

# How are the UK's LEPs faring?

**FDI** MAGAZINE TASKED A TEAM OF INVESTMENT ANALYSTS AND EXPERTS TO ASSESS THE PERFORMANCE OF THE UK'S LOCAL ENTERPRISE PARTNERSHIPS SINCE THEY REPLACED THE REGIONAL DEVELOPMENT AGENCIES. THE RESULTS WERE MIXED, WITH A GENERAL FEELING THAT THE LEPs STILL HAVE A LOT TO LEARN. **COURTNEY FINGAR** REPORTS

**T**he FDI promotion structure of the UK underwent large changes when the Coalition government, elected in 2010, abolished the regional development agencies previously tasked with economic development and investment attraction, and decentralised the functions to smaller local enterprise partnerships (LEPs).

**FDI** Magazine set about analysing how effective the 39 newly created LEPs might be in attracting FDI through a benchmarking exercise which ultimately found the West of England organisation as the most promising.

## The good and the bad

Benchmarking the LEPs is complicated. **FDI**'s researchers looked at the geographies they cover in an effort to assess the attractiveness of the locations themselves, and then separately judged the strategies and plans the LEPs presented. The result is a top 20 ranking for the LEPs and also a top 20 for the locations they represent.

Adding to the difficulty is the fact that many of the boundaries drawn for LEP territories are artificial and overlap as economic regions. Not all LEPs are created equal; London, for example, was allowed to keep its broader development agency – now called London & Partners – to the annoyance of much of the rest of England's investment promotion bodies.

There are weak locations that have potentially good LEPs as well as attractive locations with weak LEPs. This is the reason that **FDI** decided to look at the two in isolation. London has the strongest location offer, but its LEP is not particularly active in FDI promotion, as unlike most of its counterparts the London Enterprise Panel can rely on help from London & Partners. Conversely, Cornwall scores outside the top 20 for its location attributes, but its LEP put an impressive entry in for consideration and scored a top 10 ranking from the judges.

