

SURREY COUNTY COUNCIL**CABINET****DATE: 25 FEBRUARY 2025****REPORT OF CABINET MEMBER: MATT FURNISS, CABINET MEMBER FOR TRANSPORT, INFRASTRUCTURE AND GROWTH****LEAD OFFICER: SIMON CROWTHER, INTERIM EXECUTIVE DIRECTOR FOR ENVIRONMENT, PROPERTY & GROWTH (EPG)****SUBJECT: THE COUNCIL'S ECONOMIC GROWTH LEADERSHIP ROLE AND REFRESHING SURREY'S ECONOMIC STRATEGY****ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT, THRIVING COMMUNITIES, ENABLING A GREENER FUTURE, NO-ONE LEFT BEHIND****Purpose of the Report:**

In April 2024, the delivery of economic growth functions previously held by Local Enterprise Partnerships (Coast to Capital LEP and Enterprise M3 LEP) transferred to Surrey County Council (SCC). As the Upper Tier Local Authority (UTLA), the Council was asked by Government to be the lead across Surrey for local economic planning by updating the economic growth strategy, take on economic growth responsibilities previously held by the LEPs, and deliver key business support and workforce development services such as the Growth Hub, Careers Hub and administration of local growth funds.

This Cabinet report provides an update on the LEP transition arrangements since the last report to Cabinet on this matter in February 2024; it sets out the reframed priorities of the local economic growth strategy; and outlines a proposal for the long-term strategic funding framework to oversee investments made through legacy LEP funding and any other funds that support local growth, skills, and workforce development initiatives, such as UK Shared Prosperity Fund. This important area of work will help Surrey County Council to primarily meet the "Growing a sustainable economy so everyone can benefit" priority objective and ensure No One is Left Behind.

Recommendations:

It is recommended that Cabinet:

1. Notes the progress made in establishing the Council as Surrey's strategic economic leader including the taking on of LEP functions and assets from Government.

2. Notes the use of delegated officer powers to approve the signing of a Memorandum of Agreement with Hampshire County Council, which formally sets out how ongoing governance will be undertaken, and how assets and liabilities will be split between both local authorities.
3. Approve the vision and priorities in the refreshed economic growth strategy following the endorsement by the One Surrey Growth Board and the Surrey Business Leaders Forum. These interconnected updated priorities are reinforced by the evidence review that has been carried out.
4. Approve the creation of the Economic Growth Funding Framework and related funding rounds for 2025/26, through which investments will be made to realise initiatives that support the agreed priorities. This includes approximately £4 million towards capital initiatives, £2 million towards revenue initiatives and £1 million towards an SME business grant scheme.
5. Approve funding thresholds for the Interim Executive Director for Environment, Property & Growth in consultation with the Cabinet Member for Transport, Infrastructure, and Growth and the Section 151 Officer (up to £100,000), and the Cabinet Member for Transport, Infrastructure, and Growth (between £100,000-£500,000), with Cabinet responsible for approving any investments over £500,000.

Reason for Recommendations:

To bring the significant strategic decision of approving the refreshed county-wide economic growth strategy and strategic funding framework to Cabinet, which will help give direction to local economic initiatives and enable greater coordination of local institutions with an ability to deliver.

Executive Summary:

Local Enterprise Partnership (LEP) Transition Arrangements

1. Since taking on the responsibilities from the Local Enterprise Partnerships (LEPs) in April, the Council has been delivering effectively for residents and local businesses in several ways, including ongoing contractual agreements with responsibilities for Growth Hub services to SMEs, Careers Hub service linking schools and employers, the Innovation work programme with the three Surrey universities, and the upcoming Made Smarter Adoption programme for the South East. Some of the key successes for 2024/25 include:
 - a. Business Surrey established as the new single gateway for Surrey businesses to access information, advice and guidance to support their growth (47,256 total website views since launch).
 - b. Establishment of the Surrey Growth Hub, providing high-growth businesses with free tailored 1:1 support from experienced Business Advisors (930 businesses engaged / supported since launch).
 - c. The Surrey Careers Hub has recently completed its first academic year which has seen significant improvements in the level of careers guidance in Surrey's schools, having delivered a 2-10% increase in performance

by schools and colleges across all the Gatsby Benchmarks (the indicators of world class careers provision).

