

SURREY COUNTY COUNCIL**CABINET****DATE: 27 FEBRUARY 2024****REPORT OF CABINET MEMBER: MATT FURNISS, CABINET MEMBER FOR TRANSPORT, INFRASTRUCTURE AND GROWTH****LEAD OFFICER: MICHAEL COUGHLIN, INTERIM EXECUTIVE DIRECTOR FOR CUSTOMERS AND COMMUNITIES****SUBJECT: PROMOTING AND SUPPORTING SUSTAINABLE ECONOMIC GROWTH IN SURREY (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 in August 2023. From 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 that most economic growth functions previously delivered by 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.

This report builds on a previous Cabinet report in October 2023 and highlights the key progress that has been made with the other UTLAs and LEPs on the disaggregation of programmes, funding, liabilities, and assets, outlines any outstanding issues, and provides more specific details on the implications of the latest government guidance and funding.

Recommendations:

It is recommended that Cabinet:

1. Approves the council becoming an “Accountable Body” from 1 April 2024 for the purposes of collaborating with government on an integration plan and assurance for delivery of core LEP functions and government programmes across Surrey.
2. Notes that from 1st April 2024 SCC will be recognised by Government as the lead for strategic economic planning and the delivery of economic growth functions in Surrey that were previously undertaken by LEPs. The new functions and responsibilities will be integrated within SCC’s existing economic growth function.

3. Notes the progress made in transitioning LEP functions to the County Council from April 2024, through engagement with stakeholders, including relevant upper tier local authorities, Enterprise M3 LEP and Coast to Capital LEP.
4. Delegates authority for concluding the work of transitioning LEP functions to the County Council from April 2024 to the Interim Executive Director for Customers and Communities and the council's Section 151 Officer, in conjunction with the Executive Director for Environment, Infrastructure and Growth, and in consultation with the Cabinet member for Environment, Infrastructure and Growth.

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. Following the government's announcement in August 2023, a Cabinet report was produced in October 2023, which set out the key implications for the council; proposed a set of principles to guide the approach to LEP integration; and outlined the steps being taken to put the council in a strong position to take advantage of the new functions. It was agreed as part of the report that a further update should be brought to Cabinet on progress.
2. Since then, there has been extensive engagement and work with Enterprise M3 LEP (EM3), Coast to Capital LEP (C2C) and the other senior officers / representatives at the relevant upper tier local authorities (UTLAs) covering the EM3 LEP and C2C LEP geography.
3. On 19 December 2023, Government published [further guidance](#) to support local areas in preparing to take on former LEP functions.
4. The key functions and activity currently being delivered by LEPs, and which are due to be transferred across to UTLAs as part of the LEP transition include:
 - **Growth Hub** – providing support to high growth local businesses.
 - **Careers Hub** – careers/skills support and working with education & skills providers (integration has already happened and Surrey Careers Hub began delivery on a Surrey basis from 1 September 2023 and was officially launched at the Surrey Festival of Skills).
 - **Enterprise Zone EZ³** – three business park sites (one based in west Surrey) that have Enterprise Zone status allowing the retention of business rates growth for reinvestment into the local economy.
 - **Funding Escalator** – revolving “evergreen” investment schemes delivering economic benefits to local businesses.

- **Monitoring and reporting** – any active loan scheme or other government grant funding programme that is not fully resolved by 31 March 2024.
5. In addition, government expects UTLAs to prioritise “business representation” and “local economic planning” as core functions to be delivered from April 2024. Specifically, UTLAs are required to ensure an effective, independent and diverse business voice is a core component of locally democratic decision-making, in respect of economic growth.
 6. From April 2024, government encourages areas to produce (or update) economic strategies on an ongoing basis to support local decision making, furthering the work previously undertaken by LEPs.
 7. This Cabinet report highlights the key progress that has been made with the other UTLAs and LEPs on the disaggregation of programmes, funding, liabilities, and assets, outlines any outstanding issues, and provides more specific details on the implications of the latest government guidance and funding.

