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To: Kent County Council

Date: 12 September 2019

Subject: Reform of the South East Local Enterprise Partnership (SELEP)

Classification: Unrestricted

Summary:

Kent County Council is a member of the South East Local Enterprise Partnership (SELEP). The Government has set out reforms that necessitate changes to SELEP's governance and membership by 31 March 2020.

The paper provides background context on LEPs, describes the current governance of SELEP and the reforms specified by the Government. It then sets out a series of actions that must be undertaken if SELEP is to become compliant.

Recommendation:

The County Council is asked to NOTE this report.

1. Introduction

- 1.1 The Government has set out reforms to Local Enterprise Partnerships, which must be implemented by 31 March 2020. Consultation took place only on geography. The remaining governance reforms outlined in the review were subsequently required of LEPs to access funding.
- 1.2 This report provides background on LEPs before turning to these reforms and the actions required to implement them. The reforms have understandably been not well-received by Local Government as they significantly reduce local government representation on LEP Boards.

2. Background

- 2.1 In May 2010, the then Government outlined plans to create Local Enterprise Partnerships (commonly called LEPs) in *'The Coalition: Our Programme for Government'*¹. LEPs replaced Regional Development Agencies.
- 2.2 LEPs bring together leaders from local authorities, businesses, universities, and further education colleges. LEPs are tasked with providing the vision and leadership to

¹ 'The Coalition: Our Programme for Government' (2010) is available at:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf

drive sustainable economic growth and create the conditions to increase private sector jobs in their communities.

- 2.3 A quote from The Rt. Hon. Lord Heseltine in his report *'No stone unturned in pursuit of growth'*², provides an indication of the thinking of Government during this period:

"Experience indicated that there are some things only government can do to drive growth in the economy. It must do those relentlessly and to the very highest standards set around the world. There are many areas where government should stand aside completely. But in the vast majority of cases we will only get the very best results for our economy if government, the business community and local leaders exploit their skills and resources in partnership."

- 2.4 At their outset, LEPs were established as non-statutory bodies. Local areas were given discretion about the composition of LEPs, provided they are chaired by a business person and at least half their members are from the private sector.

3. The Geography of LEPs

- 3.1 The geographical boundaries of Local Enterprise Partnerships were to reflect functional economic market areas. In his letter³ of 29 June 2010, Rt. Hon Sir Vince Cable (then Secretary of State for Business Innovation and Skills) and Rt. Hon. Lord Eric Pickles (then Secretary of State for Communities and Local Government) invited local authority and business leaders to come forward with proposals for establishing LEPs.
- 3.2 Kent County Council, in collaboration with Medway Council, sent in a proposal to establish a LEP for Kent and Medway, as this geography best reflects the functional economic market area. The Government responded to this proposal by asking Kent and Medway to join a larger partnership with Essex County Council, Thurrock Council, Southend-on-Sea Council and East Sussex County Council. In return for entering into this larger partnership, the Rt. Hon. Lord Eric Pickles said, *"he would make it worth our while"*.
- 3.3 The South East Local Enterprise Partnership (commonly called SELEP) was consequently established in 2011, covering Essex, Thurrock, Southend-on-Sea, Kent, Medway and East Sussex. It was one of 39⁴ LEPs proposals agreed by the Government.

