

Meeting: Cabinet **Date:** 2nd February 2024

Wards affected: All Wards

Report Title: Local Enterprise Partnership (LEP) Transition Plan

When does the decision need to be implemented? 1st April 2024

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1. Purpose of Report

1.1 This report is seeking Cabinet approval of the Heart of the South West (HOSW) Local Enterprise Partnership (LEP) Integration Plan and the transfer of LEP functions to the Council as set out in the plan by 1st April 2024. This decision will be implemented by entering into agreements with Somerset, Devon and Plymouth Councils to underpin the transfer of functions and fair distribution of assets and resources ensuring no Council is placed at a disadvantage or is required to deliver additional responsibilities without sufficient revenue and capital resource to discharge the responsibilities. The agreements will be finalised by the end of March 2024 in advance of any transfer of function and final sign off of these agreements is proposed to be delegated to the nominated Directors and Cabinet Member in the recommendation.

2. Reason for Proposal and its benefits

- 2.1 In the Spring Budget Statement 2023 Spring Budget 2023 Government set out its intentions regarding the future of Local Enterprise Partnerships (LEPs). It expressed a minded to decision to withdraw central funding from LEPs and transfer LEP functions into upper tier local authorities or combined authorities.
- 2.2 Following an information gathering exercise, Government confirmed in August 2023 it would cease its sponsorship and core funding of LEPs from April 2024 and provided technical guidance on integrating functions into upper tier authorities or devolved administrations. The guidance indicated that the transfer of assets was a local matter for LEP Boards and their accountable bodies to resolve.
- 2.3 Government invited local authorities to develop and submit a draft integration plan in November with the intention that the integration of functions would be completed from 1st

April 2024. Wherever possible, government expects local authorities to work together to deliver LEP functions across whole county geographies or functional economic areas with a minimum population of 500,000, in line with the geography principles set out in the Levelling Up White Paper. In areas where there is not yet a devolution deal either agreed or under negotiation, government expects LEP functions to be exercised by the respective upper tier local authority or authorities.

2.4 The decision to approve the LEP Integration Plan will support the continuation and strengthening of the Councils ability to deliver with its partners the following strategic objectives and priorities of Torbay Council:

- We want Torbay and its residents to thrive.
- We want Torbay to be a place where we have turned the tide on poverty and tackled inequalities; where our children and older people will have high aspirations and where there are quality jobs, good pay and affordable housing for our residents.
- We want Torbay to be the premier resort in the UK, with a vibrant arts and cultural offer for our residents and visitors to enjoy; where our built and natural environment is celebrated and where we play our part in addressing the climate change emergency.

3. Recommendation(s) / Proposed Decision

3. It is recommended that Cabinet:

- a) Approves the proposed Integration Plan and the Heart of the Southwest Local Enterprise Partnership (HOTSWLEP) transfer of functions into the Council by 1st April 2024.
- b) Delegates to the Director of Pride in Place in consultation with the Cabinet Member for Place Development and Economic Growth and the Director of Finance a transfer arrangement and agreements with Somerset, Plymouth and Devon councils that cover operational implementation of the LEP functions, and the allocations of LEP residual funding, resources, and assets to the four upper tier councils.
- c) Delegates to the Director of Pride in Place in consultation with the Cabinet Member for Place Development approval of any minor changes to the Integration Plan.
- d) Approves the submission of a business case for Torbay, including Plymouth and Devon to bid for transitions funding from Government up to £240,000.

Appendices

Appendix 1: HoSW LEP Integration Plan

1. Introduction

- 1.1 Local Enterprise Partnerships (LEPs) have played an important role in supporting local economic growth since 2011. LEPs have brought together businesses, educators, and local government, locally and cross-regionally, working towards the government's ambitions to support regional growth. Since the publication of the [Levelling Up White Paper](#), government has made strong progress on extending devolution across England and remains committed to empowering local leaders by integrating LEP functions into local democratic institutions.
- 1.2 The HOTSWLEP was established in 2011 covering Somerset, Devon, Plymouth, and Torbay. HOTSWLEP is a privately-led organisation with a Board of private and public directors and Somerset Council acts as its Accountable Body. Whilst incorporated as a CIC, the LEP is a dormant company and has filed nil returns with Companies House since established. Somerset Council has reported the LEPs funding and assets within its accounts. All public spend administered by the LEP Board and its Operational and Investment Committee is governed by an Assurance Framework and by Somerset Council's Standing Orders. DLUCH monitor the LEPs compliance and performance against this Assurance Framework.
- 1.3 The Integration Plan has been agreed with Government and developed by the upper tier authorities with engagement from the HOTSWLEP's executive. The Integration Plan has been developed in accordance with the technical guidance issued by the Department of Levelling Up, Communities and Housing (DLUCH). An opportunity to develop a bid in the form of a business case for up to £240,000 (based on each area being above 500,000 population). was included in the latest guidance to local authorities and approval to submit a funding case for Torbay in partnership with Devon and Plymouth Councils is proposed.
- 1.4 Whilst LEPs can choose to continue to operate as a private entity, the functions of business representation, strategic economic planning, and responsibility for delivering Government directed programmes are required to be transferred to a top tier local authority, or top tier authorities, or combined authorities as part of a devolution deal depending on local circumstances.
- 1.5 Details of the functions to be transferred have been set out in the paper and cover business voice, economic planning, and specific government programmes such as the Growth Hub and Career Hub. The four upper tier authorities have considered alternative options as set

