

- present the outstanding integration issues.
- achieve the endorsement of the preferred course of action.

Contextual information

4. On 31 March 2022, a joint letter was issued by the Parliamentary Under Secretaries of State for the Departments of Levelling Up, Housing and Communities and for Business, Energy and Industrial Strategy outlining guidance to LEP integration. The letter was addressed to LEP Chairs, Combined Authority Mayors and the Mayor of London. Along with the Levelling Up White Paper this letter concluded the LEP review undertaken by Government.
5. It was acknowledged by Government that LEPs have played and continue to play a valuable role in supporting local economic growth from their inception in 2011. LEPs have brought businesses, education, and local government together, delivered large capital investment schemes, provided vital support to businesses during COVID-19, hosted impactful programmes on behalf of government departments and developed economic strategies for their areas. Government has reinforced that it values the contribution LEPs have made and continue to make to their local economies.
6. Central Government has indicated that it will support the integration of LEP functions and roles into the institutions that sit at Levels 2 and 3 of the devolution framework as set out in the Levelling Up White Paper 2021. These Levels 2 and 3 bodies are single institutions such as a (Mayoral) Combined Authority ((M)CA), a county council and a unitary authority or another County Council across a functional economic area with (Level 3) a directly elected mayor or without a directly elected mayor (Level 2). The guidance is now determining that LEP functions and roles will be integrated into institutions with devolved powers for the purpose of hosting a County Deal.
7. The letter and guidance outlines that where devolution deals are set to be negotiated, the integration of LEP functions, roles and boundaries will be considered as part of those negotiations. LEPs are asked to support local leaders, where requested, in embedding a private sector perspective into that conversation. Once a future devolution deal is agreed and implemented, or where an institution progresses to at least Level 2 of the devolution framework, LEP functions and roles will then be integrated.
8. Where no devolution deal is in place, LEPs will be maintained until a devolution deal is agreed, subject to future funding decisions via the annual business case route. In these circumstances it will be important to maintain current engagement arrangements. Where a devolution deal geography cuts across a current LEP geography (as could potentially happen with Enterprise M3 LEP) Government has indicated that they will engage with local partners and consider the best outcome for local businesses on a case-by-case basis guided by local preferences. It is also very clear that democratically accountable local leaders will lead the integration of LEP functions and roles into their respective institutions, working jointly with LEPs and, where necessary, other local stakeholders.

9. The future role of individual LEPs will differ depending on local circumstances and the status of devolution locally. With regard to the two LEPS in the Hampshire area namely Enterprise M3 and Solent, this is extremely evident. With Enterprise M3, its boundaries including Hampshire and Surrey will mean that its integration will need to reflect the devolution timescales within both counties. For Solent, a pan-Hampshire devolution geography is simpler, but the emergence of the Solent Freeport and its Government backed governance may have a distinct impact.
10. In general Government is expecting the future role of LEPs – or the local democratic institution after LEP functions have been integrated – will be to:
 - a. Embed a strong, independent and diverse local business voice into local democratic institutions.
 - b. Carry out strategic economic planning in partnership with local leaders that clearly articulates their area's economic priorities and sectoral strengths. This should 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, aligned to the relevant levelling up missions. The nature of this role will depend on individual LEPs' integration pathway. Across all pathways, LEPs, or local democratic institutions where LEP functions and roles have been integrated, should continue to use their convening power to bring together business, education, and other local economic stakeholders.
 - c. Continue to deliver a number of functions on behalf of government departments, shaped by the local business voice where relevant. Future programme and funding decisions will be taken by each respective department according to their own decision-making and business planning processes, priorities, and timescales. However, at the present juncture we would expect departments to continue to engage with LEPs, or begin to engage with the respective local democratic institution once LEP functions have been integrated, on the delivery of:
 - i. Growth Hubs, on behalf of the Department for Business, Energy and Industrial Strategy;
 - ii. International trade and investment activity, provision of local business intelligence, grant funding and levelling-up focused projects, on behalf of the Department for International Trade;
 - iii. Local Digital Skills Partnerships, on behalf of the Department for Digital, Culture, Media and Sport;
 - iv. Careers Hubs, on behalf of the Department for Education;
 - v. Local skills analysis via Skills Advisory Panels, on behalf of the Department for Education; and
 - vi. Monitoring and assurance pertaining to existing local growth programmes and funds for which LEPs are responsible.

d. Where appropriate, LEP business boards can help broker and support new or deeper devolution deals, where requested by local partners. New or deeper devolution deals will not need to be signed off by LEPs.

