

THE HERTFORDSHIRE LOCAL ENTERPRISE PARTNERSHIP (LEP)

To establish the progress made by the LEP (Local Enterprise Partnership) since its inception in 2011 and to clarify its capacity to advance further economic growth.

Report of the Topic Group

16 MAY 2018

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REPORT OF THE HERTFORDSHIRE LOCAL ENTERPRISE PARTNERSHIP (LEP) TOPIC GROUP

1.0 Purpose of Report

- 1.1 This is the report of the Local Enterprise Partnership (LEP) topic group. The group examined the progress made by the LEP since its inception in 2011 and sought to clarify its capacity to advance further economic growth.
- 1.2 The topic group addressed the following questions:
- how effectively do the current partnerships and mechanisms enable the LEP to deliver its stated remit and strategy?
 - what is the current policy environment and agenda context?
 - what needs to be in place to enhance the LEP's and Hertfordshire County Council's (HCC) role in articulating to central government the rationale for further funding and recognition?
- 1.3 The scoping document can be seen at **Appendix 1**. All the associated papers issued to Members can be found at: [LINK](#)

2.0 Recommendations

The response to the recommendations to

- 2.1 outline how the LEP will ensure that future mechanisms enable continued success in funding bids to central government (3.2, 3.3, 3.4, 4.1)
- 2.2 identify how the LEP Industrial Strategy will address Hertfordshire's economic sustainability (3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 4.2)
- 2.3 clarify how all partners work together to promote Hertfordshire's future economic vibrancy (3.13, 3.14, 3.15, 3.16, 4.3, 4.4)

3.0 Evidence

- 3.1 LEPs are voluntary partnerships between local authorities and businesses set up in 2011 by the Department for Business, Innovation and Skills (now Department for Business, Energy & Enterprise). They play a central role in determining local economic priorities and undertaking activities to drive economic growth and job creation, improve infrastructure and raise workforce skills within the local area. LEP boards are led by a business chair and board members are local leaders of industry including SMEs (small and medium sized enterprises), educational institutions and the public sector.
- 3.2 LEPs are primarily commissioning bodies that bid for government funding from the Local Growth Fund (LGF more familiarly known as Growth Deals) to secure finance for key projects to deliver economic

growth in its area via a competitive process. In Hertfordshire each project is subject to stringent testing during all stages of the application process. If it becomes clear that a project will not deliver on its identified objectives the funding will be withdrawn or the project refocused to achieve the agreed outcomes. In addition, under the current chair a project levy has been introduced. The recipient organisation agrees matched funding in most cases. This guarantees commitment from the organisation. It also provides evidence to central government the seriousness of the LEPs aspirations and plans. Through such approaches the Hertfordshire LEP has developed a strong reputation nationally which has further benefited Hertfordshire. Since its inception in 2011 the LEP has secured funding to the value of £265.5million with a further £16 million from Growing Places Fund plus around £55m from the EU for investment in Hertfordshire making the county one of the largest per capita recipients in the country.

- 3.3 The aspiration is that by 2030 Hertfordshire will be among the UK's leading economies. To achieve this the LEP has prioritised large scale projects or regeneration with long term and sustainable outcomes rather than funding small scale projects with limited impact on employment and business. The new Enviro-Tech Enterprise Zone in the west of Hertfordshire is a typical example. It aims to create an internationally recognised employment zone focusing on enviro-tech developing existing businesses and attracting new enterprises to the area. The zone includes utilising underused land and buildings at the Building Research Establishment and Rothamsted Research site.
- 3.4 In contrast, in the east of the county the LEP is supporting the regeneration of Stevenage with a twenty year £30 million project. It aims to rejuvenate the town with new housing, retail, bars, cafes and restaurants, along with a combined public sector hub (co-locating a new library, health facilities and Stevenage Borough Council offices). Work will be carried out to relocate the bus station to a new site; construct a multi-storey car park or decked parking; acquire land to create a larger redevelopment package and create new crossings on a major thoroughfare.
- 3.5 LEPs are required to develop Local Industrial Strategies (LIS) to help create more prosperous communities. The LIS will bring together a strong, well-informed evidence base about an area's economy and outline a long-term set of priorities that capitalise on existing opportunities in the economy, address weaknesses and resolve an area's needs. The four Grand Challenges identified in the government's Industrial Strategy and are the focus of the LEP's work locally. These are
- Artificial intelligence and data economy
 - Clean growth
 - Future of mobility
 - Aging society

