

Economic Growth Board

Date	4 th July 2022
Report title	Progress Update on LEP integration
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Accountable Chief Executive	Laura Shoaf, Chief Executive, WMCA
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Report has been considered by	Economic Growth Board – Task and Finish Group on Economic Functions

1. Purpose

- 1.1. This paper provides an update for noting and discussion of the work to take forward LEP Integration in the West Midlands, as part of an overall plan to simplify and strengthen economic development functions across the West Midlands. **No decisions are required.**
- 1.2. The paper refers primarily to the seven Met area, recognising that the Warwickshire element of the Coventry and Warwickshire LEP will follow a different pathway.

2. Recommendations

Economic Growth Board is recommended to:

- 2.1.1. Note and discuss progress made to date, particularly the focus on “core” functions to be integrated and the reduction in Government funding for them;
- 2.1.2. Comment on the positions regarding embedding the voice of the private sector and each “core” LEP function; and
- 2.1.3. Note that Directors of Economic Development have commissioned the three Growth Hubs to develop options for a sustainably funded business support model from April 2023 for consideration in September.

3. Summary

- 3.1. Good progress has been made to date, with discussions underway on each of the core functions, building on the direction of travel agreed at previous Economic Growth Boards.
- 3.2. Discussions have been both formal – through the LEP Integration Programme Board and Directors of Economic Development group – and informal, for example through bilaterals with each LA.
- 3.3. In addition, each of the 3 LEPs has begun to provide more detailed information on the functions they deliver, and the core resources used, so we can begin to understand the HR implications of transfers.

- 3.4. Local Authority partners have also begun to ‘firm up’ their positions on future structures and delivery priorities, which is feeding into the work on integration.

4. LEP Integration – context

- 4.1. The letter on LEP Integration set out Government’s expectations that the following responsibilities, currently discharged by LEPs, will be integrated into WMCA:
- Embedding a strong, independent and diverse local business voice into local democratic institutions
 - Delivering a number of functions on behalf of government departments, shaped by the local business voice where relevant
 - Growth Hubs
 - Local digital skills partnerships, local skills analysis and Careers Hubs
 - International trade & investment activity
 - Monitoring and assurance pertaining to existing local growth programmes
- 4.2. Our intention is to submit a full Integration Plan to government by January 2023, with a progress report in July 2022. Our current understanding is that the latter will be an informal update rather than an interim plan.
- 4.3. In 2022/23, LEPs received reduced core funding of £1.125m in total – a 25% reduction on previous years. Government has said that future core funding will be further reduced, in part to reflect reduced geographic footprint. Our assumption is therefore an annual core budget of less than £1m, with a working assumption of £750k.
- 4.4. The Greater Birmingham & Solihull and Black Country LEPs have Growth Hubs as part of their operating models, whilst Coventry & Warwickshire LEP have established their Growth Hub as a subsidiary.
- 4.5. In 2022/23, Growth Hub core funding totalled £0.852m in 2022/23 – a 50% reduction on previous allocations. Again, our expectation is that this will, at best, be further reduced in 2023/24 – to reflect smaller geography – potentially to less than £750k. To date, BEIS have been unable to confirm future funding at all.
- 4.6. In 2023/24, core funding for LEPs and Growth Hubs will transfer to the WMCA to enable it to discharge the functions which, previously, government commissioned through LEPs. **We are therefore anticipating a reduction in overall core funding – from c£2m pa. to between £1m – £1.5m for core LEP and Growth Hub functions.** This will be needed to support the following “core” activities:

Core LEP funding – up to £750k	Core Growth Hub funding – up to £750k
Embedding the private sector in policy and decision making	Single “front door” / website for businesses
Economic strategy, including sectors	Initial diagnostic support
Point of liaison for Government departments	Signposting to other services
PMO, monitoring & evaluation of local growth programmes	CRM and intelligence

