

# WEST NORTHAMPTONSHIRE COUNCIL CABINET

13<sup>TH</sup> FEBRUARY 2024

## LEADER OF THE COUNCIL AND CABINET MEMBER FOR STRATEGY – COUNCILLOR JONATHAN NUNN

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**Report Title**                      **Hosting the functions of the South East Midlands Local Enterprise Partnership**

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**Appendix A** – 30<sup>th</sup> November – LEP Integration Plan

**Appendix B** – LEP Functions

#### **1. Purpose of Report**

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- 1.1. This report outlines the proposal for West Northamptonshire Council to take on the role of host authority for the functions of the South East Midlands Local Enterprise Partnership (SEMLEP),

from April 2024 on behalf of the six local authorities in the South East Midlands. This follows the Government's decision in August 2023 to integrate LEP functions within local democratic institutions. The report provides implications and decisions required to take forward this role on behalf of six local authorities (including WNC) which form the SEMLEP area.

## **2. Executive Summary**

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- 2.1 The six local authorities within the SEMLEP area have endorsed a proposal for West Northamptonshire Council (WNC) to become host authority and accountable body for the Local Enterprise Partnership (LEP) functions from 1 April 2024. This follows the Government's decision to withdraw core funding from LEPs with guidance subsequently issued relating to the integration of the functions of LEPs into local democratic institutions. SEMLEP will be wound up from the 31<sup>st</sup> March 2024.
- 2.2 The existing Central Area Growth Board (CAGB), which comprises of the six local authority leaders has provided the governance structure for discussion and decision making relating to future delivery of the LEP functions. In October 2023, the Central Area Growth Board recommended that WNC should take on the role of host authority and accountable body.
- 2.3 It is proposed that the CAGB, for which Milton Keynes City Council provide the secretariat function, will continue to exist and that that will be the decision making body for the six Councils, however this will require a review of its existing terms of reference and a formalisation of its structure to satisfy governance requirements. A joint committee structure is the most likely scenario.
- 2.4 A fundamental principle for all six local authorities for the future delivery of the LEP functions is that the service must be financially sustainable. A financial envelope of £1,875,988 has been agreed as a budget for 24/25 which allows for the transfer of Strategic Economic Planning, Growth Hub and Careers Hub, together with support roles. This budget draws on £495,000 of approved LEP reserves. The agreement to use of reserves in year one will allow the Council to establish and review the structure and functions and future budget required. This will go back to the CAGB following review after 6 months, with a view to reducing the use of reserves and finding a sustainable funding model for the service functions and a budget for 2025/26.
- 2.5 To progress the transition of LEP functions to WNC as host authority, the five partner Councils have agreed in principle to enter a joint agreement. The purpose of the agreement will be to confirm governance and to delegate to WNC general powers to deliver LEP functions across each local authority area.

## **3. Recommendations**

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- 3.1 It is recommended that the Cabinet:
  - a) To receive the transfer of all the Local Enterprise Partnership (LEP) rights, loans and liabilities including all reserves and funding as the accountable body for the six local authorities within South East Midlands economic area from 1 April 2024 as detailed

in paragraph 4.2 and in recognition of Luton's ongoing accountable body role as detailed in 4.5.

- b) To receive future funding as accountable body, where it is deemed appropriate that services or functions should be managed by the accountable body.
- c) To accept the transfer of staff and any liabilities, in accordance with TUPE, to include where applicable finance, communications and operational support.
- d) Note the inherited financial position as set out in paragraph 6.1.1
- e) Agree the governance structure and responsibilities for the transferred LEP functions, as described in paragraph 5.2.4 option 2, with Milton Keynes City Council, Luton Borough Council, North Northamptonshire Council, Bedford Borough Council and Central Bedfordshire Council
- f) To enter into an agreement with the five authorities in relation to the delivery of the services on their behalf and for the use of the reserves to meet the liabilities and where the reserves are insufficient to meet the liabilities to be able to recover the liabilities from the relevant local authorities including any successor bodies as described in paragraph 5.11.
- g) Delegates authority to the Director of Communities & Opportunities in consultation with the Leader of the Council, to lead the integration process, including finalising the joint agreement with the other local authorities.