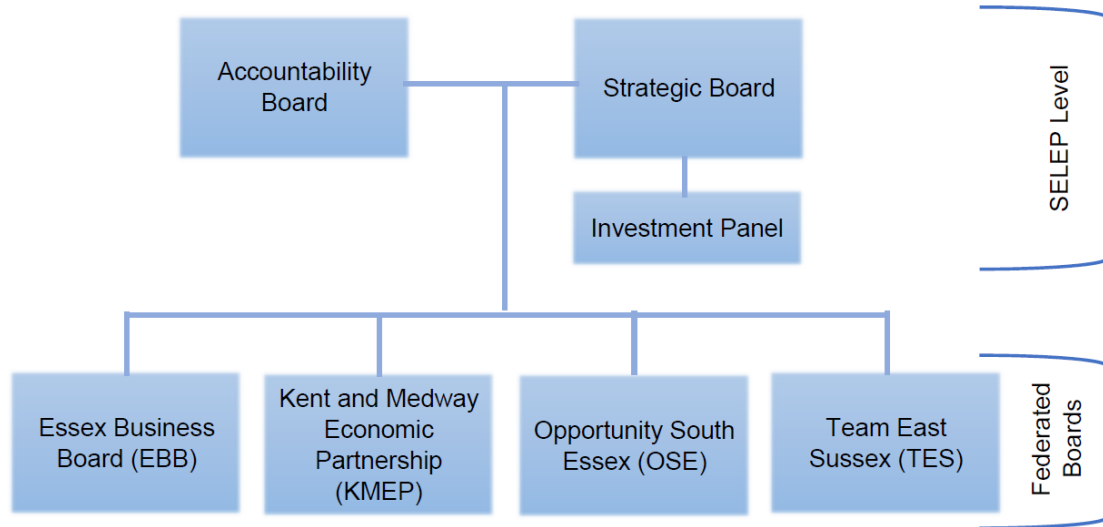
4. Current Governance Arrangements of SELEP

- 4.1 SELEP is currently constituted as an informal partnership. It comprises three separate SELEP boards/panels, with four federated boards underneath, as depicted in this diagram:

² 'No stone unturned in pursuit of growth' (2012) is available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/34648/12-1213-no-stone-unturned-in-pursuit-of-growth.pdf

³ The letter is available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32056/10-1026-final-letter-local-enterprise-partnerships.pdf

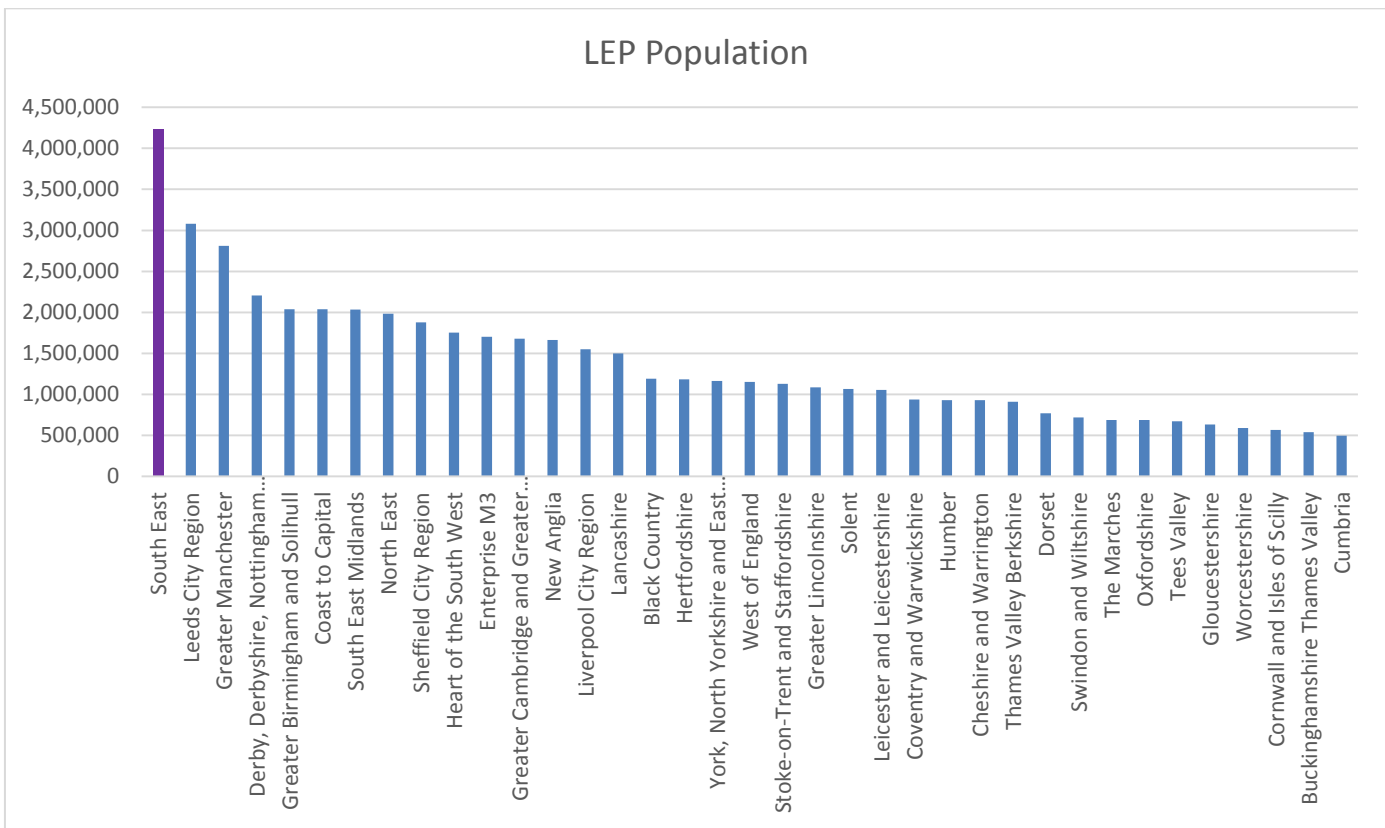
⁴ Two LEPs merged in 2016, meaning there are now 38 LEPs across the country.



