

SURREY COUNTY COUNCIL**CABINET****DATE: 31 OCTOBER 2023****REPORT OF CABINET MEMBER: MATT FURNISS, CABINET MEMBER FOR HIGHWAYS, TRANSPORT AND ECONOMIC GROWTH****LEAD OFFICER: MICHAEL COUGHLIN, EXECUTIVE DIRECTOR FOR PARTNERSHIPS, PROSPERITY & GROWTH****SUBJECT: LOCAL ENTERPRISE PARTNERSHIP (LEP) INTEGRATION****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:**

The Government announced changes to how economic growth functions will be delivered in local areas on 4 August 2023. From 1 April 2024, the Government will cease providing funding to Local Enterprise Partnerships (LEPs) and the functions previously held by LEPs will transfer to Upper Tier Local Authorities (UTLAs). In Surrey, this means the functions of Coast to Capital LEP and Enterprise M3 LEP will transfer to the County Council and delivery of economic activity will be undertaken on a single Surrey footprint.

'Growing a sustainable economy from which everyone can benefit' is one of the council's four strategic priorities, and the integration of LEP functions will significantly enhance the council's ability to deliver against this priority, as well as having interdependencies with other strategic priorities.

This report sets out the key implications for the council, proposes a set of principles to guide the approach to LEP integration, and outlines the steps being taken to put the council in a strong position to take advantage of these new functions to deliver improved outcomes more effectively for local businesses and residents.

Recommendations:

It is recommended that Cabinet:

1. Welcome the announcement from government regarding the transition of LEP responsibilities; that will provide a single economic vision and enable the Surrey-wide provision of business support and economic growth activities and services.

2. Approve the adoption and application of the proposed principles that will guide the council's approach to the integration of LEP functions, as set out in paragraph 12.
3. Approve the approach outlined for the LEP integration process and engagement with key partners and stakeholders.
4. Delegate authority to the Executive Director responsible for Economic Growth to lead the negotiation and integration process, in consultation with the Lead Cabinet Member.
5. Receive a further report on the integration of LEP functions before 1 April 2024.

Reason for Recommendations:

To bring the significant strategic decision of the government and its consequent implications and opportunities to the attention of Cabinet and to ensure a smooth and effective approach to the transfer and integration of LEP functions for Surrey into the County Council.

Executive Summary:

Introduction

1. The Levelling Up White Paper¹ has established the government's commitment to extending devolution across England to empower local democratically elected leaders via a process of County Deals based on a Devolution Framework.
2. As part of further accelerating the devolution process, the Chancellor during the Spring Budget (15 March 2023), announced that the government was "minded to" withdraw central government support (core funding) for LEPs.
3. Following a nine-week consultation to fully understand the implications of the 'minded to' decision if it were to be taken², on 4 August 2023, the Government confirmed the decision, announcing that from April 2024 the sponsorship and funding of LEPs will cease. Government's view is that there is scope for greater join-up, efficiencies, and clarity for the private sector by these functions being discharged within Upper Tier Local Authorities (UTLA)/Mayoral Combined Authorities.
4. The government's decision to transfer core LEP functions and acknowledge that UTLAs as the appropriate strategic level for economic growth functions to be held is seen as particularly relevant to Surrey given that the county has historically been divided across two LEPs, creating challenges in terms of strategic coherence across the County and confusion and complexity for local businesses. Whilst SCC is not a Lead Accountable Body for either LEP, we are in regular contact with the Lead Accountable Bodies for both LEPs and are

¹ [Levelling Up the United Kingdom](#), HM Government, (2 February 2022)

² [Local Enterprise Partnerships: information gathering exercise](#), HM Government, (4 August 2023)

working closely with them to ensure the distribution of assets to support Surrey's future economic outcomes and are confident that some assets will be obtained.

5. The council is well placed to take on these additional functions from the LEPs, having, for example:
 - Established "Growing a sustainable economy" as one of the council's four strategic priorities,
 - Established the One Surrey Growth Board, Surrey Business Leadership Forum and Surrey Skills Forum, in partnership,
 - Invested in, developed and supported capacity and expertise within the Economy & Growth team,
 - Commissioned or produced key economic strategies and research reports, including *Surrey's Economic Future*, *Surrey Towns Analysis*, and most recently the *Surrey Skills Plan*,
 - Fostering business connections within our leading-edge sectoral clusters (Cyber Security, Games, Animal and Plant Health),
 - Developed a strategic "Place" focus around Surrey town footprints that could act as an enabler for a future economic infrastructure investment/regeneration function,
 - Agreeing a civic agreement with the University of Surrey.