#### **Reason for Recommendations**

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- 3.2 To satisfy the Government with respect to the transfer of LEP functions in accordance with guidance in August and December 2023, to integrate these functions into local democratic institutions across a functional economic geographical area
- 3.3 To deliver LEP functions across the South East Midlands functional economic area to ensure the wider benefits to the area associated with the delivery of strategic economic growth
- 3.4 To ensure that the transfer of functions is managed to ensure the Council has mitigated its exposure to financial liabilities and other risks arising from the transfer of LEP functions

#### **4. Report Background**

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- 4.1 The Government confirmed their decision in August 2023 to integrate LEP functions within local democratic institutions. A locally run expression of interest process for the local authorities within the South East Midlands was then initiated to identify a local authority to act as a host local authority for LEP functions. The CAGB met on the 19 October 2023 and the Leaders of the six local authorities formally endorsed the recommendation that West Northamptonshire Council should be the host local authority to take on all LEP functions, including strategic economic planning and business representation on or before 1 April 2024.
- 4.2 The geography for the delivery of the LEP functions from April 2024 will be the same geography as the existing LEP area (South East Midlands). This is a functional economic geography. For clarity, this includes the following local authority areas:
  - Bedford Borough

- Central Bedfordshire
- Luton Borough
- Milton Keynes City
- North Northamptonshire
- West Northamptonshire

- 4.3 It is proposed that the governance arrangements for the service provision will operate through the CAGB which is an existing partnership of the six local authorities listed above. The CAGB is hosted by Milton Keynes City Council (MKC) and it is also the accountable body for the CAGB receiving £5k of funding from each of the constituent councils to enable it to carry out that role.
- 4.4 The Council will be the host local authority and accountable body for the LEP services which are retained following the closure of SEMLEP, hosting these services on behalf of the other local authorities and will be accountable to the Central Area Growth Board for ensuring service provision across the whole geography, the core functions and shared resources like data, analytics and secretariat support for LEP functions.
- 4.5 Luton Borough Council are currently the Accountable Body for the LEP and will continue to have accountable body status in relation to some matters relating to the monitoring and outputs associated with the funding agreements signed with the Government on behalf of SEMLEP.
- 4.6 A fundamental principle agreed by the Leaders and Chief Executives at the CAGB was that the new arrangement for delivery of the LEP functions from April 2024 must be financial sustainability and to this end it was necessary to agree a funding envelope within which the new arrangement would operate. It should be noted that for the period 23/24 SEMLEP have drawn on reserves to meet their operating costs.
- 4.7 The Government issued guidance on government expectations on transfer and future delivery of LEP functions in August 2023 and required the submission of an integration plan by 30<sup>th</sup> November 2023 (see Appendix A).
- 4.8 The August 2023 guidance references the LEP integration guidance set out in March 2022 which stated that role of the LEP is to:
- a. Embed a strong, independent, and diverse **local business voice** into local democratic institutions.
  - b. Carry out **strategic economic planning** in partnership with local leaders that clearly articulates their 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, shaped by the local business voice where relevant. This includes the delivery of **Growth**

**Hubs** on behalf of the Department for Business and Trade, and **Careers Hubs** on behalf of the Department for Education.

d. Where appropriate, help broker and support new or deeper devolution deals, where requested by local partners.

- 4.9 The August 2023 guidance was supplemented by additional guidance in late December 2023 providing further clarity on government expectations on transfer and future delivery of the interrelated functions of business representation and local economic planning. The December guidance also provided confirmation of the core funding to be made available.
- 4.10 This Guidance makes clear the Government's expectations with respect to Business representation. It states *'the principles of effective, independent, and diverse business representation, which were a common connection across all LEP functions, should remain in these institutional structures.*
- *Private sector and employer perspectives can enhance local economic strategies and interventions, including: shaping business, trade and investment support around local business and economic needs; providing challenge and insight on business impacts of public sector initiatives; and providing delivery expertise. It can also provide market credibility and a strong vehicle for leveraging match funding for public sector programmes and developing effective partnership projects to support growth.*
  - *Demonstrating a strong business voice is also an eligibility requirement for some government programmes (including Growth Hubs) as well as a key principle of the English Devolution Accountability Framework. For other areas, including those where devolution is not on the immediate horizon, we expect local authorities to create or continue to engage with an economic growth board (or similar) within their functional geography.*

