

Enterprise M3 Board Meeting

6 April 2023

LEP Funding Announcement – Item 5

The Enterprise M3 Board is asked to:

NOTE: The announcement in the March Budget about LEP funding from 2024/25, the subsequent consultation process, and the immediate impact on EM3

CONSIDER: The role that the Board wishes to play in shaping the future of local economic development functions in Hampshire and Surrey, in dialogue with local authority partners, central government, and other stakeholders.

CONSIDER: the impact on EM3, the Board's thoughts on the next steps and how the current strengths of the LEP are retained in any future structure.

1. Budget announcement

- 1.1. Since the conclusion of the LEP Review and the publication of the Levelling Up White Paper in March 2022, the Government's policy had been that LEP functions would be integrated with local democratic institutions, as and when devolution deals were agreed in their geographical areas. As yet, the timing of any devolution deal for Hampshire or Surrey remains uncertain.
- 1.2. Last month, the Government's policy position changed. The Budget Report (paragraph 3.119) states that:

The government is committed to empowering democratically elected local leaders at every opportunity. To this end, the government intends for the functions of Local Enterprise Partnerships (LEPs) to be delivered by local government in the future. Therefore, the government is minded to withdraw central government support for LEPs from April 2024. DLUHC and the Department for Business and Trade will now consult on these proposals, before confirming a decision. The government will publish an updated policy position to confirm next steps by the summer.
- 1.3. This statement raises a lot of questions, to which answers are not yet available. However, it appears that the process of integrating LEP functions with local democratic institutions may have been decoupled from devolution deals and will be accelerated, with all LEPs affected from April 2024 or in some cases earlier.

2. Consultation process

- 2.1. Following the Budget announcement, DLUHC issued a consultation questionnaire. This was sent to LEPs and local authorities on the 17th of March. We understand from DLUHC that other stakeholders who work with LEPs and/or have an interest in local economic development are also welcome to respond. We have forwarded the document and invited our partner Universities, Colleges and Chambers of Commerce to respond.
- 2.2. The introduction to the questionnaire states that:

The aim of this exercise is to fully understand the implications of an end to Government core funding if this were to happen. Core funding is typically used to pay for staff salaries, buildings, marketing, communications, and consultancy.

We have a particular interest in how activities currently carried out by LEPs might change, cease, or be transferred – depending on local plans – in the event of defunding, as well as the potential impact on:

- *Economic growth in local areas.*
- *Decision-making in local authorities, particularly the input of business organisations.*
- *LEP staff and customers, including those with protected characteristics.*
- *Legacy projects (i.e. projects that have been funded in previous years through Government or private sector programmes).*
- *Ongoing separately-funded functions such as Growth Hubs and Careers Hubs.*

And an interest in whether the impact would differ between areas with devolution deals and those without, and whether LEPs would continue or cease operations without this funding.

It is worth noting that three LEPs work across the functional economic areas which span the counties of Hampshire and Surrey: EM3, Solent and Coast to Capital.

- 2.3. Most of the questions directed at LEPs are designed to gather facts relating to their assets and liabilities; contractual commitments; income; and staffing. The questionnaire also seeks views on the impact of withdrawal of core funding. Note, however, that core LEP funding of £250,000 in 2023/24 represents only 9% of total budgeted income of £2.8m – see paper for agenda item 9.
- 2.4. The closing date for responses is the 14th of April. The Joint Managing Directors will submit a response of behalf of EM3 by that date.

3. Impact on delivery in 2023/24

- 3.1. During February and March, the Cities and Local Growth Unit:
 - Confirmed £250,000 of core funding for each LEP for 2023/24 (reduced from £375,000 in 2022/23).
 - Issued a letter confirming that the Secretary of State for Business and Trade has agreed core funding for Growth Hubs of “up to £12m” for 2023/2024. Since the total for 2022/23 was £11m, we are assuming that the EM3 allocation for 2023/24 will be the same as or similar to last year’s (including funding for our role as cluster lead).
- 3.2. Therefore, our financial and delivery plans for 2023/24 continue to be robust. We remain strongly committed to delivery during 2023/24, working closely with our partners, so that businesses and communities across Hampshire and Surrey continue to benefit from our programmes. We will need to work closely with Hampshire County Council, in its capacity as our Accountable Body, to address any issues relating to commitments beyond March 2024.

4. Impact on EM3 staff

- 4.1. The Budget announcement is a source of considerable uncertainty for our staff, and their wellbeing is our first priority.
- 4.2. On the evening of Budget Day, we circulated an initial message to all EM3 staff; a copy was shared with the Board. The following day, we held a Teams call with staff. We have emphasised that we will communicate with staff about further developments as openly as we can, and that we are available for one-to-one conversations at any time.
- 4.3. Following last year’s organisation review and subsequent recruitment, we have many new members of staff. Getting to a position where we can explain to them what the future will look like as soon as possible, as well as continuing to deliver effectively during 2023/24, will be crucial to maintaining their motivation.

5. Next steps

- 5.1. We expect that our two county councils will play a key role in shaping the arrangements that will be in place for driving the development of our regional economy, from next April. We are in the process of setting up discussions with them at Leader and Chief Executive level.
- 5.2. The views of our other partners, including districts and boroughs, universities and colleges, and business organisations, are also crucially important to us, and we will be consulting with them over the next few weeks.
- 5.3. We would welcome Board Directors’ collective and individual initial thoughts, comments and areas for consideration as we move forward.
- 5.4. We will provide the EM3 Board with monthly updates by correspondence and there will be an opportunity for update calls with the Chair and Joint MDs.

Stephen Martin and Sue Littlemore
Joint Managing Directors
27 March 2023