



Hampshire Prosperity Partnership Board

9 June 2025

Agenda Item 9 – Approach to use of LEP legacy reserves

The Hampshire Prosperity Partnership Board (HPPB) is asked to:

NOTE the background information and range of possible approaches set out in parts 2 to 7.

DISCUSS the questions set out in part 8 and provide initial views on these.

NOTE that this paper will also be discussed with District Leaders at the next meeting of the Joint Leaders Board on 16 June.

NOTE the next steps set out in part 9.

1. Overview

1.1. The purpose of this paper is to support a discussion by HPPB about how LEP legacy reserves should be used to support new projects in Hampshire. The paper:

- Provides background information about the LEP legacy reserves, the available balance as at the end of 2024/25, and an income projection for future years (parts 2 and 3).
- Suggests some principles that could guide decisions about the use of LEP legacy reserves to support new projects (part 4).
- Based on the experience of Enterprise M3 Local Enterprise Partnership (EM3 LEP), summarises the range of project types which were supported by LEP funds, and the range of potential project partners (part 5).
- Outlines some alternative approaches to identifying and assessing new projects (part 6) and some considerations relating to timing (part 7).
- Sets out some questions for discussion by HPPB (part 8) and next steps (part 9).

2. Background

- 2.1. As part of the transfer of responsibility for LEP functions to upper tier local authorities, financial assets held on behalf of the LEPs were transferred to those authorities. In the case of Hampshire, this involved agreeing how EM3 LEP assets would be shared out between Hampshire and Surrey County Councils, and how Solent LEP assets would be shared out between Hampshire County Council and the Solent unitary authorities.
- 2.2. Hampshire County Councils' principles and governance process for decisions relating to the use of these LEP legacy reserves were agreed at an Executive Member Decision Day in December. See: [Hampshire Prosperity Partnership Board-2024-12-05-EMH2050 Decision Day](#). This confirmed that the LEP legacy reserves are to be utilised for the County Council to discharge its Economic Development functions. It also set out the role of the Hampshire Prosperity Partnership Board in making recommendations relating to the use of the LEP legacy reserves, for consideration by the formal decision-maker.

3. Available balance and future income

3.1. Table 1 below sets out:

- The starting position in respect of LEP legacy reserves at the beginning of 2024/25, including amounts transferred to Surrey County Council and received from Portsmouth City Council (as the Accountable Body for Solent LEP).
- Expenditure and income during 2024/25. The operational costs relate to the transitional period during which the former EM3 LEP team was employed by Hampshire County Council, prior to the restructure referred to in paragraph 10 above. The income derives primarily from repayment of loans and realisation of other investments made by EM3 LEP as part of its capital programme, and Business Rates Income Growth from the Enterprise Zone scheme.
- The year-end position. Of the year-end total of £31.7m, £5.8m is ringfenced, either for transfer to Surrey County Council, or for outstanding commitments relating to the EM3 LEP capital programme. This results in an available balance of £25.9m, of which £3.6m is revenue and £22.3m is capital.

Table 1 – LEP legacy reserves available balance at 31/04/25	
	£m
LEP legacy reserves - starting position and transfers	
Ex EM3 LEP funds - starting position at 01/04/24	23.26
Ex EM3 LEP funds transferred to Surrey County Council	-8.52
Ex Solent LEP funds received from Portsmouth City Council	14.86
Expenditure in 2024/25	
Operational costs associated with the ex EM3 LEP team	-0.62
Grant payments to EM3 LEP capital projects	-1.01
Income in 2024/25	
Repayments from outstanding EM3 LEP loans	1.55
Funds received from the EM3 Funding Escalator programme	1.47
Enterprise Zone Business Rates Income Growth	0.64
Miscellaneous income	0.13
Year-end total at 31/04/25	
	31.75
Ringfenced for transfer to Surrey County Council during 2025/26	-3.04
Ringfenced for outstanding commitments relating to the EM3 LEP capital programme	-2.79
Available balance	25.92
	<i>Of which revenue</i> 3.62
	<i>Of which capital</i> 22.30

Note: Figures in the table do not sum exactly due to rounding.

