

# BRIEFING PAPER

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**SUBJECT:** SOLENT LOCAL ENTERPRISE PARTNERSHIP INTEGRATION INTO THE SOLENT UNITARY LOCAL AUTHORITIES

**DATE:** 14 MARCH 2024

**RECIPIENT:** OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

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## **THIS IS NOT A DECISION PAPER**

### **SUMMARY:**

1. The Government will no longer fund Local Enterprise Partnerships (LEPs) with core funding from April 2024. The Government now expects LEP functions to be exercised by upper-tier local authorities (UTLAs) where they are not already delivered by a combined authority in areas with agreed devolution deals.
2. This paper outlines the background information regarding the integration of LEP functions and the implications of this for upper-tier local authorities (UTLAs). This will set out the steps that Southampton City Council (SCC) has taken so far and will outline a potential future approach in managing the LEP integration process.
3. Southampton City Council (SCC) is working with the Isle of Wight Council (IWC) and Portsmouth City Council (PCC) to jointly take on these integrated LEP functions and deal with the changes that result from this new approach.
4. The joint UTLA Board was proposed by the three unitary UTLAs in the integration plan submitted to Government on the 30 November 2023, with our proposals for taking this forward.
5. PCC's and the IWC's Cabinets approved a series of recommendations on 6 February and 8 February 2024, respectively, with SCC's position being considered at the Cabinet meeting on 19 March 2024. If approved, all three partner Councils will have mirrored and approved similar recommendations before the Government's transitional date of 1 April 2024, after which the integration of LEP functions into local democratic institutions will be formalised, subject to the approval by Government of the submitted integration plan.

### **BACKGROUND and BRIEFING DETAILS:**

#### **Context**

6. Local Enterprise Partnerships (LEPs) are non-statutory bodies that were created to promote economic growth and job creation. They are business-led partnerships with additional representatives from local authorities, as well as academic and voluntary institutions. Thirty-eight LEPs were established across the Country in 2010-11 and the Southampton area is part of the Solent LEP functional economic area (FEA).

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7. On 4 August 2023, the Government issued a letter which confirmed their support for UTLAs and combined authorities to take on the functions currently delivered by LEPS. The Government have been clear that they will no longer fund LEPS with core funding from April 2024. This stated that *'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 (FEA) as appropriate.'*
8. The Government guidance also states that the geography for integration of functions should either be a whole County area or an FEA with a resident population of at least 500,000 (and for some functions at least 22,000 businesses).
9. From this, the Government requested that UTLAs submit an integration plan by 30 November 2023 for the integration of LEP functions. The three Solent UTLAs and Hampshire County Council (HCC) submitted separate integration plans, with HCC's plan covering parts of two LEP areas – Enterprise M3 and the districts and boroughs within the Solent FEA sub-region.
10. In parallel to the integration process, there is a need to consider the proportional disaggregation and transfer of existing assets from the Solent LEP to the UTLAs. Assets will most likely be disaggregated, between the HCC geography and the three Solent UTLAs. PCC acts as the accountable body for the Solent LEP and has responsibility for managing the disaggregation of assets.
11. Government guidance states: 'Management and transfer of any LEP assets should be agreed locally between the LEP and its Accountable Body, in line with any pre-existing arrangements and in accordance with any legal requirements. Where there are no existing arrangements, the Government expects that any reserves and assets built up using public funds will remain within the public domain (i.e. transferred to the relevant local authority or authorities).'
12. It has been proposed that any uncommitted funding should be pooled and held by PCC as the accountable body for the joint UTLA Board. Any residual funding, once split with HCC, will be to support economic development of the sub-region and will be subject to further agreement between the three unitary UTLAs. *(It should be noted that the Solent LEP's Board have made several commitments to support sub-regional initiatives such as [Maritime UK Solent](#) and the [Solent Cluster](#) as private sector-led initiatives.)*
13. Upper-tier local authorities will be responsible for some functions that were previously carried out by the Solent LEP. These functions are:
  - **Business representation** and to 'create or continue to engage with an Economic Growth Board (or similar) made up of local business leaders and relevant representative bodies to (a) provide the view of local businesses as part of regional decision making and (b) work with local leaders to create a broad economic strategy for the area'.
  - **Strategic economic planning** - areas will be expected to produce, or continue to update, economic strategies to support local decision-making, building on the plans currently developed and overseen by LEPS.

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- **Responsibility for the delivery of government programmes where directed.**  
Currently these programmes would be the Growth Hubs and the Career Hubs.