- 4.2 The SELEP Strategic Board sets the vision for the Partnership. It is responsible for formulating and agreeing strategy (including investment strategies and thematic or sector-based strategies). It has an advocacy role to call on the Government and other local partners to invest in and prioritise our locality. One of the Strategic Board's responsibilities is agreeing which investment priorities should form a pipeline of projects for when future funding becomes available. It delegates this responsibility to the SELEP Investment Panel in respect of Local Growth Funding and Growing Places Funding.
- 4.3 Currently there are 28 members of the SELEP Strategic Board. 8 members represent Kent and Medway specifically; they include 4 business leaders, the leaders (or their delegate) of Kent County Council, Medway Council, and two district councils in Kent.
- 4.4 The SELEP Accountability Board provides the system of checks-and-balances. While the SELEP Investment Panel can propose which projects should receive funding, the money is only released to these projects after the SELEP Accountability Board has met to review each project's business case and voted in its favour. The SELEP Accountability Board, whose voting members are the 6 county and unitary council leaders, must be confident that the projects which SELEP invests in demonstrate high certainty of delivering good value for money in a specified timescale. No funding can be drawn down without their approval.
- 4.5 The SELEP Accountability Board operates under a Joint Committee Agreement, which was signed on the 13th November 2015 by each of the six county and unitary councils within the SELEP area. Unlike the Investment Panel, the Accountability Board is not a sub-committee of the SELEP Strategic Board.
- 4.6 A full description of the responsibilities and membership of the SELEP boards can be found in Appendix A.

5. Federated Boards of the South East Local Enterprise Partnership

5.1 The South East Local Enterprise Partnership (SELEP) is one of the largest LEPs in the country. Excluding London LEP (whose population is 8.9 million people), it is the largest LEP by population, as shown by this graph:



5.2 To facilitate informed discussion of local economic development priorities over such a large geographical area, the South East Local Enterprise Partnership established and operated under a federated board model. This is an essential and fundamental component of SELEP.

5.3 There are currently four federated boards operating in SELEP. These four boards are:

- Kent and Medway Economic Partnership (KMEDP)
- Team East Sussex (TES)
- Opportunity South Essex (OSE)
- Essex Business Board (EBB)

5.4 The Kent and Medway Economic Partnership comprises 33 board members. These are:

- Leader (or their delegate) of Kent County Council – x1
- Leader (or their delegate) of Medway Council – x1
- Leaders (or their delegates) of the twelve district councils in Kent – x12
- A University Vice-Chancellor (this position is currently filled by Canterbury Christ Church University) – x1
- A Further Education College Principal (this position is currently filled by Mid-Kent College). – x1
- Business leaders from across Kent and Medway – x17. (These business leaders are selected by the Business Advisory Board – a business forum of 50

businesses, which is open to any business in Kent and Medway to apply to join).

