

From: Derek Murphy, Cabinet Member for Economic Development
Simon Jones, Corporate Director for Growth, Environment and Transport

To: Growth, Economic Development and Communities Cabinet Committee - 26 September 2023

Subject: Transition of Local Enterprise Partnership Responsibilities to Kent County Council

Key Decision: 23/00089

Classification: Unrestricted

Past Pathway of report: N/A

Future Pathway of report: For Cabinet Member Decision

Electoral Division: All

Summary: 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. The South-East LEP (SELEP) is the largest of the 38 English LEPs and has brought together three counties (Kent, Essex & East Sussex) and three Unitary Authority areas (Southend, Thurrock & Medway).

On 4 August 2023, Government confirmed that it will withdraw support for Local Enterprise Partnership (LEPs) from April 2024 and transfer responsibilities for functions delivered by the LEPs to upper tier and combined local authorities.

Following a recent SELEP Strategic Board Decision, SELEP is now working towards its closure in March 2024 with the responsibility for its core functions being transferred to upper tier local authorities.

Responsibilities will be transferred to whole county geographies or areas with a population of at least 500,000. Kent County Council will therefore need to agree to take on LEP functions on behalf of Kent and Medway.

Recommendation(s):

The Cabinet Committee is asked to consider and endorse or make recommendations to the Cabinet Member for Economic Development on the proposed decision to agree to:

a) the transfer of relevant South East Local Enterprise Partnership (SELEP) responsibilities to Kent County Council from April 2024 including:

- Business representation
- Strategic economic planning
- The delivery of government programmes (where directed); and

b) to delegate authority to the Director for Growth and Communities to take other 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.

as shown at Appendix A

1. 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. The South-East LEP (SELEP) is the largest of the 38 English LEPs and has brought together three counties (Kent, Essex & East Sussex) and three Unitary Authority areas (Southend, Thurrock & Medway).
- 1.2 As part of the Spring Statement on 15th March 2023 and in line with a commitment to empower democratically elected local leaders, the government announced its intention for the functions of LEPs to be delivered by upper tier and combined local authorities in the future. Following an information gathering exercise to which both Kent County Council and the Kent & Medway Economic Partnership (KMEP) responded, it confirmed its decision in an announcement (with an accompanying guidance note) on 4th August 2023. Following a recent SELEP Strategic Board Decision, SELEP is now working towards its closure in March 2024 with the responsibility for its core functions being transferred to local authorities including KCC.
- 1.3 In line with the geography principles set out in the government's 2022 Levelling Up White Paper and for areas where there is not yet a devolution deal agreed or under negotiation, the LEP transition guidance confirmed that it expects LEP functions to be transferred to either a whole county level or functional economic area with a minimum population of 500,000. KCC will therefore need to agree to take on LEP functions on behalf of Kent and Medway. This has been agreed with Medway Council with further discussions due to take place about the detail. Government has indicated that it will be receptive to local areas putting forward the most suitable arrangements and scenarios for their circumstances.
- 1.4 The transfer of responsibilities to Kent County Council will directly support the Framing Kent's Future ambition to "*Work with partners to develop a better co-ordinated approach to economic development across the county, joining up the strengths of the County Council, the Kent Districts and Medway. As part of this, we will explore opportunities with Government to gain control of more of the resources and decision-making that shape economic growth in the county.*"

2. The role of the South-East Local Enterprise Partnership, the Kent & Medway Economic Partnership and Kent County Council:

- 2.1 SELEP has brought together partners and stakeholders to plan and deliver activities supporting its four strategic priorities:
 - Business resilience and growth

- UK's global gateway
- Communities for the future
- Coastal catalyst

2.2 SELEP's work has also included a focus on skills (including digital), clean growth and net zero and sector-focused activity. In practice, SELEP has been involved in overseeing:

- Investment Programmes: channelling and allocating government funding including Local Growth Fund (LGF), Getting Building Fund (GBF) and Growing Places Fund (GPF).
- Business Support: allocating central government funding for the operational costs of the Growth Hubs service including the Kent & Medway Growth Hub, a business signposting and advice service currently contracted by KCC and delivered by Kent Invicta Chamber of Commerce.
- Major Projects Group: working to ensure that benefits of major schemes are realised including analysing skills requirements, employment and local supply chain opportunities linked to 16 major projects in the SELEP area including Ebbsfleet Garden City and Otterpool Park.
- Sector Working Groups: coordinating various thematic groups, some of which remain active including the Universities, Coastal Communities and South-East Creative Economy Network (SECEN) groups.

2.3 Essex County Council (ECC) acts as accountable body for SELEP and looks after many of the back office, legal and HR functions for the organisation.

