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**Report to:** Leeds City Region Enterprise Partnership Board (LEP Board)

**Date:** 16 January 2020

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

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## **1 Purpose of this report**

- 1.1 To take decisions on remaining issues, including geography, so the Leeds City Region's future Local Enterprise Partnership (LEP) arrangements comply with the Government's requirements set out in the *Strengthened Local Enterprise Partnerships* review.

## **2 Information**

- 2.1 The deadline for the LEP to be compliant with the Government requirements set out in '*Strengthened Local Enterprise Partnerships*' is 31 March 2020. The LEP Board has previously taken decisions so the City Region has a LEP that fulfils the requirements of the Government's requirements about:
- **Geography:** to meet Government's requirement to remove overlaps, and notwithstanding its desire to maintain the current geography, the LEP agreed (20 September 2018) that Barnsley would be a member of the Sheffield City Region LEP and the LEP would work with the York, North Yorkshire and East Riding (YNYER) LEP to create a new LEP covering West Yorkshire, York and North Yorkshire;
  - **Leadership and capacity:** Government requires that by Spring 2020 at least two-thirds of members should come from the private sector, at least a third of members should be women, and the Board should otherwise reflect the diversity of the City Region. The LEP Board agreed (6 June 2019) to appoint a recruitment consultant to progress the search and selection work. The recruitment process has focused particularly on driving inclusive leadership, with specialist measures to increase diversity. Interviews will take place in February 2020 and appointments confirmed at the LEP Board on 25 February to comply with Government's requirements;
  - **Accountability and performance:** The LEP has previously noted that steps have been taken to ensure the LEP complies with these

requirements (18 July 2019). This includes publishing an annual delivery plan, holding an Annual General Meeting in public with questions from the public, having a legal personality or relationship with a Combined Authority, and having defined roles for the LEP Chair, Board, Director and Accountable Body.

## **Geography**

- 2.2 The LEP's first preference is to maintain the status quo covering the whole Leeds City Region. These arrangements reflect the functional economic geography of the region.
- 2.3 The effective operation of a LEP covering this geography has benefited the whole City Region economy. It reflects a legacy of strong partnership working between the public and private sectors across the City Region – and a strong working relationship with Government. The success of the current arrangements in terms of economic growth, jobs created, businesses supported, and projects delivered serves to demonstrate the effectiveness of working across the whole City Region geography.
- 2.4 However, given the requirement from Government for overlapping geographies to be removed, at its meeting on 20 September 2018, the Leeds City Region LEP Board agreed that, it would seek to create a new LEP covering the whole of West Yorkshire, North Yorkshire and York. The reasons for supporting this decision include:
- Ensuring that the economic geography of the Leeds City Region (with the exception of Barnsley) remains contained wholly within a single LEP;
  - Increased influence and resilience with an area of 3,992 sq miles, population of 3.1 million, where 93.8% of people who live in the area also work in the area, and an economy worth £70.3 billion with a broad base of sector specialisms;
  - Embracing and harnessing the rich diversity of places, so that coastal, rural and urban areas can combine to be stronger together, more effectively deliver inclusive growth and be more influential with national and international partners;
  - Building on our existing collaboration arrangements to achieve shared objectives, for instance tackling climate change.
- 2.5 Subsequently, the York, North Yorkshire and East Riding LEP Board agreed to enter into discussions about how this new LEP could be established from April 2020, with a joint Transition Subgroup established to agree terms. At the LEP Board meeting of 18 July 2019 it was noted that the Group had reached in principle agreement on many matters, although some key outstanding issues remained unresolved.
- 2.6 Following lengthy discussions, and despite good will on both sides, negotiations have been unable to come to a workable agreement about arrangements for a new LEP. In particular there is insufficient support in the membership of the York and North Yorkshire LEP for a merger to go ahead at

this time. Therefore, the Transition Subgroup concluded that, despite Leeds City Region's continuing desire to merge and satisfy the requirements of *Strengthened LEPs*, a two LEP solution with strong collaboration arrangements – especially for the “hinge” authorities in the functional Leeds City Region economic geography - is the only way forward at this time. This was then passed to the LEP Boards to consider.