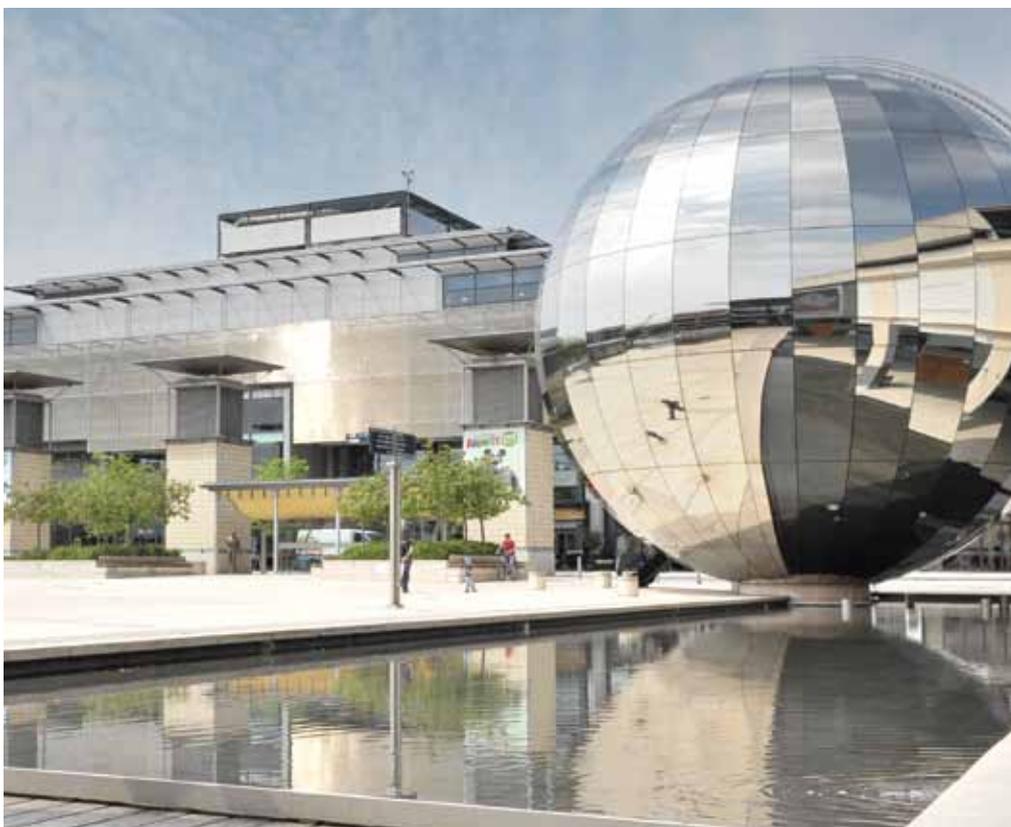
## LEP JUDGED RANKING

RANK	LEP
1	West of England
2	Liverpool City Region
3	Stoke-on-Trent and Staffordshire
4	Coventry and Warwickshire
5	Sheffield City Region
6=	Greater Cambridge and Greater Peterborough
6=	Cornwall and the Isles of Scilly
6=	Buckinghamshire Thames Valley
9	Northamptonshire
10	Cheshire and Warrington
11	Greater Birmingham and Solihull
12	Derby, Derbyshire, Nottingham and Nottinghamshire
13=	Tees Valley
13=	Greater Lincolnshire
15=	Greater Manchester
15=	New Anglia
17	Hertfordshire
18	Gloucestershire
19	Worcestershire
20	Thames Valley Berkshire

## LEP mismatch

One of the members of the judging panel for the LEPs ranking, Paul Nunn, research director at location consultancy East West Locations, agrees that the strength of the LEPs versus their offerings does not always match up. He points to one LEP that came out poorly in the judging but has many high points within its location offering and cites "certain organisations that are performing well above their relative size/weight... Grimsby is a good example in this area".

"The LEPs that cover an established inward investment agency patch (Liverpool, Greater



Manchester, etc) fare better – as one might expect given that these areas truly understand FDI and have an established strategy for it, plus data tools to react to enquiries,” he says.

Nicola Kidd, another judge, observes that most LEPs seem parochial in their approach. “There is no understanding of whether or not they are nationally or internationally competitive. This is critical to their success in attracting and retaining good quality FDI,” she says.

Few LEPs explained in their entry forms how they plan to market themselves internationally, which begs the question how they intend to attract FDI.

#### Lacking focus

Ms Kidd, formerly of the East Midlands Development Agency and UK Trade & Investment, who now runs her own business specialising in international economic business development, believes that LEPs lack vision. “Very few were truly visionary and saw their LEP area as an international investment location of the future,” she says. The overall feeling is one of focusing on the micro over the macro.

“LEPs list infrastructure projects without explaining the benefits to the local economy or FDI – no need to list minutiae of different ▶

### BENCHMARK OF LEP LOCATION FACTORS

RANK	LEP
1	London
2	Thames Valley Berkshire
3	Oxfordshire
4	West of England
5	Solent
6	Enterprise M3
7	Cheshire and Warrington
8	Hertfordshire
9	Greater Cambridge and Greater Peterborough
10	Greater Manchester
11	Coast to Capital
12	South-east Midlands
13	Buckinghamshire Thames Valley
14	Greater Birmingham and Solihull
15	Coventry and Warwickshire
16	North-eastern
17	Swindon and Wiltshire
18	Liverpool City Region
19	Leicester and Leicestershire
20	Leeds City Region

West of England, which includes Bristol (left) came first in the LEP judged ranking followed by Liverpool city region (bottom right), while London (top right) was top of the location factors ranking

developments. We want transformational activity and initiatives not [UK supermarket] Asda [-sponsored] roundabouts and new bus routes," adds Ms Kidd.

Douglas Clark, director of FDI consultancy Location Connections, echoes this criticism: "Quite a few LEPs talk too much about their property and infrastructure development and not enough about the available skilled people that are critical for inward investors. A lot of hope and big job creation numbers are being pinned on their enterprise zones. I wonder how realistic this is."

