

Brighton & Hove City Council

Culture, Heritage, Sport, Tourism and Economic Development Committee

Agenda Item 59

Subject: Integration of Local Enterprise Partnership Functions

Date of meeting: 7 March 2024

Report of: Executive Director Economy, Environment & Culture

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 Local Enterprise Partnerships (LEPs) were set up by Government in 2011 as business-led partnerships bringing together the public, private and education sectors to have a central role in determining local economic priorities and undertaking activities to drive growth and job creation. Coast to Capital LEP (C2C) was set up to cover East Surrey, West Sussex and Brighton and Hove.
- 1.2 From 1 April 2024, the Government will cease providing funding to LEPs and the functions previously held by LEPs will transfer to Upper Tier Local Authorities (UTLAs).
- 1.3 This report sets out the key implications for the Council and outlines the steps being taken to put the Council in a strong position to take advantage of the integration of LEP functions to deliver improved outcomes more effectively for local businesses and residents, as well as ensuring a smooth and effective integration of said functions into the council.
- 1.4 It is important to note that this report is focused on regional strategic economic development. This is separate to the Council's role as the Accountable Body for C2C. Separate arrangements are being made for the transfer of assets and wind-down of the LEPs role in performing the legacy LEP functions such as monitoring existing projects, investments and loans supported by the LEP.

2. Recommendations

- 2.1 That Committee notes the impending transfer of LEP functions to UTLAs and that this has the potential to support delivery of the Council's emerging Economic Strategy alongside business support, investment and growth activities.

- 2.2 That Committee approves the approach outlined in this report for the integration of LEP functions within the Council's economic development service and within the business & intellectual property centre located at Jubilee Library.
- 2.3 That Committee agrees to receive annual reports on integration and subsequent delivery of former LEP functions.
- 2.4 That Committee delegates authority to the Executive Director Economy, Environment & Culture, following consultation with the Chair of this Committee, to complete the negotiation and integration process.
- 2.5 That Committee delegates authority to the Executive Director Governance People and Resources to make the necessary changes to the Council's Constitution, including the Scheme of Delegations to Officers to reflect the recommendations in this report.

3. Context and background information

About Local Enterprise Partnerships (LEPs)

- 3.1 LEPs were set up by the government in 2011 as non-statutory bodies for local economic development. They were conceived as a replacement for regional development agencies (RDAs), such as SEEDA (the South-East England Development Agency). Aside from a significantly reduced funding landscape compared to the previous RDAs, LEPs were set up as business-led partnerships that sought to bring together the private sector, local authorities and academic and voluntary institutions. In total 38 LEPs were set up across England, which included Coast to Capital LEP (C2C).
- 3.2 The core functions of LEPs include:
 - working with central government to set local investment priorities.
 - working with local employers and job centres to help people back to work.
 - leading changes in how businesses are regulated locally.
 - supporting high-growth local businesses.
 - helping deliver national priorities such as digital infrastructure and renewable energy projects.

The Changing Role of LEPs

- 3.3 The role of LEPs has evolved since 2011. The decision (in 2021/22) to distribute the UK Community Renewal Fund (the forerunner to the UK Shared Prosperity Fund) via UTLAs was a step-change from the use of LEPs that had previously been devolved responsibility to administer both European and government funding and a sign of the direction of travel within central government.
- 3.4 Subsequently, the Levelling Up White Paper confirmed this shift, highlighting that economic development and regeneration should be dealt with at a more local level to reflect the Government's push towards greater devolution of powers. This led to the announcement in the 2023 Spring Budget that LEPs would be effectively dissolved by April 2024.

LEP Integration Process

- 3.5 From April 2024, the government's sponsorship and funding of LEPs will cease, with UTLAs (and Combined Authorities) taking on the functions currently delivered by LEPs.
- 3.6 The government has previously (August 2023) published '[guidance on the process for integrating the functions and role of LEPs](#)', which is broken down into several core areas and has subsequently been augmented by further [guidance on LEP integration](#) (December 2023) which covers:
- Business Representation
 - Strategic Economic Planning
 - Growth Hubs¹.
- 3.7 This guidance highlighted minimum criterion that have been imposed by the government (500,000 resident population and / or 22,000 businesses) for functional economic areas that will be eligible for funding. Currently the city of Brighton and Hove does not meet either criterion, having a resident population² of 276,334 and a PAYE/VAT-registered business base³ of 14,410.