6. Government's investment in SELEP's priorities

6.1 In recent years, the Government has made various funding streams available for LEPs to competitively bid to. These streams include:

- Local Growth Fund (LGF) – a capital grant fund
- Growing Places Fund (GPF) – a capital loan fund
- Skills Capital Fund (SCF) – a capital grant fund ring-fenced for further education projects

6.2 The table below shows the value of funding secured for infrastructure investment between 2015 and 2021:

	Local Growth Funding	Growing Places Fund	Skills Capital Fund
SELEP	£446,363,000	£54,526,042	£21,973,900
KMEP	£182,549,000	£23,006,042	£13,365,211
Kent	£140,830,000	£14,397,000	£13,166,711

6.3 In addition to these funding streams, LEPs set the strategic direction for the selection of projects to receive European Structural and Investment Funding (ESIF).

6.4 A UK Shared Prosperity Fund has been mooted as the potential replacement to Local Growth Funding and European Structural and Investment Funding following the impending exit from the European Union. A consultation was originally planned to take place in December 2018 on its remit and, at that time, civil servants had given indications that the UK Shared Prosperity Fund would be linked to the Local Industrial Strategies of the LEPs. Since this date, and the change in Prime Minister, it is unclear whether this new fund will be distributed via LEPs or not.

7. Cost of participating in the South East Local Enterprise Partnership

7.1 To date, the Government has made an annual '*general grant*' of £500k available to SELEP to part-fund the core costs of the SELEP Secretariat, which employs 15 members of staff (see Appendix B for details). However, an uncertainty at this time is both the value of and the conditions that will be attached to this core funding in future years.

7.2 The Government has previously indicated that local funding contributions to LEPs are considered important as a demonstration of commitment by partners. Consequently, an annual match-funding contribution of £200k has been received from local authority partners since SELEP's inception; the table below shows the contribution split by local authority:

Local Authority	Annual contribution to SELEP's core budget
East Sussex County Council	£26,180
Essex County Council	£71,760
Kent County Council	£72,500

Medway Council	£13,040
Southend-on-Sea Council	£8,400
Thurrock Council	£8,120
Total from local authorities	£200,000

- 7.3 In addition to the Government's 'general grant' and the contributions from the local authorities, SELEP earns interest on the LGF and GPF balances, which supplement its annual income.
- 7.4 In 2015/16, SELEP recognised that the six county and unitary councils had to put additional resource into place to support the local delivery of the Local Growth Fund and a one-off revenue contribution was made by SELEP to the councils to offset this outlay. Kent County Council received £24,857.
- 7.5 In 2018/19 and 2019/20, SELEP made available a 'local area support grant' of £250,000 to be split among the six county and unitary councils (KCC received £54,375 in 18/19 and this will be received again in 19/20). This grant was given because of the new accountability and transparency requirements placed on councils and the local federated boards by the reforms included in the LEP Review and the Mary Ney DCLG Review. It is not known if the 'local area support grant' will be made available in future years.

8. The LEP Review: Reform of Local Enterprise Partnerships

- 8.1 In July 2018, the Government published '*Strengthened Local Enterprise Partnerships*⁵'. This document outlines a series of reforms to the leadership, governance, accountability, financial reporting and geographical boundaries of LEPs. The Government felt these reforms are necessary to enable LEPs to play an increasingly active role in the national industrial strategy through the formulation and delivery of 'Local Industrial Strategies'.
- 8.2 It should be noted that the '*Strengthened Local Enterprise Partnerships*' paper consulted only on geography. The remaining governance reforms outlined in the review were subsequently required of LEPs to access funding.
- 8.3 This paper will now consider each of these reforms:

Reform: The role of LEPs

- 8.4 Originally LEPs were given a broad and relatively unspecified role 'to drive sustainable private sector-led growth and job creation'. The Government has now stated that the LEP 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.

⁵ Strengthened LEPs is available at:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728058/Strengthened_Local_Enterprise_Partnerships.pdf

- **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 shocks; 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.

