

Local Enterprise Partnership Review

To:	Business Board
Meeting Date:	12 May 2021
Public report:	Yes
Lead Member:	Chair of the Business Board, Austen Adams
From:	Director of Business & Skills, John T Hill
Key decision:	No
Recommendations:	<p>The Business Board is recommended to:</p> <ul style="list-style-type: none">(a) Note the Terms of Reference for the Local Enterprise Partnership Review that were cleared by the Minister for Small Business and the Secretary of State for Business, Energy and Industrial Strategy;(b) Note the Chief Officer of the Business Board's interpretation of the potential options the Terms of Reference provide for Review outcomes; and(c) Note the potential implications of the Local Enterprise Partnership Review on the form and function of the Business Board.

1. Purpose

- 1.1 To appraise Business Board members of the potential implications of the Local Enterprise Partnership (LEP) Review.

2 Background

- 2.1 The Government has announced a review of the LEPs to consider their form, function and geographies going forward. The Terms of Reference for the LEP Review have been approved by Paul Scully, Minister for Small Business, as well as the BEIS Secretary of State.

- 2.2 The Chief Officer of the Business Board has been actively monitoring the development of the Terms of Reference and sentiment around the scope and potential/desired outcomes, amongst Government officials and LEPs.
- 2.3 The Government has stated that “it is central government policy change, not LEP performance, that is the key driver of the review”. In particular, the policy change that contributed to the triggering of the Review was the transfer from LEPs to local authorities of the delegated role of administration of local growth investment; previously through the LGF and now through the Levelling Up Fund (LUF) and Communities Renewal Fund (CRF).
- 2.4 This leaves LEPs with a significantly diminished function (mainly business support through the Growth Hubs), but also leaves the Government without a mechanism to effectively connect the “voice of business” into decisions now made on local recovery, renewal and growth investment. Hence, the review will need to provide solutions as to:
- (i) Whether to enhance the BEIS funded business support function (the review is described as a BEIS Review) to significantly increase its impacts in recovery and regrowth.
 - (ii) How to connect the business voice back into LUF, CRF and the future UK Shared Prosperity Fund decision making.

3 Officer Analysis of the LEP Review Terms of Reference

- 3.1 The Government set out a commitment in the March 2021 Budget to work with local businesses on the evolution of LEPs to ensure local businesses have clear representation and support in their area. This will also include consideration of LEP form, function and geographies. The Terms of Reference are included in Appendix 1.

- 3.2 Some key statements include:

- 3.2.1 “Government intends to build future institutions by evolving from existing LEPs rather than starting from scratch”.

Chief Officer Analysis:

This potentially enables options to reform current LEPs as independent legal entities, or merge them into other organisations, such as combined authorities, county councils or chambers.

- 3.2.2 “Evolved LEPs will be even more business-led whilst continuing to ensure strong engagement with local authorities in their area”.

Chief Officer Analysis:

This potentially enables options to solve the “democratic deficit” that has concerned some Local Authorities, unhappy with the 2017 Reform that reduced the political member proportion of seats on LEP boards. One solution to this, is a structure like that of the CPCA Business Board, that gives businesses full control of LEP boards, but with ratification by elected Members. This could work for counties and combined authorities.

- 3.2.3 “Evolved LEPs will focus on the long-tail of low productivity, helping SMEs to grow and to export whilst attracting inward investment to into their regions. Better aligning business support services with skills, innovation, net zero, trade and export support”.

Chief Officer Analysis:

This potentially enables, BEIS in particular, to extend the business support functions of LEPs.

- 3.2.4 “Evolved LEPs might have influence over future investment decisions”.

Chief Officer Analysis:

This potentially enables options for the reconnection of the business voice to CRF Lead Authorities, such as counties and MCAs. It might also lead to those authorities being delegated Lead Authority status for LUF should LEPs be integrated into them, in a manner that solves the “democratic deficit”.

- 3.2.5 “What form do the evolved institutions need to take? This will include consideration of what the future accountability and governance framework will need to contain, perhaps within a national framework. It will also consider how these institutions could work alongside MCAs”.

Chief Officer Analysis:

This potentially enables options for LEPs to merge into MCAs – something the CPCA has successfully achieved. There is potential for the CPCA to be put forward as a model for this.

- 3.2.6 “It will consider the balance between central and local ownership and constraints on reform given many LEPs’ have company status”.

Chief Officer Analysis:

This potentially enables options to transfer ownership of the LEP Network from central government to local government, through merger with local authorities, necessitating removal of the independent status of LEPs as Companies Limited by Guarantee - a status required of them in the 2017 Review.

- 3.2.7 “Departmental ownership: LEPs are currently managed by the Cities and Local Growth Unit spanning MHCLG and BEIS. Given the change of emphasis brought about by policy change, consideration will be given to which government department should sponsor and support evolved LEPs”.

