support they get from their Area Leads and most agree they can call upon senior external input when needed. However, seven LEPs requested access to more senior Civil Servants and a similar number talked about how government could work more closely with LEPs during the implementation of strategy.

What other action is needed to make LEPs effective in their activities and to ensure that all LEPs achieve the standards required of them?

- Whilst the research finds that all LEPs are confident in relation to tasks needed to develop a local industrial strategy, **we recommend that government provides LEPs with the information, guidance and technical tools they will need to ensure that their local policy making is in step with national policy going forward.** Government thinking and policy on economic development, and the economy itself, have developed considerably since the time of Strategic Economic Plans, which remain key points of analytical and strategic reference for most LEPs. Some LEPs may require support to understand these changes; others may understand the changes but need advice and capacity from the centre to carry out analysis of the interplay of these factors.
- **We recommend that the government continues to focus on helping LEPs to access data on their local area.** Only 7% of LEPs' total staff are working in analyst roles. Many LEPs rely on consultants to develop their evidence base, and LEPs asked for more access to data/better local data. Government analysts and the Office for National Statistics could help LEPs to identify further and new sources of data, for instance advising on how to understand the views of less well represented groups such as the self-employed and minority groups. Organisations such as the What Works Centres can advise and train LEPs in what policy interventions will be most effective

given the characteristics of their local area. The What Works Centre for Local Economic Growth has produced several reviews which set out evidence-based, effective interventions for many of the policy areas in which LEPs are active. No LEP mentioned the What Works Centres when talking about their capacity and capability to set strategy or to develop and deliver programmes. Government and the LEP Network should remind LEPs of the support and advice available from the What Works Centre network.

- **We recommend that increased expectations be made of LEP's evaluation and validation practices of the projects they deliver, and of themselves.** LEP monitoring and evaluation activities appear light touch, suggesting that lessons arising from LEP projects and activity are not always learnt³.

³ We would recommend in the first instance that LEPs refer to guidance contained in the National Local Growth Assurance Framework in this area, specifically Part C Ensuring Value for Money and Annex D.

Introduction

Adroit Economics and Warwick Economics & Development were commissioned by the Department for Business Energy & Industrial Strategy (BEIS) and the Ministry of Housing, Communities & Local Government (MHCLG) to review the capacity and capabilities of Local Enterprise Partnerships (LEPs). This was with the aim to understand the readiness of LEPs to deliver place-based policies such as the Industrial Strategy and to understand where best we can support LEPs with this.

This research commenced in Spring 2019 and completed with a census of LEPs in July-August 2019.

The research team was supported by a study steering group comprised of officers from BEIS, MHCLG, HM Treasury (HMT), and the Department for Education (DfE). The research team presented interim and draft final findings to the steering group and received regular feedback from the group on the design and implementation of research tasks.

Policy context for the research

The Industrial Strategy, published in 2017, set out the government's aim to improve living standards and deliver economic growth to all parts of the country.

As part of ensuring that everyone, wherever they live can contribute to and benefit from economic growth, local areas in England were asked to prepare their own local industrial strategies. Government asked that these strategies were based on clear evidence and aligned to the foundations and grand challenges set out in the Industrial Strategy. Led by LEPs and MCAs, but in collaboration with local stakeholders from across sectors, the strategies would establish places' distinctiveness and focus on the long-term.

Seven strategies had been published by October 2019, and all other places had begun work on their strategies: developing their evidence base, prioritising with local stakeholders and agreeing drafts locally. Further publications are expected in late 2019 and 2020.

Since 2010 Local Enterprise Partnerships have been a means of delivering local growth and increasing local productivity. LEPs are private sector led partnerships between businesses and local public sector bodies, bringing private sector expertise into local economic decision making and encouraging collaboration and strategic decision making at the level of functional economic areas. LEPs typically work alongside/with local authorities within their areas and are key delivery partners of many of the place-based policies committed in the Industrial Strategy including the development of local industrial strategies. There are 38 LEPs across England.

Successful delivery of place-based policies such as the Industrial Strategy requires local institutions that have the capacity and capabilities they need to perform effectively and efficiently. Previous reviews of LEPs ([National Audit Office, 2016](#); [Ney Review, 2017](#)) found significant variation in the operational and institutional arrangements of LEPs. The fact that arrangements for operational and institutional support are left to the discretion of LEPs makes it difficult for government to design a benchmark that will reflect adequately the diversity of arrangements and responsibilities across all 38 LEPs.

The government has recently refreshed its [National Local Growth Assurance Framework](#) (NLGAF) and conducts an Annual Performance Review of LEPs. However, it is not well understood how ready LEPs are at present to effectively deliver their new roles and responsibilities and applicable place-based policies.

[Strengthened Local Enterprise Partnerships](#) was published in July 2018. This review sets out how the government will work with LEPs to strengthen leadership and capabilities, improve accountability and risk management, and provide clarity on LEP geographical boundaries.

Government committed to the creation and application of a LEP Capacity and Capabilities Framework in its Strengthened Local Enterprise Partnerships policy review:

'we will commission an independent benchmarking of the capacity and capabilities of all Local Enterprise Partnerships against best practice, so that performance requirements match resources available'

The creation of the Capacity and Capabilities Framework comes in addition to the provision of additional capacity funding for LEPs to support the implementation of the changes set out in Strengthened Local Enterprise Partnerships and embed evidence in place-based policy making.

An improved understanding of the capacity and capabilities of LEPs will help government to establish standards and identify policies, actions, resources and monitoring to be put in place to enable LEPs to perform to and deliver against these standards.

Aim and structure of the research

The aim of the project was to understand whether all 38 LEPs in England are prepared and geared to take forward place-based policies, including those of the Industrial Strategy. The project was developed by the team of consultants drawing on extensive consultation with LEPs and other key stakeholders, alongside the project steering group.

The aim of the framework and census was not to produce material which would score or rank LEPs against one another.

The research has been undertaken in two phases:

- Phase 1 – development of a capacity and capabilities framework which sets out the roles, functions, resources and activities that a LEP needs to successfully deliver place-based policies including local industrial strategies.
- Phase 2 – a census of the 38 LEPs, followed by comparative analysis. These update the evidence base of LEPs' capabilities to perform their roles and responsibilities and draws specific recommendations for what actions and support are needed to set all LEPs onto a minimum level of delivery readiness for place-based policies conferred on them.

Building on the existing guidance

The tasks undertaken for Phase 1 of this study have allowed us to understand how LEPs currently translate the expectations of them into specific decisions around capacity, organisational structure and ways of working; and to compare these approaches to decisions

taken by (current and historic) local delivery organisations operating in different policy fields such as health, transport, science and innovation.

Combining this primary and secondary research, we have been able to develop further insight and ideas as to how the requirements of LEPs as set out in the policy review and the NLGAF can be turned into a list of roles, functions and resources which when combined give LEPs the capability to do what is expected of them by government.

Three categories of activity

LEPs told us how they conceived their activities in terms of:

- Setting strategy
- Delivering programmes and projects
- Ensuring robust governance of these activities

This categorisation of LEP activity echoes the cycle of working set out in Strengthened Local Enterprise Partnerships. This states that a LEP's role is to set a strategy based on evidence, build partnerships and pool resources to deliver priority projects, and monitor and evaluate delivery to inform continuous improvement activity. It goes on to talk about how LEPs should coordinate local activity around economic development and be advocates for those activities.

The Ney Review⁴ and the National Local Growth Assurance Framework document add detail around how LEPs can ensure robust governance of their activities so that decisions are taken based on a wide range of independent and informed views and then clearly and transparently reported.

Given the consistency between how the existing guidance states how LEPs should operate and how LEPs told us they operate and structure themselves on a day to day basis, the Capacity and Capabilities Framework adopts the Strategy, Delivery, Governance structure outlined above. The following sections provide more detail on the roles a LEP should perform under each category of activity based on the research findings to date. A diagram summarising the Capacity and Capabilities Framework is included at the end of the section.

Setting strategy

Since LEPs were created in 2010 Government has been consistent in stating that they want LEPs to be strategic bodies. Government want LEPs to call upon their local knowledge and expertise to identify priorities and bring local business leadership into local economic growth policy. The requirement that LEPs lead on the creation of LIS has reinforced this view of LEPs. In response, our research has found that LEPs see themselves as strategic bodies first and foremost.

In developing and agreeing strategic priorities LEPs need to offer leadership around issues where there is a clear rationale for public sector intervention. They need to be confident in setting out their strategic vision and not be unduly influenced by short term policy and economic influences, instead setting out a medium to long-term economic vision for their area.

⁴ <https://www.gov.uk/government/publications/review-of-local-enterprise-partnership-governance-and-transparency>

Although business-led, the strategies that LEPs produce are not just for business or a subset of sectors or types of businesses. The LEP should represent the whole business community and the society and communities that those businesses operate in. The strategic needs and wants of the business community may not always be the same as those of the community. A LEP should be able to balance and address these tensions through its actions.

Alongside setting its own strategy, a LEP must pay due regard to national and other local strategies which impact upon its ambitions. The ability to link up plans, to cede leadership on an issue where it makes sense to do so, to co-design responses with central government and other input are all vital if a LEP is to successfully integrate its work and in doing so avoid duplication of effort.

Alongside leading work to build a consensus on economic development strategic priorities, a LEP's strategic function must also be agile. The LEP should respond quickly to economic, social and political/policy developments. It can do this through being willing to trial and pilot approaches, by pivoting its focus away from one area towards another, and by accepting the limits of its strategic remit. A LEP's strategic function should evolve but not necessarily expand.

Delivering programmes and projects

When first established in 2010 LEPs were not designed to be delivery bodies; their role was to bring private sector expertise into local economic decision making and to encourage collaboration and strategic decision making at a functional economic area level. It was left to partners to deliver programmes and projects within the strategic framework set by the LEP.

Following the 2013 Spending Review LEPs acquired considerable new levers – particularly funding to deliver the interventions that stimulate growth. Through three rounds of Growth Deals the Government is giving over £9 billion to help LEPs to deliver their investment priorities. In some policy areas LEPs use Growth Deal and other monies to commission partners to deliver activity to the benefit of local economies. In some areas of policy LEPs now deliver projects directly. Both approaches require LEPs to undertake project management activities.

To be effective in delivering programmes and projects LEPs need to be able to tell the story of what they want programmes and projects to achieve for their local economy in the form of aims and objectives.

After setting out aims and objectives, LEPs need to help project deliverers to navigate the rules and requirements of public funding. LEPs should aim to streamline funding and project application and appraisal processes as far as possible within the assurance frameworks they must operate. A confident LEP can shorten and remove steps in this process without compromising the quality and transparency of a final decision.

Throughout this project selection process, a LEP should aim to provide access to public funding for applicants from a wide range of sectors, backgrounds and interest groups. LEPs should be aware of the capacity of local partners to deliver programmes and projects and design calls and delivery models which reflect local capacity. Once an investment has been made and a project commissioned, LEPs can continue to support that partner to develop their delivery capacity. This in turn may increase the sustainability of LEP supported activity, freeing up future funds and avoiding the abrupt ending of programmes and projects.

Clear prioritisation of investment decisions based on sound and consistent evidence is a must for all LEPs. But LEPs can also allow for the funding of innovative and novel projects for which there may not be an evidence base, a simple output metric, or a return on investment ratio.

The findings from LEPs' commissioning, project management, monitoring and evaluation activity should build up into an 'institutional memory' of what has been promised and what has been delivered, what has worked and what has not worked. This knowledge should exist within the whole of the LEP and not just be associated with one officer or one role.

Ensuring robust governance of these activities

Within the field of economic development, LEPs are unique in the high degree of private sector leadership they possess. Each LEP has a private sector Chair and Strengthened Local Enterprise Partnerships asked LEPs to increase private sector representation on their boards to at least two thirds. This composition ensures that LEPs give their local private sector clear leadership on local economic development policy issues. This leadership is exercised first-hand through the businesspeople who sit on the Board and second-hand through the networks those individuals have with other businesses within their sector, their local area and personal networks.

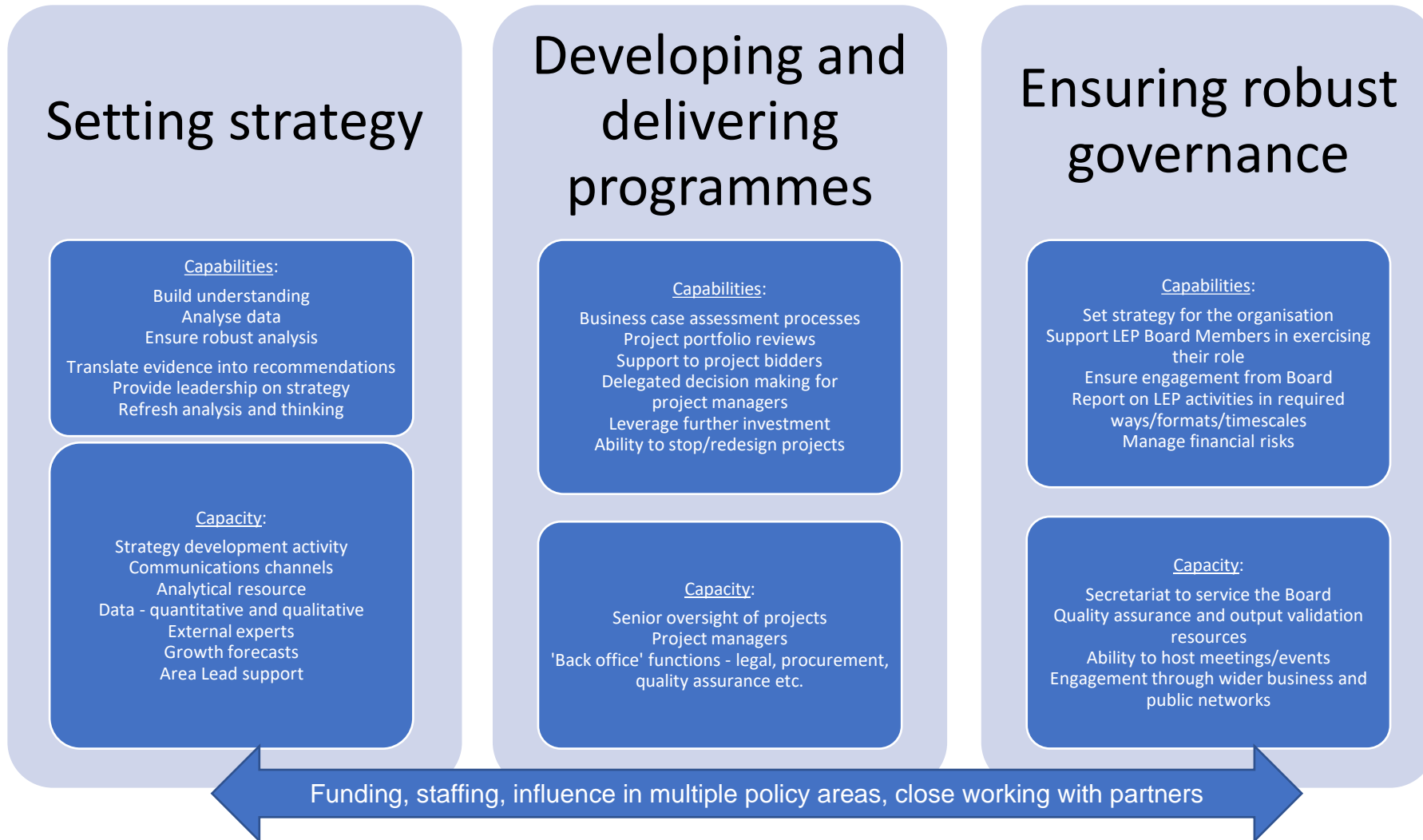
LEP Board members can also exercise private sector governance of local economic development policy by linking up the work of the LEP Board to the work of other local Boards on which they sit. In such instances, LEP Boards can help to glue together a range of local institutions and actors around a common interest and strategy.

When making decisions, LEP Boards need to ensure they marry private sector drive and innovation with public sector standards around transparency and accountability. LEPs must be able to explain their role and their decisions to local actors, ranging from elected Mayors, to Council Leaders and Members, to representatives from the education sector and so on. They can build trust and social capital with these partners.

LEP Boards (and Executive teams) need clarity on the resources available to them at a point in time, and they need to ensure that the scale of their ambition is related to the resources they have available to deliver on those ambitions.

Where ambitions exceed resources, LEPs can avoid over-extending themselves by working with partners, both within their LEP area and outside, including other LEPs both neighbouring and further afield.