He adds: "Some of the LEPs seem to give the impression that they view inward investment as if it is an automatic right for their area. I don't think they realise how hard they need to work to attract it. Only a few LEPs clearly demonstrate how inward investment is integrated in to their overall strategy and how it can make a significant contribution to their area's economic development."

However, despite this criticism, some judges were encouraged that several of the LEPs seem to recognise the importance of after-care for existing inward investors. ■

## JUDGING PANEL



**ALEXANDRA JONES**  
Chief executive,  
Centre for Cities



**MIKE SABLES**  
Director of outsourcing,  
RSM Tenon



**PAUL NUNN**  
Research director,  
East West Locations



**COURTNEY FINGAR**  
Editor,  
fDi Magazine



**MIKE CURRAN**  
Director,  
PricewaterhouseCoopers



**DOUGLAS CLARK**  
Director,  
Location Connections



**NICOLA KIDD**  
Specialist in international economic business  
development

## METHODOLOGY

fDi's local enterprise study was created by an independent collection of key economic criteria by fDi Benchmark across the 39 approved Local Enterprise Partnerships. This information was set under six categories: Economic Potential, Skills and Education, Cost Effectiveness, Quality of Life, Infrastructure and Business Friendliness. A seventh

qualitative category was added to the scoring – FDI Promotion Strategy. In this category, 31 of 39 LEPs submitted details about their promotion strategy and this was judged and scored by our independent judging panel.

Each LEP scored up to a maximum of 10 points under each individual criterion, which were weighted by importance to give the overall scores.

## JUDGING CRITERIA

### ECONOMIC POTENTIAL

- Working age population growth rate (2008-10)
- GVA per capita
- Average annual GVA per capita growth (2005-09)
- R&D intensity (%)
- Outward FDI (per 100,000 population)
- Inward FDI (per 100,000 population)
- Number of patents granted (per 100,000 population) (2003-11)
- Job market (ISA claimants/vacancies)

### SKILLS AND EDUCATION

- fDi University Index score
- Total number of university students (% of total population)
- Working age population with no qualifications (%)
- Working age population with NVQ3 + level of education (%)
- Working age population with NVQ4 + level of education (%)
- Employment rate (%) (Oct 2010 to Sep 2011)
- Working age population in SOC 2010 Major Group 1-3 (%)
- Working age population in SOC 2010 Major Group 8-9 (%)

### COST EFFECTIVENESS

- Average house price
- Average annual house price change
- Average petrol price
- Average salary
- Council tax/rates (Average per household)
- Property cost – prime industrial space (£ per m<sup>2</sup>)
- Property cost – 'Grade A' office space (£ per m<sup>2</sup>)

### QUALITY OF LIFE

- Average life expectancy
- Infant mortality rate (%)
- Crime – burglary (average per 1000 population)

- A-C grades at GCSE (%)
- Unemployment rate (%) (Oct 2010 to Sep 2011)

### INFRASTRUCTURE

- Download speed (kb/s)
- Upload speed (kb/s)
- Population not receiving 2Mbs (%)
- Average broadband speed (Mbs)
- Distance to nearest international airport (km)
- Number of international destinations served from airports
- Access to employment centre by public transport or walking (%)
- Travel time to nearest employment centre by public transport/walking (minutes)
- fDi Port Access Ranking

### BUSINESS FRIENDLINESS

- Business survival rate (%) (2005-10)
- Business birth rate (%)
- Number of companies
- Number of companies – per capita
- Number of companies in high-tech manufacturing (per 100,000 population)
- Number of companies in high-tech services (per 100,000 population)
- Foreign-owned enterprises (% of total companies)

### FDI PROMOTION STRATEGY

- Description of LEP and its objectives, stating if attracting FDI is one of its priorities
- Key initiatives that are being implemented to attract more investment
- Information on high growth sectors/sub-sectors which offer excellent potential for inward investment
- Description of marketing, communications or promotional activities

**Note:** Information collected by fDi Benchmark except for final criteria – this was provided by LEPs and assessed by the judging panel.