



Item 7(4)

Report to the Partnership for Urban South Hampshire Overview and Scrutiny Committee

Date: **18 December 2018**

Report of: **Paddy May, PUSH Coordinator**

Subject: **The LEP Review**

SUMMARY

The Government (HMG) published a paper 'Strengthened Local Enterprise Partnerships' in July 2018 and as part of this LEP Chairs and other stakeholders were invited firstly to make a submission by 28th September on proposed LEP geographies. The LEPs have also been asked to submit an action plan in response to the other recommendations in the HMG paper, including changes to governance arrangements, by 31st October. This paper summarises the main elements of the HMG paper and also reports on the geography proposal submitted by Solent LEP. Report of 15th October 2018 to the Joint Committee.

RECOMMENDATIONS

It is RECOMMENDED that the Overview and Scrutiny Committee:

1. NOTES the contents of the "Strengthened Local Enterprise Partnerships" paper (see Section A); and
2. NOTES the geography proposal submitted by Solent LEP (see Section B)

Section A: Summary of the Strengthened Local Enterprise Partnerships paper

HM Government (HMG) published "Strengthened Local Enterprise Partnerships" in July 2018. It sets out the conclusions of a policy review that was set up following the publication of the Industrial Strategy. The policy review looked at how Local Enterprise Partnerships (LEPs) could continue to support HMG with its ambition to deliver the Industrial Strategy. This is not a consultation paper; HMG are being very prescriptive and direct, unlike on the setting up of Mayoral Combined Authorities or Local Government Reorganisation.

HMG have stressed that they are committed to ensuring that LEPs are independent and private sector led organisations. In the Industrial Strategy, HMG committed to work with LEPs to bring forward reforms to:

- Leadership
- Governance
- Accountability
- Financial reporting
- Geographical boundaries (mention businesses represented by 1 LEP)

The proposed changes resulting from the review and their implementation dates are summarised below.

Role and responsibilities

Whilst accepting that the evolution of LEPs has led to innovation and local solutions for local issues, HMG believe that there is a need to provide clarity on where LEPs should focus their activity. All LEPs will be set a single mission to deliver Local Industrial Strategies (LIS) to promote productivity. This will include a focus on the foundations of productivity and identify priorities across ideas, people, infrastructure, business environment and places.

HMGs have stated that LEPs should focus on the following four activities to support the development and delivery of their Local Industrial Strategy:

- Strategy: Developing an evidence-based Local Industrial Strategy that identifies local strengths and challenges, future opportunities and the action needed to boost productivity, earning power and competitiveness across their area.
- Allocation of funds: Identifying and developing investment opportunities; prioritising the award of local growth funding; and monitoring and evaluating the impacts of its activities to improve productivity across the local economy.
- Co-ordination: Using their convening power, for example to co-ordinate responses to economic shocks; and bringing together partners from the private, public and third sectors.
- Advocacy: Collaborating with a wide-range of local partners to act as an informed and independent voice for their area.

LEPs will have a specific role in relation of the skills needed within an area and will develop stronger local labour markets and skills governance through Skills Advisory

Panels. These panels will convene local employers, learning providers and other partners to achieve a better alignment of the local employment and skills offer.

HMG say that private sector leadership of the LEPs is very important but they recognise the need for strong partnerships with local authorities, HE and FE, business representative organisations, third sector and other key economic and community stakeholders.

To achieve this HMG will aim to agree all LIS by early 2020 and all LEPs will produce an Annual Delivery Plan and end of year report by April 2019. HMG state that LEPs will need to work closely with key delivery partners, notably councils, to determine and agree the economic development priorities, interventions and funding to include in their delivery plans.

Leadership and organisational capacity

The Industrial Strategy sets out a commitment to ensure that all LEPs are driven by influential local leaders, acting as champions for their area's economic success. HMG believe that successful LEPs need to be led by influential leaders as opposed to LEPs creating the influence for the chair to wield. The LEP board should comprise a maximum of 20 people (no minima) (with scope for an additional 5 members co-opted for a maximum of a year); at least 2/3rds of board members should be from the private sector. HMG want to ensure that all LEP boards "are truly representative of the communities that they serve, including improving "their gender balance and representation of those with protected characteristics". Boards should have equal representation of men and women by 2023.

HMG state that LEPs must have the operational independence and organisational capacity to deliver the role required of them and there will be 'proportionate' governance. All LEPs "will need to provide a secretariat independent of local government".

