



<u>Committee and Date</u>	<u>Item</u>
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THE MARCHES LOCAL ENTERPRISE PARTNERSHIP (LEP): LOCAL GROWTH FUND (LGF), JOINT COMMITTEE AND ACCOUNTABLE BODY

Responsible Officer Andy Evans, Head of Economic Growth and Prosperity
e-mail: andrew.m.evans@shropshire.gov.uk Tel: (01743) 253869

1.0 Summary

- 1.1 This report outlines important governance, human resources and organisational changes required by the Marches LEP to ensure that it is fit for purpose. It also covers the funding awarded by Central Government to the Marches LEP under the Local Growth Fund as a result of the bid submitted in March 2014. More detail on the specific financial implications of Shropshire Council schemes is included in an accompanying exempt report. The Marches LEP covers Shropshire, Herefordshire and Telford and Wrekin and has been in existence since 2010. LEPs are central government's conduits for economic development, housing, transport and skills funding. They are also the strategic body for new European funding from 2015 to 2020.
- 1.2 On the 15th January 2014 Cabinet approved delegated authority to the Leader, or in his absence, the Portfolio Holder for Business Growth and Commissioning (North), to take decisions on behalf of the Council at the Marches LEP Board or its advisory sub-groups. This was to streamline the operation of the Marches LEP. The Cabinet also approved Shropshire Council becoming the Accountable Body for the Marches LEP.
- 1.3 As regards governance the report covers the establishment of a joint committee to exercise joint executive functions for decisions at the Marches LEP Board. The Marches LEP is not a legal entity but only a partnership, therefore democratic accountability has to be through the three Councils.
- 1.4 Human resources and organisational structural elements require the approval of Shropshire Council to recruit and employ a Marches LEP team and also to provide a representative for the Board of the Marches LEP Enterprise Zone Company.
- 1.5 Finally the report covers the recently announced Marches Growth Deal and Government commitment to Local Growth Funding for projects in the

Marches. A separate accompanying exempt report covers Shropshire Council's projects.

2.0 Recommendations

- 2.1 That Cabinet approve the establishment of a Marches LEP Joint Committee called The Marches Enterprise Joint Executive Committee and the list of executive functions (as set out in paragraph 13 of the proposed Constitution at Appendix 1) that the Committee can exercise on behalf of Shropshire Council for LEP decisions..
- 2.2 That Cabinet approve the proposed constitution for the Marches Enterprise Joint Executive Committee as attached as Appendix 1 and that Shropshire's voting Member be the Leader of the Council, or the Portfolio Holder for Business Growth and Commissioning (North) or a substitute from the Cabinet.
- 2.3 That Cabinet approve Shropshire Council as employing body for the new LEP team following earlier approval at 15 January 2014 Cabinet of Shropshire Council as Accountable Body for the LEP.
- 2.4 That Cabinet approve the Head of Economic Growth and Prosperity as the Council's representative on the Marches LEP Enterprise Zone Company Members Board.

REPORT

3.0 Risk Assessment and Opportunities Appraisal

- 3.1 The risks and opportunities relating to the establishment of the Marches Enterprise Joint Executive Committee are that without setting up such a democratic structure the LEP could be seen as unaccountable and Government would not feel confident in the LEP's ability to operate with a single collective voice. There is a risk that due to there being three Councils and three votes with majority decision that Shropshire Council's view could be out voted, however decisions would already have been arrived at by consensus at the Marches LEP Board so this is a small risk.
- 3.2 The second major risk is as regards the Council taking on the role of lead Accountable Body for the Marches LEP as the Council will have financial accountability for the Local Growth Fund which could be up to approximately £10M to £20M a year. We will therefore need to demonstrate strong partnership arrangements, a clear and deliverable growth vision, strong financial backing from each of the three Local Authorities and a strong cross local authority collaboration on growth. As employing body the risk is that there are redundancy costs picked up due to continuous service. This risk will be underwritten by the LEP and the two local authority partners via a legally enforceable memorandum of understanding.
- 3.3 The Head of Economic Growth and Prosperity will be representing Shropshire Council on the Marches LEP Enterprise Zone Company Board. As In this case

the accountable body is Herefordshire Council therefore the assessed risk is very limited.