- 2.7 The YNYER LEP Board subsequently endorsed a report recommending not merging at their meeting held on 25 November 2019. It is understood that this decision did not have unanimous support but was the majority view.
- 2.8 Officers are continuing to discuss with Government whether, in the context of refreshed policies following the general election, there is an alternative solution available to reflect the true economic geography of the region for the benefit of its residents and businesses. A pragmatic solution to future geographies and funding attached to these, would be welcomed by both LEPs.
- 2.9 Notwithstanding the *Strengthened LEPs* requirements, negotiations to progress devolution agreements for Yorkshire are ongoing and it is possible that some agreement around the future of LEPs and their geographies could be reached as part of these.
- 2.10 However, given the requirements from Government, and the position of the York, North Yorkshire and East Riding LEP, **the most viable available solution is that the Leeds City Region LEP change to a constituent Bradford, Calderdale, Kirklees, Leeds and Wakefield membership from 31 March 2020**, but puts in place strong collaboration arrangements with neighbouring authorities and their business bases. This is notwithstanding that the LEP's preference would be to maintain the status quo covering the whole of the functional economic geography of the Leeds City Region.
- 2.11 Should the current geography change as set out in 2.10, there remains the possibility that it could expand to cover the full economic geography again in the future - including merging - if circumstances and national policy allow.

## Implications

- 2.12 There are a number of implications which would arise from a shift to a smaller geography, which will require mitigation. These include:
  - **Economic geography:** 93% of the resident workforce work within the boundaries of the city region in a three-tier labour market. Each urban centre in the city region draws labour from a strong local catchment, and Leeds draws labour from across the entire City Region and, as such, it is the strongest economic centre, though there are strong cross-boundary commuting flows in all districts of the City Region. Overall, around 25% of residents in employment commute across local authority boundaries to work. Reducing the footprint will mean that the geography of the LEP does not reflect the full economic geography of the City Region.

- **Recognition:** Partnership working across the Leeds City Region might not be as strong in 'formal' terms as it needs to be and might not be recognised by Government.
- **Scale:** A smaller LEP might be less able to work at scale with partners. This could affect operational efficiency.
- **Strategy and decision-making:** Those areas which are in the Leeds City Region economic geography but which will no longer be part of the Leeds City Region LEP could lose influence on strategy development, decision-making and involvement in funding applications.
- **Programmes:** The LEP provides programmes and services which continue to be funded in 2020-21 covering the whole City Region, but for which funding is then undecided. If the geography is changed, then those areas that are no longer part of the LEP might not be able to receive those services in the future.

2.13 The next section sets out the partnership and collaboration arrangements that are proposed initially to be put in place to mitigate these risks.

#### *Partnerships and Collaboration*

- 2.14 If it is agreed that the two LEP arrangement continues, with a changed geography for the Leeds City Region LEP, then we will put in place collaboration arrangements between all parties across West and North Yorkshire and York to ensure that the strong record of working together in pursuit of shared interests is maintained. Every effort would be made to minimise disruption to ways of working, delivery of programmes, and achievement of the objectives of the LEP and the wider City Region. However, without the formal arrangements provided by membership of the LEP Board, there is a risk that partnership working across the Leeds City Region will not be as strong in 'formal' terms as it needs to be, particularly if future LEP Board Chairs and Members hold different views as to the extent to which there should be partnership working across the City Region. This situation must be kept under review.
- 2.15 Continued close collaboration between all parties across the functional economic geography of West and North Yorkshire and York is vital. Consideration is being given to governance arrangements and pragmatic ways of delivering effective solutions for the region to ensure continued economic prosperity. It is proposed that the LEPs build on existing arrangements to work collaboratively with neighbouring areas where there are strong economic and business links. Tangible collaboration can be underpinned by a **collaboration agreement** between the LEPs, which is in development and it is proposed will be brought to the next Board meeting for discussion. Alongside this, consideration is being given to the establishment of a Joint Committee for the Leeds City Region, York and North Yorkshire.
- 2.16 Moreover, a district authority ceasing to be a formal member of the Leeds City Region LEP does not preclude the continuation of strong partnership working across the economic geography, including access to future funding bids (subject to any restrictions imposed by Government). Those affected districts

could also continue to attend the LEP’s panels, particularly where there are matters being discussed that affect the whole City Region e.g. the Growth Service, and delivery of the Energy Strategy.