Figure 1: The Capacity and Capabilities Framework summary⁵



⁵ The framework has been constructed to ensure there are no overlaps with the content of the Local Growth Assurance Framework.

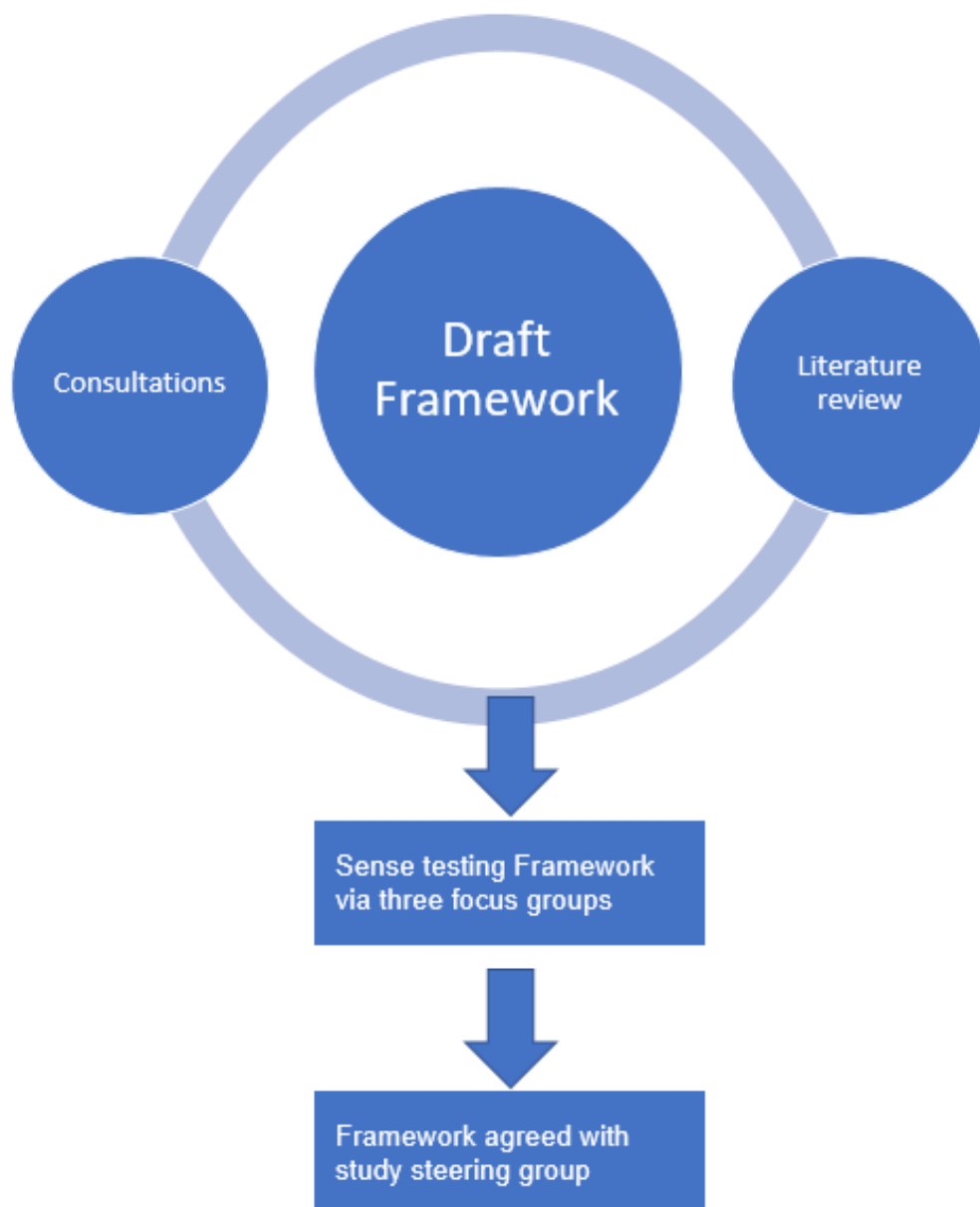
Methodology for the research

The research was undertaken in two phases.

Developing the Framework (Phase 1)

Phase 1 of the research culminated in a Framework of indicators for identifying the capacity and capabilities typically expected in a local delivery body with the roles and responsibilities of a LEP. Additionally, this phase helped develop and refine the research questions for census which formed the basis for Phase 2 of the research.

Figure 2: Phase 1 research tasks



Local Enterprise Partnerships Capacity and Capabilities Assessment

The LEP Capacity and Capabilities Framework was formulated through the following processes:

- Three half-day focus groups were held to which all LEPs were invited to send a senior member of staff. The aim of the focus groups was to hear directly from LEPs on what capacity and capabilities they feel they need in order to successfully deliver the requirements placed upon them by place-based policies including, but not limited to, the creation of local industrial strategies. 15 LEPs attended across the three focus groups. Telephone consultations were held with three further LEPs who were unable to attend a focus group.
- 15 telephone and face-to-face consultations were held to obtain views on the institutional capacity and capabilities needed by local delivery organisations working across a range of policy areas in considering current and future place-based policy initiatives. Consultations with local industrial strategy trailblazer areas (three areas of the country where the development of a local industrial strategy was piloted) were prioritised so that the Framework could be based on first-hand experience of the institutional capacity and capabilities needed to develop place-based policy.
- A literature review was undertaken to identify what works in relation to the institutional capacity and capabilities needed by local delivery organisations to be effective. The literature covered delivery organisations across a range of policy areas (health, transport, science and innovation etc.) and included both UK (current and historic) and international examples of local delivery organisations.
- Drafts of the Capacity and Capabilities Framework were shared with the research steering group prior to agreement of the final Framework.

Design of the census questionnaires (Phase 2)

Data and understanding of LEP's capacity and capabilities, measured against the Framework, was gathered through the following processes:

- A 10-question online survey
- A 60-question, hour long telephone interview carried out with a senior officer(s) from the LEP

All 38 LEPs in England took part in the survey work. All 38 LEPs took part in a telephone interview; 30 LEPs completed the online survey. The census gathered 97% of the data it set out to collect (2,580 questions answered out of maximum of 2,660).

The online survey element of the census collected information on LEPs' staffing (Full-time equivalents or FTEs), funding and networks of local partners. LEPs were asked for information on the following:

- The number of staff (FTEs) they employ and the number of staff who are seconded to the LEP from other organisations.
- The amount of annual funding they receive and from which sources.
- The policy areas where they feel that they lead on local strategy setting and the policy areas where other agencies lead.

Local Enterprise Partnerships Capacity and Capabilities Assessment

- The strength of their working relationships with a range of local partners including councils, businesses and educational institutions.

Data from the online survey has been used to provide an overview of the current position regarding LEPs' staffing, budgeting and local networks; and to enable greater depth of analysis of the data generated through the telephone survey. For instance, it has allowed us to explore whether differences in LEPs' staffing and funding profiles and organisational structures are reflected in LEPs' abilities to set strategy, deliver programmes and ensure robust governance.

The telephone survey built on the online survey, exploring a wide range of issues in considerable depth, such as the processes LEPs have in place to develop strategy, deliver programmes and ensure robust governance and their confidence in these processes.

The telephone survey questionnaire combined scaled questions (*How confident are you that the LEP can...*), closed questions (*Does the LEP do...*) and open text questions (*What is your overall assessment of your LEP's capacity and capabilities when it comes to...*).

Through the scaled and closed question data and inclusion of open text responses, we have been able to build up profiles of individual LEP's capabilities and capacities and how these compare to the range of capacity and capabilities reported across all LEPs.

Unless stated as follows (n=), all the figures, charts and tables in this report are based on the responses of all 38 LEPs.

Limitations of the research

The literature review undertaken during Phase 1 of the research found relatively little robust, up to date evidence as to what constitutes an effective local delivery organisation. Often, individual projects or programmes delivered by a local delivery organisation had been assessed, but the work of the whole organisation had not been assessed. In other instances, the nature and scale of the local delivery organisation that had been assessed was different to that of a LEP, making it hard to identify transferrable insights. In response, we included a series of focus groups with LEPs and consultations with individuals with detailed knowledge of how to ensure local policy making is effective. In these ways we were able to build a detailed, up to date picture of the roles, functions, resources and activities that a LEP needs to successfully deliver place-based policies including local industrial strategies.

The online and telephone surveys of all 38 LEPs generated self-reported data on what LEPs do, the resources they possess and the confidence they have in carrying out specific tasks. They provide a picture of a LEP's capacity and capabilities at a set point in time. Data regarding LEPs' resources (i.e. staffing and budgets) and their overall assessment of their capacity and capabilities to set strategy, develop and deliver programmes and ensure robust governance were sense-checked with each LEP's Area Lead but time and resource constraints have meant it has not been possible to validate every single answer provided by each LEP.

Both the online and telephone surveys were optional. Respondents could choose not to answer specific questions, and the answers they gave were the officer's own perception of how confident or effective a LEP was at performing a specific task or role. Wherever possible, we asked that the same officer(s) completed both the online and telephone survey elements of the census to provide consistency across both sets of answers. As with all surveys there will be the element of response bias in the results. There are many reasons individuals might offer biased estimates, ranging from a misunderstanding of what a proper measurement is to social-desirability bias, where the respondent wants to 'look good' in the survey.

Given these limitations, we recommend that the census process be repeated in future and/or linked to other assessments (e.g. Annual Reviews) and research (e.g. peer learning activities) undertaken with LEPs to build a longer-term picture of each LEP's capacity and capabilities. We also recommend that the research framework and findings be shared with LEPs' local partner organisations to obtain external validation on the capacity and capability of LEPs.

Finally, the research provides data on what each LEP does but it cannot tell us these things are done effectively and efficiently, i.e. a LEP may have told us that they allow local businesses and members of the public to input to their strategies via the LEP's website but if the functionality to do so is not clearly signposted on the website then the capability of these groups to input to strategy will be hampered. To overcome this reliance on subjectively reported activity, the research has sought to consider LEPs' responses across the entirety of the surveys and has cross-referenced answers to specific questions to explore in more depth how performing a specific task or possession of a specific resource affects other LEP activity.

Structure of this document

- Chapter 3 profiles LEPs' budgets, staffing capacity, areas of policy work, and the local networks they operate within.
- Chapter 4 looks at LEPs' capacity and capabilities to set strategy.
- Chapter 5 looks at LEPs' capacity and capabilities to develop and deliver programmes.
- Chapter 6 looks at LEPs' capacity and capabilities to ensure robust governance.
- Chapter 7 makes recommendations to government on actions and resources that could be put in place to enable all LEPs to perform and deliver to the required standards

LEPs' staffing, budgets and local networks

The following chapters form the output from Phase 2 of the research from the online and telephone census of LEPs.

This chapter uses the data generated from the online survey to provide an overview of LEPs' overall capacity.

It looks at LEPs' staffing numbers and profiles, annual budgets and key sources of funding, areas of policy activity and how LEPs perceive their relationship with local partners.

It looks for differences in overall capacity between LEPs who are within Mayoral Combined Authority (MCA) areas and LEPs who are not within MCA areas⁶. This is in recognition of the fact that MCAs have been granted additional powers and responsibilities by central government through devolution deals and this in turn has often led to close working between the MCA and the LEP, and greater or shared resources that LEPs within the MCA can call upon.

It also considers the capacity of the 11 LEPs which comprise the Northern Powerhouse⁷ and the 9 LEPs which comprise the Midlands Engine⁸.

LEPs' staffing capacity

Directly employed staff

Directly employed FTE staff numbers range from 0 (i.e. all LEP staff are on secondment from other organisations) to 520.

The median number of directly employed staff is 16 FTEs (n=29).

For LEPs based in MCAs (n=8), the median number of directly employed staff was higher than for LEPs not based in MCAs (n=21); 35.5 FTEs vs. 9 FTEs.

⁶ The following 10 LEPs are defined as being within the following MCAs: West Midlands CA – Coventry and Warwickshire, Greater Birmingham and Solihull, and Black Country LEPs; Cambridge and Peterborough CA – Cambridge and Peterborough Business Board; Greater Manchester CA – Greater Manchester LEP; Liverpool City Region – Liverpool City Region LEP; West of England MCA – West of England LEP; Sheffield City Region – Sheffield City Region LEP; Tees Valley CA – Tees Valley Partnership; North of Tyne MCA/North East Combined Authority - North East LEP. We have also included the Leeds City Region and London LEPs in this grouping because the West Yorkshire Combined Authority is the accountable body for the LEP and in London, the London Economic Action Partnership (LEAP), brings entrepreneurs and business together with the Mayorality and London Councils to identify strategic actions to support and lead economic growth and job creation in the capital. LEAP is a non-incorporated consultative and advisory body established by the Mayor under sections 30 and 34 of the Greater London Authority Act 1999. As a Mayoral appointed body with no separate independent or corporate legal status, LEAP operates through the GLA which acts as LEAP's "accountable body" when funding arrangements are entered into with the Government or European Commission.

⁷ Greater Manchester, Liverpool City Region, Sheffield City Region, Leeds City Region, York & North Yorkshire, the Humber, Tees Valley, North East, Cumbria, Lancashire, and Cheshire & Warrington LEPs.

⁸ Coventry and Warwickshire, Greater Birmingham and Solihull and Black Country, Greater Lincolnshire, D2N2, Stoke-on-Trent & Staffordshire, Worcestershire, The Marches, and Leicester and Leicestershire LEPs.

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LEPs in the Northern Powerhouse reported similar numbers of directly employed staff to MCA LEPs (median figure of 30 FTEs, n=8) whilst the number of directly employed staff for LEPs in Midlands Engine LEPs was lower (median of 12.25 FTEs, n=8).

Seconded staff

73% of LEPs (n=30) said that they had seconded staff. LEPs based in MCAs, the Northern Powerhouse and the Midlands Engine are just as likely to have seconded staff as LEPs not based in these areas.

Numbers of seconded staff per LEP range from 1 to 24 FTEs.

The median number of secondees was 2 FTEs.

As a percentage of all staff working at the LEP (i.e. directly employed staff plus secondees), **secondees make up 27% of total LEP staff on average (n=28).** The median percentage of secondees reported was 7%; for more than half of LEPs who have seconded staff, these staff make up under 10% of their total employees.

Four LEPs said that all their staff were seconded from other organisations.

Six LEPs said that none of their staff were secondees.

For MCA LEPs, seconded staff as a percentage of total staff is much lower at 2% (n=7). For Northern Powerhouse LEPs and Midlands Engine LEPs the figures are 18% and 26% respectively (n=6 and n=8).

Number of secondees across all LEPs are evenly split between short-term (<2 years secondment) secondees and long-term secondees (>2 years secondment). Five LEPs reported that all their secondees were on short-term secondments but for all these LEPs secondees accounted for just a few staff and represented <10% of their overall staffing figure. Amongst the four LEPs who said that all their staff are secondees, 70% of these secondments are long-term secondments.

Seconded staff perform a range of roles: 12 LEPs said that seconded staff undertook strategy related roles; 10 LEPs each mentioned seconded staff performing policy, operations and project management duties. Five LEPs mentioned seconded staff performing analytical roles.

Looking in more detail at the 23 LEPs who reported having secondees, for nine of these LEPs secondees make up more than one third of total staff. These nine LEPs reported annual budgets that are lower than those of LEPs with fewer or no secondees.

Having a high percentage of secondees does not appear to adversely affect a LEP's perception of its ability to carry out key functions relating to setting strategy, delivering programmes and ensuring robust governance. For several areas of capability covered by the census, LEPs with a high percentage of secondees report greater confidence in their ability than LEPs with a lower percentage of secondees. This could be due to secondees providing the functions which LEPs do not have in their day to day operations.

Table 1: Comparing LEPs with higher and lower percentages of secondees

	All LEPs with secondees (n=22)	Secondees <25% LEP total staff (n=12)	Secondees >25% LEP total staff (n=10)
Average (mean) annual budget	£1.39m	£1.73m	£1.04m
Confidence can offer terms & conditions needed to attract high quality staff	23% confident/very confident	17%	30%
Agree they have adequate project management resources	59% agree/strongly agree	58%	60%
Confidence at communicating IS to partners	95% confident/very confident	100%	90%
Agree that LEP has up to date understanding of local economy	86% agree/strongly agree	92%	80%
Agree can meet NLGAF requirements	100% agree/strongly agree	100%	100%
Agree that LEP undertakes Value for Money assessments of project outputs	73% agree/strongly agree	83%	60%

Source: LEP Census. Note: average budget figure excludes MCA LEP which has secondees and which reported Combined Authority's overall budget.