- d. Re-launch of Surrey Business Leaders Forum, which has been designed to meet Government's requirement for a strong business voice to support local decision-making, with 34 representatives across key industries.
2. Part of the LEP transition process has required negotiations with other Upper Tier Local Authorities (UTLAs) to re-allocate legacy local growth funds that were controlled by the two LEPs that operated in Surrey.
 3. The process with Hampshire County Council to agree arrangements covering the Enterprise M3 area was formally concluded on 22 August 2024 with the signing of a Memorandum of Agreement. The legal agreement sets out how the ongoing relationship with Hampshire County Council will be governed and how assets and liabilities will be split between both local authorities. The approval to sign the agreement was taken under delegated powers by virtue of Cabinet's decision in the February 2024 Cabinet report.
 4. As part of the agreement, funding is divided based on Working Age Population in the parts of Hampshire and Surrey that were previously covered by Enterprise M3 LEP (51% Surrey, 49% Hampshire). After factoring in Accountable Body fees and winddown costs, the Council can expect to receive up to £18.2m over the next seven years to 2031 (in Financial Year 2024/25 this was £8.7m of mostly capital funding). It is important to note that there will be some uncertainty with long-term debtors (e.g. renegotiating terms, or writing off loans that are deemed irrecoverable), so these figures are based on current projected repayments to the Accountable Body, but this could change over the coming years.
 5. Council Officers are seeking to put in place a similar Memorandum of Agreement with Brighton & Hove City Council and West Sussex County Council, however several outstanding issues remain, and it is unlikely to be agreed until the end of March 2025 at the earliest. The legacy funding that Coast to Capital currently controls is significantly smaller than Enterprise M3 and there is a greater level of uncertainty. Once a draft agreement is in place, approval via delegated authority will be sought in the same way as the with Hampshire County Council.
 6. Following this strategic transition of LEP powers to the Council, there is an expectation from Government for local economic growth services to continue to be delivered and enhanced in Surrey. This includes producing local economic growth strategy, future investment plans, and ensuring private sector involvement to inform decision-making.

Refreshing Surrey's Economic Growth Strategy

7. Surrey had an existing economic strategy statement: Surrey's Economic Future 2030, which was approved by Cabinet in December 2020. This strategy has been integral to shaping the Council's economic growth work programme to date. However, the strategy was developed during the pandemic, and the

Surrey and UK economy is now in a very different position, making the requirement above an appropriate opportunity to review and refresh the strategy so that it is more reflective of our current economic context and the enhanced leadership role the Council has taken on.

8. The focus of refreshing the strategy has been assessing Surrey's current and future economic landscape and updating the relevant socio-economic data to generate new insights. Alongside reviewing the evidence base, a series of stakeholder engagement sessions have been held with local businesses and partners, including workshops with the Surrey Business Leaders Forum and One Surrey Growth Board, sessions with Surrey's universities through the Innovation Board, the education and skills system through the Skills Leadership Forum, and local government via the Economic Development Officers Group and the Surrey Place Leaders Forum.
9. This recent engagement and analysis of the latest evidence have highlighted that the priorities of the current strategy, while still relevant, need reframing to ensure they are widely recognised and to reinforce the interconnected nature of them so that they are not seen in isolation. The vision of the strategy remains, which is to 'ensure that Surrey continues to retain its position as one of the country's leading high-value and innovative regional economies by increasing productivity (GVA) and delivering wider socio-economic benefits to ensure no one is left behind'. This vision is underpinned by three refreshed and interconnected strategic priorities that that will help deliver local growth.
10. **Priority 1:** Supporting skills and workforce development by ensuring Surrey's residents can support the workforce and skills demands of Surrey's businesses.
 - a. Surrey benefits from a well-educated workforce, with high qualification levels and a significant proportion of working-age residents holding degrees or higher. However, economic inequality remains a pressing issue, with certain groups, such as those with no qualifications and individuals caring for family at home, facing significantly higher rates of economic inactivity.
 - b. The Council has been delivering several skills programmes and initiatives over the past few years. For example, Skills Bootcamps, Multiply, Surrey Festival of Skills, and Open Doors. The refreshed evidence base and feedback from local businesses and stakeholders has highlighted the need for a continued focus on tailored, targeted employment support for priority groups, which future programmes like Connect to Work and control of the Adult Skills Fund will enable. This will be essential to address disparities, unlock potential within underrepresented populations, and ensure a more inclusive and equitable local economy.
11. **Priority 2:** Supporting business growth by creating the right conditions for Surrey businesses to start, grow and thrive.
 - a. The evidence shows that Surrey has a diverse economy, underpinned by a variety of sector and sub-sector specialisms, such as digital

services, automotive, cybersecurity, space, health, and the creative industries. However, recent trends highlight challenges, as the total number of businesses in Surrey has declined, driven primarily by a reduction in microbusinesses, whilst the proportion of large businesses has grown. Business birth rates remain below pre-pandemic levels, exacerbating this trend.