Background to Local Enterprise Partnerships (LEPs)

6. LEPs were established in 2011 and originally conceived as local business-led partnerships between the private and public sector that would drive local economic growth and productivity.
7. A LEP's role is primarily to be a strategic body, bringing together leaders from business, local government, education and other key local stakeholders to set and achieve economic opportunities and address challenges at a local level, informed by rich business intelligence and a robust place focus.
8. The role of LEPs increased significantly in 2015 when they were given responsibility for £12 billion local growth deal funding over six years (Enterprise M3 received: £219.1m³ Coast to Capital received: £304.26m⁴). They also led the development of strategic economic plans and local industrial strategies.

LEP Integration Process

9. From April 2024, the government's sponsorship and funding of LEPs will cease, with UTLAs (and Combined Authorities) taking on the functions currently delivered by LEPs.
10. The government has previously published 'guidance on the process for integrating the functions and role of LEPs'⁵, which sets out broad expectations on the future role of LEPs integrated with local democratic institutions. These include:

³ ['Growth Deals 3 Factsheet- Enterprise M3'](#), HM Government, (2016)

⁴ ['Growth Deals 3 Factsheet- Coast to Capital'](#), HM Government, (2016)

⁵ ['Local Enterprise Partnerships: Integration guidance'](#), HM Government (4 April 2022)

- a. Embed a strong, independent and diverse local business voice into local democratic institutions.
- b. Carry out strategic economic planning that clearly articulates an area's economic priorities and sectoral strengths. This should involve building and maintaining a robust local evidence base that identifies local strengths and challenges, future opportunities and the actions needed to support priority sectors, aligned to the relevant levelling up missions.
- c. Continue to deliver a number of functions on behalf of government departments, including:
 - **Growth Hubs**, on behalf of the Department for Business and Trade;
 - **Careers Hubs**, on behalf of the Department for Education;
 - **International trade and investment activity**, provision of local business intelligence, grant funding and levelling-up focused projects, on behalf of the Department for International Trade;
 - **Local Digital Skills Partnerships**, on behalf of the Department for Digital, Culture, Media and Sport;
 - **Local skills analysis** via Skills Advisory Panels, on behalf of the Department for Education; and
 - **Monitoring and assurance** pertaining to existing local growth programmes and funds for which LEPs are responsible.

11. The integration of LEP functions into UTLAs is to 'be undertaken as quickly as possible, ensuring a smooth and orderly transition'⁶. There is an expectation that decisions on the transfer of assets should be agreed by LEPs, Accountable Bodies, and respective local authorities by March 2024, however the guidance is not prescriptive in the approach local areas should take. There is a significant degree of flexibility given to allow for local solutions to be agreed by relevant parties and the guidance also recognises that practical elements of integration and the transfer process may need to extend beyond March 2024.

12. We are aware of the more complicated geography associated with the transfer from two LEPs and recognise the need to co-ordinate a number of partners to secure a smooth and orderly transition. In consultation with our Growth Board, key partners and Lead Accountable Bodies we have developed a set of "LEP Integration Guiding Principles" to provide clarity of our approach:

- a. We welcome the recognition of the Surrey geography as the basis for cohesive and co-ordinated Surrey-wide delivery of economic development functions.
- b. We remain focused on delivering improved economic outcomes for Surrey in partnership with our key stakeholders.
- c. We will continue to place the One Surrey Growth Board, Surrey Business Leadership Forum and Surrey Skills Leadership Forum at the centre of our strong governance framework, placing business at the heart of decision making.
- d. Any transfer of LEP assets (including funding, staff, data and Intellectual Property) will be focused on Surrey's sustainable economic growth.

⁶ ['Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions'](#), HM Government, (4 August 2023)

- e. 1st April 2024 will be our “go-live” date, giving certainty to businesses and local stakeholders.
- f. We will continue to drive improvements in our approach, reviewing and adapting to ensure maximum economic benefits for Surrey.
- g. We are aware of the potential personal impacts of the changes and are committed to acting with sensitivity.

Business voice

- 13. Embedding a strong, independent and diverse local business voice into decision making will be an important feature of the arrangements going forward and is a priority for government as part of the integration process. LEPs have historically been required to have a “business-led” board responsible for overall strategic direction of the LEP, establishing targets, priorities, and monitoring progress.
- 14. Government guidance states that existing LEP boards should become integrated with democratic institutions, either by preserving ‘the current LEP board as a sub-board or merge the LEP board into an existing or new internal business board(s)⁷. Business board members must be appointed through an open process and be able to provide a constructive check and challenge on local economic decision making using their private sector perspective.
- 15. A strategic business board will not be the only representative source of “business voice” that influences the council, given that membership will be circa 15 organisations. There are over 63,000 Surrey businesses, so consideration will need to be given to how the council and an integrated business board operates with a focus on a wider dialogue with businesses and other business groups (such as Surrey Chambers of Commerce, local Federation of Small Businesses, and Surrey branch of the Institute of Directors).
- 16. Further government guidance is expected in January on “business voice”, and in anticipation of that, the council intends to instigate a review of One Surrey Growth Board Terms of Reference and membership (including alignment with associated working groups, such as Surrey Business Leaders Forum) to ensure alignment with national requirements.

