

Agenda Item 3

Title:	Defund Notification and Accelerated Integration Plan
Purpose:	To update board members on the template that has been completed to respond to the Government’s LEP defund notification and to update on the proposals for Buckinghamshire to become a pilot area for an accelerated or “No Deal” integration to meet government’s wider devolution plans. To consider and agree the timetable for the transition to and operation of the Enterprise & Investment Board (EIB) and to action the changes that will be required to support the transition to deliver EIB responsibilities, along with those of the adjusted LEP role in financial year 2023/24.
Recommendation(s):	That board members note the contents of this report and support the process outlined to establish the Enterprise & Investment Board and new structures required to deliver and support accelerated integration.
Response to Risk Register	These proposals are helping to safeguard the long-term sustainable future of economic development in Buckinghamshire by providing a framework for continued investment in local economic priorities.

Background

At the time of the last LEP Board Meeting (March 2023) all LEPs and Local Authorities together with other interested parties, were asked to participate in an information gathering exercise to help Government understand more fully the impact of their “minded to” decision to cease LEP funding from 2023/24. Originally planned as a 4-week process, the deadline for this information gathering exercise was extended to an 8-week period and closed on May 19th. We have been liaising closely with both Buckinghamshire Council and Bucks Business First to ensure that our respective responses are aligned.

In March 2023 we had also just received confirmation from Government that there were no objections to Buckinghamshire pursuing accelerated integration plans in the context of a No Deal devolution situation effectively embracing change early and strengthening local democratic accountability ahead of any future government deal to support economic development in Buckinghamshire. We were asked to complete the Government’s integration template, that is typically used in a devolution and deal context, to expand upon our differentiated proposal and to work with government officials to develop agree and disseminate any learning nationally. It is intended to submit a Buckinghamshire proposal to Government soon once key stakeholders have reached agreement.

LEP Future Funding Questionnaire

On 15 March 2023, the Chancellor announced that Government is minded ending Local Enterprise Partnership (LEP) core funding. This formed part of wider work on delivering devolution across England. Government intends to work with local areas to determine how the functions currently undertaken by LEPs are best delivered at a local level in future, where appropriate.

Officials at the Department for Levelling Up, Housing and Communities and the Department for Business and Trade have been carrying out an information gathering exercise to better understand the impacts that this proposal would have if taken forward, and before a decision is confirmed.

Government has 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 upon the current function and roles performed by LEPs. Further Government hope to understand 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 has become apparent during discussions with officials and with the LEP Network that government are keen to consider locally led agreements, particularly in areas where the other devolution proposals are not viable.

Our approach has been to firstly consider the impact on economic and business support structures, to consider how future economic investment could be advanced without the reliance on Government funding by streamlining reporting and delivery processes and to maintain the value and independence of the business voice within a place-based approach. We are also keen to ensure the long-term financial sustainability of the economic structures, by efficient use of resources and maximising income opportunities. Within the response we have also highlighted the direct financial impact on Government of creating the new burden of delivering these services within the existing council structure.

Copies of the documents that have been submitted are attached as **Appendix 1** to this report.

We will notify the Board of the Government's decision following conclusion of the notification process.

Accelerated Integration

We have also been closely liaising with Buckinghamshire Council on the completion of the integration template and will aim to submit this document following sign off from the LEP Chair and Buckinghamshire Council Leader. Government officials are keen to study details of our proposals as they may provide a framework for integration in many parts of the country where there is no desire for Level 3 devolution (to have an elected mayor, for the area to become part of a combined authority) nor to progress with a standard Level 2 devolution deal (that may offer negotiated flexibilities and freedoms but not a capital investment fund).

The key messages that we would like to highlight within the submissions are: -

- This is part of a wider and integrated place-based approach to the delivery of economic functions including levelling-up, town centre regeneration, skills and business investment.
- The Council could provide the democratic responsibility for LEP Functions and Roles.
- An independent business voice for Buckinghamshire could be maintained and enhanced through greater alignment and clarity of outcome required of the place based key stakeholders.
- The proposals would retain the well-respected economic delivery structures and operational brands such as Buckinghamshire Business First and the Buckinghamshire Skills Hub.
- It highlights the benefits of aligned and co-terminous structures across a functional economic geography.
- The financial case for additional duties is made clear highlighting how the current efficient structures of the LEP would be difficult to replicate without additional new burdens funding.

Changes to the Current LEP Structures

To support this process the current LEP structures would need to evolve. We have existing obligations to Government in 2023/24 for the delivery of core services including strategic business insight and strategy development, delivery of business support services, monitoring and management of capital programmes and for the reporting of programmes that we have supported including Local Growth and Getting Building programme activities. New capital programme resource and reporting is likely to rest with the Council.

