



Executive Decision Report

Transition of LLEP Functions to the City and County Councils

Decision to be taken by: City Mayor

Decision to be taken on: 2 January 2025

Lead director: Mike Dalzell

Useful information

- Ward(s) affected:
- Report authors: Phoebe Dawson (Director of Business and Skills) and Colin Sharpe (Head of Finance)
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- Report version v2

1. Summary

- 1.1 The Leicester and Leicestershire Enterprise Partnership Ltd (LLEP) was a strategic body tasked with driving forward regeneration and growth of the economy in Leicester and Leicestershire. The City Council acted as its accountable body, receiving all funding to be deployed by the LLEP and being accountable to Government and other stakeholders for matters such as accounting, governance and compliance. The City Council also hosted the LLEP staff team.
- 1.2 Government policy developments in 2023 directed that the core functions of Local Enterprise Partnerships should transfer to local authorities. In Leicester and Leicestershire this was to the City and County Councils, being the two upper tier local authorities in the functional economic area covered by the LLEP.
- 1.3 The councils are now working together as the Leicester and Leicestershire Business and Skills Partnership. The new Leicester and Leicestershire Business Board has held its inaugural meeting, to continue supporting prosperity in the local economy.
- 1.4 The City Council is leading the delivery of the Partnership's activities. The LLEP staff team became part of the City Development and Neighbourhoods Department from 1 April 2024, operating as the Business and Skills Partnership.
- 1.5 All LLEP funds and contracts have transferred to the City Council, which is directly responsible for all ongoing financial, legal and governance matters. The necessary formal approvals to embed the on-going financial arrangements into the Council are sought in the recommendations in this report.
- 1.6 The LLEP limited company will be wound up in due course, when all outstanding matters have been concluded.

2. Recommendations

2.1 The City Mayor is recommended to:

- a) Note the transition of Leicester and Leicestershire's Enterprise Partnership Ltd (LLEP) functions into Leicester City Council on 1 April 2024, acting as delivery lead for the new Leicester and Leicestershire Business and Skills Partnership.
- b) Note that the Council continues to be represented on the Board of LLEP Ltd for a short period whilst company business is concluded, and that the Council formally remains accountable body until the company is wound up.
- c) Note the ongoing work to establish the new Leicester and Leicestershire Business Board.
- d) Approve that the operating reserve transferred from the LLEP on 1 April 2024 be added to the Council's revenue earmarked reserves (balance of £3.506m) and be used to fund and underwrite transition costs and priority activity up to March 2026.
- e) Note that on-going activity beyond 2026 will depend heavily upon national policy guidance and local funding decisions by the City and County Councils as the two upper-tier local authorities.
- f) Approve that the capital receipts arising from the former LLEP Growing Places Fund (uncommitted sum of £10.275m) at 1 April 2024 be added to the Council's capital receipts and be ringfenced to support economic development and prosperity across the functional economic area.
- g) Note that the Council holds two further key funds arising from its role as accountable body to the LLEP, namely the residual countywide business rates pool schemes not yet defrayed (which would be returned to the County Council as pool lead, if no longer required) and funds attributable to the three Enterprise Zones.
- h) Delegate authority to the Director of Finance to determine the specific budget ceilings affected by the transition, noting the operating costs of the post-LLEP function will be funded by the earmarked reserve, grants and other external income transferred from the LLEP.
- i) Note that the use of delegations approved by Council in respect of Government investment programmes, for which the Council received grant as the accountable body to the LLEP, will fall away during 2024/25.
- j) Note the expected new arrangements for the governance of Enterprise Zones.
- k) Note that any necessary further decisions in connection with the ending of the accountable body role will be brought forward in due course.

3 Report

3.1 The Leicester and Leicestershire Enterprise Partnership (LLEP) was a strategic body tasked with driving forward regeneration and growth of the economy in Leicester and Leicestershire. It came into being in 2011 and was incorporated as a company limited by guarantee in 2019, in line with Government policy from time to time. It was led by a board of directors drawn from the private and public sectors. Leicester City Council acted as the accountable body, receiving all funding to be deployed by the LLEP and being accountable to Government and other stakeholders for matters

such as accounting, governance and compliance. The City Council also hosted the LLEP staff team.

