

DECISION-MAKER:	Cabinet
SUBJECT:	Solent Local Enterprise Partnership Integration into the Solent Unitary Authorities
DATE OF DECISION:	19th March, 2024
REPORT OF:	Councillor Fielker - Leader of Southampton City Council

<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
N/A

BRIEF SUMMARY
<p>The purpose of this report is to update Cabinet on the integration of the Solent Local Enterprise Partnership (SLEP) functions into Upper Tier Local Authorities (UTLAs) and seek approval for Southampton City Council (SCC) to work with the Isle of Wight Council (IWC) and Portsmouth City Council (PCC) to jointly take on these integrated LEP functions and deal with the changes that result from this new approach, including the creation of a joint UTLA Board to take on these responsibilities.</p>
<p>The joint UTLA Board was proposed by the three unitary UTLAs in the integration plan submitted to Government on the 30 November 2023, with our proposals for taking this forward. Subsequently a shadow board was formed and is in the process of being formally constituted with draft terms of reference to be approved before 31 March 2024.</p>
<p>It should be noted that PCC's and the IWC's Cabinets decided to approve the following recommendations, PCC's Cabinet on the 6 February 2024 and IWC's Cabinet 8 February 2024. If approved all three partner Council's will have mirrored and approved the same key recommendations, prior to the government's transitional date of 1 April 2024, after which the integration of LEP functions into local democratic institutions will be formalised, subject to the approval by Government of the submitted integration plan.</p>
<p>Recommendation (iv), if approved will provide delegate authority to the Chief Executive and Head of Economic Development and Regeneration, following consultation with the Leader to agree the final details of the transfer of LEP functions to the UTLAs, including future governance arrangements.</p>
<p>The formal decision-making process by the joint UTLA Board will centre on building a consensus amongst the three Leaders.</p>

The delegated authority provided to Chief Executive, following consultation with the Leader, will cover the following areas: sub-regional partnerships and initiatives, sub-regional strategic economic planning, economic development, business support and strategic skills.

Where decisions are needed that are outside of the above delegations, then the decision will be formally made by the Cabinets of the partner local authorities.

RECOMMENDATIONS:

	(i)	To delegate authority to the Chief Executive, following consultation with the Leader and Executive Director for Corporate Services (and S151 officer), to agree the final details of the transfer of LEP functions to the UTLAs, including future governance arrangements.
	(ii)	To approve in principle the proposed draft governance structures attached as Appendix One that demonstrate how SCC plans to work with our sub-regional partners to achieve our economic growth ambitions which will need to be outlined in an updated Solent 2050 Strategy.
	(iii)	Subject to the agreement of PCC and IOWC, to agree that PCC is confirmed as the Accountable Body for the new a new joint UTLA Board, with the Leader of SCC acting as the first board chair.
	(iv)	SCC agrees that the existing LEP funding, should be disaggregated to the three Solent UTLAs and be pooled (<i>subject to the agreement of Isle of Wight Council and Portsmouth City Council</i>), for the benefit of economic growth of the sub-region, defined as the combined geographies of the three Solent UTLAs.
	(v)	Agree that, subject to the three Solent UTLA area being recognised by the Government as an area for LEP Integration, with appropriate legal due diligence, to delegate authority to the Chief Executive, following consultation with the Leader to determine whether SCC will become a Member of Solent Partners (SP). This agreement to be conditional on all three UTLAs agreeing to become Members of Solent Partners in conjunction.
	(vi)	To agree that SCC should not appoint a Director to the Board of Solent Partners to ensure that there is no conflict of interest with the wider governance needed for the new LEP integration arrangements. The three UTLAs will seek appropriate requirements, within the articles of Solent Partners, to ensure representatives of the three Solent ULTAs are entitled to observe board meetings.
	(vii)	To delegate authority to the Chief Executive, following consultation with the Leader to work with all sub-regional partners to develop an agreement on how to deliver economic growth for the functional economic area and take ownership of the Solent 2050 strategy.
	(viii)	To support the creation of a Solent Economic Partnership, inviting adjacent Districts and Boroughs, Hampshire County