LEP Chairs will be strategic operators, able to work collaboratively. The paper talks about the need for boards and chairs to be representative of the areas that they serve and accountable to local communities with equal members of men and women by 2023. It also describes recruitment processes for both chair and board vacancies. HMG will work with LEPs to advertise Chair vacancies when they arise and each LEP shall appoint a Deputy Chair; both positions will be time limited. HMG will introduce an induction and training programme for board members and Chairs.

Accountability and performance

Currently, LEPs have markedly different legal structures and systems of governance and accountability. This makes transparency and comparison difficult. HMG will develop regular peer reviews to strengthen the sector-led approach to assessing and improving performance. This will operate alongside the National Assurance Framework, which will introduce a mid-year review to supplement the existing annual review. HMG will publish a statement on its approach to intervention when there are instances of non-compliance or under-performance.

HMG will support all LEPs to have legal personalities as a separate company unless they are part of a Mayoral Combined Authority (MCA) - in which case they can become part of that entity. As legal entities, all LEPs will need to hold an AGM. This will need to be in place by April 2019. A LEP should have a single accountable body within its area that is responsible for all LEP funding. HMG will look for clear

accountability arrangements and delegation schemes for decisions and HMG will support LEP engagement in local authority scrutiny panel.

Geography

Whilst this part of the paper is less clear, discussions since the publication of the paper have added clarity. The paper describes LEPs being aligned to functional economic areas (FEAs) and that these transcend local authority boundaries. The paper also refers to the need for LEP geographies to provide simplicity, accountability and practicability. To achieve this HMG have stated that LEP 'overlaps' be removed and "that decision making and delivery operate at the most appropriate geographical levels that maximise efficiency and effectiveness". In the summary part of the paper HMG have stated they will "ensure that LEPs are operating over a significant enough scale to provide the strategic direction and efficient delivery of future programmes". Informally it has been suggested that this requires a population of at least 1 million people.

HMG have asked LEP Chairs and local stakeholders to come forward with proposals for geographies by 28 September that "best reflect real FEAs, remove overlaps and where appropriate propose wider changes such as mergers". Interestingly despite recognising that economic geographies often cross administrative boundaries, a footnote to the paper states that the reviews will remove "any situation in which a lower tier or unitary authority is covered by two LEPs whose geographies do not overlap". The Solent LEP and EM3 LEP are the only LEPs in the country where this applies and so a proposal has had to be made about which LEP the split districts of New Forest, Test Valley, Winchester and East Hampshire should be within. Clearly the final decision by HMG will have wider implications for the whole of the area and for other governance structures that exist. Solent LEP and EM3 LEP have been consulting with stakeholders and have made their submissions to HMG.

Mayoral Combined Authorities (MCAs)

HMG recognise that it is important that MCAs and LEPs work together to drive growth at a strategic economic geography. The paper states that HMG remain open to conversations with local areas that wish to explore the potential for devolution where there is clear local support and a strong economic case for doing so. This is at odds with the recent advice given by Lord Porter at the HIOW LGA meeting where he said that "devolution is dead" and that there is no appetite in HMG for more devolution. He was also sceptical of non-mayoral combined authorities saying that these would be about taking power from local authorities with no new powers or new funding.

Section B: PUSH Officers understanding of the Solent LEP proposal

As stated above the Solent LEP had to submit a LEP geography proposal by 28th September. The understanding of PUSH officers is that Solent LEP, EM3 LEP and Dorset LEP all submitted separate proposals that were aligned. Whilst the LEPs recognised that the existing boundaries represented the actual functioning economic areas, there was also an understanding that HMG were expecting to see proposals where the whole of a district was within a single LEP. On this basis it is believed that EM3 have proposed that the whole of East Hampshire, Test Valley and Winchester are in the EM3 area and that Solent are proposing that the whole of New Forest is in the Solent area. The Solent LEP are able to provide an update at the meeting about their proposal and the approach that they have taken.

Each LEP also needs to submit a detailed plan for implementing the changes outlined in the HMG paper by 31/10/18 at the latest. The majority of the governance changes recommended by HMG are already in place for Solent LEP and there is likely to be only one proposed change to governance that is being taken forward in the October submission.

From a Local Authority perspective there will also be a need to consider the mechanisms by which local authorities that will become part of EM3 LEP but which are part of the economic geography of the Solent, engage with the relevant structures. This review should sensibly look at the arrangements for all the relevant structures within the Solent LEP area to see whether they can be made to work better together.

It is RECOMMENDED that the Overview and Scrutiny Committee:

1. NOTES the contents of the "Strengthened Local Enterprise Partnerships" paper (see Section A); and
2. NOTES the geography proposal submitted by Solent LEP (see Section B)

Background Papers: Strengthened Local Enterprise Partnerships - MHCLG paper

Reference Papers: None

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