1. **Introduction**

At previous meetings of the Humber Leadership Board and the Humber LEP Board I was asked to prepare a paper setting out the potential role and structure for the Humber LEP. The paper has been revised following advice from the Chief Executive’s Advisory group and is based on the discussions and recommendation of the working group established by the LEP to look at the future function and role of the LEP.

2. **Background**

Members will recall that the Humber LEP set up a working group to consider the future role of the LEP and it concluded the following:

- That the scope of Humber LEP should remain economic, focused on the growth opportunities created by the Estuary and its associated industries.

- That the footprint of the Humber LEP should remain the current boundary with its population of 1 million. That the case for our current shape remains plausible and strong in terms of an economic rationale, and they did not recommend “opening” the debate with government regarding an offer of a more simple geography. However, it is right that further discussions should be held with overlapping LEPs - not least in the context of what functions might be better done at the regional level.

- That the LEP should continue to stay close to, and, indeed, should be unafraid of playing a leading role in, the whole devolution debate while being mindful of:
  
  o **Capacity and competence.** This is not a LEP of the scale of Greater Manchester with its 100 or so staff, the Humber LEP will remain small and strategic, setting policy direction and co-ordinating the activities of partners across the region.
  
  o **The dangers of mission drift.** Insofar as the Humber LEP has declared itself to have an incontrovertible economic purpose, there will be some functions other areas may push for that this LEP would not prioritise due to our unique geography/economic makeup. It may be desirable for these functions to be devolved to a combined authority, allowing the LEP to retain a purely economic focus.
  
  o **The difference between influence, delegation and control.** As an example of this, while it is absolutely right the Humber should seek more, meaningful, influence over interventions around employability;
this is not the same as wanting control and responsibility over paying out benefits.

- The shape of the LEP, and any future decisions Local Authorities might make about their own configuration, are not the same thing. The Greater Manchester Combined Authority is not the LEP; the Leeds City-Region LEP is not the West Yorkshire Combined Authority. Of course the two organisations are vitally, inextricably connected. But it is entirely possible a Combined Authority – or any other piece of Local Government re-organisation including the current proposals around a Development Corporation – would have functions that, while, critically, coinciding with the LEP’s on the economic agenda, might in other parts of the civil and social realm be different.

- That the business partners on the LEP should continue to support their local authority colleagues in debates around civic governance (including the possible journey towards a Combined Authority), acting as critical friend and expert consultee.

3. WHAT WE KNOW

3.1 In common with other LEPs nationally, the role of the Humber LEP has evolved and continues to evolve, partly driven by the additional responsibilities directed by Government, responsibilities over European Funding, Enterprise Zones, Local Growth Deal, and Transport etc.

3.2 Over the last three years, Humber LEP working with local authority partners have attracted over £300m of government investment, which has supported a large number of businesses to grow, expand and create jobs. Among the programmes that have been administered by the LEP over 600 businesses have been directly assisted and over 3,000 businesses engaged through the Growth Hub programme and over 2,500 jobs created. Nearly 8,500 learning places have been supported.

3.3 A particular focus has been around the recognition of Humber as the Energy Estuary for the UK. We are connected to 25% of UK energy in one way or another, but the main driver is the imminent opportunity in offshore wind. There are 10,000 jobs estimated to come from this new industry and quite literally billions of investment. In essence, the Humber lost its industry (fishing and docks) years ago, followed by years of under-investment and lack of exploitation of the Humber’s natural assets, which initially resulted in creating the overall challenge that we now have in the region - high unemployment, under employment, employment density, skills deficit and social and reputational issues. It is essential we embrace this new industry, become the ‘go to’ place for offshore wind and thus the complementary offerings on both sides of the bank, incentives etc. are critical to embracing this industry. Working with partners, including the four local authorities the LEP is facilitating this through; marketing, inward investment, infrastructure, skills, local business development etc.
3.4 The LEP has created a framework of partnership working and is the trusted honest broker, in a range of areas of such as skills development, business development and infrastructure challenges.

3.5 Private sector engagement through the LEP is extensive with over 300 businesses involved through the Board, sub-boards, working group etc., Whilst they have not contributed financially, their contribution in kind through the time they spend helping to deliver and drive the economic agenda is considerable.

3.6 Following the recommendation of the Working Party, the Humber LEP Board concluded that in any future developments:
  - The scope of Humber LEP should be entirely Economic;
  - There was much to build on in terms of “Humber as UK’s Energy Estuary;”
  - The LEP had to be nimble, with flexibility to respond to government challenges, and with a ruthless focus on delivery;
  - The LEP should lead on shaping the agenda for Humber as the “place of choice” in respect of investment and growth opportunities.