- 3.4 There is a risk that delivery of the projects funded by the Local Growth Fund do not go according to plan and there are delays in e.g. obtaining planning permission meaning not all the funding might be drawn down. There is the risk that not all the match funding can be found from CIL, S106, the private sector and capital receipts. There is also the risk of cost over-run on such large capital infrastructure projects spread over a number of years. These risks will be addressed within the individual business cases for each project to ensure there is no financial risk to Shropshire Council as a result.

4.0 Human Rights Act Appraisal

- 4.1 The recommendations contained in the report are compatible with the provisions of the Human Rights Act 1998.

5.0 Equalities Appraisal

- 5.1 Any facet of the particular strategic documents will take into account the provisions of the Equalities Act.

6.0 Community and Other Consultation

- 6.1 The Marches Strategic Economic Plan and Marches Deal have under-gone extensive consultation during the period leading up to the final submission on 31 March 2014. Consultation was conducted via the web, two consultation events and on a detailed basis with the Council and the Shropshire Business Board.

7.0 Financial Implications

- 7.1 There are minimal financial implications arising from the Joint Committee proposals; all member costs will be covered by the respective Local Authorities. Costs of governance support to the joint committee will be met from central LEP budgets.
- 7.2 All costs of the accountable body operation will be covered by central LEP budgets as will all costs of employing staff. There are no financial implications of the Head of Economic Growth and Prosperity taking on board membership of the LEP Enterprise Zone Company Board.
- 7.3 In the case of LGF approved funding for projects in Herefordshire and Telford and Wrekin we will need to ensure that contracts cover financial risks from being the accountable body for funding being utilised for capital schemes in other Local Authority areas especially if costs could increase.

8.0 Legal Implications

- 8.1 Part VI of the Local Government Act 1972 and Part 1, Chapter 2 of the Local Government Act 2000 (as amended) makes provision for local authorities to establish joint committees. Provided that the functions to be exercised are executive functions, it is a matter for the respective Cabinets to determine the establishment of an executive joint committee and to agree the executive functions to be delegated to that joint committee. Every member of the joint committee must be a member of their nominating council's Cabinet.

9.0 Background

Marches LEP Joint Committee.

- 9.1 The Marches LEP is an informal, business sector led private/public sector partnership, tasked with creating the conditions for economic vitality and sustainable employment across this diverse region.
- 9.2 The work of the LEP is directed by a Board which provides the strategic lead and is responsible for setting the overall strategy for growth including: the development of its Strategic Economic Plan (SEP) priorities, oversight and endorsement of strategic projects, and monitoring of expenditure and output performance for the programme of work. The Board is chaired by one of the area's business leaders and Board members are drawn from the areas' three business boards, the skills sector, business champions from across the LEP area, and the Leaders of the three unitary councils. As an informal partnership the LEP has no legal entity and therefore Shropshire Council acts as accountable body.
- 9.3 Nationally there is an expectation that, the involvement and engagement of the relevant local authorities, and in accordance with their community leadership role, will ensure there remains democratic accountability around decision-making regarding use of public funds. To ensure that this is delivered in the most efficient way possible it is proposed that this is secured in the Marches by the establishment of an executive joint committee to which each of the three executives delegate authority to take decisions regarding strategic economic policy for the LEP area, and use of public funding to support those priorities.
- 9.4 A draft constitution for such an executive joint committee is attached at Appendix 1. Each of the three councils involved is seeking similar approval to this arrangement in accordance with their respective decision-making processes. It is proposed that, to provide some balance to the overall workload across the three authorities, Herefordshire Council will take the lead in relation to governance and will therefore act as 'host' for this joint committee and provide relevant governance support. To provide context for how such an executive joint committee fits within the overall LEP governance, attached at Appendix 2 is the LEP governance structure.
- 9.5 It is proposed that the Councils representative be in alignment with the Councils representation on the LEP Board, that is, the voting member be the

Leader of the Council, or in his absence the Portfolio Holder for Business Growth and Commissioning (North) or a substitute from Cabinet.

