

EAST RIDING OF YORKSHIRE COUNCIL

Local Enterprise Partnership Transition Arrangements

Destination	The Cabinet	19 September 2023
Considered by	CLT	14 August 2023
	SLT	2 August 2033

Assessments/Considerations

	Y/N	Reference number/date
Equality Analysis Screening Tool	N	
Equality Analysis Assessment	N	
Data Protection Impact Assessment (Stage 1)	N	
Data Protection Impact Assessment	N	
Health in All Policies Assessment	N	
Environmental Impact Assessment	N	
Climate Change		N/A
Armed Forces Covenant		N/A
Risk Register		N/A
Value for Money		N/A

Consultation

Executive Directorate	Name and title	Y/N
Chief Executive	Caroline Lacey - Chief Executive	
Adult Social Care and Health	Beverley Compton - Executive Director of Adult Social Care and Health	
Children, Families and Schools	Eoin Rush - Executive Director of Children, Families and Schools	
Communities and Environment	Paul Bellotti - Executive Director of Communities and Environment	
Corporate Resources	Darren Stevens - Executive Director of Corporate Resources	
Planning and Economic Regeneration	Alan Menzies - Executive Director of Planning and Economic Regeneration	

Portfolio Holder	Portfolio	Y/N
Councillor Anne Handley	Leader	

Signoff

Executive Director of Planning and Economic Regeneration	[Date]
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N.B. - Reports must be signed off by the appropriate member of Corporate Management Team before they can be enclosed with any committee's agenda. In most cases, reports which have been signed off should be submitted by the relevant CMT member's office.

**EAST RIDING OF YORKSHIRE COUNCIL**

Report to: The Cabinet
19 September 2023

Wards: All

Local Enterprise Partnership Transition Arrangements

Report of the Chief Executive

Report of the Executive Director of Planning and Economic Regeneration

A. Executive Summary

The government's decision to withdraw core funding for Local Enterprise Partnerships (LEPs) by April 2024 effectively leads to their abolition, resulting in the need for local authorities to embed LEP functions and activities into their own services within a short timescale. Hull City Council, as the Hull and East Yorkshire LEP's accountable body, must act now to prepare the LEP to cease its operation. Agreement is sought from East Riding of Yorkshire Council in respect of their proposed actions to this end, i.e. establishment of a Strategic Skills Partnership Unit under the control of the Hull and East Yorkshire Joint Leadership Board and transfer of relevant staff. The cost of this is proposed to be up to £125,000 to the Council (including the £50,000 pa contribution currently made to support the LEP), with Hull City Council also contributing the same amount. It is intended that this unit would later be replaced by a strategic skills function within the emerging Combined Authority with the costs met through devolved funding.

B. Council Priorities

Growing the Economy
Valuing the Environment
Empowering and Supporting Communities

C. Lead Portfolio

Leader

D. Recommendation

It is recommended that The Cabinet note and support the recommendations made by Hull City Council, accountable body for Hull and East Yorkshire (HEY) LEP, in respect of arrangements for winding down current HEY LEP operations and implementing the functions and responsibilities of HEY LEP into both constituent local authorities.

1. Background

1.1 In England, LEPs are voluntary partnerships between local authorities and local private sector businesses. LEPs have played a significant role in helping to determine local economic priorities and undertaking activities to drive economic growth and job creation, improve infrastructure and raise workforce skills within the local area. LEP boards are led

by a business Chair, and board members are local leaders of industry (including small and medium-sized enterprises), educational institutions and the public sector.