- 3.6 Hertfordshire remains in the top six performing local authority areas. It has traditionally had a thriving and vibrant economy based on large corporates and SMEs (small and medium sized enterprises) focused on manufacturing (e.g. aircraft), pharmacology etc. However, a number of factors challenge the continued vitality of the area including house prices, proximity to London, tired and irrelevant town centres and skill shortages. In addition, since the economic crash of 2008 recovery has been slow compared to other areas and Hertfordshire's GVA (gross value added) has decreased relative to other areas of the country. The LEP has been central to highlighting the issues and developing a strategic approach to redressing the decline. This has entailed robust dialogue with partners across the public and private sectors.
- 3.7 An issue of significance for the future is the availability of business land. There has been a focus on residential building in many local plans, including "permitted developments" that have affected the balance between housing and employment space. Too much housing can lead to communities becoming domiciliary with few employment opportunities. In the long term this has implications for the economic sustainability of an area and Hertfordshire in general. The LEP has regular dialogue with districts and boroughs regarding planning issues but it is not a statutory consultee.
- 3.8 The Hertfordshire economy comprises a large number of SMEs. Due to their size many lack the resources to address destabilising issues such as skills shortages. This has an impact on the long term viability and growth potential of SMEs. To date the LEP has used European Union money to work with local colleges to address the skills deficit. For instance North Herts College, the LEP and Airbus have worked together to raise the profile of STEM (science, technology, engineering and mathematics) with local children and young people. The aim is to encourage children and young people to pursue a science based curriculum. It also provides a reliable and trained employment stream for local employers.
- 3.9 Skills deficit is a real issue for Hertfordshire employers across both private and public sectors. Based on the in-depth work conducted with colleges to match skill demands and curricula the LEP plays a significant role in addressing this issue. It can also tackle the needs of adults in need of retraining to meet the changing demands of business. With the involvement of the LEP there is now stronger collaboration between providers and employers. Each college provides detailed data: of employment matching qualifications; matching identified skills shortages etc. 40,000 Hertfordshire residents are unemployed or unskilled. This group could fill some of the job gaps. However, this cohort is not always seen as attractive to prospective employers and revenue funding to work with hard to reach groups is not currently available.

- 3.10 The LEP can facilitate a space in which business and academia can discuss issues and jointly develop solutions. This includes spinning out corporate research into local business applications. A video highlighting how this can work can be viewed [HERE](#). Additional benefits are further opportunities for related employment e.g. HR, legal. However, the time for such dialogue to reach fruition should not be underestimated, one example took three years to realise from the initial discussion.
- 3.11 The majority of LEP funding is capital to invest, for instance, in infrastructure or building. It has limited access to revenue funding. The LEP receives £268,000 from central government to run the growth hub. To more effectively support SMEs it has been estimated would require an additional £280,000 (a need identified by SMEs and the LIS). If revenue funding was available the LEP would do more work to support SMEs to facilitate access to finance etc. to enable growth. This would also raise awareness of the LEP with SMEs.
- 3.12 The Hertfordshire Apprenticeship Alliance has been created to encourage a local solution to maximise the opportunities and benefits the apprenticeship levy presents to the public sector. Along with the example at 3.8 the LEP is also exploring with the University of Hertfordshire degree level apprenticeships. A focus on the local application of research alongside the national and international channels. An example of robotics research being used by local businesses was outlined. Capital funding has been provided to develop a beacon college at Hemel Hempstead as part of the multi million pound regeneration of the area.
- 3.13 Hertfordshire has a higher than average spend on research and development; however, in contrast to areas such as Cambridge, much of this is corporate and it is difficult to spin out into the independent type of enterprises that are fueling Cambridgeshire's growth as an area of technology and science excellence. There are a number of internationally leading research and development corporations in Hertfordshire and the LEP is actively exploring how this expertise can be shared locally to enable the creation of small start-ups that generate business success and jobs. It was highlighted that employment opportunities with such SMEs lie not only in the area of science and technology but related areas such as HR or legal support creating additional employment opportunities for the local population. Where academic research is taking place the LEP has facilitated a shared space for conversations between academia and local businesses to explore how academic research can be utilised locally. For instance the University of Hertfordshire sharing its research on robotics.
- 3.14 A case study was provided that exemplified the role the LEP plays in enabling partners to come together and deliver results greater than individual efforts. Stevenage reflects many of the issues confronting new towns – aging population, loss of skilled manufacturing jobs etc.

