

4. FUTURE SHAPE OF LEP ACTIVITIES AND ORGANISATION (AUTHOR: GA) FOR DISCUSSION

SUMMARY: FOR DISCUSSION

1. In the past, the board, and the original proposal for the LEP envisaged a focused, small organisation that was an influencer, strategic funder and broker.
2. This now needs to be qualified and expressed in a practical and pragmatic way that can guide the shape and work of the executive team, and also signal intent to partners and stakeholders.
3. The executive team will use this discussion and direction from the board to develop further options and inform the GCGP Growth Prospectus. Any new Chair will find this discussion useful in terms of assessing the focus and intentions for the future, and the likely requirements in terms of an executive team.

Background

4. There have been many formal and informal statements about the purpose and intent of GCGPEP – from a strategic body, to one that directly interfaces with businesses, a co-financer of infrastructure schemes, a source of grant and loan funding, and a deliverer of information and advice to businesses.
5. We have a clearer idea of resources available for a) running the LEP (£3-400k per annum) and b) for investing in projects and initiatives in the GCGP area (£5-7m available in 2013; thereafter £5-10m per annum becomes available from EZ business rates receipts from 2018 onwards).
6. Clearly resources are limited. To be effective GCGPEP must be focused. Pragmatic choices must be made about role, priorities and objectives. These will in turn inform how the LEP must resource and staff itself, and build relationships and collaborations.
7. Based on what we know now, setting out a focus between now and December for the executive team and resources will result in better planned, more effective results. Of course further resources may become available – but without any indication or guarantees, we are bound to plan for what we know.

Questions for the board

8. Given available resources - what would qualify as a 'successful' LEP – where do you want to be in 5 years time with the LEP?
9. Clearly resources are limited and we need to concentrate on doing a few things well - what pragmatic choices do we need to make now to plan adequately for the future?
10. On what basis or focus should we be lobbying significantly to central government for additional resources?

Focus, shape and executive capacity of GCGPEP: A PROPOSAL

11. A number of thoughts about options for delivery and focus are illustrated in APPENDIX 4A.
12. Given the stated intentions of partners, board members and the work done to date by the executive team, allied with what we know about available resources and funding – the LEP **could take the focus and approach set out in paragraphs 13. To 17.**
13. **Role:** strategic leader, advocate, funder and enabler
14. **Focus:**
Functional remit- economic development, economic growth, enterprise, investment, skills

4. FUTURE SHAPE OF LEP ACTIVITIES AND ORGANISATION

Strategic leader and advocate – advocacy and influence on key business and economic growth issues (which may include other issues such as planning, infrastructure and housing)

Place-marketing and profile raising – ensuring the GCGP area's profile and standing is enhanced nationally and internationally; ensuring the area is successfully promoted as being essential to UK economic recovery and growth

Broker and relationship between public and private sectors – helping governmental organisations understand business issues and vice versa

Research, intelligence and analysis – to provide robust views on economic issues and policy choices

Coordinator of business voice – helping put business issues into the policy agenda

Strategic funder for other delivery bodies – GCGPEP sets up investment programmes for others to bid into (with innovative, high-impact proposals – e.g. to run a small business loan fund)

15. Deliverables and actions necessary to fulfil role and focus:

Deliver a strategy and action plan – a growth prospectus that will drive future programme designs and funding allocations, with accompanying evidence base and analysis

Design funding programmes and mechanisms – to utilise GPF round 1 recycled funds (£5-7m) and subsequent EZ business rates revenues

Develop and deliver advocacy campaigns on key economic and business issues

Strategic leadership and advocacy on government policy (economic, transport, infrastructure); and European funding

16. Organisational and resource implications: A small, high calibre team with the following skills and expertise:

- Understand policy and practice of enterprise, business issues, skills, infrastructure, planning – across a range of types of place (e.g. urban, rural)
- Strategy, policy, evidence, intelligence, analysis
- Advocacy and communications
- Managing stakeholders, in particular businesses and Whitehall
- Developing and managing funding programmes, bidding criteria, appraisal, due diligence

Resources are required for professional assistance and fees (legal, financial).

Some grant assistance may be required to partner organisations to help with bid/proposal development.