- 1.2 Announcement of the creation of LEPs coincided with the abolition of Regional Development Agencies as part of the Government's June 2010 budget, subsequently implemented in 2011 by the Department for Business, Innovation and Skills and leading to the creation of 38 LEPs across England. At inception, councils were able to be members of more than one LEP at a time, leading to East Riding of Yorkshire Council's membership of both the Humber LEP and the York, North Yorkshire and East Riding LEP.
- 1.3 The Government's 2018 review of LEPs required action to remove overlaps of Local Enterprise Partnerships boundaries. Ministers were not persuaded by representations from local leaders that overlaps were beneficial to achieving LEP objectives but stated in a letter dated 14 November 2018 to LEP Chairs that 'in agreeing on the best way to eliminate overlap areas, we would encourage you to look to neighbouring LEPs to agree how best to enshrine that collaboration in the future. In assessing LEPs in future annual performance reviews, we will be taking account of how effectively and openly you work with neighbouring LEPs.' The Cabinet therefore agreed on 26 February 2019 that the Council's membership would be of the Humber LEP alone and resigned from York, North Yorkshire East Riding LEP with effect from 31 March 2020. However, the two Humber South Bank authorities had recently approved their memberships of Greater Lincolnshire LEP, thus requiring the establishment of a new HEY LEP with effect from 1 April 2021.
- 1.4 It was proposed that the Cabinet meeting on 15 December 2020 would recommend to Full Council that the new Local Enterprise Partnership arrangement was agreed. Endorsement was also be sought for (a) the Humber Leadership Board taking on an enhanced role to provide strategic leadership on key pan-Humber economic issues and oversee the Local Enterprise Partnership transition, and (b) the establishment of a joint Committee of Hull City Council and East Riding of Yorkshire Councils to provide democratic accountability for the new LEP. It was agreed that the new HEY LEP Board would adopt existing Humber LEP governance and assurance arrangements, including Hull City Council's role as Accountable Body.
- 1.5 Both Hull and East Riding of Yorkshire Councils currently provide funding to the HEY LEP of £50,000 each per annum, as they had done to the Humber Local Enterprise Partnership, to use as match to draw down Government Core Funding. In previous years, Government Core Funding was £500,000 per annum for LEPs. This funding was reduced to £375,000 for 2022-23 and further cut to £250,000 for the year 2023-2024.

2. Changes to the National Policy Context

- 2.1 At the time of the Levelling Up White Paper's publishing (February 2022), the government's intentions regarding LEPs and their place in the devolution framework/County Deals were in development. The White Paper indicated the government's intention to integrate the functions and role of LEPs into local democratic institutions sitting at Levels 2 and 3 of the devolution framework, with the ambition of retaining the local business voice. Guidance provided to LEP Chairs noted 'Where devolution deals are set to be negotiated, the integration of LEP functions, roles and boundaries will be considered as part of those negotiations, with LEPs supporting local leaders, where requested, to embed a private sector perspective into that conversation. Once a future devolution deal is agreed and implemented, or where an institution progresses to at least Level 2 of the devolution framework, LEP functions and roles can be integrated.' To achieve this aim, Hull and East Riding devolution proposals were

developed with the intention of integrating the HEY LEP into a future Combined Authority, to act as a non-voting constituent member.

2.2 The government's position on LEPs has since been clarified. In his 2023 Spring Budget, the Chancellor announced the Government was 'minded' to withdraw support from LEPs within a year, transferring their responsibilities to local authorities by April 2024 at which point financial support to LEPs would cease. In a letter to LEP Chairs, dated 17 March 2023, the government stated that it 'remains committed to integrating LEP functions into local democratic institutions' and that they will 'work with local areas to determine how the functions currently undertaken by LEPs are best delivered at a local level in future, where appropriate and where they are not already delivered by a Combined Authority.' Therefore, the anticipated LEP integration into a Hull and East Yorkshire Combined Authority as a non-voting constituent member is no longer expected to occur. It should, however, be noted that this proposal remains subject to the outcome of a joint consultation by the Department for Levelling Up, Housing and Communities and the Department for Business and Trade, after which an updated policy paper is anticipated by summer 2023.

