

Central Area Growth Board Report

2 August 2023

Future of regional working and the Local Enterprise Partnership

Report author **Sophie Lloyd**
Head of Economic Development, Milton Keynes City Council

1. Recommendations

- 1.1 That Leaders formally confirm as a collective that the Growth Board's position is for the LEP to close on 31 March 2024 following the government's 'minded to' announcement to stop distributing core funding to Local Enterprise Partnerships.
- 1.2 That Leaders formally endorse through the Growth Board the approach that an Expression of Interest process (if current funding is made available by government) for the services in paras 3.3 to 3.8, is run with Local Authority partners as soon as practical.
- 1.3 That the Central Area (Local Authorities) view outlined in this note is formally sent to the Task and Finish group to form the basis of a more detailed paper advising the SEMLEP board on future options.
- 1.4 That Leaders provide any guidance on thinking regarding the 'core' SEMLEP work as outlined in paras 4.6 to 4.7 to advise officers on development of options for these services.

2. Background

- 2.1 For the 2 August 2023 Growth Board meeting, officers were asked to prepare a paper on the future of Local Enterprise Partnership (LEP) services and the options that the Central Area now has.
- 2.2 A process will shortly be underway following the Chief Executives meeting on 23 June 2023 to gauge Local Authority interest in running South East Midlands Local Enterprise Partnership (SEMLEP) services. Given initial informal discussions indicate there is an appetite for these services to be run in house, a Task and Finish group has been setup to advise the SEMLEP board of options ahead of its September 2023 meeting. Any authority expressing an interest in running a service on behalf of the area will need to be supported by others in fully exploring all transition arrangements and will need to undertake a due diligence process themselves.

2.3 This note has been prepared in the context of uncertainty about future government funding for core LEP services, and the Careers and Enterprise and Growth Hubs. It is hoped that government will make a statement on its position, to aid Local Authority partners in assessing future options.

3. SEMLEP current position

3.1 SEMLEP has recently undertaken a restructuring exercise to reduce costs. This has resulted in a reduction of around nine members of staff.

3.2 The work of SEMLEP can broadly be broken down into three distinct services (paras 3.3 to 3.10). Currently, none of these services are running a balanced budget, with service funding not fully covering costs. A one-off deficit budget was approved by the SEMLEP board for 2023/24. The SEMLEP board agreed that for 23/24 there could be a deficit of up to £400k for the whole year. This would be funded from some of the of repaid Growing Places Fund, which was set aside by Board agreement in 2018 for contingency measures.

Careers Hub

3.3 The Careers Hub is a project delivered by SEMLEP on behalf of the government's Careers and Enterprise company¹. The hub aims to prepare young people for the world of work, improving careers education, advice and guidance and bringing schools and employers together.

3.4 **Funding:** Comes from the Department for Education through the Careers and Enterprise company (CEC), £242k per annum.

3.5 Funding runs from August to August and can be drawn down with match funding from the LEP and other sources. The amount included in the Funding Agreement from August 2023 to August 2024 is a maximum of £418k, depending on the availability of match funding. For the 23/24 financial year, the current estimate is around £302k of funding based on the claims that are expected to be made. Some posts are fully funded by the CEC and others require match funding². The CEC is prescriptive about the roles within the organisation and their funding. Where match funding is required this comes from a variety of sources including LEP Core Funding from DLUHC, Growing Places Fund, Colleges, Local Authorities and the Connelly Foundation – an educational charity in Bedfordshire.

SEMLEP Growth hub

3.6 The Growth Hub employs trained business advisors to provide local businesses with support, information and guidance. In addition, the Growth Hub runs events and, in the past, has run programmes including Growth Curve (funded through European funding) to support scale ups.

¹ [The Careers & Enterprise Company | The Careers and Enterprise Company](#)

² The Strategic Careers Hub lead and the Operational lead and funded through the CEC and many of the other roles require an element of local match funding.

3.7 Two grant schemes have recently been launched through the Growth Hub that will be running to March 2025. These are the Resilience and Innovation grant and the Growing Innovation Fund, both funded through repaid Growing Places Fund. £175k per annum has been top-sliced from the available Grant funding to administer the two grants.