2.17 Alongside this, it is understood that in the context of further devolution, the district authorities of Harrogate, Craven and Selby could seek non-constituent status of the West Yorkshire Combined Authority (or future Mayoral Combined Authority), as is currently the position of City of York Council. This would enable continued formalisation of the Leeds City Region partnership across the economic geography.

2.18 Furthermore, collaboration can continue on a Leeds City Region footprint (Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, North Yorkshire, Selby, Wakefield) by ensuring that enduring partnership arrangements are put in place and officers and members work together on key issues. Some examples include:

- LCR Climate Coalition to tackle the climate emergency
- LCR Duty to Cooperate and Statement of Common Ground
- Future LCR Transforming Cities Fund bids
- Marketing of the Leeds City Region to inward investors

*Existing and Future Funding*

2.19 The Leeds City Region LEP has three major funding programmes, managed in conjunction with the Combined Authority as the accountable body. The table below describes current arrangements for delivering these, and the mitigating steps to be taken to ensure that these are unaffected as far as possible:

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| <b>Growth Deal</b>  |
| <p>Covering the whole Leeds City Region, this funding finishes at the end of March 2021 so there will be a one-year period when the funding covers the whole region but the LEP Board membership does not.</p> <p><u>Solution</u><br/>           Delivery of Growth Deal projects to be completed as planned, including specified projects in Craven, Harrogate, Selby and York.</p>          |
| <b>West Yorkshire + Transport Fund</b>  |
| <p>Managed by the Combined Authority until 2034/35. City of York Council (CYC) is party to this and this arrangement is covered through a legal agreement between York and the Combined Authority.</p> <p><u>Solution</u><br/>           CYC remains part of the Transport Fund and schemes would continue to be delivered as currently. York is a non-constituent member of the Combined</p> |

Authority and has a representative on the Combined Authority's Investment Committee.

### Growing Places Fund (GPF)

This funding was awarded to the LEP for the whole of the City Region. The original award of GPF totalled circa £36.5 million of which approximately £24 million of was given out in loans. The approach to these recycled funds (after allowing for bad debts) was considered by the LEP Board on 25 September 2019.

#### Solution

The recommended option is that the money is used as per (item 11) on the LEP's new geography.

- 2.20 In addition, the LEP Growth Service currently operates across the whole of the current Leeds City Region geography with the exception of Barnsley, and has been in place since April 2015. It has received circa £500k per year from BEIS since its launch and this has been matched with circa £250k per year from nine of the City Region's Local Authorities. Consideration will need to be given to future funding for this service once its current funding expires in March 2021, and it is expected that the service will continue to operate across the funded geography until this time.
- 2.21 Any European funded programmes which apply across the City Region will continue until their conclusion.
- 2.22 For current 'hinge' local authorities, the future impact on available funding will be subject to decisions by Government about funding allocations and rules governing them. This includes the UK Shared Prosperity Fund. It is expected that the removal of overlaps means local funding for an area will go to only one LEP – this is part of the Government's aims in removing overlapping geography. Previously, funding has been allocated to both LEPs, with local projects accessing funding from both. Government has not yet confirmed its future approach to funding LEP core costs, and discussions are ongoing to understand this.
- 2.23 The implications on other funding streams will be considered in due course, with every effort made to minimise the disruption to delivery and to maximise positive impact on the communities that the LEPs serve.

