

CCN

COUNTY COUNCILS NETWORK

Consultation Response

*Local Enterprise Partnerships
future funding*

For the latest updates



countycouncilsnetwork.org.uk



[@CCNOffice](https://twitter.com/CCNOffice)



[County Councils Network](https://www.linkedin.com/company/county-councils-network)



[County Councils Network](https://www.facebook.com/county-councils-network)



May 2023

- At the Chancellor's spring Budget, the Government announced that it intended 'for the functions of Local Enterprise Partnerships (LEPs) to be delivered by local government in the future'. This consultation was subsequently launched, which CCN welcomed.
- CCN has long advocated that the functions, powers and responsibilities of LEPs should be transferred to local authorities and therefore our network strongly supports the Chancellor's statement at the spring Budget and the policy direction of transferring LEP functions to local authorities. Our network believes that it is critical the government, as quickly as feasible, sets out a clear policy direction to this effect, building on responses to this consultation.
- Alongside setting out the core foundations that should apply to any transfer of LEP functions, this consultation response sets out our suggested principles that should apply moving forward to ensure a successful medium-term transition to this welcome policy initiative. These principles include;
 - Announce that LEPs have played an important role in supporting local and national initiatives to drive local growth and they will cease to exist post-April 2024 and their functions will be embedded within local democratic structures.
 - Provide a clear policy statement that functions will be transferred to upper-tier local authorities, either directly to a single organisation or in partnership with neighbouring unitary authorities. Set out expectations around the involvement of district councils but provide flexibility in how upper-tier authorities can work with lower tier councils most effectively in their areas.
 - Provide clarity on expected interim arrangements where an area is expecting to propose the creation of a CCA or CA as part of a devolution deal to which LEP functions would be transferred once established.
 - Ensure that the transition is rapid, smooth and effective. Do not permit LEPs to continue to function as private companies using revenue streams developed from public funds. To do so will only cause confusion, blur accountability and duplicate activity.
 - The transition must be rapid to a) reduce the risk that some Government Departments bring their functions back in-house (as happened when the RDAs were closed down). This would seriously set-back the policy of English devolution. And b) help ensure that key LEP staff are retained.
 - Mandate activity from local authorities which will support national and local objectives with regards to economic growth, providing for flexibility within broad parameters, to support local nuance and flex.
 - Fund the transition to facilitate a smooth hand over with minimal disruption and then provide core funding to reflect this new burden and ensure continued funding so that the effectiveness and impact of strategic activities to facilitate local growth are not hampered.

Introduction

1. The County Councils Network (CCN) represents 37 English local authorities. The 20 county and 17 unitary authorities that make up CCN are the largest part of the local government family. They represent all four corners of England, from Cumberland to Cornwall, Durham to Kent.
2. The essential services our members provide touch on the everyday lives of residents and businesses across 86% of England's geography and nearly half of its population. The areas represented by our members constitute 38% of local government expenditure, 44% of total public expenditure (£201bn) and generate just under half of all tax revenues (£255bn). The economies of our areas contribute 39% of Gross Value Added and 42% of all employment.
3. At the Chancellor's spring Budget, the Government announced that it intended 'for the functions of Local Enterprise Partnerships (LEPs) to be delivered by local government in the future'. A consultation was subsequently launched, which CCN welcomed.
4. CCN has long advocated that the functions, powers and responsibilities of LEPs should be transferred to local authorities, most recently in our Five Point Plan for County and Unitary Authorities.¹ This argued that the government should go further than the commitment in the Levelling Up White Paper to integrate these functions within Level 2 and 3 devolution deals, transferring functions across the country rather than through a piecemeal approach.
5. CCN member councils have been vital to the functioning of LEPs since their inception, working closely with them to deliver their core functions and helping to facilitate economic growth. In a 2018 survey, some 85% of our member councils said they had 'good' or 'very good' relationship with their LEPs, reflecting the resources and infrastructure our councils have provided to these organisations.
6. Nonetheless, CCN believes local democratic institutions are best placed to lead on the growth agenda. In transferring LEP functions, local authorities are building on the Devolution Framework contained in the Levelling Up White Paper, which offers the opportunity to embed vital private sector expertise within local democratic structures. In doing so, this will support the ambitions of local authorities to facilitate local economic growth to support both local and national objectives and improve the lives of residents and businesses by, for example, increasing pay, employment, skills and productivity.

