

## **Divisions Affected - All**

### **CABINET**

**19 November 2024**

## **LOCAL ENTERPRISE PARTNERSHIP INTEGRATION – PHASE TWO**

### **Report by Director of Economy and Place**

#### **RECOMMENDATION**

Cabinet is **recommended** to

1. Note that the county council is now responsible for economic development functions previously the responsibility of the Oxfordshire Local Enterprise Partnership (OxLEP), including strategic economic planning.
2. Agree to retain the existing council owned company OxLEP, for the delivery of some of these economic functions as set out in a revised contract and based on the business case attached at Annex A.
3. Agree to establish a Shareholder Committee as a committee of Cabinet with Terms of Reference as set out in Annex B and, with the assumption that this is first agreed by Cabinet, that the Shareholder Committee will meet within one month of this Cabinet meeting.
4. Recommend to the to be established Shareholder Committee that they then make changes to the Articles of Association as attached at Annex C and change the trading name of the company to Enterprise Oxfordshire.
5. Agree to the Shareholder Committee immediately appointing the company directors and make any appointments that are required from time to time in accordance with revised Articles of Association.
6. Agree that the Cabinet will be responsible for developing a new Strategic Economic Plan, in consultation with other partners, founded on the strategic priorities of the council.
7. Agree to the Shareholder Committee tasking the company directors to oversee the development of a business plan and budget for 2025/26 and future years for sign off from the Shareholder Committee, in line with the economic priorities set out by Cabinet.

8. Agree to establish an Oxfordshire Economic Partnership Board to support the Cabinet in the discharge of its economic development functions.
9. Delegate authority to the Chief Executive in consultation with the Executive Director of Resources and the Director of Law and Governance and Monitoring Officer to agree and conclude the details of amendments to the contract with OxLEP Ltd including the revisions in recommendation 2 above, the extension of the contract to 31 March 2026 and confirmation of arrangements regarding the delivery of the Skills Bootcamps initiative.

## **Executive Summary**

1. This report provides an update following the integration of functions previously exercised by the Local Enterprise Partnership into the council on 1 April 2024.
2. Following integration, the governance arrangements have been reviewed alongside the model for delivering economic functions. The strategic economic plan has also been reviewed and a draft business plan developed.
3. The report outlines the different delivery options that have been explored and proposes that the council retains the company model for delivering some former LEP functions and retains ownership of the legacy company as the sole Member.
4. The report sets out changes that will need to be made to the governance arrangements to ensure the effective running of the company, while also providing for the continued input of partners in the delivery of economic functions.
5. These changes include a new company trading name, a smaller company Board with new director appointments, the establishment of a Shareholder Committee as a committee of cabinet and creation of an Economic Partnership Board.

## **Background**

6. In August 2023, the government confirmed that from April 2024, the government's sponsorship and funding of LEPs would cease. The associated guidance stated that the government expects that functions then 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.
7. In February 2024 cabinet agreed that the council would become the controlling member of OxLEP Ltd exercising its membership functions through cabinet. This change in control was agreed by OxLEP Board and came into effect on 1 April 2024.

8. 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 2024 – 30 September 2024)
  - Phase 3 – Establishment (1 October 2024 – 31 March 2025)
9. This report outlines the work undertaken as part of phase two, with the main body of the report focusing on the governance arrangements and future operation of the company and how these proposals will be implemented in the next phase of transition that focuses on establishing the future model. During the second phase the Strategic Economic Plan has also undergone an initial review and preparatory work undertaken to develop the medium-term business plan and budget for the company.

### **Overarching principles**

10. The model for delivery of economic functions has been reviewed. The following principles were developed to evaluate the preferred delivery model.

The delivery model should:

  - Build stakeholder engagement into the model
  - Demonstrate council control
  - Provide operational flexibility to support commercialisation and income generation
  - Be deliverable within timeframes
  - Minimise financial risk for the council
11. These principles informed the assessment criteria for identifying the preferred delivery model. The options have been assessed against these principles as set out in the Business Case at Annex A.
12. In addition to these principles the council has a clear strategic intent set out in the strategic plan 2023 – 2025. This sets out the council's vision to lead positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county and outlines the priorities to achieve this vision.
13. The strategic priorities of the company will be founded on the council's vision and priorities.
14. As such, the role of the revised company will be in refreshing the economic focus to ensure benefits are felt by the whole of the county population and delivering programmes and interventions that deliver these benefits. These economic priorities will need to form the basis for future economic strategy development and implementation.
15. To deliver the council's responsibility for setting economic strategy, the cabinet will be accountable for agreeing significant economic policy, in collaboration