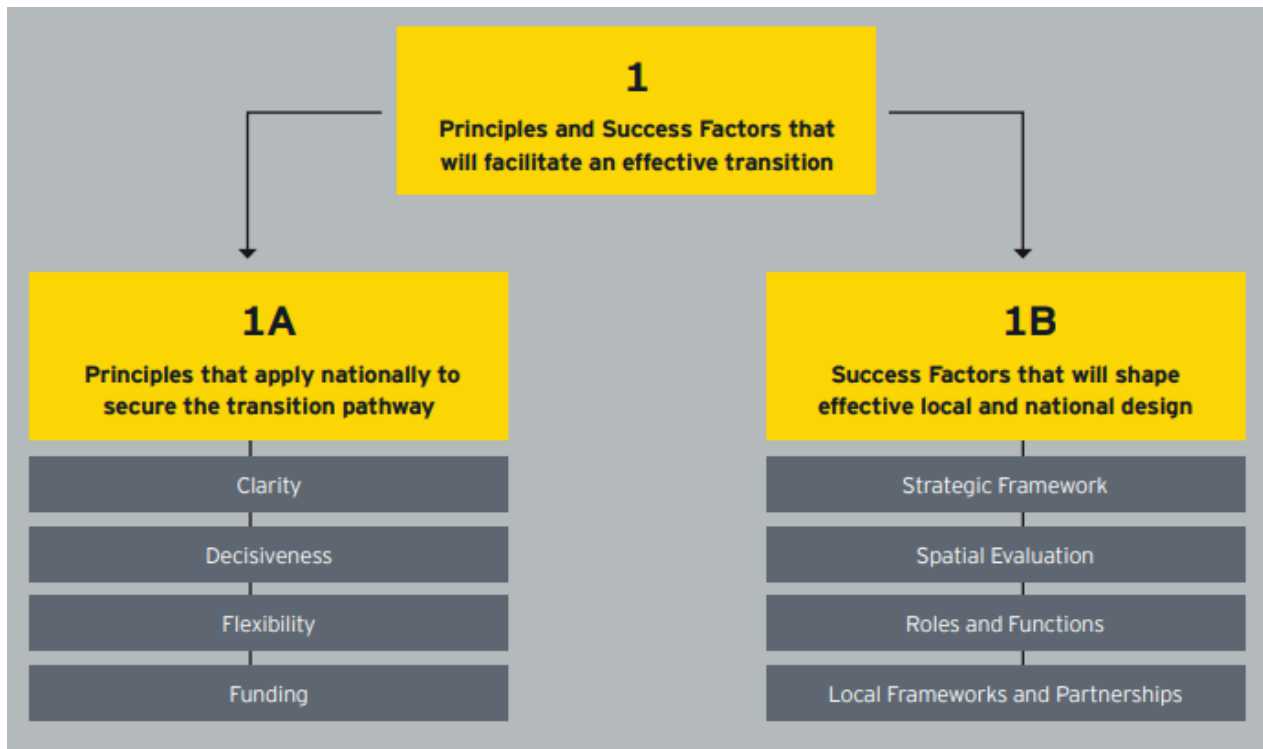
2.3 In the absence of initial guidance from government and taking into account the limited timescales for action, the County Councils Network's (CCN) *Local enterprise partnerships - Transition of LEP functions to CCN members: principles for success* report recommends a dual-aspect approach in facilitating an effective LEP transition. The first asks for a well-defined, nationally applicable set of principles that would:

- Provide policy clarity with a transition timeline, defined accountability and baseline functions to transfer.
- Confirm whether it is Government's expectation that the integration of LEPs will require Council approval.
- Empower local leaders to define and match to local area needs and circumstances in their LEP transition design with flexible national economic strategy that enables local economic strategies and autonomy to deliver and deploy resources to meet local priorities and outcomes.
- Clarify future funding streams and allocation mechanisms, specifically confirmation of retrospective compensation for transition costs incurred by local authorities.

The second aspect specified the 'Success Factors' that will shape effective local design of LEP transition. This would include:

- Setting objectives to be built into a coherent strategy at the local level once further clarity has been offered by government.
- Assimilation of impact and evaluation of LEP programmes and spending across the locality.
- Placement in and alignment to longer-term local devolution plans, with integration of business voice in future plans and agenda setting.
- Being clear on roles and responsibilities, with consideration of delivery strategies that leverage the local context.

As the report notes, 'There is the need to define and set out the right model of transition framed in the local context to deliver local economic growth by harnessing place strengths and opportunities for regional cooperation.'

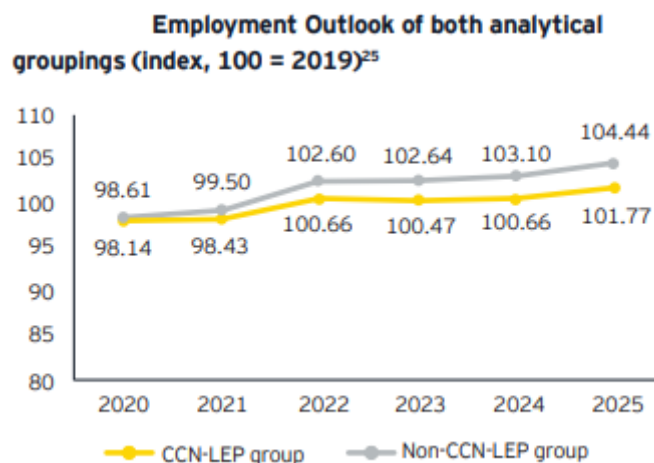


2.4 The government has indicated its desire to agree a devolution deal by the time of the Autumn Statement (circa October 2023). When comparing this against previously agreed deals currently in progress at various stages (e.g. East Midlands; York North Yorkshire), it appears most likely that the earliest mayoral election date would be May 2025, with creation of a Combined Authority preceding this by a matter of months. Therefore, it appears certain that the cessation of the HEY LEP and withdrawal of funding by April 2024 will precede any implementation timeline leading to the creation of a Hull and East Riding Combined Authority. Therefore, it is essential that the HEY LEP's current areas of responsibility, including strategic skills oversight and local business voice, are embedded into the local authorities/Combined Authority, and are represented in devolution negotiations. As the CCN report notes, 'LEPs have developed extensive knowledge of the innovation capacity and levers of their local areas, alongside an applied knowledge of their economic footprint... Effectively managing the fall-out from LEP closure will be extremely important to keep businesses engaged and ensure the platforms that LEPs provided are built upon to drive better outcomes.'