- 4.7. LEPs have also received funds from government departments to deliver particular services – for example, Careers Hubs – where we are working to clarify future funding and delivery mechanisms.
- 4.8. Similarly, we are aware that some LEPs also receive other local funding (e.g. from LAs directly) which supports a range of other functions. We have assumed that local partners are reviewing the future of these arrangements, locally.
- 4.9. In practice, therefore, LEP integration is essentially comprised of two parts:
1. Integration of “core” functions for which government provides core funding, including any associated TUPE transfers;
 2. Clarification of the continuity / discontinuation of other functions that are funded locally or through other funding streams, be they from other Government departments or ESIF etc.
- 4.10. **Our expectation is that the WMCA will not fund LEPs or Growth Hubs through future core funding – rather, this will be used to fund a smaller number of WMCA/LA posts undertaking core functions (reflecting a reduced funding envelope). Where appropriate, we would expect TUPE to apply.**
- 4.11. **LAs are currently considering the extent to which they will continue to invest in LEPs/Growth Hubs and the extent to which they will prioritise them for local delivery of UKSPF services (e.g. business support). This parallel exercise will be critical to determining the future shape and sustainability of LEP structures.**
- 4.12. **LEPs have requested that this latter work is confirmed by September 2022, so LEP Boards can make appropriate decisions about future operating models. All 3 LEPs have established Transition Boards.**
- 4.13. At this point, we understand from LEP colleagues that:
- Coventry and Warwickshire LEP board are working with local authorities via an Operational Transition Group and developing plans to invest in a shared vehicle, which will include responsibility for business support (Growth Hub) and other economic growth activities.
 - The Black Country authorities are unlikely to continue investing in the Black Country LEP but are considering the role of the Consortium.
 - Discussions are continuing in Birmingham & Solihull.
- 4.14. It seems clear that where LEPs do continue, their size and remit will be significantly different to their current operating models to the point where they may not be branded “LEPs” at all. This will have an impact on WMCA’s constitution, includes the LEPs as non-constituent, non-voting private sector members of the WMCA Board (and can only be amended by Government), and ultimately on how the private sector is embedded throughout WMCA.

5. Embedding the voice of the private sector

- 5.1. The letter from government on LEP Integration sets out the requirement for the region to embed a strong, independent and diverse local business voice into democratic processes. While LEP integration inevitably means the nature of the relationship will evolve, the contribution the private sector has made over the past ten years has been recognised by all stakeholders. Moreover, private sector

engagement in economic policy and strategy-making is a well-established model around the world, and there is a collective commitment to ensuring a strong private sector voice throughout WMCA as we gear up to deliver the Plan for Growth.

- 5.2. In addition, there are a range of other private sector voices who feed into regional policy and decision-making, represented at many committees. There is work underway to map the full range and extent of these, but key fora include: Economic Impact Group, Regional Business Council, Digital Skills Partnership, Commercial Property Developers Group, Energy Capital, Innovation Board, etc.
- 5.3. The LEP integration plan will set out how the private sector is fully embedded in policy making, providing clear, business-led insight, challenge, and advocacy.
- 5.4. Where LEPs continue to operate beyond 31st March 2023, WMCA will continue to work closely with them. This will include LEP Chairs remaining on the WMCA Board and sub-boards as co-opted members, pending further consideration of both their terms of office. If a LEP is wound up, we recommend that positions allocated to that LEP would go.
- 5.5. Following discussions with LAs, the emerging position is that there is no requirement for **additional private sector representatives on the WMCA Board, or any additional business board**. This will require further consideration in light of a detailed review of current arrangements; but it seems clear that there are and will remain opportunities to engage the private sector through a range of existing and evolving fora in order to influence and inform policy and strategy-making. Work is underway to map these clearly and transparently, and ensure that all sectors, geographies are able to inform policy making. It will be critical to ensure that channels of communication are accessible – particularly to SMEs. This may include expanding and strengthening some fora – for example, ensuring that the metals and materials sector is informing the work of the Energy Capital Board.
- 5.6. Further work is required to develop a comprehensive and transparent summary of these arrangements, with a clear read-across to decision-making groups such as the Economic Growth Board. This transitional arrangement is in the context of principle of strengthening the range of opportunities for business involvement in, and embedding of LEPs into, WMCA arrangements.



