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All Party Parliamentary Group (APPG) on Local Growth, Local Enterprise Partnerships and Enterprise Zones

Royal Town Planning Institute: Evidence to the APPG Inquiry into the Effectiveness of Local Enterprise Partnerships

The LEP Inquiry's Terms of Reference

An inquiry into the effectiveness to date of Local Enterprise Partnerships in creating the conditions for sustainable local economic growth and private sector job creation with particular reference to the effectiveness of the role of government agencies, both national and local, and in respect of the use of public monies in support of this work.

Summary

- Spatial planning* and economic development must be integrated to achieve success
- LEP activity varies widely across the country and lacks strategic direction
- Public agencies should do more to integrate local planning and economic development
- Some LEPs receive much more significant local political support than others
- Whitehall has been fairly supportive but there are risks of LEP over-dependency
- Whitehall must recognise that LEPs and LPAs should work together for local economies

* *“Spatial planning” coordinates policy and action on a geographical basis and includes both land use planning and town and country planning.*

The Royal Town Planning Institute (RTPI)

The Royal Town Planning Institute (RTPI) is the largest professional institute for planners in Europe, representing some 23,000 spatial planners. It seeks to advance the science and art of spatial planning for the benefit of the public. As well as promoting spatial planning, the RTPI develops and shapes policy affecting the built and natural environment, works to raise professional standards and supports members through continuous education, training and development.

The RTPI has been closely involved with the CLG and BIS Departments and the National LEP Network as part of the debate on economic growth and the recent planning reforms. As a consequence of its members' local involvement through employment the public sector or the private sector, it has crucial first-hand experience of how the new arrangements for planning and economic development are working. The formulation of this evidence has come in particular from our work with the Black Country LEP, Cambridgeshire & Peterborough LEP and New Anglia LEP. We are also aware of the flagship operations of Greater Manchester LEP.

The RTPI's Response to the APPG's Key Lines of Inquiry

1 Support for LEPs: What's working well and what's not working well

The operation of LEPs as voluntary bodies has major positive benefits but it weakens their ability to lock into support mechanisms from government, business and others. One difficulty is that LEPs are out on a limb and divorced from many of the key activities in a local area which would, if combined with LEP activity, contribute to economic growth and regeneration. Key activities such as spatial planning, local schools, further and higher education and transport are all run by organisations which, while members of LEPs, are still separate bodies with their own accountabilities. It is widely recognised that local economic growth and regeneration depends on combining the various different elements together.

A casualty of this is that few LEPs have integrated their economic strategies with local planning strategies. The essential role of spatial planning in enabling local economic growth and regeneration is often ignored although this naturally varies between different LEPs. This was also a big problem with the Regional Development Agencies (RDAs) and other regional arrangements set up by the previous government. Paradoxically the RDAs were abolished just as they were finally moving towards better integration with the Regional Assemblies (RAs) and others. Unfortunately, the new duty to cooperate introduced by the Localism Act 2011 does not require Local Authorities to include LEPs in cooperation over planning and development policies and cross-boundary issues.

2 LEP development in different areas and effects on job creation and growth

The concept of LEPs as bottom-up voluntary organisations achieves some important policy objectives for the Coalition government and some other wider purposes. However, these benefits do come at a cost. LEP activity varies widely across the country and lacks strategic direction. England's overall competitiveness internationally is hugely weakened by a lack of concentration on how different areas can work together for the overall benefit of UK plc. This contrasts with how some of our competitor countries operate. LEPs are also disconnected from key government decisions on issues such as airport, port and railway development that can have a marked beneficial impact on local economic growth.

Many LEP areas are not "natural economic areas" (eg the Essex, Kent and East Sussex LEP area). Many areas with active LEPs already have economic potential while other less active or less prosperous areas could miss out. Enterprise Zones (EZs) run the risk of displacing economic development which would have happened anyway (as happened in the 1980s). This displacement could potentially happen again without a strategic context or an understanding of the cross-boundary implications. However, the measured effects appear to be minimised by the way that boundaries are being selected for economic analysis.

3 Effective use of public money to fund economic growth and regeneration

Funding for economic growth and particularly for regeneration is insufficient. Local authority spending on planning and economic development has fallen by 47% from 2010. This greatly exceeds the levels of cost cutting on other public sector services although many planning services are statutory functions. In addition, the funding for LEPs is very significantly lower than the funding for the former Regional Development Agencies (RDAs).