Total staff (directly employed + seconded)

The median total staff figure across all LEPs is 20 FTEs (n=29).

The median total staff figure increases to 36 FTEs for MCA LEPs (n=8) and falls to 16.75 FTEs for non-MCA LEPs (n=21).

The median total staff figure for Northern Powerhouse LEPs is 30 FTEs (n=8).

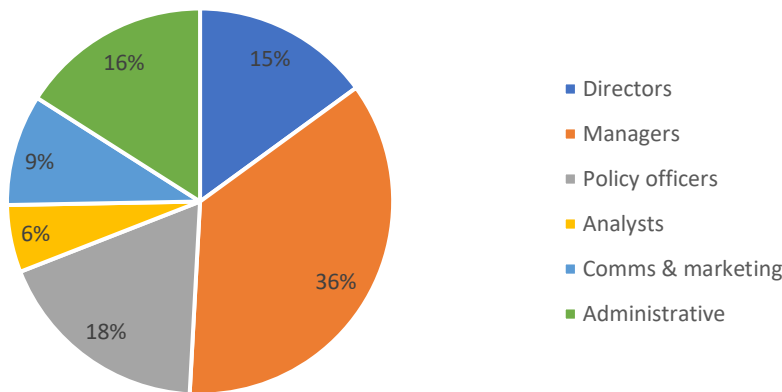
The median total staff figure for Midlands Engine LEPs is 14.25 FTEs (n=8).

Occupational profile of LEP staff

Staff directly employed by LEPs are most often working in Managerial posts (36% directly employed staff). Policy officers, Administrators and Directors are also well represented. Communications and Marketing staff and Analysts are relatively under-represented amongst directly employed staff (9% and 6% respectively).

Figure 3: Profile of LEP directly employed staff by occupation

%age directly employed staff by occupation

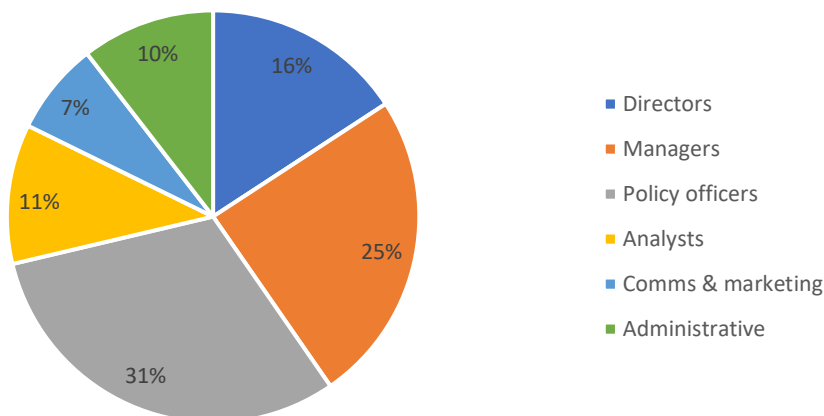


Source: LEP Census (n=29); excludes MCA LEP which reported 520 directly employed staff as no occupational breakdown provided.

The high percentages of directly employed staff who are Managers, Policy Officers and Directors and the low percentage of directly employed staff who are Analysts was broadly consistent across all types of LEPs (e.g. MCA and non-MCA, Northern Powerhouse and Midlands Engine).

Figure 4: Profile of LEP secondees by occupation

%age seconded staff by occupation



Source: LEP Census (n=19)

The occupational profile of LEPs' seconded staff is broadly the same as that for directly employed staff, although seconded staff are more likely to be in Policy officer (+13 percentage points) or Analyst roles (+5 percentage points).

The relatively small number of seconded staff reported means it is not possible to analyse the occupation of seconded staff by type of LEP (e.g. MCA and non-MCA, Northern Powerhouse and Midlands Engine).

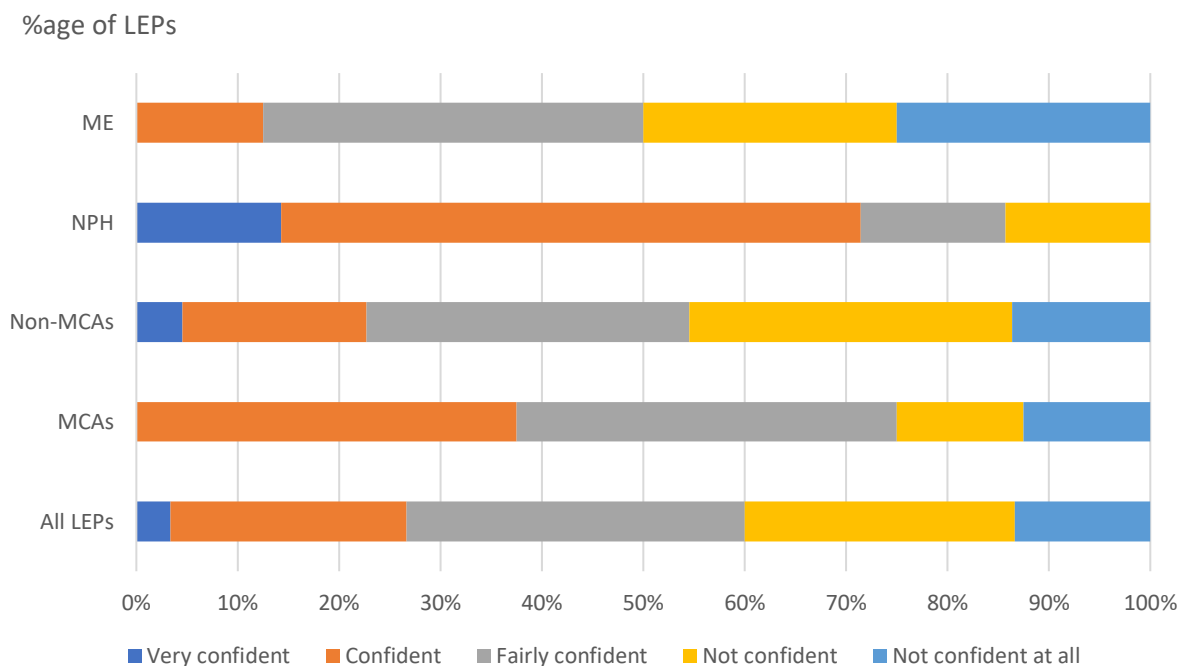
Staff training and recruitment

87% of LEPs (n=30) said that they had offered staff training within the last 12 months; in nearly all cases this training offer had covered both senior and junior staff at the LEP.

60% of LEPs have some confidence that they have the means to recruit high quality staff, but 40% do not have this confidence and only one LEP said that they were very confident that they could recruit high quality staff.

Northern Powerhouse LEPs are considerably more confident than Midlands Engine and non-MCA LEPs that they can offer the terms and conditions needed to recruit high quality staff. MCA LEPs are also more confident than average in this regard.

Figure 5: How confident are you that you have enough funding to offer the terms and conditions needed to recruit high quality staff



Source: LEP Census (n=30)

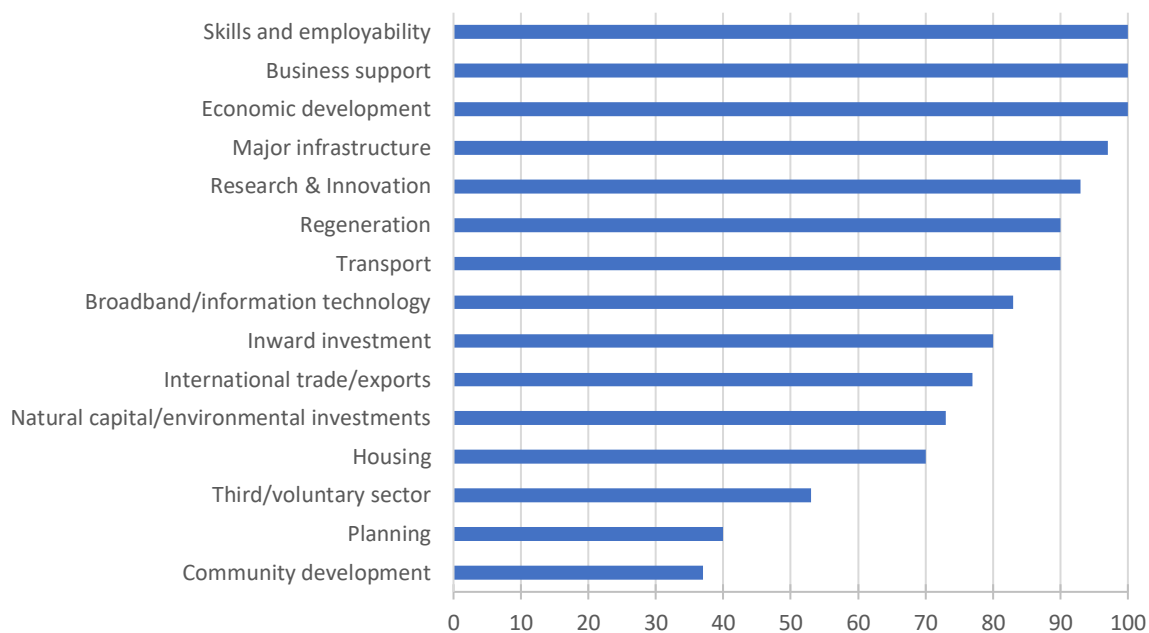
There is a link between the size of a LEP's annual budget and its confidence that it can recruit high quality staff. 22% of LEPs who have an annual budget below the average (mean) reported by all LEPs say they are very confident/confident they can offer the terms and conditions necessary to recruit high quality staff, compared to 38% of LEPs with annual budget above the average (mean) reported by all LEPs.

Policy areas covered by LEPs

LEPs work on local policy across many areas but especially in terms of economic development, business support, skills and employment policy. Fewer LEPs but still a majority of those who responded said that they work on policy in relation to spatial issues (planning, housing, the environment etc.).

Figure 6: Which of the following areas does your LEP work in?

%age of LEPs



Source: LEP Census (n=30)

In all policy areas LEPs work alongside local partners, to varying extents, to agree and set policy. This joint working is most common in relation to economic development (93% LEPs said that partner organisations worked alongside them on this policy area), business support (93%), the delivery of major infrastructure (90%) and skills and employability (90%).

Joint working between LEPs and local partners is less common in relation to third/voluntary sector (50% LEPs work with partners on this policy area), planning (37%), and in community development (33%).

The four policy areas where LEPs were noticeably more likely to say that partners worked on a policy area but the LEP did not were: planning; the third sector; community development; and housing policy.

LEPs' budgets

The average (mean) annual budget reported by LEPs was £1.6m (n=23).

The lowest annual budget reported was £650,000 (excluding one MCA LEP which reported £0 annual budget). The largest annual budget was £3.64m.

MCA LEPs reported an average (mean) annual budget of £2.14m (n=4).

Non-MCA LEPs reported an average (mean) annual budget of £1.48m (n=19).

LEPs within the Northern Powerhouse reported an average annual budget of £1.63m (n=6).

LEPs within the Midlands Engine reported an average annual budget of £1.35m (n=7).

An average LEP has five sources of funding. The most common sources of funding for LEPs are core grant funding from CLGU; contributions from local authorities within the LEP area; Growth Hub funding; Careers and Enterprise Company Careers Hub funding; and interest earned on Local Growth Fund and other balances.

Less frequently mentioned sources of funding included: European Structural and Investment Funds including technical assistance (seven mentions); DfE Skills Advisory Panel funding (three mentions); FE/HE contributions (two mentions); and private sector contributions (two mentions).

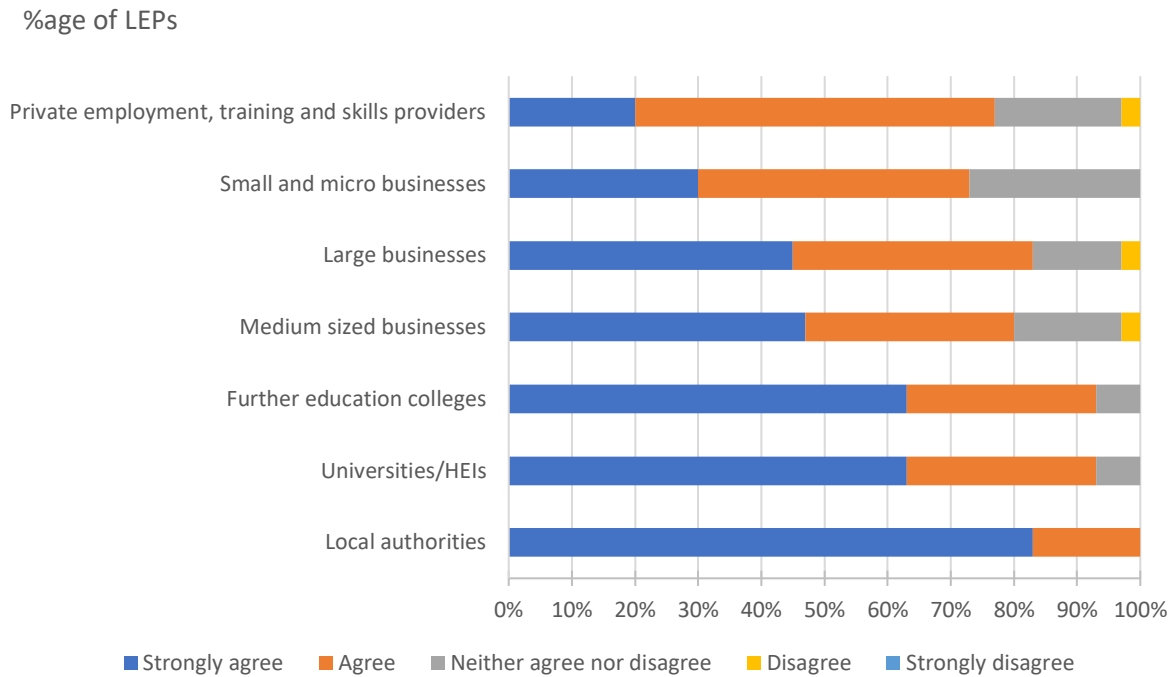
LEPs were asked to state what percentage of their annual funding was not ring fenced, i.e. money that does not have to be spent on one specific policy area or activity. The average (mean) of the responses given was 47% (n=29). Four LEPs said that they considered all funding to not be ring fenced and three LEPs said they considered the opposite to be true. The average did not vary significantly across MCA and non-MCA LEPs and between Northern Powerhouse and Midlands Engine LEPs.

Strength of LEPs' local networks

LEPs perceive they have formed strong working relationships with a range of local partners.

Relations are felt to be strongest with local authorities and Higher Education and Further Education providers.

Figure 7: To what extent do you agree that the following bodies play a full and active role in your LEP?



Source: LEP Census (n=30)

Perceived strong working relationships with local authorities are a consistent feature for all LEPs, regardless of whether they are in an MCA or non-MCA area or within the Northern Powerhouse of Midlands Engine. The same observation holds for relationships with Universities, Further Education Colleges and private training providers.

Perceptions of the strength of a LEP's relationship with businesses (of all sizes) varies by type of LEP. MCA LEPs and Northern Powerhouse LEPs are more likely to perceive their relationships with businesses to be strong than non-MCA and Midlands Engine LEPs.