## **The approach of the three Solent UTLAs**

14. To account for the clear functioning economic area across the Solent sub-region, which has been recognised by Government through the creation of the Solent LEP and the Solent Freeport, SCC, PCC, and the IWC are proposing to work together, in partnership, to bring about the integration of the LEP functions on a core Solent geography that comprises the three unitary authorities, whilst also seeking to sustain long-held relationships with neighbouring authorities.
15. The three unitary authorities working together meet the thresholds required by the Government and therefore submitted an integration plan, based on the core geography and with a wider partnership structure to sustain the wider functional economic geography, including our neighbouring districts and boroughs.
16. Assuming this approach is supported by the Government, there will need to be strong and positive working relationships with HCC who will be operating in the wider Solent area for the parts of the Solent LEP area that comprises the districts and boroughs.

## **The approach of the Solent LEP and the relationship with Hampshire County Council**

17. In response to the envisaged changes to their operating environment, the Solent LEP decided to set up a new company limited by guarantee called [Solent Partners](#). The Solent LEP board decided that Solent Partners could be a legacy partnership body to the Solent LEP, supporting the delivery of the functions and providing a degree of continuity in a time of transition.
18. Whilst Solent Partners can enable the delivery of LEP functions across the Solent area, it will be the UTLAs that will be held accountable for the delivery of the functions and economic growth in the sub-region. The three Solent UTLAs have suggested that the existing partnership arrangements with HCC, our neighbouring districts, and boroughs, through the Partnership for South Hampshire, should be sustained, not least to support ongoing strategic economic planning.
19. HCC has been clear that Hampshire's integration proposals are based on the existing county geography, including the Solent districts and boroughs. In addition, HCC does not support Solent Partners, as a legacy body, citing democratic accountability as an issue.

## **The LEP Integration Plan and potential governance**

20. In the submission of the Integration Plan to the Government on 30 November, the Council, in agreement with PCC, the IWC, and the Solent LEP, set out the potential governance and the partnership vehicles for the implementation of the new, devolved responsibilities and functions.

*Joint Upper-Tier Local Authority (UTLA) Board*

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21. To enable joint-working between the three unitary authorities and to secure a degree of separation from Solent Partners, there is a need to set up a commissioning body that comprises of the three unitary authorities. A joint UTLA Board has been established in shadow form, which includes the Leaders and Chief Executives of the three unitary authorities.
22. The Board will commission and hold any delivery partners, to account for delivery of the programmes and functions assigned to them to support the economic growth agenda across the three unitary authority areas. The Board will also own the sub-regional economic strategy – which is currently Solent 2050.
23. The terms of reference for the board would need to be set so that the limit of the influence is on the areas of joint work so that the sovereignty of individual authorities is recognised.
24. With the proposal that the Leader and Chief Executive are on this Board it would not be appropriate for the Councils to have a director on the board of Solent Partners, to ensure that no conflict of interests arise and with wider governance requirements for the integration arrangements. Despite this, an ownership model has been proposed with the three Solent UTLAs becoming Members of Solent Partners, if appropriate.

## Solent Economic Growth Partnership

25. Alongside the joint UTLA Board there is the potential to set up a Solent Economic Partnership. This would cover the wider Solent geography, including the districts and boroughs within the Solent sub-region (FEA) that will be invited to be part of this partnership. It would comprise Leaders and Chief Executives and will enable discussion on strategic economic planning, to ensure that there is alignment. Other key stakeholders, such as Solent Transport and the Office of the Police and Crime Commissioner could also be included in this Partnership. However, the partnership can only be constituted if there is a desire from HCC, districts, and boroughs, to be part of this arrangement. The UTLAs, including HCC, might also consider joint commissioning across the two geographies.

## Solent Partners

26. Solent Partners has been set up to support the ongoing delivery of economic development across the Solent sub-region. Solent Partners might be well placed to create, provide, and administer a Business Representative Board, as a legacy of the Solent LEP Board, to work alongside the new Solent Economic Growth Partnership. The extent of the delivery role of Solent Partners has yet to be fully determined, in consideration of the Public Procurement Regulations. Solent Partners may be well placed to manage functions such as Solent Growth Hub (business support function), and private sector-led initiatives such as Maritime UK Solent, although perhaps less so the Solent Careers Hub.

## Current Barriers

27. The Government has not yet formally indicated that they accept the integration plan from either the collective three unitary authorities, or separately, from HCC. It is anticipated that the integration geographies will be confirmed this month, a month later than expected. Work to set up the integration vehicles listed above is ongoing, as described

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in our integration plan. However, confirmation of the three Solent UTLA integration geography is critical.