¹ <https://www.countycouncilsnetwork.org.uk/five-point-plan-2022/>

7. CCN therefore welcomes this opportunity to respond to this consultation. However, in doing so, we are concerned that there appears to be confusion from Government the future of LEPs, with mixed messages coming from DLUHC and HMT. In contrast to the Chancellor's spring Budget Statement and Treasury document, the consultation document published appears to be predicated on an understanding that the LEPs could continue operating, post April 2024, with just core funding ending. For example:
- The consultation itself is called a 'Future Funding Questionnaire' and the very first sentence reads: '*On 15 March 2023, the Chancellor announced that Government is minded to end Local Enterprise Partnership (LEP) core funding*'.
 - Question 7 asks local authorities: '*without core funding, it is possible that LEPs will reduce or cease their operations. What impact would that have*'.
 - The consultation goes on to say that the '*the aim of this exercise is to fully understand the implications of an end to Government core funding if this were to happen*'.
8. As previously stated, CCN strongly supports the Chancellor's statement at the spring Budget and the policy direction of transferring LEP functions to local authorities. Our network believes that it is critical the government, as quickly as feasible, sets out a clear policy direction to this effect, building on responses to this consultation.
9. CCN believes that the consultation needs to fully explore the implications of both stopping core funding of LEPs and also the implications in closing them down and transferring their functions, assets and liabilities into local democratic structures.
10. Reflecting this point, our extensive engagement with member councils, and acknowledging that CCN is neither a local authority nor a LEP, this response does not explicitly respond to the questions posed. Instead, as a national representative body representing county and unitary authorities, it sets out:
- 1) What we believe to be the core foundations that should apply to any transfer of LEP functions
 - *Spatial scale for applying LEP functions*: why upper tier local authorities are ideally placed to support a seamless transition with minimal disruption
 - *Funding*: ensuring councils are resourced appropriately for new responsibilities.
 - *Building on current LEP functions*:
 - o Ensuring the voice of business is clearly heard in decision-making processes
 - o Strategic economic planning
 - o The effective delivery of Government programmes and policy.
 - 2) Our suggested principles that should apply moving forward to ensure a successful medium-term transition to this welcome policy initiative.
11. Throughout this response CCN provide examples of information provided by our member councils in relation to the key issues to consider within this consultation, following our own call for evidence.
12. The Department will also be aware that CCN recently commissioned EY to work on the development of a report on the principles for successfully transitioning LEP functions to local

authorities. This report, which will be ready in June, will highlight how critical county and unitary local authorities are to the growth agenda and explore how LEP functions could be delivered through upper tier authorities and the principles necessary for a successful transition. It will also interrogate how this transition, alongside associated devolution of powers to facilitate economic growth will improve outcomes. The report will consider lessons learned from previous transitions, outlining what has worked well in the past, key considerations, and priority areas for transition plans.

Core Principles for the transfer of LEP Functions

Spatial scale for applying LEP functions

13. The Levelling Up White Paper clearly set out that any devolved powers, including the transfer of LEP functions, would need to apply to a single institution operating across a functional economic area or whole county geography; either a county or unitary authority, or a combined authority (CA) or Combined County Authority (CCA). Despite this, the consultation does not explicitly outline which tier of local government LEP functions and associated funding will transition to if the policy is taken forward. This is a critical issue that must form the basis of the principles of any future transfer, and we urge the government to provide clear direction on this issue as soon as possible.
14. Previous research² commissioned by CCN has shown how important the role of counties and unitary authorities is in driving local growth. This research showed that not only are these authorities responsible for the largest proportion of growth-related expenditure, delivering key strategic services such as transport, infrastructure and economic growth: they fulfil seven other key growth-related activities that are directly relevant to the transition of LEP functions:
 - Convenor – County and unitary authorities will regularly take the lead in bringing together different parties and stakeholders to create and then deliver the strategic vision for a place.
 - Facilitator – Our members have often facilitated delivery by removing particular barriers to growth which has generally occurred through local leadership or strategic investment.
 - Vision-setter – A clear and unified place-based strategy is increasingly seen as important to driving place-based growth. County authorities are frequently taking the lead role across multiple partners in establishing this vision/clarity of purpose.
 - Communicator – County authorities frequently take the lead role in communicating about the place, leading on the discussion with government around investment and promoting the strengths and opportunities that exist within a particular place
 - Capacity – County and unitary authorities have also provided additional capacity around delivery, such as providing resources (people and time) to support the development and delivery of key projects and programmes.
 - Seed funder – use their financial resources to enable strategic leadership by using capital programmes to fund projects, secure private investment and release wider opportunities or unlock latent potential.