3.8 **Funding:** Comes from the Department for Business, and Trade (DBT). The Growth Hub is required as a condition of this funding to maintain monthly business intelligence reporting to DBT.

SEMLEP Core staffing

3.9 This activity includes management, finance and communications, plus work on inward investment, sector advisory groups, analysis and evidence gathering for the whole area (including as an example labour market information) and delivery against regional policies.

3.10 Funding : Comes from Department For Levelling Up, Housing & Communities – this is the funding the government has indicated it is minded to withdraw. This is supplemented by other Local Authority and University contributions.

LEP funding

3.11 Additional sources of funding are provided from:

- Local Authority Contributions - £100k for 2023/24 (per annum)
- University Contributions - £20k for 2023/24 (per annum)

3.12 It is worth noting that not all of these annual contributions have yet been received in the 23/24 financial year.

3.13 The six SEMLEP authorities have given a clear indication to the SEMLEP Chair and Chief Executive that the SEMLEP Board should now agree to wind up the company at the end of March 24. This included the idea of running an expression of interest for member Local Authorities to indicate their interest in running the Careers and Enterprise Hub and Growth Hub as shared services.

3.14 Luton have indicated that they will continue as SEMLEP accountable body to oversee the close down financial requirements. There will need to be detailed discussions on the legacy role (with regards to monitoring and evaluation) for previous funding regimes SEMLEP was responsible for.

SEMLEP Assets and Staffing

3.15 All SEMLEP staff are on short term contracts which currently end on 31 March 2024 (except for members of the Careers Hub, whose contracts run until August 2024 in line with the CEC funding agreement. There is a break clause in the agreement in the event that SEMLEP ceases to exist after March 2024.) The agreement could be passed across to another host body if necessary.

Financial assets

- 3.16 SEMLEP received around £17.3m of Growing Places Fund (GPF) in 2012. Most of this was distributed in loans which have largely been repaid. In 2017, with the merger with Northamptonshire Enterprise Partnership, a further sum of around £3.7m was transferred. A further £3.1m of Growing Places Fund is due to be repaid to SEMLEP, which will be held by the Accountable Body on behalf of SEMLEP.
- 3.17 SEMLEP recently launched an Innovation grants initiative which is worth around £7m³. The larger grant scheme is likely to be fully allocated by the end of 2023, but with projects completing by March 2025. The smaller grant scheme, is running rounds of the scheme bi-monthly, so there could still be money to allocate to businesses by March 2024, with the intention that projects complete by March 2025. As the SEMLEP is now likely to be wound up soon after grants are awarded there will be an accountable body role which needs to continue to manage any remaining payment(s) and the monitoring of grants. There will also need to be a decision about whether to continue to deliver the grant scheme as planned until March 2025 as part of a possible future Growth Hub model. In the event that not all funding is allocated, it is recommended that this funding, along with the balance of the GPF funding (including the £3.1m outstanding repayments) should be available to the six local authorities, who through a new governance structure would take responsibility for its future allocation.
- 3.18 It should be noted that the SEMLEP Board took a decision which earmarks £2m of repaid GPF for use as a contingency to support the organisation in times of uncertainty and reduced funding from Government. Around £200k has already been used to support the deficit budget in 2022/23. A further sum (up to £400k) will be required for 23/24.
- 3.19 There is also a general reserve in place, it is estimated to be around £1m, earmarked for the costs of winding up the organisation including any further redundancy payments.

Enterprise Zones

- 3.20 There are two Enterprise Zones, Northampton Waterside and Luton, established in 2012 and 2017 respectively. Northampton is well established and return from the business rates uplift is projected from 2026/27. Luton's EZ is less well established. Memorandums of understanding and governance will require review following the closure of SEMLEP.
- 3.21 A financial provision will need to be made from balances to cover the cost of Luton BC continuing in the role to close down the accounts and funding, which is likely to include the distribution of balances post closedown of SEMLEP.

