

Company Number: 07388600

Lancashire Enterprise Partnership Limited Board

Wednesday, 12th September, 2018 in Committee Room 'D' (The Henry Bolingbroke Room) - County Hall, Preston, at 4.30 pm

Special Board Meeting - Agenda

Part I (Items Publicly Available)

- 1. Welcome and Apologies for Absence**
- 2. Declaration of Interests**
- 3. Strengthened Local Enterprise Partnerships – Government Local Enterprise Partnership Review (Pages 1 - 42)**
- 4. Any Other Business**
- 5. Date of Next Meeting**

The next regular Lancashire Enterprise Partnership Board meeting is scheduled to be held on Tuesday 6th November 2018, at 4:30pm in Committee Room 'D' - The Henry Bolingbroke Room, County Hall, Preston.



Lancashire Enterprise Partnership Limited

Private and Confidential: NO

Date: Wednesday, 12 September 2018

Strengthened Local Enterprise Partnerships – Government Local Enterprise Partnership Review

(Appendices 'A' and 'B' refer)

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Executive Summary

Government has recently 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. This report aims to identify the key issues with implications for the Lancashire Enterprise Partnership, with a view to establishing the response of the Board.

Recommendation

The Lancashire Enterprise Partnership Board is asked to:

- (i) Note and comment on the key findings of the Government's Local Enterprise Partnership Review, attached at Appendix 'A'.
- (ii) Reflect on the key issues for the Lancashire Enterprise Partnership, as set out in section 2 and Appendix 'B' of this report.
- (iii) Consider and agree that Lancashire Enterprise Partnership Officers scope a transition work programme in response to the Government's Review, in consultation with the Chair, as part of a wider repurposing of the Lancashire Enterprise Partnership. With the work programme used to support the Lancashire Enterprise Partnership's response to the Government's review; and
- (iv) Authorise the Lancashire Enterprise Partnership Chair, with support from officers, to confirm to Government the intention of the Lancashire Enterprise Partnership to continue operating with its current pan-Lancashire geography.

Background and Advice

Background and Context

1. Introduction

- 1.1 In November 2017, the Government's Industrial Strategy White Paper announced a national review of the roles and responsibilities of Local Enterprise Partnerships, with a focus on leadership, governance, accountability, financial reporting and geographical boundaries. The Review has been led by Ministry of Housing, Communities and Local Government, the Department for Business, Energy and Industrial Strategy and Her Majesty's Treasury Ministers with additional input from an advisory panel comprising Local Enterprise Partnerships, local authorities and business organisations.
- 1.2 The Ministerial review team published its final report [***Strengthened Local Enterprise Partnerships***](#) on the 24th July 2018 which is attached at Appendix 'A'. The Review re-states the importance of Local Enterprise Partnerships and confirms that Local Enterprise Partnerships 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.
- 1.3 The Review is presented in terms of a series of issues which need to be addressed to ensure that all Local Enterprise Partnerships remain fit for purpose in the future, each formatted as an outline of the issue with respective actions for Government and Local Enterprise Partnerships. These are summarised in Appendix 'B'.

2. Key Issues for the Lancashire Enterprise Partnership

- 2.1 The key issues for the Board to consider include:

Strategic Purpose and Focus

- i. The need to re-purpose the Lancashire Enterprise Partnership, including a review of its priorities, programmes, resources, commitments, capacity and governance, in light of planned changes both locally and as a result of the Review.
- ii. The need to continue developing an evidence base to allow for the production of a Local Industrial Strategy by the end of 2019, which will frame Lancashire's productivity and growth priorities, projects and programmes going forward to the emerging Shared Prosperity Fund from 2021.

Assurance and Compliance

- iii. The need to refine existing annual reporting and planning to ensure these arrangements meet the new accountability framework which will be published later this year. For example, the Lancashire Enterprise Partnership is fully compliant with all current assurance requirements, though will need to provide a public Annual General Meeting event in future.

Governance

- iv. The need to assess the implications of Government setting a maximum Board number of 20 Directors. The Lancashire Enterprise Partnership currently has 19 Directors and has advertised for three additional Board members but the Review appears firm on the 20 maximum. An additional five co-optees with technical expertise will be allowed but these positions will be time limited to one year. Clarity is needed on these points given the Lancashire Enterprise Partnership's intention to operate with a Board of 22 Directors. It would also be helpful to clarify if co-opted members can have full Director rights for the period they serve.
- v. In terms of Lancashire Enterprise Partnership needing to achieve a two-thirds private sector majority on their Boards, it currently meets this requirement.
- vi. Assuming a maximum Lancashire Enterprise Partnership Board of 20 Directors, the Lancashire Enterprise Partnership must develop a plan to move to a minimum of 33% women Board members (from two to seven) by end of 2019 and 50% (10) by 2023. In order to achieve the required diversity target, it will be necessary to re balance the Lancashire Enterprise Partnership board and we will want to ensure that this happens in an open and transparent manner. All Local Enterprise Partnerships are required to better monitor and address the wider diversity of their Board.
- vii. The Lancashire Enterprise Partnership will need to clarify and test a new appointment processes and apply these in finding a successor for the current Chairn as well as re balancing the Board. Given the changes required by Government, it will also be important to identify and formalise the key skillsets and expertise considered as essential in performing the role of Chair, as well as that of Board Director.

Local Authority Influence and Control

- viii. As implied by the Review, Lancashire County Council's hosting of the Lancashire Enterprise Partnership and executive leadership will have to be reviewed and consider the appointment of a Lancashire Enterprise Partnership Chief Executive Officer with appropriate support.
- ix. To determine a "legal personality" for the Lancashire Enterprise Partnership. The Lancashire Enterprise Partnership operates to an acceptable company structure and model (it is already a Private Company Limited by Guarantee), though many Local Enterprise Partnerships nationally will need to move away from their voluntary partnership arrangements. However, Lancashire County Council's current ownership of the Lancashire Enterprise Partnership company, its role in appointing Directors, and fulfilling statutory roles will all need to be reviewed. To ensure the Lancashire Enterprise Partnership meets the criteria of being fully independent of local authority influence. The revised national assurance framework will provide more detail on these matters though further clarity is being sought from Government officials in the meantime.
- x. These changes are likely to have an impact on the current cost and funding arrangements for the Lancashire Enterprise Partnership.

Lancashire Enterprise Partnership Geography

- xi. The Lancashire Economic Partnership must confirm by 28 September 2018, subject to Board agreement, the current pan-Lancashire geography as the appropriate "functional economic area" for the Lancashire Enterprise Partnership. It should be noted that Government officials are seeking fewer Local Enterprise Partnerships covering a larger area with minimum resident populations of circa 1 million. Government has identified 21 Local Enterprise Partnership boundary overlaps, but there are none in the North West.

Lancashire is a highly self-contained labour market, though naturally we have two-way economic flows with our neighbouring Manchester and Liverpool city-regions, and to a lesser extent relationships with South Cumbria and North and West Yorkshire which link to our sectoral strengths and supply chains. With a strong cultural identity, a growing local economy valued at £30 billion, which is home to 50,000 businesses, and growing population resident base of 1.5m, there is no evidential reason to change the geography of the Lancashire Enterprise Partnership.

Though Lancashire has no economic geography overlaps, Cumbria's size (circa 400,000 population) and adjacency may encourage Government officials to promote "enlargement" with either Lancashire or the North East. On-going dialogue with the Cumbria Local Enterprise



Partnership confirms they have no desire to be merged with others nor any sense that Government officials will force such an outcome on them. However, cross-boundary working on shared priorities – including clean energy, advanced manufacturing and visitor economy – will continue to be encouraged with Cumbria.

3. Conclusion

- 3.1 The Lancashire Enterprise Partnership Board is central to driving, defining and delivering the changes required by the Government's Review.
- 3.2 The special meeting on 12 September 2018 enables the Board to take stock of the current position and consider the way forward on key issues, including the resourcing, mobilisation and definition of an agreed transitional work programme. It is also important to set compliance, governance and local authority control issues, highlighted by the Government's Review, within the wider Board task of repurposing the Lancashire Enterprise Partnership to ensure it is fully focused and resourced to drive forward agreed productivity and growth priorities.
- 3.3 Subject to the view expressed by Directors at the Special Board meeting, the Board are asked to agree that Lancashire Enterprise Partnership Officers scope a transition work programme in response to the Government's Review, in consultation with the Chair, as part of a wider repurposing of the Lancashire Enterprise Partnership.
- 3.4 Given the pace and importance of the emerging transition work programme, further special Board meetings in the coming months will be needed. Additional Board dates will be sought in due course as required.