3. Key Issues

3.1 The current proposal is to transition from the current HEY LEP structure and form as a private sector led partnership to a Strategic Skills Partnership Unit (SSPU) under the control of the existing Joint Committee – The Hull and East Riding Joint Leadership Board. It is suggested that this SSPU falls within the existing delegated powers of the Joint Leadership Board, as endorsed at the inception of the HEY LEP with a specific remit and oversight of HEY LEP functions. The Joint Leadership Board's role would include the monitoring of performance, the formal approval of any financial commitments and ensuring alignment with both local authorities' priorities and skills needs. The Joint Leadership Board will provide democratic leadership in the interim period between closure of the HEY LEP and constitution of a Combined Authority. The Joint Leadership Board is anticipated to act as the de facto shadow Combined Authority prior to formal establishment of the Combined Authority by Parliamentary Order and, therefore, is best placed to host this SSPU in the transition period.

3.5 Strategic skills are a critical element of the East Riding’s Economic Strategy extension (currently under review with anticipated adoption in Autumn 2023), particularly in respect of Priority 2 Lifelong Learning. Skills are a key factor of competitiveness and an indicator of productivity. Beyond the HEY LEP, no other organisation has responsibility for this critical area, which remains problematic for the area. As highlighted by analysis from the CCN in *Economic Inactivity: Post-Pandemic Trends in Counties* (published February 2023), ‘The number of economically inactive people in England has grown from 7m to 7.243m as a result of a 11.6% (320,300) increase in the number of economically inactive people in England’s 37 county and CCN unitary areas... In contrast, major cities and towns across the country saw a decrease in economically inactive people.’ Likewise, according to the CCN’s forecast in their LEP paper, ‘[D]espite employment rebounding to pre pandemic levels for both groups by 2022, the forecast indicates that by 2025, the non CCN-LEP regions are expected to grow by 4% (634k jobs) compared with 2019 levels, while the CCN-LEP regions are projected to grow by only 2% (322k jobs).’ (See table below). The need for a centralised body overseeing regional skills development remains valid at the risk of losing economic opportunities for residents, undermining industrial advantage and falling behind.



3.6 Positioning the proposed SSPU under the control of the Joint Leadership Board ensures that risk sharing arrangements, other strategies and operational arrangements would be in place to reflect the diverse and equal needs and opportunities across the area’s urban, rural and coastal geography. This would also ensure that skills would be offered the same high-level, strategic and collaborative attention awarded to other such matters falling under the purview of the Joint Leadership Board and to Humber partnership more broadly, such as low carbon energy, food and farming, tourism and the planning of major infrastructure. Whilst the role of Opportunity Humber and other business-led organisations remains to be determined in the short-term in respect of government intentions for rationalisation, the Joint Leadership Board represents an appropriate and suitably authoritative theatre for capturing business voice in the interim devolution arrangements. Skills will likewise remain prominent at a sub-regional level as further clarifying discussions are sought with the Freeport and a future Mayoral Development Corporation, both of which are expected to exert influence upon businesses in the region (alongside the future Combined Authority) and impact upon skills.

Proposed Structure and Funding

3.7 Hull City Council is both a member of and the Accountable Body for the HEY LEP and therefore the employer of its staff. A report prepared for Hull City Council’s Cabinet on 24 July 2023 addresses the practical transference of LEP responsibilities to the local authorities and their obligations as the accountable body, requesting authorisation to

engage in and conclude any necessary negotiations and partnership activity in this regard. In respect of the HEY LEP's current staff, Hull City Council proposes that those employed on fixed-term contracts to deliver specific (legacy) programmes will continue in their roles with new reporting arrangements, to the Assistant Director for Economic Development and Regeneration. This would then require the staff currently funded from government core funding for LEPs to be funded from local funds.