- 3.2 In early 2023, the Government announced that it was 'minded to' withdraw its financial support for Local Enterprise Partnerships from April 2024 and transfer their core functions to local authorities.
- 3.3 This decision was subsequently confirmed in the summer of 2023. Government stated that where not delivered by a combined authority (or in areas where a devolution deal was not yet agreed), from April 2024 these functions would be exercised by upper tier local authorities over functional economic areas. Locally, this is Leicester City Council and Leicestershire County Council, working together as the new Leicester and Leicestershire Business and Skills Partnership.
- 3.4 The development of the Local Economic Strategy, management of government programmes and business voice representation were noted by Government as key ongoing core functions.
- 3.5 Several other functions of benefit to the local economy also continue, including skills and apprenticeships, the Business Gateway Growth Hub (supported by Government grant), the Leicester and Leicestershire Careers Hub (under contract to the Careers and Enterprise Company) and support for Enterprise Zones.
- 3.6 The City Council continues to lead the delivery of these functions. The LLEP staff team became part of the City Development and Neighbourhoods Department from 1 April 2024, serving both the city and county, operating as the Business and Skills Partnership. The team has been reviewed, to ensure it is best placed to deliver the activities.
- 3.7 All the LLEP funds and contracts have transferred to the City Council, which is directly responsible for all ongoing financial, legal and governance matters. The necessary formal approvals to embed the on-going financial arrangements into the Council are sought in the recommendations.
- 3.8 A new Leicester and Leicestershire Business Board is being created. This will continue to support prosperity by helping to shape a local economy which is productive, innovative, sustainable and inclusive. The Board brings together local authorities, business, education and the third sector, working together to support senior political leaders as they shape decision-making that underpins growth. Mr Andy Reed OBE, former LLEP Chair, is the Board's first Chair and the inaugural meeting has been held.
- 3.9 With regards to Enterprise Zones specifically, it is anticipated that the City Council will soon cease to be the accountable body for the zones in the county area. Hinckley and Bosworth Borough Council and Charnwood Borough Council are expected to assume this role for their local zones. Funds held by the City for the county zones will be passed onto the two councils. The City Council will take all decisions relating to the Waterside zone area and directly manage the finances.

3.10 The arrangements for governance and strategic co-ordination of the zones will be updated, including the process for approving new investments and for utilising any additional business rates growth that is not required to repay investment on schemes that have already been approved. The Business and Skills Partnership team will provide ongoing support.

3.11 The LLEP limited company has been retained in the short term whilst the transition is completed, but with a much-reduced Board of Directors comprising nominees from the City and County Councils. The company will be wound up in due course.

4.1 Financial implications

4.1.1 The City Council has not in recent years provided funding to support the operations of the LLEP. The LLEP received an annual Government core funding allocation, which in 2023/24 was £250k. It also delivered a range of programmes which received additional funding from Government and other sources such as the Careers and Enterprise Company. The Council acted as accountable body to the LLEP, being accountable to Government and other external funders.

4.1.2 Operating reserves of £3.506m were held by the Council on behalf of the LLEP at 31 March 2024, which transferred to the Council on 1 April 2024. These will be used to fund and underwrite priority activity of the new Leicester and Leicestershire Business and Skills Partnership up to March 2026; and to meet transition costs, as the LLEP staff and ongoing functions have moved into the Council. Additionally, the Council has received transitional core funding of £234,285 and Growth Hub funding of £298,250 in 2024/25.

4.1.3 In the Autumn 2024 budget, the Government stated it is minded to cease funding for the functions previously delivered by LEPs and the Business Board Network. Funding is, however, committed for Growth Hubs in 2025/26, with new Local Growth Plans to be rolled out.

4.1.4 The operating reserves will nonetheless help to provide stability and confidence for key stakeholders in the short term; looking further ahead, delivery of priority activities will inevitably depend heavily upon national policy guidance and local funding decisions by the City and County Councils as the two upper-tier local authorities.