Implications

- 3.8 Driving economic development is a central pillar of the Council Plan 2023-2027, with a stated goal to “develop a flourishing and inclusive local economy that attracts and nurtures businesses and talent”. This aligns with the council's emerging economic strategy, supporting the development of a fairer, greener, more competitive and outward-looking city economy.
- 3.9 It is considered that the Council is well placed to continue strategic economic development activity in line with revised government guidance:
- There is a dedicated economic development team in place to deliver on Council aspirations. However, current team capacity is limited and there will be a need to strengthen resource to fully integrate LEP functions within the economic development team.
 - A new over-arching city-wide economic strategy is nearing completion (covering the period 2024 – 2027) and will be presented to the Committee in June 2024, supported by a number of more detailed delivery-focused plans including the Circular Economy Action Plan. The strategy has been informed by extensive business and stakeholder consultations. This aligns with the government focus on strategic economic planning.
 - The Council supports the Brighton & Hove Economic Partnership (BHEP) which comprises over 50 individuals and business representatives focused on supporting the city's economic prosperity. The BHEP Executive has confirmed willingness to review membership to ensure this aligns with government guidance on business representation.

¹ In 2021/22 the C2C Growth Hub [provided](#) business support to 1,756 businesses across the C2C LEP area including Brighton and Hove, West Sussex and East Surrey.

² 2021 mid-year population estimates

³ 2023 data

- The Council also hosts the Greater Brighton Economic Board and works closely with local and regional business leaders – as well as neighbouring local authorities – on a work programme that includes the development of an outward looking 10-year vision for the region’s future. This aligns well with the importance that the government’s guidance places on ensuring a strong and representative business voice.
 - Subject to further guidance from government as well as confirmation of any further funding to UTLAs, key business support functions previously delivered by the C2C Growth Hub could be integrated within the successful existing Business & Intellectual Property Centre (BIPC) located at Jubilee Library.
- 3.10 The government has advised that up to £240,000 of funding per UTLA or functional economic geography will be available for the 2024/25 financial year for delivery of LEP functions. However, this is on condition of meeting the criteria set out above in paragraph 3.7.
- 3.11 Councillors and officers have made representations to Government, highlighting the contradiction between that existing guidance and the role the city plays as the key economic engine of the Greater Brighton City Region. This has also included contacting other impacted UTLAs around the country to understand the approaches being taken and to strengthen the call for action in a joint letter to the Secretary of State signed by the Leaders of North Somerset Council, Southampton City Council, Swindon Borough Council, Portsmouth City Council and Plymouth City Council.
- 3.12 This has been recognised through revised guidance published by the government in December 2023 which does highlight that no area should be excluded. Funding allocations will, however, be still determined through the population and business base criteria which directly excludes Brighton and Hove City Council.
- 3.13 Based on guidance, Brighton and Hove City Council is not eligible for funding to fully integrate LEP functions in line with our strategic priorities – rather the council would be required to partner with a county council to access such provision. Given the West Sussex area is also covered by C2C, it makes sense to partner on equal terms with this UTLA.
- 3.14 Accordingly, officers remain in dialogue with government officials and West Sussex County Council to agree collaborative integration principles that will mitigate the risk of these issues. However, the lack of direct funding for our strategic economic priorities is concerning given the city’s status as a key regional economic hub for the south coast.
- 3.15 The recommendations in this report cover the potential for entering into partnership arrangements with West Sussex to ensure that the Council is able to support the city’s identified strategic priorities. This would include one partner acting as Accountable Body to government for the new collaborative arrangement.