² Grant Thornton: Place-Based Growth - The Role of Counties in 'Levelling-Up' England (2020) <http://www.countycouncilsnetwork.org.uk/download/2798/?tmstv=1684498480> and Grant Thornton: Place-Based Recovery (2021) <http://www.countycouncilsnetwork.org.uk/download/3114/?tmstv=1684498480>

15. CCN therefore believes that there can only be one repository post April 2024 – the upper tier local authority, whether county council, unitary authority, CA or CCA. This is for the following reasons:

- With their scale, their economic coherence, local and strategic relationships, and their capacity and capability, they are ideally paced to undertake the key functions of LEPs of setting strategy, developing and delivering programmes and ensuring robust governance.
- LEPs are often coterminous with upper-tier councils or devolved governance and in turn, coterminous with functional economic areas or whole county geographies. It follows that these authorities and geographies are the most appropriate spatial level to effectively deliver LEP functions – such as assessing employer demand across a particular economic area and working with providers to meet that demand.
- Upper tier local authorities currently provide the Accountable Body for every single LEP, with 21 of the 37 accountable bodies CCN member councils. In many cases the county or unitary authority also provides the administrative support for the LEP, and some authorities even directly employ LEP staff. These arrangements will help the government achieve its ambition of a smooth and seamless transition, with minimal disruption.
- The policy landscape on devolution and the most appropriate spatial scale for promoting strategic growth is now very different compared to when LEPs were established. Not only does the devolution framework now define non-metropolitan devolution geographies as 'whole county geographies', it places county, unitary, CAs or CCAs as the heirs to LEP powers, as well as the bodies to receive devolved powers in relation to skills, transport and infrastructure. Transferring functions to upper tier local authorities would therefore support existing policy.
- District councils have an important role to play in supporting the growth agenda and delivery of LEP functions moving forward, working closely with county councils in two-tier areas. However, if functions are not transferred directly to upper tier councils, then they would have to be dispersed over 162 different lower tier organisations. This would result in a non-strategic approach that is inefficient and uncoordinated, with authorities competing with each other - and driving up costs in doing so. It would also mean they will not cover a functional economic area or whole county geography - in fact most would be cutting across economic geographies. It may be the case that some lower tier authorities would attempt to work together in an attempt to cover a functional economic area and generate scale – but then they would be attempting to establish a new organisation whilst at the same time wrestling with new functions - when the solution already exists.

Funding

16. Our second principle is that funding must follow function, because the extent of the LEP functions our members could take on will be dependent on additional funding being made available by Government. If funding did not follow functions, then this would limit the effectiveness and impact of strategic activities to facilitate local growth. For example,

improvements to local transport infrastructure, capital investment programmes to support economic growth, business support programmes and sector support activities. Some of our members have told us that they have no plans in place or capacity to fund LEP functions from existing limited budgets.

17. In addition, dedicated funding will be required for local authorities to meet the additional costs of staff and other operational costs associated with taking on former LEP activities, such as monitoring funding programmes, managing the repayment and redistribution of loans and moderating post-scheme evaluation reports.

Concerns largely relate to lack of clarity over future funding, both operational and investment. Growth is generally a planned for activity (by both business and local partners), and the lack of clarity over long term funding is likely to diminish the intended outcomes of the LEP, integrated or otherwise, resulting in lower growth of jobs, GVA and investment.