LEP Integration Process

8. Government expects the integration of LEP functions into UTLAs to ‘be undertaken as quickly as possible, ensuring a smooth and orderly transition’¹. 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.
9. The process in Surrey is made more complex as the creation of a single delivery model for the county is happening across two LEP areas and involves four UTLAs. As a result, there has been the need for regular engagement across all key stakeholders to ensure progress continues to be made. This has included a number of joint “deep dive” sessions between the LEPs and UTLAs and the sharing of detailed financial and staffing information.
10. In November 2023, Government requested that all LEP areas submit an “Integration Plan Template” (one per current LEP area) detailing the intended geography that the existing LEP functions and programmes will be delivered across, including how UTLAs intended to “embed a strong, independent, and diverse local business voice”. Council officers led on jointly producing with the other UTLAs both templates for the EM3 area and C2C area. The templates

¹ [‘Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions’](#), HM Government, (4 August 2023)

were shared with the LEPs for their endorsement, as well as Surrey District and Borough Councils.

11. Further government guidance published in December primarily focused on LEP functions regarding “business representation” and “local economic planning”, but also announced that government will provide ‘up to £240,000 per local authority’² area delivering these functions. The council will be required to submit a funding application and further details are expected in “due course”.

Role of Accountable Body

12. Historically, LEPs have been required to have a local authority accountable body to oversee and support the use of public funds to ensure they are used appropriately in accordance with the law, good financial management, and any applicable grant conditions.
13. Hampshire County Council currently acts as the Accountable Body for EM3 LEP and Brighton & Hove City Council for C2C LEP.
14. Government guidance assumes that current LEP ‘loan books and responsibility for ongoing monitoring requirements’³ will move across to the LEPs current accountable body. However, SCC has been clear, through its County Deal proposition, of its desire to take responsibility for LEP functions, and have increased oversight for any residual funding held by LEPs on a Surrey geography. This will be done through formalised enhanced collaboration with both Accountable Bodies.
15. As such, SCC seeks to become an Accountable Body from the 1 April 2024 for the purposes of collaborating with government on an integration plan and providing assurance for delivery of core LEP functions and government programmes across Surrey. As Accountable Body, SCC will become responsible for the delivery of the Surrey Growth Hub, the management of any residential LEP funding transferred across by the current LEP Accountable Bodies and lead for the Longcross Park site, as part of the EM3 Enterprise Zone.
16. In addition, SCC will work with the current LEP Accountable Bodies and UTLAs to agree the disaggregation principles in relation to the Enterprise Zone and Funding Escalator, to ensure the maximum value can be achieved from these funding pots. The detail of these arrangements is currently being negotiated between the relevant UTLAs and Memorandums of Understanding (MOUs) will be put in place with the relevant organisations by the 1st April 2024, to agree SCC’s Accountable Body role in this respect and to ensure that there is clear agreement in those aspects which it is not possible to finalise fully by 1 April.

² [‘Guidance for local authorities delivering business representation and local economic planning functions’](#), HM Government, (19 December 2023)

³ [‘Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions’](#), HM Government, (4 August 2023)

17. Subject to Cabinet approval, a funding application will be submitted to Government for the delivery of former LEP functions by SCC across Surrey. In submitting a funding application, the council will be considered by government as an “accountable body”, and the role will require the council to:
- a. submit a funding application form ahead of receiving funding for 2024/25.
 - b. publish a local economic strategy on the website within six months of receiving funding.
 - c. collaborate with government over assurance requirements, which will include the S151 / S73 Officer providing a written statement of grant usage to government. This will include written confirmation of continued value for money/best value represented through the delivery of all aspects of this guidance.
 - d. provide information within the assurance cycle as set out in the assurance process and collaborate with government if required to support further assurance as needed.