List of Background Papers

Paper	Date	Contact/Tel
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None		
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Reason for inclusion in Part II, if appropriate		
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N/A		
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HM Government

Strengthened Local Enterprise Partnerships



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Executive summary

Since their establishment in 2010, Local Enterprise Partnerships have been integral to economic growth across England. Following the publication of our modern Industrial Strategy, that sets out an approach to ensuring prosperous communities throughout the country, we have reviewed our policy towards Local Enterprise Partnerships to ensure that they continue to support Government in meeting this ambition.

In the Industrial Strategy, Government committed to work with Local Enterprise Partnerships to bring forward reforms to leadership, governance, accountability, financial reporting and geographical boundaries. It is critical that Local Enterprise Partnerships are independent and private sector led partnerships that are accountable to the communities they support. At the same time, it is important to set out a model that will underpin future national and local collaboration. This will be essential to the development of Local Industrial Strategies and in the context of the future UK Shared Prosperity Fund.

This document sets out the conclusions of our policy review. It includes a series of Government commitments alongside a number of additional changes that Government will work with Local Enterprise Partnerships to implement.

Role and responsibilities:

Over recent years Local Enterprise Partnerships have played a key role in convening local economic stakeholders to develop evidence-based economic strategies. They have helped to identify key investment opportunities and interventions with the potential to increase growth in towns, cities and rural areas across the country. Local Enterprise Partnership Chairs have also acted as authoritative advocates for their local economy.

Government will:

- Publish a **statement on the role and responsibilities** of Local Enterprise Partnerships. Local Enterprise Partnerships will focus on enhancing productivity. This will be achieved through the development and delivery of their Local Industrial Strategy.
- Publish a **further statement on Local Industrial Strategies** to guide locally-led work. This statement will be published over the summer. Government will aim to agree Local Industrial Strategies with all areas of England by early 2020.
- Commission an **annual economic outlook** to independently measure economic performance across all Local Enterprise Partnerships and the areas they cover.

Government will support all Local Enterprise Partnerships to:

- Develop an evidence-based **Local Industrial Strategy** that sets out a long-term economic vision for their area based on local consultation.
- Publish an **annual delivery plan and end of year report**. This will include key performance indicators to assess the impact of their Local Industrial Strategy, funding and interventions. It will inform objective assessment on Local Enterprise Partnership performance both nationally and locally.

Leadership and organisational capacity:

Successful Local Enterprise Partnerships are led by influential private and public sector leaders, acting as champions for their area's economic success. Since their formation Local Enterprise Partnerships across the country have benefitted from business expertise and acumen. They have created new partnerships between the public and private sector across administrative geographies that represent the diversity of local businesses and communities.

Local Enterprise Partnerships prioritise policies and actions on the basis of clear economic evidence and intelligence from businesses and local communities. Their interventions are designed to improve productivity across the local economy to benefit people and communities with the aim of creating more inclusive economies. To do this effectively Local Enterprise Partnerships must have robust governance arrangements that provide the operational independence to take tough decisions and hold local partners to account for delivery. This also requires Local Enterprise Partnerships to have the organisational capacity to fulfil their roles and responsibilities. They must have the means to prioritise policies and actions, and to commission providers in the public, private sector and voluntary and community sector to deliver programmes.

Government will:

- Increase **regular dialogue** with Local Enterprise Partnerships. This includes the **Prime Minister chaired Council** announced in the Industrial Strategy, as well as a **senior official sponsor** for every Local Enterprise Partnership from across government departments.
- Actively **work with Local Enterprise Partnerships to advertise opportunities** for private sector leaders to become a Local Enterprise Partnership Chair when vacancies emerge. While these are not public appointments, we will offer to list vacancies on the Centre for Public Appointments website.
- Offer an **induction and training** programme for Local Enterprise Partnership board members and officers on working with Government. We will work with the LEP Network, Local Government Association and other professional development bodies to develop this programme.
- Provide **up to £20 million between 2018-19 and 2019-20 in additional capacity funding to support Local Enterprise Partnerships** to implement the review and to provide the strategic and analytical capability needed to develop ambitious Local Industrial Strategies.

Government will support Local Enterprise Partnerships to:

- **Consult widely and transparently** with the business community before appointing a new Chair; and introduce **defined term limits** for Chairs and Deputy Chairs in line with best practice in the private sector.
- Establish more **representative boards of a maximum of 20 persons** with the option to co-opt up to five additional board members. Our aspiration is that two-thirds of board members should be from the private sector;
- **Improve the gender balance and representation of those with protected characteristics on boards** with an aim that women make up at least one third of Local Enterprise Partnership boards by 2020 with an expectation for equal representation by 2023, and ensuring all Local Enterprise Partnership boards are representative of the businesses and communities they serve.

- **Provide a secretariat independent of local government** to support the Chair and board in decision making.
- **Develop a strong local evidence base of economic strengths, weaknesses and comparative advantages** within a national and international context. This will be supported by **robust evaluation of individual projects and interventions**.

Accountability and performance:

Local Enterprise Partnerships already recognise that they must operate to the highest standards of accountability and transparency in the use of public funding. Government has strengthened its approach to assurance processes for the Local Growth Fund. Additional guidance has also been provided to Local Enterprise Partnerships on transparency.

We want to build on that progress and go further. We will clarify Government's approach to robust monitoring and intervention. This will be based on a standardised national framework that ensures Local Enterprise Partnerships remain autonomous and independent bodies with local decision making powers. Sitting alongside this, the Government will agree with the LEP Network how it will support Local Enterprise Partnerships to share best practice, undertake peer-review and work together as a sector to embed a culture of good governance and self-regulation.

Local Enterprise Partnerships operate on organisational structures that support local decision making and provide greater assurance over the management of public funding. These structures should enable clear lines of accountability for delivery with local partners, as well as democratic, public and business scrutiny of decision making.

Government will:

- Continue to maintain **overall accountability for the system** of Local Enterprise Partnerships and local growth funding, and implement in full the recommendations of the Ney Review and any future recommendations that may be made as the performance of Local Enterprise Partnerships is scrutinised and reviewed.
- Assess and publish annual performance against **quantitative and qualitative measures** set out within Local Enterprise Partnership delivery plans.
- Set out within a revised National Assurance Framework a clear statement on an **escalating approach to intervention** in any instances where Local Enterprise Partnerships demonstrate that they are found to be underperforming.
- Develop with the LEP Network and Local Enterprise Partnerships a **sector-led approach to assessing and improving performance** through regular peer review.

Government will support all Local Enterprise Partnerships to:

- Have a **legal personality**, such as incorporation as companies, or mayoral combined authorities or combined authorities where they exist.
- Set out clearly and transparently the **responsibilities of the Chair, Board, Director, and Accountable Body**, including over spending decisions, appointments, and governance.
- Actively participate in relevant **local authority scrutiny panel** enquiries to ensure effective and appropriate democratic scrutiny of their investment decisions.
- Hold **annual general meetings** open to the public to attend to ensure the communities that they represent can understand and influence the economic plans for the area.

Geography:

One of the great strengths of Local Enterprise Partnerships is their ability to bring together business and civic leaders across local administrative boundaries and provide strategic direction for a functional economic area. This will remain central to the success of Local Enterprise Partnerships; however, it is right to review the current geographic boundaries to ensure that they are fit for purpose for the expanded role we are proposing here.