The guidance also provides the Government's expectations in respect of Local Economic Planning

*'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 funding'.*

- 4.11 In terms of funding the guidance states that *'the Government will provide up to £240,000 per local or combined authority area delivering functions over a functional economic area that meets the geographical requirements.* '. This is slightly less than the £250,000 currently provided to LEPs and reflects the expectation of efficiencies created by the integration of functions. In addition to this, the LEP currently receive funding to operate a Growth Hub (approximately £330,000 per annum) and a Careers Hub (approximately £450,000 per annum). The exact amounts for 24/25 are still to be confirmed by Government.
- 4.12 **LEP Functions to be transferred to WNC**

To meet the requirements of the Government guidance the transfer of LEP functions WNC will take responsibility for hosting:

- The Growth Hub
- The Careers Hub
- The Strategic Economic Growth function
- Ensuring representation from a diverse and independent business community – the ‘Business Voice’

These functions are outlined in Appendix B.

## **5. Issues and Choices**

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- 5.1 Integration of the LEP functions in line with Government guidance, alongside TUPE arrangements for staff, governance structures, and delivery agreements with partner local authorities are an urgent priority for the next 3-month period. To do this, a task and finish group with representatives from the six local authorities and the LEP Chief Executive are working on the details of integration, based on having agreed a financial envelope for year on 2024/25 and the functions to transfer, including the governance arrangements.
- 5.2 An internal project team has been formed within the Council to oversee the integration process internally which is managed through the transformation team with a project plan and workstreams for the critical enabling areas to affect the transition. The current workstreams include:
- Governance / Legal – Including confirming the governance arrangements, oversight of the risk register and any contractual / intellectual property/data transfer/contractual novation/
  - Communications / stakeholder engagement – Including supporting the branding work that is being undertaken for the Growth Board, developing the communications strategy pre-April and also plans for the communications function post Integration
  - Finance – Including setting a draft budget for 24/25, working with the current accountable body and the LEP/understanding the insurances and liabilities of the LEP
  - IT / Data – to ensure smooth transition for IT and data and ensure a smooth transition for equipment and IT services for the LEP team.
  - Assets – Including physical location for the LEP team
  - HR – including supporting the TUPE process and the onboarding of LEP team
  - Project Management – including managing the project plan and workstreams
- 5.3 On 12<sup>th</sup> December 2023, the Central Area Growth Board (CAGB) received a report outlining three possible funding scenarios for the delivery of LEP functions in 2024/25. The options sought to balance what was considered the minimum functions required to satisfy the guidelines set out by the Government whilst capturing this within a financial envelope which would provide financial sustainability. The LEP functions included in the integration for the options are: Strategic Economic Planning; Growth Hub and Careers Hub. The context for setting the budget envelope is based on the following principles and considerations:

- The current LEP budget does not have the ongoing funding sources to meet its ongoing costs, so the starting position to create the options reflects a challenging position.
- The Government has confirmed Core Funding of up to £240,000 for 24/25
- Department for Business and Trade have not confirmed Growth Hub funding but an assumption has been made that it will follow the 23/24 allocation
- Careers and Enterprise Company (CEC) funding for the Careers Hub is approved until August 2024 as it operates on academic years rather than a financial year.
- Costs include a management / overhead fee for WNC to reflect the additional costs for WNC to host functions which include the management oversight of LEP functions, the finance / accountable body role and the enabling services including HR, procurement, communications, insurance.
- To host and continue delivering the agreed functions within WNC, any staff who are in scope for TUPE and any subsequent staff recruited would be on payroll at the Council and therefore would need to have the option to be brought onto the Local Government Pension Scheme (LGPS). This would have a significant impact on the staff costs – with the current SEMLEP pension being 6% and the current WNC LGPS pension employer contribution being 19.6%.
- Feedback received from at least 3 partner local authorities on their own budget pressures demonstrate a reluctance to continue the current £20k contributions from each local authority towards LEP services or increase their contributions, the budget envelope options do not therefore include a contribution from local authorities.