2.4 Due to SELEP's size, the governance model has relied on four federated boards including KMEP.

2.5 KMEP is made up of the 14 Local Authority Leaders from Kent & Medway, two Education Representatives (Further and Higher Education) and 17 Private Sector Representatives including three business membership organisations: Kent Invicta Chamber of Commerce, the Federation of Small Businesses and the Institute of Directors. KMEP aims to represent the diversity of the Kent business community through its private sector membership in terms of geographical spread, industry sectors, size of businesses and protected characteristics. KCC provides the secretariat function for KMEP and leads its workstreams.

2.6 KMEP has supported SELEP in the delivery of its strategic priorities at a more local level where a significant number of projects, programmes and activities have been implemented on the ground. KMEP's role has been to:

- Approve, drive forward and monitor a strategic economic plan for Kent & Medway (please note that formal endorsement for the new Kent & Medway Economic Framework will be sought at the October KMEP board meeting);
- Consider strategic economic investment priorities for funds administered through SELEP and determine and monitor the use of this funding;
- Act as the commissioning body for projects and programmes in Kent and Medway;
- Consider and develop responses to new economic opportunities and challenges in Kent & Medway;

- Ensure a strong voice for Kent and Medway business and government at national and regional level, especially through the 'Kent & Medway Business Advisory Board' subgroup.
- 2.7 Officers from across KCC support the work of KMEP by providing information, intelligence and support for priority activities such as recent activity on Operation Brock, Lower Thames Crossing and Nutrient Neutrality. KMEP has also provided opportunities for Kent's District & Borough Councils to ensure that more local issues feature in wider plans and activities for Kent such as highlighting the lack of available business space in certain districts or flagging up risks to local areas of certain infrastructure improvements not going forward.
- 2.8 Information in the LEP transition government guidance remains fairly general but KCC will need to work towards the adoption (or continuation) of the following broad functions:
- Business representation – Government is encouraging upper tier local authorities to create or continue to engage with an Economic Growth Board made up of local business leaders and relevant representative bodies. Through extensive discussion, it is anticipated that KMEP will therefore continue to play an important role in local decision making and economic strategy.
 - Strategic economic planning - Government is encouraging areas to produce or update economic strategies to support local decision making. The new, KCC-led Kent & Medway Economic Framework (to be considered for adoption at the Growth, Economic Development and Communities Cabinet Committee on 26th September 2023) will play a key role in making the case for future access to government programmes.
 - The delivery of government programmes (where directed) – for KCC this will involve taking on the role of accountable body to oversee the future management and monitoring of the Growing Places Fund (GPF) capital loan programme as well as oversight of ongoing Local Growth Fund (LGF) projects until 2026-27. See below for detail on funded capacity to meet this requirement in the short to medium term.
- 2.9 These LEP functions are underpinned by a range of activities and workstreams including various SELEP-led sector groups, partnerships and networks such as the South East Creative Economy Network, Coastal Communities, Major Projects and Housing groups and the collation of economic data and intelligence to inform strategies and programmes of activity.
- 2.10 As part of the transition process it is anticipated that Kent County Council will also take on or continue responsibility for the following activities:
- Continuing to manage the contract for the Kent & Medway Growth Hub service and ensuring that this adapts to meet the evolving needs of local businesses.
 - Playing a leading role in the continuation of relevant wider working group activities such as the South East Creative Economy Network and working closely with other organisations such as the Thames Estuary Growth Board and neighbouring Local Authorities where appropriate.

- Coordinating and supporting multi-agency working groups such as the Employment Task Force, Local Skills Improvement Plan / Fund and industry sector-focused groups.
- Collating economic data and intelligence and preparing responses to broad economic opportunities and challenges in Kent and Medway for agreement by KMEP including transport issues, development, energy, skills, employment, decarbonisation and the transition to net zero.
- Ensuring that Kent businesses are able to engage with local decision making to support the economic growth agenda. This will be assured through the work of the Kent & Medway Economic Partnership and Business Advisory Board, partnerships with local business member organisations (Chambers of Commerce, Institute of Directors, Federation of Small Businesses), District Council business networks and direct interactions with local firms.

2.11 KCC is currently participating in five thematic working groups coordinated by SELEP to consider the practical implications of the transition arrangements and to ensure that all aspects of the process run as smoothly as possible:

- Growth Hubs & Business Support
- Partnerships & Networks
- Governance and Capital Programmes
- Resourcing
- Data and Intelligence

2.12 The working groups will feed into SELEP's LEP-wide transition plan for endorsement by its Strategic Board on 13th October (both the Leader of the KCC and Medway Council's Cabinet Member for Economic and Social Regeneration & Inward Investment are board members). In parallel, KCC will draft its own LEP integration plan along with a Kent & Medway Integration plan for endorsement by the Kent & Medway Economic Partnership.

2.13 KCC, Medway Council and KMEP will agree the best way forward for key activities formerly delivered by SELEP with a view to implementing the best county-wide solution or continuing certain activities with Essex and East Sussex where there is merit in doing so.

2.14 There are a number of opportunities provided by these new responsibilities including possibilities to make a stronger case for future government investment in Kent & Medway to support priorities identified in the Kent & Medway Economic Framework.

