

HERTFORDSHIRE COUNTY COUNCIL

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BACKGROUND PAPER FOR LOCAL ENTERPRISE PARTNERSHIP TOPIC GROUP

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1. Purpose Of The Report

1.1. To respond to the questions posed as part of Hertfordshire County Council's Overview & Scrutiny Committee examination of the progress made by the Local Enterprise Partnership (LEP) since its inception in 2011 and to clarify its capacity to advance further economic growth.

1.2. The response here is from the perspective of the Hertfordshire LEP

2. How effectively do the current partnerships and mechanisms enable the LEP to deliver its stated remit and strategy?

2.1. Background

2.1.1. Local Enterprise Partnerships (LEPs) are non-statutory partnerships between local authorities and businesses which promote economic growth in their local area. Prior to LEPs, public sector led Regional Development Agencies (RDAs) were responsible for regeneration, regional competitiveness, and the development of skills. The government's intention was for LEPs to promote a business led and more locally responsive agenda. Hertfordshire was successful in securing a county wide LEP in 2010.

2.2. Strategic role

2.2.1. At first, the LEPs were given a broad remit but limited resources. Its role and funding has evolved considerably, in large part due to Michael Heseltine's, "No stone unturned in the pursuit of public growth" report¹, published in October 2012. LEPs produce a Strategic Economic Plan (SEP) for their area, which identifies barriers and solutions to growth and work with local partners to improve the local economy.

2.2.2. The Hertfordshire SEP articulated the need to address underlying poor economic performance, work across administrative boundaries, capture the opportunities that the county's corporate and academic assets provide and work together to regenerate towns and plan more effectively for new growth

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34648/12-1213-no-stone-unturned-in-pursuit-of-growth.pdf

2.2.3. The SEP challenged many preconceptions of the Hertfordshire economy and prioritised locations and sectors that could deliver high value growth. At the time of submission of the initial SEP, the LEP drew criticism from some parties for calling for major new settlements and prioritising places, however this did resonate with Government and the business community who felt that the county lacked ambition in comparison to neighbouring areas

2.3. Funding and Delivery

2.3.1. The SEP also framed the process for bidding for central government funding primarily the Local Growth Fund (LGF – sometimes referred to as Growth Deals) and influencing local funding streams and ensuring that these deliver against the locally agreed priorities. The Hertfordshire SEP² was first published in 2014 and refreshed in 2017.

2.3.2. On the back of a well regarded SEP, Hertfordshire LEP has secured £265m via three rounds of LGF to deliver a number of schemes related to regeneration, transport, skills, business support and innovation. In addition, Hertfordshire was allocated circa £50m via EU funding sources. The funding for this was retained nationally but allocated against LEP priorities.

2.3.3. The LEP also secured Enterprise Zone designation for sites in Dacorum and St Albans focused on enviro-tech industry, which if successful will retain over £100m of business rates within the county to support enabling infrastructure and wider LEP priorities.

2.3.4. Via this competitive process the LEP has managed to secure a higher level of funding that would be the case if allocated centrally. The LEP does not deliver directly. It is a commissioning body working with public and private sector bodies. All LEP funds are held by HCC as Accountable Body for the LEP and the LEP adheres to HCC financial regulations.

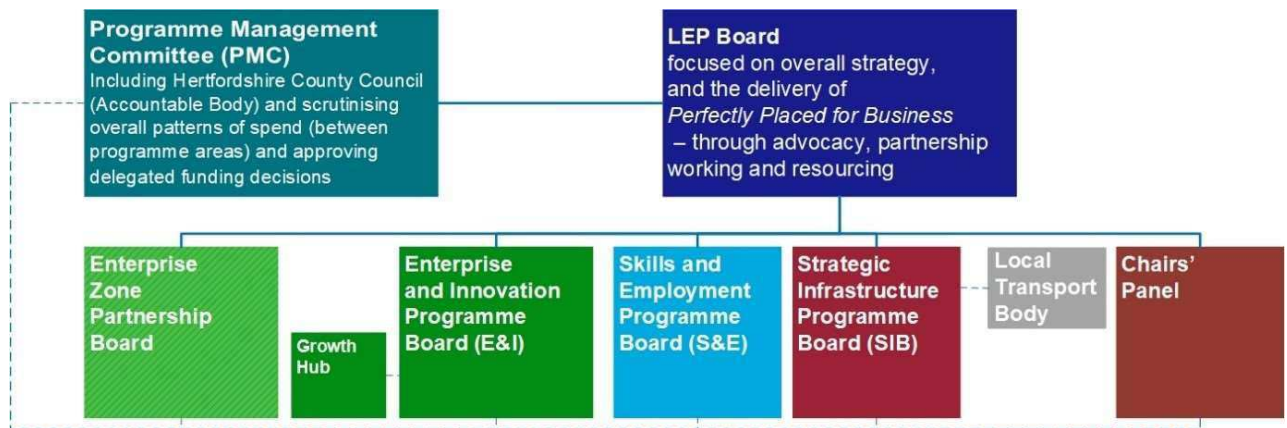
2.4. Governance and engagement

2.4.1. LEPs are non-statutory bodies. This means they can look and operate very differently from each other, in terms of size, capacity and governance. Hertfordshire LEP is currently an unincorporated partnership. Its executive is employed by HCC.

