

# Growth Deals

Initial Guidance for Local Enterprise Partnerships

July 2013



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# Introduction

The Government's Response to Lord Heseltine's Review [March 2013:Cm 8587] set out our vision for local growth: unleashing the ambition and creativity of local leaders, by devolving resource and responsibility to those places which can demonstrate credible and compelling economic leadership, in pursuit of growth.

The Government is building on the success of the approach set out in the Local Growth White Paper [October 2010: Cm 7961]. Local Enterprise Partnerships are at the heart of our vision. The vision is also informed by the success of the measures we have already introduced to give local leaders the freedom and resources they need, such as local retention of business rates, establishing Enterprise Zones, and introducing the Regional Growth Fund and Growing Places Fund. Since December 2011, the Government has been negotiating City Deals as part of the commitment to turning back the tide of excessive centralisation, matching the vision, passion and resources of cities and their Local Enterprise Partnerships, with the tools and levers they needed to unlock growth.

## A Growth Deal for Every Place

The Government's Response to Lord Heseltine's review, confirmed our commitment to negotiating a Growth Deal with every Local Enterprise Partnership, building on the success of City Deals, and ensuring that no place gets left behind.

Through Growth Deals, Local Enterprise Partnerships can seek freedoms, flexibilities and influence over resources from Government; and a share of the new Local Growth Fund to target their identified growth priorities.

In return, the Government will expect evidence of real commitment from Local Enterprise Partnerships to the growth agenda, including the development of ambitious, multi-year Strategic Economic Plans. We will also expect the local authority members of Local Enterprise Partnerships to take up the challenge of putting economic development at the heart of all they do and work collaboratively across the Local Enterprise Partnership area.

Alongside the Local Growth Fund, every Local Enterprise Partnership is being given responsibility for drawing up investment plans for over £5 billion of European Structural and Investment Funds for England for the period 2014-2020.

Local Enterprise Partnerships have asked for clarity, transparency and certainty on Growth Deal negotiations. This guidance document sets out how the process will work. In addition, the Government will work with Local Enterprise Partnerships over the summer to co-design more detail and will add to this guidance in September.

# Chapter 1: Growth Deals

## What is a Growth Deal?

1.1 Building on the success of City Deals, the Government envisages that Growth Deals will include:

- greater influence over key levers affecting local growth and freedoms and flexibilities;
- a share of the Local Growth Fund for Local Enterprise Partnerships to spend on delivery of their Strategic Economic Plan;
- commitments from Local Enterprise Partnerships, local authorities and the private sector on their resources and levers for delivery of the Strategic Economic Plans, including through;
  - better use of local authority assets to unlock resources to be reinvested in growth
  - commitments to pro-growth reforms, for example a co-ordinated approach to the development of local plans by local planning authorities across the relevant economic geography
  - commitment to collective decision making involving all local authorities within a Local Enterprise Partnership.

1.2 The key principle is that Growth Deals will be a partnership between the Government and Local Enterprise Partnerships, where the Government will respond to the offers made by Local Enterprise Partnerships in pursuit of the shared objective of growth. The Government and Local Enterprise Partnerships will negotiate Growth Deals on the basis of the Local Enterprise Partnership's Strategic Economic Plan (see Chapter 2).

## London

1.3 It is the Government's intention that the London Local Enterprise Partnership can, if it wishes, negotiate a Growth Deal with the Government and that any deal would need to reflect London's unique circumstances given the significant existing responsibilities of the Mayor and Greater London Authority. In particular, the London Local Enterprise Partnership may wish to seek a share of the non-transport and housing elements of the Local Growth Fund, as transport and housing budgets are already devolved in the capital. The Government will take forward more detailed discussions with the London Local Enterprise Partnership and Greater London Authority on the practicalities of the Local Growth Fund proposals in the unique context of London.

## Greater Influence, Freedoms and Flexibilities

1.4 The Government is committed to ensuring that all national programmes are delivered in the best way in every place. We are therefore interested in talking to all Local Enterprise Partnerships about opportunities for enhancing their influence over local delivery of national programmes that are critical to improving local growth. As in the City Deal process, the Government will look to see a strong rationale and compelling offer from Local Enterprise Partnerships in return.

1.5 In the case of skills, the Government has announced an initiative that will design incentives for skills providers and Local Enterprise Partnerships to forge active partnerships and work together to ensure delivery of courses that meet local labour market demands. This will build on the important role that Local Enterprise Partnerships are playing in setting strategic plans for skills and in identifying priorities that support local growth and job opportunities. The pilots will run in the North East, Stoke and Staffordshire and West of England Local Enterprise Partnership areas. Assuming the pilots are successful, the Government intends to make the approach available to all Local Enterprise Partnerships as part of the Growth Deal negotiations.

1.6 Furthermore, the Government encourages Local Enterprise Partnerships and Further Education providers to work together now to ensure that the Skills Funding Agency's capital programme for 2014/15 reflects shared priorities to provide a sound basis for Local Enterprise Partnership control of the agenda in 2015/16; this approach should allow multi-year investment programmes. Taken together, these initiatives deliver the commitment set out at Autumn Statement to give Local Enterprise Partnerships real influence over local skills delivery.