		Council (HCC), and other key public sector stakeholders to participate, to enable Local Authorities leaders and the private sector to have an opportunity to discuss and support economic growth in the Solent sub-region.
	(x)	To approve the proportional disaggregation of existing assets held by the SLEP to the Accountable Body (PCC) on behalf of the Upper Tier Local Authorities, including HCC (subject to the agreement of the three Solent unitary UTLAs).
REASONS FOR REPORT RECOMMENDATIONS		
1.		The Government have stated that all core funding for LEPs will cease, with the core LEP functions being transferred to democratic control. The Government have set criteria for the return of these functions and the recommendations in this report enable an appropriate mechanism to be put in place to achieve the Government's policy requirements.
2.		While current guidance is clear that LEPs can continue in a private capacity, the Solent LEP has confirmed that they intend to cease operating as soon as possible after 31st March 2024 and have set up an alternative company, Solent Partners, with aspirations to continue to support the economic development agenda in the Solent. This report therefore notes that assets and resources built up with public money will need to be retained in the public domain.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
3.		The following options have all been considered and rejected in favour our submitting an Integration Plan to Government across the geography of the three Solent UTLAs and in partnership.
4.		The option to do nothing has been rejected on the basis that the Government is proposing to devolve the core functions and responsibilities of the LEPs to upper tier local authorities or combined authorities.
5.		The option of SCC to act unilaterally was rejected on the basis that the new arrangements will be devolved to the sub-region, and it is a requirement for UTLAs to act in partnership or to at least to collaborate on delivery across sub-regions.
6.		That the new arrangements be formed on a county wide basis of Hampshire and the UTLAs of SCC, PCC and IWC. This option was not supported by the three UTLAs as in their view it ignores the clear Functional Economic Area (FEA) across the Solent sub-region which has consistently been recognised by Government with the creation of the SLEP and the Solent Freeport. As established partners the three UTLAs will work together to bring about the integration of the LEP functions across the three unitary authorities.
DETAIL (Including consultation carried out)		
7.		Local Enterprise Partnerships (LEPs) are non-statutory bodies that were created to promote economic growth and job creation. They are business led partnerships with additional representatives from local authorities, as well as academic and voluntary institutions. Thirty-eight LEPs were established across the Country in 2010-11 and Southampton City Council

	area is part of the Solent LEP. The Solent LEP was based on the same geography as the Partnership for South Hampshire (PfSH) with the addition of the Isle of Wight.
8.	In 2018 LEP boundaries were reviewed and, as part of this review, it was determined that a district or borough local authority could no longer be in two different LEPs. This meant that the Solent LEP geography could no longer mirror the PfSH geography and so the whole of the New Forest District Council was included within the SLEP and the parts of Winchester City Council, Test Valley Borough Council and East Hampshire that were part of the SLEP were transferred to Enterprise M3 LEP.
9.	<p>A further review was undertaken by the Government between early 2021 and the publication of the February 2022 Levelling Up white paper. This led to the ministerial letter proposing LEP integration: 'Integrating Local Enterprise Partnerships into local democratic institutions, 31 March 2022'. On the 4 August 2023, the Government issued a letter which confirmed their support for UTLAs and combined authorities to take on the functions currently delivered by LEPs.</p> <p><i>'Where not already delivered by a combined authority, or in areas where a devolution deal is not yet agreed, the Government expects these functions to be exercised by upper tier local authorities, working in collaboration with other upper tier local authorities over functional economic areas (FEA) as appropriate.'</i></p>
10.	<p>In the guidance the Government state that the geography for integration of functions should either be a whole County area or a functioning economic area (FEA) that has a population of at least 500,000 (and for some functions at least 22,000 businesses in the area). The Government have been clear that they will no longer fund LEPs with core funding from April 2024 and that the UTLAs will be responsible for:</p> <ul style="list-style-type: none"> ○ Business representation, to 'create or continue to engage with an Economic Growth Board (or similar) made up of local business leaders and relevant representative bodies to (A) provide the view of local businesses as part of regional decision making and (B) work with local leaders to create a broad economic strategy for the area'. ○ Strategic economic planning - areas will be expected to produce, or continue to update, economic strategies to support local decision making, building on the plans currently developed and overseen by LEPs. The Government expects areas to publish their (existing, new, or updated) strategy within six months of receiving any transitional funding. There will be a need to review, update, adopt and publish a refreshed Solent 2050 Strategy and ensure that this is an appropriate strategy for sub-region. ○ Responsibility for the delivery of government programmes where directed. Currently these programmes would be the Growth Hubs and the Career Hubs. The Government expects these functions to be exercised by UTLAs (working in collaboration with other upper tier local authorities as appropriate) where there is not a devolution deal or a deal in the offing. Initial views from Government suggest that they envisage the current Growth Hub to be commissioned on a county wide basis although with the possibility that there could be a Solent front-end for businesses. Further guidance has however suggested a need to