6. LEP functions to be integrated

6.1. The following table sets out established and/or emerging regional positions, along with initial views from local authority partners, and the implications arising for LEPs.

Function	Recommended approach	LA views	LEP implications
Economic strategy	The regional economic strategy sits with the Combined Authority through the Economic Growth Board (EGB), informed by local authority strategies and priorities, and reporting into the CA Board	Local Authorities will have their own local authority economic strategies which will inform regional economic plans. In addition, LAs have a range of other statutory planning responsibilities, e.g. for all local planning activities.	There will no longer be a <u>requirement</u> for sub-regional economic strategies, but this does not preclude such strategies being developed where local areas want/fund them. We are working with LEP colleagues to confirm the number of people, funded through core funds, and employed in LEPs directly to work on economic strategies, sector plans etc. Further work will be needed to assess any transfer implications here.
Economic intelligence	Is being rationalised across the region, and better linked to informing strategic and commissioning priorities for services. This approach will also need to complement Government's emerging approach to data and transparency and any roles or requirements of local authorities (e.g. new Audit Commission).	Local authorities have in-house economic intelligence, although capacity varies across the region.	BC Consortium provides economic intelligence to BCLEP, as well as commissioned input to WMCA and Midlands Engine, and collaborates with WM Redi on the Economic Monitor. We are working with LEP colleagues to confirm the number of people who are core-funded and who are employed directly by LEPs to work on economic intelligence.
Growth Hubs and Business Support	In discussing Growth Hubs, it is important to distinguish between their "core" responsibilities (i.e. the initial diagnostic and signposting for which BEIS provides funding) and the wider set of	Local authorities have many and complex relationships with businesses in their area from business rates collection, planning, provision of grants to businesses, support with sites, new business start-ups,	We are working with LEP colleagues to confirm the numbers of people working directly on LEP core-funded and BEIS core-funded business support activities.



	<p>business support activities undertaken through a variety of other funding streams, primarily EU funds.</p> <p>The requirement on WMCA is to integrate the core service, noting that, at this point, there has been NO future core funding confirmed by BEIS.</p> <p>Wider business support services will be commissioned separately through UKSPF and other government departments.</p> <p>WMCA and LAs are developing a regional commissioning framework, building on the WM Business Support Review recommendations – with delivery mechanisms to be determined in consultation with LAs.</p>	<p>recruitment etc. LAs are keen to maintain and, in some cases, develop these roles further.</p> <p>LAs are currently considering their position on LEPs/GHs with some indicating that they are keen to integrate generic business support activities within their own local brands and services to employers.</p>	<p>LAs are confirming their expectations around future delivery vehicles for wider business support.</p> <p>This will impact on the extent to which LEPs/Growth Hubs will be able to access UKSPF.</p>
<p>Careers Activity</p>	<p>There are 3 main strands of activity: Careers hubs Enterprise networks Support for schools – activities and resources</p> <p>Careers Hubs are currently the responsibility of LEPs, who use a number of different delivery models. Each Hub has a fully funded (by CEC) strategic hub lead. BC and CW plan to have fully funded operational leads too in the 22-23 year.</p> <p>CEC provides funding to BC and CW LEP (£339k and £224k respectively) for the co-ordination of enterprise networks activity including match funding for the Enterprise Co-ordinator</p>	<p>Further work to do, but there appears to be a keen appetite to integrate schools-focused careers activity with other LA career roles and responsibilities. This is consistent with the regional framework developed around improving careers and our TDD proposals.</p> <p>LAs already provide match funding here, which we would expect to continue.</p> <p>Engagement of employers to support careers activities in schools to be done through business support to enable economies of scale and a more streamlined ask of business.</p> <p>The provision and management of on-line careers hub resources and</p>	<p>Work is in hand to distinguish between core and contracted services.</p> <p>There are c15 posts currently employed across Black Country and Coventry and Warks. There are no CEC funded posts in GBSLEP as the posts are in Solihull MBC / BEP although GBSLEP provide match funding and linked ESF projects support activity.</p>