5.4 The CAGB considered 3 possible funding options which are summarised below, appendix 1 includes detailed tables of the funding breakdown:

5.4.1 **Option 1 - Utilise Government funding and any existing project funding only.** This is the lowest cost option but requires a reduction in the capacity and functions currently provided by SEMLEP and the Council providing corporate service support rather than the function having dedicated staff. The WNC management fee would be slightly higher to reflect no dedicated enabling resource. This option has no call on LEP reserves although any contingency requirements for the Council would need to be identified from LEP reserves.

5.4.2 **Option 2 - Utilising Government funding, any existing project funding and reserves to create a stronger year one position.** This is the mid-range option and would see the continuation of existing functions and capacity and bringing over the existing corporate “enabling service” support roles rather than using WNC services and some use of LEP reserves. It is recognised that use of reserves couldn’t be sustained in a long-term model, but this would be a year one position with a review before the end of year one, when government direction is clear and true costs of hosting it within a local authority are established.

5.4.3 **Option 3 – Lift and shift the current LEP service – utilising government funding, existing project funding and reserves.** This is the most expensive option and includes some functions and roles to drive the profile and investment of the body, dedicated corporate service roles and an increased use of reserves.

- 5.5 CAGB agreed that option 2 was the preferred funding envelope and budget option for the delivery of LEP functions for 2024/25 and that this agreement should enable WNC to proceed with the TUPE process on this basis. This decision was taken subject to :
- 1) written confirmation by the end of the calendar year from SEMLEP, that in excess of £1.5 million of their reserves are available for supporting the continuation of services.
  - 2) West Northamptonshire Council committing to review option 2 to reduce the call on reserves as far as practicable (in consultation with the Chief Executives of the Growth Board Member Councils);
  - 3) A formal review of the LEP services and budget being undertaken and report brought back to the Growth Board within 6 months, in order to prepare for financial year 2025/26; and
  - 4) Chief Executives agreeing to support West Northamptonshire Council via a task and finish group.
- 5.6 Confirmation of the availability of SEMLEP reserves (point 1 above) has been confirmed. In November 2018 the SEMLEP board agreed that £2m of Growing Places Fund (GPF)resources was retained for use as a contingency, of this £2m, £190k was used with the agreement of the Finance Risk and Audit Committee, to support what would otherwise have been a deficit budget for 2022/23. In 2023/24 SEMLEP are currently forecasting that £225k will be needed to avoid a deficit budget. This means that around £1.585m of the initial £2m remains and can be used to support continuing services.
- 5.7 In addition to this ringfenced Growing Places Fund resource, SEMLEP is forecasting to have around £1.4m of reserves available at the end of 2023/24, which could be used to support the continuation of services or any redundancy payments that may be necessary.
- 5.8 This confirmation of available reserves provides the underwriting of costs for WNC in 2024/25 and for a scenario whereby if circumstances or Government priorities change the functions could be wound up and liabilities met.
- 5.9 The overall financial position in relation to funds and assets will be confirmed before the 31<sup>st</sup> March, however the confirmation of the reserves position from SEMLEP as outlined in paragraphs 6.6 and 6.7 provide confirmation of funding for a year 1 (2024/25) position and liabilities outlined in paragraph 7.7.2.
- 5.10 The benefits of the selected option 2 are :
- Creates continuity of service for the Careers and Growth Hubs
  - Provides a dedicated staff resource for the Strategic Economic function which could work closely with MKCC to shape the strategic economic priorities of the CAGB.
  - The enabling services brought over would help to deliver a smooth transition
- 5.11 In order to progress the transition of LEP functions to WNC as host authority, the five partner Councils have agreed in principle to enter a joint agreement. The purpose of the agreement will



be to confirm governance and to delegate to WNC general powers to deliver LEP functions across each local authority area. The agreement will also cover performance, KPI's and review requirements. An agreement will now be drawn up in consultation with our partners. The agreement should also deal with the financial arrangements relating to the liabilities of the LEP. It is anticipated that the reserves from the LEP will cover any financial liabilities however where claims are taken against the LEP then a single local authority will need to be responsible for handling those claims on behalf of the six authorities and also for meeting any excess or sums not covered by the insurance arrangements for the LEP.