3.7 The Government have on numerous recent occasions confirmed their commitments to the LEPs, as recent at July; Greg Clark commented that “In a few short years the LEPs have guaranteed a strong voice for business in local leadership. At their best, business leaders have made an amazing contribution to their local areas – bringing employer knowledge of skill requirements, development opportunities and entrepreneurship to complement the civic leadership of local councils”. In addition, at the recent LEP conference he confirmed that the government was committed to funding the LEPs as he saw the value of LEP delivery.

3.8 Nationally core funding for the LEPs continues to be a critical issue for all LEPs. Indeed my assessment is that if no national funding was available over 90% of the current LEPs would fold, thereby damaging the very institution that the government helped to create.

3.9 A number of representations have been made to government, including a recent communications signed by all 39 LEPs. The letter made a strong case for an early decision on funding including providing certainty and a long term commitment.

3.10 It is universally acknowledged that LEPs are significantly under resourced. Nationally, a case is being made to the Government that LEPs are now managing significant programme budgets (in some cases as large as those held by the RDAs) and those LEPs areas of responsibility have widened. A case is being drawn up to seek an increase in the LEPs running cost allocation by £500k per LEP (to £1m per annum). Even with this increase, LEP’s admin costs would still only amount to a small percentage (less than 2%) of LEP annual capital budgets.
3.11 Nationally and locally the critical issues are around staff retention, morale, continuity and value for money in using short-term contracts. At the Humber LEP we have created a small but highly experienced team that have driven the core agenda. If we are to retain the best people to continue to deliver and maximise the growth opportunities we need provide certainty and longevity to attract the right calibre of staff. Locally, we have recently lost one valued colleague and have struggled to recruit to other short term contracts. (The uncertainty around long term funding was mentioned as a contributory factor in this colleague’s departure).

3.12 All staff at the Humber LEP have contracts that conclude on 31 March 2016, and if adequate future funding is not secured for 2016/17, “at risk” notices will need to be issued by December.

3.13 A version of this paper was considered by the Chief Executive’s Advisory group and they concluded that winding down of the LEP, at this juncture, was not an option as it would leave a legacy, including a need to provide resources to meet the contractual requirement of programmes and other commitments agreed with government through City Deal, Local Growth Deal, Enterprise Zones, and ESIF. The cost of these requirements is significant and will fall to our local authority partners, in particular to the Accountable Body.

3.14 The Four local authority partners have confirmed their contribution for a further year 2016/17 at the current level of £50K each, bringing the confirmed funding to £200K.

3.15 That an initial paper setting out the potential of evolving the Humber LEP into a Development Corporation has been produced and other options will need to be considered within the context of whatever devolution conclusions are reached.

3.16 That in the areas that have secured Devolution Deals, the role of the LEP has been maintained. In the case of Cornwall the LEP will lead on delivering the economic elements of the Deal, including Skills, business development and some infrastructure projects. In the case of Manchester the LEP is retained as a consultative body to secure the views of the private sector, the administration is jointly provided for the combined authority and the LEP. The South Yorkshire plan is to retain the LEP Executive to service both the LEP and Combined Authority and similar arrangements are in place at Leeds.

4. RESOURCES

4.1 At the time of writing the report, the resources confirmed for 2016/17, include the contribution from the four local authorities at the current level, this brings in £200K. A planned under spend through prudent budgeting of circa £119K, bringing the funds available for 2016/17 £319K. There is
potential rates uplift from the Enterprise Zones, these figures are yet to be confirmed, and discussions are ongoing with Local Authority partners.

4.2. If the current level of government funding is confirmed, that would bring in circa £500k.

4.3 A number of LEPs have secured agreement from the department for Business Innovation and Skills (BIS) to charge between 1 – 1.5% of Local Growth Deal programme as central management fees Assuming our Local Growth Deal programme of circa £39m budget for 2016/17 and such an agreement could be reached that would bring in a further £390 to £585k, although this reduces in subsequent years. Further work will need to be done to identify activities that could be resourced by the private sector, e.g. marketing, accommodation, some areas of administration

5. THE FUTURE SCOPE

5.1 In the short time of Humber LEP’s existence, significant progress had been made, in particular promoting and securing support for the Humber as the UK’s Energy Estuary and driving forward growth from those industries and sectors associated with the estuary. It has acted in a functional role to secure new inward investment working with Local Authority partners and regional stakeholders. In addition, we have brought in new resources and delivered, outcomes and outputs that support the overall objectives of growing the economy (see section 3.2). We have secured credibility among government, have demonstrated integrity among local partners as an honest broker, and have led on number of pilot initiatives. We have provided leadership for local economic development in the region.

