

For publication

Strengthened Local Enterprise Partnerships (R000)

Meeting:	Council
Date:	27.02.2019
Cabinet portfolio:	Leader of the Council
Report by:	Chief Executive Assistant Director – Policy and Communications

1.0 Purpose of report

- 1.1 This report updates members on HM Government’s review of Local Enterprise Partnerships (LEPs) and seeks delegated authority for the Leader of the Council to respond to the review and to make a final decision on council membership of the Sheffield City Region (SCR) and Derby, Derbyshire, Nottingham, Nottinghamshire (D2N2) LEPs.

2.0 Recommendations

- 2.1 That Council notes the requirements of HM Government’s review of Local Enterprise Partnerships, the current positions of the Secretary of State for Housing, Communities and Local Government and his officials and also those of SCR and D2N2 LEPs, and the emerging positions of neighbouring councils.

- 2.2 That the Leader is given delegated authority to respond to HM Government's Local Enterprise Partnerships review and to make the final decision on council membership of SCR and D2N2 LEPs.
- 2.3 That the Leader reports back to full Council at the earliest opportunity informing members of the final decision taken and clearly setting out for members the rationale for that decision.

3.0 **Background**

- 3.1 In November 2017 HM Government announced in its Industrial Strategy its intention to conduct a review of LEP roles and responsibilities; the review was to look in particular at matters of leadership, governance, accountability, financial reporting and geographical boundaries.
- 3.2 The Ministry of Housing, Communities and Local Government (MHCLG) published the review 'Strengthened Local Enterprise Partnerships' in July 2018 ([www.gov.uk/government/publications/strengthened-local-enterprise-partnerships.](http://www.gov.uk/government/publications/strengthened-local-enterprise-partnerships))

4.0 **Strengthened Local Enterprise Partnerships**

- 4.1 MHCLG has firstly set out within the review a number of new requirements of LEPs around leadership and organisational development whilst also making commitments to support implementation, in particular, through the provision of additional short-term capacity funding. These requirements and commitments include:
- Development of a national training programme for LEPs
 - Up to £20million over the two financial years 2018/19 and 2019/20 in additional capacity funding

- Introduction of a defined term of office for LEP Chairs and Deputy Chairs
- Changes to the composition of LEP boards – a maximum of 20 persons on the board (with the ability to co-opt up to five additional board members) and two thirds of board members to be from the private sector
- Changes to the diversity of board membership specifically gender balance and representation from people with protected characteristics

4.2 Improved accountability and performance are also important features of the review, including:

- A new requirement for LEPs to publish annual performance reports and to also hold their annual general meetings in public
- Revision of the national assurance framework to clarify the Government's approach to intervention should a LEP be found to be underperforming
- Defined responsibilities for the Chair, Board, Directors and Accountable Bodies over spending decisions, appointments and governance matters

4.3 However, the most controversial element of MHCLG's review was always going to be around geography. All LEP Chairs and other stakeholders were asked to come forward by 29 September 2018 with considered proposals on geographies which best reflect real functional economic areas and remove overlaps. MHCLG also made payment of the afore-mentioned capacity funding contingent on the satisfactory development of these proposals and gave warning that the value of future post-Brexit funding allocations (the UK Shared Prosperity Fund) to LEPs would similarly be impacted should LEPs not comply with the requirement to remove overlaps.

4.4 In addition, in areas with a Mayoral Combined Authority (MCA), LEPs were strongly encouraged to move towards co-terminous geographies with the MCAs.

4.5 These new requirements have created significant challenges for many local authorities across England in particular those in overlapping geographies, which is the case for Chesterfield Borough Council (CBC).

5.0 CBC and LEP-ography

5.1 CBC has been a formal partner in SCR LEP since 2013, along with three other Derbyshire districts (Bolsover, Derbyshire Dales and North East Derbyshire) and Bassetlaw district council in Nottinghamshire. CBC is also a non-constituent member of SCR MCA. This status affords the Leader of the Council a seat on the LEP board and at the MCA and Leader / Chief Executive representation on some of the sub-board/sub-MCA governance structures. CBC's officers are also invited to all LEP officer groups.

5.2 CBC is also a partner in D2N2 LEP. Due to the larger number of local authorities that make up the LEP geography the Leader does not have a seat on the board. CBC, as is the case for all 8 district / borough councils in Derbyshire, is represented on the board by the Leader of High Peak Borough Council. CBC also currently has no member / officer representation on any of the sub-board governance structures; however, officers do attend some of the LEP officer groups.

5.3 More recently, the new Chair of D2N2 LEP has established a new Leaders' Forum to improve communications and engagement with the leaders of all 19 D2N2 local authorities. The Leader of the Council attended the first meeting in December 2018 and more are planned on a quarterly basis.