	ensure the delivery of government functions is coterminous with the FEA for economic strategy and business representation so further guidance is needed.
11.	Whilst the Government have stated that their expectation is that the area for integration is a county area or FEA, they also state that the starting point for consideration of an appropriate area should be the existing LEP geography. Hampshire County Council (HCC) are clear that they do not wish to sustain the current Solent LEP geography for the integration arrangements and instead have submitted detail for county council geography, including our neighbouring Districts and Boroughs.
12.	This proposed geography recognises that the two cities of Southampton and Portsmouth drive the growth of the region and have clear links to the Isle of Wight including through ferry routes. There are also key synergies across the area on key economic sectors including advanced manufacturing and the visitor economy and on key challenges association with deprivation and coastal areas. The three Solent unitaries, working together, meet the thresholds required by the Government and have sent an integration template back to Government on this proposed geography. This report takes forward what was in the integration template. Assuming this approach is supported by the Government, and there has been no indication that this will not be the case, there will need to be a strong and positive working relationship with HCC, who will be operating in the wider Solent area for the parts of the SLEP area that comprises the districts and boroughs.
13.	In parallel to the integration of functions from the LEP there is a need to consider the disaggregation and transfer of assets from the LEP to the UTLAs. The amount to be disaggregated between HCC, PCC, SCC and IOWC remains to be agreed between the LEP and PCC, acting as its accountable body for the SLEP. Funding received by the three unitary UTLAs will be pooled and held by PCC as the accountable body or the three authorities. This funding will be for the benefit of the economic growth of the area. This will be subject to further agreement between the three unitary UTLAs.
14.	In response to the envisaged changes to their operating environment, the SLEP's Board decided to set up a new company limited by guarantee called Solent Partners. Solent Partners was established to provide continuity and with the potential to support the delivery of the functions being devolved to the Solent UTLAs.
15.	Whilst Solent Partners can enable the delivery of LEP functions across the Solent area, it will be the UTLAs that will be accountable for delivery of the functions and economic growth. The governance arrangements detailed below recognise this reality and so are based on a model where-by the three UTLAs commission Solent Partners to deliver some of the functions on their behalf, whilst considering public procurement regulations and in delivering best value considerations. Any commissioning through Solent Partners will be subject to the specific governance and function of that company and the funding mechanisms chosen by the three UTLAs, that may also include direct delivery options, where appropriate.
	Proposed governance and delivery model