- b. Through the LEP transition, the Council has recently taken on enhanced responsibilities to support Surrey-based SMEs, with a particular focus on high-growth businesses via the Growth Hub. The shifts highlighted in the refreshed evidence base and feedback from the Surrey Business Leaders Forum have highlighted the importance of targeted interventions. This includes business support programmes, access to funding, and workforce development initiatives, to create an environment that encourages start-ups and SMEs to establish, scale, and thrive in the region and create new employment opportunities for local residents.

12. Priority 3: Supporting economic infrastructure by unlocking growth through place-based approaches.

- a. Surrey hosts several key innovation assets including universities, anchor businesses, incubators, research hospitals and science and business parks. The refreshed evidence base has identified 11 individual sub-regional “clusters” in the emerging economy which link closely to several of Surrey’s towns. Surrey has seen a recent drop in the proportion of high-growth businesses, which now sits below the UK average, and lags in generating active university spinouts against a national trend of growth. There has also been a declining trend in the share of multi-tenancy commercial space in Surrey.
- b. Recently the Council has undertaken deep dive work to understand and map co-working spaces and analyse the availability and supply of commercial sites across the county. In addition, there have been capital investments through the CoStar and GAIN programmes that provide crucial links between Surrey universities and local SMEs in the CreaTech and Games sectors respectively. Feedback from the Surrey Business Leaders Forum reinforced the importance of small/co-working and innovation spaces for SMEs that support greater business-to-business interactions, skills development, and agglomeration benefits.

13. It is important to recognise the recent Government announcements about local government reorganisation (LGR). The refreshed strategy will remain relevant and provide direction for any future strategic authority, where the whole ecosystem for economic growth will need to be considered to move forward the development of the three interconnected priorities around skills and workforce development, business support, and economic infrastructure.

14. Cabinet is asked to approve the vision and reframed strategic priorities of the local economic growth strategy. A draft executive summary of the strategy has been included in the Annex.

Surrey Economic Growth Funding Framework and UK Shared Prosperity Fund

15. The Council is becoming responsible for an increasing range of funding sources aimed at supporting local growth, this includes the LEP legacy funds and UK Shared Prosperity Fund (UKSPF) for transitional year 2025/26. This precedes wider local growth funding reforms from 2026/27, presenting the Council with opportunities to enable and support effective prioritisation, strategic alignment, and consistent decision-making. The establishment of the Surrey Economic Growth Funding Framework will provide a long-term overarching mechanism to enable an effective approach, ensuring future investments support the delivery of the priorities in the refreshed economic growth strategy.
16. The Government's updated guidance highlights their expectation that UKSPF "will ensure places deliver directly on the Government's foremost Mission to kickstart economic growth". Therefore, bringing Surrey's allocation within scope of the Surrey Economic Growth Funding Framework will ensure alignment with both the national mission and local strategic priorities, and streamline the approach to making investment decisions. The proposal for funding in 2025/26 is to prioritise ensuring the one-off UKSPF allocation is utilised in full and then use legacy LEP funding if required.
17. It is proposed that the funding rounds for 2025/26 will be made available to all, internal and external partners and businesses, via an open Expression of Interest process. It is proposed that by April 2026, the following funding pots will be launched:
 - a. **Capital funding** (approximately £4 million) towards physical infrastructure and/or assets that act as a catalyst for the delivery of the three strategic priorities in the refreshed strategy. Capital investment will unlock economic growth by creating, improving or further developing dedicated spaces for workforce development, hands-on learning, university spinouts, industry-led research and development such as training hubs, testing facilities, and collaborative workspaces that strengthen supply chains and equip the Surrey workforce.
 - b. **Revenue funding** (approximately £2 million) towards innovative proposals from local partners, stakeholders, and businesses that are aligned to the economic growth strategy and funding framework.
 - c. **Grant Scheme for SME business growth** (approximately £1 million) towards grants between £10k-£50k to cover 50% of project costs and used to fund costs that support growth through workforce development and job creation in local businesses. For example: staff upskilling programmes (e.g. AI skills training); tools and equipment to increase growth and/or productivity; development of new products/diversification that will lead to business growth and subsequent job creation.