We will continue to manage the Enterprise Zone programme and in addition to this we will be looking to launch the new Pooled Investment Fund over the next 6 months and will need to ensure that the skills available within the board and executive team are able to support this new function. A board recruitment process has commenced to secure the requisite skills for future activity particularly within the financial, banking and commercial investment sectors.

We may need to adapt the existing company governance to reflect these changes and to accommodate and provide a framework for the new responsibilities outlined.

New Structure / Context

Within any new structure Buckinghamshire Council would be required to take on the democratic responsibility for the delivery of existing LEP functions as defined by government including Growth Hubs, International trade and investment activity, provision of business intelligence, grant funding and levelling-up projects, Careers Hubs, Local skills analysis for SAPs and the monitoring and assurance for local growth programmes. It is likely that the majority of these functions will be outsourced back to effective arms-length delivery organisations including an evolved LEP and Growth Hub and that some functions may remain within the local authority i.e. new capital programme management where they can be adequately resourced by Government.

During this process a further exercise will be undertaken to ensure that the delivery structures remain located within the appropriate and effective organisations. Much of this work has already been undertaken including the recent transfer of the broadband management service to Buckinghamshire Council, but the integration strategy group could be recommissioned to ensure that the “Team Bucks” delivery systems is appropriately aligned.

We envisage that the evolved company managing the Enterprise and Investment Board programme would have one board and executive team and would be responsible for 3 main areas of operational activity:-

- Business Insight & Economic Strategy Development
- Pooled Investment Fund
- Business & Skills Support

The criteria for the Pooled Investment Fund will be a remit for the Buckinghamshire Growth Board, informed by the needs and recommendations of the four supporting boards including the Enterprise & Investment Board.

Current & Future Funding Landscape

It is unlikely that core funding will continue for LEPs beyond 2023/24. Our funding has been reduced by 50% over the past 2 years from £500k to £250k. This was not unexpected, and our 3-year business plan mitigated for this scenario by making greater use of earned income from existing capital programmes and the earned Enterprise Zone income. Growth Hub funding appears to be more robust and has increased slightly for 2023/24.

As part of the future funding questionnaire for LEPs there has been a nationwide message sent back to Government that the core functions could not be delivered by local authorities without significant new burdens funding. In Buckinghamshire's case it is likely that this funding would need to increase from current levels which only represent around 10% of the annual LEP operational costs to maintain and enhance the services provided by the LEP and Growth Hub.

Government structural funding for Economic Development has now transferred to Buckinghamshire Council, the Shared Prosperity Fund will be launched in the summer of 2023 and is being focussed around the two areas of business support and rural funding. As a LEP we have been active in supporting the development of the funding calls that will be published in the coming weeks and will be part of the future assessment process. We will need to be careful to ensure that the new structures developed do not generate potential conflicts of interest within our new partnership arrangements that would prevent the appropriate delivery of these funds.

Buckinghamshire has been unsuccessful in its applications for the first two rounds of the Levelling Up Fund and based on existing criteria would be unlikely to secure funding through this route unless the criteria were to change. In response to feedback on the early rounds of the Levelling Up Fund there has been a suggestion that future funding could be provided on an allocation basis as per the Shared Prosperity Funding which may allow these funds to become part of the future pooled investment fund.

Relationship with Growth Board and Supporting Boards

It is important that the Enterprise & Investment Board is an integral part of the place-based governance structure and that the funding proposals are responsive to the needs and vision of the Growth Board and the individual requirements of the supporting boards. As part of the development process the LEP Chair and Chief Executive will look to engage with the Chairs and lead Executives from each of these supporting boards as the new structures are being established. As part of this process, we will be exploring if there are other resources or sources of funding that may be accessed to support the pooled investment fund as it develops.

Programme and Timescale

There is a clear desire to establish the Enterprise & Investment Board and Pooled Investment Fund as swiftly as possible, but as highlighted above it is important that this is fully informed by the needs of the Growth Board and that our structures are robust enough to evolve over time. We therefore believe that there will be a 12-month transition period needed to fully establish the new structures. However, as the transition process is already underway, critical elements in relation to the new fund establishment could be delivered more swiftly and we would aim to be in a position to promote the first funding opportunities by the autumn of 2023 with a view to allocating the first awards early in 2024.

We believe that the development programme should be considered within three main phases, the agreement and approval process taking place over the next 3 months, running parallel to this the

investigation and development phase will be broadly take 6 months and the delivery and promotional phase that would commence from that stage. Further steps are highlighted below:



Recommendation

That board members note the contents of this report and support the process outlined to establish the Enterprise & Investment Board and new structures required to deliver and support the no deal integration proposals.