Growth Hubs

- 17. Growth Hubs have been delivered by LEPs on behalf of the Department for Business and Trade (previously the Department for Business, Energy, and Industrial Strategy). They replaced the national Business Link service, which comprised an overarching website, national telephone number and regional presence through dedicated offices.
- 18. They are designed to:
 - a. Promote advantages of seeking business support.
 - b. Simplify process of accessing support for SMEs – first entry point and channel nationally-provided scheme into local businesses.

⁷ [Local Enterprise Partnerships: Integration guidance](#), HM Government (4 April 2022)

- c. Improve co-ordination of local business support service in line with local and national economic policy goals.
- d. Fill any gaps in support services with bespoke offering where needed.

19. Growth Hubs primarily provide a 'front window' for businesses, bringing together agencies and organisations that provide business support, playing broker and facilitator roles. The principles of funding require Growth Hub services to be free of charge, impartial, and to make services available through a range of channels, including the national helpline and face-to-face where feasible.

20. The council meets the gateway criteria set by Department for Business and Trade to receive core funding to deliver Growth Hub Services (e.g., 'A strong and effective accountable body' and a delivery area with a minimum of 22,000 business and population of 500,000⁸).

21. The creation of a Surrey Growth Hub presents a new opportunity for the council to develop a new business-facing support service that for the first time is aligned to the geographic footprint of the county. This will bring greater clarity and coherence for local businesses, and there are clear synergies with existing council services and programmes for greater join-up.

22. In anticipation of taking on responsibility for a Surrey Growth Hub, the council has begun to undertake research and engagement with local businesses and stakeholders to better understand their needs and help shape how the council can support them. This insight will be used to help inform decisions about future service provision of a Surrey Growth Hub, as well as the council's wider business-facing presence through refreshed branding and online platform.

Careers Hubs

23. As reported to Cabinet in July 2023, following earlier negotiations with the national Careers and Enterprise Company, the transfer of Careers Hub functions to the County Council took effect from 1 September 2023, bringing together the Surrey elements of the Careers Hubs for which Enterprise M3 and Coast to Capital previously had responsibility.

Enterprise Zones

24. An EM3 multi-site Enterprise Zone (EZ⁹) operates across three locations - one in Surrey (Longcross) and two in Hampshire (Basing Hill and Whitehill & Borden). Enterprise Zones are designated areas that provide businesses with tax breaks and additional government support. All business rates growth generated by Enterprise Zones is retained by the relevant LEP and local authorities in the areas for 25 years to reinvest in local economic growth that directly benefits the Enterprise Zone.

⁸ ['Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions'](#), HM Government, (4 August 2023)

⁹ ['EZ3 Enterprise Zone'](#), Enterprise M3

25. Government guidance on Enterprise Zones is limited and references that ‘where LEPs cease operations, areas should reach locally agreeable and workable solutions to ensure a smooth transition of functions’¹⁰. Further engagement will be sought with the EZ3 Programme Steering Group (including representatives from Surrey County Council, Hampshire County Council, Enterprise M3, Homes England) to set out proposals for future arrangements for the Zone including the financial returns flowing from it.

Financial implications

26. In order to ensure an effective transition, we need to have a comprehensive assessment of liabilities, resources and assets associated with both LEPs; this information will also minimise negative financial impact. To this end we are currently working jointly with the Lead Accountable Bodies and the respective LEPs on a standardised submission of relevant information including funding agreements.

27. It is not possible to assess the full financial implications of LEP integration at this stage, as this is dependent on discussions with and securing the requested information from Enterprise M3, Coast to Capital, their Accountable Bodies and Government. Once received, it will form the basis of further discussions and negotiations on residual funding, assets and staffing (e.g. TUPE), and their financial implications for the Council and we have started conversations with Legal, People and Change and Finance teams to ensure we are considering all implications.

28. The government is expected to announce revenue funding for UTLAs to support them to deliver the functions currently delivered by LEPs during financial year 2024/25, however they have not guaranteed further funding beyond this period, which will be subject to future Spending Review decisions. (For reference, in 2023/24 annual LEP core funding was £250,000). The earliest we are likely to hear having any confirmation of funding awards and amounts would be within the Autumn Statement (22 November 2023)

29. LEPs Growth Hub and Careers Hub functions have historically attracted a set level of grant funding from Government, with a requirement to complete annual performance reports based on nationally agreed Key Performance Indicators. The level of funding for both Hubs beyond 2023/24 is subject to future government spending decisions.