Overlapping geographies emerged when Local Enterprise Partnerships were first formed on a voluntary basis. Since 2011, however, the context in which Local Enterprise Partnerships operate has altered significantly. They now oversee significant amounts of public funding and have an authoritative voice in shaping national and local policy. It is important that accountability for decisions and responsibility for investment is clear. On balance, Government considers that retaining overlaps dilutes accountability and responsibility for setting strategies for places and so will seek to ensure that all businesses and communities are represented by one Local Enterprise Partnership. Close collaboration between Local Enterprise Partnerships will replace overlapping responsibilities. In looking to remove overlaps, we will also need to ensure that Local Enterprise Partnerships are operating over a significant enough scale to provide the strategic direction and efficient delivery of future programmes.

Government will:

- Ask Local Enterprise Partnership Chairs and other local stakeholders to come forward with **considered proposals by the end of September on geographies which best reflect real functional economic areas, remove overlaps and, where appropriate, propose wider changes such as mergers**. Government will respond to these proposals in the autumn and future capacity funding will be contingent on successfully achieving this.

Government will support all Local Enterprise Partnerships to:

- **Collaborate across boundaries** where interests are aligned when developing strategies and interventions to maximise their impact across their different objectives.

Mayoral combined authorities:

Government has supported local partners to establish mayoral combined authorities as democratically accountable bodies focused on driving growth. Part of the case for establishing these bodies over specific geographies is that these are functional economic areas that are conducive towards the development of strategy, policy and interventions. Government remains open to conversations with other local areas that wish to explore the potential for devolution, where clear local support and a strong economic case for doing so can be demonstrated.

Greater alignment and collaboration between mayoral combined authorities and Local Enterprise Partnerships is administratively efficient and leads to a greater economic impact, whilst still retaining private sector acumen in decision making. The precise nature of the relationship between these two institutions, however, will need to take account of the governance arrangements established for each area.

Government will:

- **Consolidate its engagement with mayoral combined authorities and their Local Enterprise Partnerships** with a collaborative approach to agreeing a Local Industrial Strategy.

In mayoral combined authority areas, we will work with each Local Enterprise Partnership and mayoral combined authority to:

- **Ensure Local Enterprise Partnerships have a distinctive role in setting strategy and commissioning interventions** to drive growth, jobs and private sector investment.
- **Require Local Enterprise Partnerships and mayoral combined authorities to develop local agreements** which clearly set out roles and responsibilities and accountability.
- **Encourage Local Enterprise Partnerships and mayoral combined authorities to move towards coterminous geographies where appropriate** in line with the wider discussions on Local Enterprise Partnership geographies.

The subsequent chapters of this paper provide detail on next steps and further detail on the reforms we will ask of Local Enterprise Partnerships in each of these areas. **Local Enterprise Partnerships will need to clearly set out how they will adopt these changes.** As referred to above, **we will provide up to £20 million of additional funding between 2018-19 and 2019-20 to support the implementation of these changes and embed evidence in Local Industrial Strategies.**

Introduction

The Industrial Strategy sets an ambitious, long-term vision to make Britain the world's most innovative economy, with good jobs and greater earning power for all. Every region in the UK has a role to play in boosting the national economy, driven by local leadership and ambitious visions for the future. We want to have prosperous communities throughout the country and strengthened Local Enterprise Partnerships will help deliver this vision in England.

Evolution of Local Enterprise Partnerships

Local Enterprise Partnerships are private sector led partnerships between businesses and local public sector bodies. They were announced in 2010 to bring private sector expertise into local economic decision making and to encourage collaboration and strategic decision making at a functional economic area. This was part of Government's ambition to shift power away from central government to local communities, citizens and independent providers, as set out in the Local Growth White Paper 2010.

Following the 2013 Spending Review Local Enterprise Partnerships acquired considerable new levers over growth – particularly funding to deliver the interventions that stimulate growth. Through three rounds of Growth Deals the Government is giving over £9 billion to help Local Enterprise Partnerships to deliver their investment priorities. Local Enterprise Partnerships also perform a strategic oversight function for EU Structural and Investment Funds.

Local Enterprise Partnerships have increased private sector involvement in economic decision making, encouraged greater collaboration between public sector leaders across administrative boundaries, and ensured that effective investments are made across areas in growth priority projects.

While Local Enterprise Partnerships have played an important role in supporting local growth, we know that performance has varied. Last year, Mary Ney (Ministry of Housing, Communities and Local Government Non-Executive Director) led a review into Local Enterprise Partnership governance and transparency. Government accepted all the review recommendations and made compliance with these a condition of funding for 2018 - 19. The Government has subsequently accepted in full the recommendations of the recent Public Accounts Committee report on Governance and departmental oversight of the Greater Cambridge Greater Peterborough Local Enterprise Partnership.

Reformed Local Enterprise Partnerships and the Industrial Strategy

The Industrial Strategy (published in November 2017) confirmed that the Government remained firmly committed to Local Enterprise Partnerships. As part of this commitment the Prime Minister agreed to chair a biannual 'Council of Local Enterprise Partnership Chairs'. This will provide an opportunity for Local Enterprise Partnership leaders to inform national policy decisions. The first of these meetings took place on 19th June 2018.

The Industrial Strategy stated that Government would work to strengthen Local Enterprise Partnerships to ensure that all parts of England stand ready to play their part in the growth of our economy after our exit from the European Union. The Government confirmed a

review of Local Enterprise Partnerships to deliver this objective, so that they are securely placed to drive growth through the development of the Local Industrial Strategies in partnership with areas, harnessing distinctive strengths to meet the Government's Grand Challenges and in the context of the UK Shared Prosperity Fund.

This document marks the conclusion of the Ministerial review of Local Enterprise Partnerships and sets out Government's expectations of their roles and responsibilities. Government will support Local Enterprise Partnerships to meet this level of ambition by working with them to strengthen leadership and capability, improve accountability and manage risk, and provide clarity on geography.

Approach to the review

In November 2017 the Industrial Strategy announced a review into the roles and responsibilities of Local Enterprise Partnerships that set out to identify reforms to leadership, governance, accountability, financial reporting and geographical boundaries.

Ministers in the Ministry of Housing, Communities and Local Government; the Department for Business, Energy and Industrial Strategy; and Her Majesty's Treasury convened an advisory panel, comprised of experts from Local Enterprise Partnerships, business, local authorities and business representative organisations in order to obtain an overview of both issues and practice. The panel met four times in December, January, March and May and has agreed the joint statement included as an annex below.

Government has worked with the LEP Network and received submissions from them and other organisations to inform the development of these reforms. In addition, through the annual performance review process we have held discussions with each Local Enterprise Partnership on their growth ambitions and challenges. Government has also carried out a series of in-depth deep dives into Local Enterprise Partnerships' governance, accountability and transparency to help to identify best practice.

Government will implement the commitments set out in this document and will work with Local Enterprise Partnerships to take forward all the recommended actions we have set out in preparation for Local Industrial Strategies across England and in the context of the UK Shared Prosperity Fund.

Role and responsibilities

Cities, towns and rural areas across England face a range of economic opportunities and challenges. Over recent years, Local Enterprise Partnerships have assessed these local needs and tailored economic policy responses accordingly. They must continue to carry out this critical role.

The case for change:

Local Enterprise Partnerships were initially established to “provide the clear vision and strategic leadership to drive sustainable private sector-led growth and job creation in their area”^[1] Their roles and responsibilities were relatively unspecified in order to allow for arrangements reflecting different circumstances across the country. They replaced the former Regional Development Agencies which delivered poor value for money; covering sprawling government office regions, the Regional Development Agencies were distant and remote from local business, and the arbitrary regions had no connection with natural economic areas.

This approach has led to significant local innovation. However, we think there is more opportunity to share best practice across the country and provide clarity on where Local Enterprise Partnerships should focus activity. By being clearer on roles and responsibilities we intend to set out a well understood model that allows Local Enterprise Partnerships to make the most effective use of available resources and funding.

Evidence also suggests that the best economic strategies integrate all influential economic players into decision-making.^[2] Successful economies require more than a single institutional or leadership model – they are dependent upon strong networks and sustained partnerships.

Private sector leadership remains integral to the Local Enterprise Partnership model. Businesses provide essential market intelligence to inform local decision making. Councils are also critical. They provide political accountability and community knowledge. They support business growth through their statutory functions, investment in economic infrastructure, and wider role in creating quality places. Successful Local Enterprise Partnerships have also worked closely with universities, business representative organisations, further education colleges, the voluntary sector, and other key economic and community stakeholders. It is Government’s expectation that Local Enterprise Partnerships continue this collaboration in order to draw on the best local knowledge and insight.