4 Business views on the effectiveness of LEPs

The voluntary and bottom-up nature of LEPs has had the advantage of dramatically increasing awareness of the real difficulties involved in making spatial planning decisions amongst the movers and shakers in the business community within LEP areas. Planning decisions used to be left largely to Local Planning Authorities and Regional Assemblies but now local business leaders are getting to grips with the difficult choices. For example, it is encouraging to hear that LEP leaders understand it is not a shortage of planning permissions which is holding up housing construction. It is also encouraging that business leaders are learning the vital connections between an adequate supply of affordable housing and business success. Firms such as the internationally renowned Sunseeker Yachts find the skills shortages arising from excessively costly local housing are a key barrier to growth (the Economist 16 June 2012¹)

The GE Capital Survey of the “middle” supports this view. “Whilst few mid-market companies in the UK would suggest that they are happy with the regulatory burden they carry, the issue of regulation is significantly less problematic than for peer groups in other markets. Almost 68% of mid-market firms in the UK feel that they are able to effectively navigate and comply with regulation. That number compares with just 50% in Italy and 55% in both France and Germany – and that sentiment is carried through when companies identify the biggest challenges they face to doing business. In the UK, **regulatory challenges are trumped by those around HR and finance**. In fact, only one regulatory challenge makes it into the top 10: ‘Keeping up with changing regulation’. This compares very favourably with Germany where concerns around health and safety, tax, regulation around exports as well as changing regulation worry companies. In France, likewise, four of the top 10 challenges are around regulation”²

¹ The main challenge for British firms is getting hold of workers with the right skills. Sunseeker has increased its design team from 50 to 80 in the past two years, to meet demand from well-heeled customers for the newfangled. It has lots of apprentices. But it has struggled to find some specialists such as laminators. The high cost of local housing makes it harder to bring in workers from other regions.

² GE Capital *Leading from the Middle: the Untold Story of British Business* 2012

5 Support from public agencies for LEPs and the local economic growth programme

Public agencies should do more to integrate local planning and economic development. In particular HM Treasury, BIS and CLG should cooperate better to encourage integrated approaches in more areas. Treasury officials have spoken of “all growth being local” but the approach being taken to the National Infrastructure Plan (NIP) is only now beginning to recognise the substantial spin-off benefits of decisions on national infrastructure for local economies. One example of this is that the NIP recognises the role of investment on the A14 for unlocking the potential for housing and economic growth in the East of England. There needs to be much more of this thinking.

6 Support from local political leaders in creating a business friendly environment

LEPs appear to be most well developed where there is already a strong local political commitment to joint working between Local Authorities. Greater Manchester, the Black Country, Teesside and Cambridgeshire & Peterborough are striking examples where groups of Local Authorities are preparing joint planning strategies to correspond geographically with their LEPs’ economic development strategies. The Black Country LEP benefits from an outstanding example of an area where Local Planning Authorities have deliberately set out to devise and implement a business-friendly planning approach.

But these success stories do not necessarily demonstrate that LEPs have delivered more cooperation than would have occurred anyway. The challenge for government in developing the LEP agenda and the new arrangements for strategic planning (through the duty to cooperate) is how to encourage and/or incentivise cooperation where there is strong resistance to it. A grant regime where cooperation is a criterion for the allocation of funds could be a useful asset and it appears that the Regional Growth Fund could operate like this.

7 Support from Whitehall for LEPs and EZs in enabling successful economic growth

The use of non-ring-fenced funding for LEPs has been a good step towards a degree of welcome devolution. The clear indication of support for LEPs across certain Government Departments such as BIS, CLG, DfT and DEFRA has helped to develop devolution although support from HM Treasury, DfE and DoH has been less clear. There have been significant reductions in both practical and financial support for economic growth and regeneration at both the national and local levels at a time when arguably it has never been more important.

Government Departments should develop a greater understanding of the role of the national infrastructure spending which has already been programmed or is proposed in generating local economic growth and regeneration. Properly planned and targeted infrastructure spending could significantly help LEPs to achieve their objectives. It is not sufficient to confine LEPs investment roles to transport spending delegated from DfT. At present many infrastructure spending decisions are made on apparently narrow criteria by individual Government Departments that overlook significant potential positive externalities. The RTPI’s Map for England campaign (www.mapforengland.co.uk) shows how the country could benefit from a more holistic approach to making national policy that recognises the different effects of government policies and programmes on individual areas such as LEP areas.

Local Planning Authorities need Whitehall to recognise that spatial planning is a key enabler of local economic growth and regeneration. Local economic and housing development can create employment and generate local multiplier benefits in the local economy. LEPs need more resources and support from central and local government to develop their strategic planning roles and their local delivery roles. For example, Enterprise Zones (EZs) should be used together with local spatial planning to help enable economic growth and regeneration. They should not be used to disable planning policy making and decision taking.

8 Lessons for Future Economic Development: RTPI recommendations

The RTPI recommends that Whitehall should recognise that LEPs must work more closely together with Local Planning Authorities (usually District Councils) to support the growth and regeneration of local economies. Whitehall must also recognise that its own role in making very significant national spending decisions not only needs to be more joined up in itself but also needs to be operated in a way that makes more and better connections with local economies and local communities.

LEPs should be required to cooperate with Local Planning Authorities in preparing and delivering spatial planning and economic development policies and programmes because LEPs are not at present included in the duty to cooperate. A spatial approach is essential to successful planning and economic development and can only be achieved with transparent and effective cooperation. There are already several good examples of how Local Planning Authorities and LEPs are working effectively together to integrate the preparation and delivery of spatial planning and economic development strategies.

Local democracy and local residential and business communities must work together. There is wide concern that local community objections to necessary sustainable growth in homes and jobs too often delay and obstruct development. The RTPI runs Planning Aid England which has been providing volunteer assistance for communities in formulating Neighbourhood Plans with support from CLG.