Chief Officer Analysis:

This potentially enables the option for transfer of LEPs to BEIS. The review is described as a BEIS Review and the functions remaining with LEPs are substantially business advisory support (Growth Hub) funded through BEIS, now that their role in MHCLG local investment administration has been transferred to Local Authorities.

- 3.2.8 Geography: At what spatial scale should these institutions operate? This will include consideration of the most effective size and number of institutions, drawing from the existing 38 LEPs and their regional groupings, with potentially more strategic institutions over wider geographies, and without overlaps, taking account of the importance of functional economic areas”.

Chief Officer Analysis:

This potentially enables the option of merging multiple LEPs into single larger LEPs over larger strategic areas, such as in the OxCam Arc.

- 3.2.9 “Representation: How can we make sure that the membership truly represents the full array of business interests, retaining and attracting the best talent? This will include consideration of the composition and breadth of business membership, including SMEs and sectoral diversity. It will look specifically at how we can attract more young, entrepreneurial and diverse business leaders, as well as the important role FE/HE and Social Enterprise play”.

Chief Officer Analysis:

This potentially enables options, should the Local Authorities be substantially removed from LEP/Business Boards, to broaden business involvement in specific and more inclusive ways.

- 3.2.10 “Relationship with Local Government: Both LEPs and Local Government value their current relationships and are keen for these to remain impactful and relevant. With the change of remit and intent to increase business focus, we will need to consider the future relationship with Local Government, including on boards and how accountability will work”.

Chief Officer Analysis:

This potentially enables options for structures similar to that of the CPCA, where an independent business voice consisting of boards substantially made up of business representatives, are free to propose strategy, but with decisions and recommendations being ratified by a higher Board made up of democratically elected representatives.

- 3.2.11 “People implications: The review will ensure that proper and sensitive account is taken of the implications for those employed in LEPs. It will also consider implications for executive teams and how to retain the support from c1500 business leaders currently engaged in LEP Boards and Sub Boards”.

Chief Officer Analysis:

This potentially enables options to be put in place to manage the potential impacts on existing LEP board members, as well as the TUPE implications on staff.

- 3.2.12 “Funding: What level of funding do the evolved LEPs require? This will include consideration of how institutions should be funded going forward. This will also look at how skills and business support funding will flow in future”.

Chief Officer Analysis:

This potentially enables options for further resources to fund the evolved functions recommended by the Review, especially around skills and business support.

4 Proposed Engagement

- 4.1 “*Engagement with LEPs by the Review team will include consultation with Mayors, LEP Board Chairs and Chief Executives between March and June, as well as visits to selected LEPs.*”

Chief Officer Analysis:

This enables the CPCA to engage and request a special visit to explore the benefits of our models for governance within an MCA structure and delivery of a higher impact business support service to potentially replace and enhance Growth Hubs more widely.

5 Implications and Impacts

5.1 Reduction of Business Board influence on local strategic investment.

5.1.1 LEPs more generally, have already lost their access to dedicated strategic funding, via the Local Growth Fund and EU funding. The LUF and CRF that replace them are now centrally allocated to local authorities direct, through competitions favouring prioritised local areas. In this respect, LEPs in general no longer have direct influence over local strategic investment decisions.

5.1.2 In the case of the Business Board, and due to the Combined Authority's status as a "Lead Authority" for the CRF, it can still provide input into local decision making, and, subject to the Combined Authority Board approval, will be integrated into the process for the selection of bids to go forward into national CRF competitions.

5.1.3 CPCA Lead Authority status does not extend to the LUF, and a change in MHCLG policy would be required to enable this. However, there is a sound argument to be put forward through the LEP Review, as to the value added to LUF decision making, by MCAs with Business Boards. Such a model brings to bear the political and strategic economic convening role of Combined Authorities, together with the political mandate of Mayors and the business voice of a Business Board.

5.2 Retention of a Coterminous Business Board Boundary with the CPCA

5.2.1 There is the potential through the Review to reconsider the most effective size and number of LEPs and their regional groupings, with the potential to create more strategic bodies presiding over wider geographies and functional economic areas. In line with this, and in relation to Government's announcement of the formation of a single OxCam Growth Body, consideration will be given to whether the CPCA Business Board should be merged into a larger OxCam Business Board.

5.2.2 Currently the OxCam Arc consists of three OxCam Growth Boards, each with their own LEP. It is envisaged that these three Growth Boards will form part of the governance structure for the single Growth Body. Hence, there is the potential for the Business Board to remain part of the CPCA. A joint position on this is expected to develop through the three Growth Board Chairs.

Significant Implications

6 Financial Implications

- 6.1 The LEP review is likely to be the underpinning work for the future funding landscape of the Business Board however it is too early in the process to establish any detailed financial implications.

7 Legal Implications

- 7.1 None

8. Other Significant Implications

- 8.1 It is possible that the LEP Review might recommend the Business Board be transferred into another body or merged with other LEPs into a joint body.

8 Appendices

- 8.1 Appendix 1 – Local Enterprise Partnership Review Terms of Reference

9 Background Papers

- 9.1 None