4.1.5 The LLEP operated a Growing Places Fund as a revolving loan fund, which originated as a capital grant from the Government. All of the grant conditions were met some time ago and the funds are now held by the Council as capital receipts arising from loan repayments. After allowing for approximately £1.7m of spending on priority initiatives as previously approved by the LLEP Board, and accounting for outstanding loans, the present balance of receipts in hand is £10.275m. As control passed from the LLEP Board, both the City and County Councils indicated to

stakeholders that they expect to use the funds to support economic development and prosperity across the functional economic area. When firm proposals are developed, a decision by full Council or the Executive to approve the proposals and commit the funding will be required.

- 4.1.6 Therefore, no financial risk or cost to the Council's General Fund budget is envisaged as a result of the transfer of LLEP functions and staff in the short to medium term, with no funding from the Council's existing budgets required. However, the Council holds a longer-term risk should the available funding be used up and/or staffing reductions come to be required. This risk should be borne in mind as new proposals to utilise the funds are considered.
- 4.1.7 As monies previously held as accountable body to the LLEP are now held by the Council directly, the operating reserve should be formally added to the Council's revenue earmarked reserves; and the receipts arising from the former Growing Places Fund should be added to the Council's capital receipts and ringfenced to support economic development and prosperity across the functional economic area.
- 4.1.8 A 2024/25 revenue budget for the Leicester and Leicestershire Business and Skills Partnership has been developed. The gross operating cost inclusive of staffing and contracted services is in the order of £3m. Some £2.1m will be funded from external grants (some of which are confirmed for 2024/25 only), contracts and other income. The balance of £0.9m will be drawn from the operating reserve. The report therefore seeks approval for the Director of Finance to determine the addition of the necessary operating expenditure and funding to the Council's budget ceilings in due course.
- 4.1.9 The Council holds two further key funds arising from its role as accountable body to the LLEP:
- Funding for projects previously approved to be supported from earlier rounds of the Leicester and Leicestershire countywide business rates pool, which had not been defrayed by 31 March 2024. Any funds that in due course are not defrayed on these specific projects will be returned to the County Council as the lead authority for the pool.
 - Funds for the Hinckley MIRA and Charnwood Enterprise Zones in the county and the Waterside Enterprise Zone in the city. The funds comprise two elements - firstly monies advanced by the councils to the LLEP that have not yet been paid out as development grants; and secondly, business rates growth received over and above the sums needed to repay the annual financing cost of developments funded in previous years. The Council continues to hold these funds in the short term as accountable body to the LLEP. As noted above, it is expected that Hinckley and Bosworth Borough Council and Charnwood Borough Council will assume the accountable body role for their local zones and the funds held by the City will be passed to them. The City Council will take all decisions relating to the Waterside zone area and directly manage the finances.

4.1.10 The 2024/25 capital programme approved by Council on 21 February 2024 provided delegations in respect of Government investment programmes for which the Council receives grant as the accountable body to the LLEP. This followed the practice of previous years. As the Council ceases to act as accountable body during the course of 2024/25, the use of these delegations will fall away. In their place, the Council's usual governance arrangements will apply.

Colin Sharpe, Head of Finance, ext. 37 4081
06.11.24

4.2 Legal implications

4.2.1 Local Enterprise Partnerships were introduced as non-statutory bodies and the transition to the new arrangements was not driven by statutory changes. Ongoing legal advice and support is being provided to assist with the transition activities.

4.2.2 When the LLEP Company as a legal entity is ready to be closed down, formal winding up arrangements will occur.

Kevin Carter, Head of Law – Commercial, Property and Planning, ext. 37 4197
13.09.24

4.3 Climate Change and Carbon Reduction implications

4.3.1 Whilst there are limited climate emergency implications directly associated with this report, it should be noted that the transfer of LLEP functions and funds to the Council could increase opportunities to achieve the Council's climate emergency goals, in relation to economic regeneration and support for local businesses.

Aidan Davis, Sustainability Officer, ext. 37 2284
01.08.24

4.4 Equalities Implications

4.4.1 There are no direct equalities implications arising from this report.

Kalvaran Sandhu, Equalities Manager, ext. 6344
0.1.08.24

4.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None.

5. Background information and other papers:

None

6. Summary of appendices:

None

7. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

8. Is this a “key decision”?

Yes

9. If a key decision, please explain reason.

Additional recurrent revenue expenditure is proposed which is not included in the approved revenue budget, and which will cost in excess of £0.5m p.a.