1.7 The Government is decentralising through the Local Growth Fund those funding streams that we believe are appropriate for devolution. Requests for resources outside the Local Growth Fund will therefore have to clearly and demonstrably offer better growth outcomes/value for money than continued national delivery. The Government expects agreement to such proposals will be the exception rather than the norm. Where Local Enterprise Partnerships make a compelling case, as set out in their Strategic Economic Plans, we will be ready to make a deal. The burden of proof in deciding against the cases made by Local Enterprise Partnership will rest on Government.

## Investing in Local Growth

1.8 The Local Growth Fund is just one of the investment options available to Local Enterprise Partnerships. Local Enterprise Partnerships will need to draw on a range of resources to fund the priorities identified in the Strategic Economic Plans. These will include:

- private sector investment;
- local authority funding: local authorities already invest significant resources in local economic growth, which could include resources acquired through retained business rates;
- resources from revolving funds such as Growing Places Fund, and also from Enterprise Zones retained business rates and City Deals;
- support from the Department for Transport's Local Sustainable Transport Fund (resource –separate from the capital element that is included in the Local Growth Fund), to be allocated following competition;
- use of Public Works Loan Board project rate;
- match funding from other local partners, such as Housing Associations, universities and colleges, who will play an important role in local delivery;
- surplus and redundant Public Sector Assets - ambitious plans for rationalisation and productive use of these assets can unlock resources which can be reinvested in Strategic Economic Plans.

1.9 The European Regional Development Fund, the European Social Fund and part of the European Agricultural Fund for Rural Development are being brought together into a single 'European Structural and Investment Funds Growth Programme for England'. Government wrote to Local Enterprise Partnerships on 27 June informing them of their provisional allocations of the European Regional Development Fund and the European Social Fund for 2014-2020, which total to over £5 billion (Government will inform Local Enterprise Partnerships of their allocations from the European Agricultural Fund for Rural Development later this year). These Funds sit alongside the local Growth Fund, giving Local Enterprise Partnerships flexibility to use their Growth Deal funding on combined or complementary activities.

## How much is the fund for 15/16?

1.10 The table below sets out the size and source of the Local Growth Fund:

<b>Source</b>	<b>£million 2015 /2016</b>
Local Authority Transport Majors	819
Local Sustainable Transport Fund (Capital)	100
Integrated Transport Block	200
Further Education Capital	330
European Social Fund Match	170
New Homes Bonus	400
Total	2,019
Of which, capital	1,449

## How will it be paid and what can it be used for?

1.11 The first round of Local Growth Fund resources can be used by Local Enterprise Partnerships to support those local economic growth priorities agreed in their Strategic Economic Plan. As set out in the Spending Round, Local Growth Fund is bringing together resources to support housing, transport and skills. These are some of the key drivers of local growth and the Government will expect Local Enterprise Partnerships to reflect these themes strongly, but not exclusively, in their plans to invest Local Growth Fund where that is appropriate.

1.12 A single annual grant payment will be made at the start of each financial year to a nominated local authority that will act as accountable body. The conditions applied to that grant will vary, depending on the strategy, but all places will be required to spend Local Growth Fund resource to support local growth, and as a minimum, produce an annual report setting out how Local Growth Fund resources were used, what they delivered, and the effectiveness and propriety of decision making. Our intention though is to work with Local Enterprise Partnerships over the summer on the detail of how this will work in practice.

1.13 Although Local Enterprise Partnership Strategic Economic Plans will be multi-year; Local Growth Fund resources for 2015/16 should be spent in that financial year wherever possible. However, we will consider requests for spending flexibility for longer term capital infrastructure projects, based on the length of funding required. Local Enterprise Partnerships' track record of delivering spend against their plan in 2015/16 may be taken into account in allocating Local Growth Fund resources in future years.

1.14 Of course, other resources available to Local Enterprise Partnerships are not similarly constrained by Government Budgeting Rules, such Growing Places Fund returns or European Structural and Investment Funds, which may assist Local Enterprise Partnerships in planning to deliver in future years.

### Allocation: Nature of the competitive element

1.15 The allocation of Local Growth Fund resources will be one element of the Growth Deal for each Local Enterprise Partnership. The Local Enterprise Partnership Strategic Economic Plan will form the basis for the wider Growth Deal as well as the bid to the Local Growth Fund. This will be an iterative process, enabling places to make their best case, and enabling Government to better understand and test the underlying capacity and commitment of partners.

