

Report to the Cabinet

Meeting to be held on Thursday, 18 January 2018

Report of the Head of LEP Co-ordination

Part I

Electoral Divisions affected:
All

Lancashire Enterprise Partnership - Future Funding Arrangements

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Executive Summary

This report identifies the future funding requirements for the Lancashire Enterprise Partnership (LEP), specifically requesting that Cabinet approves the allocation of £0.250m annually from 2018/19 onwards from the County Council's £1.000m annual contribution to the Economic Development Service. This arrangement would be subject to annual performance reviews and changes in Government policy and funding approaches.

The proposed allocation of resources will enable the LEP to draw-down core funding from Government, as in previous years, and would enable the continuation of core activities.

The report also sets out capacity and resource proposals for the LEP, summarising how the LEP has used capacity and core funding monies provided by Government and match funding provided by the County Council since the LEP's inception.

Recommendation

The Cabinet is recommended to:

- (i) Approve the allocation of £0.250m annually from 2018/19 onwards from the recurrent additional funding awarded to Economic Development as part of the budget amendment agreed by Full Council in July 2017. This will be subject to annual performance reviews and changes in Government policy and funding approaches; and
- (ii) Approve the transfer of two Skills Hub officers from Preston's College to Lancashire County Council, as set out in this report.

Background and Advice

When Local Enterprise Partnerships were first established in 2011, Government provided each with a one-off payment of £0.125m to support the establishment of their Boards and in determining their growth priorities. The Lancashire Enterprise Partnership (LEP) received its funding from Government in 2012.

Government then committed to providing capacity funding to LEPs, up to a maximum of £0.075m per year, by way of a grant claimed by the LEP or its accountable body for activity incurred in support of resourcing the LEP and delivering its priorities. The County Council, as the LEP's accountable body, claimed £0.051m in grant funding for activities delivered.

In 2012, Ministers announced that the Government would cease to provide funding to Local Enterprise Partnerships by way of a capacity funding grant and would instead provide core funding over the remainder of the Parliament. The core funding would provide capacity to support Local Enterprise Partnerships in driving forward their growth priorities, allowing them to undertake longer term resource planning and in strengthening the support and viability of their business led boards.

With the offer of core funding, Ministers made it clear that any offer of such funding from Government should be matched locally from public or private sector resources. The value of core funding to each Local Enterprise Partnership is a maximum of £0.250m which is to be matched locally to the same value.

Over the period 2013/14, to 2017/18, the LEP received £0.250m per annum in core funding from Government which was matched by an annual cash contribution of £0.250m from the County Council.

In addition, over the period 2013/14 to 2017/18, each Local Enterprise Partnership, including Lancashire, also received an additional £0.250m per annum to support the development of their Strategic Economic Plans (SEPs).

Government had previously indicated the same level of support to Local Enterprise Partnerships for the funding period 2016 to 2021, in line with Growth Deal delivery timescales. However, it is now anticipated that Local Enterprise Partnerships will receive up to a maximum of £0.250m in core funding which is likely to be subject, though not yet confirmed, to local matched funding being provided.

In addition, and subject to the outcome of a Government-led national review into the transparency and governance of Local Enterprise Partnerships which builds on the recently published Ney Review, further capacity funding may be made available. However, this funding is likely to be linked to the performance of Local Enterprise Partnerships in meeting the Government's criteria around improved governance and transparency.

The Cabinet is asked to note that the LEP is highly regarded by Government in terms of its current transparency, governance and accountability practices and Assurance Framework, and matches or exceeds the key benchmarks identified by the Ney Review. However, further governance improvements will be identified as

part of the annual review of the LEP's Assurance Framework which is currently being completed and which will be considered by the Board at its next meeting on the 30 January 2018.

The matched funding provided by the County Council to the LEP for 2016/17 and 2017/18, was a maximum funding contribution to support core activities. The County Council has also remained committed to providing significant in-house economic development officer and specialist advisor support which is aligned to the LEP's priorities and activities.

Core funding received by the LEP since its inception has been consistently invested and has been used to fund activities such as economic research and studies, project development and independent appraisal of Growth Deal projects. In addition, the LEP has spent almost £0.500m on support for the local transport body (Transport for Lancashire) and has committed an annual marketing budget of £0.225m in 2017/18 which will be delivered by Marketing Lancashire and which focuses on the new economic narrative for the County – *We are Lancashire, the Place for Growth*. The Board has also identified investment linked to the development of an Innovation Plan for Lancashire to ensure Lancashire can respond and take advantage of Government's new Industrial Strategy.