5.2 The LEP has secured a City Deal that has brought in new resources and Freedoms and Flexibilities. It has secured Enterprise Zones, worked with partners to secure Regional Growth Funding, and more recently secured funding through Growth Deal and ESIF. There is an increased level of government confidence in the Humber and there is a need to build on that success and to remain focussed on delivery.

5.3 The LEP has lead on the development of the Strategic Economic Plan, the ESIF and Employment and Skills strategies, and worked with partners to secure agreement to the regional Spatial Plan, and contributed to the development of the Floods Risk strategy.

5.4 The LEP has developed and been nationally recognised for its pioneering work around skills; local decision making around regulation and its co-ordination, and has secured private sector engagement and involvement in developing the growth of the Humber Economy.

5.5 The LEP has established a three pillar response to developing a competitive and productive economy, around skills, business development and infrastructure. These three pillars provide interrelated actions that will
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provide the environment for future growth, attract investment and create jobs.

5.6 The LEP Board concluded that some of the economic challenges the Humber faces can only be tackled at the Humber regional level. The conclusion was that Humber LEP had gained real traction (and brand recognition), and must continue to provide clear economic vision and strategic leadership to drive forward sustainable private sector led growth and jobs creation for the Humber.

6. OPTIONS

A number of options were presented to the Chief Executive’s Advisory Group and based on their advice we have two options that are presented for consideration and confirmation, these are to be developed within the context of the ambition agreed by the LEP Board and within the context of available resources. The overall vision remains to create economic growth by creating a competitive and productive economy, based on the assets of the Humber Estuary.

6.1 Option 1 - The preferred option is to maintain the current level of activity through a staffing structure that was approved a year ago. We currently have the right quality of staff and expertise to deliver the role aspired by the Board and partners. We have seen the proof of this success with pioneering work that we have undertaken in a number of areas, including skills, business development and regulation. This success has generated further work for the team. We service three functional sub-boards and a range of other working groups that provide the input and co-ordination of this complex and demanding work.

The agreed staffing structure delivers the three pillars of work. It is made up of 10 core staff, including admin staff. The total cost, including running cost is circa £850k. Assuming that local authority funding (£200K), under spend (£119K) and government funding (£500K) is confirmed there would be adequate resources to deliver the wider role. Some adjustments will have to be made to bring the expenditure plans within budget.

Pros – Provides continuity takes out uncertainty and provides the confidence that Humber is able to deliver the contracts and policy lead with government.

Cons – Is based on securing government funding that is unlikely to be resolved before Dec 2015.

6.2 Option 2 - This is based on the assumption of no funding from central government or reduced funding of circa £250K.

- Assume that there is no core funding from government, then a strong case could be made for a % draw on the Local Growth Deal (this has been secured by some LEPs), that would bring in circa £390K, added
to the £200k LA funding, £119K under spend. This would create a budget of £700K + potential any draw on any Enterprise Zone rates uplift.

- Assume that £250K core funding is provided by the government, and assume that we do not make a case for any draw on Local Growth deal, but allow for Enterprise Zone rates uplift. This model would also create a budget of circa £650K.

Either of these scenarios would require restructuring of the team, and the scope of the work would need to be reviewed and in certain areas the current work will be greatly reduced and there would be a reliance on partners in particular the local authorities to pick up some of the work currently being carried out by the LEP team. This option will require clinical assessment of the remaining core functions that can be delivered by the LEP and an agreement with partners will need to be reached to pick up functions that are no longer able to be delivered by the LEP. In developing this idea further it was agreed that the proposals around alternative models, including the development corporation should be considered.

Pros - Maintains some continuity and some work can be maintained that could be focussed around delivery.

Cons - Partner expectations will need to be managed, work on pilot initiatives and policy will have to be curtailed, and partners will have to be drawn in to help deliver the wider role for economic growth. In terms of the proposals around establishing a Development Corporation, government may not be keen on supporting further designations. Without formal planning and CPO powers the DC would be fully reliance on Local Authorities, thus there would likely be a question on the independence of such a structure. The time table for implementing such a model will need to be developed and may take some time and therefore it may not help with the more immediate 2016/17 solution.

7. Recommendation

That the Humber Leadership Board and the Humber LEP confirm and approve further development of the two options set out in the report.

K Tailor

28th August 2015