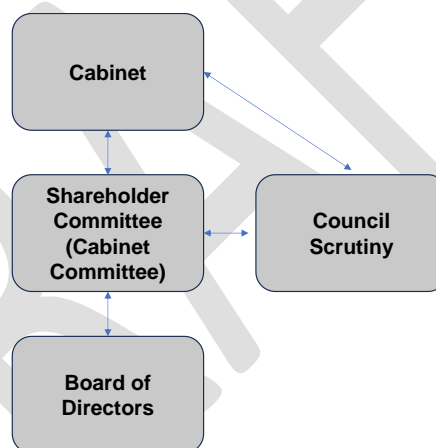
with partner organisations and with engagement from the wider business and employer community.

## Options Appraisal

16. To support LEP transition a joint working group was established with representatives from OxLEP and the council. This working group has undertaken a detailed options appraisal, that is set out in detail in the Business Case attached at Annex A. The recommendation is that the council continues to deliver some economic development programmes through the existing council owned company, OxLEP Ltd trading as Enterprise Oxfordshire, and that the council retains ownership of the company as the sole member.

## Governance Framework

17. To further enhance the delivery of economic functions it is recommended that a new governance framework is put in place that includes the creation of a Shareholder Committee as a committee of cabinet. This will align to the current governance structure as follows:



*Proposed governance structure*

18. The Shareholder Committee's Terms of Reference are attached at Annex B and will include providing strategic oversight of the company and providing assurance to the cabinet that the company is compliant with the council's constitution, rules and procedures including achieving best value.
19. The Shareholder Committee will also take decisions on any matters that are reserved to the Council as member in the company's Articles of Association or Shareholders Agreement and will receive annual and periodic reports for the company.
20. The council's Chief Executive, the Executive Director of Resources (Section 151 Officer) and the Monitoring Officer will support the Shareholder Committee and the representatives of the company, including the Company Secretary, shall be invited to all meetings on a non-voting basis.

21. Scrutiny oversight will be undertaken through existing council scrutiny arrangements.
22. Whilst the Shareholder Committee will be responsible for providing the oversight of the company through the reserved matters set out in the Articles, there will also need to be a board of directors appointed so to comply with company law regulations (Companies Act 2006). The primary purpose of the company will be to deliver projects and programmes on behalf of the council. The current company board consists of six local authority non-executive directors (NEDs) (Leaders), three further and higher education NEDs and nine private sector NEDs alongside the LEP Chief Executive (ex officio). It is proposed that all directors will resign. In the new structure, the council would retain control and exercise that through the Shareholder Committee. Additional directors will be appointed to the company board that would be focused on the day to day running of the company. As part of this transition the company trading name will be changed to Enterprise Oxfordshire.
23. A number of options have been explored to identify the composition of the company board, these are included in Annex A. It is proposed that the new company board will be a board of three non-executive directors appointed by the Shareholder Committee. This will include a cabinet member and senior officer from the council alongside an external independent non-executive director who would also chair the company board. The board may also be supported with one or two co-optees (for example from the Economic Partnership Board – see below) and be advised by the company Chief Executive and council Director of Economy and Place. The existing Company Secretary would also advise the Board on company law, governance and other compliance matters. The proposed changes to the Articles of Association for the company are attached at Annex C.
24. Those officers or members who may be nominated as directors of the revised company will have a primary fiduciary duty to the company and will need to vote in its best interests and manage its affairs in accordance with what is in the best interest of the revised company. That raises a potential risk of conflicts of interest in connection with their separate responsibilities to the Council. However, as the main object of the company as set out in the articles of association is to bring about sustainable economic growth of the county through the implementation of a strategic economic plan that will be agreed by the Council, these risks of conflict are minimised.
25. Acting as a director can give rise to personal liability, and it is recommended that the Council should offer indemnities to members or officers serving as company directors, to prevent members or officers from being deterred from taking up a position on the board. Board member training will also be provided.

## **Business Engagement**

26. The government guidance issued in August 2023 encouraged upper tier local authorities to create or continue to engage with an Economic Growth Board (or similar) made up of local business leaders and relevant representative bodies

to provide the view of local businesses as part of regional decision making and work with local leaders to create a broad economic strategy for the area. Demonstrating a strong business voice is also an eligibility requirement for some government programmes (including Growth Hubs).