16.	As the Accountable Body (AB) for the Solent LEP, PCC has a role to make sure that the LEP Integration Process is undertaken properly and that any decisions around existing assets and liabilities are in accordance with regulations and guidance. The AB role is different to the role in relation to the decisions and wishes of PCC, and as the AB will need to work in partnership with Isle of Wight Council and Southampton City Council to make sure that LEP Integration works successfully for the Solent sub-region and the communities and businesses that are within our geography.
17.	The three unitary UTLAs have already set-up a shadow joint Board, that comprises the Leaders and Chief Executives of the three Solent unitary authorities. This Board will be accountable for the devolved responsibilities and where appropriate, will commission any delivery partners, to account for delivery of the programmes and functions assigned to support the economic growth agenda. Draft terms of reference will be approved by the joint UTLA Board prior to 31 March 2024. The sovereignty of individual authorities is recognised whilst also allowing for wider work that supports the devolution ambitions of the area. The Board would also need to work with HCC to try to ensure as much alignment as possible.
18.	Alongside the joint UTLA Board there is the potential, and wish, to set up a Solent Economic Partnership. This would cover the wider Solent geography and HCC, the districts and boroughs within the Solent area would be invited to be part of this partnership. It would comprise Leaders and Chief Executives, or their representatives, and will enable a discussion to take place on the wider geography and hopefully ensure that there is some ongoing alignment or in considering delivery or commissioning options across the wider sub-regional geography.
19.	Solent Partners is a Company Limited by Guarantee (as is the Solent LEP). It has been proposed that the core Members of the Company will be the three unitary authorities. This is different to the Solent LEP where there are Members from both the public and private sector, and PCC has the role as the accountable body for the Solent LEP. HCC has made it clear that it does not wish to be part of Solent Partners.
20.	The joint UTLA Board will set out an annual commissioning plan, used to set the LEP Integration work programme. Meetings will be held quarterly to performance manage the plan. The joint UTLA Board will be in a position to change the approach, or the delivery partner, if the plan is not being achieved, subject to an agreed notice period.
21.	The SLEP also undertakes some functions outside of the core functions described above. There are two companies to deliver specific economic aspirations in the region. The Membership of the Solent Cluster Ltd has agreed to be transferred to Solent Partners and it is anticipated that Maritime Solent (UK) Ltd will similarly transfer its membership, subject to its own internal agreement. These two companies have been provided revenue funding by the SLEP to operate until March 2026 and thereafter become self-sustaining, private sector led initiatives. The SLEP has also provided start-up revenue funding for the Solent Maritime Innovation Hub, providing support to March 2026.
22.	Solent Partners also have a desire to take on roles in and with other bodies and panels, the most notable of these is the Skills Advisory Panel,

	which was set up by PfSH before transitioning to the LEP. It seeks to be a steering group for the Local Skills Improvement Plan (LSIP), a Department for Education funded plan, for which the Hampshire Chamber of Commerce is the designated employer representative body.
23.	One of the issues that is outstanding at the time of writing this report is what to do with existing LEP assets and resources and the associated implications on SLEP employees. Government guidance is clear that any reserves and assets built up using public funds will remain within the public domain (i.e. transferred to the relevant local authority or authorities). All SLEP employees are employed by PCC and there may be Transfer of Undertakings Protection of Employment (TUPE) or redundancy issues that will need to be considered depending on discussions that are ongoing with HCC and Government around delivery options across the wider geography. PCC as the AB, working with the SLEP, must agree how to split public funds that are currently held by the SLEP between the UTLAs, including HCC.
24.	Initial informal consultation has taken place with all the Solent unitary and district councils, with HCC, key business, and public sector stakeholders in the formulation of the agreements set out in this report. Stakeholder consultation will be ongoing, with the SLEP Board members, with Solent Partners and other key stakeholders, such as our university partners. Once the integration plans, submitted to Government in November 2024 are finally approved, then the partners will be able to formally consult on the newly approved arrangements.
RESOURCE IMPLICATIONS	
<u>Financial</u>	
25.	Acting as the Accountable Body for the Solent LEP, PCC has an important role in agreeing the disaggregation of assets held by the SLEP at 31 March 2024 and as part of this have been working with the SLEP and the four UTLAs, including HCC, to agree a disaggregation method that is in line with the guidance published by the Government.
26.	The guidance sets out that it is for the LEP and the Accountable Body to agree this method and the Accountable Body will make its judgement having reviewed the formal representations made by each of the UTLAs.
27.	Fundamentally, the Accountable Body's judgement will be based on the balance of the following: <ul style="list-style-type: none"> a. The rationality of the decision in the public interest b. That decisions are taken in line with the National Assurance Framework, adhering to proper governance and due diligence. c. That decisions are made in accordance with the intent and spirit of any Government Guidance
28.	Following a review of the submissions and any necessary further consultation with the Solent LEP, the Accountable Body may ultimately agree or disagree with the LEP's position. In the event of a disagreement then the LEP and Accountable Body will engage with the Government to seek their view.
29.	Acting as the Accountable Body for Solent Partners, PCC will ensure that any disaggregated LEP funding received is pooled, held on a separate