out in this report and the recommended approach is considered to achieve a smooth transition that meets Government's stated timescales. Affected staff have been consulted by their employer and local authority staff have been engaged. Legal advice and engagement with the Community Interest Company Regulator have been undertaken by Somerset Council as the LEP's Accountable Body.

- 1.6 A consultation is currently underway to establish a Combined County Authority (CCA) covering Devon and Torbay. At the point that a CCA is established it is expected that the majority of LEP functions transferred to the Council will transfer into the CCA. The current timescale for the establishment of the CCA is expected to be December 2024 and remains subject to the outcome of the current consultation, Cabinet and Full Council decisions and secondary legislation.

2. LEP Integration Plan

- 2.1 Having considered the guidance from Government, and the progression of a devolution arrangement for Devon and Torbay, the upper tier authorities within Somerset, Devon, Torbay and Plymouth agreed for LEP functions to transfer to each of the Councils and to develop and submit a single integration plan. Whilst functions would transfer to each authority, the Councils will continue to collaborate building on the strong working relationships held to ensure functions are delivered across an appropriate functional economic area. All Councils have existing economic departments and can align LEP functions alongside these Services.
- 2.2 The attached plan provides for a collaborative and smooth transition, within the timetable set down by Government whilst recognising some of the complexity of moving to a different delivery structure. It also recognises the development of a devolution arrangement in only part of the area. As significant partners within the LEP and already operating several of its functions, programmes and activities, the teams within the four local authorities are well placed to ensure continuity of contracts and that momentum is maintained. The partners, the LEP and its Accountable Body have worked through current LEP commitments and contracts, supporting the continuation of several valued programmes and activities, and aligning these with local authority priorities.

2.3 LEP Functions to transfer

- 2.3.1 The Plan covers the following core functions as defined by Government and which will transfer on 1st April:
- Business Voice
 - Strategic Planning and Evidence
 - Government Directed Programmes

In addition, the LEP Board has developed other significant projects and programmes and these will also transfer.

- 2.3.2 The business voice will continue through the establishment of Economic Growth Boards in each of the local authority areas. In Devon it is proposed to work with Torbay to set up a Business Council to act as the Economic Growth Board for the two local authorities. The Devon and Torbay Business Council will be part of the shadow governance arrangements to support the creation of the CCA. It will work and engage with the existing Growth Board in Plymouth and alongside new arrangements being established in Somerset.
- 2.3.3 The private sector Board Members who sit on the LEP Board have all been recruited for their skills and expertise through an open process. They have played a key role in guiding the LEP and its achievements and these individuals will be approached and asked to consider continuing to work with the local authorities through the Growth Boards and Devon and Torbay Business Council.
- 2.3.4 The remit of the proposed shadow Devon and Torbay Business Council will include:
- shape and support an economic evidence base and provide insight to underpin Economic Strategies and setting of growth / sector priorities.
 - have oversight of the development, and implementation, of Economic Strategies, including sector development activities
 - have an overview of monitoring, and reporting, of LEP legacy projects and programmes – including capital schemes, business support and digital skills, supporting accountability and reporting into Government.
 - provide peer support and networking and support joint strategic outcomes across the four local geographies with the Boards collectively meeting at least twice a year.
- 2.3.5 In terms of economic planning and evidence base, work will be undertaken to support a new economic strategy for Devon and Torbay building on current economic plans and the LEP's Build Back Better Strategy. Priorities set out in the Local Industrial Strategy will also be revisited and updated considering new and emerging sectoral opportunities. The current economic performance, challenges and global context will form the basis of setting a new evidence business, alongside business insights from across the business sector and consideration of national policy. As stated above economic strategy and planning will be guided by the proposed Devon and Torbay Business Council. The economic development services from Torbay and Devon already have expertise and staff who are responsible for undertaking economic analysis, strategy development and implementation. These teams

will work together to support the shadow Business Council oversee the drafting of revised economic plans.