18. The Economic Growth Funding Framework will be governed by several decision-making principles that will be used consistently across all funding decisions and will also help to inform the creation of future funding rounds:
- a. **Strategic alignment** – Contribute to long-term sustainable economic growth with clear links to the vision (i.e. increased productivity and no one left behind) and at least one of the three strategic priorities.
 - b. **Innovation** – Demonstrate innovation and be future-oriented to help foster Surrey’s competitive advantages. Enhance and complement existing provision/offers and avoid duplication.
 - c. **Scalability** – Have the potential to support significant growth and be scaled regionally and/or across sectoral clusters.
 - d. **Partnership and collaboration** – Encourage collaboration between businesses, universities, schools, public sector, and other stakeholders.
 - e. **Impact and legacy** – Focus on long-term value creation, favouring initiatives that will create a lasting economic impact.
 - f. **Place-based impact** – Consider geographic spread of investment decisions and take a more targeted approach where necessary.
 - g. **Deliverability and financial viability** – Robust business cases that demonstrate sound financial planning, risk management strategies and appropriate experience.
19. The Council has in place strong governance arrangements to support delivery of the economic growth strategy via the One Surrey Growth Board and Surrey Business Leaders Forum (see Annex 1). It is proposed that a cross-cutting “Investment Panel” is established alongside these boards to further strengthen arrangements and to provide a dedicated mechanism to oversee fund allocations. This will include membership from the Economy and Growth team, Finance, Procurement, and at least two private sector representatives drawn from the Surrey Business Leaders Forum.
20. The Investment Panel will review, evaluate, and make recommendations regarding proposals submitted to the Council that seek to use funds covered by the Surrey Economic Growth Funding Framework. The Panel will ensure that the allocation of funds aligns with the strategic objectives, priorities, and eligibility criteria of the funding framework.
21. It is recommended that Cabinet gives delegated authority to approve investments and, when required, the transfer of capital from pipeline to budget following a recommendation by the Investment Panel at the following thresholds:
- a. **Up to £100,000:** the Interim Executive Director for Environment, Property & Growth in consultation with the Cabinet Member for Transport, Infrastructure, and Growth and the Section 151 Officer

- b. **£100,000- £500,000:** As above and the Cabinet Member for Transport, Infrastructure, and Growth
- c. **Over £500,000:** Cabinet responsible for approving

22. An annual report will be produced and shared with Cabinet, the One Surrey Growth Board, and the Communities, Environment, and Highways Select Committee, which will include information such as an overview of investment decisions, performance of funding rounds, lessons learned, and details about the level of funding that remains available for allocation using the framework.

Consultation:

23. As noted within the report, there has been extensive stakeholder engagement throughout the process to refresh the economic strategy. This includes a workshop on 2 September 2024 with the One Surrey Growth Board and Surrey Business Leaders Forum. The interactive session focused on the “drivers” that will affect Surrey’s economy over the next decade to help inform Surrey’s economic growth priorities.

24. The topics contained within this Cabinet report were also subject to scrutiny by the Communities, Environment, and Highways Select Committee during their December 2024 meeting.¹ The Committee formally endorsed the reframed strategic priorities and the approach to create a strategic funding framework as the mechanism through which investment decisions are made using local growth funds.

Risk Management and Implications:

25. **Delays in finalising Coast to Capital LEP agreement** – Negotiations with Brighton & Hove City Council and West Sussex County Council remain unresolved, with an agreement unlikely before March 2025. This is limiting Surrey's ability to utilise legacy funding sooner.

26. **Uncertainty in legacy funding realisation** – Legacy funds are contingent on projected repayments. Risks such as renegotiated terms or bad loans could result in lower-than-expected funding.

27. **Delivering full UKSPF allocation** – Funding must be used in 2025/26 and underspends sent back to Government. This will be dependent on the level of interest from local businesses in the grant scheme and the number and size of suitable proposals for funding received from local partners. Forecasts for allocations will be under constant review.

28. **Governance processes** – The establishment of an Investment Panel and tiered decision-making thresholds may introduce delays or inefficiencies if processes are not streamlined effectively.

