

Terms of Reference – Evolving the form, functions and geographies of Local Enterprise Partnerships to respond to changes in Central Government policy.

Overview

1. The government set out a commitment at the March 2021 Budget to work with local businesses and Local Enterprise Partnerships (LEPs) on the evolution of LEPs:

“We will also be working with local businesses on the future role of Local Enterprise Partnerships. We want to ensure local businesses have clear representation and support in their area, in order to drive the recovery. We will work with Local Enterprise Partnerships over the coming months, with a view to announcing more detailed plans ahead of summer recess. This will also include consideration of Local Enterprise Partnerships' geographies.”

2. Government has determined its policy to entrust Local Authorities with the responsibility to bid directly for allocations from the Levelling Up Fund, the UK Community Renewal Fund and the Community Ownership Fund and for subsequent delivery.
3. This will be a government-led review into the role of LEPs going forward, supported by engagement with businesses, and in particular a programme of conversations with the LEP network. We will work with LEPs, local businesses and others between now and the Summer to consider the form, functions and geographies required for evolved LEPs to best support productivity and growth going forward.
4. The performance of LEPs and the LEP network since the Strengthened LEPs Review of 2018 has progressed significantly, formally assessed twice through the Annual Performance Process.
5. The contribution of LEPs during the pandemic, notably in business intelligence, Ministerial Roundtables, skills support leveraging the involvement of FE/HE, through the Growth Hub network, from delivery of Growth Deal 3 programmes and the rapid turnaround of bids for the Getting Building Fund has been acknowledged by Ministers. It is therefore policy change, not LEP performance, that is the key driver of the review.
6. These draft terms of reference set out the scope of the review, questions to resolve, governance of and planned engagement between government officials and stakeholders.

Aim

7. To come to a detailed resolution by the Summer, to inform advice to Ministers and the Spending Review, on how to evolve LEPs to best support and represent businesses in places.

Starting assumptions

8. Local Authorities will have decision-making and delivery responsibilities for local growth capital funding, taking this over from LEPs. This does not necessarily preclude a future role for LEPs in shaping and influencing local growth funding processes pending the outcome of this review.
9. LEPs will retain responsibility and accountability for current Local Growth Fund, Getting Building Fund projects and the funds allocated.

10. Government wants to build on the strategic influencing role LEPs have played, and have a strong role for business leaders driving the local growth agenda in their areas.
11. Government intends to build future institutions by evolving from existing LEPs rather than starting from scratch.
12. Evolved LEPs will be even more business-led whilst continuing to ensure strong engagement with local authorities in their area.

Questions to consider

First tranche:

13. **Objectives:** What is the purpose of evolved LEPs and how can they effectively support and represent local businesses? This will include consideration of how institutions could address the long-tail of low productivity, help SMEs to grow and to export and to attract high value inward investment to our regions.
14. **Functions:** What functions will the evolved LEPs need to provide to effectively fulfil the objectives? This will include consideration of how we better align business support services with skills, innovation, net zero, trade and export support in places, recent institutional effectiveness and overseas comparators. . It will also look at how best to harness LEPs' strategic influence across these themes and what influence they might have over future investment decisions. It will also look at how to make these functions even more business-led and shaped, and what role business should play in advising Local and National Government.
15. **Form:** What form do the evolved institutions need to take? This will include consideration of what the future accountability and governance framework will need to contain – perhaps within a national framework – that replaces the existing assurance frameworks. It will also consider how these institutions could work alongside MCAs – currently many LEPs are intertwined in MCAs where they exist. It will consider the balance between central and local ownership and constraints on reform given many LEPs' have company status. The role of the LEP Network in this new model will also be considered to ensure continuity of the relevant key elements of the MoU between the Network and CLGU.
16. **Departmental ownership:** LEPs are currently managed by the Cities and Local Growth Unit spanning MHCLG and BEIS. Given the change of emphasis brought about by policy change, consideration will be given to which government department should sponsor and support evolved LEPs.
17. **Geography:** At what spatial scale should these institutions operate? This will include consideration of the most effective size and number of institutions, drawing from the existing 38 LEPs and their regional groupings, with potentially more strategic institutions over wider geographies, and without overlaps, taking account of the importance of functional economic areas.

Second tranche (to address once the first tranche have been considered):

18. **Representation:** How can we make sure that the membership truly represents the full array of business interests, retaining and attracting the best talent? This will include consideration of the composition and breadth of business membership, including SMEs and sectoral diversity. It will look specifically at how we can attract more young, entrepreneurial and diverse business leaders, as well as the important role FE/HE and Social Enterprise play.

19. **Relationship with Local Government:** Both LEPs and Local Government value their current relationships and are keen for these to remain impactful and relevant. With the change of remit and intent to increase business focus, we will need to consider the future relationship with Local Government, including on boards and how accountability will work.
20. **People implications:** The review will ensure that proper and sensitive account is taken of the implications for those employed in LEPs. It will also consider implications for executive teams and how to retain the support from c1500 business leaders currently engaged in LEP Boards and Sub Boards.
21. **Funding:** What level of funding do the evolved LEPs require? This will include consideration of how institutions should be funded going forward. This will also look at how skills and business support funding will flow in future.
22. **Implementation:** How do we best transition from the current model to this future structure? This will include people, legal and operational considerations in implementing this new model, how to deal with in flight capital projects etc.

Proposed engagement

23. Officials will work with Local Enterprise Partnerships, other business representative organisations, Mayoral Combined Authorities and others to hear views on these questions.
24. This will include a series of themed discussions with the LEP Network Board Chairs and Chief Executives between March and June alongside regular informal discussion with the LEP Network and visits to selected LEPs. The LEP Network Chair will lead this series of meetings for the LEP community, supported by the LEP Network Board Chairs and CEOs who will also provide subject matter leads and expertise.

Governance

25. This will be a government-led review into the future role of LEPs.
26. As outlined above, advice to ministers will be informed by a joint project between Government officials and LEPs to consider the questions outlined in this Terms of Reference, as well as engagement with other business organisations.
27. The lead minister for the review will be [Minister Scully].

Output

28. Ministers expect to set out their future proposals by the Summer and we then expect a new operating model to be in place, at least in part, by financial year 2022/23.