30. Due to the uncertainty regarding the likely funding award for 2024/25 and the distribution of assets and liabilities associated with the transition it is not possible to give assurances about any financial implications at this stage. Whilst some activities are likely to be transferred as part of a discrete contract which would have funding associated with it (e.g. Growth Hub delivery), other core functions may not. At the time of writing, the detail of responsibilities and associated resources likely to be required to deliver them is not available; this will therefore be included within a future report to be brought early in 2024.

¹⁰ [‘Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions’](#), HM Government, (4 August 2023)

31. Both the County Councils Network (CCN) and South East Strategic Leaders (SESL) are lobbying government for earlier and greater clarity and guidance particularly on the historic and future assets and liabilities of LEPs.

Stakeholder and partner engagement

32. Since the Government announcement on the 4 August, officers have engaged with counterparts in Hampshire County Council (Accountable Body for Enterprise M3) and Brighton & Hove City Council (Accountable Body for Cast to Capital) and will continue to do so to ensure a smooth and orderly transition by April 2024.

33. An update on the government announcement has been shared and discussed with external partners via:

- a. Surrey Business Leaders' Forum (7 September 2023)
- b. One Surrey Growth Board (11 September 2023)
- c. Surrey Chief Executives Group (21 September 2023)

34. Further engagement with a wider group of interested parties and stakeholders will be arranged for later in the year, as further guidance and clarity around funding is available, to better understand local need and guide the detail of future arrangements.

Risk Management and Implications:

35. There are a number of opportunities and risks associated with the process to integrate LEP functions in order to begin delivery from 1 April 2024, including:

Risk	Mitigation
Responsiveness of LEPs	Maintaining regular engagement with LEPs and Accountable Bodies to ensure continued progress against deadlines to develop a transition plan.
Lack of further or timely government guidance	Started negotiations with LEPs and Accountable Bodies early to help develop as many local solutions as possible.
Level of government funding lower than expected.	Important to manage expectations with local partners about what a future LEP service in Surrey might offer and timings for when the council will be able to provide greater certainty to them.
Capacity within council deliver from 1 April 2024	Started to design programme governance structure and processes with support of finance, legal and People and Change colleagues. Prioritising areas that will enable a smooth transition.

Section 151 Officer Commentary:

36. Significant progress has been made in recent years to improve the Council's financial resilience and the financial management capabilities across the organisation. Whilst this has built a stronger financial base from which to deliver our services, the increased cost of living, global financial uncertainty, high inflation 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 be forward looking in the medium term, as well as the delivery of the efficiencies to achieve a balanced budget position each year.
37. In addition to these immediate challenges, the medium-term financial outlook beyond 2023/24 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.
38. The recommendations do not commit the Council to additional unfunded costs and a further report, including the financial impact of the transition of LEP responsibilities, will be provided before 1 April 2024. As such the Section 151 Officer supports the recommendations of the report.

Legal Implications – Monitoring Officer:

39. The transfer of functions from LEPs to the Council will take place automatically and will be new Council's statutory functions. The functions will sit as an executive i.e. Leader and Cabinet function and will be subject to scrutiny in the usual way. Any required changes to portfolio areas or select committee terms of reference will be implemented prior to April 2024.
40. The legal implications are referenced in the body of the report with support being required from resources directorate teams on any TUPE requirements, the novation of any contracts and the division of existing and possible future assets of the LEPs amongst the upper tier authorities.

Equalities and Diversity:

41. At this stage in the integration process an Equality Impact Assessment is not necessary, however it will be important to consider equality implications as part of the design of any future service offers.

What Happens Next:

42. The council will continue to engage with Enterprise M3, Coast to Capital, Upper Tier local authorities and a range of Surrey stakeholders, to produce a transition plan that ensures a smooth and orderly transfer of LEP functions and results in

an effective, efficient and enhanced business support and economic growth service for Surrey.

43. There will be a governance review of One Surrey Growth Board Terms of Reference / membership (and alignment with associated working groups- e.g. Business Leaders Forum).

44. Government guidance on 'business representation and local economic planning' and revenue funding for financial year 2024/25 is expected between December 2023 and January 2024.

45. Further updates and decisions will be brought to Cabinet as required.

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Sources/background papers:

['Integrating Local Enterprise Partnerships into local democratic institutions'](#), *HM Government*, (31 March 2022)

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

['Transfer of Local Enterprise partnership \(LEP\) Cor Functions to Combined and Local Authorities'](#), *HM Government*, (4 August 2023)