Whilst the lack of core funding is an issue and is likely to lead to a reduced service, of more concern is the impact of lack of clarity over future investment funding. It is unclear if further funding packages (such as the Getting Building fund, or the Growth Deal fund) will be provided, or whether a combination of future SPF funding + the County Deal investment pot funding is intended to support any future investment programmes. The current uncertainty is likely to prevent future investments either from the public sector or via matched business funding.

CCN Member Authority

18. Irrespective of whether Government mandates local authority activity in this area, CCN believes that the 'minded to' approach will clearly trigger the requirement for Government to allocate 'new burdens' funding. This is because the Government's own guidance on this issue says new burdens funding will apply if a given approach is a '*policy or initiative which increases the cost of providing local authority services. This includes duties, powers, or any other changes which may place an expectation on local authorities, including new guidance. In some cases, a New Burden may arise as a result of a transfer of function*'³ [our emphasis].
19. This is more relevant given that an efficient and effective transfer of functions from LEPs to local authorities may take longer than envisaged and require transitional funding from the centre. This was a key lesson from the closure of Regional Development Agencies – albeit on a different scale. In a government report⁴ it was noted how '*generally transfers [of functions] took longer and needed more resource than originally envisaged. Moving functions from one set of bodies to another - either central government or the private sector - requires a substantial resource commitment to accept those functions; the associated legal transfer; and incoming people*'.
20. Under devolution deals, it will be the upper tier that will be the lead local authority for the planning and delivery of the UK SPF. However, in non-devolved areas it is lower tier councils. Given the existing direction of government devolution policy, including LEP transition, it is

³ *New Burdens Doctrine: Guidance for Government Departments*, DLUHC, 2022

⁴ *Closing the RDAs: lessons from the RDA transition and closure programme*, BIS, 2012

suboptimal to deny the lead role to other upper tier local authorities in two-tier areas, given their centrality to, and strategic understanding of, the relevant issues, particularly support for skills delivery and existing LEP functions such as Growth Hubs, Growing Places Fund and inward investment activity.

21. Currently in two-tier areas, UKSPF allocations have left a significant gap in the business support landscape in some of our member areas for programmes supporting business growth through innovation and scaling up, as critical mass doesn't exist at a single district level. While SPF allocations will have an impact at a very local level, there is also a gap in provision of resource to replace EU-funding which enables more strategic and wider programmes of activity to take place.
22. CCN recognise that government has already provided Shared Prosperity Fund (SPF) allocations for the coming period. However, we believe that the transfer of LEP functions means it is even more imperative the government review where SPF funding sits in two-tier areas, bringing this forward as part of the LEP transition process.

Building on and improving current LEP functions

23. As previously outlined, CCN believes the government should be attempting through this consultation to understand fully the implications of LEPs ceasing to operate and their functions transferring to local authorities, rather than solely focusing on the implications of core funding being stopped. CCN believes that the consultation needs to fully explore the implications of both stopping core funding of LEPs and also the implications in closing them down and transferring their functions, assets and liabilities into local democratic structures.
24. In line with the three core functions of LEPs, CCN now set out some key implications to be considered as part of any transfer of LEPs, building on engagement and evidence provided by our member councils.

Ensuring the voice of business is heard

25. The private sector is critical to levelling up and successful outcomes from devolved powers and funding. Last year's White Paper began the process of changes to the roles and functions of LEPs to ensure local areas are in the best possible position to deliver shared objectives over the longer term. As we now transition functions from LEPs to LAs, this focus will need to be maintained to ensure that we embed a strong, independent and diverse local business voice into local democratic institutions.
26. To a very large extent, and leaving aside LEP input, the voice of business is already baked into relevant decision-making processes within our member authorities. For example, over the last three years, one member council has established new mechanisms to ensure that the voice of the private sector is included in the county's economic interests. These include the One Growth Board; Business Leaders' Forum; Skills Leaders' Forum and a series of private sector led clusters with majority business advisory boards. Through these partnership arrangements, the local authority in question is well positioned to integrate LEP interests (and specifically private sector interests) into existing structures.
27. In another county area, a new Economic Partnership Board has been established. This new group is chaired by the Leader of the Council with the vice chair coming from within the private

sector. This involves a much broader base of business representation and also picks up umbrella organisations. Another member area envisages the creation of a single Economic Growth and Skills Board with considerable private sector involvement supported by a number of existing Business Forums. This will seek to align a simplified single governance structure under the democratic accountability of the Local Government partners.

