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**Report to:** Business, Innovation and Growth Panel

**Date:** 13 September 2018

**Subject:** **Strengthened Local Enterprise Partnerships**

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## 1. Purpose of this report

- 1.1 To inform Panel Members of the implications of Government's '*Strengthened Local Enterprise Partnerships* (LEPs)' report and provide an opportunity for the Panel to provide views to inform the LEP Board's response, which will be agreed at its meeting on 20 September.

## 2. Information

### Government's Review of LEPs

- 2.1 A Review of LEPs was announced in the Industrial Strategy White Paper in November 2017<sup>1</sup>. The Review was led by cross-departmental Ministerial group: Jake Berry MP (Ministry of Housing, Communities and Local Government), Margot James MP (Department of Business, Energy and Industrial Strategy) and Andrew Jones MP (HM Treasury). Engagement with local authorities, business groups and others has been carried out through working groups (Cllr Blake (Leeds City Council) was a member of the stakeholder group).

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<sup>1</sup>"We remain firmly committed to Local Enterprise Partnerships (LEPs). From next year, 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. These will be driven by influential local leaders, acting as figureheads for their area's economic success, and a clear strategy for local and national partnership. 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"

- 2.2 The LEP Review resulted in Government publishing a report on ‘Strengthened Local Enterprise Partnerships’ on 24 July, with a summary of the Review’s proposals attached as **Appendix 1**.
- 2.3 The Review also makes clear the opportunity for those LEPs that are able to move forward in line with its recommendations, in conjunction with strong local political leadership. As well as additional direct capacity funding to implement improvements, the Review also makes clear that the further rollout of local industrial strategies and access to the UK Shared Prosperity Fund rest on LEPs operating appropriately. At the same time the Review was published, Ministers also published a written statement<sup>2</sup> on local industrial strategies a second wave of six places and the intention that there should be local industrial strategies in the remaining areas by 2020.
- 2.4 The LEP Network, on behalf of LEPs, has welcomed the Review’s endorsement of LEPs as the main drivers of local growth. The Chair of the Leeds City Region Enterprise Partnership has similarly welcomed the Review.
- 2.5 The following sections of the report summarise how the LEP is positioned on the principal issues identified in the report:
  - Leadership and organisational capacity
  - Accountability and performance
  - Geography
  - Links with (mayoral) combined authorities
- 2.6 Leadership and organisational capacity

Recommendation	Proposed response from the Leeds City Region LEP
<ul style="list-style-type: none"> <li>• Focusing the LEP’s role to more clearly focus on improving productivity</li> </ul>	<ul style="list-style-type: none"> <li>• The LEP agreed at its 2018 awayday to focus on four key challenges, which have at their heart the City Region’s significant and growing productivity deficit with international competitor City Regions.</li> <li>• The LEP has a clear vision of what success is, where a more productive economy drives inclusive growth.</li> <li>• Government should seek to ensure LEPs’ sharper focus on productivity is accompanied by greater local decision-making on powers and funding that will contribute to a more productive and inclusive economy.</li> </ul>

<sup>2</sup> See: <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Lords/2018-07-24/HLWS898/>

In addition to the three ‘trailblazing’ Local Industrial Strategies in the West Midlands, Greater Manchester and Cambridge-Oxford Arc, the second wave of six more Local Industrial Strategies were announced on 24 July covering LEPs in: Tees Valley, North East, Leicester and Leicestershire; West of England, Cheshire and Warrington and the Heart of the South West.

<ul style="list-style-type: none"> <li>• More capacity, subject to “independence from local government” and contingent on Government supporting proposals about no overlapping geography.</li> </ul>	<ul style="list-style-type: none"> <li>• This commitment from Government is welcome.</li> <li>• The LEP’s current support arrangements – independent of any single local council – are understood to be fully compliant with the ‘independence’ requirement.</li> </ul>
<ul style="list-style-type: none"> <li>• Implement an induction and training programme for LEP Board members</li> </ul>	<ul style="list-style-type: none"> <li>• The reasons for this are understood, and this offers the potential for the LEP Board to lead by example on the importance of investing in leadership – identified as a driver of productivity – as well as securing probity in decision-making about public expenditure.</li> </ul>
<ul style="list-style-type: none"> <li>• LEP Board membership: <ul style="list-style-type: none"> <li>○ 2/3rds private sector</li> <li>○ maximum Board size of 20 (plus up to another 5 private sector annual members)</li> <li>○ more diverse – at least 30% immediately and working towards gender balance</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• These associated steps will strengthen private sector leadership.</li> <li>• The recent LEP Board recruitment improved the gender balance on the LEP Board and has broadened the collective knowledge of the City Region’s key sectors.</li> <li>• It is proposed that composition of the LEP Board will be made compliant with Government’s criteria during an implementation period linked to the Board’s preferred footprint.</li> </ul>