Reform: LEP Geography

- 8.5 On publishing ‘*Strengthened LEPs*’, the Government consulted on whether the geographical boundaries of any LEP should change to better reflect “functional economic areas”. The review stated: -

“Ask Local Enterprise Partnership Chairs and other local stakeholders to come forward with considered proposals by 28 September 2018 on geographies which best reflect real functional economic areas, remove overlaps and, where appropriate, propose wider changes such as mergers. Government will respond to these proposals in the autumn and future capacity funding will be contingent on successfully achieving this”.

- 8.6 The issue was discussed at SELEP and KMEP board meetings. The decision made by Kent and Medway representatives at the KMEP board meetings⁶ was to support the retention of the current SELEP geography only if existing federal governance arrangements and local government representation could continue and the current SELEP Accountability Board arrangements be retained.

- 8.7 This view was echoed by the SELEP Strategic Board⁷, who voted in favour of retaining the current geography. The SELEP Chairman stated that:
“SELEP should resist the proposed changes to board membership and size in the strongest possible terms and maintain the current SELEP geography and governance arrangements that we have made to work.”

Reform: LEP leadership & composition

- 8.8 The Government’s reforms seek changes to LEPs’ board composition. From 2020/21, Local Government’s representation – currently at 50% - **will reduce to one third. Two-thirds of LEP board members should be from the private sector.** In addition, the main board of each LEP **must have no more than 20 members.** However, there is the option to co-opt up to five additional board members with specialised knowledge for the maximum of one year.

⁶ KMEP board minutes from the governance discussion in September 2018 and January 2019 are available at: http://kmep.org.uk/documents/KMEP_Board_Papers_-_18_October_2018.pdf and http://kmep.org.uk/documents/KMEP_Board_Papers_-_25_March_2019.pdf

⁷ SELEP board minutes from the governance discussion in September and October 2018 are available at <https://www.southeastlep.com/meetings/selep-strategic-board-meeting-28th-september-2018/> and <https://www.southeastlep.com/meetings/special-strategic-board-meeting-25th-october-2018/>

8.9 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**.

8.10 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**.
- LEPs must introduce **defined term limits for Chairs and Deputy Chairs** in line with best practice in the private sector.
- The LEP secretariat must be independent of local government.
- 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.

8.11 To help the LEP board members fulfil their duties, the Government will offer them an **induction and training programme**.

Reform: LEP accountability & transparency

8.12 LEPs must operate to the highest standards of accountability, transparency and governance in the use of public funding. '*Strengthened LEPs*' includes the following reforms:

- 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 Government requires **robust evaluation of individual projects and interventions** before it invests public funds.

8.13 The Government has introduced a **new National Assurance Framework for LEPs**⁸ that details the Government's approach to intervention when there is non-compliance or underperformance by LEPs.

⁸ The new National Assurance framework is available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/768356/National_Local_Growth_Assurance_Framework.pdf

Reform: LEP performance & resources

- 8.14 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). In addition, the Government receives quarterly data monitoring reports from each LEP.
- 8.15 In future, there will be increased dialogue between the Government and 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. SELEP's first mid-year review session is scheduled for September 2019.
- 8.16 Each LEP will be responsible for producing an **annual delivery plan⁹ and end-of-year report**, the first of which had to be produced by **April 2019**.
- 8.17 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.
- 8.18 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.

Reforms: Timeframe for implementation

- 8.19 '*Strengthened LEPs*' sets out key dates for implementing the reforms which include:
- LEPs must have their new legal structure in place by **April 2019**. SELEP requested a one-year extension by the Government due to its larger size.
 - 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 wants women to make up 50% of LEP boards **by 2023**.

9. Consequence of non-compliance with the reforms

- 9.1 Where the Government has concerns that its reforms are not being enacted by a LEP, it will proceed to use a spectrum of intervention options. The interventions used will depend on the specific circumstances related to the non-compliance or under-performance identified. The spectrum of intervention options include, but are not limited to:
- **Central Government (official) engagement:** The possible interventions that the Government may take include senior civil service officials observing LEP Board meetings, and observing recruitment or procurement processes.

