

Cabinet

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Transition of Local Enterprise Partnership Responsibilities to Medway Council

Portfolio Holder: Councillor Lauren Edwards, Portfolio Holder for Economic and Social Regeneration and Inward Investment

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Summary

Medway Council has been part of the South East Local Enterprise Partnership (SELEP) since Local Enterprise Partnerships (LEPs) were set up by Government in 2011, to identify and support local strategic growth priorities, encourage business investment and promote economic development. Medway has benefitted from over £40 million of investment in capital programmes through the SELEP.

On 4 August 2023, Government confirmed that the functions of LEPs will be delivered by upper tier and combined local authorities in future. Further LEP transition guidance confirmed that Government expects LEP functions to be transferred to either a whole county level, or functional economic area with a minimum population of 500,000. The Council will therefore need to agree to take on LEP functions in partnership with Kent County Council (KCC). Officers are working closely with KCC, and a joint Kent and Medway Integration Plan has been produced.

1. Recommendations

1.1. Cabinet is asked to agree:

- a) the transfer of relevant South East Local Enterprise Partnership (SELEP) responsibilities to Medway Council from April 2024 including: business representation, strategic economic planning, and the delivery of government programmes (where directed);
- b) the joint Kent and Medway LEP Integration Plan;
- c) to delegate authority to Director of Place in consultation with Portfolio Holder for Economic and Social Regeneration and Inward Investment to take relevant actions, including but not limited to, finalising the terms of and entering into required contracts or other legal agreements, as necessary to implement the decision at 1.1(a); and

- d) to delegate authority to Director of Place in consultation with the Portfolio Holder for Economic and Social Regeneration and Inward Investment, and Chief Operating Officer for expenditure of LEP funds including but not limited to, Growing Places Fund to be awarded by SELEP Accountability Board (joint Committee) in line with expectations for economic growth purposes, local business and local priorities, existing resourcing funding still to be determined by SELEP, and any future funding for LEP activities to be determined by Government. This will be added to the Employee Scheme of Delegations.

2. Suggested reasons for decisions

- 2.1. The transition of LEP responsibilities to local authorities is mandated by Government. There has been no indication that Government will change this decision or propose an alternative. The Council must adhere to this to comply with Government decision making. This may have an implication on future funding programmes to be determined by Government.
- 2.2. July SELEP Strategic Board agreed to work towards SELEP closure by March 2024 in line with Government expectations, swift decision making is required to meet this deadline.

3. Budget and policy framework

- 3.1. LEP responsibilities to be transferred to the Council include Business representation, Strategic economic planning, and the delivery of government programmes (where directed). This is supported by the Council priorities, 'Place, Medway: a place to be proud of', and 'Growth, maximising regeneration and economic growth, growth for all'.

4. Background

- 4.1. In 2011, Government set up Local Enterprise Partnerships (LEPs) 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. The South East LEP (SELEP) is the largest of the 38 English LEPs and brought together six authorities: Medway Council, Kent County Council (KCC), Essex County Council (ECC), East Sussex County Council, Southend Council and Thurrock Council. On 4 August 2023, Government confirmed that it will withdraw support for LEPs from April 2024 and transfer responsibilities for functions currently delivered by the LEPs to upper tier and combined local authorities.
- 4.2. Following a July SELEP Strategic Board Decision, SELEP is working towards its closure in March 2024 with the responsibility for its core functions being transferred to upper tier local authorities. This includes closure of SELEP Accountability Board, Strategic Board and Investment Panels. Government has set out three broad functions held by LEPs which will be transferred to upper tier authorities; business representation, strategic economic planning, and delivery of Government programmes (where directed).

- 4.3. Government expects responsibilities to be transferred to functional economic areas with a population of at least 500,000 where possible. Medway officers have worked closely with KCC on a joint LEP Integration Plan submitted to Government and supported by the Kent and Medway Economic Partnership (KMEP). This is in line with the SELEP wide LEP Integration Plan as agreed by October SELEP Strategic Board.
- 4.4. The Kent and Medway LEP Integration Plan covers the five LEP workstreams that Medway and KCC have participated in: Governance & Capital Programmes, Partnerships & Networks, Data & Intelligence, Growth Hub & Business Support and Resourcing. Medway, KCC and KMEP will agree the best way forward for key activities formerly delivered by SELEP with a view to implementing the best solution for Medway and KCC, or continuing certain activities with Essex and East Sussex where there is merit in doing so. Medway intends to become its own Accountable Body for the management of legacy funding streams (Local Growth Fund, Getting Building Fund and Growing Places Fund). The plan for potential future funding streams is predicated on a mutually beneficial arrangement to be agreed with KCC. The partnership agreement with KCC will need to ensure that Medway receives its proportionate allocation of any future Government funding to be received at a functional economic area level.
- 4.5. The work is ongoing across the five LEP workstreams, actions and decisions are still to be determined at SELEP with the other partner authorities. Progress will continue up to the LEP closure in March 2024. Delegated authority is therefore requested to enable effective and efficient decision making and implementation once arrangements have been formalised.