1.16 The Local Growth Fund will be allocated in the following way:

a proportion of Local Transport Majors funding will be allocated by formula. The Department for Transport has already set out its requirements for the way major schemes should be considered and appraised and we would expect these requirements to apply to transport schemes above £5 million;

- a further proportion of Local Major Transport funding is intended to fund major schemes already in the Department for Transport's programme, but that will be delivered partly or wholly after 2015. This funding will be allocated on a scheme specific basis, outside the competitive process;
- the portion of the skills element dedicated to matching skills activity under the European Social Fund (£170 million), will be accessed via the "opt-in" process set out in the document "The Development and Delivery of European Structural and Investment Funds Strategies - Supplementary Guidance to Local Enterprise Partnerships";



- New Homes Bonus is a payment by results programme with funding determined by the delivery of new homes in each local authority area. New Homes Bonus will continue to be allocated to councils on the basis of the number of new homes delivered but will include a requirement that resources are pooled to support LEP growth plans. We see the pooling locally of the New Homes Bonus as a positive means of supporting strategic housing delivery. The amount of each council's New Homes Bonus to be pooled locally to the Local Enterprise Partnership will be determined by Government. We will be consulting on how to put into effect local pooling of the New Homes Bonus contribution to the Local Growth Fund.

1.17 This delivers on the Government's commitment that all places would receive something from Local Growth Fund.

1.18 The remaining portion of the Local Growth Fund is expected to amount to around £1billion for 2015/16, with the exact figure to be confirmed in autumn when the profile for Local Major Transport pre-allocation is finalised. This remaining portion will be allocated through the Growth Deal process, in a competitive way. Competition is an important means of driving better investment, collaboration, commitment, ambition and innovation. To allocate what is likely to be an oversubscribed and finite Local Growth Fund in a fair way through a competition, the Government will assess each Local Enterprise Partnership's Strategic Economic Plan according to the criteria. More detail on allocation criteria is set out in Chapter 2.

1.19 Government has also indicated that the Local Growth Fund will be worth at least £2billion in every year of the next Parliament. When the first Growth Deals are concluded, Ministers may allocate up to £5billion of the £10billion identified for the period 2016/17 to 2020/21 in support of multi-year capital programmes in Local Enterprise Partnership plans.

# Chapter 2: Strategic Economic Plans

## Action for Local Enterprise Partnerships

Ensure they have a robust Strategic Economic Plan for local growth, based on strong rationale, value for money and partnerships for delivery

Note the criteria for assessment of Strategic Economic Plans and the case for funding

Note expectations around effective partnership working and accountability

## Local Enterprise Partnership Growth Plans

2.1 All Local Enterprise Partnerships now have Growth Plans in place. The Government made it clear that it was for each Local Enterprise Partnership to develop the format and nature of its plan, as well as how to set out the priorities and objectives for growth on which the Local Enterprise Partnership will focus its activities and resources.

2.2 This Guide aims to build on this and the work that Local Enterprise Partnerships have already done, recognising the step-change that Growth Deals for 2015 and beyond entails. For many Local Enterprise Partnerships, the essential groundwork will already be in place.

## From Growth Plans to Strategic Economic Plans

2.3 In reviewing their Growth Plans, Local Enterprise Partnerships will want to ensure they are well evidenced, as they will form the basis of the Strategic Economic Plans, used to negotiate Growth Deals. The evolution this entails will vary from place to place.

2.4 We intend that areas with strong deliverable Strategic Economic Plans, evidenced by strong partnership working, robust arrangements for accountability, and effective collaboration across Local Enterprise Partnership geography, including in rural areas, will:

- earn local accountability – providing autonomy over resources as they will be paid on a more flexible basis enabling greater scope for local decision making;
- be able to negotiate wider powers and influence – as part of their local growth deal, which potentially goes beyond a share of Local Growth Fund resources; and
- earn a greater share of the Local Growth Fund.

## A Strategic Economic Plan for growth – not just for the Local Growth Fund

2.5 Local Enterprise Partnerships have a key role in providing leadership and establishing a strategic vision of growth for the area. We will be looking for an approach which brings together the Local Enterprise Partnership and its partners across the Local Enterprise Partnership area around a common growth agenda. We expect these plans to be based on the drivers and barriers to growth specific to each Local Enterprise Partnership area, but to have regard to national policy on growth, including for example housing, transport, skills, industrial strategy, flooding and rural economies.

2.6 There will be no set format for the Strategic Economic Plan, in line with the principles of localism. We have provided an explanation of assessment criteria later in this chapter and in more detail at annex A together with a contents checklist, to help Local Enterprise Partnerships ensure that the Strategic Economic Plans address the right issues and to support effective assessment of those Strategic Economic Plans. Planning decisions will continue to be guided by Local Plans.

