

Divisions Affected - ALL

PERFORMANCE AND CORPORATE SERVICES OVERVIEW AND SCRUTINY COMMITTEE

19 JULY 2024

LEP INTEGRATION UPDATE

Report by CHIEF EXECUTIVE

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
 - **NOTE** the report, raise any questions on its contents and **AGREE** any recommendations it wishes to make to Cabinet

Executive Summary

2. This report provides an update following the integration of LEP functions into the county council on 1 April 2024. The report outlines the government guidance and the provides an overview of the three phased approach that the county council has taken to LEP transition – including an update on phase one that is now complete and phase two that is in progress.

Background

3. Formally launched in March 2011, OxLEP Ltd was initially established as a partnership with the local authorities, businesses and education sector in the area, and was incorporated as a not-for-profit company limited by guarantee on 31 March 2015.
4. Oxfordshire County Council acted as OxLEP's Accountable Body in respect of OxLEP Ltd's core funds and any additional central government funding received.
5. In August 2023, government confirmed that from April 2024, the government's sponsorship and funding of LEPs will cease. The associated guidance states that the government expects the functions currently delivered by LEPs – namely, business representation, strategic economic planning, and the delivery of government programmes where directed – to be exercised by upper tier local authorities, where they are not already delivered by a combined authority. In Oxfordshire's case this means Oxfordshire County Council.

6. In February 2024 Cabinet agreed that the council would become the controlling member of OxLEP Board exercising its membership functions through Cabinet. This change in control was agreed by the OxLEP Board in March 2024 and came in to effect on 1 April 2024.
7. The change in ownership formed the basis of the first phase of a three phased approach to LEP transition. These are:

Phase 1 – Transition (By 1 April 2024)
Phase 2 – Implementation (1 April – 30 September 2024)
Phase 3 – Establishment (1 October 2024 – 31 March 2025)
8. The following sections of this report focuses on progress to date with LEP Transition.

Phase 1 – Transition

9. During this phase, interim governance arrangements have been put in place, these have been agreed in consultation with the current LEP board, and establish Council control as per government guidance, demonstrating that the functions have moved to the County Council.
10. As part of the transition the OxLEP Board adopted revised Articles of Association that took effect from the 1 April 2024. These changes gave effect to the Transfer of Functions and confirmed Sole Membership of the Company in favour of Oxfordshire County Council. The Articles of Association define specific Reserved Matters for the County Council which are the Appointment of Directors, Approval of Business Plan and associated Budget.
11. Cabinet will be considering items under the Reserved Matters on 16 July relating to two board appointments to the OxLEP Board and noting the 2023/24 year end budget position of OxLEP.
12. In March 2024 the Future Oxfordshire Partnership noted the approach to LEP Transition that saw Oxfordshire County Council become the controlling member of OxLEP from 1 April 2024. It was agreed with the FOP that a Memorandum of Understanding would be developed that set out the principles for future working arrangements. The draft MOU is to be considered by FOP In July.
13. The changes to the OxLEP Board have been registered with Companies House and this phase of LEP transition is now complete.

Phase 2 – Implementation

14. As noted above, government now expects strategic economic planning to be a function exercised by the county council, and that areas are to publish their (existing, new, or updated) economic strategy within six months of receiving funding.

15. In January 2023, OxLEP commissioned a refreshed Strategic Economic Plan for Oxfordshire and undertook an Independent Economic Review (IER). The refreshed SEP was published in December 2023 alongside a detailed evidence base.
16. Following the transfer of functions OxLEP is reviewing the SEP to ensure that it aligns with the government guidance published in December 2023 emerging national policy, and with priorities of the County Council – including emerging strategy around community wealth building and findings from the doughnut economics commission. OxLEP will also be engaging with partners over the summer to ensure whole system input as part of the review.
17. Officers will continue to engage with Members in relation to the development of a revised economic strategy and this will be presented to Cabinet later in 2024/25.