Surrey Growth Hub

18. Growth Hubs have been delivered by LEPs on behalf of the Department for Business and Trade. They represent one of the key functions that the council will take on as part of the LEP integration process. Growth Hubs 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.
 - 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. Taking over responsibility for the Growth Hub will attract a set, separate level of grant funding from government, which is primarily to support with operational staffing requirements, and there will be an expectation to complete annual performance reports based on nationally agreed Key Performance Indicators. It is still unclear when funding for Growth Hubs will be announced, with the latest guidance from government saying that ‘funding for the delivery of these government programmes will be communicated by the responsible government department as per usual processes’⁴.
20. Despite the uncertainty, preparatory work has been initiated in order to respond swiftly to any future announcements on Growth Hubs. This has included research and engagement with local businesses and stakeholders to better understand their needs, a review of national best practice, and the development and costing of an operating model for the service aligned to the economic priorities in Surrey.

⁴ [‘Guidance for local authorities delivering business representation and local economic planning functions’](#), HM Government, (19 December 2023)

EZ³ Enterprise Zone

21. An EM3 multi-site Enterprise Zone (EZ³) operates across three locations - one in Surrey (Longcross) and two in Hampshire (Basing Hill and Whitehill & Borden). Currently EM3 provide administrative support and oversight for the zone, which involves maintaining a Steering Group to advise the EM3 Board on strategic direction of the programme.
22. As noted in the October Cabinet report, government guidance states that 'where LEPs cease operations, areas should reach locally agreeable and workable solutions to ensure a smooth transition of functions'⁵. Therefore, an agreement is being sought with Hampshire County Council over the future operation of the Enterprise Zone.
23. The ambition is for each ULTA to take on responsibility and leadership for the sites that exist within their boundaries. Further details are being developed on appropriate partnership arrangements and financial mechanisms with Hampshire County Council, district and borough councils where the sites are based, and other stakeholders.
24. A future Cabinet report will be brought forward specifically on the Enterprise Zone to set out all the details about implications for the council and for Cabinet to approve a final agreement with Hampshire County Council.

Local Economic Growth Governance

25. To ensure Surrey is well placed to take on the delivery of LEP functions and to meet governments expectations for maintaining a strong business voice in local decision making in relation to economic growth, work is underway to strengthen existing governance arrangements in this respect.
26. A priority for government through the LEP integration process is to ensure that the role of "effective, independent and diverse business representation" is retained in UTLAs and "embedded into decision-making processes"⁶. This has been made an eligibility requirement for LEP grant funding, Growth Hub funding, and is a key principle of the English Devolution Accountability Framework (which will be applicable to the council if a Level 2 County Deal is agreed with government).
27. The guidance provides UTLAs with a degree of flexibility to define and design a governance structure that aligns best with existing arrangements and local need. In practice, the council will be required to have some form of "business board" with a broad private sector membership base that can meaningfully be involved in constructive check and challenge on local decision making, consultation on key strategies, and provide feedback on the implementation of economic growth programmes and initiatives.

⁵ '[Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions](#)', HM Government, (4 August 2023)

⁶ '[Guidance for local authorities delivering business representation and local economic planning functions](#)', HM Government, (19 December 2023)

28. Surrey is well positioned to respond to the requirements from Government due to the effective partnership arrangements which are already in place. It is intended that the existing partnership board for economic growth, the One Surrey Growth Board (OSGB), will become the main business advisory board for helping to steer the County Council's economic growth policy and programmes. The terms of reference for this group, and associated policies, will be updated to ensure greater transparency, given the role of this board in providing advice to inform decision making by the council.
29. The OSGB will continue to bring together a mix of public and private sector representatives, to fulfil a strategic leadership function: informing, advising, and endorsing key decisions regarding Surrey's economic strategies and related activity.
30. The OSGB will be strengthened through its relationship with the Surrey Business Leaders Forum (SBLF), which will have a wider membership and include a diverse, local, business voice related to Surrey's key economic strengths, providing challenge and insight around business impacts of public sector initiatives, and raising awareness of local business and economic needs.
31. Several working groups also exist, which bring partners together to help drive forward the activities identified by the OSGB.

