

REPORT TITLE: Transfer of Local Enterprise Partnership Functions

Cabinet Date	22 nd November 2023
Cabinet Member	Cllr Mark Hawthorne, Leader of the Council
Key Decision	No
Purpose of Report	To seek approval to transfer core functions of GFirst Local Enterprise Partnership (LEP) to the council.
Recommendations	That Cabinet: a) approves the transfer of LEP functions set out in this report to the Council b) delegates authority to the Executive Director of Economy, Environment & Infrastructure to implement the integration plan, in consultation with the Leader of the Council
Reasons for Recommendations	Government have confirmed the transfer of Local Enterprise Partnership functions and assets to upper tier local authorities from the 2024/25 financial year.
Resource Implications	Additional costs in 2024/25 will be offset by the transfer of LEP assets and provision of additional government funding. The LEP board have agreed that any shortfall in funding will be underwritten by Gloucestershire Infrastructure Investment Funding (GIIF) which is one off funding provided to offer loans to unlock infrastructure projects which have stalled due to lack of funding. Financial Implications for 2025/26 onwards are subject to the results of Comprehensive Spending Review and resulting commitments to Growth Hub and LEP function activity as well as the MTFS process.
Background Documents	Transfer of LEP Functions https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1176374/Transfer_of_LEP_core_functions_-_LEP_chairs_mayors_and_LA_leaders.pdf

	<p>Guidance for LEPs and local and combined authorities: integration of LEP functions into local democratic institutions</p> <p>Guidance for Local Enterprise Partnerships (LEPs) and local and combined authorities: integration of LEP functions into local democratic institutions - GOV.UK (www.gov.uk)</p> <p>LEP Board Minutes</p> <p>https://www.gfirstlep.com/downloads/library/7501-gfirst_lep_board_meeting_minutes_26.9.23_draft.pdf</p>
Statutory Authority	Levelling Up White Paper (2022)
Divisional Councillor(s)	All
Officer	Name: Colin Chick Email: Colin.Chick@gloucestershire.gov.uk
Timeline	<ul style="list-style-type: none"> • September 2023 – Approval by LEP board • October-December 2023 – Consultation with LEP staff • January-March 2024 – Transfer of function plans confirmed. • 1st April 2024 – LEP functions transferred

Background

1. The Levelling Up White Paper was released by Government in February 2022 and set out a very clear direction of travel for Local Enterprise Partnerships (LEPs). The White Paper made it clear that government anticipated that ***“all LEPs will eventually fully integrate into local democratic institutions in line with our mission to offer a devolution deal to everywhere that wants one by 2030”***.
2. In preparation for LEP integration into Gloucestershire County Council (GCC), the LEP Chief Executive was seconded from 1st November 2022 to the role of Director of Economy and Environment within GCC.
3. In the budget of March 2023, the Chancellor’s stated that the government were ‘minded’ that this will be the final year of core funding for LEPs and subsequent guidance issued on 4th August 2023 clarified the expectations of Government and some of the requirements of LEP integration. This guidance stated that ***“the Government will now support local and combined authorities to take on the functions currently delivered by LEPs. Where not already delivered by a combined authority, or in areas where a devolution deal is not yet agreed, the Government expects these functions to be exercised by upper tier local authorities, working in***

collaboration with other upper tier local authorities over functional economic areas as appropriate.”

4. In addition, Government expects any remaining assets of the LEP to transfer to the upper-tier local authority as part of the integration process.
5. The expectation is that Government will confer responsibility on the County Council for LEP functions, and that Government will provide financial support for 2024-25. Funding beyond 2024-25 financial year is subject to future comprehensive spending reviews.
6. At its meeting of 26th September 2023 the LEP Board noted the three-stage process for integration of LEP functions outlined in appendix 1 (Integration Plan); endorsed the restructure and transfer of LEP functions outlined in appendix 2; approved the transfer of LEP reserves and assets to GCC on closure of GFirst Local Enterprise Partnership CiC limited; and approved the use of Gloucestershire Infrastructure Investment Funding (GIIF) to underwrite any shortfall in expected funding outlined below.
7. The proposals assume central government funding of £300,000 per annum for Growth Hub activity on an ongoing basis. Government also committed to providing funding to the council for delivery of LEP functions in 2024/25 (assumed £250,000) and that funding beyond 2024/25 would be subject to comprehensive spending review.
8. LEP reserves of circa £500,000 will transfer to GCC on formal closure of the LEP. This figure is a reasonable estimate and net of closure costs associated with GFirst LEP CiC Ltd and any existing contract terminations.
9. Cost assumptions represent a reduction in operating costs for LEP functions from circa £1.3 million in 2022/23 to £750,000 with the assumptions for the 2024/25 and 2025/26 financial years being as follows:

	2024/25	2025/26
GCC Maximum Cost Exposure	£750,000	£792,000
Expected Government Growth Hub Income	£300,000	£300,000
Expected Government LEP Function Income	£250,000	Unknown
Expected LEP Reserves	£200,000	£300,000
Worst Case Scenario - Deficit	£0,000	£192,000

**Includes match funding requirement of circa £42,000 for Careers Hub activity*

10. To mitigate the risks and potential deficit the LEP board have approved the use of GIIF to underwrite any reduction in the expected government income. This includes underwriting the £192,000 deficit in 2025/26 if no government funding is

provided to the council for former LEP functions as an outcome of the comprehensive spending review.

11. In addition, the use of strategic economic development funding (SEDF) would be explored to ensure continuation of former LEP functions. Historically SEDF funding has provided £250,000 per year as local match funding for LEP activity.
12. On transfer of LEP functions to GCC the decision-making responsibility for GIIF will also transfer to the authority. The fund currently has loan commitments of circa £8 million. A further paper outlining an options appraisal for the ongoing use of GIIF for the promotion of economic growth in the county will be presented to cabinet in the summer of 2024.
13. Some of the current LEP functions and resources will be transferred to GCC with effect of 1st April 2024 under TUPE regulations and these are outlined in appendix 2. The extent of those functions will depend on the funding settlement and the obligations given to GCC as part of the annual settlement which is due in December 2023.

Options

14. To commence with the transfer of LEP functions to GCC. This is the recommended option.
15. Not to commence with the transfer of LEP functions to GCC. This option was rejected as it does not comply with the government guidance of 4th August 2023, will leave the county in a weaker position for a potential county deal, and will weaken the ability to deliver a sustainable growth agenda in partnership with business.

Risks

16. The primary risks are related to the ongoing financial commitments associated with the transfer of LEP functions. These risks are mitigated using the GIIF and through full integration of LEP functions within existing Economy and Environment functions in EE&I.
17. Several delivery contracts related to LEP functions are expected to transfer. Specifically, these relate to previous capital grants given to deliver Growth Hub activity and the subsequent revenue commitments made by partner organisations. Associated risks within these contracts sit with delivery partners and do not present a financial risk to the authority. Oversight of these contracts will continue to sit with the Growth Hub team that transfers with LEP functions.

Financial implications

18. There are no substantial financial implications for 2023/24 and 2024/25 because GFirst LEP are looking to fully fund from existing budgets. Financial implications for 2025/26 onwards are subject to the results of Comprehensive Spending Review and resulting commitments to Growth Hub and LEP function activity, as well as the MTFS processes. As indicated in the table in paragraph 9 above, the anticipated worst case scenario for 2025/26 is that there may be a requirement for £192k of council funding to support the services provided.
19. Future support for grant claims, budget monitoring and reporting is anticipated to be a negligible increase from current directorate monitoring. In the unlikely event that additional support service resource is required, this will be charged to the project funding to ensure the impact is managed within current budgets. Initial internal Legal support may be required for novation of contracts, where applicable.

Climate change implications

20. There are no direct climate change implications resulting from the transfer of LEP functions

Ecological implications

21. Has an Ecological Impact Assessment (EclA) been produced, or will one be undertaken at a later stage? No

Equality implications

22. Has an Equalities Impact Assessment (EqIA) been completed? YES
23. Cabinet Members should read and consider the Equalities Impact Assessment to satisfy themselves as decision makers that due regard has been given.