2.4.2. LEPs must be chaired by a business person and at least half of the members must come from the private sector beyond that LEPs can choose their members. Hertfordshire LEP includes members of Local authorities, further and higher education and the not for profit sector.

2.4.3. The LEP also has a number of sub-boards to address specific themes or responsibilities and these broadly mirror the membership principles of the main Board. See below

² <https://www.hertfordshirelep.com/media/5417/hertfordshire-lep-sep-report-interactive.pdf>



2.4.4. In terms of engaging local stakeholders, the LEP plays a key role in established mechanisms - Herts Leaders group, public sector chief executives and the business forum (comprising business representative bodies). Being a county based LEP, the ability to work with existing structures and groups is more straightforward than in other areas.

2.4.5. In order to have better engagement with the business community the LEP established a new business leaders' Envoy Programme³ in 2017 to road-test its priorities including feeding into the Industrial Strategy response. This will form a core part of the LEP's engagement programme over the year.

2.4.6. The LEP holds an annual conference⁴ and series of themed events during the course of each year. For example, 2017 included a Skills Summit⁵, a Building Solutions conference⁶ to help build a growth model for Hertfordshire, and a Value of Experience conference⁷ in November 2017 on how to retain, retrain and recruit older workers.

2.4.7. The LEP regularly engages with MPs who are kept informed of constituency and county wide issues via the LEP newsletter and separate briefings with the LEP Chair/Executive Director. The LEP has played a key role in establishing regeneration partnerships with Stevenage and Hatfield are examples of good practice working with local authorities.

2.4.8. The LEP has recently refreshed its website⁸ with clear signage to core documents⁹ and governance and to ensure that LEP papers are as transparent and accessible as possible.

³ <https://www.hertfordshirelep.com/news-events/news/envoy-programme/>

⁴ https://www.hertfordshirelep.com/news-events/news/annual_conference/

⁵ <https://www.hertfordshirelep.com/skills-summit-2017/>

⁶ <https://www.hertfordshirelep.com/news-events/news/building-solutions/>

⁷ <https://www.hertfordshirelep.com/news-events/events/the-value-of-experience-retain-retrain-recruit-older-workers/>

⁸ <https://www.hertfordshirelep.com/>

⁹ <https://www.hertfordshirelep.com/key-documents/>

3. What is the current policy environment and agenda context?

3.1. The current policy environment is focused on two key issues, increased scrutiny and establishment of Local Industrial Strategies.

3.2. Scrutiny

3.2.1. LEPs have been the subject of increasing scrutiny in recent years. Following a 2016 National Audit Office (NAO) report, as well as general concerns raised about the governance and transparency arrangements of LEPs¹⁰ (and some specific examples e.g. Greater Cambridge Greater Peterborough¹¹) the Public Affairs Committee looked at the roles of LEPs and reported that the Department of Communities and Local Government (DCLG): “should enforce the existing standards of transparency, governance and scrutiny before allocating funding. LEPs themselves also need to be more transparent to the public”

3.2.2. DCLG commissioned a review into LEP Governance and Transparency in April 2017. The Review was led by Mary Ney, a Non-Executive Director of the DCLG Board.

3.2.3. The report findings were published in October 2017¹² Most findings have already been implemented by DCLG (now MHCLG) who issued Best Practice Guideline in January 2018 and Hertfordshire LEP is now fully compliant with the revised standards. The primary mechanism for this the LEP Assurance Framework (AF)

3.2.4. The National LEP Assurance Framework sets out the arrangements the government expects to see in place within the LEP and for the accountable body role. It sets out what is expected in the LEP’s own local assurance framework and also what is required by the Section 151 officers. An audit of the application of the LEP Assurance Framework was conducted by Hertfordshire Shared Internal Audit Service and recommendations have broadly been implemented.

3.2.5. The S151 officer works proactively with the LEP to identify and develop improvements, acting as a valued critical friend. The S151 sits on the LEPs Programme Management Committee (PMC) and also contributed to a recently launched Finance Panel. We hold a pre-meet ahead of PMC to brief and seek input into draft papers. It is proposed the S151 has a future role on assessing bids and the LEP Chair has recently extended an invite to attend the LEP Board.

3.2.6. The LEP is committed to reviewing the Assurance Framework (AF) to ensure compliance with the national guidance and are already starting to implement

¹⁰ <https://www.nao.org.uk/wp-content/uploads/2016/03/Local-Enterprise-Partnerships.pdf>

¹¹ <https://www.nao.org.uk/wp-content/uploads/2017/11/Investigation-into-the-governance-of-Greater-Cambridge-Greater-Peterborough-Local-Enterprise-Partnership.pdf>

¹² <https://www.gov.uk/government/publications/review-of-local-enterprise-partnership-governance-and-transparency>

the recommendations from the Mary Ney Review with the new Chairs Panel acting as a 'sub-committee or panel with the task of assessing bids/decisions.