#### 5.12 Equalities Impact Assessment

The role of hosting the Local Enterprise Partnership functions on behalf of the South East Midlands local authorities does not have a negative impact on any groups with protected characteristics. An EIA is not required.

## 6. Implications (including financial implications)

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### 6.1 Resources and Financial

- 6.1.1 A budget envelope of £1,875,988 has been agreed for the transfer of LEP functions to the Council. This option utilises government funding, existing project funding and reserves to create a year 1 budget position. This includes salaries, all associated office administration and staff costs, legal fees, marketing, accommodation, and management fees. The funding envelope includes Department for Levelling Up, Housing and Communities (DLUHC) core funding, now confirmed at £240,000, plus funding from Department for Business and Trade (DBT) and the Careers and Enterprise Company (CEC), which supports the Growth Hub and Careers Hub functions, together with secured match funding for the Careers Hub and other project funding income. A sum of £495,000 from SEMLEP reserves is also included to cover the income deficit. This sum has increased by £10,000 reflecting the reduction of core funding from DLUHC or 2024/25. The final WNC budget figure will form part of the council's final budget report to cabinet and full council for approval.
- 6.1.2 As outlined in paragraph 5.6 above SEMLEP have confirmed the existing SEMLEP Board approval of £2M of Growing Place Fund resource to be retained as contingency, of which £1.585m remains available as reserve for meeting contingency requirements. In addition, SEMLEP is forecasting to have around £1.4m of reserves available at the end of 2023/24, which could be used to support the continuation of services or any redundancy payments that may be necessary.
- 6.1.3 The agreement to use of reserves in year one will allow the Council to establish and review the structure and functions and future budget required. However, the decision taken by the CAGB to support option 2, was made subject to the commitment of WNC to review the service and functions to establish a more sustainable budget position for 25/26. This will go back to the Central Area Growth Board after 6 months following review.
- 6.1.4 The option agreed (option 2) is the mid-range option for the LEP functions and would see the continuation of existing functions and capacity and bringing over the existing corporate "enabling

service” support roles rather than using WNC services. Although this option utilises reserves, it doesn’t rely on Local Authority contributions and would create a solid year one position based on the desired services.

## 6.2 Legal

6.2.1 The transfer of LEP involves the transfer of functions. Some of the functions such as strategic decision making will continue to be carried out by the six authorities as part of the Central Area Growth Board. The delivery of the services that transfer e.g. the Careers Hub, Growth Hub etc for which the LEP has received government funding will in future be carried out by West Northants Council on behalf of all of the councils. As a result of the transfer of those functions which are carried out by staff employed by the LEP, West Northants Council have relevant staff transferred under TUPE. When staff transfer the finances which were used by the LEP to pay the staff will also transfer. Liabilities in relation to the staff will also transfer. An agreement between the six authorities will be necessary to provide for the delivery of services across the area of the six councils. The agreement will provide accountability for the delivery and the financing arrangements for the delivery. It will also need to provide a mechanism to enable the six authorities to share the liabilities in the unlikely event that they exceed the funding available. As well as the transfer of functions, staff and resources, there is also a need to deal with the transfer of relevant contracts, (e.g. for the CRM system), intellectual property for the logos etc, details of the insurance arrangements for the LEP and data transfer contained within the IT systems. Work is underway to deal with the transfer which is due to be largely resolved by 31<sup>st</sup> March 2024

## 6.3 Risk

6.3.1 Through the internal project team, a risk register is managed which identifies and manages the key risks for the transition of LEP functions to the Council.