- 3.8 The proposed SSPU will be small and strategic (likely 4 or 5 Full Time Equivalent roles) but will require funding in the absence of government funds and an agreed devolution deal to a maximum £250,000 per annum. As part of the HEY LEP budget process each year, a proportion of reserves has been set aside to deal with any potential longer-term liabilities arising from withdrawal of government funding. The proposal to form a SSPU will allow some of this provision to be mitigated and to fund some of the initial cost, prior to agreement of a devolution deal with government and release of associated funds or interim capacity funding.
- 3.9 As noted previously, both Councils currently contribute £50,000 per annum for operation of the HEY LEP. A maximum budget of £250,000 per annum made up of an equal contribution from each council of up to £125,000 is anticipated to fund the SSPU. Where possible, extant HEY LEP reserves will be brought forward to partially fund the SSPU prior to any arrangement agreed under devolution negotiations, at which stage functions of the SSPU would become the responsibility of the Combined Authority with its costs met through devolved funds. The SSPU will be expected to operate within very tight resources and focus on overall strategic direction for the area, with delivery and operational activities provided through existing providers.
- 3.10 The option to do nothing would mean the strategic skills agenda would be lost along with any legacy from the HEY LEP, as it will cease to operate at the end of this financial year. The current HEY LEP skills unit has a strong track record of securing external funding from national public sector partners and local private sector businesses, having been instrumental in accessing significant levels of European Structural and Investment Funds over recent years. CCN analysis shows that LEPs in CCN geographies were able to generate £1.97 of investments from the public and private sectors for every £1 of Local Growth Fund spend. On the opportunity offered by LEP transfer, the CCN report notes, 'Through LEP transition CCN members have the opportunity to revisit existing strategies undertaken by LEPs and either validate the continued direction of the plan and reinforce implementation, or revisit plans that can further integrate their role in unlocking growth.'
- 3.11 Preserving the legacy of the HEY LEP by creating the SSPU will ensure vital experience and knowledge are retained and public core funding/reserves are put to meaningful use. To this end, Hull City Council proposes that the LEP core staff transfer to the SSPU. The alternative would be HEY LEP staff redeployment in line with the Hull City Council's Human Resources policies, posing a risk of redundancies and early retirements with a potential associated cost of approximately £300,000. The transfer of existing staff may enable some remaining reserves to be utilised in supporting the funding of the SSPU prior to devolution, although there still could be redundancies following the formation of the MCA if it did not wish to continue the SSPU approach, or it was not demonstrating sufficient impact. Appendix A provides an outline governance structure, including the formation of a SSPU with the private and voluntary sectors and a delivery partnership that will also include delivery bodies.

4. Conclusion

- 4.1 Government's decision to withdraw core funding for LEPs by April 2024 effectively leads to their abolishment, resulting in the need for local authorities to embed LEP functions

and activities into their own services within a short timescale. As of July 2023, there is no definitive guidance from government on the mechanisms for doing so or recommendations of best practice, and the outcome of a consultation in this regard is awaited. It appears that the impetus lies with the relevant Councils engaged with each LEP to determine their own arrangements.

- 4.2 A core tenet of the Levelling Up White Paper's Devolution Framework is the ability to drawdown full devolution of the Adult Education Budget and to play a strategic role in future LSIP development. Regional skills levels can impact an area's ability to be competitive, and it is recognised that this should be managed at a local level. This suggests the significance of embedding skills into any future devolution deal and subsequent Combined Authority. Outside of the HEY LEP, no other organisation has responsibility for the critical area of skills. The responsibility for skills provision and development can appear to be both 'everyone's but no one's responsibility' which, if left unmanaged, could lead to an unsatisfactory situation which will further curtail economic growth and limit residents' opportunities.
- 4.3 Regardless of any progress or successful outcome for a devolution deal with government, there is a clear need for a proposed SSPU to work with business. The Government's decision forces the issue ahead of any negotiations for a Combined Authority. Hull City Council, as the HEY LEP's accountable body, must act now to prepare the LEP to cease operation, and agreement is sought from East Riding of Yorkshire Council in respect of their proposed actions to this end, i.e. establishment of a SSPU and transfer of relevant staff under the control of the Hull and East Yorkshire Joint Leadership Board. The maximum cost of this is proposed to be £125,000 to the Council, with Hull City Council also contributing the same amount.

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Background Papers

Economic Inactivity Post-Pandemic Trends in Counties
<http://www.countycouncilsnetwork.org.uk/download/4756/?tmstv=1689744449>

Local Enterprise Partnerships - Transition of Local Enterprise Partnership functions to CCN members: principles for success
<http://www.countycouncilsnetwork.org.uk/download/4953/?tmstv=1689744449>

Glossary/Abbreviations

CCN	County Councils Network
HEY	Hull and East Yorkshire
LEP	Local Enterprise Partnership
LSIP	Local Skills Improvement Plan
SSPU	Strategic Skills Partnership Unit