2.3.6 The LEP is currently responsible for key functions directed and funded by Government. These include the HOTSW Growth Hub and Careers Hub. Both of these services are delivered by the Devon County Council under a contract from Somerset Council. In the case of the Careers Hub this is delivered for Devon, Plymouth and Torbay, with Somerset operating its own Careers Hub. Devon County Council already employs the staff delivering these services. As set out in the Integration Plan the current arrangements are proposed to continue for the duration of the committed funding to deliver a seamless set of services. The Councils will work together to secure further and extended national funding.

2.3.7 The LEP has commissioned several business support and skills programmes that will continue beyond March 2024. These include a Digital Business Support Programme and a Digital Skills Programme. Devon County Council is delivering these contracts across the HOTSW area. As set out in the Integration Plan these will continue under the current arrangements, with performance and monitoring of these contracts being undertaken by the Growth Boards and shadow Devon and Torbay Business Council.

2.3.8 There are several sector support programmes being delivered by the LEP via local authority partners. These include:

- Marine sector
- Food and Farming sector
- Aerospace and Aviation sector
- Nuclear sector
- Clean Growth sectors

The local authority partners are developing a position on each of these which will be set out as part of the local authority agreement by the end of March and considering sufficient residual LEP funding being available. Staff employed by local authority partners or through the LEP are being engaged by their employer as part of this process.

2.4. Proposed approach to transfer of LEP assets and resources.

2.4.1 The distribution of any capital and revenue sums will be distributed in a fair and equitable way between local authority partners. Once the assets and revenue sums have been finalised the authority partners will set this out in an agreement. Any sums transferred will support the delivery of economic priorities developed by the shadow Business Council.

2.5. Next Steps.

2.5.1 Milestones to prepare for the transition of functions is set out in the proposed Integration Plan. The key next steps are:

February	<ul style="list-style-type: none">• Local Authority Cabinet decisions will be taken to approve the integration plan.• Continuation of communication with projects, contractors and key stakeholders outlining end date of funding/contracts and continuity arrangements as appropriate.• Economic Growth Boards / Shadow Business Council developed.• Local Authority Officer Group operational with agreements on operational implementation and asset allocation developed.• Accountable Body to confirm end of contracts and Service Level Agreements; confirm continuity arrangements for legacy programme management and Accountable Body services as appropriate.
March	<ul style="list-style-type: none">• Closure of ceased functions including website and social media.• Functions and activities will transfer to appropriate upper tier local authorities by 31 March 2024 underpinned by local authority agreements.
April/May	<ul style="list-style-type: none">• Accountable Body to confirm end of year financial outturn and transfer outstanding legacy funding.• Completion of returns and assurances to Government, as appropriate.• Continuation of PMO function for monitoring and reporting against investment programmes as appropriate.• Continuation of relevant Accountable Body functions.• Review process for submitting business case for ongoing Growth Hub funding.

3. Options under consideration

3.1 The following options were considered by the Council and its partners to support the integration of LEP functions as directed by government:

- a) Retain the LEP until devolution arrangements are in place across the area.
This option was not considered viable given that there are different devolution arrangements moving forward at different timescales across the Heart of the South West area. This would create a staggered integration process creating uncertainty for businesses, staff and local authorities. This would also not meet the intentions set out by Government in its guidance. Further the process and timescales for the devolution proposals in Devon and Torbay remain subject to consultation, Council sign off and

legal processes. The current timescales could therefore slip leaving uncertainty for staff, contractors and local authority partners.

- b) Transfer the functions to one local authority partner to deliver on behalf of all four partners. This option was discounted as it would not support the Devon and Torbay devolution arrangement and proposals emerging in Somerset. Meeting the criteria of a functional economic area was also set out by government, and broadly Devon and Somerset can be considered functional areas, with blurred boundaries. The recommended approach recognises local variations across the two broad functional economic areas and provides the opportunities of collaboration and generating economies of scale. It also supports the whole area move forward with devolution at separate timescales.