There had been a number of unsuccessful attempts to regenerate its retail and employment estates. It was therefore clear that a new approach was needed. The LEP provided the leadership and direction to facilitate it. Decisive was the acceptance by Stevenage Borough Council (SBC) that it could not rely on the LEP or partners and it would need to build its own capacity to deliver the major projects fundamental to revitalising Stevenage. To this end it established a new team with senior leads to build internal capacity. The LEP allocated a business partner to guide and advise SBC whose expertise, stated by the SBC chief executive, was critical to the success of the bid and delivery of the project.

- 3.15 This was coupled to an understanding that a change in pace and responsiveness was necessary. For instance when it became clear that a major project would not advance SBC were able to bring forward other plans within days because of the pre planning involved in developing the Stevenage Central Framework. The local authority also factored in social regeneration, which had been missing from previous iterations, to address systemic educational, familial and employment issues.
- 3.16 A reflection on the success of this initiative was the importance of private and public sectors working together. The LEP has also helped broker the backing of Hertfordshire MPs to support initiatives that benefit the whole county rather than their specific area. Unlike other areas of the country Hertfordshire is not a single economic unit. It has a diverse economy and geography. The LEP has clarified the effectiveness of partners working together to achieve funding and long term solutions to issues confronting Hertfordshire (economically and more broadly).

4. Conclusions

- 4.1 To date the Hertfordshire LEP has a successful track record in attracting external and matched funding. The LEP chair is very clear that oversight of the spending is not sufficient to achieving the SEP priorities. What is essential is that the spending achieves solid and significant outcomes. The stringent testing of bids was verified by witnesses clearly assists in the production of well thought out proposals attractive to central government. For this reason the LEP was described as “punching above its weight”. The future vitality of Hertfordshire relies on this robust approach being maintained. This funding has been targeted to specific large scale priorities that have benefits to the immediate locality and Hertfordshire more widely. The aspirations are bold and rely on continued success in bidding for Growth Deals. Stakeholders such as HCC and business partners e.g. Airbus are dependent on significant investment in the county. (Rec 1)
- 4.2 Late in 2017 central government announced a further review of LEPs. LEPs are regarded as an essential part of the government’s plan for

driving local growth via the LIS. It emphasises the critical role LEPs play in working with business and civic leaders. The outcome of the review will be to strengthen the LEPs ensuring that they have the capacity and capability to deliver the LIS outcomes. It is anticipated that the review will concentrate on putting LEPs on a more consistent legal footing, whilst maintaining freedom and flexibility. It is encouraging that government has recognised that the effectiveness of LEPs is impacted by a limited access to revenue funding. As the results of the review will not be published until later in 2018 members would like the report to the Impact of Scrutiny Sub Committee (approximately six months after this scrutiny) to reflect on the review's recommendations and address the concerns raised during the scrutiny. (Rec 2)

- 4.3 Strong case studies were presented that highlight the benefits of cross sector working to unlock the potential for innovative growth and development (see paragraphs 3.3, 3.14, 3.15). The leadership of the LEP has been paramount in driving these projects forward. However, when asked what the LEP would regard as the end game the chair identified three key areas

- Productivity
- Planning and housing
- Connectivity (e.g. IT, transport)

What he made clear is that the LEP leads on the first point and has a role in the second and third but the leadership for these has to come from the wider partnership and in particular the 11 Hertfordshire local authorities. It is vital that other local leaders step up to the challenge. (Rec 3)

- 4.4 The approach in Hertfordshire was contrasted with areas such as Manchester where all partners (public and private) deliver a set of clear messages. This creates a confidence in the partnership to work together to deliver ambitious projects. The LEP made a plea for a "one voice" approach in Hertfordshire. The mechanisms exist, such as the LEP and the Hertfordshire Leaders Group, to bring key partners together to agree a unified approach to promoting the wider interest of Hertfordshire. (Rec 3)

2 Members and Witnesses

Members of the Topic Group

Frances Button (chairman)

Bob Deering

Dreda Gordon

Ron Tindall

John Wyllie

Witnesses

Mark Bretton	LEP Chairman (Accenture)
Scott Crudgington	SBC Chief Executive
Neil Hayes	LEP Executive Director
Owen Mapley	HCC Director of Resources
David Williams	HCC Leader
Gill Worgan	West Herts College Principal

Officers

Stephanie Tarrant Democratic Services Officer
Natalie Rotherham Head of Scrutiny

APPENDIX 1

OBJECTIVE:

To establish the progress made by the LEP (Local Enterprise Partnership) since its inception in 2011 and to clarify its capacity to advance further economic growth.