5.4 CBC's involvement in both LEPs reflects our functional economy geography which looks north towards Sheffield and South Yorkshire, our travel to work and housing market areas

which comprise Chesterfield borough alongside Bolsover, North East Derbyshire and Bassetlaw districts, and our place in the administrative county of Derbyshire. CBC has also worked its standing in the overlapping geography as well as any council, as evidenced by the significant benefits that have been achieved for our residents and businesses. In this regard, Appendix 1 highlights the main funding streams which we have secured respectively from SCR and D2N2 LEPS.

6.0 The SCR/D2N2 overlap

- 6.1 Overlaps emerged when LEPS were first established and affect several areas of the country; at the time the Department for Communities and Local Government (now MHCLG) actively canvassed councils such as ourselves to join LEPS whose geography best reflected how their economy worked and also took steps to allocate Government funding streams to LEPS on a notional 50:50 basis where a council bridged two LEP geographies.
- 6.2 As is already referenced in paragraph 4.3, MHCLG is now taking a very different line, insisting that overlaps must be removed and that councils can only be part of one LEP.
- 6.3 MHCLG's approach to enforcing this position is also interesting in that their stated intent is to financially penalise (paragraph 4.3 again refers) LEPS that default on this requirement.
- 6.4 In response to MHCLG's ask for LEP Chairs and other stakeholders to come forward with their proposals by 29 September 2018, D2N2 LEP made the case for all five overlap districts, including Chesterfield borough to become members solely of D2N2 LEP. SCR LEP, however, resisted MHCLG's direction and made the case for the overlap to be retained and for the five overlap districts to continue their membership of both LEPS.

- 6.5 This latter position matched that of the five overlap districts, with Chesterfield borough's specific representations on the matter set out in a carefully worded letter from the Leader of the Council to the Chair of D2N2 LEP. This was dated 7 September 2018 and is attached, for reference, at Appendix 2.
- 6.6 Due to this impasse, The Right Hon. James Brokenshire, Secretary of State at MHCLG, met with the Chairs of D2N2 and SCR LEPs on 6 November 2018 and subsequently clarified his position in writing. This letter is attached at Appendix 3.
- 6.7 The Secretary of State's letter was followed by a 4 December 2018 letter to the Chair of D2N2 LEP and Vice Chair of SCR LEP from the relevant Area Directors at the Cities and Local Growth Unit (see Appendix 4 for a copy of the letter).
- 6.8 Both the Secretary of State and the Area Directors were unequivocal in re-affirming MHCLG's insistence that districts such as Chesterfield borough could only be members of one LEP.
- 6.9 The Secretary of State was, however, more relaxed about councils potentially retaining their non-constituent membership of a MCA covering a particular geography whilst at the same time being members of a LEP whose remit extended over a different geography. The Secretary of State recognised that there needed to be strong collaboration between neighbouring LEPs to reflect areas of shared economic geography and viewed this as one of the mechanisms to support effective collaboration.
- 6.10 This means in practice that CBC could in future be a member of both SCR LEP and MCA or a member of D2N2 LEP and SCR MCA. The latter option is not, however, a given as it is for SCR MCA, as a corporate body in its own right, to determine whether it would wish CBC to retain its non-constituent

membership status after resolving to no longer be a member of SCR LEP.

- 6.11 On 9 January 2019, the Leader of the Council hosted a meeting at Chesterfield Town Hall involving the Area Directors, the Chairs and Chief Officers of D2N2 and SCR LEPs and the Leaders and Chief Officers of the overlap districts. At this meeting, all of the above was again referenced and, in particular, MHCLG's resolve to not allow CBC and other overlap districts continuing dual membership of SCR and D2N2 LEPs.
- 6.12 The Area Directors, however, went further in making it clear that if a district or borough wanted to leave the LEP of choice of its county council an exceptionally good business case would need to be made, there would need to be clarity on how the district and county councils would continue to discharge their statutory responsibilities without detriment to residents and businesses, and the county council would need to be supportive of such an arrangement. In Chesterfield borough's case, it is highly unlikely that Derbyshire County Council would accede to CBC continuing to be a member of SCR LEP and not a member of D2N2 LEP.
- 6.13 The Area Directors also concluded that it would be difficult to envisage a situation where Chesterfield borough remained as a member of SCR LEP were North East Derbyshire district to resolve to run with membership of D2N2 LEP. This is on the basis that Chesterfield borough would no longer have a contiguous border with the South Yorkshire local authorities.
- 6.14 This latter position has become more of a reality in recent weeks as we understand that the Leaders of North East Derbyshire, Bolsover and Derbyshire Dales districts have now written to the Secretary of State at MHCLG and to the SCR and D2N2 LEP Chairs advising of their 'in-principle' decision to retain membership of D2N2 LEP and non-constituent

membership of SCR MCA. We also, however, understand that this 'in principle' decision is subject to receipt of satisfactory assurances from the Secretary of State and D2N2 LEP.