Integration Pathways

11. Government does acknowledge that the principles it has set out may need to vary considerably in different local contexts. It sees this as largely depending on the status and outcome of local devolution negotiations. The expectation is however that individual LEPs will follow one of three “integration pathways” namely:
 - I. Integrating LEPs into (M)CAs or institutions with devolved powers for the purpose of hosting a county deal;
 - II. Maintaining LEPs until a devolution deal is agreed;
 - III. Finding a local solution where one or more (M)CA or institution with devolved powers for the purpose of hosting a county deal covers only part of the LEP area, leaving part(s) of the LEP area outstanding.
12. At the present juncture, it is expected that most areas will either be on pathway I or II with only a few on pathway III.

Pathway II: Maintaining LEPs until a devolution deal is agreed

13. The existing situation in Hampshire is that the integration will follow Pathway II: “Maintaining LEPs until a devolution deal is agreed”. Government is keen to ensure that businesses outside of devolution areas are still able to access the support, insights, and representation LEPs currently provide. Where no devolved institutions exist in an area, Government is committing to support LEPs as they are currently constituted until there is devolution, subject to future funding decisions. Where a future devolution deal is agreed, or where the devolved institution progresses to a higher level of the devolution framework, LEPs will move onto integration pathway I. In Hampshire progress has been made on the basis of a potential Pan-Hampshire County Deal. Whilst this work is at an early stage, it has been shared with the Minister, and it provides an opportunity to begin to plan for an appropriate LEP Integration plan, subject to securing local agreement first and then Whitehall capacity to negotiate a Deal. On this basis January 2023 seems an appropriate target date by which to plan for LEP integration.
14. In areas that have not as yet reached a devolution agreement the Government is still expecting the following:
 - a. With respect to business voice, Government will support LEPs to continue to embed a strong, independent and diverse local business voice into the local decision-making fora they are party to. Local authorities in England may wish to consult with LEPs, along with other local partners, as part of the development of local plans and applications to local growth funds such as the UK Shared Prosperity Fund (UKSPF) or Levelling Up Fund, where projects have an economic development purpose.

Government encourages all local and relevant national partners to engage with LEPs where a private sector and economic perspective can add value to local decision-making and expect LEPs to readily offer advice where requested.

b. With regards to strategic economic planning, Government will support LEPs to develop local economic strategies and maintain business and economic intelligence for their areas. LEPs outside of devolution areas should set out how they intend to utilise their strategic economic function. These should have been published by 30 June 2022. In considering how to employ their strategic economic development function, LEPs should consider what will add most value to their local area, aligning where possible to the levelling up missions set out in the Levelling Up White Paper, in particular mission 11.

c. With regard to devolution negotiations, LEPs can offer advice where requested by local partners on deepening their devolution deals. Devolution deals will not be subject to sign off by LEPs.

15. As outlined in the following finance section, the Government position on core funding provides LEPs with clarity for the current financial year only for those currently on Pathway II. The LEPs on Pathway II receive £375,000 for the financial year 2022/23. Subject to future business case approvals, LEPs on Pathway II will continue to be the recipient of core funding and their respective local authority will remain the accountable body. For Enterprise M3 LEP, this is Hampshire County Council and for the Solent LEP, Portsmouth City Council.

16. Devolution is seen in Government as a process and not an individual event, and it is understood that some areas may need time to decide which if any devolution arrangement is right for them. Long-term future funding for LEPs outside of (M)CA or county deal areas will be subject to future funding decisions and business planning. The Government position will be kept under review, by considering the progress of local devolution negotiations.

17. There will be two parts to assuring LEPs on Pathway II, covering: (a) the financial year (2022/23); and (b) the period thereafter.

(a) LEPs needed to publish their delivery plans for the current year (2022/23) by 30 June 2022 at the latest. These documents were to set out how LEPs intend to use the full range of their core functions and roles to support their local economies and local decision-making. Government will work with LEPs to develop measures to report against in these plans. These will be considered as part of the annual assurance process. The National Local Growth Assurance Framework (NLGAF) will continue to apply to LEPs as at present. These plans for both of Hampshire's LEPs will come to Cabinet following their Board approval to ensure they are in keeping with the aspirations of future LEP integration.

(b) For future years, LEPs on this Pathway II will agree delivery plans alongside delivery and performance metrics with government in advance of publication. The government's current expectation is that LEPs will need to submit draft delivery plans for 2023/24 by 25 November 2022. This will only happen should negotiations with Government on securing some form of County Deal not have begun by then. Future provision of core funding will be subject to agreement of these plans with government and, thereafter, subject to meeting agreed delivery and performance metrics.