Table 2: Extent to which business play a full and active role in the LEP’s strategies

	All LEPs	MCA LEPs	Non-MCA LEPs	Northern Powerhouse	Midlands Engine
Large businesses	83% strongly agree/agree	100%	76%	86%	71%
Medium sized businesses	80% strongly agree/agree	100%	73%	86%	63%
Small and micro businesses	73% strongly agree/agree	88%	68%	86%	50%

Source: LEP Census (n=29)

LEPs’ capacity and capabilities to set strategy

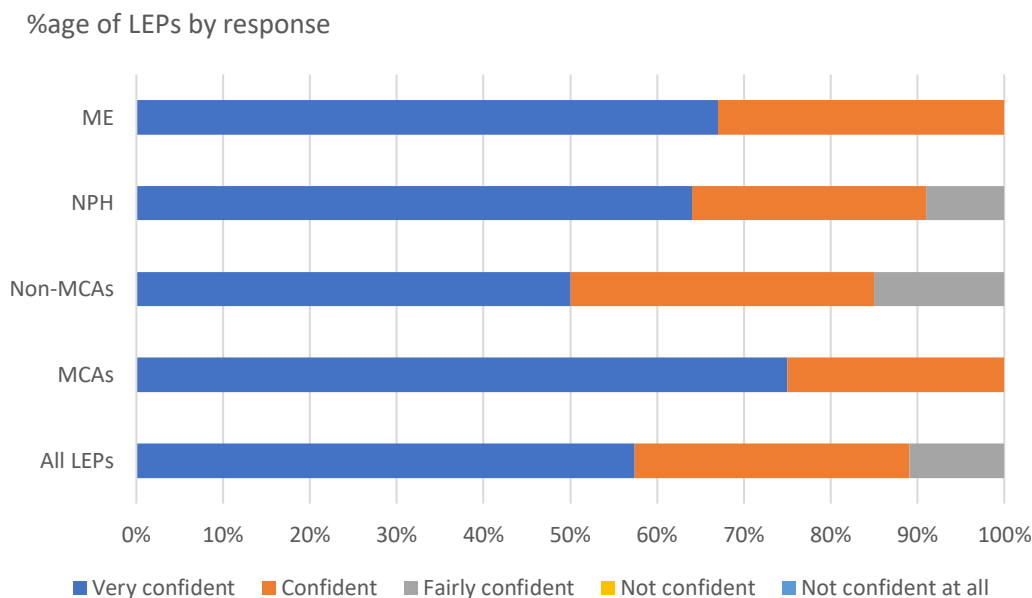
The Capacity and Capabilities Framework describes the process by which an effective LEP sets strategy. It does so by working with and where necessary leading partners in the consideration of robust, up to date evidence. Performing these tasks requires a mixture of in-house and external analytical capacity.

This chapter looks at LEPs’ responses to the telephone survey questions relating to their capacity and capabilities to set strategy. It explores differences in responses by size of LEP annual budgets, by total staff, by location (MCA vs. non-MCA LEPs etc.). It also looks at relationships between answers to specific questions regarding the setting of strategy.

Communicating policy and strategy

All LEPs who took part in the survey are confident to some degree that they can communicate the aim of the Industrial Strategy and other place-based policies to local stakeholders; 58% are very confident that they can do so. MCA LEPs are most likely to say that they are very confident they can communicate the aim of place-based policies to local stakeholders.

Figure 8: Confidence at communicating place-based policy to local stakeholders



Source: LEP Census (n=38)

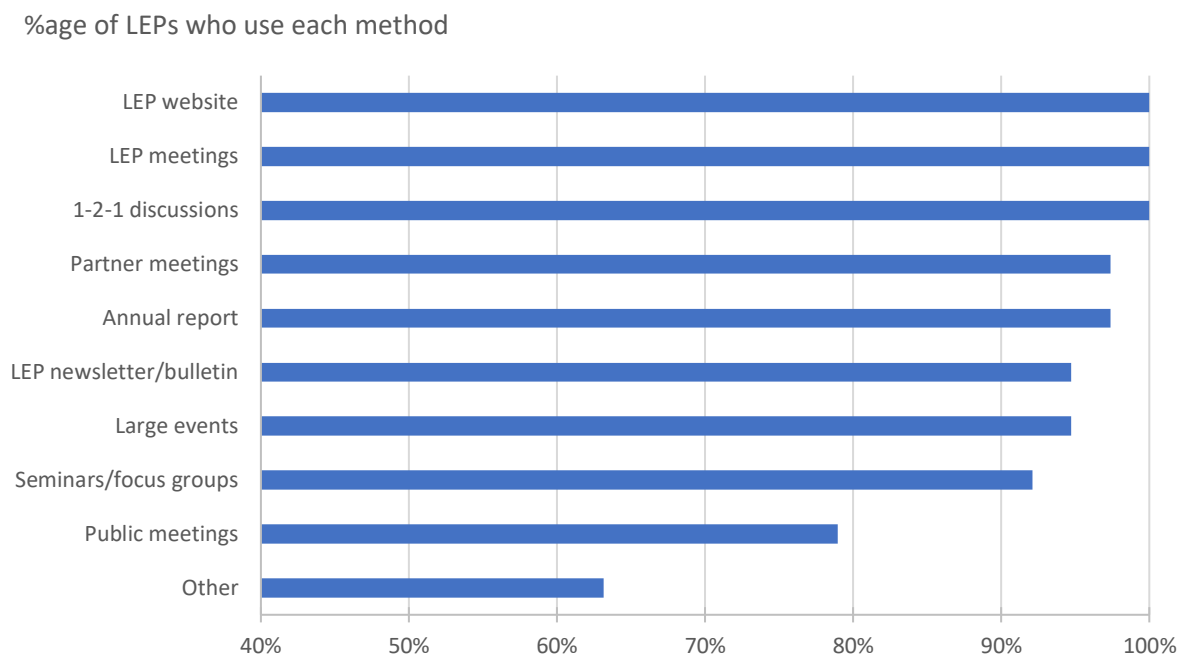
LEPs with fewer than 20 (median) staff in total are only fractionally less confident than larger LEPs when it comes to communicating place-based policies.

LEPs with annual budgets <£1.6m (average [mean] reported) are no less confident than those with larger budgets.

The literature review which informed the development of the Framework found that effective communication and collaboration between key stakeholders is seen as fundamental to both the purpose and success of agencies tasked with delivering place-based policies.⁹

LEPs communicate policy and strategy to partners in a range of ways, most often through their website, LEP meetings, in 1-2-1 discussions, and via their Annual Report.

Figure 9: How do you communicate policy issues with stakeholders?



Source: LEP Census (n=38)

Using data to develop policy and strategy

95% of LEPs are confident or very confident at explaining the economic geography of their local industrial strategy. MCA LEPs are considerably more likely to say they are very confident at doing so compared to non-MCA LEPs (92% vs. 62%). There is no clear difference between Northern Powerhouse and Midlands Engine LEPs in this regard.

90% of LEPs are confident or very confident at assessing the quality of evidence relating to their local economy and in turning evidence into policy. Again, non-MCA LEPs are less likely to report themselves very confident in this regard.

When asked to describe how they go about gathering evidence and turning it into policy, the approaches mentioned most frequently by LEPs were:

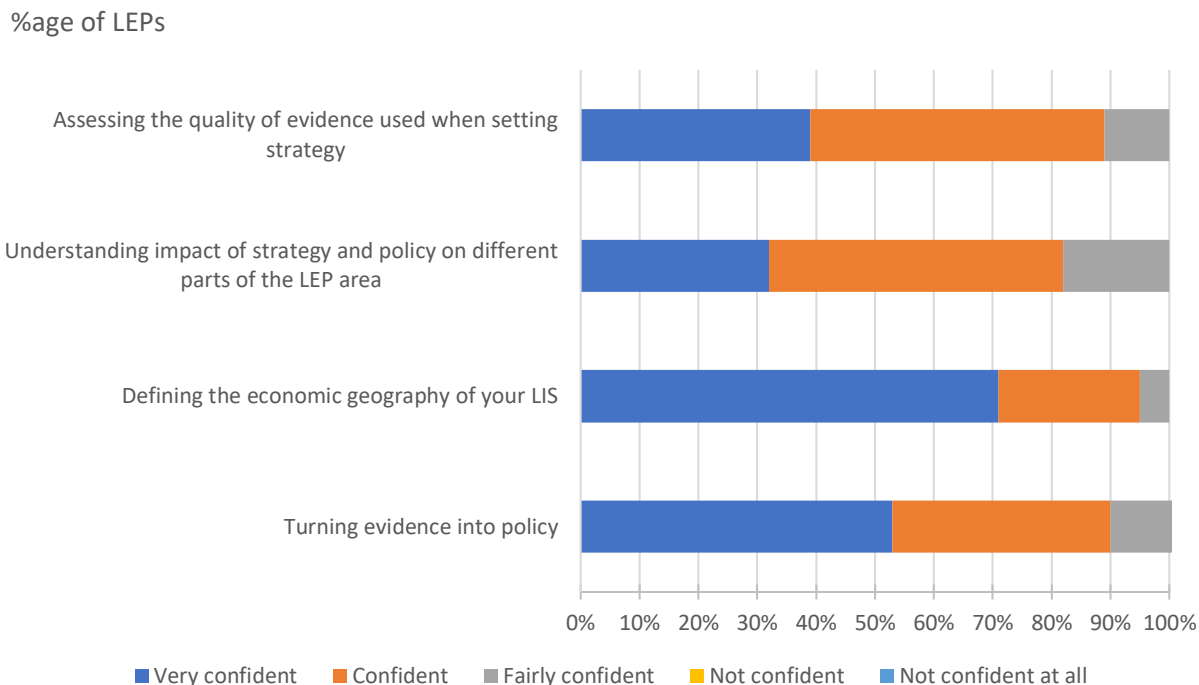
- Desk-based reviews and pulling together of existing secondary data

⁹ Clark, G., J. Huxley and D. Mountford (2010), *Organising Local Economic Development: The Role of Development Agencies and Companies, Local Economic and Employment Development (LEED)*, OECD Publishing, Paris,

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- Sessions with partners to consider/challenge data and refine interpretations – “[Our] Chief Executive tests the data with key stakeholders through events and workshops to challenge and test”

Figure 10: LEPs’ confidence in using data and evidence to develop policy and strategy



Source: LEP Census (n=38)

Nearly half of LEPs talked about having used external consultants to support/lead the evidence gathering process. A similar number described using evidence gathering processes such as focus groups, interviews and surveys. Relatively few LEPs mentioned have used universities to gather evidence on their local economies.

The evidence that is gathered through these and other processes is then often used by LEPs in presentations, in updates to the Board, and in written reports:

“Presentation[s] always starts with evidence. We’ve got the Board in the position where they would be pretty disappointed if we didn’t give them the evidence before making a policy statement”

“the Board see the hard data as well, so they’re aware of the local trends and statistics in terms of economic dashboard that we present to the Board on a regular basis”

Only a minority of LEPs mentioned their Board members having direct involvement in the collating and assessing of evidence; in most LEPs it appears that Board members are presented with a summary of what the evidence is saying rather than the raw data itself.

Looking in more detail at those 10 LEPs who reported that Board members were involved either in developing or analysing the evidence base, **we find no evidence to suggest that LEPs which are small in terms of budgets and/or total staff numbers are more likely to rely on Board members for the carrying out of analytical tasks/activities.** These 10 LEPs were also no more or less likely than their peers to say they consider their strategy setting capabilities and capacity to be good.

LEPs talked about how they seek peer review and inspection of their evidence base – *“We use a panel made up of academics and business people to ensure that the evidence is robust for policy delivery”* – and how they present their evidence open to the public, the business community and partner organisations – *“We take it [the evidence base] to a whole series of these breakfasts, dinners and public meetings, more so for the purpose of the local industrial strategy”*.

A minority of LEPs mentioned asking partners to help them to fill gaps in the evidence base and that they had established specific groups within the LEP to challenge the evidence base generated by analysts.

Providing leadership on the development of strategy

LEPs’ confidence in assessing and working with data and evidence to generate policy and strategy is reflected in the fact that they also report high levels of confidence in relation to agreeing with partners who is leading on policy development within particular areas (66% very confident or confident on this, n=37), and in challenging the strategic and delivery plans of local partners and advocating alternative approaches where data suggests these are needed (82% very confident or confident on this, n=37).

LEPs in MCAs are more likely to be very confident or confident at agreeing who is leading on policy development locally than non-MCA LEPs (83% vs. 58%).

LEPs who said they did not directly employ analysts were less likely to be very confident or confident in challenging the plans of partners based on data and evidence; 77% very confident or confident for this group vs. 92% amongst LEPs who directly employ analysts.

For the majority of LEPs their Strategic Economic Plan (SEP) is the key document in terms of informing the structure and scope of the local industrial strategy and providing leadership on issues of strategy more generally:

“[the SEP] is having a huge impact on what we are doing, and I think everybody, certainly in the LEP, across the local authority knows what that direction is and what’s in the plan that influences that”

“The local industrial strategy takes two or three priority areas for the LEP which are taken from the original economic strategy and does that in a lot more detail – it’s using the same principles, just taking things to another level”

Despite similarities in structure and content, not all LEPs see their SEP and their local industrial strategy as being linked i.e. the local industrial strategy is not simply updating the SEP:

“For me, the SEP was an economic plan, the local industrial strategy is a socio-economic plan, so they’ve got a slightly different focus.”

“We perceive the local industrial strategy to be a different document to the strategic economic plan, we then see one as subservient to the other – it’s another tool in the box. We refer to our strategies as being a family of strategies and therefore the strategic economic plan is something that we still hold to”

Analytical resources and support available to LEPs

7% of total staff employed by LEPs are in analytical roles.

LEPs draw on a range of resources to carry out analysis. About 80% of LEPs' analytical work is undertaken in-house or by external consultants, with a fairly even split between these two sources of input. LEPs were less likely to report a significant percentage of their analytical work being undertaken by analysts within partner organisations.

Non-MCA LEPs undertake a smaller percentage of analytical work in-house and rely more on external consultants and analysts within partner organisations than MCA LEPs.

LEPs with fewer staff and those with smaller annual budgets reported no greater or lesser reliance upon any one source of analytical input when compared to all LEPs.

Table 3: Balance of analytical work undertaken by type of LEP

	All LEPs	MCA LEPs	Non-MCA	LEPs <20 (median) total staff	LEPs <£1.6m (mean) annual budget
Analytical work undertaken in-house	Median = 40%	Median = 60%	Median = 20%	Median = 40%	Median = 40%
Analytical work undertaken by partner organisations	Median = 13%	Median = 5%	Median = 25%	Median = 10%	Median = 8%
Analytical work undertaken by external consultants	Median = 34%	Median = 30%	Median = 45%	Median = 33%	Median = 33%

Source: LEP Census (n=38). Note: Table gives the median figure reported for each group of LEPs by source of analytical work; therefore, the figures do not sum to 100.

Despite the relative lack of in-house analytical capacity, **all LEPs are confident that they have a good understanding of the situation facing their local economy and 63% are very confident in this understanding.** MCA LEPs are slightly more likely to say they are very confident in this regard than non-MCA LEPs (67% vs. 62%).

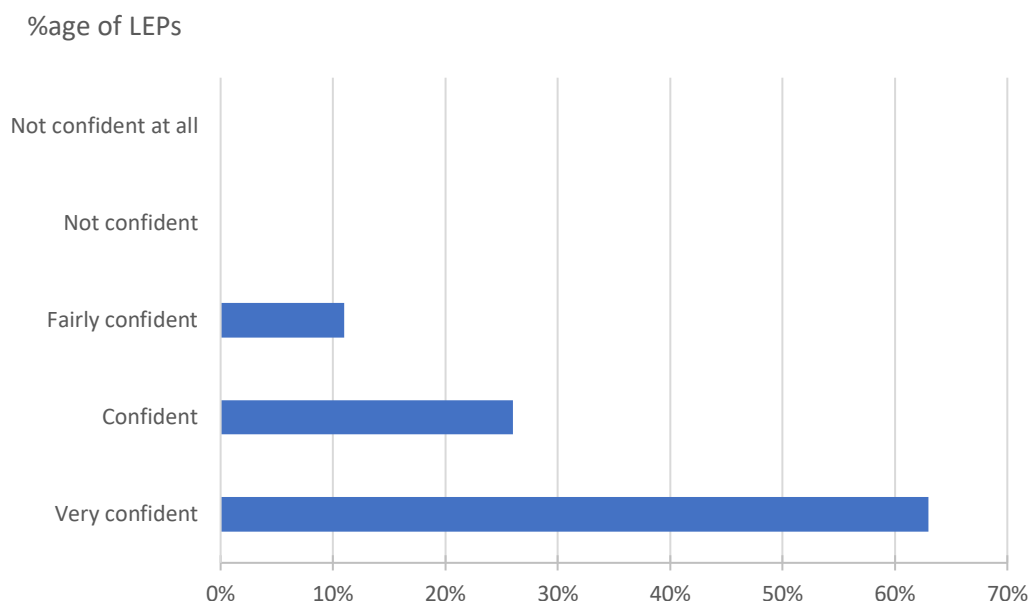
We find that the number of analysts a LEP employs, either directly or on secondment, has no clear bearing either way on a LEP's confidence when it comes to turning evidence into policy, defining the local industrial strategy economic geography, understanding the impact of policy decisions or having an up-to-date understanding of issues facing the local economy. LEPs who employ zero analysts were just as likely to say they are confident or very confident in these capabilities as LEPs who employ analysts. LEPs who employed two or more analysts were no more or less confident than LEPs who employed only one analyst.