### Key Elements of a Strategic Economic Plan

2.7 In deciding the distribution of Local Growth Funds, the basis for the Government's assessment will be the area's whole strategy for local growth and its use of all resources and levers – not just the area's call on Local Growth Fund resources. It will be for each Local Enterprise Partnership and constituent local authority members to decide how to make best use of all the available resources and levers, but we would expect them to consider action across the whole Local Enterprise Partnership area including:

- **Demonstrating wider commitment to growth** that is sustainable for the whole Local Enterprise Partnership area across local spending and decision-making – and that goes beyond what is directly managed as part of the Local Growth Fund. Creating an environment which enables private investment in growth – supporting confidence and making it attractive for businesses to invest. It includes for example up to date local plans that are aligned or jointly prepared by local planning authorities which set a positive framework for growth based on the most appropriate functional geography; with regulatory and planning decisions that enable businesses to go ahead and invest; and effective regulatory services that meet business and consumer needs.
- **Aligning or pooling local authority capital and revenue spend on growth** – particularly on housing, transport, economic development, regeneration, planning and infrastructure. Also evident should be a clear commitment from local authorities in the Local Enterprise Partnership area to maintaining their activities on economic development and growth, including making effective use of their assets and mainstream spending to support growth. There should be evidence of a clear asset management strategy across the Local Enterprise Partnership area, including for example increasing transparency,

rationalising assets, ensuring their use supports local growth, and/or selling assets to unlock resources for investment in Strategic Economic Plans.

- **Effective collaboration on economic development activities** - for example, merging teams and agreeing shared plans where possible to deliver efficiencies and a more joined up approach.
- **Maximising the synergies with wider local growth programmes** delivered in each Local Enterprise Partnership area, including for example, European Structural and Investment Funds, City Deals, Enterprise Zones, and revolving funds such as the Growing Places Fund.

### Local leadership, depth of partnerships and deliverability

2.8 A strong, credible strategy will depend on the strength and depth of partnership working to develop it and deliver it. The focus of activity over the summer should be on investing in partnerships, diagnosis, direction and commitment, to ensure that there are strong foundations to proposals put forward.

2.9 The Government recognises that local capacity and strength of existing economic development partnerships will vary, and that some places may need support to move towards a stronger partnership approach to delivering growth and economic development. We are not prescribing any fixed way of working, but will expect Local Enterprise Partnerships and local authorities to demonstrate arrangements for delivering the Strategic Economic Plan which:

- **Deliver collective decisions**, from all local authority leaders, including district councils, within the Local Enterprise Partnership, with evidence of underpinning robust partnership arrangements (for example joint contracts). We recognise that these arrangements will look different in different areas, and will likely build on existing partnerships, but authorities may want to consider for example, a Joint Leaders Committee, Economic Prosperity Board, Combined Authority or other arrangement. We recognise that a Combined Authority or Economic Prosperity Board may not be right for all places and will also be challenging to deliver by 2015.
- **Are coterminous with the Local Enterprise Partnership area**, or for Combined Authorities/ Economic Prosperity Boards, where that might not be possible, have a clear and robust arrangement for engaging those local authorities not formally represented to deliver joint decisions – for example through associate membership. This is also important for those Local Enterprise Partnerships that have overlapping boundaries, where arrangements may need to be put in place to make joint decisions which affect more than one Local Enterprise Partnership.
- **Build a strong relationship with the business community**, as well as engagement with wider local partners who have an interest in the Strategic Economic Plan.

## Political and financial accountability

2.10 Effective political and financial accountability for the Local Growth Fund is essential, to ensure that public money is being spent with regularity, propriety and value for money. This can be delivered locally via democratically elected council leaders who take on responsibility for decisions over the use of resources (local accountability) and nationally via Ministers (central accountability). Arrangements for making decisions through the Local Enterprise Partnership are for local business and local authority leaders to determine, but must support democratic accountability and business rigour/ prioritisation, and be signed up to by all Local Enterprise Partnership members.

2.11 The degree of local control offered will be different in different places and will depend on the quality of the Strategic Economic Plan, including the level of ambition shown, the underlying capacity of partners to deliver the Strategic Economic Plan and the strength of partnership in place to support effective local decision making. As part of Growth Deals, the Government will be prepared to support local accountability, i.e. the ability to redirect Local Growth Funding to fit changing growth priorities without recourse to Ministers, where places can demonstrate the following:

- **strong partnership arrangements** which deliver collective decisions from all local authority leaders at Local Enterprise Partnership geography;
- **a clear and deliverable growth vision**, signed up to by all members of the Local Enterprise Partnership including measurable input and output measures, and robust and rigorous plans for monitoring and evaluation;
- **strong financial backing**, including the deployment of local authority resources in support of the Strategic Economic Plan across Local Enterprise Partnership geography and evidence that local activity on economic development is maintained relative to statutory service provision; and
- **strong cross local authority collaboration on growth** with clear evidence of agreed joint plans and teams on key economic development functions such as housing and transport, and up-to- date local plans that are aligned or jointly prepared by local planning authorities which set a positive framework for growth based on the most appropriate functional geography.

## Transparency

2.12 All Local Enterprise Partnerships will be required to spend their money on growth (to support their plans) and to comply with basic reporting and independent audit requirements to support transparency and effective accountability. The Government intends to work with Local Enterprise Partnerships to co-design these, but could for example take the form of an annual report, with information on what the money has been spent on, and the outcome/ outputs that it has achieved. Successful delivery of the objectives agreed in Growth Deals will be a fundamental consideration in future rounds of the Local Growth Fund.

