



SCRUTINY COMMISSION – 10 APRIL 2024

TRANSITION OF LEICESTER AND LEICESTERSHIRE ENTERPRISE PARTNERSHIP (LLEP) RESPONSIBILITIES TO UPPER TIER LOCAL AUTHORITY CONTROL

REPORT OF THE CHIEF EXECUTIVE

Purpose of the Report

1. The purpose of this report is to advise the Commission on progress in transferring the responsibilities of the Leicester and Leicestershire Enterprise Partnership (LLEP), a strategic body which has existed since 2011 to drive forward the growth of the Leicester and Leicestershire economy, to the two upper tier local authorities (the County Council and Leicester City Council).

Policy Framework and Previous Decisions

2. The County Council's Strategic Plan is based on five strategic outcomes which describe the Council's vision for Leicestershire, including:
 - **Strong economy, transport and infrastructure:** *Leicestershire has a productive, inclusive and sustainable economy and infrastructure which meets the demands of a growing population and economy.*
3. Working in partnership with businesses and the stakeholders across the Leicester and Leicestershire functional economic area is essential to achieving this outcome. Since 2011 the main vehicle for this partnership working has been the LLEP and the new arrangements being put in place will be critical to delivering this Strategic Plan outcome.

Background

4. In 2010 the Government invited proposals from local areas for the establishment of Local Enterprise Partnerships (LEPs) and in 2011 the Leicester and Leicestershire Enterprise Partnership (LLEP) was established. A joint public/private LLEP Board, with a private sector majority, was established, led by a private sector chair. The County Council was represented on the Board by the Leader or another Cabinet member. In 2018 the Government required that all Local Enterprise Partnerships become incorporated. LLEP Ltd., a company limited by guarantee, was established in April 2019 with a Board of Directors. Mr. Bedford CC is a current Director of LLEP Ltd. representing the County Council.

5. The LLEP has been responsible for setting the sub-regional strategy for economic growth and this has taken a number of forms, including the original Strategic Economic Plan through to the Economic Growth Strategy published in 2021. It has also delivered a wide range of programmes and initiatives to the benefit of the county and sub-regional economies.

Transition

6. In the Spring Budget of March 2023 the Chancellor announced that the Government was 'minded' to withdraw central government core funding for LEPs from April 2024. This decision was confirmed in August 2023. The Government also stated that its funding to LEPs for a number of key functions, namely business representation, strategic economic planning, and the delivery of government programmes where directed, would be transferred to upper tier local authorities (UTLAs) where they are not already being delivered by combined authorities or the Greater London Authority. The expectation is that UTLAs work together across a functional economic area. Leicester and Leicestershire has long been considered a functional economic area as the boundaries provide a good approximate fit to key economic geographies such as travel to work areas.
7. The Government has issued guidance which includes the following:
 - Government encourages single upper tier local authorities, or local authorities working together across a prospective devolution deal geography or functional economic area, to create or continue to engage with an Economic Growth Board (or similar) made up of local business leaders and relevant representative bodies to (a) provide the view of local businesses as part of regional decision making and (b) work with local leaders to create a broad economic strategy for the area.

Business representative boards should follow the below guiding principles for ensuring business representation in local decision-making:

- a. Involve business representative organisations, such as a local Chamber of Commerce, the Federation of Small Businesses; or the designated Employer Representative Body (ERB) developing the Local Skills Improvement Plan (LSIP);
 - b. Include a diverse range of businesses related to local economic strengths and priorities. This should include businesses of all sizes and businesses which are geographically diverse, e.g., urban, rural, coastal businesses as appropriate to the local area;
 - c. Ensure a diversity of voices; and
 - d. Have a clear conflict of interest policy.
8. The approach to Governance set out further below in this report has been designed to meet these requirements, with there being a clear mechanism set out for the UTLAs to secure engagement with a Business Board made up of local business leaders and relevant representative bodies.