Employing Body for the Marches LEP

- 9.6 The LEP Work Programme will be managed through a small management team. The proposed team is shown in Appendix 3, who will be responsible for day to day management of the Partnership functions including strategy and work programme development, co-ordination of project and programme appraisal, monitoring and evaluation, financial monitoring, LEP interface with Government, stakeholders and business, PR and communications and partnership administration. The team will be offered contracts running until 31/3/16 and the total annual cost will be £217,416. Shropshire Council will be the employing authority on behalf of the LEP. All costs will be covered by LEP core funding. Staff will have offices in Hereford, Shrewsbury and Ludlow. Any redundancy costs will be covered jointly by the LEP and the other Local Authorities in terms covered by a memorandum of understanding.

The Local Growth Fund (LGF)

- 9.7 On 7 July 2014 Government announced the outcome for all LEPs of their LGF bids which had been submitted on the 31 March 2014. The Marches LEP submission had been for £102M with £41M in 2015/16. The bid was based upon projects identified within the Marches LEP Strategic Economic Plan. These are supported by Central Government in the first instance, government stipulated projects will need to commence in year one (2015/16). The LGF announcement in each case is part of a LEP Growth Deal which includes Government commitments to working on some freedoms and flexibilities for the Marches LEP and in turn commitments from the Marches LEP.
- 9.8 The origin of the LGF was to establish a single pot of funding for Local Growth by bringing together a whole range of different Government departmental funding streams. The idea being that local growth can only be unleashed if there is true devolution of powers and funds. Although the ambition was very large the final outcome was far more limited with the establishment of a LGF of £2 billion for 2015/16 and a minimum of this in principle for the next 5 years. By doing so Government is seeking to draw together a sizeable proportion of capital funding for transport, housing and skills. The funding was bid for by the 39 LEP and overall it was 3 times over-subscribed.
- 9.9 Government has prioritised its support to the Marches LEP's three main urban centres of Hereford, Shrewsbury and Telford. Based on the bid for £102M; £75.3M has been allocated. Appendix 4 shows how this has been derived. It also shows how the funding has been allocated by Government. The appendix does not show the £10.7M which has already been committed to the three top priority projects in Hereford, Shrewsbury and Telford with a 3-way equal split. Through this apportionment Shrewsbury Integrated Transport Package (SITP) will be allocated £3.567M.
- 9.10 It is recommended that for the two successful LGF projects which have provisional LGF allocations of £2.4M and £4.2M that is Shrewsbury Integrated Transport Package and Oxon Link Road respectively that both projects are

now taken forward to outline business case and full capital appraisal. That extra staff and revenue support is provided immediately to make this happen to ensure the provisional status is turned into a full award in the next Growth Deal announcement. Government expectation is that these outline business cases are submitted in the next 6 months. Government expects projects to be fully designed and at an advanced stage in order to provide funding for implementation.

- 9.11 Government will disburse funds to the Marches LEP quarterly in advance via a S38 grant with first payments in April 2015. In total Government and the Marches LEP estimate that the Growth Deal will deliver a total of 19,903 jobs and 12,319 houses over the lifetime of the Deal to 2020/21. Government will also be reviewing the case for sharing land sale receipts of agreed Homes and Community Agency (HCA) assets in Telford and possibly Herefordshire and Shropshire over an agreed profile part of which will go into the Marches Investment Fund. Other commitments in the Marches Growth Deal include the commitment from the Department for Transport and Network Rail to have more pro-active engagement with the Marches LEP in the long-term rail planning process and in rail franchise specification. It would appear that this will assist with ensuring we achieve a sustainable direct rail service from Shrewsbury to London with appropriate frequencies and at appropriate times of day. The Highways Agency commits to providing a named contact for the Marches LEP and to ensuring we are much more closely involved in route planning to assist economic growth with a requirement to co-operate. In addition there are commitment on skills and business support around improved LEP involvement.
- 9.12 Government wants the Marches LEP as part of the Deal to strengthen governance, ensure implementation and demonstrate success and then communicate the ongoing outputs and outcomes of the Deal to the local community and stakeholders.
- 9.13 The Shropshire specific schemes are considered in more detail in an additional report on this Cabinet agenda.

