

From: Mark Dance, Cabinet Member for Economic Development
Barbara Cooper, Corporate Director, Growth, Environment & Transport

To: Growth, Economic Development and Communities Cabinet Committee
– 5th September 2018

Subject: Strengthened Local Enterprise Partnerships (LEPs)

Classification: Unrestricted

Past Pathway of Paper: None

Future Pathway of Paper: None

Electoral Division: All

Summary:

Local Enterprise Partnerships (LEPs) are a core component of the Government's plan for driving local economic growth. To strengthen the LEPs in preparation for their role in developing Local Industrial Strategies, the Government commenced a review of LEPs in August 2017.

In July 2018, the Government published their report '*Strengthened Local Enterprise Partnership*'. This report sets out the conclusions of the Government's review. They include a series of Government commitments alongside several reforms to leadership, governance, accountability, and financial reporting that the Government will work with LEPs to implement before April 2019.

The Government also asked LEPs and local stakeholders to come forward with considered proposals for LEPs' geographical boundaries by 28 September 2018.

Recommendation:

- The Cabinet Committee is asked to note and comment on the content of the Government's Strengthened Local Enterprise Partnerships report.

1. Background to the LEP Review

1.1 Local Economic Partnerships (LEPs) are partnerships between business, local government and education partners. LEPs were set up by the Government in 2010 to replace Regional Development Agencies to drive local economic growth.

1.2 In August 2017, Jake Berry MP (Minister for the Northern Powerhouse and Local Growth) and Margot James MP (then Under-Secretary of State for Small Business) wrote to advise the LEP Chairs that there would be a Ministerial review of the future role and responsibilities of the LEPs. The letter explained that the Government wanted to explore ways of putting all LEPs on a more consistent legal footing.

1.3 The Industrial Strategy White Paper published in November 2017 confirmed the role the Government saw for LEPs delivering Local Industrial Strategies. Key phrases in the White Paper include:

- *We (the Government) remain firmly committed to LEPs.*
- *From 2018, the Prime Minister will chair a biannual ‘Council of LEP Chairs’. This will provide an opportunity for LEP leaders to inform national policy decisions.*
- *While LEPs across the country have played an important role in supporting local growth, feedback suggests that their performance has varied.*
- *We are reviewing the roles and responsibilities of LEPs and will bring forward reforms to leadership, governance, accountability, financial reporting and geographical boundaries.*
- *We will work with LEPs to set out a more clearly defined set of activities and objectives in early 2018.*
- *We will agree and implement appropriate structures for holding LEPs to account.*
- *We will work with LEPs to review overlapping geographies and ensure people are clear as to who is responsible for driving growth in their area.*
- *We recognise that in order to deliver their role effectively, LEPs need financial support. We will make additional financial resources available to LEPs that demonstrate ambitious levels of reform following the review.*
- *We will work with LEPs across all areas of England to establish Skills Advisory Panels. These will enable LEPs to support employers, education providers and local government in identifying current and future local skills needs shaping the provision and funding of post-age 16 education and training and careers guidance.*
- *We will work with LEPs, Growth Hubs, universities and the private sector to support high potential businesses to scale up.*
- *We will support LEPs in translating and co-ordinating regulatory frameworks that focus on local business needs, simplifying the way regulation is delivered.*

2. Government’s Findings

2.1 The findings of the Government’s LEP Review were published on 24 July 2018 in a report entitled “Strengthened Local Enterprise Partnerships”. The full report can be found at:

<https://www.gov.uk/government/publications/strengthened-local-enterprise-partnerships>.

2.2 The report’s conclusions informed by an advisory panel and were determined by Ministers in MHCLG¹, BEIS², and HMT³. Most representatives on the advisory panel came from business organisations, universities, and city councils. Two advisory panel members were members of a LEP Board.

¹ MHCLG = Ministry of Housing, Communities and Local Government.

² BEIS = the Department for Business, Energy and Industrial Strategy

³ HMT = Her Majesty’s Treasury

2.3 This paper now summarises the key reforms included in the LEP Review.

3. Reform: The role of LEPs

3.1 On establishment in 2010, LEPs were given a broad and relatively unspecified role 'to drive sustainable private sector-led growth and job creation'. The Government now states that LEPs will be able to make the most effective use of available resources and funding by being clearer on their roles and responsibilities and by sharing best practice.