	area of its balance sheet, and used for the benefit of economic growth of the region subject to the agreement of the three UTLAs.
<u>Property/Other</u>	
30.	There are no direct property implications associated with this report.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
31.	S.1 Localism Act 2011 (the 'General Power of Competence') permits a Council to do anything to support the delivery of its functions providing not otherwise prohibited by statute. The proposals within this report are authorised by virtue of s.1. The arrangements and status of the proposed Board will be determined in accordance with the Local Government Acts. The formal status of the Board will, in due course, be confirmed in the respective Council's Constitutions.
<u>Other Legal Implications:</u>	
32.	<p>The contents of this report outline the current position within the construct of the Guidance and the current disaggregation plan. What is also clear is that there will be beyond the noting stage of this process a few legal challenges which whilst yet to crystallise are in summary (as set out within the body of the report) the following:</p> <ul style="list-style-type: none"> ○ It is recognised that the Solent Partners is of itself an independent company. The option for a shared membership (ownership) from each of the three UTLA's will be subject to the appropriate due diligence. ○ The current model does not espouse that within Solent Partners that the UTLA's will have any director status (this is subject to a current piece of work being dealt with to look at how the independence of Solent Partners sits within the concept procurement and the PCR's.) ○ The paper alludes to the UTLA's being able within some form of construct to, amongst themselves set the "tone and focus" for how Solent Partners (or indeed any organisation that the UTLA's might wish to align) should deliver key objectives. That can be achieved via some form of "Board structure" which self-governs probably via some form of MOU. ○ There is a need to maintain clear channels of decision making and facilitation separating as far as practicable the respective roles and functions.
RISK MANAGEMENT IMPLICATIONS	
33.	The governance arrangements detailed in this report are based on a model where the three Solent UTLAs act in partnership on the joint UTLA Board and act to share risk management.
34.	The joint UTLA Board was proposed by the three unitary UTLAs in the integration plan submitted to Government on the 30 November 2023, with our proposals for taking this forward. Subsequently a shadow board was formed and is in the process of being formally constituted with draft terms of reference to be approved before the 31 March 2024.
35.	Further risks arise from the commissioning of any delivery partners, if the Joint ULA Board determine that any devolved responsibilities should in whole or in part be delivered on their behalf of the Solent UTLAs, then any

	delivery partner/s will need to clearly to demonstrate that they are providing best value services for the UTLAs.
36.	To mitigate risk the accountable body (PCC) have commissioned external legal advice, in consideration of commissioning. Further legal advice may be sought in determining the most appropriate relationship with external delivery partners.
POLICY FRAMEWORK IMPLICATIONS	
	Corporate Plan
37.	Growth that benefits local people is a key strategic objective of Southampton City Council's Corporate Plan. Economic growth is the central motivation for integrating LEP functions into UTLAs. Providing business representation across the UTLAs, delivering strategic economic planning, and continuing the delivery of government programmes such as the Growth Hub and Career hub will support the Council's ambitions to support local businesses, and to provide more job opportunities and further investment in Southampton.
38.	The Council is also committed to achieving long-term financial sustainability so that it can invest purposefully into the city and help it to grow to its full potential. Under the new arrangements the UTLAs will be expected to produce, or continue to update, economic strategies to support local decision making, building on the plans currently developed and overseen by the LEP. The new arrangements will support the three unitary authorities commission Solent Partners to deliver economic development functions on their behalf assuming that Solent Partners are able to demonstrate that they are providing best value services.

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	All Wards
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Proposed governance and delivery structure model
2.	ESIA

Documents In Members' Rooms

1.	None
2.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes
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Data Protection Impact Assessment

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
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Other Background Documents

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Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	
2.	