6.3.2 This paper seeks to outline and demonstrate mitigation for the key risks to the council in undertaking the hosting function for LEP services as outlined below:

Risk	Mitigation
Financial impact to the Council of undertaking the services – due to ongoing cost of the services or redundancy / pension liabilities.	Section 6.5 outlines agreement from the SEMLEP board to utilise existing SEMLEP reserves to underwrite costs beyond Government funding available for 24/25 and to provide contingency for unexpected costs and in the event of winding up costs including redundancy. Financial modelling has been undertaken to determine potential redundancy and pension liability costs in the event the services would need to be wound up, which could easily be met by the reserves available from the LEP.

<p>Having appropriate governance arrangements in place with the other local authorities to ensure we can run the services effectively and legally.</p>	<p>The Central Area Growth Board provides an existing mechanism for the six Local Authorities to make decisions regarding LEP services and to oversee performance and provide strategic direction. There is also a commitment from the other local authorities to seek Cabinet approval which recognises WNC role as host authority for the LEP functions, and to enter an agreement with WNC, subject to agreeing the terms, before 31<sup>st</sup> March 2024.</p>
<p>Timescale to implement an effective transfer of services, including the TUPE arrangements, ensuring processes are followed legally and compliantly with policy / legislation.</p>	<p>The internal project team includes representatives from HR, legal, finance and IT to ensure we comply with TUPE legislation, that any data and IT systems are migrated compliantly and to conduct the due diligence required to ensure the council isn't taking on any unforeseen liabilities.</p>

The risks are kept under regular review by the project team, which includes the Monitoring Officer, so that the corporate risk position can be regularly reviewed and monitored.

#### 6.4 Consultation and Communications

- 6.4.1 Communication and collaboration with the other local authorities involved in the LEP integration is an important part of the integration of LEP functions. There is a task and finish group of the six local authorities involved and the LEP and the Central Area Growth Board provides a mechanism for decisions and strategic input from each of the local authorities in the South East Midlands.
- 6.4.2 It is also a Government requirement for private sector and stakeholder involvement in the LEP functions and activity moving forward, and therefore as outlined in the Central Area Growth Board paper (8.3), a period of engagement with relevant stakeholders is underway during January and February 2024 to ensure the requirements for business engagement and a business board are shaped by the views of relevant stakeholders. A paper will be taken to the Central Area Growth Board on the 14<sup>th</sup> February 2024 with recommendations and findings from this engagement.
- 6.4.3 The communications team are a member of the project team and are developing the communications plan pre and post transition in collaboration with the LEP and other local authorities to ensure a smooth transition of services and that stakeholders and clients who utilise the services are aware of the change and reassured of the continuation of services.

6.4.4 The CAGB have commissioned a branding exercise to look at the branding of the LEP services going forward and the CAGB and the findings of this will help inform the branding of services post integration.

## 6.5 **Consideration by Overview and Scrutiny**

6.5.1 This report has not been considered by Scrutiny, but will be subject to call in.

## 6.6 **Climate Impact**

The recommendations of the report will have a positive impact on climate change work. The hosting of the SEMLEP function by WNC would ensure continued opportunities for engaging business in the development of the green economy across the area.

## 6.7 **Community Impact**

6.7.1 There are no specific considerations relating to community impact

## 7. **Background Papers**

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8.1 - 4<sup>th</sup> August – Government guidance on LEP integration - [Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions - GOV.UK \(www.gov.uk\)](#)

8.2 - 19<sup>th</sup> October Central Area Growth Board update on LEP functions [Future of Regional Working and the Local Enterprise Partnership.pdf \(moderngov.co.uk\)](#)

8.3 - 12<sup>th</sup> December CAGB update on the business engagement element of LEP functions - [Update on Business Engagement.pdf \(moderngov.co.uk\)](#)

8.4 - 12<sup>th</sup> December CAGB update on LEP functions [Update on Future of LEP Functions.pdf \(moderngov.co.uk\)](#)

8.5 - 19<sup>th</sup> December – Government guidance on LEP integration - [Guidance for local authorities delivering business representation and local economic planning functions - GOV.UK \(www.gov.uk\)](#)