28. The new joint UTLA Board and Solent Economic Partnership is yet to be convened and fully constituted. The Board has been established in a shadow form to agreed terms of reference, potentially including the following responsibilities: to manage the integration process, the devolved responsibilities, any disaggregated legacy funding, any new transition funding, and future commissioning.
29. With HCC and the three UTLAs submitting separate integration plans, funds will need to be disaggregated across the current Solent LEP geography, being split between HCC and the three Solent UTLAs. This process is being managed by PCC as the accountable body of the Solent LEP and will require a degree of consensus.
30. It is becoming increasingly likely that Solent Partners will need to operate across a revised delivery geography of the three Solent UTLAs and not across the existing Solent LEP FEA.

## **RESOURCES/POLICY/FINANCIAL/LEGAL IMPLICATIONS:**

### Resources

31. Officers from each unitary authority have been committed to working together to see through the proposals for integrating LEP functions into local authorities. This is also supported by the Leaders and Chief Executives of each unitary authority.
32. Increasingly the three Solent UTLAs and the resource provided by partners, specifically Solent Partners will need to become more integrated.
33. One of the issues that is outstanding at the time of writing this report is what to do with existing LEP assets and resources and the associated implications on Solent LEP employees.
34. Government guidance is clear that any reserves and assets built up using public funds will remain within the public domain. All Solent LEP employees are employed by PCC and there may be Transfer of Undertakings Protection of Employment (TUPE) that will need to be considered depending on the ongoing disaggregation discussions with HCC.

### Policy

35. If the proposed integration plan from the three unitary authorities is accepted by the government, this will mark a drastic shift in regional policy. This will be an acknowledgement that the region covered by the three Solent UTLAs marks its own functional economic area. In turn, this will mean that the Solent 2050 Strategy will have to be re-considered in consideration of any new regional policy position. This acknowledgement of the smaller Solent region will encourage further joint-working and collaboration between the three unitary authorities.

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36. Growth that benefits local people is a key strategic objective of Southampton City Council's Corporate Plan. Economic growth is the central motivation for integrating LEP functions into UTLAs. Providing business representation across the UTLAs, delivering strategic economic planning, and continuing the delivery of government programmes such as the Growth Hub and Career Hub will support the Council's ambitions to support local businesses, and to provide more job opportunities and further investment in Southampton.

## Financial

37. Acting as the Accountable Body for the Solent LEP, PCC has an important role in agreeing to the disaggregation of the Solent LEP assets. As part of this process, PCC has been working with the Solent LEP and the UTLAs, including HCC, to agree a disaggregation methodology, in line with the Government guidance.

38. The Government will provide some revenue funding to local and combined authorities in 2024/25 to support them in delivering the functions currently delivered by LEPs.

## Legal

39. S.1 Localism Act 2011 (the 'General Power of Competence') permits a Council to do anything to support the delivery of its functions providing not otherwise prohibited by statute. The proposals within this report are authorised by virtue of s.1. The arrangements and status of the proposed Board will be determined in accordance with the Local Government Acts. The formal status of the Board will, in due course, be confirmed in the respective Council's Constitutions.

## **OPTIONS and TIMESCALES:**

40. If approved by the Government, the three unitary authorities will be expected to subsume the devolved responsibilities on 1 April 2024.

41. As established partners the three UTLAs will work together to bring about the integration of the LEP functions across the three unitary authorities.

42. The following options have all been considered and rejected in favour of our submitting an Integration Plan to Government across the geography of the three Solent UTLAs and in recognition of existing sub-regional partnerships:

- The option to do nothing has been rejected on the basis that the Government is proposing to devolve the core functions and responsibilities of the LEPs to upper-tier local authorities or combined authorities.
- The option of SCC to act unilaterally was rejected on the basis that the new arrangements will be devolved to the sub-region, and it is a requirement for UTLAs to act in partnership or to at least collaborate on delivery across sub-regions.
- That the new arrangements be formed on a county-wide basis of Hampshire and the UTLAs of SCC, PCC and IWC. This option was not supported by the three UTLAs as in their view it ignores the clear FEA across the Solent sub-region which has consistently been recognised by Government.

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## RISK MANAGEMENT IMPLICATIONS

43. The governance arrangements detailed in this report are based on a model where the three Solent UTLAs act in partnership on the joint UTLA Board and act to share risk management.
44. To mitigate risk the accountable body (PCC) have commissioned external legal advice, in consideration of commissioning. Further legal advice may be sought in determining the most appropriate relationship with external delivery partners.

**Appendices/Supporting Information:** None

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