3.2 The Government will **publish a statement on the role and responsibilities of the LEPs**. The LEPs' role must focus on the following four activities:

- **Strategy:** Develop an **evidence-based Local Industrial Strategy by early 2020** that identifies local strengths and challenges, future opportunities and the action needed to boost productivity, earning power and competitiveness across their area. The analysis of a LEP's Skills Advisory Panels must feed into the development of the Local Industrial Strategy.
- **Allocation of funds:** LEPs must identify and develop local investment opportunities; they must prioritise the award of local growth funding; and they must monitor and evaluate the impacts of their activities to improve productivity across the local economy.
- **Co-ordination:** They must use their convening power, for example by co-ordinating responses to economic shock; and bringing together partners from the private, public and third sectors.
- **Advocacy:** They must collaborate with a wide-range of local partners to act as an informed and independent voice for their area.

4. Reform: LEP leadership & composition

4.1 The Review touches on the role of the various partners that sit on LEP Boards.

4.2 The Review supports the continued leadership of LEPs by the private sector and, through the proposed reforms, makes businesses' contributions more prominent. To quote the report, '*businesses pay the taxes, create the jobs and provide the economic growth that will deliver the ultimate outcomes of the Industrial Strategy*'.

4.3 The Review emphasises that LEPs must be private-sector led independent partnerships, accountable to local communities. LEPs are encouraged to prioritise policies and actions on the basis of clear economic evidence and market intelligence from businesses and local communities.

4.4 The Government acknowledges that local authorities are critical to LEPs and should provide political accountability and community knowledge. The Review also acknowledges that Councils have a key role in creating quality places and supporting local business growth through their statutory functions, and investment in infrastructure.

4.5 LEP collaboration with universities, further education, the voluntary sector, and other key economic and community stakeholders is described as best practice.

- 4.6 Based on this, the Government's aspiration is that **two-thirds of board members should be from the private sector**, and that the **LEP must provide a secretariat independent of local government to support the Chair and Board** in decision-making.
- 4.7 Furthermore, the Government states that **LEPs must establish boards which are more representative of local communities but they must have no more than 20 members**, with the option to co-opt up to five additional board members with specialised knowledge for the maximum of one year. The Review does not justify the argument for reducing the number of board members.
- 4.8 The Government wants LEP boards to represent the diverse communities and businesses that they serve. Consequently, LEPs must improve the **gender balance** and increase the representation of those with protected characteristics on boards. The Government wants women to make up at least 33% of LEP boards by 2020, rising to **50% by 2023**.
- 4.9 Other reforms and key comments include:
- A **Deputy Chair** for each LEP must be appointed.
 - LEPs should consult widely and transparently with the business community before **appointing a new Chair**; and the Government will offer to list Chairs' vacancies on the Centre for Public Appointments website.
 - LEPs must introduce **defined term limits for Chairs and Deputy Chairs** in line with best practice in the private sector.
 - LEPs are encouraged to have more **diverse representation of sectors**, and should consider having entrepreneurial and growing start-ups representatives, as well as voluntary and community sector bodies.
 - LEPs should look for board members that bring a range of expertise to the role (e.g. business leaders, charity trustees or school governors).
- 4.10 To help the LEPs fulfil their duties, the Government will offer an **induction and training programme** for LEP board members and officers on working with Government.
- 4.11 **The Government will also increase regular dialogue** with LEPs. There will be a senior official sponsor for each LEP, and a Prime Minister-chaired Council with LEP Chairs. In addition, as well as the existing annual conversation (between Whitehall and each LEP's Management Team), the Government will introduce a new **mid-year review session** with each LEP.

5. Reform: LEP accountability & transparency

- 5.1 The Review insists that LEPs must operate to the highest standards of accountability, transparency and governance in the use of public funding. Between 2015 and 2021, the Government is awarding £9 billion to LEPs through the Local Growth Fund but future funding to individual LEPs is dependent on their compliance with the recently published reforms.
- 5.2 The Government's reforms seem to have been influenced by the recent scrutiny of the LEPs' governance by the Public Accounts Committee and the National Audit Office. This scrutiny led to general criticisms of LEP

transparency and a specific allegation of misuse of public funds at Greater Cambridgeshire and Greater Peterborough LEP (which led to the withdrawal of all funding from the GCGP LEP even though the core allegation was not upheld).

5.3 As the Government Ministers remain ultimately accountable for the overall system and proper use of public funds, they say that the reforms are designed to ensure that mechanisms are in place to improve accountability.