27. The guidance also set out a broad base for membership – a wide range of business types, sizes, and locations relating to local economic strengths and priorities. A board should have a diversity of voices, involve business representative organisations (e.g., local Chamber of Commerce, the Federation of Small Businesses) and there should also be a clear conflict of interest policy (where private interests, both pecuniary and non-pecuniary are declared).
28. As such, it is recommended to establish an Economic Partnership Board (EPB) to support the Cabinet in the discharge of its economic development functions. This will invite a range of voices to advise on the development of economic strategy in line with government guidance. The guidance also asks upper tier authorities to consider the inclusion of local economic partners outside of the business community in the membership for the board. This will be important in Oxfordshire given the strength of expertise in the wider system.
29. The Terms of Reference for the Economic Partnership Board are to be defined in engagement with partners and ratified by cabinet at a future date. However, it is likely membership will include representatives from lower tier authorities, the private sector, further and higher education, health and community and voluntary sector. This broader membership would add significant value to the board.
30. While the initial function of the EPB will be to advise the council on the development of economic strategy and the design and deployment of programmes, its terms of reference should be flexible enough to act as a business engagement vehicle on wider economic matters in the county. For example, business and employer engagement in support of the broader functions of the revised Future Oxfordshire Partnership or any future joint arrangement or potential devolution arrangements will require engagement with broader economic actors. It would be duplicative to have multiple economic partnership boards for the county-footprint and therefore, in consultation with board members and partner organisations, there is the potential for a single economic partnership board to facilitate engagement.
31. The existing board of OxLEP (that is before the changes are made as envisaged in paragraph 22) includes private sector directors who have already been through a Nolan compliant recruitment process alongside further and higher education directors. These board directors will form the EPB should they choose to do so. The initial membership of the EPB will also include representation from lower tier authorities. A review and further recruitment will be undertaken to ensure appropriate diversity alongside relevant sector specialisms and geographical representation. The December 2023 government guidance states that any new business board members must be appointed through an open process. The process should ensure appointees are able to provide a constructive check and challenge on local decision making using their private

sector perspective. This guidance will continue to be followed in making future board member appointments and the appointment process will be owned by Cabinet.

### **Contract for the provision of services**

32. The contract for the provision of services is the means by which the Council commissions the delivery of certain initiatives by the company. The contract sets out that the company will deliver the overall strategic objectives for Oxfordshire set annually in the Business Plan as agreed by the Shareholder Committee.
33. Following the change of control of the company to sole membership through the Council, the contract is now the means by which the Council sets out the scope of economic development and business support services that the Teckal company is to deliver for the council, without the need for the council to undertake a procurement process to commission this work. The contract was amended earlier in the year to extend its lifetime for a limited period to April 2025. It now needs further amendment to extend its lifetime even further to provide certainty of commission, but also requires amendments to confirm arrangements relating to the Skills Bootcamps initiative.

### **Business Plan and Budget**

34. A revised business plan is being developed for the company setting out priorities including the delivery of government programmes and economic development programmes across the county on behalf of local authorities. During phase two of LEP transition, the company has taken on additional delivery priorities around green investment, business support and secured additional funding to extend the 'No Limits' programme providing support for individuals seeking employment, education, or training. The draft business plan also includes arrangements for the continuation of the Business and Intellectual Property Centre from 2025/26.
35. If the proposed delivery model is agreed, the Shareholder Committee will task the new company board with developing a multi-year Business Plan and Budget for 2025/26 and future years building on the work already undertaken. The revised Business Plan and Budget for 2025/26 and future years will be brought to the Shareholder Committee for sign off under the reserved matters for the Shareholder Committee.

### **Strategic Economic Planning**

36. The Strategic Economic Plan was agreed by OxLEP Board in December 2023. Further guidance was released by government in December 2023 that stated that from April 2024, government encouraged areas to produce (or update) economic strategies on an ongoing basis to support local decision making, furthering the work previously undertaken by LEPs. The guidance also states that government expects areas to publish their strategy within six months of receiving funding.

37. Following this guidance and the council becoming the controlling member, the SEP has been reviewed over the summer. This included the company holding workshops with partners and refreshing to include the council's inclusive growth priorities.
38. During the time the SEP review was being undertaken a new government has been elected. This has led to a shift in national economic policy and the council has received confirmation that government will work in partnership with local leaders to implement Local Growth Plans. Further guidance is expected from government by early 2025 and the work undertaken to date on the Strategic Economic Plan will leave the council well placed to respond to this and other future requirements from the new government as they emerge. In the meantime, SEP is available on council's website noting that it is under review.
39. Following the government guidance the intention is that the council (cabinet) retains the accountability for strategic economic planning including any associated documents such as a Local Growth Plan, depending on revised government guidance. Cabinet has the option to develop this via the company or via the Economy and Place service area. With either option, the council (cabinet) would retain responsibility for setting the terms of reference and signing off the resultant strategy. In so doing, the cabinet would want to ensure stakeholders are extensively engaged in the development of economic strategy to establish broad ownership. The company would be one of the delivery mechanisms for realising the strategy.