Strategic economic planning

32. From April 2024, government encourages areas to produce (or update) economic strategies on an ongoing basis to support local decision making, furthering the work previously undertaken by LEPs. Government expects areas to publish their (existing, new, or updated) strategy within six months of receiving LEP funding.
33. These strategies should be underpinned by a strong evidence base and look to identify the local economic opportunities (including areas of comparative advantage); challenges; and where there are opportunities for strategic connections across regions.
34. Surrey has an existing economic strategy statement; *Surrey's Economic Future* (Strategy and Delivery Plan), which was approved by Cabinet in December 2020⁷ and developed in consultation with the OSGB. It has been integral in shaping delivery of the council's economic growth work programme but it is recognised that the strategy was developed at a time of uncertainty during the pandemic and the Surrey and UK economy is now in a very different position.

⁷ 'Surrey's Economic Future: Our 2030 Strategy Statement and Invitation to Engage', *Surrey County Council*, (December 2020), <https://mycouncil.surreycc.gov.uk/documents/s74940/2030%20Economic%20Strategy%20Statement%20Cabinet%20Report-%20Final.pdf>

35. It is intended that the economic strategy will be updated in line with the recommendations from Government and in light of the significant changes being brought forward as a result of the LEP integration process. Officers will continue to engage with Members in relation to the development of a refreshed economic strategy and a refreshed strategy will be presented to Cabinet in 2024/25 for consideration by Members.

Financial implications

36. Discussions are ongoing to understand the total scope of the assets, unallocated reserves, and loans that will be disaggregated to UTLAs to take responsibility of. The financial implications of LEP integration are still being worked through and are subject to discussions with Enterprise M3, Coast to Capital, and their Accountable Bodies to reach an agreement.

37. The working assumption is that following a final agreement with the LEPs and UTLAs, there will be an initial financial “settlement” that distributes all “unallocated” funds, and then in subsequent years, further payments will need to be made based on loan repayments (inc. interest) as they are received by the Accountable Body.

38. There is agreement amongst the UTLAs that a Memorandum of Understanding (MoU) for both LEP areas will be necessary to provide clarity and endorsement for a roadmap to conclude the integration process and act as a mechanism to manage ongoing relationships between the UTLAs, including the disaggregation of financial assets.

39. The government has announced revenue funding of up to £240,000 for UTLAs delivering LEP functions, with allocations subject to final business case approval and approval of integration plans. Funding beyond 2024/25 will be subject to future Spending Review decisions. Taking over responsibility for Growth Hub functions will attract a separate set level of grant funding from government, which is primarily to support with operational staffing requirements. Therefore, the recommendations do not commit the Council to additional unfunded costs.

40. Cabinet is asked to delegate authority for concluding the work of transitioning LEP functions to the County Council from April 2024 to the Interim Executive Director for Customers and Communities and the council's Section 151 Officer, in conjunction with the Executive Director for Environment, Infrastructure and Growth, and in consultation with the Cabinet Member for Environment, Infrastructure and Growth.

Risk Management and Implications:
--

41. 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 and engagement with UTLAs to agree disaggregation principles	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.
Delays in government confirmation of funding and the level of 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:

42. 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.
43. 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.
44. The recommendations do not commit the Council to additional unfunded costs. The financial impact of the transition of LEP responsibilities will be concluded and approved prior to transfer. As such the Section 151 Officer supports the recommendations of the report.

Legal Implications – Monitoring Officer:

45. The transfer of functions from LEPs to the Council will take place automatically (subject to final approval by Government) 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.

46. 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:

47. 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:

48. The council will continue to engage with Enterprise M3, Coast to Capital, Upper Tier Local Authorities and work towards an agreement of an MoU across each LEP area by 1 April.
49. The council will submit a funding application to government to take on LEP functions (subject to further details from government), subject to Cabinet approval of SCC becoming an Accountable Body.
50. Governance changes will be implemented with the One Surrey Growth Board and Surrey Business Leaders Forum.
51. Further updates and decisions will be brought to Cabinet as required.

Report Author:

Dawn Redpath, Director of Economy & Growth, dawn.redpath@surreycc.gov.uk,
07812488160

Sources/background papers:

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

[‘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)

This page is intentionally left blank