



Lancashire Enterprise Partnership Limited

Private and Confidential: NO

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LEP Corporate Model; Update on Company Articles and Assurance Framework
(Appendix 1 Refers)

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Executive Summary

This report summarises a number of options under consideration for the future of our LEP corporate model and associated issues for consideration in the relevant corporate constitutional documents and the Assurance Framework. A firm proposal on the corporate model, draft constitutional documents and the Assurance Framework will be reported to the LEP Board in January.

Recommendation

The Lancashire Enterprise Partnership Board is asked to:

- (i) Note the options of Company Limited by Guarantee and Company limited by Shares under consideration with legal advisors (in the context of other possible available corporate forms) and authorise the Transition Director to develop those options, with an initial preference for Company Limited by Guarantee, with legal advisors in order that LEP Board can make a decision on the preferred model at the LEP Board meeting in January;
- (ii) Note the key issues under consideration in developing constitutional documents and AF and authorise the Transition Director to progress development of those documents in accordance with the principles listed in the report.

Background and Advice

1. Introduction

1.1 On 24th July 2018, Government published its long awaited Local Enterprise Partnership Review – Strengthened Local Enterprise Partnerships. The Review identifies a range of issues which all Local Enterprise Partnerships need to consider and address. The Review re-states the importance of Local Enterprise Partnerships and confirms that they will be central to the delivery of prosperous



communities in England, moving forward. Local Enterprise Partnerships will continue to drive local growth by leading the development of Local Industrial Strategies and securing funding from the emerging Shared Prosperity Fund.

- 1.2 In areas where no Combined Authority exists, access to this £multi-billion fund will be through LEPs, initially via Local Industrial Strategies (LIS). Only “compliant” LEPs will be able to negotiate a LIS with Government, so it is essential that Lancashire LEP responds to the requirements of the LEP Review fully and in good time.
- 1.3 The Review requires compliance across a number of areas that have previously been shared with LEP Directors. These include establishing a secretariat separate from local authority control, limiting public sector directors to no more than one third of a total of twenty in order that “all LEPs can be truly said to be business-led”, establishing a fit for purpose Accountable Body role and meeting various diversity targets. In order to demonstrate compliance our corporate model, constitution and Assurance Framework must be amended to capture the new legal constitution and to enshrine our new way of working.

2. Corporate Model Options

- 2.1 A summary of relevant corporate forms is appended to this report, together with a high level analysis of pros and cons associated with each form.
- 2.2 The LEP already has its own legal personality in its current form as a company limited by guarantee.
- 2.3 At this stage, there are three main relevant corporate models available, of which two (a company limited by shares and a company limited by guarantee) are under detailed consideration to assess their suitability to achieve compliance with Government requirements, principally:
 - (a) the structure and composition of the board and voting rights must ensure compliance with the requirement for the LEP to be “truly business-led”, incorporates the right breadth of interests and stakeholders and is truly representative of the communities it serves;
 - (b) the requirement to hold an annual general meeting in public; and
 - (c) clearly setting out accountability for spending decisions, appointments, governance and external scrutiny, and to ensure that these arrangements are adaptable and responsive to the emerging National Assurance Framework for LEPs and updated Government guidance from time to time.
- 2.4 The pros and cons of each of the three models are discussed in the attached paper, but at this stage the continuation of the current model (company limited by guarantee) is considered most likely to be the preferred model.



3. Next steps

3.1 Our existing LEP Assurance Framework is highly regarded by Government and has served the LEP well over recent years. Nevertheless, it will require amendment to accord with the Government's National Assurance Framework (NAF), which is anticipated soon, and to reflect our evolving local requirements as we transition to the new corporate model. This work will be carried out as soon as possible but timescale is to an extent dependent on the publication of the final NAF by Government.

3.2 Further work on developing these options is required in consultation with our legal advisors. The LEP Board is asked to authorise the Transition Director to instigate that work and to report back to LEP Board in January to agree a preferred model.

3.3 Key principles to be adopted to guide the detailed drafting include:

- (a) demonstrate that a new corporate model is not required (the benefits appear not to justify the costs associated with such a transition), and that a modified form of the existing model (Company Limited by Guarantee) will fulfil new requirements, while not yet dismissing other options;
- (b) establishing the principle of additional members (other than Lancashire County Council) to demonstrate the LEP's credentials as business-led, truly independent of Lancashire County Council and representative of its communities;
- (c) establishing how new members will be selected and invited to join the LEP and ensuring that appropriate limits are set on members' liability to the LEP;
- (d) ensuring conflict of interest provisions are appropriate for the new/amended structure and role of the LEP, and its new membership (if applicable); and
- (e) the principles under which additional board members may be appointed in order to achieve compliance.

3.4 LEP Directors are requested to approve these principles to guide development of the corporate form and its constitution and authorise the Transition Director to work with the external legal advisors, in consultation with LEP Network and Lancashire County Council, to produce draft proposals and constitutional documents to be reported to the LEP Board in January.

List of Background Papers

None