4. Financial Opportunities and Implications

- 4.1 Agreement on the transfer of assets and resources is under development by the Council and its local authority partners. The principle of the agreement is that no local authority is placed at a disadvantage and that no additional costs or financial burdens are taken on by any local authority partner. A fair and equal distributions of assets to support the delivery and implementation of the Integration Plan is proposed.
- 4.2 The current estimate is that there will be sufficient revenue residual revenue funding to support the continuation of the directed Government services, namely the Growth Hub and Careers Hub up to their current contract terms. The partners will work together to secure ongoing resources for the HOTSW Growth Hub and enter into a new agreement for the delivery of this Service with the County Council once funding is secured.
- 4.3 The proposal includes bidding for Government funding to support the integration and transfer of LEP assets. Currently there is no information on the timescales or requirements to apply through submitting a business case. Devon County Council would qualify to apply with a population of over 500,000 and it is proposed to do so in partnership Torbay Council and Plymouth. This would offset transitional cost, including legal and financial support, setting up a shadow Devon and Torbay Business Council, transferring web-based services and setting up ongoing monitoring and reviews with DLUCH.
- 4.4 There may be redundancy costs for some current members of the LEP staffing complement. Any such costs once known will be netted off from the revenue funding held by Somerset Council before the distribution of remaining funds to each partner under the agreed allocation methodology.

5. Legal Implications

- 5.1 Legal advice was taken by Somerset Council on behalf of the local authority partners and the LEP. This has supported the approach to asset ownership and the approach to asset transfer.
- 5.2 There are a number of funding agreements between the accountable body and government, and with recipients of contracts and grant and loan agreements. There is work required to novate these to the receiving local authority and legal costs will be funded from the LEP legacy budgets to support this completing smoothly and in time for the transfer date of 1st April 2024. A number of contractual arrangements will continue as currently proposed and reducing the number of agreements that need to be amended.
- 5.3 HR advice has been undertaken by each employing authority. The proposed transfer of functions is not impacting on any staff employed by the Torbay Council and Plymouth University has determined that there is no TUPE applied to the core staff that they employ based on the Integration Plan.

6. Engagement and Consultation

- 6.1 The LEP Executive and Board have had opportunities to comment on the Integration Plan and proposals from the local authority partners. Government officials have also been engaged in the development of the process and the Joint Scrutiny Committee have received updates and have offered comments to the LEP executive. The Integration Plans and guidance from government have been produced after periods of review and national engagement with the LEP Network, local authorities, devolved administrations and others, which HOTSWLEP Chief Executive and Chair have participated in.

7. Tackling Climate Change

- 7.1 The integration of LEP functions is not deemed to have any negative environmental impacts. The work of the LEP has supported a number of net zero and sustainable programmes including skills, infrastructure and business support programmes. The proposal is to continue these programmes that remain live and contribute to a range of net zero outputs and outcomes. completed projects will also be monitored for the duration of funding agreements to ensure that all environmental impacts are monitored.

7.2 Promotion of net zero and sustainable business will be a core consideration in the development of any future Devon and Torbay Economic Strategies and delivery off future government funded programmes.

8. Equality Impacts - Identify the potential positive and negative impacts on specific groups

- 8.1 An Equality Impact Assessment is being prepared as part of the completion of the Integration Plan and is a requirement from Government to complete the LEP integration process. As part of the Governments consultation on the withdrawal of core funding to LEPs consultation was carried out to inform equality impact assessments. Information on potential impacts can be found at [Local Enterprise Partnerships: information gathering exercise - GOV.UK \(www.gov.uk\) Section 6](https://www.gov.uk/government/consultations/local-enterprise-partnerships-information-gathering-exercise).
- 8.2 The transition and continuation of the work, roles and responsibilities of HotSW LEP is critical in supporting the sustainable growth of the local economy, improvements in education and skills, the social well-being of all local residents and communities and is intended to have a **positive** impact on everyone regardless of protected characteristics.
- 8.3 When LEP responsibilities transfer, any negative impacts on staff and service users with protected characteristics will be mitigated because the local authority must adhere to the Public Sector Equality Duty. As part of the integration, the following will be considered:
- For service users of LEP legacy projects and services with protected characteristics - direct signposting to a support services will remain available.
 - There will be a review of business representation on the shadow Business Council to ensure the gender balance and representation of those with protected characteristics.
 - It is proposed that the Devon and Torbay Business Council will have a dedicated Diversity Champion, a member with a specific role for ensuring equal opportunities, promotion of diversity and corporate parenting roles of local authorities are at the heart of decision making in relation to economic strategy, economic activities and funded projects.
 - Alignment of HotSW LEP functions with the Employment & Skills Hub will enable opportunities for care leavers and care experienced adults for work experience / employment with the broadest range of employers.
- 8.4 A detailed Equality Impact Assessment is being prepared as part of the completion of the Integration Plan and is a requirement from Government to complete the process.

9. Cumulative Council Impact

9.1 No cumulative impact has been identified by the local authority partners.

10. Cumulative Community Impacts

10.1 No cumulative impact has been identified by the local authority partners.