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82% of LEPs reported that their understanding of their local area is based upon a balance of quantitative and qualitative data and evidence.

Four LEPs said that they were only 'fairly confident' they have an up-to-date understanding of the strengths, weaknesses, opportunities and challenges faced by their local area. We found no clear link between the four; they are varied in terms of total staff, annual budgets, number of local industrial strategy events they have held to date etc.

Figure 11: How confident are you that you have an up-to-date understanding of the strengths, weaknesses, opportunities and challenges your local areas faces?



Source: LEP Census (n=38)

84% of LEPs say that they share their analytical knowledge with other LEPs. LEPs within the Midlands Engine are less likely to share analytical knowledge with other LEPs but still 67% of this cohort do share knowledge. MCA and non-MCA LEPs are equally likely to share analytical knowledge with other LEPs. 77% of LEPs with fewer than 20 total staff (median) share knowledge with other LEPs.

Most often what is shared is the evidence base which supports the LEP's strategy and policies – *"Our evidence base is on our website, anyone can use our evidence base, we've also shared it with LEPs that are less well developed"*.

Fewer LEPs said that they had shared data and evidence in relation to a specific project that they were undertaking with another LEP; or that they had shared data and evidence relating to a specific sector or industry. Few LEPs mentioned sharing the outputs of analysis e.g. drafts of strategic documents such as their local industrial strategy.

Analysis is most often shared with neighbouring LEPs, or LEPs within the same region of the country. Fewer mentions were made of LEPs having shared analysis with specific LEPs as appropriate or with the LEP Network.

Area Leads are frequently involved in strategy discussions with LEPs. 55% of LEPs (n=37) said that they discussed strategy with their Area Lead on a weekly basis and 34% said they do this on a monthly basis.

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33% of MCA LEPs discuss strategy with their Area Lead on a weekly basis compared to 65% of non-MCA LEPs.

64% of Northern Powerhouse LEPs say they speak with their Area Lead on a weekly basis compared to 44% of Midlands Engine LEPs.

LEPs with fewer than 20 total staff (median) are more likely to speak with their Area Lead on a weekly basis than LEPs with more than 20 total staff (62% vs. 53%).

Alongside input and support from their Area Lead, **LEPs are confident that when setting strategy they can call upon further senior, external input** (e.g. senior business leaders external to LEP Board, academics, ex Civil Servants); 74% strongly agreed that this was the case and a further 21% agreed.

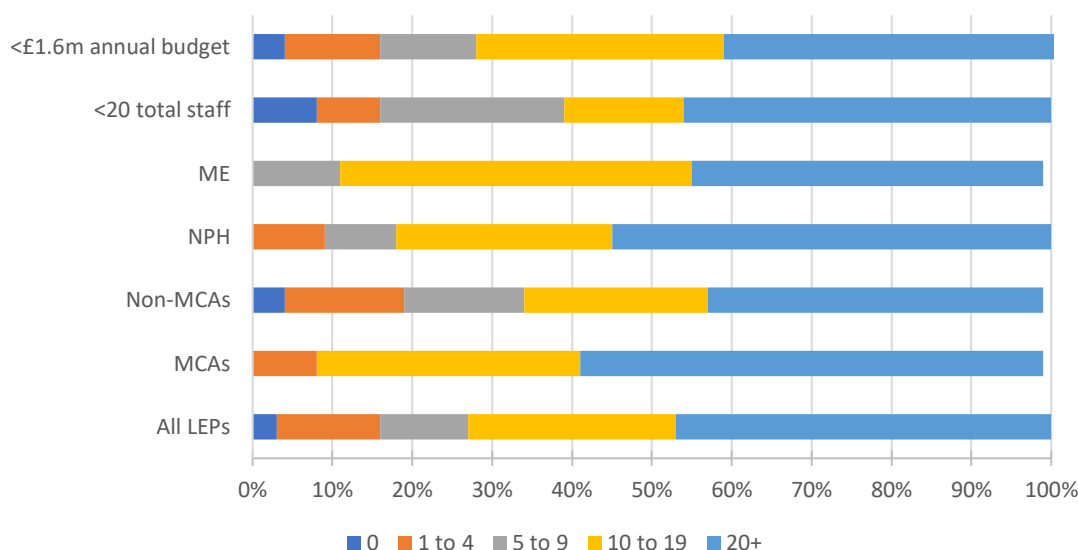
All MCA LEPs and all Northern Powerhouse LEPs strongly agreed or agree they could call upon senior external input vs 92% of non-MCA LEPs and 89% of Midlands Engine LEPs. The smallest LEPs (<20 total staff [median]) all strongly agreed or agreed they could call upon senior external support. LEPs' engagement with stakeholders when setting strategy

74% of LEPs (n=36) have, to date, held 10 or more public or invitation-only events to explain the development of their local industrial strategy.

MCA and Northern Powerhouse LEPs are most likely to have held 20+ local industrial strategy events to date; Non-MCA and smaller LEPs (by annual budget and by total staff) are less likely to have held this number of events.

Figure 12: How many events (public and invitation-only) have you run to date to explain the development of your local industrial strategies?

%age of LEPs by number of LIS events held to date



Source: LEP Census (n=36)

In addition to such events/meetings, all LEPs allow businesses and individuals to input to their strategies via the LEP Board, and nearly all via 1-2-1 meetings, meetings arranged by partner organisations and at sector forums. More LEPs receive input from these groups via the LEP

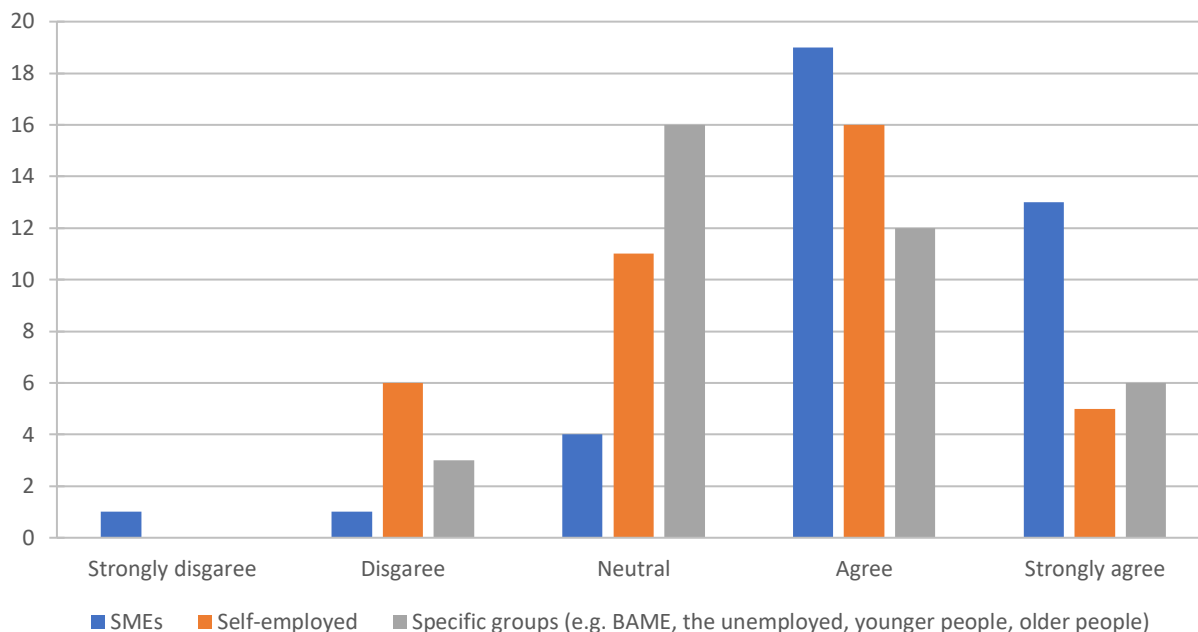
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Website than by email or phone (87% vs. 84% and 76% respectively). 53% of LEPs report that they have specialist software that allows businesses and individuals to input to strategies.

LEPs broadly agree that SMEs input into their strategies but are more likely to be neutral or disagree that self-employed people and/or specific groups (e.g. Black and Minority Ethnic groups, the unemployed, younger people, older people) input into their strategies.

Figure 13: To what extent do you agree that the following groups input into your strategies?

Number of LEPs by response category



Source: LEP Census (n=38 except for 'specific groups' n=37)

There are variations in how strongly different types of LEPs agree that each of these three groups can input into strategies:

- MCA LEPs are more likely to agree/strongly agree that the self-employed and specific groups input to strategy than non-MCA LEPs; but non-MCA LEPs are more likely to agree/strongly agree that SMEs input to their strategies
- Midlands Engine LEPs are less likely than Northern Powerhouse LEPs to agree/strongly agree that these groups input to their strategies
- LEPs with <20 total staff (median) are slightly more likely to agree that SMEs input to their strategies
- LEPs with annual budgets <£1.6m (mean) are no less likely to agree/strongly agree that these groups input to strategy.

Table 4: Percentage of LEPs who agree or strongly agree that specific groups input to strategy, by type of LEP

	SMEs	Self-employed	Specific groups
All LEPs	84% agree/strongly agree	54% agree/strongly agree	49% agree/strongly agree
MCA LEPs	75%	67%	64%
Non-MCA LEPs	88%	50%	42%
Northern Powerhouse	82%	64%	45%
Midlands Engine	78%	33%	33%
LEPs <20 (median) total staff	87%	57%	43%
LEPs <£1.6m (mean) annual budget	88%	58%	50%

Source: LEP Census (n=38)

LEPs' assessment of their ability to set strategy

When asked to give an overall assessment of their LEP's capacity and capabilities to set strategy, a majority of LEPs gave comments indicating they feel they have good/strong/adequate capacity and capabilities. This confidence in capacity and capabilities appears to be consistent across different types of LEPs (MCA and non-MCA LEPs etc.).

"I think we have a good team, we have good capabilities for strategy development, we have got a team of nine who are entirely focussed on strategy and the local industrial strategy, so I think our capabilities in that area is good."

"The nature of research and strategy development is that there are always more things you can do. So, of course we'd like to have greater levels of resource to access and be able to do more fundamental research, but our partners fund sufficient capacity to allow us to do the job, and we believe we produce good products as a result of that."

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Some LEPs rated their capability to set strategy as good but had concerns about their capacity. These concerns were not restricted to LEPs with the fewest staff:

“I think we’ve got the capabilities; I think capacity is an issue and that’s why the £200,000 additional funding from government was quite fortunate and has been useful in helping us support the development of our local industrial strategy.” – a LEP with 9 FTEs in total

“Insufficient in one word. We’re having to beg, borrow and steal because we don’t have sufficient capacities” – LEP did not report total staff figure

“we don’t have any capacity to do anymore ... I think what we deliver is very good value for money given the fact we’ve got 1.6 people that are delivering a very high-quality LIS” – a LEP with 31 FTEs in total

“due to the amount of resource that comes into the LEP, [internal capacity] is quite limited...we rely quite heavily on consultants,” – a LEP with 1 FTE

“We’re stretched in terms of capacity but we have brought in university support.” – a LEP with 11 FTEs in total

Some LEPs said that they could boost their strategy setting capacity using university and/or external consultancy support; and/or said that they could call upon local partners to provide additional strategy setting capacity:

“I think it’s [capacity] pretty good but we are very reliant on resourcing in partners. We have service level agreements with those partners to give us that resource and partners are pretty good at being flexible around providing it.” – a LEP with 17.5 FTEs in total

When asked what more they would like to be doing in relation to setting strategy, LEPs said that they would do more bespoke research if they had more analytical capacity:

“We’d like to do more community-based research into the drivers that lead people and kind of trap people within a cycle of poverty and deprivation – because we’re interested in how we can break people out of those cycles. We are piloting at the moment or getting into a position where we can do many examples of piloting projects where we try something for a bit and test whether it’s worked or not, and they are quite research intensive – we’d like to do more of them, again funding and capacity are constraints.”

Some LEPs said that they would like to invest in improving their analytical skills in support of setting strategy but lacked the funding to do so:

“It’s having the right skill set; you’ve got to employ skilled people to do data analysis. Is it worthwhile for a very small team to employ someone with that skill – a salary of 80-90k? We’re not funded [to that level] from the government to do that. So, we’re having to buy it in when the government gives us money. The capacity is limited. It would be good to have more skilled workers for data analysis”

Respondents, especially non-MCA LEPs, said that if they had more capacity, they’d be better at managing and working with partners.:

“What is underestimated is the time and effort that is required to manage our partners. We have benefited by allocating some of our core funding to developing a strong strategy team, but that is often not necessarily recognised by government”

LEPs' capacity and capabilities to develop and deliver programmes

LEPs fund a range of programmes and projects through the distribution of public money in the form of grants and investments. LEPs need the capacity and capability to rigorously assess funding bids against the strategy they are following. Subsequently, they need to procure, manage and monitor the programmes and projects they choose to support.

This chapter looks at LEPs' responses to the telephone survey questions relating to their capacity and capabilities to develop and deliver programmes. It explores differences in responses by size of LEP annual budgets, by total staff, by location (MCA vs. non-MCA LEPs etc.). It also looks at relationships between answers to specific questions regarding the development and delivering of programmes.

How LEPs assess business cases

All LEPs except one say they operate processes to fast track projects through business case approval where required. The most commonly used processes are:

- Bringing in additional resources to consider business cases (76% of LEPs do this)
- Expediting funding decisions (74%)
- Delegating decisions to sub-Boards (68%)
- Delegating authority to approve smaller funding requests (68%)

Less frequently used process to speed up the business case approval process include not requiring the submission of an outline business case (39% LEPs do this), delegating decision making to senior officers (47%) and flexing funding eligibility criteria (45%).

There are no major differences in the number of processes that different types of LEPs operate to fast track projects through business case approval.

MCA LEPs are more likely to bring in additional requests to consider business cases than non-MCA LEPs (83% of former group vs. 73% of latter group). LEPs with fewer 20 total staff (median) are just as likely as an average LEP to bring in additional resources at the business case consideration stage.

63% of MCA LEPs delegate decision making on business cases to senior officers compared to 42% of non-MCA LEPs.

All LEPs have processes in place to try to ensure they support a balanced portfolio of projects. Most often this means:

- Encouraging partnership bids for funding (87% of LEPs do this)
- Alerting local stakeholders to upcoming funding calls (84%)

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- Running funding calls in concert with another funding partner, i.e. seeking to ensure that projects deliver against the strategies of local partners (84%)

The OECD LEED programme argued that customer and investor facing organisations are best placed to develop place-based local development policy.¹⁰

Half of LEPs said they offered flexible funding and/or delivery periods to broaden the range of projects and/or partners they can support.

There are no major differences in the number of processes that different types of LEPs operate to ensure a balanced portfolio of projects.

LEPs with total annual budgets <£1.6m (mean) are more likely to encourage partnership bids for funding than LEPs with total annual budgets >£1.6m (89% of the former group does this vs. 75% of the latter group). They are also more likely to run funding calls in concert with another funding partner (94% vs. 63%).

The funding of pilot projects and the offering of funds to support business case development are other ways in which LEPs support the development of projects that will benefit their local area. MCA LEPs are less likely than other types of LEPs to offer funds for business case development activity but more likely to offer funds to support pilot projects and trials. The smallest LEPs by total staff and annual budgets are also more likely to offer such support.

Table 5: LEPs' support to project bidders

Method	%age all LEPs who do this	MCA LEPs	Non-MCA LEPs	LEPs <20 total staff (median)	LEPs <£1.6m annual budget (mean)
LEP offers funds to support business case development activity	58%	50%	62%	62%	72%
LEP offers funds to support pilot projects/trials	66%	83%	57%	69%	83%

Source: LEP Census (n=38)

Only one LEP said that they were not confident that their project selection processes were able to consider the links between projects that the LEP wanted to support. 76% said that their LEP was confident or very confident at considering these links. LEPs with fewer than 20 total staff (median) are no less confident in this task than larger LEPs. There was also no difference in this capability between MCA LEPs and non-MCA LEPs.

76% of LEPs report that Board members are involved in the project development process. For MCA LEPs the figure is 92%; for non-MCA LEPs the figure is 69%.

¹⁰ Clark, G., J. Huxley and D. Mountford (2010), Organising Local Economic Development: The Role of Development Agencies and Companies, Local Economic and Employment Development (LEED), OECD Publishing, Paris

Most often Board member involvement is at the project review and initial decision making stage – *“we have a series of Board sub committees and in some cases some really, really big projects involved and we will go back and talk to that subcommittee on a regular basis about what we’re developing and then ultimately, they will have to approve it and then it has to go through further sub committees for the check and balance process for final approval. So, Board members are heavily involved through the committee process”*.