	<p>posts. In GBS, the CEC funding goes directly to Solihull MBC and BEP with GBSLEP providing the match.</p> <p>NB The CEC requires match funding for these services. Whilst this is confirmed for 2022/23, there is a need to confirm how this will be sourced in 2023/24.</p> <p>BC and CW receive funds for schools to access careers activities. BCLEP has successfully bid for a number of additional pots of activity funding too.</p>	<p>LMI portals can also be combined to provide efficiencies</p>	
<p>Trade and Investment</p>	<p>Our current understanding is that the West Midlands Growth Company delivers international investment promotion.</p>	<p>Investment facilitation is undertaken by some local authorities – notably Coventry and Wolverhampton – in conjunction with WMGC.</p>	<p>The LEP role appears to be serving as a point of contact for DIT, and in the case of BCLEP providing trade remedy liaison for the metals and materials sector.</p> <p>We are confirming this with LEPs.</p>
<p>Delivery, monitoring and evaluation</p>	<p>The transfer of functions relates to the monitoring and assurance of legacy programmes (eg EZs) – essentially Programme Management Office functions to monitor spend and benefits realisation across funded programmes - not the actual delivery, or the accountable body role that local authorities play for the funding.</p> <p>Immediate next steps are to work with LEP colleagues to understand the state of play on a fund-by-fund basis, including practical completion dates; benefits realisation periods; risks; and capacity and capability in place within LEP PMOs.</p>	<p>Local authorities – particularly those that act as accountable bodies for LEPs – are responsible for the funding of various programmes through City Deals, Growth Deals and Enterprise Zones.</p> <p>Work is underway with Birmingham and Walsall Councils to understand the detail of the accountable body role they play for GBS and BC LEPs respectively.</p>	<p>We are working with LEP colleagues to confirm the numbers of people, funded through core, and employed directly by LEPs working in PMOs.</p>

7. Sustainably funded business support

- 7.1. Given the financial challenges outlined above, Directors of Economic Development commissioned the three Growth Hubs to develop options for a sustainably funded business support model for April 2023 onwards. In doing so, options will need to demonstrate the principles being set by the Economic Functions Task Group in respect of LEP integration and will need to be flexible according to the priorities set by the EGB.
- 7.2. It is proposed that initial options are ready for presentation in August, for the Directors of Economic Development to consider ahead of the EGB on 23rd September.

8. Next Steps

- 8.1. Meeting with LEP and WMCA colleagues to map out private sector involvement in WMCA boards and committees
- 8.2. Ongoing iterations with LEPs re staffing implications of functions and roles potentially in scope for TUPE transfer
- 8.3. Further discussions to take place with local authorities on delivery priorities for UKSPF, which will inform future structures
- 8.4. More work required to understand needs/expectations in relation to programme assurance of legacy funds – various meetings with local authorities, LEPs and civil servants have been arranged.

9. Financial Implications

- 9.1. There are no financial implications as a direct result of this report, although clearly financial implications will arise as a consequence of the decisions to be taken subsequently by EGB and the WMCA Board.

10. Legal Implications

- 10.1. There are no immediate legal implications as a direct result of this report.

11. Equalities Implications

- 11.1. There are no immediate equalities implications arising from this report.

12. Inclusive Growth Implications

- 12.1. There are no immediate inclusive growth implications arising from this report.

13. Geographical Area of Report's Implications

13.1. The report primarily covers the seven West Midlands Combined Authority metropolitan areas

14. Other implications

14.1. None.