5.4 These reforms are:

- A **new National Assurance Framework for LEPs** that details the Government's approach to intervention when there is non-compliance or underperformance by LEPs.
- The full implementation of the recommendations of the **Mary Ney Review** on governance and transparency.
- LEPs must become companies with a **separate legal personality**. This will allow LEPs '*to enter into legal commitments to take on further responsibilities in the future*'.
- LEPs must identify a single **Accountable Body**. Its Section 151 Officer will be responsible for maintaining accountability and for the proper conduct of financial affairs in the LEP.
- LEPs must actively participate in relevant **local authority scrutiny** panel enquiries to ensure effective and appropriate democratic scrutiny of their investment decisions.
- LEPs ought to arrange and properly promote **AGMs** that are open to the public and businesses, so they can understand and influence the economic plans for the area.
- LEPs **must set out exactly who is accountable** for spending decisions, appointments, and overall governance locally in its schemes of delegation and partnership agreements – giving clarity on the responsibilities of the Chair, Board, Director, and Accountable Body.
- The LEP Chair must have an '*eye for detail*' and ensure the correct processes are in place to provide assurance on how funding is allocated and managed.
- The Government will require **robust evaluation of individual projects and interventions** (that link to a strong local evidence base of economic strengths, weaknesses, and comparative advantages within a national and international context) before it invests public funds.
- LEPs must produce an **annual delivery plan and end-of-year report** (see next section for more details).

6. Reform: LEP performance & resources

6.1 The current performance management of LEPs is mainly conducted through the annual conversation between Government and the LEP Management Team (i.e. Chair, CEO, and S151 officer or equivalent). In addition, the Government receive quarterly data monitoring reports from each LEP.

6.2 As aforementioned, the Government is increasing their dialogue with LEPs, and will introduce a new **mid-year review session** with each LEP.

6.3 In future, each LEP will be responsible for producing an **annual delivery plan and end-of-year report**, the first of which must be ready by **April 2019**. The plan and report should include:

- a set of headline outcome indicators based on local priorities,
- a thorough understanding of the local economic evidence base,
- quantitative and qualitative measures that the Government will assess LEP performance on,
- information on national and local funding allocations,
- details of monitoring and evaluation approaches,
- plans for consultation and engagement with public, private and voluntary and community-based bodies.
- information on how LEPs will deliver local growth programmes, such as Enterprise Zones and Growth Hubs, and
- details of how LEPs will work with local authorities to make their existing levers drive economic growth and ensure that the planning system is responsive to commercial development.

6.4 The annual delivery plan and end-of-year report, coupled with an **annual economic outlook** commissioned by the Government, will be published and used to benchmark LEPs' performance and economic performance across the country.

6.5 The review also states that the Government will commission an independent benchmarking of capacity and capability of all LEPs against best practice, so that **performance requirements match resources available**. An additional £20m will be made available between now and March 2020 to support LEPs in implementing these reforms and embedding evidence in local industrial strategies.

6.6 The Review emphasises that the Government's primary ambition is for LEPs to act as a self-regulating sector, hence the final reform is for there to be **regular peer review** to assess and improve LEP performance, supported by the LEP Network.

7. LEP Geography

7.1 While the Government sets out the specific reforms described above, the Review Report does not stipulate the geographical boundaries for LEPs in its review. **The geography of each LEP is therefore open for consultation.**

7.2 The Government is seeking to form LEPs that reflect "functional economic areas". They recognise that the size and scale of the 38 existing LEPs varies substantially. For example, the Black Country LEP covers fewer than 36,000 square hectares whereas the York, North Yorkshire and East Riding LEP covers over 1,000,000 square hectares. In terms of population size, the South East LEP is by far the largest LEP (apart from London LEP) with over 4 million residents. In contrast, Cumbria is the smallest LEP with fewer than 0.5 million residents.

7.3 The Government is asking LEPs and local stakeholders to come forward with **considered proposals by end of 28 September 2018 on geographies** which

best reflect real functional economic areas, remove overlaps and, where appropriate, propose wider changes such as mergers.

7.4 Where mayoral combined authorities exist, LEPs are strongly encouraged to move toward coterminous boundaries where appropriate.

7.5 The Government does not wish any future LEP boundary to act as a deterrent to growing the economy, and so the Report urges the LEPs to collaborate with other LEPs across England on matters of common interest.