Five LEPs said that Board members are given portfolios and work to develop projects under their portfolio. Two LEPs said the Board members work directly with applicants to shape their application to the LEP for funding.

How LEPs fund, procure and manage programmes

“Successfully managed projects and programmes tend to share common characteristics including:

- the funder’s clear commitment to expenditure;
- a clear and fixed timescale;
- accountable, knowledgeable and incentivised leadership;
- single-point responsibility for delivery to budget and a strong culture and incentives to reduce costs; and
- effective placement and control of contingency and risk budgets.¹¹”

LEPs are confident in their ability to fund, procure and manage programmes, with strongest agreement with the statements that the LEP is engaging with private training providers in relation to ESF employment and skills programmes, and that the LEP has clear criteria for stopping a project (of any type) if it was not contributing to the LEP’s remit or aims.

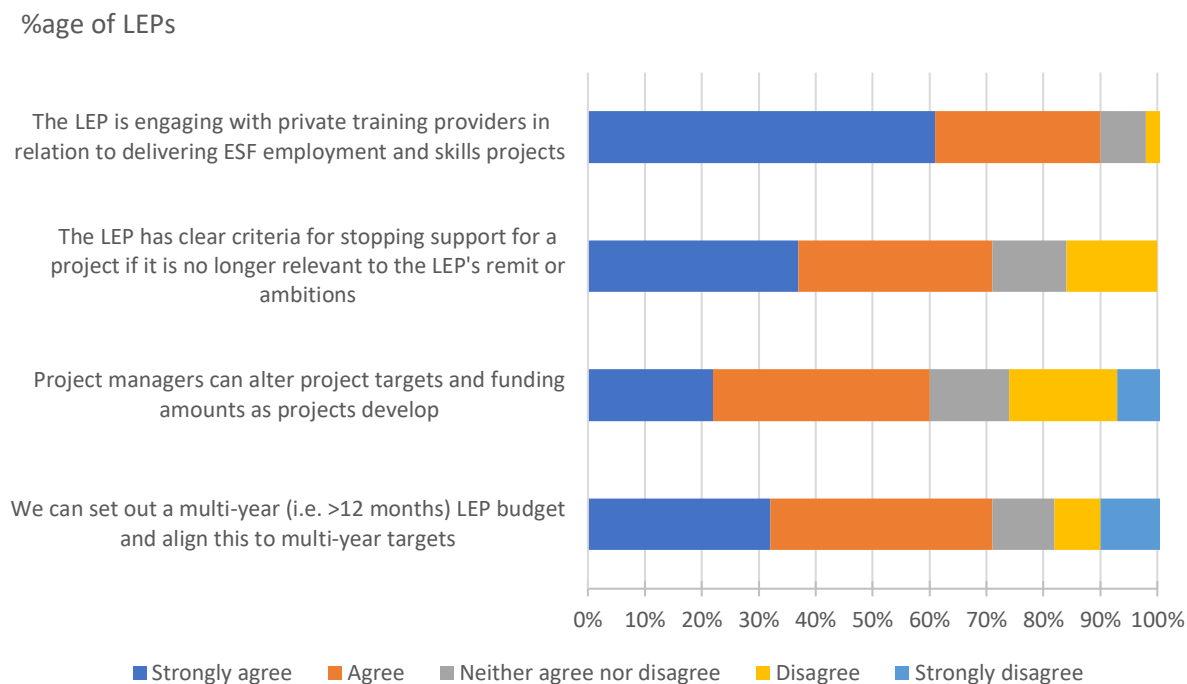
60% of LEPs strongly agree/agree that their project managers could alter project funding and/or targets as project’s developed, 71% strongly agree/agreed that the LEP could set out multi-year budgets to smooth delivery activity.

Looking at the ability of different types of LEPs to fund, procure and manage projects:

- All MCA LEPs strongly agree or agree that they are engaging with private training providers, compared to 85% of non-MCA LEPs and LEPs with fewer than 20 total staff (median).
- MCA LEPs are more likely to strongly agree/agree that project managers can alter targets and funding amounts – 75% vs. 59% all LEPs.
- Whilst there is little difference in the percentages of different types of LEPs who strongly agree or agree that they can set multi-year budgets, non-MCA LEPs are more likely to disagree or strongly disagree that they can do this when compared to MCA LEPs (23% vs. 8%).

¹¹ HMT & Infrastructure UK, 2010, p15

Figure 14: LEPs’ ability to fund, procure and manage programmes



Source: LEP Census (n=38 except for ‘project managers can’ n=37)

Nearly all LEPs talked about how they leverage further funding for their local area through the matching of sources of public funding – “In the majority of instances there’s private or public match that’s been brought in as part of the approval process”.

Some LEPs said they include leverage targets within funding agreements for particularly large projects:

“When we put out funding calls for what we would call large scale projects – that’s projects over half a million pounds, we have criteria over what we expect local contribution to look like. So, we’d expect local contribution to the project itself and over and above that we have criteria that the project has got to have a leverage of 4 to 1.”

“we don’t have an intervention rate as such so we don’t have a typical gross fund like we’ll give you 30% if you bring in 70% but this is a competitive process so if you’ve got two projects which both deliver the same thing and one of them is doing it for less money than the other one clearly the one is going to offer greater value for money than the other one and we’re going to support that so we’re confidently driving people to ask us for the least amount of money to make the project happen.”

Less frequently mentioned ways of leveraging further funding were:

- Working with partners to shape projects from the outset so that they can draw upon multiple sources of funding.
- Using innovative funding/contractual agreements to allow upfront investment from other partners.
- Pump-priming further investment from the private sector, e.g. land remediation.

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LEPs achieve senior officer oversight of their projects via a range of approaches. A majority said that senior officers, independent to a project’s delivery team, are involved in reviewing project key performance indicators (KPIs) and regular progress reports. This approach is especially common within MCA LEPs – “senior officers receive KPI reports on a monthly basis on all the key programmes”.

In several instances, the LEP had established a delivery board or other such vehicle to provide oversight and scrutiny of project performance:

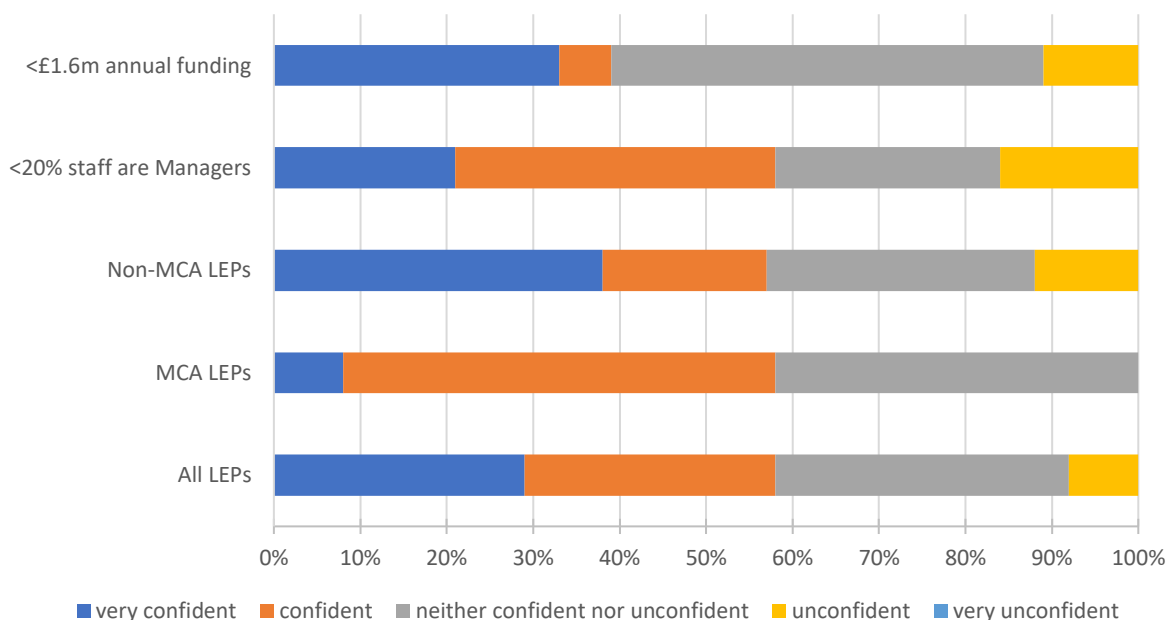
“We have programme managers who report to the executive and the Board on a regular basis, we also have a delivery vehicle with a board that’s independent of the LEP Board, but also offers scrutiny”

A minority of LEPs said that senior officers meet with local authority senior officers to review project performance. Amongst LEPs with fewer than 20 staff there were few mentions of such an approach.

58% of LEPs are very confident or confident they have project management resource to oversee project delivery and monitoring. 8% said that they were not confident they have the project management resource to oversee project delivery and monitoring. LEPs with annual funding below the mean figure reported by all LEPs were less likely to agree they have enough project management resources to oversee project delivery and monitoring. LEPs who employ relatively few Managers are no less confident than other LEPs in this regard.

Figure 15: How confident are you that you have the project management resources you need to oversee project delivery and monitoring?

%age of LEPs by response



Source: LEP Census (n=38)

Support functions to enable LEPs to fund, procure and manage programmes

This census asked LEPs a series of questions on whether they possess legal, procurement and other such ‘back-office’ functions and if they did, who provided these services.

Whilst there were very few instances of LEPs saying they didn’t have a particular ‘back-office’ function, for all but one such services a majority of LEPs rely on support from a local partner.

A minority of LEPs report using the private sector to carry out such functions; private sector involvement is most common in relation to property and site development advice.

Table 6: How LEPs’ undertake ‘back-office’ functions

Function	In house	Via a partner	Via private sector	Don't have
Legal advice	32%	71%	53%	0%
Human resources	34%	50%	21%	3%
Payroll	37%	53%	18%	0%
Procurement	45%	63%	8%	0%
Quality control/audit	39%	76%	32%	0%
Property/Site development advice	26%	37%	53%	11%

Source: LEP Census (n=38). Note: LEPs could choose more than one source per function so figures will not sum.

MCA LEPs are much more likely to have ‘back office’ functions in house than non-MCA LEPs.

Table 7: Availability of ‘back office’ functions in house by topic and type of LEP

Function	All LEPs	MCA LEPs	Non-MCA LEPs	LEPs <20 (median) total staff
Legal advice	32%	75%	12%	15%
Human resources	34%	50%	15%	15%
Payroll	37%	58%	31%	23%
Procurement	45%	58%	38%	31%
Quality control/audit	39%	58%	27%	31%
Property/Site development advice	26%	58%	23%	23%

Source: LEP Census (n=38)

Non-MCA LEPs are more likely than average to rely on partner organisations to perform ‘back office’ functions. This is especially true of quality control/audit activity; 92% of non-MCA LEPs rely on partners for this task. However, **non-MCA LEPs are no more likely to source these functions from the private sector.**

LEPs’ assessment of their ability to develop and deliver programmes

When asked to assess their capacity and capabilities to develop and deliver programmes, LEPs were most likely to use words such as ‘strong’ or ‘excellent’. A second, smaller group said that their capabilities were good, but they could do with more capacity. This second group reported a range of total staffing numbers:

“I think what we’ve got is good, but we need more because it’s very stretched – we need more project management and monitoring.” – a LEP with 9 FTEs in total

“I think that we have some very good capabilities in the team, but we desperately need more people to be involved, more bodies on the ground. It’s the capacity rather than the capabilities that we struggle with, we’ve got half a billion-pound programme, but we get the same amount of money as everyone else.” – a LEP with 12 FTEs in total

“I think that we do it [managing projects] very well however as the programme comes to the end we have what I would call the hockey stick because we’ve had 20 -25 million spend for previous years, this year we’ve got 45 [million] and then next year we’ve got 80 [million]...we face huge challenges” – a LEP with 31 FTEs in total

A small number of LEPs said they worried about future project delivery capacity and a similarly small number said they struggled to recruit staff to develop and deliver programmes. None of the smallest LEPs by total staff numbers reported these worries.

“We face challenges in terms of our ability to recruit and retain staff because of the nature of the jobs market.”

“we are finding it quite difficult to recruit suitably qualified staff to fulfil the program management funding function.”

“we tend to have a lot of problems recruiting experienced people, but we do well at recruiting people at the start of their career”

If these capacity challenges could be overcome, LEPs (especially non-MCA LEPs) said that they would be able to offer more support to partner organisations who may struggle to satisfy monitoring and reporting requirements relating to their project. LEPs said that with more capacity they would be better at delivering large scale capital projects:

“It is about having forward view so that we can plan and develop those programmes over a longer term... the majority of programmes focus on large capital infrastructure investments and they are long term in the planning and making.”

Some LEPs talked about how with more capacity they would be able to undertake more appraisal, monitoring and evaluation activity.

LEPs’ capacity and capabilities to ensure robust governance

Like all public bodies, a LEP needs to plan, monitor and report on its activities in ways which allow partners and the public to have confidence in the LEP as an organisation. LEP Board members have an important role to play by attending LEP Board meetings and through contributions made outside of Board meetings.

This chapter looks at LEPs’ responses to the telephone survey questions relating to their capacity and capabilities to ensure robust governance of their activity. It explores differences in responses by size of LEP annual budgets, by total staff, by location (MCA vs. non-MCA LEPs etc.). It also looks at relationships between answers to specific questions regarding how LEPs ensure robust governance of their activity.

How LEPs monitor and plan their activities

84% of LEPs have an organisational strategy/plan. These documents nearly always include Key Performance Indicators, are subject to annual review, and include the input of stakeholders to such reviews. LEPs with fewer than 20 total staff (median) are less likely to have an organisational strategy, but still more than 3 in 4 of this group have one.

Table 8: LEPs’ operational and strategic planning processes

Process	%age All LEPs	MCA LEPs	Non-MCA LEPs	LEPs <20 (median) total staff	LEPs <£1.6m annual budget (mean)
LEP has an organisational strategy/strategic plan	84%	83%	85%	77%	89%
Of which, plan includes KPIs	94%	90%	95%	90%	94%
Of which, plan is subject to annual progress review	94%	90%	95%	100%	94%
Of which, stakeholders are involved in reviewing the plan	84%	90%	82%	80%	69%

Source: LEP Census (n=38)

The literature review which informed the Framework noted the importance of organisations establishing a ‘planning cycle’ - *“There is an established annual planning cycle, involving stakeholder engagement to help identify priorities for the annual work programme.”* (European Agricultural Fund for Rural Development, June 2018, p42).

11 LEPs (34% of all LEPs who said they have a strategic plan) talked about taking a medium to long-term view within their organisational strategy/strategic plan; most often 3-5 years; four LEPs said that their plans were for 5+ years. For the remaining LEPs who have a strategic plan, the document is updated annually.

How LEPs support Board members to perform their role

LEPs most often provide briefings and updates to Board members on a monthly basis (74% of LEPs). 11% brief Board members less frequently than this; 15% more frequently (i.e. weekly).

All MCA LEPs say they brief Board members on a weekly or monthly basis compared to 85% of non-MCA LEPs. 85% of LEPs with fewer than 20 total staff (median) brief Board members on a weekly or monthly basis.

66% of LEPs said that they had no issue with regards to low levels of engagement from Board members. By type of LEP:

- 69% of non-MCA LEPs reported no issue with Board member low engagement.
- 67% of Midlands Engine LEPs reported no issue.
- 62% of LEPs with fewer than 20 total staff (median) reported no issue.
- 67% of LEPs with annual budgets < £1.6m (mean) reported no issue.
- 58% of MCA LEPs reported no issue
- 36% of Northern Powerhouse LEPs reported no issue.

13 LEPs (33%) said they did have an issue with low levels of engagement from Board members. **Having low levels of engagement does not appear to affect a LEP's capability to perform the governance roles expected of it:**

- LEPs with low engagement from Board members are more likely to be very confident they can meet the National Local Growth Assurance Framework requirements than LEPs who don't experience low engagement.
- There is no difference in the confidence of both groups in terms of being able to service multiple governance channels.

However, **there may be a link between low levels of engagement from Board members and a LEP's perception of its capacity to set strategy.** Most of the LEPs who reported low engagement from Board members also expressed a concern about the capacity to set strategy compared to a minority of all LEPs expressing this concern.