17. Other potential roles to consider

Delivery – seems to be little appetite for a larger development agency model, and few sources of revenue budget available to deliver initiatives

Enterprise support and advice – few sources of revenue funding available

Bid and proposal developer and implementer (to bid for other sources of funding) – this requires sufficient staff resources to manage relationships and collaborations, bid for funds and set up projects – it would require GCGPEP to secure and allocate resources

APPENDIX 4A: 'STYLES' OR ORGANISATION AND SOME OF THE IMPLICATIONS

The following table sets out some 'styles' of operation for GCGPEP – they are illustrative

<p>Strategic funder</p> <ul style="list-style-type: none"> ➤ Design and manage programmes for others to bid into ➤ Co-finance other delivery bodies or other funding pots ➤ Scope for evergreen funds <p><u>Advantages</u></p> <ul style="list-style-type: none"> • Can 'go to market' for innovative solutions and value • Use existing organisational experience and capacity • Flexibility • Administrative burden of grants or loans is pushed onto bidders/delivery bodies <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Can be remote from practical client and delivery issues • Requires senior expertise in development and managing programmes • Significant legal and professional fees incurred, partic. if insufficient staff cover • Challenging if institutional capacity to bid and use funds does not exist (e.g. for a new or challenging area of activity) • Outsources risk if funding cuts or problems arise • Intangible what LEP does • Lack of LEP branding/recognition <p><u>Operational implications</u></p> <ul style="list-style-type: none"> • Must have sufficient capacity and expertise to set up systems, processes, and to develop and manage funds effectively • Necessity for investment managers and legal staff – or significant professional fees • Need high quality delivery bodies with the right expertise and capacity 	<p>vs.</p>	<p>Delivery body</p> <ul style="list-style-type: none"> ➤ Direct delivery to beneficiaries <p><u>Advantages</u></p> <ul style="list-style-type: none"> • High levels of control of resources, delivery, client selection • Tangible products and services • LEP-branded products and services <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Staff resources required will be significant • Challenge of funding overheads • Risks high if hit funding cuts or problems • Risk that delivery products are not sufficiently innovative or effective • Inflexibility • Discourages risk-taking • If provide grants or loans – administrative burden • Often have to follow conditions of funding contributors <p><u>Operational implications</u></p> <ul style="list-style-type: none"> • Must raise the revenue for staff and delivery • Larger organisation with management structures • Management and staffing arrangements may have to be shorter term – to accommodation shifts in funding • Significant proportion of budget goes to running costs (rather than beneficiaries)
<p>Strong leader</p> <ul style="list-style-type: none"> ➤ Lead and develop areas of activity ➤ Strong influence on partners and stakeholders <p><u>Advantages</u></p> <ul style="list-style-type: none"> • Proactive • Being ahead of the curve on key issues brings distinct advantages to the economy • Can 'pump-prime' activities to drive them forward initially <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Must have credible offer that is understood – e.g. influence and lead will bring significant advantage • Can be perceived as arrogant and inflexible • Difficulty maintaining momentum behind pump-primed activities, or finding mainstream funding support <p><u>Operational implications</u></p> <ul style="list-style-type: none"> • Senior executives and board members advocates, media appearances • Need individuals with communication skills and networks • Work hard to agree joint lines with partners 	<p>vs.</p>	<p>Collaborator and referral agency</p> <ul style="list-style-type: none"> ➤ Reactive – to proposals and enquiries ➤ Prepared to let other organisations lead <p><u>Advantages</u></p> <ul style="list-style-type: none"> • Flexible, open <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Value added will be regarded as marginal • Reactive • Lag behind the key economic issues • Difficult to raise funding with no focused delivery aims • Difficult to get partner buy-in <p><u>Operational implications</u></p> <ul style="list-style-type: none"> • Likely to require minimal resources

4. FUTURE SHAPE OF LEP ACTIVITIES AND ORGANISATION

Grants

- Non-repayable schemes
- No returns, no assets, no income stream

Advantages

- Can 'go to market' for innovative solutions and value
- Use existing organisational experience and capacity
- Flexibility

Disadvantages

- If no source of match funding/leverage then viability and success of project likely to be lower
- Small grant values = many grants – management and operational burden
- Potential for market distortion
- State aid issues and implications

Operational implications

- Staff and resource for grants scheme design and management
- Due diligence and monitoring still needed (e.g. for clawback or cessation of awards if funding is not used as intended)

vs. Evergreen funds

- Repayable schemes
- Investments with asset ownership or returns
- Potential income stream

Advantages

- High levels of control of resources, delivery, client selection
- Fewer state aid issues if charge interest
- Quasi-commercial operation – likely to result in payback and high economic impact

Disadvantages

- Due diligence/credentials checking – significant
- Some activities are unlikely to be supportable via loans
- Probably long term payback on certain categories of funds (e.g. infrastructure)
- Competing with other public loan funds at low rates (e.g. public works loan board)

Operational implications

- Need sufficient funding pot and deal flow to make it beneficial to the economy and viable
- Need expertise in fund design and management