4. Analysis and consideration of alternative options

- 4.1 The alternative option considered is to independently set up and operate a city Growth Hub and integrate other LEP functions using Council resources. However, in the 2022/23 financial year, C2C received just under £300,000 of government funding to deliver a Growth Hub, with further government funding for other LEP functions. This would therefore require a significant budget adjustment to provide appropriate Council resources to deliver LEP functions. It is not considered that this option represents value-for-money for the Council.
- 4.2 It is therefore recommended that a collaboration process as set out in this paper offers the optimal arrangement for the Council.

5. Community engagement and consultation

- 5.1 The Council's role in strategic economic development is underpinned by work on a new economic strategy for the city, as well as through the Greater Brighton Economic Board. The economic strategy process has included a significant number of consultation workshops that have helped officers to engage with more than 200 external stakeholders to identify the economic challenges and opportunities facing the city. This has played a critical role in shaping the approach and emerging actions, as well as ensuring a strong business voice for strategy delivery.

6. Conclusion

- 6.1 The integration of LEP functions fits well with the new Council's new economic strategy. The impending transfer presents an opportunity for the council to further embed economic development, business growth support and city regeneration within its day-to-day activities.
- 6.2 It does also, however, present some challenges based on the guidance provided by government which has negative implications for the city and its role as a regional economic driver. The council has been made ineligible for central government funding for local economic planning and growth hubs.
- 6.3 Through collaborative working with West Sussex County Council, it is expected that agreement will be finalised with the government. The challenge is to ensure funding and powers will be placed in the council to enable effective delivery of LEP functions which strengthen the city's role as an economic engine for the wider region.

7. Financial implications

- 7.1 LEP functions are due to be transferred to Upper Tier Local Authorities (and Combined Authorities) but not all councils meet the criteria for direct funding. Where this is the case, as for Brighton and Hove City Council, seeking integration or partnership with an Upper Tier Local Authority in the area that is eligible to receive funding is a potential option. In this respect, this report

identifies that a potential integration with West Sussex County Council is being sought. If agreement is reached, arrangements for the allocation and governance of funding and costs associated with transferred LEP functions will need to be determined and agreed under a form of partnership agreement with West Sussex County Council.

Name of finance officer consulted: John Lack Date consulted: 15/02/2024.

8. Legal implications

- 8.1 The Council has the power to put in place the arrangements contemplated by this report pursuant to the general power of competence contained in section 1 of the Localism Act 2011 which allows the Council to do anything that an individual may do subject to any statutory constraints on the Council's powers.
- 8.2 In addition, Section 111 Local Government Act 1972 provides the Council with the power to do anything whether or not involving the expenditure, borrowing or lending of money or the acquisition of property rights which is incidental, conducive or calculated to facilitate the exercise of any of its functions. The recommendations in this report are in keeping with these powers. The legal implications will need to be considered further as the proposals for the integration are developed under delegated authority, including the potential partnership arrangements with West Sussex Council.

Name of lawyer consulted: Siobhan Fry Date consulted: 22/02/24.

9. Equalities implications

- 9.1 None directly for this report. The integration of LEP functions within existing council teams will enable the growth of a fairer and more inclusive economy in line with the Council Plan. Consideration of equalities issues will be fundamental to this work.

10. Sustainability implications

- 10.1 None directly for this report. There are obvious synergies between the integration of LEP functions and existing economic development activities, including the development of a Community Wealth Building programme and the Circular Economy Action Plan.

11. Other Implications

Social Value and procurement implications

- 11.1 There are no specific procurement or social value implications as a result of this report. The integration of LEP functions within the Council (subject to government funding) will potentially enable a focus on economic and social value as part of the development of the economic development work programme (including the Economic Strategy, the Community Wealth-

Building Action Plan and the Circular Economy Action Plan) in line with these specific projects.

- 11.2 For example, community wealth-building has social value at its core and these implications have been considered through the work of the group. Procurement is also one of the pillars of community wealth-building and is considered within the respective action plan.

Supporting Documentation

1. Appendices

- a. Letter to Secretary of State on behalf of UTLAs – December 2023

2. Background documents

1. [Government guidance on the integration of LEP functions within UTLAs](#) (published 4 August 2023).
2. [Further government guidance on business representation and local economic planning post-LEPs](#) (published 19 December 2023)