#### Process of change

- 2.24 Ahead of the end of March 2020, and once resolution of these issues is reached, it is suggested that a letter is sent to Ministers from the LEP Chair confirming compliance with the terms of *Strengthening LEPs*.
- 2.25 The expectation is that the changes will take effect from the beginning of the financial year 2020/2021.

- 2.26 Consideration will also need to be given to transition arrangements and formal and informal collaboration between the two LEPs. Advice on these issues will be brought to a future meeting of LEP Board.
- 2.27 The national and local position will be kept under review, and we will seek an opportunity to retain our current arrangements if the situation changes.

### **3 Clean Growth Implications**

- 3.1 Through meeting the requirements of Strengthened LEPs, the LEP will be positively working towards meeting its stated corporate priority of combatting climate change through a positive working relationship with Government which will enable future policy making to fulfil the LEP's clean growth ambitions.

### **4 Financial Implications**

- 4.1 In putting in place a LEP that meets the full requirements of *Strengthened Local Enterprise Partnerships*, both LEPs minimise the risk of being penalised in future funding for local growth and infrastructure.
- 4.2 For currently 'overlapping' local authorities, the likely future funding impact is unknown but could be neutral. This is because previous funding has been split between two LEPs, with local projects accessing funding from both. In future, the removal of overlaps means local funding will go to only one LEP.
- 4.3 Unless otherwise prevented from doing so, changing the geography of the LEP does not impede neighbouring authorities in the City Region being part of financial bids to Government outside of LEP activity e.g. Transforming Cities Fund.
- 4.4 Government has not yet confirmed its future approach to funding LEP core costs. The current arrangement (£500,000) per LEP means that two LEPs will potentially receive twice the funding as a single, larger LEP.

### **5 Legal Implications**

- 5.1 The report covers the proactive steps that are required in order for the LEP to comply with Government's requirements by 31 March 2020. The LEP is an unincorporated partnership, with the Combined Authority acting as its accountable body. Therefore, the simplest approach is to amend the geography and membership of the current LEP, rather than establish a new LEP for the new geography. There are no legal barriers to doing this.

### **6 Staffing Implications**

- 6.1 There are no direct staffing implications, and capacity is available to manage the recruitment process for LEP Board members.

### **7 External Consultees**

- 7.1 There are no direct external consultees on this paper, but the topic of implementing *Strengthened Local Enterprise Partnerships* has been widely discussed with local businesses and the Business Communications Group (BCG), local authority partners and neighbouring LEPs.

## **8 Recommendations**

- 8.1 The Board recognises that while maintaining the current arrangements are its first choice, this is outside of the Government's requirements as set out in *Strengthened LEPs*. Given this context, it is recommended that the Board reaffirms its second preference for a single LEP covering the whole of West Yorkshire, North Yorkshire and York as required by the Government's *Strengthened LEPs* review, but notes that achieving this arrangement requires the agreement of key stakeholders across that region including the York, North Yorkshire and East Riding LEP, which is currently not forthcoming.
- 8.2 Subject to the merger not proceeding, that the Board agrees to revise the geography of the Leeds City Region LEP to the local authority areas of Bradford, Calderdale, Kirklees, Leeds and Wakefield from 31 March 2020, while retaining the name of Leeds City Region and proactively strengthening collaboration with neighbouring LEPs.
- 8.3 That the Board endorses the ambition of district authorities in the Leeds City Region to secure non-constituent status of the West Yorkshire Combined Authority or future Mayoral Combined Authority, and notes that consideration is being given to the establishment of a Joint Committee for the Leeds City Region, York and North Yorkshire.
- 8.4 That the Board notes progress on the work underway to recruit future private sector LEP Board members that reflect the diversity of the City Region and enable the LEP to meet gender balance requirement and otherwise ensure the LEP complies with Government's requirements.
- 8.5 That the Board affirms its commitment to ongoing discussions and keep the situation under review, working collaboratively with partners and Government to ensure maximum benefit is delivered for the region and its constituent authorities.

## **9 Background Documents**

None

## **10. Appendices**

None