3. Financial Implications

3.1 The message to government from local authorities including through the County Councils Network has been clear about the need for resources to support new burdens in the context of LEP transition.

3.2 For KCC, adopting LEP functions will incur revenue costs as much of the activity to be transferred has a staffing requirement. However, there are two sources of external funding that will help support KCC LEP transition activity in the short term:

3.2.1 The Government has confirmed that it will provide some revenue funding to local authorities in 2024-25 to support them in delivering the functions currently delivered by LEPs (amounts are yet to be announced). Funding beyond 2024/25 is subject to future Spending Review decisions. Based on SELEP currently receiving an annual government grant of £250,000 for the whole area, KCC could expect somewhere in the region of £100,000 of funding for the 2024-25 financial year to specifically support activity related to LEP transition.

3.2.2 Along with the other Upper Tier Local Authorities in the SELEP area, KCC is planning to offer roles to some of the current SELEP secretariat team to support LEP integration activity and future economic growth work for the county. Funding for these posts for a fixed period would be provided to KCC (along with funding to cover redundancy liabilities should future government funding for former LEP activity not be forthcoming) by SELEP from its residual funding. A formal KCC HR-led process is currently being developed to produce job descriptions and requirements from a KCC perspective with a view to matching these to expressions of interest from appropriate individuals within the SELEP team. The contractual arrangements and terms and conditions of the posts are currently under discussion between KCC and ECC's HR teams but will ensure that KCC is adequately protected from financial risks.

3.3 From April 2024, KCC will also take on responsibility for the future management and monitoring of SELEP's capital funding programmes. While this will primarily relate to ensuring the smooth running of existing Local Growth Fund (LGF) projects until their conclusion in 2026-27 (**see Annex 1**), KCC anticipates securing a pot of recycled Growing Places Fund (GPF) capital loan funding that could be run as a new Kent & Medway scheme to provide an evergreen loan fund to support capital investments in the county that contribute to economic growth. It is currently understood that this funding would need to adhere to the original aims set out by government which were to support stalled capital investments by providing interest-free loans. SELEP is currently holding approximately £15m of repaid GFP loan funding that will need to be shared between Kent & Medway, Essex and East Sussex for allocation to future projects.

4. Legal implications

4.1 In order to support the practical arrangements of the transition process, a number of legal agreements will be prepared over the coming months involving KCC and ECC's legal teams including the novation of accountable body funding agreements for capital programmes.

4.2 Given that the recent government guidance did not go into specific detail, robust legal agreements relating to different elements of the transition process will ensure that KCC's interests are protected.

5. Equalities implications

5.1 An EqIA for LEP transition has been developed.

5.2 It is not anticipated that there will be any negative equalities and diversity impacts resulting from the transition of SELEP responsibilities to KCC. As was the case with SELEP, programmes, activities and policies adopted at a local level will adhere to Public Sector Equality Duty requirements.

6. Other corporate implications

6.1 The Economy Team within Growth & Communities will continue to lead the integration process. Current staff resource within the team will focus on ensuring a smooth transition.

6.2 KCC's legal, finance and human resources teams will support the transition process to ensure that KCC's interests are protected.

6.3 Reporting mechanisms for current KCC-led capital projects funded by SELEP and managed by the KCC Major Capital Programme team within Highways & Transportation will change. KCC will need to report directly to the relevant government departments rather than via SELEP on the progress of LGF projects.

7. Governance

7.1 Stephanie Holt-Castle, Director of Growth and Communities, will inherit the main delegations via the Officer Scheme of Delegation

8. Conclusions

8.1 The government's decision to allocate LEP responsibilities to Local Authorities will provide a range of opportunities for KCC and its partners and stakeholders across Kent & Medway to have more freedom in setting strategic priorities and accelerating programmes of activity to support economic growth in the county.

8.2 KCC is well placed to take on former LEP responsibilities thanks to its track record in planning and delivering successful economic growth initiatives in the county, its ability to convene partners and stakeholders to work together for the benefit of local businesses and residents.

8.3 KCC will make use of financial resources provided by SELEP and central government to ensure the effective transition and management of new responsibilities from April 2024.

9. Recommendation:

The Cabinet Committee is asked to consider and endorse or make recommendations to the Cabinet Member for Economic Development on the proposed decision to agree to:

a) the transfer of relevant South East Local Enterprise Partnership (SELEP) responsibilities to Kent County Council from April 2024 including:

- Business representation

- Strategic economic planning
- The delivery of government programmes (where directed); and

b) to delegate authority to the Director for Growth and Communities to take other 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.

as shown at Appendix A

10. Appendices and Background Documents:

Annex 1: Ongoing SELEP-Funded Projects in Kent

Appendix A – Proposed Record of Decision

Appendix B - EqIA

[Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions](#)

[Local Enterprise Partnerships: information gathering exercise](#)

11. Contact details

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