7.0 Future LEP membership

- 7.1 It is evident from the above that Chesterfield borough's LEP future is a very fluid and dynamic matter, which is why delegated authority is now sought from full Council for the Leader of the Council to make the final decision.
- 7.2 MHCLG's position is clear that CBC can only be a member of one LEP. And whilst the onus is on SCR and D2N2 LEPs to come up with the solution, as it stands it is also clear that CBC will ultimately be required to exercise a choice.
- 7.3 At the time of writing this report, CBC's position is unchanged – we remain committed to being members of both SCR and D2N2 LEPs; and, for completeness, a non-constituent member of SCR MCA. We also understand this to be the position of Bassetlaw District Council.
- 7.4 It is also evident that the matter of overlapping geography is not unique to SCR and D2N2 LEPs, for example, councils in the West Midlands are also currently resisting MHCLG's advances. They similarly see no need to remove overlaps.
- 7.5 In this standstill period, however, it makes sense for CBC to continue to seek clarity on a number of matters. These include:
- a) **Governance** – both SCR and D2N2 LEPs have undertaken recent reviews of their governance arrangements; and we are waiting to see what positions of authority and influence will be afforded to the Leader of the Council and Chief Executive. At SCR, it is anticipated that the Leader of the Council will continue to have a seat on the LEP Board

and the Leader and Chief Executive respectively seats on at least one sub-Board, e.g. skills, business growth, housing etc. At D2N2, the Leader of the Council will not have a seat on the LEP Board but the Leader and / or Chief Executive are likely to have seats respectively on at least one sub-Board. There is also then the new D2N2 Leaders' Forum (see paragraph 5.3 above).

- b) **Transitional arrangements** – there needs to be clarity from both SCR and D2N2 LEPs on how they will ensure CBC, its residents and businesses suffer no detriment should the council ultimately make or have to make a decision to run with membership of one of the two LEPs. This position applies not only to projects and programmes to which LEP funding has previously been assigned but equally to projects and programmes for which the council is currently making funding applications, e.g. the submission made in Autumn 2018 for SCR skills capital funding to support the construction of a new rail research and innovation centre at Barrow Hill Engine Shed.

- c) **Collaboration** – Due to the overlapping nature of Chesterfield borough's functional economic geography, it is important that the two LEPs set out in advance how they intend to collaborate and engage on key activities and programmes, in particular the development of Local Industrial Strategies. This is considered essential irrespective of whatever final decision CBC arrives at. The council will want to be involved in the future design and development of the key strategies of both LEPs; in so doing acting in the best interests of the borough's residents and businesses who are largely uninterested in and unhindered by HM Government's Local Enterprise Partnerships review.

- d) **Enterprise Zone Business Rates** – parts of Markham Vale are within SCR LEP’s Enterprise Zone (EZ). EZ benefits, including enhanced capital allowances, simplified planning arrangements and superfast broadband have encouraged new businesses to locate to Markham Vale. In line with Government policy and the positions of Sheffield, Rotherham and Barnsley councils, CBC currently passports the business rates uplift arising from new investments within the EZ geography to SCR LEP to support funding of SCR’s Executive. Clarity has therefore been sought from HM Government’s Cities and Local Growth Unit on the options available to CBC should the council relinquish its membership of SCR LEP, which is likely to mean the EZ at Markham Vale falling within the responsibility of D2N2 LEP.

8.0 Considerations

- 8.1 There are no legal, human resources or equality and diversity issues arising from this report at this stage. However further analysis of financial implications, and additional assessments of risks and opportunities will be required should CBC ultimately choose to or have to comply with MHCLG’s policy direction that the Council from April 2020 can only be a member of one LEP. Such analysis and assessments will form a key part of the Leader’s future considerations.

9.0 Recommendations

- 9.1 That Council notes the requirements of HM Government’s review of Local Enterprise Partnerships, the current positions of the Secretary of State for Housing, Communities and Local Government and his officials and also those of SCR and D2N2 LEPs, and the emerging positions of neighbouring councils.
- 9.2 That the Leader is given delegated authority to respond to HM Government’s Local Enterprise Partnerships review and to

make the final decision on council membership of SCR and D2N2 LEPs.

- 9.3 That the Leader reports back to full Council at the earliest opportunity informing members of the final decision taken and clearly setting out for members the rationale for that decision.

10.0 Reason for recommendation

- 10.1 To enable the Leader of the Council to respond on behalf of the full Council, in a timely manner, to HM Government's Local Enterprise Partnerships review; acting in the best interests of the borough's residents and businesses.

Decision information

Key decision number	867
Wards affected	ALL

Document information

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Appendices to the report	
Appendix 1	Financial benefits secured through participation in the SCR and D2N2 LEPs
Appendix 2	7 September 2018 letter from Cllr Tricia Gilby to Elizabeth Fagan, Chair of D2N2 LEP
Appendix 3	14 November 2018 letter from The Rt Hon James Brokenshire MP, Secretary of State for Housing, Communities and Local Government to Chairs of SCR and D2N2 LEPs
Appendix 4	4 December 2018 letter from Andrew Batterbee and Rowena Limb, Area Directors, Cities and Local Growth Unit to D2N2 LEP Chair and SCR LEP Vice-Chair