5. Options

- 5.1. The options are to:
1. Approve the transfer of LEP responsibilities to the Council in line with Government's decision making.
 2. Reject the transfer of LEP responsibilities to the Council.

6. Advice and analysis

- 6.1. Transition of LEP responsibilities has been mandated by Government (Appendix 1). There has been no indication that Government will change this decision or propose an alternative. If LEP responsibilities are not transferred to the Council, there is a significant risk that Government will not provide future investment for Medway.

7. Risk management

- 7.1. If Cabinet does not approve the transition of LEP responsibilities to the Council, the Council would not be acting in line with Government expectations. There is therefore a further risk that the Council would not

receive future funding allocations or opportunities. There is a reputational risk around partnership working between the Council, KCC and KMEP.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Loss of future investment	Government have confirmed funding will be transferred to functional economic areas, if LEP responsibilities are not transferred to the Council working with KCC, Government may not provide future funding.	Accept transition of LEP responsibilities to the Council and continue strong partnership working with KCC	BII
Reputational Risk	Partnership working with Kent County Council at functional economic area level.	Continue to work closely with KCC Members and Officers to achieve the best solution for Medway and Kent.	BII
Uncertainty around Government funding for LEP activities	Future funding for LEP activities beyond 2024/25 is subject to spend review decisions.	Close contact and negotiations with DLUHC to ensure emerging policy supports LAs in delivering LEP responsibilities.	BII

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

8. Consultation

- 8.1. The Council is represented by the Portfolio Holder for Economic and Social Regeneration and Inward Investment, as a Member of the SELEP Strategic Board, Accountability Board (joint Committee), and Investment Panel. The Portfolio Holder is a director of SELEP Ltd appointed by the Council and is therefore part of the LEP integration decision making process and continues to work closely with KCC and KMEP Members.

9. Climate change implications

- 9.1. There are no direct climate change implications for the transition of LEP responsibilities to Medway Council. Sustainable growth is an ambition within the Kent and Medway Economic Framework.

10. Financial implications

- 10.1. Adopting LEP functions will incur revenue costs as much of the activity to be transferred has a staffing requirement. The Council will make use of funding provided by SELEP and central Government to ensure the effective transition and management of new responsibilities from April 2024. Government has confirmed that it will provide up to £240,000 revenue funding to functional economic areas (Kent and Medway) in 2024/25 to support the work. Medway's proportionate split is up to circa £40,000. Funding beyond 2024/25 is subject to future Government Spending Review decisions.
- 10.2. SELEP residual funding has been set aside and also includes the potential transfer of some team members to local authorities on a temporary basis. The amount of residual funding to be transferred to authorities is still to be determined by SELEP. The Council has proposed three short-term roles fully funded by the LEP for the existing SELEP secretariat team to support LEP integration activity and future strategic economic growth work at Medway. A formal HR process with Essex County Council (ECC) as SELEPs existing Accountable Body is underway, contractual arrangements and terms and conditions of the posts are currently under discussion between the Council and Essex County Council's HR teams and will ensure that Medway is adequately protected from financial risks. The decision to transfer SELEP staff will only be made if LEP funding is available to fully cover the cost including redundancy payments, there will be no additional budget pressure for the Council.
- 10.3. Future funding includes management of Medway's circa £2 million Growing Places Fund recycled loan fund allocation (to be agreed by Accountability Board (Joint Committee) in January 2024). Use of this funding should be in line with expectations for economic growth purposes, local business and local priorities as endorsed by the SELEP Strategic Board in September 2023.
- 10.4. There is no current Council budget relating to the financing of SELEP activity, the existing work is covered by the Strategy and Investment Programme Manager, the additional workload from the transition of LEP responsibilities to local authorities will increase the remit of the Strategy and Investment team.

11. Legal implications

- 11.1. To support the practical arrangements of LEP integration and the transition process, the Council will need to enter into legal agreements, including the novation of accountable body funding agreements with Essex County Council for capital programmes, and potential partnership agreements with KCC. Robust legal agreements relating to different elements of the transition

process will ensure that the Council's interests are protected. There are no risks to Medway in relation to any potential SELEP staff transfers, on the basis that Transfer of Undertakings Protection of Employment rights (TUPE) is not being applied, and secondment from either ECC or KCC would be the only appropriate employment route for these staff. Further guidance on the integration is expected from Government in January.

- 11.2. Any references to SELEP within the Council's constitution and any other documents such as membership schedules, will be removed once it ceases to exist in March 2024.

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Appendices

Appendix 1 Government Announcement Transfer of LEP core functions to LAs
Appendix 2 Kent and Medway LEP Integration Plan.

Background papers

None