10.0 Enterprise Zone – Proposed Governance Arrangements

- 10.1 The Hereford Enterprise Zone is one of 24 Enterprise Zones across the country. Cobbetts LLP have been instructed by Herefordshire Council to provide legal advice on the manner in which the landowners engage with each other, with the numerous stakeholders, and other bodies or individuals, in relation to certain matters involving the development of the Enterprise Zone. Cobbetts have explored a number of options relating to the proposed structure of the Board, and have made recommendation as to the preferred governance arrangements. Following Cobbetts advice it was decided to establish a Company Limited by Guarantee – Hereford Enterprise Zone Limited – to oversee the development of the Enterprise Zone and keep it on a sound footing. The principle of these arrangements and of creating The Company has been agreed with the LEP Board and Local Authority partners.

- 10.2 In order to account for the various levels of interest and responsibilities the Company will establish three Boards, a Land-owners Board, a Members Board, and an Executive Board.
- 10.3 A Members Board would be created with a membership designed to encompass the full range of stakeholder interests from the LEP and to maintain strong private sector input and influence which is a guiding principle for Enterprise Zones.
- 10.4 The Executive Board shall be annually appointed by the Members Board. Up to 4 individuals from the Members Board will join with the Chairperson and Zone Managing Director to form the Executive Board (not less than 2 of the Executive Board members shall be from the private sector, including the Chairperson). The Executive Board will meet on at least a monthly basis and the Managing Director will report to the Executive Board, in turn the Executive Board will report quarterly to the Members Board.
- 10.5 Legal status would enable The Company to enter contracts and trade if appropriate. However currently staffing arrangements, contract management for additional experts, budgeting and accounting work is taken forward by Herefordshire Council on behalf of the Zone.
- 10.6 The purpose of the Members Board is to receive reports and updates on progress and to provide an official forum for feedback to the Executive Board. A key component in that is the approval of the Zone's Annual Delivery Plan setting out recommended courses of action, policies and proposals.
- 10.7 The Members Board is designed to draw together landowner members and stakeholder members of the Company. Stakeholders have been defined as:
1. Any local enterprise partnership which represents or is associated with the Enterprise Zone.
 2. Any local authority in addition to Herefordshire Council which is represented by any local enterprise partnership which is a stakeholder member.
 3. Any business board or business consortium which represents businesses within the reasonable local geography of the Enterprise Zone.
 4. Any government agency not including but not limited to DCLG
 5. Such other bodies or individuals as are agreed from time to time to be admitted to the Company as Stakeholder Members by the Executive Board.
- 10.8 Graham Wynn (LEP Chairman) and Mandy Thorn (Shropshire Business Board Chair) have agreed to represent the Marches Local Enterprise Partnership as private sector stakeholders.. Executive Board members will also attend. Herefordshire Enterprise Zone limited has invited representatives from Shropshire and Telford Councils too. It is therefore proposed that the Head of Economic Growth and Prosperity represents Shropshire Council on the Members Board.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Appendix 1 - The Marches LEP Joint Committee Constitution

Appendix 2 – The Marches LEP Organisational Structure

Appendix 3 – The Marches LEP Joint Management Team

Appendix 4 - The Marches LEP Growth Deal Funding Package

Cabinet Members (Portfolio Holders):

Leader of the Council, Steve Charmley, Mal Price and Claire Wild.

Local Members:

All