Further comments made by LEPs who experience low engagement from Board members do not provide many further clues as to why this might be the case, or how the issue can be overcome. Four of the 13 LEPs requested more resources in relation to ensuring robust governance. Four of the 13 suggested that improvements could be made in terms of reducing the amount of administration and micro-management around Board meetings thereby allowing members to put their prior/wider expertise and knowledge to the service of the LEP; in this regard, one LEP suggested that training for Board members could be better: *some of the [training] programmes have been not appropriate really, they're a bit too basic to some extent*

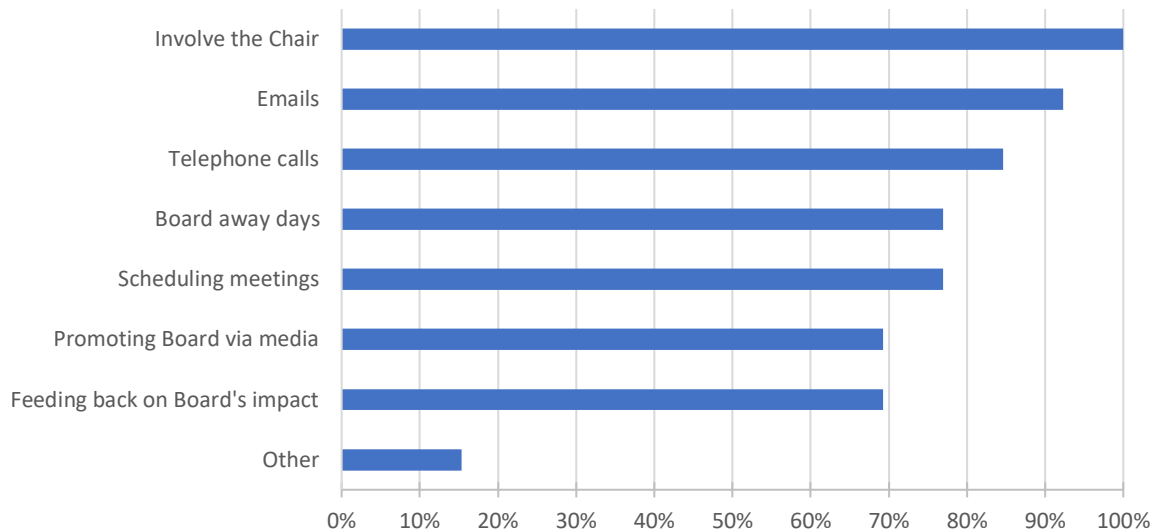
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the private sector people come with more knowledge and experience and don't need the training but we seem to think it's the private sector guys who need the training advice and I'm not sure it is."

LEPs seek to address low levels of engagement from Board members in a variety of ways, with involvement of the LEP Chair foremost.

Figure 16: Addressing low levels of engagement from Board members

%age of LEPs who address low engagement from Board members by method



Source: LEP Census (n=13 LEPs who reported an issue with low levels of engagement from Board members)

How LEPs quality assure their activities

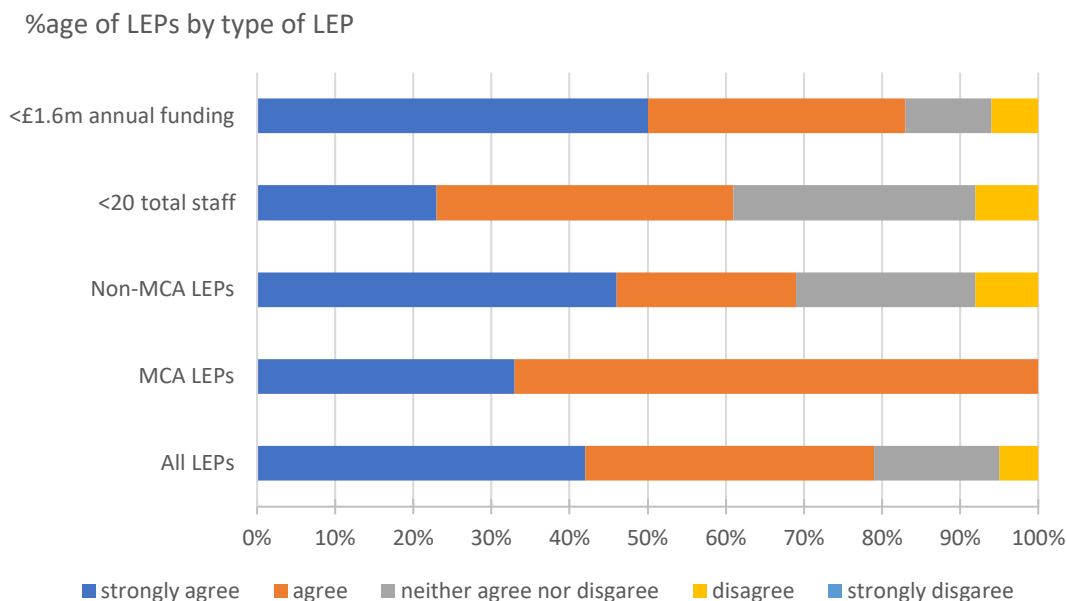
Assessing the long-term value of projects and programmes is recommended if an organisation wishes to generate long-term, stable and sustainable local growth¹².

A majority of LEPs strongly agreed (42%) or agreed (37%) with the statement '*We undertake value for money assessments of the outputs of delivered projects*'. Two LEPs disagreed with the statement.

100% of MCA LEPs agree that they undertake value for money assessments; for non-MCA LEPs and LEPs with <20 (median) staff in total this figure fell to 60-70%.

¹² iBUILD, Feb 2008, p8

Figure 17: We undertake value for money assessments of the outputs of delivered projects



Source: LEP Census (n=38)

Good evaluation can provide accountability by demonstrating how funding has been spent, what benefits have been achieved and assessing the return on resource.¹³ Evaluation can aid future investment decisions by feeding back into the project selection process.¹⁴

The validation processes used by LEPs occur both internally and externally with the majority of LEPs giving examples of each. The most commonly cited approaches were:

Table 9: LEPs’ approaches to validate project outputs

Internal approaches	External approaches
Regularly reviewing project claims/outputs	Evaluation/audit by external consultant
Establishing a project management office or similar	Accountable body conducts review/audit
Requiring end of project evaluations to be undertaken	Advisory panel of Board & stakeholders review
Due diligence via accountable body	Spot checks of project claims

Source: LEP Census (n=38)

Internal validation processes are consistently followed by LEPs of all types, i.e. no major differences between MCA and non-MCA LEPs, and those with fewer staff.

LEPs with fewer than 20 total staff (median) were less likely to mention using consultants as an external audit method. These LEPs were also less likely to mention asking their accountable body to carry out a review/audit.

¹³ [H M Treasury](#), (2011), [The Magenta Book: Guidance for evaluation](#), UK Government p.12

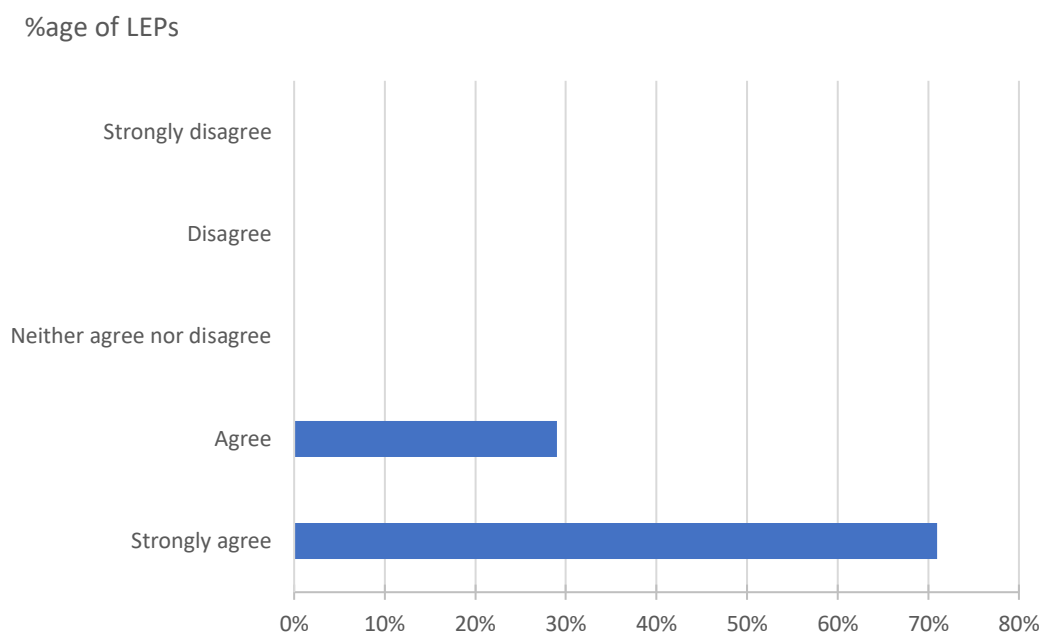
¹⁴ What Works Centre for Economic Growth, July 2015, p36

How LEPs report on their activities

LEPs strongly agreed that they can meet the requirements made of them in relation to reporting their activities.

All 38 LEPs agreed or strongly agreed that they could meet the scrutiny requirements that government has set out in the National Local Growth Assurance Framework (NLGAF).

Figure 18: To what extent do you agree that you can meet the scrutiny requirements set out in the National Local Growth Assurance Framework?



Source: LEP Census (n=38)

77% of non-MCA LEPs strongly agree they can meet NLGAF requirements versus 58% of MCA LEPs.

LEPs with fewer than 20 total staff (median) were more likely than all LEPs to strongly agree they can meet NLGAF requirements (77% vs. 71%).

LEPs agree they can produce reports to service multiple governance processes (49% strongly agree they can do this, 43% agreed, n=37). MCA LEPs are more likely to strongly agree than non-MCA LEPs (55% vs. 46%).

95% of LEPs agree they include performance data in important documents on a systematic basis (61% strongly agree they can do this, 34% agreed). LEPs with fewer than 20 total staff (median) are less likely to strongly agree (54%) but still 92% of this cohort agree they can do this to some extent.

A majority of LEPs have a risk management committee or process in place to consider and manage the financial risks associated with their funding decisions:

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“The board have agreed a risk appetite and a risk tolerance statement, so there is a risk management framework that has been agreed by the board and a risk management framework approach – all projects have a risk rating where we rate their delivery capabilities, their financial risk and reputational risk, and the risk framework is reviewed by our finance sub-committee and our board every month”

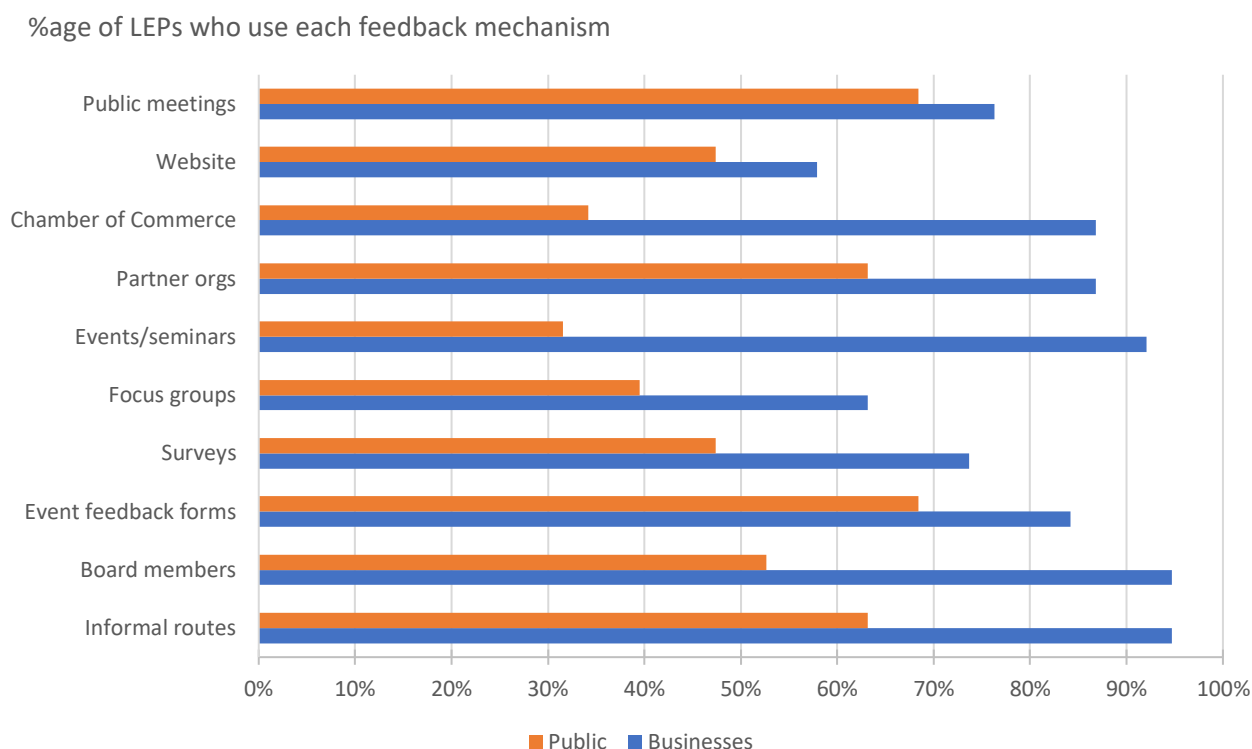
A minority of LEPs assess project risks in conjunction with their Accountable Body; or conduct regular reviews of financial performance at the LEP level, or at the programme level.

A minority of LEPs mentioned the importance of briefing their Finance Director/Section 151 officer before decisions were signed off.

Three LEPs mentioned using independent appraisers to assess risks associated with funding bids and funding decisions; all three were non-MCA LEPs.

In areas such as health policy, the use of innovative and digital forums to regularly seek views on health, social care and other interconnected council services has been praised as effective and efficient.¹⁵ **LEPs use a range of mechanisms to understand how local businesses and the public perceive their activities.**

Figure 19: Ways in which LEPs gauge perceptions of their activities



Source: LEP Census (n=38)

LEPs tend to have a greater number of ways to gauge of local business perceptions of their activity than public perceptions (average of 8.4 business feedback mechanisms mentioned vs. 5.5 public feedback mechanisms). The number of feedback mechanisms used does not vary significantly by type of LEP.

¹⁵ National Audit Office, July 2018, p38)

LEPs' assessment of their ability to ensure robust governance

The majority of LEPs said that their capacity and capabilities to ensure robust governance gave them no cause for concern:

“That is something that is held as extremely important by the LEP and therefore, we have a high level of rigour and robustness. We are spending public money and so we have all the processes that go alongside that.”

A small number of LEPs said that their capability was good, but they could do with more capacity. Comments referencing this was most often made by LEPs with fewer than 20 (median) total staff, for example:

“Overall, it’s good, but it’s taking up an awful lot of time now and we need more capacity in the team to do it and we’re just about to create another post to do it because we’re very stretched on that area – and a senior post at that as it’s consuming a lot of my time as the LEP Director.”

A small number of LEPs said that they would like to increase staffing in relation to ensuring robust governance:

“I would like to have a dedicated resource who’s only function is governance and transparency across all of the activities of the LEP. And because I don’t have the funding for that, I can’t do that.”

Two LEPs said that they would like to be able to provide more support to their private sector Board members; both have fewer than 20 staff in total:

“We would like the opportunity to support our private sector Board members more and would like to have more Board workshops to be able have detailed discussions on key issues rather than just board meetings we find that workshops are incredibly effective in engaging board members in a different way.”

Conclusions and recommendations

Key findings

The telephone and online surveys provide an up-to-date, comprehensive picture of LEPs' perceptions of their capacity and capabilities.

A majority of LEPs believe they have the capacity and capabilities they need to set strategy, develop and deliver programmes, and to ensure robust governance of their activities.

All LEPs are confident to some degree that they can communicate the aim of the Industrial Strategy and other place-based policies to local stakeholders; 58% are very confident that they can do so.

All LEPs are confident that they have a good understanding of the situation facing their local economy and 63% are very confident in this understanding. LEPs work on local policy across many areas but especially in terms of economic development, business support, skills and employment policy. The policy areas that LEPs are most active in are also those where nearly all LEPs say that partner organisations are active, suggesting that LEPs are adding to local policy making rather than filling a gap in local policy making

84% of LEPs have an organisational strategy/plan, and these documents nearly always include Key Performance Indicators, are subject to annual review, and include the input of stakeholders to such reviews.