2.13 Those Local Enterprise Partnerships that do not meet the assurance standards as described in paragraph 2.11 this time around, may be subject to more stringent reporting and monitoring requirements. They will also have less flexibility over funding as it will be linked to the outcomes and outputs agreed in the Strategic Economic Plan as part of the Growth Deal. Agreement with the Government may be required to deviate from the agreed plan, but we will talk to Local Enterprise Partnerships over the summer about how we can do this in a sensible, proportionate way.

## Assessment of Strategic Economic Plans

2.14 The Government's focus will be on assessment of the overall Strategic Economic Plan, and wider local area actions in support of economic growth, and their likely effectiveness and value for money.

2.15 To ensure that value for money is assessed credibly, Strategic Economic Plans should provide a reasonable level of detail about the individual interventions which make up the proposed overall programme. This would include identification of projects, expenditure, activities and expected outputs, providing a clear value for money case.

### Will there be core assessment criteria? What will they be and how will they be assessed?

Assessment of Strategic Economic Plans will be based round three core themes:

A – Ambition and rationale for intervention for the local area

B – Value for money

C – Delivery and risk

More detailed criteria and suggestions for what a strong Strategic Economic Plan will include are set out at Annex A.

## Chapter 3: Timeline and Process

### Action for Local Enterprise Partnerships

Note the timetable for the development of Strategic Economic Plans and key milestones for sharing progress and draft strategies, at September 2013, December 2013 and April 2014 for the final submission to Government

Note the process for agreement of Growth Deals and offer of Local Growth Fund.

Write to Ministers for agreement to any Local Enterprise Partnership boundary changes

### Timetable for Local Enterprise Partnership Strategic Economic Plan and local Growth Deal process

3.1 The table below sets out the key points in the process, including key points in the process for development of European Structural and Investment Funds Strategies.

Date	Growth Deal	European Structural and Investment Funds Strategies
July 2013	<p>Government publishes initial guidance for Local Enterprise Partnerships</p> <p>Local Transport Bodies publish prioritised scheme lists in line with the guaranteed minimum allocations published</p>	<p>European Structural and Investment Funds supplementary guidance published.</p>
July – September 2013	<p>Government and Local Enterprise Partnerships work on co-design of key aspects of the local Growth Deal process</p>	<p>Government discusses development of European Structural and Investment Funds Strategies with Local Enterprise Partnerships through local European Structural and Investment Funds teams</p>

Date	Growth Deal	European Structural and Investment Funds Strategies
July – September 2013	Government Ministers and officials discuss the guidance and forward process with their Local Enterprise Partnerships	
October 2013	<p>Local Enterprise Partnerships provide an update to Government on their progress with Strategic Economic Plans</p> <p>Publication of supplementary guidance</p> <p>Local Enterprise Partnerships and Government Ministers and officials begin iterative feedback and discussions, continuing to March 2014</p>	<p>By 7 October, Local Enterprise Partnerships submit first drafts of European Structural and Investment Funds Strategies to Government</p> <p>October to January. Iterative feedback and discussions between Government and Local Enterprise Partnerships on draft Strategies</p>
December 2013	Local Enterprise Partnerships to share first draft of Strategic Economic Plans with Government	
January 2014	Government provides feedback to Local Enterprise Partnerships on Strategic Economic Plans	End of January. Local Enterprise Partnerships submit final European Structural and Investment Funds Strategies to Government
February 2014		Government (National Growth Board) provides feedback and agrees Local Enterprise Partnership European Structural and Investment Funds Strategies
March	Local Enterprise Partnerships	Local Enterprise Partnerships work



Date	Growth Deal	European Structural and Investment Funds Strategies
2014	to submit final version of Strategic Economic Plans to Government	with partners to develop project pipeline and prepare for implementation of European Structural and Investment Funds Strategies
April 2014	Government starts the formal assessment of Local Enterprise Partnership strategic plans with final assessments by June 2014	
July 2014	Local Growth Fund offer made to Local Enterprise Partnerships  Growth Deal negotiations completed	Mid-2014. Spending of European Structural and Investment Funds 2014-2020 begins, subject to approval of the European Commission
April 2015	Local Enterprise Partnerships and Government implement Growth Deals	

## City Deals and Growth Deals

3.2 The Government is committed to concluding deals with Wave 2 cities and their Local Enterprise Partnerships and will look to work intensively with these areas with a view to completing negotiations during 2013. Wave 1 cities will also be able to build on their existing deals through the Growth Deal process.

### Working with Local Transport Bodies:

3.3 Plans are already underway for the devolution of funding for transport majors to Local Transport Bodies on the same geography as Local Enterprise Partnerships (but without overlaps in most cases). This funding is part of Local Growth Fund; however as Local Transport Bodies and promoting Local Authorities need to continue developing proposals in order to be ready for 2015, we will confirm a guaranteed minimum allocation for this element of the Local Growth Fund. Local Transport

Bodies are due to publish prioritised scheme lists by the end of July 2013, with the profile of funding for schemes to be finalised by the autumn.