9. In this context the LLEP Board resolved to work together with the UTLAs to ensure a smooth handover. A LLEP Transition Board was subsequently established with a membership of several private sector LLEP Directors, the LLEP Chief Executive, and senior officers from the Council, Leicester City Council, and a representative of the district councils.
10. The Transition Board has considered a range of issues including priority LLEP activities to be continued under the new arrangements and proposals for governance and business representation.

Proposed New Arrangements

Priority Activities

11. The Government has indicated that it will provide funding for local economic planning, supporting business representation, and the delivery of government programmes when directed. These requirements have informed the priority activities for the next two years which have been agreed as part of the transition discussions. These are as follows:
 - a. Supporting the designated Enterprise Zones, which include sites in the county at MIRA near Hinckley and at Loughborough University Science and Enterprise Park (LUSEP) and Charnwood Campus in Loughborough;
 - b. Skills and apprenticeships, including the work of the Leicester and Leicestershire Careers Hub;
 - c. The Business Gateway Growth Hub;
 - d. Local economic planning; principally through an early update of the Economic Growth Strategy. The Government has indicated that updated economic growth strategies may need to be submitted by October 2024 with further guidance expected in June 2024;
 - e. Supporting business representation through the establishment of a Business Board (see below).
12. It is expected that a number of Government programmes will be added to the list as the Government requests the UTLAs nationally, supported by their business representation boards, to deliver them locally.
13. Most of these activities are already overseen by a number of LLEP sub-boards. These will be integrated into the new arrangements and then reviewed and adjusted in the context of the updated Economic Growth Strategy.

Governance, Business Representation and Enterprise Zones

14. The Government has made very explicit its intention that the LLEP's responsibilities are being transferred to the UTLAs and it is therefore considered necessary that the two UTLAs become the key decision-makers within the new arrangements. It is also emphasised that the decision-makers need to be informed and advised by the local business continuity and other key stakeholders.

15. Taking this into account the new governance arrangements will consist of a Business Board, including within its membership representatives from key business bodies, local business representatives selected through a recruitment process, and representatives of key economic development stakeholders including universities, further education colleges, district councils and the voluntary and community sector. The Business Board will be chaired by a private sector business representative. The detailed process for setting up the Business Board is under development.
16. The Business Board will meet bi-monthly and provide advice to the leaders of the two UTLAs, namely the Leicester City Mayor and the Leader of the County Council, to inform their decisions regarding economic development strategy and investment. The two leaders will meet bi-monthly with the Business Board's Chair.
17. The decision-makers and Business Board will be supported by an executive team hosted by the City Council on behalf of the two UTLAs, and the wider partnership. Existing LLEP sub-groups will be integrated into the new arrangements and reviewed as the economic growth strategy is updated and as government requirements for programme delivery and greater clarity on funding emerge.
18. For most activities there can be a seamless transition on 1 April 2024 with the former LLEP Team continuing to deliver activities whilst the new governance, business representation and staffing arrangements are put in place. It is considered appropriate, however, that LLEP Ltd. be retained as a legal entity in the short term (ideally only to June/ July 2024) with an 'administrative' Board comprising City and County senior officers, and for the City Council to formally remain as the Accountable Body. This will enable the existing contractual and financial arrangements regarding the Enterprise Zones to be preserved pending the new arrangements being finalised. LLEP Ltd. is party to the Charnwood and Hinckley and Bosworth Enterprise Zone Business Rates Agreements. The City Council is also party to these and to the subsequent Forward Funding Agreements, specifically in its capacity as Accountable Body and not in its own right.
19. Keeping LLEP Ltd. as a legal entity is considered appropriate as a short-term measure as there are no investment decisions required in the short term. There are no business cases 'in the pipeline' and as they take time to work through no immediate difficulties should occur.
20. Establishing the new 'administrative board' will require existing LLEP Directors to resign their positions. This course of action was discussed and agreed at a recent LLEP Board meeting, where all directors confirmed their earlier intention to resign on 31 March. When this has happened, the two UTLAs will each appoint a senior officer to the Board. The Cabinet at its meeting on 26 March 2024 authorised the Chief Executive to nominate a senior officer to represent the Council.