³ Two grant schemes are being run; Resilience and Innovation grants up to a total of £2m for small grants (between £5k and £50k) and Growing Innovation grants up to a total of £5m for larger grants of between £100k and £300k

4. Future operations of existing SEMLEP services

Future of Careers Hub

- 4.1 If funding from CEC beyond August 2024 , there is case for the Careers Hub being hosted by a willing local authority.
- 4.2 The delivery of the Careers Hub across the six local authority areas could continue as now, subject to match funding continuing. In the event this function continues staff could transfer to a lead local authority and it should be possible to negotiate suitable TUPE arrangements. It should be noted that funding and Careers Hub staff contracts are in place until August 2024, and therefore if the LEP is wound up in March 2024 an interim host authority will be required, if a new host has not already been identified.

The Future of the Growth Hub

- 4.3 If funding for the Growth Hub from the Department for Business and Trade is confirmed from April 2024, there is a case for a local authority acting as host and potentially working on a hub and spoke/shared service model with other authorities wishing to maintain the potential benefits and established working relationships. The opportunity to take on this role will be the subject of an expression of interest process.
- 4.4 WNC have already indicated a potential interest in this role pending due diligence and an understanding of the finances and commitment. The previous head of the SEMLEP Growth Hub joined WNC as Head of Economic Growth & Inward Investment in July 2023, bringing her developed skills, knowledge, and relationships with the other authorities. The opportunity exists In West Northants as it shapes a new Economic Growth and Inward Investment section to encompass the Growth Hub function for the functional economic area and host this service across any involved authority areas.
- 4.5 In the event this function continues staff could transfer to a lead local authority and it should be possible to negotiate suitable TUPE arrangements.

Future of the SEMLEP Core work – moving forwards on cross regional collaboration

- 4.6 In addition to the services mentioned above, there is also a need to consider how the area will work together on areas of cross boundary importance. The Central Area growth board was primarily set up to coordinate work of cross boundary importance and now should start to consider what role it wishes to play in a post LEP world. There is also a need to consider how this interfaces with the work of the pan-Regional partnership and how business voice can feed in moving forwards.

4.7 Initial questions for Leaders to consider:

- a) At the time of writing the paper, there was uncertainty as to whether financial support for these functions from central Government will be received by Local Authorities and the quantum of funding available.
- b) How will we handle the relationship we have with the Department of Business and Trade in a post LEP world – how will enquiries and engagement that previously went through the LEP Core team first be handled?
- c) How can we involve businesses and ensure the voice of the private sector is involved in the Growth Board's work moving forwards? This could be an area of real opportunity and strengthen the voice of the central area in Pan Regional Partnership discussions.
- d) Local Authority Leaders will be the decision makers through the Central Area growth board mechanism, and would benefit from thinking about a mechanism (possibly a business board) to inform/guide their thinking as is standard practice in Combined Authorities. There is also an opportunity to give this a sectoral focus too – e.g. an automotive/high tech engineering group of employers across this area would hold real national sway.
- e) What would we like to do on business intelligence and engagement work? Could this be covered by shared systems (for example a CRM system) to allow more easy sharing of information between the growth hub and relevant local authorities?

5. Alternative options

Contracted Services

5.1 Elsewhere⁴ local Chambers of Commerce have contracted with Local Authorities to provide Growth Hub services across a wider than single Local Authority area. With Leaders and Chief Executives having expressed that an Expression of Interest process should be run to establish where services should be held in future, this option is not currently being explored.

CIC model

5.2 In other areas of the country (for example Coventry and Warwickshire), the local authorities are forming a holding company (Community Interest Company or similar) for the Growth Hub to continue to run as an independent organisation, but with the relevant local authorities being shareholders / board members in the model. This is a model which could be explored should there be interest to explore alternative models.

⁴ Birmingham, New Anglia

6. Future meetings

- Central Area Growth Board (2 August)
- SEMLEP Board Task and Finish group meet (15 August)
- SEMLEP Board (13 September)
- Extraordinary Central Area Growth Board meeting (TBC – September, if required)
- Next ordinary Central Area Growth Board meeting (19 October)