3.4 Our expectation is that, as Local Transport Bodies plans should have been developed in close collaboration with Local Enterprise Partnerships, the Local Enterprise Partnership Strategic Economic Plans should include schemes identified in these prioritised lists or, by exception, set out clearly why the Local Enterprise Partnership has taken a different view from the Local Transport Bodies. Further guidance will be provided, following discussion with Local Enterprise Partnerships and Local Transport Bodies. As a minimum the plans will need to include any scheme to which the Local Transport Body has already committed funds following a scheme specific approval decision. Strategic Economic Plans should also set out how the Local Transport Body will integrate into the new decision making structure, which we will expect to be achieved with minimal disruption to delivery.

## Process for Strategic Economic Plan agreement

### Joint Action

3.5 There are elements of the Growth Deal process that Government and Local Enterprise Partnerships will work jointly to co-design and which will be developed into further guidance. This is likely to include issues such as Growth Deal reporting requirements, and the process for making future changes to agreed plans. We will also wish to discuss with Local Enterprise Partnerships the approach to demonstrating value for money and will provide supplementary guidance as necessary.

### Action by Local Enterprise Partnerships

3.6 As part of the development of the Strategic Economic Plan, Local Enterprise Partnerships need to consider whether the partnership has the right governance and decision-making arrangements and is still operating across the right economic geography. The Government expects Local Enterprise Partnerships themselves to remain high level, business-led strategic bodies with delivery through partners.

3.7 It will be important therefore for Local Enterprise Partnerships to consider their wider delivery capability so that they can effectively implement their strategy for growth. Local Enterprise Partnerships should mobilise local partners and fully exploit the support offered by Government.

3.8 In developing Strategic Economic Plans, Local Enterprise Partnerships should note the requirements set out in this guidance and in particular the basis on which strategies will be assessed. The milestones for an update on progress (October 2013) and for submitting iterative drafts (January 2014) are in place to provide some structured opportunities for feedback which can support Local Enterprise Partnerships build their Strategic Economic Plan and ensure that progress is kept on track. It will be important for effective implementation from April 2015 that Local

Enterprise Partnerships have their Growth Deal in place by July 2014. Local Enterprise Partnerships will then prepare for implementation from April 2015.

3.9 If Local Enterprise Partnerships decide that they wish to change their boundaries, they should write to Ministers for agreement as soon as possible. Proposals for changed boundaries should address the same criteria that were in the original invitation of June 2010 to business and civic leaders, as follows: setting out a clear vision for economic growth in the local area, business and civic leaders support, across a functional economic area.

#### Action by Government

3.10 The Government will work closely with every Local Enterprise Partnership as they develop their Strategic Economic Plans.

3.11 Ministers and officials will play a key role in challenging and supporting the Local Enterprise Partnership on its emerging thinking. For the time being, BIS-Local and each LEP's senior Whitehall sponsor should be regarded as the first point of contact for LEPs in Whitehall. However, Government will be further enhancing the arrangements for cross-departmental working through the development of Local Growth Teams, building on the strengths of BIS-Local, the Cities Policy Unit and other BIS and DCLG teams. LEPs will be kept informed as the new arrangements are developed and implemented.

3.12 Local Enterprise Partnership plans will then be assessed by Government against the criteria set out in Chapter 2 in order to determine allocations from the Local Growth Fund by July 2014, which will be confirmed by Ministerial announcement as part of the Growth Deal.

#### Funding to support development of Strategic Economic Plans.

3.13 The Government announced at Autumn Statement 2012 £250,000 per annum per Local Enterprise Partnership for 2013/14 and 2014/15 for development of Strategic Plan and European Union Structural and Investment Funds Strategy. To enable Local Enterprise Partnerships to commission this work effectively, the 2013/14 tranche has now been paid, with a similar sum to be paid in 2014/15, subject to receiving reassurance that the first year's funding has been spent.

#### Funding to support core capacity

3.14 Local Enterprise Partnerships have now also received their £250,000 core funding for 2013/14, to be matched by local contributions. In January 2014, we will ask Local Enterprise Partnerships to apply for 2014/15 core funding, which will also be subject to local match. Funding to support core activities for 2015 will be provided. Details will be confirmed in due course.

# Annex A

## Core Assessment Criteria

Criteria A – Ambition and rationale for intervention for the local area	
Criteria	What does good like?
Strategic objectives for local area and barriers to growth	<p>A strong rationale for intervention including market failures and opportunities facing the area. There should be a clear prioritisation of proposed activity at the local level. Plans will also need to have regard to national policy on growth as set out in the Plan for Growth* &amp; the Government’s Industrial Strategy** and also for example on housing, transport, skills, flooding and rural economies.</p> <p>*Further information on the Plan for Growth can be found at: <a href="http://www.gov.uk/government/publications/plan-for-growth--5">www.gov.uk/government/publications/plan-for-growth--5</a></p> <p>**Further information on Industrial Strategy can be found at: <a href="http://www.gov.uk/bis/industrial-strategy">www.gov.uk/bis/industrial-strategy</a></p>
Demonstration that proposed solution is effective and that it draws in wider resources	<p>Clear evidenced based logical argument on how the proposed solution will address the problems and opportunities set out above.</p> <p>Demonstration that the plan addresses the key drivers of local growth of housing, transport and skills, including investment in local Further Education estate to support Local Enterprise Partnership priorities, having regard to the Further Education College Capital Investment Strategy (December 2012).</p> <p>Prioritisation of options and explanation of why proposed options are optimal.</p> <p>Explanation of how public and private funds have been leveraged to achieve solutions.</p> <p>Public and private partner engagement and backing – the key parties, including local businesses have shared evidence effectively and agreed on the challenges and priorities.</p>