On the basis of the County Council's commitment to provide a two-year funding package in 2016/17 and 2017/18, the LEP Board approved the use of interest generated (c. £0.750m to date) from commercial investments made through the Growing Places Investment Fund to support core staff. This included the Head of LEP Co-ordination, Growth Deal Programme Manager, Director of the Lancashire Skills Hub and Skills Hub Coordinator, as well as a one third contribution to the County Council's Director of Economic Development. The LEP also funds the costs associated with the provision of legal, financial and company services provided by the County Council.

It is important to note that by comparison with Core City LEP areas, the LEP's core capacity – both in strategic and delivery terms – is extremely modest, though this has not prevented Lancashire from punching above its economic weight in terms of developing innovative economic initiatives of national importance and in matching or outperforming a number of Core City LEPs on securing competitively sourced growth funds valued at almost £1bn.

In 2016/17, the LEP commenced a three-year business planning process. The business plan, which covers the period 2017 to 2020, is underpinned by a robust annual operational budget setting process and the publication of an Annual Report capturing the LEP's successes and achievements in delivering strategic investment programmes to improve the economic performance of the County. The document also contains a summary of the LEP's Annual Accounts. These documents can be accessed via the web-link <http://www.lancashirelep.co.uk/about-us/about-the-lep.aspx>.

This process led the Board to agree the need for greater capacity to drive the County's growth and economic inclusion agendas, with immediate and medium term

financial and operational plans mirroring this challenge and taking account of the pressure on current funding budgets to support the LEP in moving forward.

As a result, the Board approved the appointment of two additional posts to create core LEP capacity and also agreed to provide up to a maximum of £0.050m to fund dedicated legal support until March 2018. It is also proposed that funding for dedicated legal support will continue in 2018/19 though this is subject to Board approval as part of the 2018/19 operational budget setting process.

In order to secure core funding from Government in 2018/19 onwards to enable the LEP to carry out its core activities, Cabinet is asked to approve the use of £0.250m from the additional £1.000m which has been allocated annually to the Economic Development Service as part of the budget amendment approved by Full Council in July 2017. The £0.250m contribution will be treated as direct match to any Government funding and will be subject to annual performance reviews.

Cabinet is also asked to note that in 2017/18, the LEP provided the necessary financial resource to pay the salaries and overheads of a Skills Hub Director and Skills Hub Co-ordinator. These posts, which were originally created in 2015 as part of a European Social Fund project, have since been sustained by the LEP given the success of this function and the role it has established in attracting and co-ordinating discretionary skills funding and aligning skills provision with business and community need.

When these posts were originally established, there were a range of differing views as to whether the Skills Hub staff should be aligned with the LEP or the then emerging shadow Combined Authority. To make progress, the Chair of the LEP's Skills and Employment Board asked Preston's College to provide the function of employing these two members of staff.

Since 2015, the work of the Skills Hub has become ever more closely linked with the main programmes of the LEP, playing a role in key projects such as City Deal, Growth Deal and in the commissioning of Lancashire provision paid for by the European Social Fund 2016/21 programme.

Moving forward, it is proposed that the County Council undertakes the Skills Hub function but this would require the transfer of two staff from Preston's College to the County Council's establishment. The available funding resources within the LEP and the existing Economic Development budget, which are currently paid to Preston's College, would be used to directly fund the costs of these posts on the County Council's establishment. If approved by Cabinet, the target date for this transfer to take place would be 1 April, 2018.

As set out in previous Cabinet reports, the County Council's new Management Structure, which is effective from 3 January, provides for a new Director of Economic Development and Planning with the post-holder continuing to lead the executive function of the LEP, as part of their duties. This post is fully funded by the County Council.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

If Cabinet does not approve the allocation of £250,000 annually from 2018/19 onwards from the County Council's £1,000,000 annual contribution to the Economic Development Service, the LEP will be unable to drawdown core funding resources from Government which enable the LEP to deliver its core activities.

Financial

The £0.250m additional funding detailed within this report will be funded from the additional £1.000m that was agreed by Full Council in July 2017 for Economic Development.

In 2016/17 £0.250m was removed from the revenue budget as part of a larger agreed savings for Economic Development and funded in 2016/17 and 2017/18 from reserves to enable transformation to achieve the reduced budget to take place. Due to the details outlined in this report this saving is now no longer achievable and funding will be reinstated through utilising the £1.000m additional budget allocation for Economic Development.

It must be noted that a report to Cabinet in September 2017 ("Boost – Lancashire's Business Growth Hub") did make reference to potentially utilising the full £1.000m allocation from 2019/20 with a further report to follow. These figures will be revised to reflect the £0.250m allocation detailed in this report.

List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A