BACKGROUND:

Local Enterprise partnerships (LEPs) are voluntary partnerships between businesses and local authorities set up in 2011 by the Department for Business, Energy and Industrial Strategy (BEIS) to help determine local economic priorities and lead economic growth and job creation within a local area.

Hertfordshire is one of 38 LEPs in England. The LEP's boundary is coterminous with the Hertfordshire county boundary. Since its inception it has secured over £300 million to support the Hertfordshire economy.

Since their formation in 2011 the role of LEPs has expanded with each LEP now responsible for producing a strategic economic plan and a local industrial strategy for its area, identifying barriers and solutions to growth and working with local partners to improve the local business environment.

LEPs are non-statutory bodies. This means they can look and operate very differently from each other, in terms of size, capacity and governance. All LEPs must be chaired by a business person and at least half of the members must come from the private sector.

LEPs have responsibility for bidding for central government funding and influencing local funding streams and ensuring that these deliver against the locally agreed priorities. There have been three competitive rounds of Growth Deals through which Hertfordshire LEP has won a total package to date of £265.45m for the county.

Funding from Europe brings further resources to LEP areas. The European Structural and Investments Funds Growth Programme runs until 2020 and is split across a number of different funds. Organisations from all sectors are able to bid for the funding. LEPs do not deliver projects themselves. The allocation for Hertfordshire covering the European Regional Development Fund (ERDF) and European Social Fund (ESF) is €69m in total.

QUESTIONS TO BE ADDRESSED:

1. How effectively do the current partnerships and mechanisms enable the LEP to deliver its stated remit and strategy?
2. What is the current policy environment and agenda context?
3. What needs to be in place to enhance the LEP's and HCC's role in articulating to

central government the rationale for further funding and recognition?

OUTCOME/S:

1. Members have a fuller understanding of the opportunities and challenges Hertfordshire faces (economic, infra structure etc.)
2. Therefore, Members are able to identify robust and considered recommendations to take the LEP and Hertfordshire forward.

CONSTRAINTS:

- The LEP is a semi-autonomous body with a business focus. The scrutiny will focus on those areas within the LEP's remit and responsibilities

RISK & MITIGATION AFFECTING THIS SCRUTINY: i.e. how confident are members that the department/organisation has identified risks, impact to services, the budget proposals and has mitigation in place.

RISK/S:

MITIGATION: e.g. what mitigation does the department/organisation have in place if a partner pulls out?

EVIDENCE

Mark Bretton LEP Chairman (Accenture)	Gill Worgan Principal West Herts College
David Williams, Hertfordshire County Council Leader	Owen Mapley, Hertfordshire County Council Director of Resources
Adrian Hawkins LEP Deputy Chair (Weldability SIF)	Scott Crudgington Chief Executive, Stevenage Borough Council

METHOD: 1 day topic group

DATE: 16 May 2018

MEMBERSHIP: Frances Button (chairman), Bob Deering, Dreda Gordon, Ron Tindall, John Wyllie

SUPPORT:

Scrutiny Officer: Natalie Rotherham

Lead Officer/s: Neil Hayes Herts LEP Executive Director; Andrew Lee Herts LEP Delivery Manager

Democratic Services Officer: Stephanie Tarrant

HCC Priorities for Action: how this item helps deliver the Priorities

1. Opportunity To Thrive ✓
2. Opportunity To Prosper ✓
3. Opportunity To Be Healthy And Safe ✓
4. Opportunity To Take Part ✓

CfPS ACCOUNTABILITY OBJECTIVES:

1. Transparent – opening up data, information and governance ✓
2. Inclusive – listening, understanding and changing ✓
3. Accountable – demonstrating credibility ✓

Appendix 2

Glossary

GVA	Gross value added
HCC	Hertfordshire County Council
LEP	Local Enterprise Partnership
LIS	Local Industrial Strategy
NFP	Not for profit
OSC	Overview & Scrutiny Committee
RDA	Regional Development Agency
SBC	Stevenage Borough Council
SEP	Strategic Economic Plan
SME	Small medium sized enterprises
STEM	Science, technology, engineering and mathematics
LGF	Local Growth Fund