Data Protection Impact Assessment (DPIA) implications

24. None

Social value implications

25. None

Consultation feedback

26. None

Officer recommendations

27. That Cabinet approves the transfer of LEP functions to GCC and authorises the Executive Director for Economy, Environment and Infrastructure to implement the transfer, in consultation with the Leader of the Council, with effect of 1st April 2024.

Performance management/follow-up

28. Performance of the former LEP functions will be monitored and managed through EE&I performance management processes and integrated into quarterly strategic performance reporting.

Appendix 1 - Process for Integration

A three-stage process for LEP integration has been proposed to GCC that will ensure LEP functions are transferred as smoothly as possible:

Stage	FY	Activity	Purpose
Providing Certainty	23-24	<ul style="list-style-type: none"> • Agree the scale and scope of transfer to GCC • Seek approval from LEP board for scale of transfer of LEP functions • Seek approval from GCC cabinet for scale of transfer of LEP functions • Agree a transition plan for the LEP board to the Economic Growth Board (EGB) • Consult with staff and representatives on transfer of functions and personnel implications • Transfer functions and staff under TUPE regulations at the end of FY 	<p>Maintain staff resource and support of business community and other partners</p> <p>Provide continuity of delivery of services</p>

<p>Delivering services and an Economic Growth Board</p>	<p>24-25</p>	<ul style="list-style-type: none"> • Operate LEP functions as separate activity within Economy, Environment & Infrastructure under the Director of Economy & Environment • Implement evolution of LEP board to EGB • Agree and implement governance model for integration of EGB into GCC structures • Analyse operations to better work with existing GCC functions 	<p>Provide continuity of delivery of services</p> <p>Explore stronger connections between current LEP and GCC activities</p> <p>Deliver against Government guidance for EGB and maintain support of business community</p>
<p>Full Integration</p>	<p>25-26</p>	<ul style="list-style-type: none"> • Explore further efficiencies through full integration of current LEP functions into broader EE&I activities • Review and implement changes required to the structure of the Economy and Environment elements of EE&I to fully integrate LEP functions 	<p>Ensure delivery in the most efficient and effective way</p> <p>Deliver full integration of LEP functions with environment and economy activity</p>

Appendix 2 – LEP Functions

To be transferred:

1. **Growth Hub Business Support** is the primary source of independent business support and signposting in Gloucestershire. The strong indication is that government will continue to support Growth Hub activity separately from LEP core funding beyond the end of the current financial year. In addition, partner organisations that received capital investment from Growth Deal are contracted to continue delivery of Growth Hub services. At the beginning of 2023-24, the core service consisted of six FTE staff members, four of whom it is proposed will be transferred to GCC. In addition, there are associated support activities all of which are fully funded through UK Shared Prosperity Fund and government core funding.
2. **LEP Board and Business Groups.** The LEP Board will transition into the Economic Growth Board (EGB) which is a government requirement of the transfer of LEP functions to the upper-tier local authority. Business Groups represent 75% of employment and 85% of GVA in the Gloucestershire economy and provide the key conduit to the wider business community. This service requires the transfer of two FTE staff, a reduction from the 3 FTE staff employed at the beginning of 2023-24.
3. **Inward Investment & Promotion.** The successful EU funded programme ended on 31 March 2023. 1 FTE member of staff has been retained through use of reserves and a further part-time consultant is similarly retained. The programme is important as we move towards implementation of a new economic strategy and a potential county deal. In addition, delivery of *Made in Gloucestershire* as a core promotional initiative has proved invaluable in supporting the food and drink sector as well as promoting the county. This service requires the transfer of three FTE staff and associated costs, a reduction of one FTE staff member at the beginning of 2023-24.
4. **Economic Research & Project Monitoring.** Provides the project monitoring requirements for growth deal funding and delivers independent economic assessments advising the LEP board (and in future the EGB) and business groups. This activity is vital to ensure compliance with Growth Deal funding reporting. This service requires one FTE and associated data access costs, a reduction of one FTE on the service at the beginning of 2023-24.

Not to be transferred:

5. **LEP Leadership & Operational Activity.** Senior Leadership roles and finance functions will *not* transfer to GCC resulting in further savings of 2.6 FTE staff members.