8. Timeframe for implementation

8.1 The key dates relating to the LEP Review are as follows:

Year	Event
2018	<ul style="list-style-type: none"> • On 24 July 2018, the Government issued the LEP Review ‘Strengthened Local Enterprise Partnerships’. • In July 2018, the Government agreed the second tranche of LEPs to work with the Whitehall in developing Local Industrial Strategies – (see https://www.gov.uk/government/news/a-boost-for-north-east-innovation-to-promote-high-quality-jobs-and-growth for full details). • The Government undertook to publish a statement on Local Industrial Strategies to guide locally-led work in summer 2018. • LEPs and local stakeholders must come forward with considered proposals by end of 28 September 2018 on geographies which best reflect real functional economic areas. • LEPs must submit a detailed plan to Government for implementing the reforms by 31 October 2018 by the latest. • The revised LEP Assurance Framework will be published in early Autumn 2018 to provide further clarity on the reforms. • The Government will provide £20 million in additional capacity funding to support Local Enterprise Partnerships between 2018-19 and 2019-20. The amount given to each LEP will be linked to performance requirements.
2019	<ul style="list-style-type: none"> • LEPs must be compliant with the new National LEP Assurance Framework by 28 February 2019. Their new legal structure must be in place before April 2019. Both actions must be implemented ahead of release of any further Local Growth Funding in April 2019. • Consultation with the business community to take place prior to the appointment of a new LEP Chair and Deputy Chair by 28 February 2019. • The first Local Industrial Strategies will be agreed with Government by March 2019.

	<ul style="list-style-type: none"> • LEPs must have published their annual delivery plan by April 2019. • Local Assurance Frameworks for the LEPs must be updated to take account of the reforms ahead of April 2019. • The Government will provide £20 million in additional capacity funding to support Local Enterprise Partnerships between 2018-19 and 2019-20. The amount given to each LEP will be linked to performance requirements.
2020	<ul style="list-style-type: none"> • Revised LEP geographies will come into effect by spring 2020 at the latest. • The Government wants women to make up at least 33% of LEP boards by 2020. • The Government will agree all Local Industrial Strategies across England by early 2020. • The Government will provide £20 million in additional capacity funding to support Local Enterprise Partnerships between 2018-19 and 2019-20. The amount given to each LEP will be linked to performance requirements.
2021	<ul style="list-style-type: none"> • Local Growth Funding runs until March 2021. By this date, information on the UK Shared Prosperity Fund should have been issued. The UK SPF is expected to replace Local Growth Funding and the European Structural Investment Funding.
2022	<ul style="list-style-type: none"> • N/A
2023	<ul style="list-style-type: none"> • The Government wants women to make up 50% of LEP boards by 2023.

9. The current context for Kent and Medway

- 9.1 The reforms contained in the review (if implemented) will necessitate change to the current LEP arrangements.
- 9.2 The **South East Local Economic Partnership** (SELEP) is one of 38 LEPs that are currently in operation across England. SELEP covers the area of East Sussex, Essex, Kent, Medway, Southend and Thurrock. It is not constituted as a legal entity but as an informal partnership.
- 9.3 SELEP is chaired by a private sector representative for a fixed 2-year term. The SELEP Chair is supported by 3 Vice-Chairs from the private-sector, who are nominated on a locality basis.
- 9.4 Essex County Council acts as SELEP's Accountable Body, providing Section 151 Officer oversight. It also employs SELEP's Secretariat.
- 9.5 In respect to governance, SELEP operates a **Strategic Board**, an **Accountability Board**, and an **Investment Panel**. This pan-LEP governance

is underpinned by a **federated model** because the devolution of local accountability and funding to ensure decision-making at the most appropriate level is at the heart of the SELEP partnership.

- 9.6 The role of the SELEP **Strategic Board** is to set the strategic direction of the LEP providing clear strategic leadership and championing shared-SELEP priorities. It is the main interface with Government, bringing together both private and public sectors to drive local growth and job creation and to oversee all SELEP activity to deliver this aim.
- 9.7 28 members sit on the SELEP Strategic Board: Of these, 14 are from business, 12 from local authorities, 1 from Higher Education, and 1 from Further Education. Women members represent fewer than 20 per cent.
- 9.8 SELEP's formal democratic decision-making is through the **Accountability Board** which approves all major funding decisions and monitors and manages SELEP's capital programme for greatest impact, informed by local area management information.
- 9.9 The SELEP Accountability Board takes responsibility for ensuring that investment decisions are made in a transparent and public forum with full due process. It also takes oversight of delivery of the programme, providing both challenge and support to federated areas and project sponsors.
- 9.10 Each of the six County and Unitary Councils in SELEP appoints one member to be a voting member of the SELEP Accountability Board. In addition, one SELEP Vice-Chair, one Higher Education and one Further Education representative act as non-voting Accountability Board Members. Women members represent fewer than 20 per cent.
- 9.11 The SELEP **Investment Panel** is an advisory committee to the Strategic Board and Accountability Board. Its primary role is to conduct a prioritisation process of projects requiring investment based on an approach agreed by the Strategic Board, and to make recommendations for the provisional allocation of funding.
- 9.12 The SELEP **Investment Panel** membership is as follows:
 - SELEP Chairman (1)
 - The three SELEP Vice-Chairmen (3)
 - The six County/Unitary Council Leaders (6)
 - A private sector member from East Sussex (1)
 - A private sector member from Kent and Medway (1)
 - A private sector member from Essex. (1)
- 9.13 SELEP operates a federated board model. This greatly increases stakeholder engagement and allows more informed decision-making utilising the market intelligence and knowledge of local partners. The four federated boards are:
 - Essex Business Board (EBB)
 - Kent and Medway Economic Partnership (KMEP)
 - Opportunity South Essex (OSE)
 - Team East Sussex (TES)