¹ Communities, Environment and Highways Select Committee (5 December 2024), <<https://mycouncil.surreycc.gov.uk/documents/s99974/1.%20Report%20-%20The%20Councils%20Economic%20Growth%20Leadership%20Role.pdf>>

Financial and Value for Money Implications:

29. The Council will receive up to £18.2m over seven years (2024–2031) from Hampshire County Council, with £8.7m already received in 2024/25. However, there is uncertainty with long-term debtors, such as renegotiated terms or loans which may be irrecoverable. This forms the majority of the funding currently in scope of the Surrey Growth and Innovation Funding Framework.
30. The Council has also been allocated £3.6m for UKSPF in 2025/26, including £665,000 in capital funding. 4% of this allocation will be used for administration costs and will partly be used to fund a fixed-term position in the Economy & Growth team to oversee the decision-making process and funding allocations, as assumed in the Medium Term Financial Strategy (MTFS). The remainder will contribute to overall costs.
31. All investments will be evaluated against the decision-making principles outlined in the report, which are designed to ensure value for money. In addition, the delegated authority thresholds put in place a further check before final approval.
32. An annual report will provide transparency, covering investment decisions, funding performance, and lessons learned, ensuring accountability and inform changes to maximise outcomes from the funding available.

Section 151 Officer Commentary:

33. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. Surrey County Council has made significant progress in recent years to improve the Council's financial resilience and whilst this has built a stronger financial base from which to deliver our services, the cost of service delivery, increasing demand, financial uncertainty and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to deliver financial efficiencies and reduce spending in order to achieve a balanced budget position each year.
34. In addition to these immediate challenges, the medium-term financial outlook beyond 2024/25 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.

35. The proposed approach provides a robust framework for investing in economic growth activities within the funding available. As such the recommendations are deliverable within the Medium Term Financial Strategy.

Legal Implications – Monitoring Officer:

36. Officers are recommending approval of the recommendations in paragraphs 3 to 5 of this report. Recommendations 1 and 2 are for noting and relate to the transition arrangements which became necessary following the transfer of the Local Enterprise Partnerships (Coast to Capital LEP and Enterprise M3 LEP) functions to the Council detailed in the body of this report.
37. Legal Services provided support in the finalisation and completion of the Memorandum of Agreement between the Council and Hampshire County Council which recorded the transition arrangements for the M3 LEP. Regarding the Coast to Capital LEP transition arrangements, external lawyers, Bevan Brittan, were instructed to provide the Council and the 2 other Upper Tier Authorities (Brighton and Hove City Council and West Sussex) with support and advice in relation to the Company Law implications of the transition, and all the related loan and grant agreements which were concluded by the Coast to Capital LEP. Legal Services has provided advice in relation to these and is providing ongoing support.
38. Recommendations 3 and 4, propose a refreshed Economic Growth Strategy, and setting up of an Economic Growth Funding Framework; these provide the strategic and governance framework for the Council in carrying out the functions previously undertaken by the LEPs.
39. As to recommendation 4, officers must ensure that if these funding schemes are to be delivered as grants, that advice is taken from Legal Services to ensure that any Subsidy Control implications are given due consideration.

Equalities and Diversity:

40. At a strategic level there is a firm commitment to tackle inequality aligned to the Councils' mission of No One Left Behind. The vision of the refreshed economic strategy includes a focus on "delivering wider socio-economic benefits to ensure no one is left behind", which recognises the importance of tackling inequality, but highlights the connection to how the local economy and businesses are a key part of the solution.
41. An Equality Impact Assessment is not necessary at this stage; however it will be important to consider equality implications (and potentially complete a full Equality Impact Assessment) as part of the design of any future service offer(s). For example, the design and build of the Business Surrey website was consciously done in a way to meet a high accessibility standard.

What Happens Next:

42. Publish the refreshed economic growth strategy and Economic Growth Funding Framework.
 43. Launch three funding rounds for 2025/26 and actively promote to partners and businesses.
 44. Produce an annual outcomes report setting out what has been funded, delivered, and achieved, and financial health of the “fund”.
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Annex 1: 7-page Executive Summary of Economic Growth Strategy (with deep dives and evidence to be added in final publication)

Sources/background papers:

[‘Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions’](#), *HM Government*, (4 August 2023)

[‘Local Enterprise Partnership \(LEP\) Integration’](#), *Surrey County Council*, (31 October 2023)

[‘Guidance for local authorities delivering business representation and local economic planning functions’](#), *HM Government*, (19 December 2023)

[‘Promoting and Supporting Sustainable Economic Growth in Surrey \(LEP Integration\)’](#), *Surrey County Council*, (27 February 2024)

[‘Guidance: UK Shared Prosperity Fund 2025-26: Technical note’](#), *HM Government* (December 2024)

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