In line with the Industrial Strategy, we will set all Local Enterprise Partnerships a single mission to deliver Local Industrial Strategies to promote productivity. This should include a focus on the foundations of productivity and identify priorities across Ideas, People, Infrastructure, Business Environment and Places. In certain parts of the country this may

[1]

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32076/cm7961-local-growth-white-paper.pdf

[2] <https://www.gov.uk/government/publications/future-cities-comparative-urban-governance>

involve an emphasis on skills whilst in others it may be land supply, congestion or working with relevant local authorities in the delivery of housing where it is a barrier to growth. In others, it may involve harnessing distinctive strengths to meet the Government's Grand Challenges. And for others, it may involve identifying weaknesses in productivity across their local areas or communities and promoting inclusive growth by using existing national and local funding, such as in isolated rural or urban communities. This focus will ensure the benefits of growth are realised by all and that there are the right conditions for prosperous communities in an area.

Local Enterprise Partnerships will support the supply of skills to an area as they respond to the Skills Advisory Panels programme, and will develop even stronger local labour markets and skills governance through Skills Advisory Panels (these will, where possible, use existing infrastructure). These boards will convene local employers, learning providers and other partners, to achieve a better alignment of the local employment and skills offer. This analysis will feed into the development of Local Industrial Strategies.

How Government will support this change:

We have reviewed our previous statement on the responsibilities of Local Enterprise Partnerships. Whilst Local Enterprise Partnerships will determine their own specific priorities, we are clear that they should focus their activities 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.

We will publish a further **statement on Local Industrial Strategies** to inform locally-led development across the country. This will set out how Local Enterprise Partnerships will identify priorities across the foundations of productivity. As set out in the Industrial Strategy, Government intends to discuss the operation of Local Industrial Strategies in the devolved nations with the relevant devolved administration and other stakeholders.

In addition, Government will **commission an annual economic outlook** to measure and publish economic performance across all Local Enterprise Partnerships and benchmark performance of individual Local Enterprise Partnerships. We will work with academics, and think tanks and the LEP Network to further develop the scope of this work.

How Local Enterprise Partnerships will support this change:

Government will work with Local Enterprise Partnerships to **develop Local Industrial Strategies. These will set out a collective and shared strategic course for the long-**

term. The first Local Industrial Strategies will be agreed with Government by March 2019. We will adopt a phased approach to working with places. We aim to **agree Local Industrial Strategies across England by early 2020.**

Building on the work already being developed across the country, all places should continue locally-led work in a range of areas, including: ensuring priorities are based on objective evidence, engaging with local stakeholders to build a focused set of priorities; and ensuring local ambitions are aligned to the national Industrial Strategy.

In addition, we expect all Local Enterprise Partnerships will follow best practice within the sector and **produce an annual delivery plan and end of year report.** These will be published and shared with Government and will include a set of headline outcome indicators based on local priorities to benefit people and communities, and a detailed and well developed understanding of the local economic evidence base across their area. These documents will inform objective assessments of Local Enterprise Partnership performance both nationally and locally. Local Enterprise Partnerships will need to work closely with key delivery partners, notably councils, to determine and agree the economic development priorities, interventions and funding that will be set out in their delivery plans.

We expect that these delivery plans would include how Local Enterprise Partnerships are investing existing Local Growth Fund awards, and delivering other local growth programmes such as Enterprise Zones and Growth Hubs. We will also expect that these delivery plans would include detail on how Local Enterprise Partnerships will work with local authorities to make the most of their existing levers to drive economic growth and ensure that the planning system is responsive to commercial development. They would also include details on the allocation of any other national and local funds, alongside approaches to monitoring and evaluation, and how the Local Enterprise Partnership plans for consultation and engagement with public, private and voluntary and community based bodies. Government will work with Local Enterprise Partnerships to develop a consistent approach to delivery plans that recognises different local priorities. These will be ready for April 2019.

The revised Local Enterprise Partnership Assurance Framework, to be published in early Autumn 2018, will provide further clarity on the development of Local Enterprise Partnership delivery plans.

Leadership and organisational capacity

The leadership that Chairs have provided has been central to Local Enterprise Partnerships' success. In the Industrial Strategy, Government set out a commitment to ensure that all Local Enterprise Partnerships are driven by influential local leaders, acting as champions for their area's economic success. Local Enterprise Partnerships provide a platform for businesses, local elected leaders, universities, skills providers and voluntary and community sector organisations to shape policies for their area, bringing in business expertise and acumen, as well as forming new partnerships between the public and private sector across existing administrative geographies.

Local Enterprise Partnerships must have the operational independence and organisational capacity to deliver on the roles and responsibilities set out in this document. They must have the means to prioritise policies and actions, and to commission providers in the public, private and voluntary sectors to deliver programmes. Local Enterprise Partnership board members should be provided with adequate support, coupled with proportionate governance requirements, to enable them to perform their role effectively.

The case for change:

The intention has always been that Local Enterprise Partnerships should be led by Chairs who are visible, active participants in the business community, supported by boards with a strong business and community voice.

Chairs must have a strong private sector background and experience of building effective organisations to ensure they are equipped with the skills needed to steer the work of a Local Enterprise Partnership. Chairs must be able to work collaboratively with a range of stakeholders, including local people, businesses and their representatives, elected officials, education institutions and voluntary and community sector bodies, holding stakeholders to account for delivery and ensuring tough decisions are taken. They must also act as an advocate for the place and be able to represent the concerns of its people, institutions and businesses, both locally and at the highest levels of Government.

As the role of Local Enterprise Partnerships evolves, it is increasingly important for Chairs to be strategic operators – able to interpret the external environment, articulate the Local Enterprise Partnership's position within it and amplify the board's stated ambitions. As Local Enterprise Partnerships invest significant amounts of public money, it is critical that Chairs have an eye on the detail and ensure that the correct processes are in place to provide assurance on both how funding is allocated and how it is managed. The support that they receive to carry out this greater strategic function must also be strengthened, including through the appointment of a Deputy Chair for each Local Enterprise Partnership.

The Industrial Strategy highlighted the role for communities in driving productivity across the country; Local Enterprise Partnerships must therefore be accountable to their area and representative of the communities they serve. We need to do more to improve the diversity of Local Enterprise Partnership Chairs and board members, both in terms of protected characteristics and also in drawing from a more diverse representation of sectors and all parts of their geography, with representation from more entrepreneurial and growing start-

ups and from the voluntary and community sector bodies who will often work with and deliver services on behalf of the most vulnerable in society.

As Local Enterprise Partnerships represent a broad coalition of interests and are responsible for allocating public funding, it is essential that recruitment exercises for Chair and board vacancies operate on the basis of merit, fairness and openness in line with the Nolan Principles. There must be consistent and publicly-outlined processes to enable effective recruitment of people who can bring new ideas and approaches, and help increase board diversity. Reflecting their broader role in promoting the development of prosperous communities, Local Enterprise Partnerships should look for board members who bring a range of expertise to their role, as the best do at present, for example business leaders who are also charity trustees, school governors or who lead social enterprises as well.

With a new enhanced role for Local Enterprise Partnerships, it is important these leaders possess the necessary skills and that their organisations have the capability to deliver on the fundamental task of generating local economic growth. This should include the ability to effectively gather and analyse evidence around the economic strengths, weaknesses and barriers to growth of the area; identify the priority areas for investment; and develop an investment plan to secure the necessary funding to take this work forward. To ensure effective and efficient focus on the priorities for local economic growth and to deliver impact, there should be robust monitoring and evaluation of programmes which is used to inform decisions around awarding, continuing or withdrawing funding.

How Government will support this change:

There will be an increase in regular **Government dialogue** with Local Enterprise Partnerships, to reflect their strengthened role. This includes the Prime Minister-chaired 'Council of Local Enterprise Partnership Chairs', which was announced in the Industrial Strategy. This will allow Chairs to identify key areas for action, inform national policy, and enable closer cooperation with Government on delivering the Industrial Strategy objectives. To complement this, each Local Enterprise Partnership will be supported by a senior official sponsor from across Whitehall, to provide additional guidance on working with Government.