- 3.2.7. Arrangements for publication of minutes and board papers are that minutes¹³ and associated papers from board and sub-boards meetings should be published on website within three weeks. The revised conflict of interest policy¹⁴ (July 2017) and a register of interests¹⁵ of all board and sub-board members are also published.
- 3.2.8. Annually, government conducts a performance review (known as an Annual Conversation) with each LEP to review individual progress on Growth Deal delivery over the past 12 months. This meeting considers a range of issues, including governance and transparency and results in an agreed set of actions.
- 3.2.9. Going forward a LEP review (announced at the end of 2017) is being undertaken, with the outcomes expected in June/July. Government has stressed that the focus of the review is to further support and enhance LEPs in order that they fulfil their role in establishing Local Industrial Strategies (LIS).

3.3. Industrial Strategy

- 3.3.1. As part of the Industrial Strategy White Paper, the Government set out expectations that LEPs (or combined authorities) in each area of England will produce a Local Industrial Strategy and state that it will work in partnership with places to develop them. These strategies will be “developed locally and agreed with the Government.
- 3.3.2. The LIS will help identify priorities to improve skills, increase innovation and enhance infrastructure and business growth. This will guide the use of local funding streams and any spending from national schemes.”
- 3.3.3. The white paper sketches out a phased approach, with the first set of LISs to be agreed by March 2019. The Hertfordshire LEP set out its plans for developing a Hertfordshire LIS¹⁶ at the recent Annual Conference.
- 3.3.4. The LIS will initially focus on the Grand Challenges which were defined in the white paper:
- Artificial Intelligence and Data Economy – putting the UK at the forefront of the artificial intelligence and data revolution;
 - Clean Growth – maximising the advantages for UK industry from the global shift to clean growth;
 - Future of Mobility – becoming a world leader in the way people, goods and services move;

¹³ <https://www.hertfordshirelep.com/media/5789/lep-board-210917-minutes-draftdocx.pdf>

¹⁴ <https://www.hertfordshirelep.com/media/6103/conflict-of-interest-policy.pdf>

¹⁵ <https://www.hertfordshirelep.com/about-the-lep/register-of-interests/>

¹⁶ <https://www.hertfordshirelep.com/industrial-strategy/>

- Ageing Society – harnessing the power of innovation to help meet the needs of an ageing society

3.3.5. A Hertfordshire LIS Commission has been established and leading lights from business and academia will address the challenges from the perspective of Hertfordshire. This process is likely to conclude over the latter half of 2019.

4. What needs to be in place to enhance the LEP's and Hertfordshire County Council's role in articulating to Central Government the rationale for further funding and recognition?

4.1. Capacity

4.1.1. One of the issues all LEPs have struggled with is having sufficient capacity to undertake their expanding roles. Often cited as capital 'rich' but revenue 'poor', LEPs are core funded £500k annually from Government with £250k required locally to act as match funding.

4.1.2. Put simply, the funding to operate the LEP has not increased proportionately alongside the widening in remit, increased project funding and Government requirements on governance etc. to manage and monitor those funds. The LEP has been working with HCC to identify ways of legitimately accounting for programme management costs but it remains a challenge to effectively resource the executive function which incorporates 16 staff.

4.1.3. There is also an issue of capacity within partner organisations to effectively deliver programmes within budgets and timescales. This has provided the LEP with significant challenges in delivering a multi-million pound capital programme. In many cases, the LEP has needed to divert its own capacity and resources to work directly with partners to get schemes off the ground.

4.2. Government Policy

4.2.1. The emergence of devolution deals and new governance structures (e.g. combined authorities) have enabled some areas to secure more funding and establish more ambitious growth plans.

4.2.2. Government policy is currently focused on 'economic rebalancing' i.e. investing in areas with greater economic need. This has manifested itself in initiatives such as the Northern Powerhouse and Midlands Engine which have been able to attract significant media attention and secure funding from government.

4.2.3. Closer to Hertfordshire, spatial initiatives such as the Oxford-Milton Keynes-Cambridge Corridor and to a lesser degree the Innovation Corridor (formerly London-Stansfeld-Cambridge Corridor (LSCC) include areas of Hertfordshire in their scope which could lead to parts of the county being overlooked.

4.2.4. As a large economy (1.1m population, 50,000 businesses, £30bn GVA) that makes a net contribution to the Exchequer, Hertfordshire should be more

visibility within Government. The LEP has made strides in making the case for investment in Hertfordshire's economy, with significant success in attracting both public and private investment.

4.2.5. However the Local Industrial Strategy is likely to have a narrower remit than the SEP that precedes it. It will focus on productivity (predominantly, skills, enterprise and innovation) and less so on infrastructure (housing, transport, employment land). This requires Herefordshire to have a more 'joined up' approach to growth, particularly relating to strategic infrastructure.

5. Background Information

Strategic Economic Plan

<https://www.hertfordshirelep.com/media/5417/hertfordshire-lep-sep-report-interactive.pdf>

Assurance Framework

<https://www.hertfordshirelep.com/media/6254/current-assurance-framework-document-march-2018.pdf>

Annual report

https://www.hertfordshirelep.com/media/5821/hlep_annualaccountsno2017web_financial.pdf