⁹ The draft SELEP Delivery Plan is available at: <https://www.southeastlep.com/app/uploads/2019/03/Agenda-Item-5-Appendix-A-Draft-Delivery-Plan-1920.pdf>

- **Agreement of a formal action plan:** the Cities and Local Growth Unit will request the LEP to design and implement a formal action plan to address any concerns.
- **Improvement partners:** the Cities and Local Growth Unit may ask a high-performing LEP and/or the LEP Network to provide advice and support to LEPs with performance issues.
- **Risk-based deep dive:** Members of the National Oversight and Compliance Team will visit the LEP and will undertake an in-depth review of LEP accountability and transparency arrangements, allowing the team an opportunity to observe the culture and leadership arrangements within the LEP.
- **Withholding and/or withdrawing funding:** to ensure probity of public funds, funding may be partially or fully withheld until improvements in LEPs are made. The specific amount and type of funding withheld will depend on the circumstances of the LEP and the specific concerns which need to be addressed. The funding withheld could include Local Growth Funding.
- **Expression of loss of confidence:** where the Government has lost confidence in the ability of the LEP to deliver its objectives, Ministers will write to the LEP to express a loss of confidence in its leadership.

10. Next Steps: Implementing the reforms in the South East

- 10.1 SELEP is committed to implementing the Government's reforms by March 2020. At its meeting in June 2019, the SELEP Strategic Board endorsed a new local assurance framework¹⁰. This framework sets out how SELEP operates and makes SELEP compliant with the majority of the Government's new reforms. However, two key reforms still must be adopted. Namely, SELEP must become a legal entity and its board composition must be reformed.
- 10.2 The SELEP Strategic Board has already decided that SELEP should become a **company limited by guarantee** and should be a **nil return company** (to prevent VAT liabilities) by March 2020. It has made the commitment to reduce its Strategic Board membership to 20 members, plus 5 co-opted members by March 2020, but how its current membership is reduced from 28 members is yet to be agreed.
- 10.3 Consequently, the SELEP Strategic Board has established two working sub-groups to consider a) the future SELEP board composition and b) SELEP's legal personality.
- 10.4 Rodney Chambers (Cabinet Member at Medway Council) and Jo James (CEO of the Invicta Chamber of Commerce) sit on the future board composition sub-group to represent Kent and Medway.
- 10.5 Rodney Chambers and Douglas Horner (Kent Businessman) sit on the future legal personality sub-group to represent Kent and Medway.
- 10.6 Both sub-groups are expected to present their draft proposals to the SELEP Strategic Board on 4th October for consideration.

¹⁰ Local <https://www.southeastlep.com/good-governance/assurance-framework/>

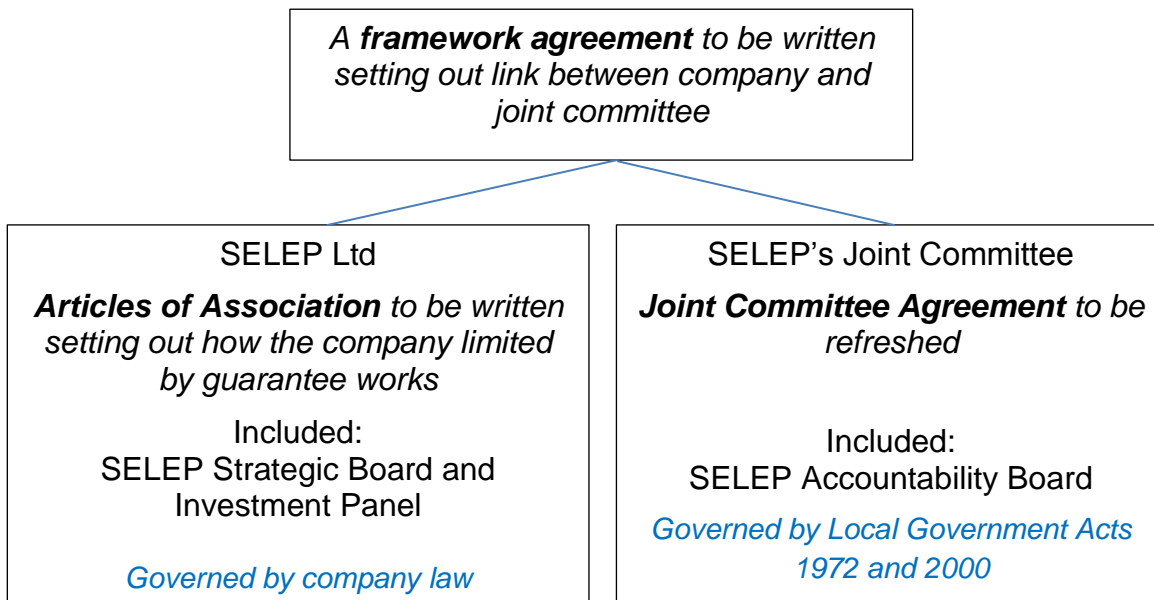
10.7 Until 4th October, no decisions will be made. However, the latest suggestions originating from the future board composition sub-group include asking the SELEP Strategic Board to agree:

- the principle that the 20 SELEP board members (excluding the Chairman and Deputy Chairman) should continue to be nominated by the federated boards, with the higher and further education representatives being co-opted members; and
- the principle that the number of SELEP Strategic Board members per federated board is proportional to each federated area’s population, to enable fair geographical representation.

10.8 The latest suggestions originating from the future legal personality sub-group include asking the SELEP Strategic Board to agree on 4th October that:

- The SELEP Strategic Board and SELEP Investment Panel form the company limited by guarantee. To set up this company, articles of association must be written which comply with company law.
- The directors of the company will be the 20 individuals that will form the new SELEP Strategic Board.
- The membership of the company could be the SELEP directors and the federated board members.
- The SELEP Accountability Board is retained. As this board is governed by local government law, rather than company law, it must sit outside SELEP Ltd. The Joint Committee Agreement, signed on November 2015, will require minor changes to ensure it is fit-for-purpose.
- A Framework Agreement to be written to govern the relationship between the company and joint committee.

The diagram below highlights the three documents which must be agreed:



10.9 The Chief Monitoring Officer at Essex County Council, in collaboration with the SELEP Chief Operating Officer, are producing a draft framework agreement, articles of association and refreshed joint committee agreement for SELEP to consider on 4 October 2019 and 6 December 2019.

10.10 The meeting schedules of SELEP and the local federated board (KMEP) are shown below to indicate when the decisions regarding governance are due to be made:

<i>KMEP Board meeting date</i> <i>(Pre-examine SELEP board papers)</i>	<i>SELEP Strategic Board meeting date</i>
24 September 2019	4 October 2019
26 November 2019	6 December 2019
28 January 2020	31 January 2020
17 March 2020	20 March 2020

SELEP intends the 20 March 2020 to be the first meeting of the new company directors.

10.11 To ensure full compliance with the reforms, the KMEP terms of reference will be updated in autumn 2019. Also, an open, transparent and merit-based recruitment process will be undertaken in late autumn to recruit business leaders to the seventeen positions available on the Kent and Medway Economic Partnership for 2020/21.

10.12 County Councillors are asked to promote this opportunity to serve as a KMEP business leader at any business forums/private sector networking events. Companies can express their interest by inputting their details to: <http://kmep.org.uk/apply>

11. Next Steps: Kent County Council’s engagement with SELEP

11.1 A paper is being taken to KCC’s Growth, Economic Development and Communities Cabinet Committee (GEDCCC) on 28th November 2019. This paper will set out any decisions that SELEP Strategic Board make on 4th October regarding board composition and legal personality, and its implications for Kent.

11.2 Accompanying the GEDCCC paper will be a KCC key decision that will be shortly published on the forward plan. This proposed decision, to be taken by the Leader following a Cabinet discussion on 2nd December 2019, is anticipated to consider whether the Council wishes to reaffirm its participation in the South East LEP; seek agreement to enter into the revised Joint Committee Agreement under a SELEP framework agreement; and to agree representation by the Executive on SELEP and KMEP.

12. Risks and mitigations

12.1 The strategic risks and mitigations associated with the implementation of the LEP review are detailed in the SELEP risk register in Appendix C.

12.2 A key risk facing Kent’s local authorities is that fewer democratically elected representatives will be SELEP directors. The ratio set by the government (that two-

thirds of SELEP directors must come from the private sector) will chiefly impact district council leader representation on the SELEP board.