Government will actively **work with Local Enterprise Partnerships to advertise opportunities** for private sector leaders to become a Local Enterprise Partnership Chair when vacancies emerge. While these are not public appointments, we will offer to list vacancies on the Centre for Public Appointments website. This will help open up recruitment exercises to a broader pool of potential candidates, and at the same time underline the importance of the role to helping shape and deliver Government policy.

Some Local Enterprise Partnerships have proactively sourced formal support to build the capability of newly recruited board members. Government will build on this good practice and introduce an **induction and training** programme for Local Enterprise Partnership board members and officers, to ensure board members are adequately supported to provide challenge and direction to their Local Enterprise Partnership and understand how best to work with Government. We will work with the LEP Network, Local Government Association and other professional development bodies to develop this programme.

To understand what support Local Enterprise Partnerships will need to implement these changes we will commission an independent benchmarking of the capacity and capability of all Local Enterprise Partnerships against best practice, so that performance requirements match resources available. In addition, **we are providing additional capacity funding in 2018 for each Local Enterprise Partnership that clearly sets out how they will adopt these changes and are ready to develop Local Industrial Strategies**. This funding will also help to strengthen Local Enterprise Partnerships' ability to more actively involve local communities and organisations in their activity. We will ask Local Enterprise Partnerships to develop an implementation plan before they receive their allocation of this funding.

How Local Enterprise Partnerships will support this change:

Government expects that each Local Enterprise Partnership **consults widely and transparently with the business community before appointing a new Chair, and appoints a Deputy Chair**. This process, including members of the appointment panel, should be set out by the Local Enterprise Partnership in their local assurance framework. Government will support this by advertising vacancies and actively supporting recruitment into these roles but appointment to positions on Local Enterprise Partnership boards will remain a decision for the Partnership. In line with best practice in the private sector, Local Enterprise Partnerships will want to **introduce defined term limits for Chairs and Deputy Chairs** where these are not currently in place.

Businesses pay the taxes, create the jobs and provide the economic growth that will deliver the ultimate outcomes of the Industrial Strategy: higher living standards and higher levels of productivity. Government's aspiration is that Local Enterprise Partnerships work towards strengthening the representation from the private sector, increasing **representatives from the private sector so that they form at least two thirds of the board**, to ensure that each Local Enterprise Partnership can truly be said to be business-led. In order to maintain focused board direction and input, Government will work with Local Enterprise Partnerships to establish a **maximum permanent board of 20 people**, with the option to co-opt an additional five board members with specialist knowledge on a one year basis.¹

The composition of Local Enterprise Partnership boards is an important ingredient in their success. These boards must be able to take into consideration a breadth of interests of different local leaders and stakeholder groups to ensure that their growth strategies are relevant, representative and widely supported across their area. We want to ensure all Local Enterprise Partnership boards are truly representative of the communities that they serve. Government expects refreshed Local Enterprise Partnership boards to **improve their gender balance and representation of those with protected characteristics**. Our aim is for Local Enterprise Partnership boards to have equal representation of men and women by 2023. As a step towards achieving this, we will replicate the target set in the

¹ Any private sector board member must fit the definition of 'private sector' as defined by the National Accounts Sector Classification. A private sector member must be or have been employed by an organisation not included as central government, local government or a public corporation as defined for the UK National Accounts.

Hampton-Alexander Review for FTSE 350 boards; Local Enterprise Partnerships should aim for a minimum of a third women's representation on their boards by 2020.²

It is vital to ensure that local leadership has access to the advice and information they need to make informed and impactful decisions. Whilst local government representatives on boards can draw on the advice of their officials, other board members do not have the benefit of this level of support. Local Enterprise Partnerships will **need to provide a secretariat independent of local government to support the Chair and board** in decision making.

We are determined to help local areas learn from what works best and where, so that we can work together to refine and maximise the impacts of major investments. Government will support all Local Enterprise Partnerships to **develop a strong local evidence base of economic strengths, weaknesses and comparative advantages** within a national and international context. We will **require robust evaluation of individual projects and interventions**. The additional funding that Government is providing each Local Enterprise Partnership will help to develop this capability and we will work with the LEP Network to develop and share best practice.

The revised Local Enterprise Partnership Assurance Framework, to be published in the Autumn, will provide further clarity on the leadership and capability requirements set out above.

² <https://www.gov.uk/government/publications/ftse-women-leaders-hampton-alexander-review>

Accountability and performance

As autonomous local partnerships, Local Enterprise Partnerships are primarily accountable to the communities within their area. In practice, the full and active role of senior local authority representatives on these boards provides a strong and direct link back to local people and are one part of the Local Enterprise Partnership's democratic accountability. Whilst Local Enterprise Partnerships are individually accountable, Government remains accountable for the overall system and ensures appropriate mechanisms are in place to drive standards of accountability and performance across the network.

Case for change:

Government has awarded significant funding streams to Local Enterprise Partnerships, most notably the £9 billion through the Local Growth Fund. As this funding has increased, Government and Local Enterprise Partnerships have developed systems of governance and accountability to ensure that the devolved funding from central Government budgets is being managed effectively.

There have been criticisms around the accountability and performance of some Local Enterprise Partnerships. The level of transparency local partners want to see has been limited by the absence of comparability across differing Local Enterprise Partnership legal personalities and accountability frameworks. Furthermore, the significant differences in structures between Local Enterprise Partnerships contributes to the lack of consistency across the network. This has prevented Government from applying more targeted and transparent rules on performance. It has also meant that the public have been unclear on the role and the impact of Local Enterprise Partnerships in their areas.

Whilst Local Enterprise Partnerships have made significant progress in strengthening their accountability and transparency arrangements over the past few years, Government's greater ambitions for these institutions requires a renewed commitment to accountability and a strengthened approach to performance to ensure that Local Enterprise Partnerships operate to the highest standards.

How the Government will support this change:

Government's primary ambition is for Local Enterprise Partnerships to operate as a self-regulating sector, working with local partners and their peers through the LEP Network to drive improvements in governance and delivery and strive for excellence. The Government, the LEP Network and Local Enterprise Partnerships will develop **a Local Enterprise Partnership sector-led approach to assessing and improving performance through regular peer review.**

Although Local Enterprise Partnerships are locally accountable for their decisions, as the arbiter of the system and as the primary funding provider for Local Enterprise Partnerships, **Government will retain accountability and oversight over the system as a whole.** Local Enterprise Partnerships recognise the need to adhere to standards of transparency and accountability clearly set out in the National Assurance Framework. This is one element of the wider assurance system, which also comprises of Local Enterprise Partnership reporting to Government on agreed outputs, evaluation frameworks and

annual performance reviews. In January 2018 we issued best practice guidance in response to the recommendations of the Ministry of Housing, Communities and Local Government Non-Executive Director Review into Local Enterprise Partnership governance and transparency.

Well performing Local Enterprise Partnerships are critical to creating successful local economies. To help ensure Local Enterprise Partnerships are performing to their highest standard there need to be clear expectations both from Local Enterprise Partnerships themselves and from Government around overall Local Enterprise Partnership performance and the performance of individual programmes. These will be used to support decisions around the level of control held over future funding programmes. The Government will set out more detail on how this system could work in due course.

Government will publish a statement regarding its approach to intervention in a revised National Assurance Framework where there are instances of non-compliance or underperformance. This will ensure that any intervention is proportionate and provides the appropriate levels of support to rectify issues. In the majority of cases, our intervention will be minimal as the sector matures and self-regulates to effectively address underperformance at the local level and through the network of Local Enterprise Partnerships. Where there are significant concerns, we will proceed using a spectrum of options ranging from regular, minuted performance meetings, the agreement of action plans with milestones and risk based deep-dives. In the most extreme instances, this could include direct intervention to express the Government's loss of confidence in the Local Enterprise Partnership by withholding or withdrawing funding.

The performance of each Local Enterprise Partnership differs based on the individual circumstances of their place. Each Local Enterprise Partnership's **overall performance will be held to account through measures agreed in their delivery plans**. The Government will work with Local Enterprise Partnerships to ensure that they have these plans in place by April 2019.