## Criteria B – Value for money

Criteria	What does good look like?
Value for money of the Local Enterprise Partnership Strategy	<p>Builds on rationale, but sets out the case clearly for each intervention/ theme to allow assessment.</p> <p>The focus of value for money assessment of each intervention or theme will be on the value for money of public spending as whole – local authorities’ own funds, Local Growth Fund funds and all other public funding.</p> <p>At the minimum, we would expect strategic plans to include the following:</p> <ul style="list-style-type: none"> <li>• explicit identification for each intervention that the Local Enterprise Partnership proposes, of the expenditure associated with each (including identification of its source and its contribution - Local Growth Fund, local resources). The interventions need not be individual projects, but may be programmes (e.g. local pinch point. or Regional Growth Fund- style competitions);</li> <li>• a description of the activity, explanation of outputs, timing of outputs, and how these contribute to wider strategic objectives and themes (housing, transport etc). The specificity of the information should be proportionate and reflect the proposed timing of the objective or intervention, with the expectation that plans for spend in 2015/16 will be more detailed.</li> </ul> <p>Local Enterprise Partnerships will demonstrate value for money across their plan as a whole. We will not insist that Local Enterprise Partnerships generate benefit-cost ratios for the plan as a whole, although Local Enterprise Partnerships are free to do so if they are able. We will expect a clear explanation of costs, income streams and expected outputs, consideration of how these unit costs compare to other similar or alternative interventions, and justification for instance of any higher cost approaches.</p>

## Criteria B – Value for money

<b>Criteria</b>	<b>What does good look like?</b>
Value for money of the Local Enterprise Partnership Strategy	<p>A strong plan will include explanation based on local and national evidence, of:</p> <ul style="list-style-type: none"><li>• why the interventions will work (including need and market demand for outputs), showing clearly how the planned outcomes will be realised;</li><li>• economic benefits, demonstrating they would not have occurred in the absence of interventions ( do not represent deadweight or displace activity elsewhere);</li><li>• economic costs.</li></ul> <p>It will also quantify benefits and costs and produce benefit cost ratios and qualitative value for money assessments in line with Government guidance for specific elements of the plan where possible and appropriate (e.g. for significant transport schemes).</p>

**Criteria C – Delivery and risk**

<b>Criteria</b>	<b>What does good look like?</b>
Partnership strength and commitment	<p>Deliverability risks are likely to be reduced if:</p> <ul style="list-style-type: none"> <li>• all parties are committed to making the proposals deliver and if there is a strong track record of collaboration, and delivery capacity and experience within the partnership;</li> <li>• partners are clearly working together to improve efficiency and effectiveness– for instance through joint teams, alignment or pooling of local, central and other funding and collaboration on local planning;</li> <li>• partners are ready to put resources into delivering the strategy;</li> <li>• the private sector is committed – there is a strong relationship with the business community and an ability to harness significantly greater private sector input, expertise and resources.</li> </ul>
Strong clear partnerships across the functional economic area	<p>Clear and effective arrangements for decision-making, resource allocation and delivery, so that decisions necessary to drive better growth across the whole area can be taken quickly and effectively and plans carried through.</p> <p>Arrangement which can demonstrate collective decisions in support of the strategic economic plan, from all local authority leaders within the Local Enterprise Partnership.</p> <p>Arrangements that are coterminous with the Local Enterprise Partnership area, or for Combined Authorities and Economic Prosperity Board where that is not possible, clear and robust arrangements for engaging those local authorities not formally represented to deliver joint decisions. For those Local Enterprise Partnerships that have overlapping boundaries, arrangements may need to be put in place to make joint decisions which affect more than one Local Enterprise Partnership.</p>

## Criteria C – Delivery and risk

Criteria	What does good look like?
Strong clear partnerships across the functional economic area	A strong relationship with the business community, as well as engagement with wider local partners who have an interest in the Strategic Economic Plan.
Capacity and risk management	<p>Assessment of deliverability, capacity and risks; options have been considered and appraised effectively including evidence of ‘what works’.</p> <p>Assessment addresses delivery experience; capacity and track record; and how key risks will be managed. It demonstrates strategy can be delivered and that effective use is being made of capacity and skills in the area.</p> <p>Realistic assessment of viability and risk includes:</p> <ul style="list-style-type: none"> <li>• commercial – evidence of market demand and likely income streams and private funding leverage;</li> <li>• financial – cost escalation, affordability and resilience to public and private funding uncertainty;</li> <li>• technical - evidence that effective and independent analytical and other appropriate expertise will be in place to support the decision makers in the Local Enterprise Partnership;</li> <li>• management – dependencies and achievability.</li> </ul>
Delivery routes, timeframes and key milestones	<p>Proposed management of delivery. There are:</p> <ul style="list-style-type: none"> <li>• clear explanations of how the interventions will be designed and commissioned;</li> <li>• clear and workable delivery routes and responsibilities;</li> <li>• commitments from key partners to contribute to delivery; building on existing partnerships, capacity and resource where possible;</li> </ul>