Pathway III: Finding a local solution

18. With County Deal ambitions being pursued in both Hampshire and Surrey there is the potential that the issue highlighted in Pathway III could occur if one deal is secured whilst another is being progressed within the Enterprise M3 LEP boundaries. The issue is that a part of the former LEP area could remain outside a devolution deal and therefore outside the proposed integration. If this were to happen for Enterprise M3 LEP area, then a local solution would need to be found.
19. The key issue is whether the residual area not contained within the devolution deal can form an economic geography on its own. If so, then Government outlines that it can either survive on its own with Pathway II then applying or if it is not viable then there are three options being:
1. An upper tier authority situated within the outstanding area may be able to take on some of the LEP functions
 2. A neighbouring (M)CA or institution with devolved powers for the purpose of hosting a county deal may be able to service the outstanding area
 3. A bespoke solution may be required.

Issues to Consider

20. The issues from the Government's latest letter and guidance are as follows:
- In order to integrate the LEP functions into the appropriate body, it is clear there is a need to understand what is the position and likelihood of any devolution in both the counties of Hampshire and Surrey and what will be the governance of the Solent Freeport and its relationship with the Solent LEP;
 - The options available to Hampshire County Council are dependent upon any devolution deal being approved;

- If no devolution is secured in either Hampshire or Surrey, the LEPs will operate as business as usual until a solution is found subject to annual Business Case review by Central Government;
- If a Pan Hampshire or Surrey devolution deal was approved prior to any devolution deal in the other area, the outstanding area of the Enterprise M3 LEP area in the non devolution area could be serviced by the newly devolved power body or a bespoke solution found for integration of the role and functions of the LEP;
- The approval of the Full Business Case for the Solent Freeport will include appropriate devolved governance. It is unclear currently how the implications of this may impact upon the integration of the Solent LEP into any devolved or upper tier authority;
- With the potential of LEP integration, there is a need for the creation of a Member Forum for Economic Development focussing on Strategy and Delivery. This is a Member-led space for the Economy that will ensure the wider economic benefits of LEP integration are secured for the entire area.
- The current Hampshire Place Leadership Group acts as a strategic forum for the promotion of Hampshire and the Hampshire Story initiative. There is an opportunity, with the prospect of LEP integration, to expand and amend the role of this Group into a broader Business Engagement Forum, potentially, with local agreement, extending into the Pan Hampshire geographic area,. This forum would need to be widened to include the LEP Chairs; the key business and sector leaders; research institutes and the existing major stakeholders, plus partner authorities if its extended to the Pan Hampshire geographical footprint.
- There is also an opportunity to explore the potential for closer collaboration across the public sector bodies with an Economic Development function including all the local authorities and the LEPs with the prospect of greater integrated working leading to improved effectiveness and efficiency. This could also ensure, during any transition periods, greater certainty for external stakeholders and partners of current LEP services and teams.

Preferred Course of Action

21. The preferred action available to Hampshire County Council is:

- To maintain support for and participation in the existing groups which facilitate local authority engagement with the LEPs as they currently operate, pending LEP integration;
- to continue to progress the County Deal negotiations and plan for LEP integration for January 2023 given the readiness of the area to begin negotiations, albeit conditional on securing capacity from Government to do so;
- to continue to engage with neighbouring areas concerning their devolution ambitions and programmes in the context of LEP integration;

- to progress the ongoing discussions with the LEPs regarding their business case submissions to Government and their proposals in light of the revised guidance for LEP integration; and
- to explore the opportunities for the development of a Member-led economic forum potentially through evolution of the current Place Leadership Group into a Business Engagement Board; and for greater collaborative working on Economic Development issues across the economic geographies covered by the existing LEPS.

Finance

22. The Government has outlined that for LEPs that are set to be integrated, they are proposing a system of ‘transition’ funding. However, they are also indicating that for LEPs that are not set to be integrated in the current year or once their functions and roles have actually been integrated into local democratic institutions, the system will become ‘core’ funding. They will allocate core/transition funding of £375,000 for the full financial year 2022/23, with this however being subject to business case approvals.
23. Where LEPs are integrated into (M)CAs or institutions with devolved powers for the purpose of hosting a county deal and there are subsequent boundary changes, the Government will proportionately alter future core/transition funding grants on an individual business case basis. The expectation that match funding of at least 50% of government’s core funding grant must be secured will continue. Where there is going to be an agreed integration, a reasonable proportion of LEP core funding can be used to cover essential preparatory work and legal costs associated with the integration process.