### **Next Steps**

40. The next steps are as follows:
  - Cabinet to agree to establish Shareholder Committee and its terms of Reference and to establish the Economic Partnership Board
  - Shareholder Committee to meet and amend the articles of association and appoint company board directors
  - The revised Company Board to meet and develop multi-year Business Plan and Budget for recommendation to the Shareholder Committee
  - Economic Partnership Board to meet
41. The governance arrangements set out in this paper are in the context of a wider economic partnership landscape that includes the Future Oxfordshire Partnership. As part of the next phase of transition a review of how the new operational arrangements relate to these partnerships will be undertaken to ensure continued positive engagement within the wider system.



## Corporate Policies and Priorities

42. LEP transition aligns with the vision set out in the council's strategic plan 2023 – 2025 to lead positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county. It also supports the priorities of:
- Putting action to address the climate emergency at the heart of our work
  - Tackling inequalities in Oxfordshire
  - Investing in an inclusive, integrated and sustainable transport network
  - Working with local businesses and partners for environmental, economic and social benefit

## Financial Implications

43. The Government confirmed on 19 December 2023 that they will provide up to £240,000 per local authority area in 2024/25 to deliver the functions previously delivered by LEPs – namely business representation, local economic planning, and delivery of Government programmes where directed – subject to final business case approval and the approval of integration plans. Funding beyond 2024/25 will be subject to future spending review decision. This core funding is separate to any programme funding that may be provided to support the delivery of, for example, Growth Hubs or Careers Hubs. Funding for the delivery of government programmes as directed will be communicated to authorities by the responsible government department or body as per usual processes. The operational costs and risks assessed as part of the transfer are afforded through several funding sources including government grants, delivery programme funding streams alongside Enterprise Zone funding.
44. In line with this previous assurance framework and compliance checks and to reflect the transfer of LEP functions to local government, this financial year, government have revised the assurance process with a new Assurance Framework that requires the council's S151 Officer to provide a Statement of Grant Usage for the Council's 2024/25 Local Economic Development Fund (LEDF) allocation (LEP Integration Core Funding). This LEDF funding has been retained by the council.
45. The framework expects the S151 Officer to ensure that their oversight of the proper administration of financial affairs relating to the funding for the prescribed activity continues throughout the year and lifespan of the funding programmes requirements.
46. On 1 October 2024, OxLEP Board's Finance and Audit Committee received the external auditors verbal report and audited financial statements and letters for financial year 2023/24. The auditors presented a clean audit report for the period, with no comments to be made on the qualitative aspects or on the controls and no adjusted or unadjusted errors identified during the audit. The audit team highlighted the strong control environment and the efficiency of the OxLEP finance team.

Comments checked by:  
Rob Finlayson, Strategic Finance Business Partner,  
rob.finlayson@oxfordshire.gov.uk (Finance)

## **Legal Implications**

47. The main body of the report and annexes contain legal implications and detailed consideration of (amongst others):
- (a) the Council's continued ownership of OxLEP as a Teckal company
  - (b) the establishment of a Shareholder Committee to carry out responsibilities of the Council as owner and sole "Member" of the company
  - (c) responsibilities of Board Directors and conflict of interest, and
  - (d) the contractual arrangement with the company for it to deliver certain services as commissioned by the Council.

Comments checked by:  
Paul Grant, Head of Legal and Deputy Monitoring Officer  
paul.grant@oxfordshire.gov.uk (Legal)

## **Staff Implications**

48. Under the recommended option, Local Authority Company, the staff implications are limited as the company will operate as it does currently. OxLEP operates different terms and conditions and working patterns to the council and these could be reviewed in the future. Legal advice would be taken on any proposed changes and consultation requirements.

There will need to be consideration as to whether teams need to be reconfigured to enable delivery of the strategy and Business Plan that is in development.

Comments checked by:  
Caroline Bing, HR Business Partner – Organisational Change  
Caroline.Bing@oxfordshire.gov.uk (HR)

## **Equality & Inclusion Implications**

49. A full Equality Impact Assessment has been undertaken and there are positive impacts in terms of a focus on inclusive economy and areas of deprivation. The company board regularly receives updates on attainment as well as information about those in unemployment by district which will continue. Equalities will be considered when reviewing board membership and HR implications.

## **Sustainability Implications**

50. There are no direct sustainability implications from this report. Sustainability will be considered within new policy development and service areas as they are developed.