Business Plan

18. Prior to becoming a county council company OxLEP produced a Corporate Plan that was approved by OxLEP Board. This current Corporate Plan covers 2022-24 and describes strategically the activities the LEP plan to coordinate, support, and deliver over the period to support Oxfordshire's economic recovery and addressing the key challenges that the covid pandemic exposed. It also contains an overview of the LEP's Key Performance Indicators.
19. While many of the core themes of the Corporate Plan remain relevant, the plan has dated and no longer reflects the current delivery priorities of OxLEP. As such, over the summer a revised Business Plan is being developed as part of the transition process and will be brought to Cabinet for approval.

Governance

20. As noted above the County Council is now the sole member of OxLEP Ltd. The company member function will be exercised by Cabinet during the implementation phase. However, this function may be delegated to an individual cabinet member, sub-committee or officer in future, following a review of the mechanisms through which the County Council exercises governance of its entities and the future governance structure of the LEP itself.
21. OxLEP is set up as a company limited by guarantee, this means that it has a 'member' rather than 'shareholder' structure. The County Council needs to consider how it exercises control of the company and how oversight will be undertaken. Best practice guidance from Local Partnerships has been considered and while aimed primarily at Local Authority Trading Companies with a shareholder structure, provides a model that can be adapted for companies limited by guarantee. This guidance has helped to inform the initial principles which are explored in the following paragraphs of this report. However, more work needs to take place during the transition phase to build on these principles.

22. The role of the member includes:
 - a. Oversight of any decisions that can only be made by the member, rather than left to the entity (known as 'reserved matters')
 - b. The necessary oversight from the member's perspective that the parameters, policies and boundaries that the council has established are being adhered to
 - c. A mechanism to communicate the member's views to the entity
23. In addition, there should be evidence that the individual undertaking the member role is provided with suitable training and support commensurate with the role and is independent of the company. This responsibility may be delegated to a committee rather than an individual. If this is the case, there must be a terms of reference drawn up and a suitable cohort of elected members identified to sit on the committee.
24. Further work will be undertaken on the governance arrangements during the implementation phase and brought back to the Audit & Governance Committee and to Performance and Corporate Services Overview Scrutiny Committee for consideration.

Phase 3 – Establishment

25. Following the development of a new medium-long term business plan during the implementation phase, we would expect revised operating model, structure and governance to be fully implemented during the phase 3. The revised links and interactions with wider economic development resources within the Oxfordshire system will also be reviewed.
26. This work will commence in October 2024 and is expected to be completed by March 2025.

Corporate Policies and Priorities

27. LEP transition aligns with the vision set out in the County Council's Strategic Plan to lead positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county. It also supports the priorities of:
 - Put action to address the climate emergency at the heart of our work
 - Tackle inequalities in Oxfordshire
 - Invest in an inclusive, integrated and sustainable transport network
 - Create opportunities for children and young people to reach their full potential
 - Work with local businesses and partners for environmental, economic and social benefit

Financial Implications

28. Oxfordshire County Council is the accountable body for OxLEP Ltd. As an accountable body, the Council takes responsibility for receipt and financial probity of external funding on behalf of the OxLEP Ltd and ensures the proper and effective use of those funds. As required in Financial Regulations, where the Council acts as an Accountable body, a formal memorandum of understanding is required which sets out the operational protocols between the Council and OxLEP Ltd.
29. Core funding payments of £0.234m for 2024/25 were received by the council in April 2024. Funding beyond 2024/25 will be subject to a future spending review decision.
30. From 2024/25 group accounts will be required to incorporate the accounts for the OxLEP Ltd Teckal company into the County Council's Statement of Accounts.

Comments checked by:

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Legal Implications

31. There are no legal implications arising from the recommendation in the report. Legal comments are contained throughout the report and in particular within the Governance section, which sets out the role of the Council as sole member of OxLEP.

Comments checked by:

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Background paper:

1. Local Partnerships - LATCo guidance – Local authority company review guidance (2023) [Local Partnerships Local-authority company review guidance 2023 edition.pdf](#) (localpartnerships.gov.uk)

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