Government will continue to monitor Local Enterprise Partnerships through annual performance reviews and quarterly monitoring of data returns for major growth programmes to monitor risk. Performance assessments will be grounded in the three themes encompassing the objectives of a Local Enterprise Partnership: 'Governance', 'Delivery' and 'Strategy'. In order to strengthen this system, we will introduce a mid-year review session with each Local Enterprise Partnership. This will enhance the existing annual performance review meetings and will focus significantly on strategic direction whilst also providing a forum for Government to highlight concerns with senior Local Enterprise Partnership officials.

How Local Enterprise Partnerships will support this change:

Government will **support all Local Enterprise Partnerships to have a legal personality**. Where they are not already incorporated as companies, Local Enterprise Partnerships that are not in mayoral combined authorities or combined authorities should take steps to become companies. Where Local Enterprise Partnerships are integrated within mayoral combined authorities and combined authorities exist, they may elect to use this legal personality. This new legal structure should be in place by April 2019, ahead of any release of further local growth funding. Ensuring that all Local Enterprise Partnerships

have a legal personality reflects their more prominent role in local growth, that they are their own business-led organisations and will allow them to enter into legal commitments to take on further responsibilities in the future.

Local Enterprise Partnerships will continue to be individually accountable for the allocation of funding and the delivery and evaluation of projects, with Section 151 Officers (or equivalent) maintaining accountability for the proper conduct of financial affairs within the Local Enterprise Partnership. Local Enterprise Partnerships and Accountable Bodies are responsible for the success and day to day operations of the Local Enterprise Partnership. In addition, the revised National Assurance Framework will provide further clarity on the role of the Section 151 Officer and Accountable Body with regards to governance and financial oversight. Local Enterprise Partnerships will want to identify **a single Accountable Body within in each area** that is responsible for all Local Enterprise Partnership funding.

As legal entities, all Local Enterprise Partnerships will be required to hold an annual general meeting. **We will set an expectation that these are open to the public and businesses to attend and be properly promoted.** This provides Local Enterprise Partnerships with the opportunity to update the wider public on progress on growth plans and its ambitions for future growth and ensure the communities that they represent can understand and influence the economic plans for the area. To ensure that all businesses in an area have equal access to their Local Enterprise Partnership, we will not permit any Local Enterprise Partnership to operate on a paid-membership basis.

Local Enterprise Partnerships must be clear on who in their organisation is responsible for their activity – and who ought to be held to account. **We will expect all Local Enterprise Partnerships to set out exactly who is accountable for spending decisions, appointments, and overall governance** locally. Schemes of delegation must be clear and the Partnership should explicitly address the accountability arrangements and relationships between the Board, Chair, Local Enterprise Partnership CEO, Accountable Body and Sub-Boards (in MCA areas this should also include the Combined Authority Board and the Mayor).

The Government will **support Local Enterprise Partnerships to set out how they will ensure external scrutiny and expert oversight**, including participating in relevant local authority scrutiny panel enquiries to ensure effective and appropriate democratic scrutiny of their investment decisions. We want this to provide an opportunity to Local Enterprise Partnerships to engage local partners and independent experts – such as academics - when developing their strategies, whilst reassuring their partners that taxpayers money is being put to best use.

This legal framework and additional detail on assessing performance within the National Assurance Framework will provide a greater level of clarity for all partners whilst ensuring that Local Enterprise Partnerships remain independent, private sector led institutions.

The Government will continue to provide guidance on the accountability requirements and assurance and performance management process for Local Enterprise Partnerships.

Geography

A strength of Local Enterprise Partnerships from the outset was their ability to bring together public and private sector leaders across functional economic areas to set a strategic vision and make decisions that transcend local administrative boundaries. However, in certain parts of the country, the benefits of this geographic scale have been tempered and the geographic boundaries have not provided the clarity needed to businesses and communities.

It is essential that communities served by Local Enterprise Partnerships are able to see a single vision and a compelling plan for their area. This will ensure that each Local Enterprise Partnership is in the best position to identify and align local interventions that maximise their economic impact.

The case for change:

When Local Enterprise Partnership geographies were first decided in 2011 they had a more strategic role with limited delivery responsibilities. Since then, the context in which they operate has changed greatly; as Government has committed over £9 billion from the Local Growth Fund to Local Enterprise Partnerships through three rounds of competitive Growth Deals.

To be fit for purpose as their roles and responsibilities are expanded once again, we need to ensure that Local Enterprise Partnership geographies provide simplicity, accountability and practicability. Whilst in most areas the existing arrangement has worked in practice, greater clarity and consistency is required if they are to meet Government's increased ambition. It is therefore the right time to revisit geographic boundaries.

The recent Public Accounts Committee inquiry into Local Enterprise Partnership assurance processes was clear that we need to provide clarity and accountability on how we deliver value for taxpayers' money. Local Enterprise Partnership accountability practices have been addressed throughout the wider review. The removal of overlaps forms a component part of a wider initiative to make these organisations more transparent, consistent and robust in the way that they allocate funding to drive growth across the country.

We must ensure that decision-making and delivery operate at the most appropriate geographical levels that maximise efficiency and effectiveness. In a number of instances since 2011, Local Enterprise Partnerships have amended their original boundaries, including the successful merger of Northamptonshire Local Enterprise Partnership and South East Midlands Local Enterprise Partnership, and we would expect any consideration of geographical changes to consider the most effective size and scale to operate over.

There is no universally accepted approach to measuring or defining functional economic areas and boundaries vary depending on the method used.³ However, we acknowledge

³ For example housing market definitions <https://www.gov.uk/government/publications/future-cities-comparative-urban-governance>, compared to labour market containment definitions

that economic geographies often cross administrative boundaries and we want to see continued collaboration between Local Enterprise Partnerships and local authorities where this is the case.

How the Government will support this change:

As Local Enterprise Partnerships are central to future economic growth, Government will ask Local Enterprise Partnership Chairs and local stakeholders to come forward with considered **proposals by the end of September on geographies which best reflect real functional economic areas, remove overlaps and, where appropriate, propose wider changes such as mergers.**⁴ We will **encourage Local Enterprise Partnerships and mayoral combined authorities to move towards coterminous boundaries where appropriate** in line with the wider discussions on Local Enterprise Partnership geographies. These proposals should be submitted by 28 September 2018. Government will respond to these proposals in the autumn and future capacity funding will be contingent on successfully achieving this.

We recognise that Local Enterprise Partnerships are independent bodies and will have to work closely with local stakeholders to reconfigure their geographies to meet the future roles and responsibilities of Local Enterprise Partnerships. Once any changes to Local Enterprise Partnership boundaries have been agreed, we will work with each Local Enterprise Partnership to ensure that revised geographies come into effect by spring 2020 at the latest, recognising the need to deliver against existing commitments as well as transition to the new policy and funding landscape over these new geographies. This will simplify the allocation of future growth funding and rationalise the increasingly complex local growth landscape.

How Local Enterprise Partnerships will support this change:

Local Enterprise Partnerships should build on the strength of their existing partnership working to collaborate on common issues. Whilst we are removing all instances in which two or more Local Enterprise Partnerships geographies overlap, this is not to say that local partners should not participate in the development of other Local Enterprise Partnerships' strategies. The Government **expects collaboration between Local Enterprise Partnerships** where interests are aligned when developing strategies to maximize their impact across their different objectives. This helps to ensure a more efficient use of resources and secure a better outcome than operating in isolation. This collaboration need not be restricted to neighbouring Local Enterprise Partnerships and will be particularly important where partnerships share a common interest or particular themes, for example, aerospace technologies.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/commutingtoworkchangestotraveltoworkareas/2001to2011>, and variations of each.

⁴ This will also include removing any situation in which a lower tier or unitary authority is covered by two Local Enterprise Partnerships whose geographies do not overlap.

Mayoral combined authorities

Since 2012, City Deals, Growth Deals and Devolution Deals have shifted power and funding to local areas to enable them to take strategic decisions about local priorities. These deals have enabled places to develop long-term plans and create the right conditions for prosperity.