## 2.7 Accountability and Performance

<b>Recommendation</b>	<b>Proposed response from the Leeds City Region LEP</b>
<ul style="list-style-type: none"> <li>• Government to agree annual Key Performance Indicators with each LEP</li> </ul>	<ul style="list-style-type: none"> <li>• The principle is accepted, but the LEP Board is clear that its principal accountability is to local businesses, residents and partners for improving productivity and delivering inclusive growth.</li> <li>• In that context, it is urged that any key performance indicators are strategic, outcomes-focused and set the foundation for the LEP’s annual report.</li> </ul>

<ul style="list-style-type: none"> <li>• Each LEP must have a legal personality (incorporation) where not covered by a Combined Authority</li> </ul>	<ul style="list-style-type: none"> <li>• This reinforces Government’s desire for LEPs to be strong, private-led partnerships independent of any single local authority.</li> <li>• The LEP’s relationship with the West Yorkshire Combined Authority, as its accountable body, satisfies this criteria and should be retained in future relationships.</li> </ul>
<ul style="list-style-type: none"> <li>• Government will publish a new national assurance framework, which should be incorporated by each LEP into local processes</li> </ul>	<ul style="list-style-type: none"> <li>• This is welcomed, although we await publication of a document that is proportionate and provides appropriate local flexibility to support local prioritisation delivery arrangements.</li> </ul>
<ul style="list-style-type: none"> <li>• Hold Annual Meetings open to the public and a sector-led system of peer reviews</li> </ul>	<ul style="list-style-type: none"> <li>• This is supported. Following steps the LEP took in January 2018 towards becoming the most transparent in the country, all of its meetings and those of its advisory Panels are held in public (with papers published online).</li> <li>• The sector-led peer review system is welcomed as a good means of sharing good practice and giving partners’ confidence in arrangements.</li> </ul>

### Geography

- 2.8 The Government’s paper is very clear that LEP geographies should reflect functional economic areas, but to ensure clarity of service delivery and accountability, there should be no overlapping areas. Instead, where local economies naturally look in multiple directions, Government stresses that LEPs should develop more effective ways to coordinate across boundaries. This coordination may also apply to non-neighbouring areas (for example, if there are specialist industrial assets or clusters, like the automotive industry), and may cover a variety of scales, from the N11 consortium of LEPs across the Northern Powerhouse, to bi-lateral links.
- 2.9 Currently, 21 of the 38 Local Enterprise Partnerships in England have overlapping footprints, including all four LEPs in Yorkshire and The Humber. The Leeds City Region LEP has the following ‘overlapping’ areas:
- Barnsley, which is also covered by the Sheffield City Region LEP
  - Craven, Harrogate, Selby and York, which are also covered by the York, North Yorkshire and East Riding LEP.

## Developing the LEP's next steps

- 2.10 Following publication of the Government's paper, the LEP Chair and Managing Director have engaged with partners, agreeing that the local response to the LEP Review offers the opportunity to:
- Demonstrate to Government that business and local authority partners in the City Region can collectively agree a clear proposal that is widely supported locally and conforms with clear Government policy.
  - Engage promptly and positively with neighbouring areas, ensuring that all areas are able to explore options and work together on mutual issues.
- 2.11 Government's Review and removal of overlaps means that 'no change' is not an option. The LEP Board's choice will, therefore, need to balance the implications of the two options: **getting bigger** or **getting smaller**.
- 2.12 The views of a number of LEP partners have been proactively sought. This includes discussions with LEP Panels, a discussion at the Business Communications Group and an open opportunity for stakeholders to share their views via: <https://www.yourvoice.westyorks-ca.gov.uk/lepreview>

### **3. Financial Implications**

- 3.1 There are no direct financial implications from this report.
- 3.2 Government has, however, been clear that increased funding for LEPs to support implementation of the new requirements is contingent on LEPs coming forward with proposals that are compliant with its Review. This relates both the direct capacity funding and potentially full access to future funding streams such as the UK Shared Prosperity Fund.

### **4. Legal Implications**

- 4.1 There are no direct legal implications from this report.
- 4.2 Whatever preferred option is chosen (and implemented) will include significant legal implications.

### **5. Staffing Implications**

- 5.1 There are no direct staffing implications arising from this report.

### **6. External Consultees**

- 6.1 There have been no external consultees about this report, but the LEP Board's discussions will be informed by a broad contribution of views by partners as detailed in para. 2.12.

## **7. Recommendations**

- 7.1 That the Panel notes 'Strengthened Local Enterprise Partnerships', the result of Government's LEP Review and its links with activity on local industrial strategies and the emerging UK Shared Prosperity Fund.
- 7.2 That Panel Members provide views on any issues raised in the report to be considered by the LEP Board when it determines the shape of the City Region's response on 20 September.

## **8. Background Documents**

- 8.1 There are no background documents.

## **9. Appendices**

Appendix 1 – Government's summary of 'Strengthened Local Enterprise Partnerships'