

Somerset Council  
Scrutiny Committee  
– 22 November 2023



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## LEP Integration

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Division / Local Member: All

### **1. Summary**

- 1.1.** Local Enterprise Partnerships (LEPs) have played an important role in supporting local economic growth since 2011. Somerset has been part of the Heart of the South West (HotSW) LEP along with Devon, Plymouth and Torbay since its formation. The Levelling Up White Paper, published February 2022, set out Governments commitment to extending devolution across England, empowering local leaders, and integrating LEP functions into local democratic institutions.
- 1.2.** The move away from LEPs has already begun with Levelling Up and UK Shared Prosperity Funding being managed by Local Authorities. Government expect investment decisions to have local democratic accountability which wasn't possible via the LEP governance model and therefore didn't align with devolution intentions.
- 1.3.** The Spring Budget 2023 set out Governments intentions to withdraw support for LEPs from April 2024 and to transfer LEP functions to local authorities. Following further review during the spring the Government confirmed these intentions and have requested that each LEP area prepare an Integration Plan setting out Local Authority intentions to deliver the LEP functions of:
  - Business representation
  - Strategic economic planning
  - Responsibility for delivery of specific government programmes

As Accountable Body for the HotSW LEP, Somerset Council, are leading on the development of the Plan with representatives from each of the upper tier authorities across Devon, Plymouth and Torbay. The LEP and Government representatives are also engaged in the process. The Plan must be submitted by 30 November 2023.

- 1.4.** The HotSW LEP aims to guide and shape economic growth, job generation, and

prosperity in the Heart of the South West region. Their economic strategy highlights transformative opportunities that aim to attract investments, foster the creation of high-quality jobs, and promote prosperity and resilience through sustainable and inclusive growth. Despite the transfer functions to Somerset Council, the commitment to these objectives persists. The essential role in economic growth, job creation, and prosperity will contribute to reinforcing the Council's vision of a flourishing and resilient Somerset, characterised by fairness and ambition. Furthermore, the activities related to clean and inclusive growth will actively contribute to the realisation of a more environmentally friendly and sustainable Somerset.

## **2. Issues for consideration / Recommendations**

- 2.1.** Scrutiny Committee Members are asked to note the details within this report ahead of further Governance processes early in 2024. Our intention is to seek approval from the Executive Committee in February to transfer the functions, as per the Integration Plan, into Somerset Council.
- 2.2.** As the Accountable Body, Somerset Council hold assets on behalf of the HotSW LEP, the Executive Committee will also be asked to approve the transfer of relevant assets and novation of associated legal agreements to other upper tier authorities as agreed through ongoing discussions.

## **3. Background**

- 3.1.** Government has confirmed that Local Enterprise Partnership (LEP) core functions – namely, business representation, local economic planning, and the delivery of Government programmes where directed – from April 2024 should be delivered by Local Authorities to ensure local democratic accountability.
- 3.2.** Initial LEP Integration Guidance was published in March 2022 (<https://www.gov.uk/government/publications/local-enterprise-partnerships-integration-of-lep-functions-into-local-democratic-institutions/guidance-for-local-enterprise-partnerships-leps-and-local-and-combined-authorities-integration-of-lep-functions-into-local-democratic-institutions>) aimed at areas progressing devolution discussions. Government has since issued an updated Integration Plan template for submission by 30 November. The template is intended to aid the process of integration and will inform the direction of any future government funding. It will set out our (the 4 upper tier Local Authority's) indicative intentions for integration which will then be subject to further discussions, confirmation of funding from Government and internal governance processes across Somerset Council and the other upper tier authorities.

## **Proposed Approach**

- 3.3.** Our aim is integrate functions into the upper tier authorities from 1 April 2024. It is unlikely that the transfer of assets (including contract novations) will be completed by this date and will progress in the weeks following.
- 3.4.** The current role of LEPs as funded by government are set out below. These are the key functions under review, although there are some local activities which may also continue, subject to funding. Somerset Council will need to set out how it intends to deliver these functions from April 2024.
- 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.
- 3.5.** To ensure we can embed a local business voice we will establish an economic growth board. The board will oversee the development, and implementation, of a post-LEP economic strategy. Government have indicated further guidance on their expectations for these functions will be released in January 2024. We will therefore refine our intentions at this time.
- 3.6.** In undertaking LEP functions there will be a requirement for Somerset Council to lead on local commissioning of continued functions, for example the Growth Hub (business support function). This brings opportunity in respect of ensuring service provision fully meets local need, but also challenges in the current financial climate. Confirming of Government funding and allocation of LEP legacy funding will be key to ensure continuity of functions.

#### **4. Consultations undertaken**

- 4.1.** Consultations, led by Somerset Council as the Accountable Body, are currently

taking place across the HotSW LEP upper tier authorities, the LEP and Government representatives to establish the principles and legality of the transition arrangements. The LEP Board will be consulted on the Integration Plan before submission to Government.

## **5. Implications**

- 5.1.** Financial – there will be financial implications as a result of integrating LEP functions. Government has confirmed it will provide some revenue funding to local authorities in 2024/25 to support delivery of the functions currently delivered by LEPs. Details of this support will be confirmed in due course. Core funding for LEPs has been £500k per annum in previous years and £250k in this current year, we are therefore not expecting a significant amount of short-term capacity funding. Funding beyond 2024/25 will be subject to future Spending Review decisions.
- 5.2.** Legal – there will be legal implications as a result of transferring assets and liabilities to upper tier authorities. We are working with external legal advisors, Ashfords, who are providing advice to Somerset Council on the legality of proposals. We are not expecting any significant challenges, but it will be a time consuming process once we have agreed on the transfer of assets which will involve movement of funding (between local authorities) and novation of legal agreements (primarily grant and loan funding agreements with both public and private sector) from Somerset Council to the receiving local authority.
- 5.3.** HR – there will be staffing implications as a result of the transfer of functions. The specific details will not be known until agreement is reached on continuity arrangements. The main impact will be on the LEP core team who are employed by University of Plymouth; as the Accountable Body, Somerset Council will ensure that provision is made for severance costs as part of the financial wind down.
- 5.4.** Equality and Due Regard – an Equality Impact Assessment will need to be prepared once continuity arrangements are confirmed, however, we are not expecting any negative impacts on protected groups.

## **6. Background papers**

- 6.1.** None

**Note** For sight of individual background papers please contact the report author