Both Local Enterprise Partnerships and mayoral combined authorities are seeking to drive growth at a strategic economic geography, through place-based and locally-controlled policies and funds. It is essential that these bodies work together to respond to future opportunities and challenges.

The case for change:

The election of six mayors in mayoral combined authority areas in May 2017 was an historic step in the Government's mission to deliver an economy that works for everyone, and the seventh city region mayor was elected in Sheffield City Region in May 2018.⁵ The Government and local leaders agreed a 'minded to' deal with North of Tyne at Budget 2017. On 20 July 2018 all of the authorities consented to deal. As a result the Government will proceed to lay the orders in Parliament. Government remains open to conversations with other local areas that wish to explore the potential for devolution, where clear local support and a strong economic case for doing so can be demonstrated.

In all of these areas, Local Enterprise Partnerships and local authorities have worked together effectively throughout the process of negotiating and implementing devolution deals. In this, Local Enterprise Partnerships have taken a distinct role from that of the mayoral combined authority, providing private sector expertise and challenge to drive and inform strategy and investment decisions, including on local growth funding, business support and skills.

It is crucial at this point to ensure that investors, businesses and the public have a clear understanding of the relationships between Local Enterprise Partnerships and mayoral combined authorities as they take on an ever greater strategic role. The relationship between these bodies reflects local priorities and varies from place to place. Government is committed to working with Local Enterprise Partnerships and mayoral combined authorities to ensure clarity and transparency on their respective roles and responsibilities, address potential inefficiencies and help strike the right balance between integrated decision-making and delivery on the one hand, and appropriate challenge and scrutiny on the other.

How Government will support this change:

Government will **consolidate its engagement with mayoral combined authorities and their Local Enterprise Partnerships with a collaborative approach to agreeing Local Industrial Strategies**. As set out in the Industrial Strategy, places in England with a Mayoral combined authority will have a single Local Industrial Strategy led by the mayor

⁵ Government signed the Cornwall devolution deal in July 2015. The content of this section does not apply to Cornwall as this deal does not include a Mayoral Combined Authority.

and supported by the Local Enterprise Partnership. To ensure the maximum buy-in of key local stakeholders, we will expect mayoral combined authorities to work in partnership with their Local Enterprise Partnership to jointly develop and agree these strategies.

How Local Enterprise Partnerships and mayoral combined authorities will support this change:

To help ensure that Local Enterprise Partnerships have a distinctive role from the mayoral combined authorities, we **will support Local Enterprise Partnerships and mayoral combined authorities to develop and publish agreements – brought together in a single document with relevant financial assurance frameworks – which set out their respective roles and responsibilities** in a way that recognises the variation between places, while providing sufficient clarity on accountability for public funding.

We have set out five themes below which we would want to see addressed in these agreements:

- **Advisory and challenge function:** how local partners will ensure that there is a strong, independent voice for the Local Enterprise Partnership in the decision making process within mayoral areas, and that the Local Enterprise Partnership Chair and Board are able to draw directly on appropriate support and expertise from staff.
- **Alignment of decision-making across a clear geography:** how local partners will work together to ensure a clear, transparent decision-making process which minimises the impact of differences in organisations' geographical boundaries. To assist with clarity and transparency, we would encourage areas to move towards coterminous Local Enterprise Partnership and mayoral combined authority boundaries, but recognising that this will not be possible in all cases.
- **Accountability:** how the formal accountability relationship between the Local Enterprise Partnership and the mayoral combined authority will work. We would expect local partners to designate the mayoral combined authority as the formal Accountable Body for the Local Enterprise Partnership in terms of handling public money.
- **Efficiency and corporate identity:** how the Local Enterprise Partnership and the mayoral combined authority will work together in their approach to staffing, branding and other resources and assets.
- **Overview and scrutiny:** how the Overview and Scrutiny Committees of the mayoral combined authority and local authorities will interact with the Local Enterprise Partnership.

A move towards more aligned geographies would greatly strengthen democratic decision making and scrutiny between the Local Enterprise Partnership and mayoral combined authorities. We will **encourage Local Enterprise Partnerships and mayoral combined authorities to move towards coterminous boundaries where appropriate** in line with the wider discussions on Local Enterprise Partnership geographies.

As agreed with Government, the London Local Enterprise Partnership is chaired by the Mayor of London and operates through the Greater London Authority (GLA) which acts as its accountable body for funding provided by Government. All decisions must comply with the GLA's corporate governance, financial, legal and procurement frameworks and processes. We will work with London Economic Action Partnership to implement the changes outlined in this document as relevant.

The revised National Local Enterprise Partnership Assurance Framework and revised Single Pot Assurance Framework, to be published in the autumn, will provide further clarity on the requirements for mayoral combined authorities and Local Enterprise Partnerships in these areas.

Managing the transition to strengthened Local Enterprise Partnerships

We want to ensure that Local Enterprise Partnerships maintain their momentum and move quickly to implement these changes and formally establish themselves in their new form.

This document has set out a plan for reform, to ensure Local Enterprise Partnerships continue to drive growth and remain credible organisations locally and nationally. This provides Local Enterprise Partnerships with defined role and responsibilities, and provides clarity on activities and objectives to deliver on the ambitions of the Government's Industrial Strategy.

We will write to Local Enterprise Partnership Chairs to communicate the importance of the review and will work with them to develop revised proposals on geography by 28 September 2018 and a detailed plan for implementing the changes outlined in this document before 31 October 2018 at the latest. In order to deliver their role effectively, Local Enterprise Partnerships need financial support. As referred to above, to support Local Enterprise Partnerships in implementing these changes and embed evidence in Local Industrial Strategies, we will provide up to £20 million of additional funding between 2018-19 and 2019-20 to support Local Enterprise Partnerships to adopt these changes.

We will update the National Local Enterprise Partnership Assurance Framework so that these changes are included within Local Assurance Frameworks ahead of April 2019. The National Assurance Framework will be an essential part of our wider Local Enterprise Partnership assurance system to ensure that Local Enterprise Partnerships have in place the necessary systems and processes to manage devolved funding from central Government budgets effectively.

We recognise that some reforms will take longer to implement, particularly as we leave the European Union and Government considers key funding arrangements such as the UK Shared Prosperity Fund. We will work with these Local Enterprise Partnerships to ensure these reforms are implemented in a measured way and with least disruption to existing programmes.

This document has set out a step change in approach for both Local Enterprise Partnerships and Government. We will continue to work with Local Enterprise Partnerships to understand how the network can identify and apply best practice and develop a programme of training for Local Enterprise Partnership boards and executive teams. This will be supported by regular engagement from senior government officials, to ensure Local Enterprise Partnerships and all parts of Government work strategically together to deliver economic growth and prosperity across the country.

Annex – Advisory Panel Joint Statement

The Industrial Strategy made clear Government “remains firmly committed to Local Enterprise Partnerships”, but that “performance has varied” across the country. The Industrial Strategy set out that Government will review Local Enterprise Partnerships.

To inform this review Ministers in MHCLG, BEIS and HMT established an external advisory panel. The panel met four times between December 2017 and May 2018 to discuss LEP best practice and opportunities for reform. The panel also provided advice on best practice in comparable private and public sector organisations.