66% of LEPs said that they had no issue with regards to low levels of engagement from Board members. For those LEPs who did report low levels of engagement from Board members, this does not appear to affect the LEP's capability to perform the roles expected of it.

All 38 LEPs agree or strongly agree they can meet the scrutiny requirements that government has set out in the National Local Growth Assurance Framework.

In relation to working with local authorities and section 151 officers to ensure robust governance of their activities:

- LEPs feel they have strong working relationship with a range of partners; of which, LEPs' relationships with local authorities are the strongest.
- 92% LEPs strongly agree/agree they can produce reports to service multiple governance processes.
- A majority of LEPs mentioned having a risk management committee or process in place to consider and manage the financial risks associated with their funding decisions.
- A minority of LEPs mentioned assessing project risks in conjunction with their Accountable Body.

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The census also provides an up to date picture of LEPs' staffing and funding. It shows that:

- **The average (mean) LEP annual budget is £1.6m.** Core funding from BEIS makes up about 40-50% of a typical LEP's annual budget, with the remainder coming from a mix of other public funds.
- Although few LEPs mention receiving funding directly from the private sector, nearly all LEPs talked about leveraging private sector investment into their local area, often with the aim of trebling or quadrupling the initial public sector funding amount.
- **The median number of total staff (directly employed + secondees) is 20.**
- Staff directly employed by LEPs are most often working in Managerial posts. Policy officers, Administrators and Directors are also well represented. Communications and Marketing staff and Analysts are relatively under-represented amongst directly employed staff.
- LEPs are often reliant upon partners for back-office functions and a large minority use external consultants/universities to carry out research and analysis.
- 73% of LEPs employ staff on secondment from another organisation. For more than half of these LEPs, seconded staff make up under 10% of their total employees and half of seconded staff are on secondments of 2 years+. Amongst LEPs where secondees make up a high percentage of total employees, long-term secondments are especially common.

Whilst 60% of LEPs have some confidence that they have the means to offer the terms and conditions necessary to recruit high quality staff, a significant minority (40%) do not have this confidence and only one LEPs said that they were very confident that they could recruit high quality staff. Several LEPs talked about, either at the focus groups or via the census, how they struggled to recruit more experienced staff due to the inability to offer terms and conditions that matched what was available from other employers locally. Further, small numbers of LEPs have concerns about their capacity to set strategy, want more capacity to develop and deliver programmes, and want more capacity around governance.

LEPs support partner organisations, and other LEPs, as much as those organisations support the LEP. LEPs work with neighbouring LEPs on a regular basis and share their analysis and thinking with local partners. Many LEPs mention wanting to be able to support local partners in the delivery of programmes and projects, thereby enhancing local policy making but feel they lack the capacity to do so. Once a project or programme has been given LEP funding, many LEPs rely on support from local partners to carry out processes necessary for good project management (e.g. legal and procurement advice, quality assurance).

These findings in relation to LEP capacity suggest the sustainability of some LEPs, whilst not an issue at present, could become more pressing if such a LEP, or one of its local partners, was to lose a key member of staff or cease to be able to offer a certain function.

Although a majority of LEPs encourage innovation through the offering of pilot funding, activities around monitoring and evaluation appear light touch suggesting that lessons from such pilot activity, and mainstream activity in general, are not always learnt.

Variations in capacity and capabilities by type of LEP

The census allows us to combine data on LEPs' staffing, annual budgets and organisational status with LEPs' perceptions of their capacity and capabilities. Doing so, we can identify how capacity and capabilities vary across different types of LEPs (MCA LEPs vs. non-MCA LEPs; LEPs with fewer staff vs. LEPs with more staff etc.)

LEPs in Mayoral Combined Authorities

The census shows that the 10 MCA LEPs plus two other large city region LEPs have or perceive their capacity and capabilities to be significantly greater than those of non-MCA LEPs:

- The median total staff figure for MCA LEPs is 36 FTEs, versus 16.75 FTEs for non-MCA LEPs.
- MCA LEPs are more confident than the average LEP that they can offer the terms and conditions necessary to attract high quality staff.
- MCA LEPs are more likely to consider their relationships with businesses to be strong than non-MCA LEPs.
- LEPs in MCAs are more likely to be very confident or confident at agreeing who is leading on policy development locally than non-MCA LEPs (83% vs. 58%).
- MCA LEPs often described their ability to set strategy as good.
- MCA LEPs are much more likely to have 'back office' functions in-house than non-MCA LEPs.
- A majority of MCA LEPs described their capacity and capabilities to develop and deliver programmes as strong or excellent compared to a minority of non-MCA LEPs.
- Nearly all MCA LEPs rated the capacity and capabilities to ensure robust governance as excellent, very strong or good.
- MCA LEPs report lower levels/frequencies of engagement with Area Leads, local authority section 151 officers, Finance Directors etc. which could suggest they are more confident in their own processes and capabilities than non-MCA LEPs.

Northern Powerhouse LEPs

The census suggests that Northern Powerhouse LEPs are well established and resourced:

- The median total staff figure for Northern Powerhouse LEPs is 50% higher than the median total staff figure for all LEPs: 30 FTEs vs. 20 FTEs.
- Northern Powerhouse LEPs are considerably more confident than other LEPs that they can offer the terms and conditions needed to recruit high quality staff.
- Northern Powerhouse LEPs are more likely to consider their relationships with businesses to be strong than other LEPs.

Midlands Engine LEPs

Midlands Engine LEPs reported lower levels of capacity and perceived some of their capabilities to be weaker than those reported by other LEPs:

- The median total staff figure for Midlands Engine LEPs is lower than that for all LEPs: 14.25 FTEs vs. 20 FTEs.
- LEPs within the Midlands Engine reported an average (mean) annual budget of £1.35m, which is below the all-LEP average (mean) of £1.6m.
- Midlands Engine LEPs are less confident they can offer the terms and conditions needed to recruit high quality staff.
- Midlands Engine LEPs are less likely to consider their relationships with businesses to be strong than their fellow LEPs.
- Midlands Engine LEPs are less likely to agree/strongly agree that SMEs, the self-employed and specific groups (BAME, young people, the unemployed etc.) input to their strategies.

LEPs with fewer staff

LEPs with fewer than 20 total staff (median) are no less confident than larger LEPs when it comes to communicating place-based policies. However, these LEPs do appear to have less capacity when it comes to undertaking analysis and turning analysis into strategy.

In developing and delivering programmes, LEPs with fewer 20 total staff are just as likely as the average LEP to bring in additional resources at the business case consideration stage, and these LEPs are no less confident in considering the links between projects that the LEP is/wants to support. However, they are noticeably less likely to have the back-office functions needed to deliver programmes in house, and only 15% of this cohort meet with local authority senior officers to review project performance, compared to 26% of all LEPs. But none of the smallest LEPs by total staff numbers said they worried about future project delivery capacity or struggled to recruit staff.

In relation to governance capacity and capabilities, LEPs with fewer than 20 staff in total are less likely to have an organisational strategy but still more than 3 in 4 of this group have one. A minority of LEPs with fewer than 20 staff talked about using consultants as an external audit method. Very few of these LEPs mentioned asking their accountable body to carry out a review/audit of a programme. Despite these points, LEPs with fewer than 20 staff were more likely than all LEPs to strongly agree they can meet NLGAF requirements (77% vs. 71%).

It should be noted that whilst LEPs with fewer than 20 staff are more likely to rely on secondees, having a high percentage of secondees does not appear to adversely affect the ability of a LEP to carry out key functions relating to setting strategy, delivering programmes and ensuring robust governance.

These points suggest that **whilst LEPs with fewer than 20 staff in total are confident about their capabilities, their lack of capacity means that in areas such as data collection and analysis, the setting of strategy, and the monitoring, auditing and evaluating activity this group of LEPs is undertaking fewer activities than its peers.**

LEPs with smaller annual budgets

The census finds that LEPs with annual budgets below the average (mean) reported by all LEPs are no less confident of their capacity or capabilities than LEPs with larger annual budgets.

The only measures on which these LEPs score significantly below average is in being able to offer the terms and conditions necessary to attract high quality staff and having the project management resources you need to oversee project delivery and monitoring. These LEPs are just as confident as other LEPs in their ability to identify the value for money associated with their activities.

In several areas, LEPs with annual budgets under £1.6m appear to do just as much or more than LEPs with larger annual budgets; for instance, they have held similar numbers of local industrial strategies events to date, they are just as confident as better funded LEPs when it comes to communicating place-based policies, and are more likely to offer funds for business case development work and pilot projects.

Recommendations to government

LEP capacity

We recommend that dialogue between LEPs and government becomes more focused on the capacity LEPs will need to deliver their future role in local policy making and less focused on how LEPs should administer themselves on a day-to-day basis. LEPs have told us they want greater clarity on what they should be doing and confirmation they will be able to develop the long-term capacity needed to do this.

Whilst it is encouraging the 84% of LEPs have an organisational strategy, in two-thirds of cases these documents only set out the next 12 months of LEP activity. Relatively few LEPs appear to be taking a 5-10 year plus view of their activities and ambitions.

A minority of LEPs called for greater clarity on the policy direction being followed by government:

“Where there is an area of uncertainty at the moment is on what resources might be available to help realise the key strategic imperatives that are coming out of the local industrial strategy...there’s lots of political noise that there’s no new money etc. or it may or may not be funded in the comprehensive spending review so more clarity and transparency over funding sources for government to partner with local areas like ours to basically pull together a very vigorous analysis on what the challenges are and how we think productivity and growth can be driven, people like to have a transparent and open conversation about how we work together and to realise those both policy wise and through funding.”

We recommend that the government provides LEPs with a guarantee of longer-term, multi-annual revenue funding. We suggest that government could agree 3-5 years of future revenue funding for LEPs. Such a timeframe would align with the typical length of projects and programmes that LEPs support and with Comprehensive Spending Review periods.

Local Enterprise Partnerships Capacity and Capabilities Assessment

LEPs told us that having more clarity from government on their longer-term funding would help them in setting out the strategic direction for their local economy, with many LEPs talking about the cliff edge in funding in 2021 and how this prevents them from offering long-term certainty to major projects. This call for clarity over funding is consistent across different types of LEPs.

Combined, clarity of long-term purpose and long-term funding should help LEPs in two ways:

- Firstly, moving beyond a situation in which LEP funding is given on an annual or short-term basis will give LEPs the confidence to offer the terms and conditions (e.g. competitive salaries and permanent contracts) needed to attract high quality staff and to then retain these staff. 40% of LEPs are not at present confident they can offer attractive terms and conditions and during the focus groups that informed Phase 1 of the research several LEPs talked about not being able to compete for the best talent with other local employers, especially in relation to analytical roles.

“in the part of a country like this where there’s full employment and a lot of quite well-paid local jobs, we don’t offer the perks of the public sector and we don’t offer the perks of the private sector”

“The biggest thing I think is certainty and I know that’s really difficult because I think one of the reasons we’re struggling to recruit in the market is people ask ‘are LEPs here to stay? What’s government policy on local growth?’ So, that’s always a bit of nervousness of people who are coming to work for LEPs.”

- Secondly, with greater security of funding and purpose, LEPs will find it easier to support longer-term and potentially more innovative or ambitious projects. They will be able to provide project sponsors with multi-annual funding and timeframes they need to develop and implement their projects. They will have longer to monitor and learn from these projects.

We recommend a slight increase in LEP revenue funding. A minority of LEPs said that they wanted more funding from government to support their strategy setting activity. A majority of LEPs requested more funding for programme delivery and management activity.

Several LEPs told us they welcomed the additional £200,000 of capacity funding that MCHLG has provided each LEP with following the [Strengthened Local Enterprise Partnerships](#) review. This represented a 40% uplift on a LEP’s core funding. Whilst a similar uplift again would not result in LEPs becoming significantly more confident in their capabilities – because most LEPs are already confident or very confident in these – it would likely increase the confidence of LEPs in being able to offer the terms and conditions needed to attract high quality staff.

If government wishes, this funding increase could be targeted on non-MCA LEPs and those LEPs with fewer staff, as these two (overlapping) groups are more likely than other LEPs to report gaps in capacity and capabilities. In contrast, MCA LEPs told us they are highly confident in their capabilities and capacities.

Increased revenue funding for LEPs would represent an investment in local policy making ecosystems. The census has shown how LEPs and other local organisations work together across the policy cycle.

We recommend that the government investigates whether back office support could be made available (possibly for a fee to ensure that LEPs who have invested in these resources are not unduly disadvantaged) to LEPs who don’t have these resources in house. Not having in house legal and procurement services increases the risk that LEP

programmes are slow to commence, subject to unnecessary delivery risks, or under-deliver. Having to rely on partner organisations or the private sector for these functions creates greater financial and sustainability risks than would be the case if these functions were available in house. LEPs who have these resources in house could be compensated for allowing other LEPs to make use of such resources. Or groups of neighbouring LEPs could be supported to create a shared services model which gives them all access to a specific function.

We recommend that regular meetings/updates need to be put in place outside of the LEP annual review process to give LEPs access to senior policy makers. LEPs praise the support they get from their Area Leads and most agree they can call upon senior external input when needed. Some LEPs requested access to more senior civil servants and some LEPs talked about how government could work more closely with LEPs during the implementation of strategy. The census has also surfaced comments from LEPs about how the last few years have seen a lot more demands and expectations of how LEPs administer themselves, to the point where some LEP officers and Board members feel micro-managed and not trusted to call upon their own expertise and judgement.

LEP capabilities

Whilst the research finds that all LEPs are confident in relation to tasks needed to develop a local industrial strategy, **we recommend that government, through Area Leads, seminars, webinars, the circulating of relevant reports and think pieces etc. provides LEPs with the information, guidance and technical tools they will need to ensure that their local policy making is in step with national policy going forward.** Government thinking and policy on economic development, and the economy itself, have developed considerably since the time of SEPs, which remain key points of analytical and strategic reference for most LEPs. From Grand Challenges such as Artificial Intelligence and Life Sciences, to the growth in self-employment and non-traditional forms of working, to concepts such as inclusive and smart growth, local economic development policy making will increasingly require an ability to think beyond sector and local boundaries in order to identify the interplay of factors. Some LEPs may require support to understand these changes in thinking; others may understand the changes but need advice and capacity from the centre to carry out analysis of the interplay of these factors.

We recommend that the government continues to focus on helping LEPs to access data on their local area. Only 7% of LEPs' total staff are working in analyst roles. Many LEPs rely on consultants to develop their evidence base, and LEPs asked for more access to data/better local data – *“the government [knows] far more about companies and our patch without giving us any data.”* Government analysts and the Office for National Statistics could help LEPs to identify further and new sources of data, for instance advising on how to understand the views of less well represented groups such as the self-employed and minority groups. In this regard, the approach taken by DfE in helping LEPs to set up Skills Advisory Panels was praised by consultees and can provide a model for other government departments to follow.

Organisations such as the What Works Centres can advise and train LEPs in what policy interventions will be most effective given the characteristics of their local area. The What Works Centre for Local Economic Growth has produced several reviews which set out evidence-based, effective interventions for many of the policy areas in which LEPs are active. No LEP mentioned the What Works Centres when talking about their capacity and capability to set strategy or to develop and deliver programmes. Government and the LEP Network should remind LEPs of the support and advice available from the What Works Centre network.

Over the past few years LEPs have faced increased scrutiny and enhanced requirements around how they govern and report on their activities. LEPs welcome this

development and believe they have responded well to these demands. We recommend that increased expectations be extended to LEP's evaluation and validation practices of the projects they deliver, and of themselves. Whilst a majority encourage innovation through the offering of pilot funding, and a majority say they undertake value for money assessment of project outputs, activities around monitoring and evaluation appear light touch, mainly comprising internal checks on project outputs and funding claims. A minority of LEPs appear to be using external resources to undertake such assessments and few LEPs mentioned requiring end of project evaluations. These findings would suggest that lessons from pilots and mainstream activity are not always learnt.

Although we found that the majority of LEPs have confidence in their capacity and capabilities as delivery bodies this was not always that case. **The message from a few LEPs is that their capacity and capabilities are insufficient in relation to all three areas; the setting of strategy, developing and delivering programmes and ensuring robust governance. There are also some indications from some other LEPs to say that their capacity and capabilities are insufficient in relation to two out of the three topics covered by the Framework.**

It may be that the officers who responded on behalf of these LEPs simply provided a franker or more nuanced account of their LEP's capacity and capabilities when questions were put to them; **we recommend that government and these LEPs' Area Leads consider in more detail whether these LEPs require additional support.**

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