Criteria C – Delivery and risk

Criteria	What does good look like?
	<ul style="list-style-type: none"> <li>• it is clear which resources will be deployed, how and by whom to ensure delivery of key proposals;</li> <li>• resources and commitment are sufficient to deliver;</li> <li>• delivery timeline and clear milestones;</li> <li>• include a realistic assessment of what can be delivered when, taking account of capacity and constraints and considering risks and dependencies;</li> <li>• key agreed timetable and agreed milestones and success measures; and</li> <li>• it is clear how soon the actions proposed will make a difference, what difference and how can that be measured.</li> </ul>
<p>Strong arrangements for local transparency and accountability, monitoring and evaluation</p>	<p><b>Progress</b> Clear proposals for how Local Enterprise Partnerships will understand how they are performing against key objectives; including specification of milestones and indicators. This should include clearly defined quantitative measures of progress and the proposed frequency of data collection.</p> <p><b>Accountability</b> Clear plans for transparent reporting of progress to, the local electorate and the business community.</p> <p><b>Evaluation</b> Local Enterprise Partnership plans for the longer term impact evaluation of interventions. This should include an indication of coverage (which components of the Plan will and will not be evaluated), outline methodological approaches and data requirements. This should include an indication of the timing of evaluation activity and how it will be resourced.</p>

## Strategic Economic Plan Contents Checklist

This suggested outline is not meant to be prescriptive or represent a formal structure; rather it sets out elements that constitute an effective plan.

### Growth plan

**Vision** for the local area

**Strategic objectives** - these objectives should be SMART. For instance, they should be time bound and include indicators and targets

**Area opportunities for growth** – diagnosis, evidence and support (based on the Local Enterprise Partnership's and local leaders' understanding of the area's competitive advantage, and unique combination of strengths and challenges)

**Area barriers to growth** (market failures) – diagnosis, evidence and support

**Evidence** that proposed interventions (both interventions and flexibilities) are appropriate to address market failure based on a clear evidence base and logical chain

**Explanation** of why the proposed solutions are optimal; consideration of alternatives

### Implementation Plan

How the interventions will be designed and commissioned

**The value for money case for the interventions** - quantified and unquantified costs and benefits of the strategy as a whole, focusing on the costs and benefits of each of the interventions underpinning key themes, and objectives in the strategy – including but not just those proposed to be funded by the Local Growth Fund.

How the Local Enterprise Partnership and partners are making the most of existing resources and decision-making processes to promote growth, with evidence of commitments to action by named parties.

**Area wide funding** - plans for effective pooling of economic development spend and functions across the Local Enterprise Partnership area, including the degree to which these funds will be revolving, what private sector leverage has also been secured and whether there is a strong local authority co-operation on the alignment of or joint preparation of local plans

Evidence that proposed interventions will have an overall positive impact on **sustainable development**.

The Supplementary Guidance on European Structural and Investment Funds Strategies includes further guidance on the (legal) requirements around sustainable development and equality which arise from European and domestic regulation. (LEPs should have regard to the domestic requirements when developing their Strategic Economic Plans)

**Governance arrangements** in place, including the decision making structures for local authorities, such as a combined authority, and for joint Local Enterprise Partnership and local authority decision-making on spend; and key **partnership** arrangements and responsibilities at and below Local Enterprise Partnership level; evidence of collaboration.

**Assessment of deliverability, capacity and risks** - include evidence of 'what works' and policy innovation; delivery experience, capacity and track record; how key risks will be managed.

**Public reporting and accountability** - plans for transparent publication of progress and of data on key quantitative metrics such as increase in job numbers, Gross Value Added and commercial floorspace, and for formal evaluation.

**Wider asks** - arrangements the Local Enterprise Partnership is seeking to negotiate outside the Local Growth Fund which give the Local Enterprise Partnership greater influence and decision-making power over centrally managed resources that would benefit from alignment with local priorities.

## Delivery Plan

**Proposed management of delivery** - delivery routes and responsibilities; programme management and monitoring and managing of risks; **commitments** from key partners to contribute to delivery; which resources will be deployed, how and by whom to ensure delivery of key proposals.

**Delivery, timeline and clear milestones** – including a realistic assessment of what can be delivered when, taking account of capacity and constraints and considering risks and dependencies.

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This document/publication is also available on our website at <https://www.gov.uk/government/publications/growth-deals-initial-guidance-for-local-enterprise-partnerships>

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