- 12.3 There are 29 district councils from 3 county shires within the SELEP geography, and potentially there will be only 2 co-opted SELEP board positions available to them. The loss of district council leaders' local economic development, planning, housing, environmental and community knowledge will have a significant impact on the effectiveness of the LEP unless appropriate mitigation is in place to ensure their views are still heard.
- 12.4 This mitigation includes the continued use of the federated boards, where there is full representation by the Kent and Medway district council leaders. The new SELEP Articles of Association must be written to reflect its federated board structure.
- 12.5 If the board composition sub-group proposal is agreed on 4th October, the majority of the SELEP directors will be selected by the federated boards, helping to retain the connection between SELEP and the local authorities.
- 12.6 The retention of the SELEP Accountability Board, whose voting members are solely the local authorities, is another core mitigation to ensure democratic oversight and scrutiny on the use of public funds.
- 12.7 A second key risk is the recent change of Government may affect the policy and funding landscape. Significant resource is being directed by SELEP and its partners towards implementing the LEP reforms and producing a Local Industrial Strategy. It is unclear if the Local Industrial Strategy will be linked to the future UK Shared Prosperity Fund. Indeed, recent influential reports call on the new Government to phase out LEPs (see the conclusion for more details). Close contact will be maintained with civil servants to monitor the situation as it evolves and KCC officers will report any changes to the Executive so appropriate action can be taken.
- 12.8 Finally, there is a risk that all the LEP Review requirements are not implemented in line with Government's expectations, including the requirement for all changes to be executed by the end of the financial year. There are many changes to be made, some of which are very complex and have impacts on partner organisations. The nature of this type of fundamental change brings an inherent risk. If the LEP review requirements are not implemented, there is a high risk that government funding for 2020/21 (potentially including Local Growth Funding) will be withheld. This has consequences for the County Council, which has LGF-funded programmes of work underway, which run over multiple years. Additional staff have been recruited by SELEP this year to add resource and action plans are in place to minimise this risk.

13. Conclusion

- 13.1 With considerable support from Kent County Council, local businesses and local council partners across the SELEP geography, we have made the existing governance arrangements work by operating a federal structure of decision-making and prioritisation. Working together, we have received over £0.5billion investment from Government for the SELEP area, Kent (excluding Medway) benefiting from £168,393,711 of funding.

- 13.2** However, this has been made possible through strong local government representation. While there is a business majority on the main SELEP Board, voting members of the SELEP Accountability Board are the six county/unitary authorities, reflecting the funding, risk and accountability they take for the delivery of projects within their areas.
- 13.3** Under the new governance arrangements, it is being suggested by the SELEP officer team that the potential solution could be as follows. A two-thirds business representation on the SELEP Board, it is critical and proposed that the SELEP Accountability Board retains its role. In particular, with district leader representation reduced to just two members on the SELEP Strategic Board, the SELEP Accountability Board members must continue to reflect the prioritisation and decisions made at the Kent & Medway Economic Board (as the federal board for Kent & Medway) on which all district councils are represented.
- 13.4** At the same time, KCC must continue to monitor national policy to ensure it is positioned for maximum opportunity from any future changes to Local Growth policy. While there has been no official change to Government policy on LEPs, the new Prime Minister has been clear of his desire to “*give greater powers to council leaders and to communities*” [PM’s speech at Manchester Science and Industry Museum, July 2019]. At the same time, an influential think tank (Policy Exchange) has questioned the future of LEPs, stating “*LEPs should not be given any more responsibilities and should be phased out...their responsibilities...transferred to mayoral combined authorities or county councils (assuming they develop a more strategic role)*”¹¹
- 13.5** Potential opportunities include the Shared Prosperity Fund (currently to be routed through Combined Authorities and LEPs), Industrial Strategy, and new powers linked to the previously proposed Devolution Framework, or freedoms and flexibilities from any future place-based deals.

14. Recommendations

The County Council is asked to NOTE this report.

Contact Details

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¹¹ Modernising the United Kingdom: Unleashing the power of the Union – ideas for new leadership is available at: <https://policyexchange.org.uk/wp-content/uploads/2019/08/Modernising-the-UK.pdf>