21. In agreeing future arrangements for management of the Enterprise Zones and the deployment of retained business rates, it will be important that all parties have a clear understanding of the current financial position and forecast business rates growth. It is understood that, as Accountable Body, Leicester City Council is liaising with the billing authorities to ensure this up-to-date information is available. Further information on financial implications will be presented to the Council's Cabinet in due course before a final decision is made on governance arrangements for Enterprise Zones.
22. The Council is in discussions with the Government regarding a non-mayoral Level 2 devolution deal for Leicester, Leicestershire and Rutland. In the event of a deal being agreed, the new post-LLEP economic development arrangements would become part of the new Combined County Authority.

Resource Implications

23. The County Council has not in recent years provided any funding to support the operations of the LLEP. The LLEP has received an annual government core funding allocation which in 2023/24 was £250,000 and delivers a range of programmes which have received additional funding.
24. In December 2023 the Government indicated that the UTLAs would receive 'up to £240,000' in 2024/25 and that any future allocations would be subject to future spending reviews. Announcements from Government relating to funding for the 'Business Gateway Growth Hub' and 'Careers Hub' in 2024/25 are expected shortly.
25. Operating reserves of approximately £2.8m are held by Leicester City Council on behalf of the LLEP. These will transfer to the City Council as the future host UTLA and will be used to meet transition costs and also to fund and underwrite priority activity up to March 2026 including developing an updated economic growth strategy, skills and apprenticeships programmes, the Business Gateway Growth Hub, and the Careers Hub. This will help to provide stability and confidence for key stakeholders as future funding and delivery strategy at national and local level become clearer. Activity beyond 2026 will be reviewed in the context of the financial position at that time.
26. The LLEP has also operated a Growing Places Fund as a revolving loan fund. This originated as a capital grant from the Government. After approximately £1.8m of spending on priority initiatives as previously approved by the LLEP Board, and allowing for outstanding loans, the present balance in hand from loan repayments is approximately £10m. All of the grant conditions were met some time ago and the £10m is held by the City Council and will be held on behalf of the two UTLAs from 1 April 2024. The two UTLAs have indicated they expect to use the funding to support economic development and prosperity across the sub-region, informed by the planned engagement with businesses and other stakeholders through the Business Board.

27. Creating and supporting successful economic development across Leicester and Leicestershire will play an important role in strengthening the economy and also be important to secure funding from Government.

28. The LLEP Team has been hosted by Leicester City Council which has also acted as the LLEP's accountable body. It is intended that the City Council will continue to carry out similar roles on behalf of the two UTLAs for the new arrangements. The City Council has undertaken a review of LLEP Team staffing to take account of the transition, the latest funding position, and the priority activities and this will lead to a small reduction in staffing numbers.

29. The Director of Corporate Resources and the Director of Law and Governance have been consulted on this report.

Timetable for Decisions

30. The Government will cease funding for Local Enterprise Partnerships from 1 April 2024 with responsibilities transferring at that time, in the case of Leicester and Leicestershire, from the LLEP to the two upper tier local authorities (UTLAs).

31. The Cabinet considered a report on the LLEP transition at its meeting on 26 March 2024.

32. The arrangements for the transition will also need to be agreed by Leicester City Council through its governance processes.

Conclusion

33. The Commission are asked to note the update now provided.

Equality Implications

34. There are no equality implications arising from the recommendations in this report.

Human Rights Implications

35. There are no human rights implications arising from the recommendations in this report.

Other Implications and Impact Assessments

36. There are no health or environmental implications arising from this report.

Background Papers

None.

Circulation under the Local Issues Alert Procedure

None

Officer(s) to Contact

Tom Purnell
Assistant Chief Executive
Tel: 0116 305 7019
Email: tom.purnell@leics.gov.uk