28. CCN's view is that this plurality of approaches is the right way forward, allowing local areas to take central instruction and nuance the approach to reflect local circumstance. Business engagement is already well advanced in many areas and should be built upon. In this way, Government can realise its ambition of a relatively pain-free seamless transition whilst still being assured that the voice of business is factored in at the local level.
29. The counterfactual is worrying. If LEPs continue to function without any democratic legitimacy and mandate post April 2024, a confused governance structure and picture of business support will begin to emerge which will benefit no-one.

Case Study 1: Gloucestershire County Council

The G First LEP and Gloucestershire County Council are co-terminus which makes discussions with the LEP and any potential new arrangements with the council much easier to discuss. This has significantly helped with delivering our joint objectives.

We are exploring the options for the integration of LEP functions. Last year, in preparation for a County Deal and resulting LEP integration, we seconded the Chief Executive of the LEP for 4 days a week as Director of Economy and Environment. We are currently working on a joint County Council and LEP Strategic Economic Plan that will incorporate the principles of Local Industrial Strategy. Our libraries already also act as mini-growth hubs and one in each District has an innovation lab. This will continue, subject to identifying/securing appropriate resource, to identify integration of LEP functions into the county council structure.

The extent of the LEP functions the County Council can absorb into to its existing structure is dependent on additional funding being made available by Government. Any run down of LEP funding must be accompanied by UKSPF administration being transferred to upper tier authorities where there is a more strategic understanding of issues particularly support for skills delivery and existing LEP functions such as Growth Hubs, Growing Places Fund, Careers Hub, Inward Investment, Sector Groups, and providing the Independent Business Board.

Strategic Economic Planning

30. LEPs were expected to carry out strategic economic planning in partnership with local leaders that clearly articulated their area's economic priorities and sectoral strengths. In reality, this specific function of LEPs had diminished in recent years and county and unitary authorities (who had never really stepped away from this important role) filled the gap.

31. Counties and unitary authorities will bring their pre-existing convening power to bear to bring together business, education and other local economic stakeholders. They are ideally placed to build on their work in this area going forward.
32. Enabling and delivering economic growth and productivity has always been a key strategic priority for county and unitary authorities, recognising the importance of this economic growth in delivering further investment, job opportunities and wider prosperity to both economic area and the overall UK economy. A transfer of LEP responsibility and funding represents a significant opportunity to improve the strategic effectiveness and join-up governance of their economic development and skills ambition. CCN member councils are working with their neighbouring county or authority authorities on the potential to set up a joint economic partnership on strategic economic planning.
33. For example, in one county area, the LEPs' role in strategic economic planning through core funding has been diminishing over time and had left a gap. Strategic economic planning at spatial geographies is an important function that the council built on. Given their scale and economic coherence they are well placed to take the lead in this area, working closely with business and other stakeholders.

Delivery of Government programmes and policies

34. LEPs had increasingly become vehicles for the delivery of government programmes and policies,⁵ a trend that was supercharged by the pandemic, when local authorities across the country set up completely new services to support the most vulnerable.
35. Upper Tier Local Authorities will be ideally placed to deliver Government programmes more effectively post April 2024 because it would provide for the alignment of funding streams and realisation of economies of scale for more effective and focused impact.
36. In one member area, the Councils' relationship with the LEP had reduced in recent years in line with Government's shift in approach to working with places. Funding has gone directly to local authorities rather than through LEPs (e.g., Levelling Up Fund, UK Shared Prosperity Fund), and technical skills coordination is being done through the Local Skills Improvement Plan for the County rather than the LEP's Skills Advisory Panel.
37. Another County Council acts as the delivery body and/or accountable body for a number of programmes and schemes using funding channelled through their LEP (and also others) on a range of topics including low carbon, creative economy and support for exports. In addition, they collate and feed-back monitoring reports from internal and external delivery bodies to their LEP for projects financed by the Growing Places Fund, Getting Building Fund and Local Growth Fund. The County Council doesn't receive any core funding from the LEP for its day-to-day strategic planning and prioritisation activities. It would, however, require dedicated funding to meet the additional costs of staff and other operational costs associated with taking