Following these discussions and other engagement with officials, the advisory panel agrees that ministers should consider the following statement in concluding the review:

- LEPs provide a rich partnership of private sector organisations, local government, education – including universities – and other key local institutions and will be central to the delivery of the Industrial Strategy, driving growth and productivity across England. These partners each make unique and critical contributions to the LEP model, ensuring its distinctive role, which the ministerial review of LEPs should recognise and promote. To ensure LEPs are credible organisations locally and nationally, working with stakeholders from across the public and private sector, LEPs should have a clear and simple mission, focused on strategy-setting and the prioritisation of resources. Partnership working is the key determinant of a successful LEP and should be promoted across the country, so LEPs can set effective strategies for long term change and economic improvement.
- The panel recognises the important recommendations of Mary Ney’s Review of Local Enterprise Partnership Governance and Transparency and agrees that LEPs should have consistent, formalised and transparent governance arrangements. All LEPs should have the institutional capacity and capability to develop and maintain a robust evidence base to support and monitor the strategic vision and performance of an area. The review could consider how local authorities support LEPs, and how LEPs and other bodies such as the LEP Network collaborate to share best-practice and promote effective peer review within the sector.
- To ensure LEPs maintain a culture of constructive challenge and bring strategic leadership for growth across their area, they should have a distinctive role from individual local government institutions, including combined authorities. LEPs should not crowd out or duplicate business organisations, which represent businesses at the local level, and the LEP review should consider how Government can ensure these distinct roles are maintained. The review should ensure that the accountable body role undertaken by a local authority is facilitated in appropriate membership arrangements and recognises the risk management role that body fulfils on behalf of the LEP. The review could also consider increasing the proportion of private sector members on LEP boards, but should remain cognisant of the need for clear accountability.
- Effective boards represent the diverse communities and businesses of their economies, and those local bodies which contribute to growth. The best LEP boards draw on the expertise of an area’s business leaders and enable these individuals to

engage with local and national government, and the education and skills sector, to identify, articulate and invest in economic priorities and support innovation. All LEPs should engage small- and medium-sized business leaders as well as larger firms in their governance, and be representative of their areas' communities. Government and LEPs should show leadership on promoting diversity on boards and in effective decision-making.

- LEPs' activities should work towards targeted key performance indicators and effectively evaluate the impact of their projects, programmes and investments. The panel recognises the importance of local autonomy and differentiation, and that LEPs should hold themselves to account and be held to account by others on the basis of their performance against these measures. Transparent performance measures and expectations could be accompanied by a more nuanced range of actions and support from Government with regards underperforming LEPs. It is vital to provide stakeholders with confidence that all LEPs can deliver on the core roles and responsibilities set out for them.
- It is important to ensure LEP boundaries provide clarity and transparency in decision making and recognise functional economic areas, whilst seeking to optimise opportunities for cross-LEP collaboration where common economic priorities are evident.

The terms of reference the advisory panel considered as part of the ministerial review were:

- Define with greater clarity the strategic role of LEPs in driving growth and productivity for business; people; ideas; infrastructure; and place.
- Strengthen business leadership and corporate governance to ensure that LEPs remain diverse private sector-led organisations that can shape and challenge local economic decision making, through the adoption of best practice.
- Establish clear accountability through rigorous financial reporting and enforcement of transparency in decision making.
- Assess the impacts of boundary overlaps to ensure clarity, transparency and representation of functional economic areas.
- Improve organisational capability and planning certainty, including looking at options for a common incorporation model; how LEPs are resourced and the standardisation of organisational structures and reporting.
- Define the relationship between LEPs and Local Authorities, as well as new organisational structures such as Mayoral Combined Authorities.

The panel members were:

- Dr Adam Marshall – Director General of the British Chambers of Commerce
- Cllr Anne Western – Leader of the Labour Group, Derbyshire County Council, and Vice-Chair of the Local Government Association's People and Place Board
- Cllr Bob Sleight OBE – Deputy Mayor of the West Midlands Combined Authority and Leader of Solihull Council
- Christine Gaskell MBE – Cheshire and Warrington Local Enterprise Partnership Chair and representative of the LEP Network Management Board

- Professor Diane Coyle CBE – Bennett Professor of Public Policy, University of Cambridge, and Co-Chair of the Industrial Strategy Commission
- Cllr Gordon Birtwistle – Councillor and former MP for Burnley
- Cllr Judith Blake – Leader of Leeds City Council
- Professor Judith Petts CBE – Vice Chancellor of University of Plymouth and Heart of the South West Local Enterprise Partnership Board Member
- Cllr Manjula Sood MBE – Deputy Mayor of Leicester City Council
- Martin McTague – Policy Director at the Federation of Small Businesses
- Mary Ney – Non-Executive Director at the Ministry of Housing, Communities and Local Government, and former Chief Executive of the Royal Borough of Greenwich
- Sherry Coutu CBE – Chair of the Scale-Up Institute, Chair of the Financial Strategy Advisory Group, University of Cambridge, and Non-Executive Director for the London Stock Exchange Group
- Stephen Greenhalgh – Joint Managing Director of J&J Omerod PLC

National LEP Review Issue	Key Actions	Government will...	LEPs will...	Lancashire Position
Role and Responsibilities	Role and Responsibilities	Publish a statement on LEP roles and responsibilities with a focus on productivity and growth	TBC	TBC
	Produce an evidence-based Local Industrial Strategy (LIS)	Publish further guidance on LIS	Produce LIS by end 2020	Significant body of work already in place and being developed with strong engagement with local authority leaders
		Commission an Annual Economic Outlook measuring economic performance across LEPs	TBC	LEP currently produces regular economic monitors and undertakes policy research
	Produce an Annual Delivery Plan	Details to be provided	Publish an Annual Delivery Plan	LEP already produces a budget and delivery plan approved at Board and has published an Achievements Document and Annual Report
	Produce and end of year report	Details to be provided	Publish an end of year report	

National LEP Review Issue	Key Actions	Government will...	LEPs will...	Lancashire Position
Leadership and Organisational Capacity	Dialogue with government including with PM	Increase frequency and regularity of dialogue		
		LEP Council with PM		Edwin attended first LEP Council with PM
		Minster and Senior official LEP sponsors		Meetings with Lord Henley are more regular, given turnover in our Ministerial sponsors. Meetings arranged with official sponsor starting in the Autumn
	Advertising of Vacancies	Offer to list vacancies on the Centre for public appointments website		LEP has recently advertised Director vacancies
	Appointment of Chair / Deputy	Support with Govt appointments service	Consult widely and transparently with business community	Imminent opportunity to test new process
			Define term limits for Chair Deputy – 3 years seems to be the emerging time period	No fixed-term currently
	Training of Board members	HMG will provide a training programme for LEP Board members		Induction and support already provided to all LEP Directors.
	Board Size		Limit Board to maximum of 20 + optional 5 co-optees	Currently 19 Board Directors with applications pending for 3 vacancies. Process

National LEP Review Issue	Key Actions	Government will...	LEPs will...	Lancashire Position
				paused in light of national review.
	Improve gender balance and representation		1/3 of Board to be women by 2020	Currently 2 of 19 (10%) women. 1 male BME Director.
	Additional resource	Provide an additional £20m before end 19/20.	It is informally suggested that an additional £200K per year will be provided to each newly compliant LEP.	LCC has been providing match funding and core capacity support valued at nearly £3m since the LEP's inception in 2011
	Secretariat "independent of local government"	Details to be provided	TBC	Need to agree what this means locally. Current LEP executive is provided by LCC staff that are fully or partly funded by the LEP. LCC provides the LEP with company and accountable body services.

National LEP Review Issue	Key Actions	Government will...	LEPs will...	Lancashire Position
Accountability and Performance	Accountability	HMG to maintain overall accountability	Have a Legal Personality	LEP has a compliant company structure, but LCC control and ownership of LEP company structure will need to be addressed
			Clear statement on the role of Chair, Board Directors and Accountable Body	LEP's fully compliant current assurance framework addresses these points, though await any further changes in national guidance. Our LEP is rated as outstanding, in this regard, by Government auditors
			Participate in local authority scrutiny panels	LEP regularly attends LCC scrutiny and other local authorities by request
			Hold an AGM	Need to plan for this event.
	Measurement	Publish Annual Performance		Annual Report produced with key metrics included
	Intervention	Publish a clear statement on an escalating approach to intervention with underperforming LEPs	TBC	N/A

National LEP Review Issue	Key Actions	Government will...	LEPs will...	Lancashire Position
	Performance Improvement	Develop approach to performance improvement with sector	TBC	TBC
Geography	No overlaps, potential for mergers	Receive proposals from LEPs or local stakeholders for change by end September	Continue to collaborate across boundaries.	No boundary changes required plus track record of cross-boundary collaboration
Mayoral Combined Authorities		Further consolidate engagement with MCAs and their LEPs	LEPs to have a distinctive role within MCAs	N/A
			MCAs and LEPs to develop clear local agreements and roles and responsibilities	N/A
			Move toward coterminous boundaries	N/A