- 9.14 The Kent and Medway Economic Partnership has 33 members in total, with 17 business representatives, with all 14 local authority leaders represented, plus a representative from both the Higher Education and Further Education sectors. Its secretariat is provided by Kent County Council.
- 9.15 The requirements of the Government's LEP Review mean that the SELEP and KMEP boards will have to change their terms of reference and membership.
- 9.16 The importance of ensuring the future LEP governance arrangements are satisfactory to the Government cannot be overstated. The Government has ringfenced £127.4 million of Local Growth Funding (LGF) for Kent between 2015 and 2021. This money is drawn down on an annual basis. LGF is delivering a wide range of projects - from a new engineering teaching and research hub at Canterbury Christ Church University, to junction improvements across Kent & Medway, to better flood mitigation at Leigh to name but a few examples. Most LGF schemes are part way through delivery. However, all future tranches of funding will only be accessible if the future LEP governance meets the Government's requirements.

10. Next steps

- 10.1 The KMEP Chairman/SELEP Vice-Chair has written to the KMEP board members, to local businesses and to local MPs to canvass their opinion on the LEP Review, including the geography question.
- 10.2 At the time of writing, these opinions are still being collated, however the extracts below reflect the general sentiment conveyed in the responses received so far:

"I have not been part of KMEP for long but, in the time that I have been involved, it is clear that a considerable amount of work has gone into creating a structure and approach that embraces the public and private sectors effectively. The dialogue is positive and from what I have seen we are able to clearly demonstrate that we are working well together and delivering effective outcomes. I can't see why we would change something that is working well"
(Private-sector board member).

"SELEP and the Federated Model, in the form of KMEP, has developed an effective, functional, platform for enabling and supporting the delivery of economic, social and environmental growth. The integration of business and education with the public sector, together with the subsequent confidences that have been established and matured alongside robust governance arrangements, have bedded-in and provide sound foundations for both SELEP and KMEP going forward. The existing arrangements have achieved notable successes that directly affect the district and are of key importance to the local and wider national economy.

[...] It is felt that, while a review of governance may present some scope for enhancements, the current geography of SELEP and federated operating model in the form of KMEP/Business Advisory Board should not change save for strengthening the voice of the coastal communities across the SELEP area."
(A District Council response).

- 10.3 The overwhelming preference of the respondents (to date) is for the retention of the existing governance structure of SELEP, which is built on the federated board model. To retain the current LEP model, permission will be required from the Government.
- 10.4 A meeting has been convened on 31 August 2018 between Stephen Jones (the Director of the Cities and Local Growth Unit), the SELEP Chairman and the SELEP Vice-Chairmen to seek that permission. The SELEP Chairman is seeking an appointment in September with the Secretary of State for Business, Energy and Industrial Strategy to convey the preference of local stakeholders and to lobby for the necessary freedom and flexibilities.
- 10.5 The Leader of Kent County Council has written to the County Councils' Network (CCN) over the summer to canvass their opinions on the LEP Review. The CCN will particularly seek opinions on the proposed role for local authorities in the LEPs post April 2019.
- 10.6 An oral update on progress achieved will be provided at the Growth, Economic Development and Communities Cabinet Committee on 5 September 2018.
- 10.7 Engagement with partners is crucial. A meeting of Kent Leaders is being convened on 6 September 2018, and a meeting of the Business Advisory Board on 13 September 2018. Engagement with the universities, further education colleges, and MPs, is taking place in parallel. The views of the Cabinet Committee are sought at today's meeting.

11. Recommendation:

- 11.1 The Cabinet Committee is asked to note and comment on the content of the Government's Strengthened Local Enterprise Partnerships report.

12. Background Documents

Annexes A – D Implementation Guidance Notes and Response Templates:

<https://democracy.kent.gov.uk/ecSDDisplay.aspx?NAME=SD5470&ID=5470&RPID=24483045>

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