Consultation and Equalities

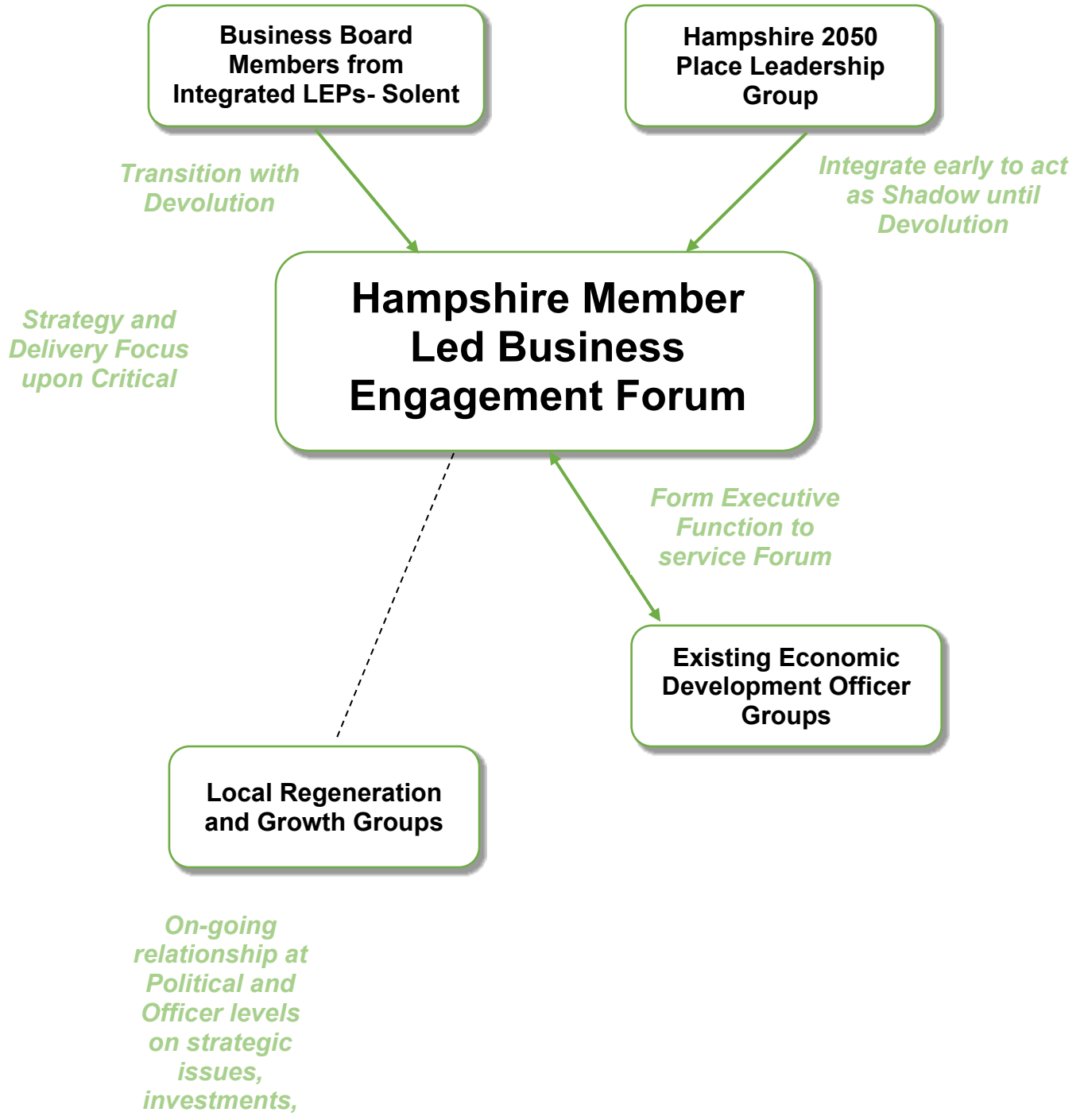
24. Following completion of an Equalities Impact Assessment, it is considered that the proposal will have a neutral impact on groups with protected characteristics as it relates to the County Council’s engagement and future relations with key partners rather than any direct interventions which will impact people with protected characteristics.

Climate Change Impact Assessments

25. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council’s climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

26. The tools employed by the County Council to assess impacts on climate change adaptation and mitigation were utilised and found not to be applicable on grounds that the decision relates to the County Council's engagement and future relations with key partners rather than any direct interventions which will impact climate change.

APPENDIX 1
LEP Integration Potential Leadership Structure



REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	Yes
People in Hampshire enjoy being part of strong, inclusive communities:	Yes
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:	

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

2.1 Following completion of an Equalities Impact Assessment, it is considered that the proposal will have a neutral impact on groups with protected characteristics as it relates to the County Council's engagement and future relations with key partners rather than any direct interventions which will impact people with protected characteristics.