⁵ For example, Growth Hubs, on behalf of BEIS; International trade and investment activity on behalf of DIT; Local Digital Skills Partnerships, on behalf of the DCMS; Careers Hubs and local skills analysis via Skills Advisory Panels, on behalf of DfE; and monitoring and assurance pertaining to existing local growth programmes and funds for which LEPs are responsible.

on former LEP activities such as monitoring funding programmes, managing the repayment and redistribution of loans and moderating post-scheme evaluation reports.

Overarching principles – the way forward

38. In considering its next steps on policy development, CCN would urge the Government to be decisive, be strategic and be clear:

- Announce that LEPs have played an important role in supporting local and national initiatives to drive local growth and they will cease to exist post-April 2024 and their functions will be embedded within local democratic structures.
- Provide a clear policy statement that functions will be transferred to upper-tier local authorities, either directly to a single organisation or in partnership with neighbouring unitary authorities. Set out expectations around the involvement of district councils but provide flexibility in how upper-tier authorities can work with lower tier councils most effectively in their areas.
- Provide clarity on expected interim arrangements where an area is expecting to propose the creation of a CCA or CA as part of a devolution deal to which LEP functions would be transferred once established.
- Ensure that the transition is rapid, smooth and effective. Do not permit LEPs to continue to function as private companies using revenue streams developed from public funds. To do so will only cause confusion, blur accountability and duplicate activity.
- The transition must be rapid to a) reduce the risk that some Government Departments bring their functions back in-house (as happened when the RDAs were closed down). This would seriously set-back the policy of English devolution. And b) help ensure that key LEP staff are retained.
- Mandate activity from local authorities which will support national and local objectives with regards to economic growth, providing for flexibility within broad parameters, to support local nuance and flex.
- Fund the transition to facilitate a smooth hand over with minimal disruption and then provide core funding to reflect this new burden and ensure continued funding so that the effectiveness and impact of strategic activities to facilitate local growth are not hampered.

39. CCN suggests that Government funding – both transitional and core – should be dependent upon DLUHC approval of Upper Tier Local Authority-LEP Transition/Integration Plans, which could usefully cover:

- A strategic economic plan, developed in partnership with local leaders, that clearly articulates their area's economic priorities and sectoral strengths, post-pandemic. This could involve building and maintaining a robust local evidence base that identifies local strengths and challenges, future opportunities and the actions needed to support priority sectors. Upper Tier Local Authorities should continue to use their convening power to bring together business, education and other local economic stakeholders.
- How any outstanding liabilities, the transfer of contractual obligations, any capital underspend and assets will be transferred or otherwise resolved. This should include the most important asset of any LEP – its staff.

- How upper tier local authorities will work together on shared ambitions and interests.
- How will (where relevant) the districts and boroughs support local growth ambitions
- How will local authorities and their partners address existing anomalies – such as one county having two LEPs? For example, one member has said that this would involve transfer of the roles and responsibilities of their two LEPs to a pan-regional Combined County covering the geography of the County Council and neighbouring Unitary Council. Transition arrangements would need to be considered for the period from April 2024, including consideration of a single hosting Local Authority aligned to interim governance across the proposed Combined County Authority geography.

40. In conclusion, CCN believes that the Government, as it develops this welcome policy, should be strategic, decisive and clear:

Strategic – County, Unitary and Combined County Authorities are ideally placed to hit the ground running

Decisive – We need a clean break so that we don't present a muddled and confused picture of business support

Clear – as to what Government wants local authorities to do whilst allowing for flexibility to respond to local circumstance.