3.2. Table 2 below provides a projection of income to be derived from EM3 LEP loans and investments in future years by Hampshire County Council i.e. the figures shown are after the deduction of the agreed share to be transferred to Surrey County Council.

3.3. Note that the forecast does not include an estimate for income from Enterprise Zone Business Rates Income Growth (EZ BRIG), due to a high level of uncertainty regarding the volume of income from this source. Any income from EZ BRIG is therefore additional to the figures shown below.

Table 2 – LEP legacy reserves income projection				
				£m
2025/26	2026/27	2027/28	2028/29	2029/30 to 2033/34
0.64	1.17	1.37	2.16	2.75

4. Suggested principles

4.1. Our approach to using the LEP legacy reserves to support projects should be based on a clear set of principles. These should primarily be designed to achieve two objectives:

- Ensuring that projects are aligned with our strategy for the Hampshire economy and our Economy and Growth Plan, and any other relevant strategies, to make sure that we are doing the right things.
- Ensuring value-for-money from public expenditure.

Strategic alignment

4.2. Any projects should be aligned with the *Economic Strategy for Hampshire – Committing to Prosperity 2025-27*. They should also be aligned with the priorities and workstreams recently agreed by HPPB, due to be published at the end of June as part of the Economy and Growth Plan. For reference, this paper from May's HPPB meeting contains a summary of the strategy (pages 6 to 9) and a draft of the plan (pages 10 to 15): [HPPB-250514-Draft-Economy-and-GrowthPlan.pdf](#)

4.3. For example, the five areas used to structure the Economy and Growth Plan could provide a broad framework to help with identifying and assessing project proposals:

- A. High potential sectors and clusters
- B. Business support
- C. Energy
- D. Infrastructure
- E. Skills, employment and careers

4.4. A framework for identifying project proposals should also take into account key Government strategies, in order to maximise opportunities arising from Government policy for Hampshire, including potential opportunities to match funds from the LEP legacy reserves with Government funding. The Spending Review (11 June 2025) and the Industrial Strategy (expected in June) will be particularly important in this respect.

4.5. Note that we are currently developing a new Hampshire Skills Strategy, but that we do not expect this to be completed until December. The implications of this are considered further in part 7, "Timing", below.

Value-for-money

4.6. Key principles for ensuring value-for-money should include the following:

- Projects that offer greater economic outcomes (e.g. business growth, job creation) relative to project cost should be prioritised.

- Project proposals should be tested for additionality (i.e. enabling something to happen that would not have happened otherwise) and for minimising deadweight (subsidising activity that would have happened anyway) and displacement (shifting activity from one place to another).
- Projects that use funds from LEP legacy reserves to leverage other funding – either other public funding, or private investment – in order to increase impact, should be prioritised (i.e. match funding).

4.7. Part of the LEP legacy reserves exist because past projects were supported by the LEPs through loans rather than grants; once repaid, the loan funding can be invested again. Clearly this is a major benefit from a value-for-money perspective. However, experience suggests that loans are only appropriate for certain types of project, and also entail additional risk management, and should therefore be used selectively.

5. Types of project and project partner

5.1. As stated in paragraph 2.2, Hampshire County Council has agreed that the LEP legacy funds are to be used for economic development purposes. Beyond this, however, there are few specific restrictions on how or when the funds can be used. General requirements relating to proper use of public money and Hampshire County Council governance must of course be met.

5.2. Given that the available balance of the LEP legacy reserves consists primarily of capital (rather than revenue) funding (see 3.1 above), any funding provided for projects will need to consist entirely or almost entirely of capital. Project partners may however be able to contribute revenue funding as part of their match funding.

5.3. Historically, funding for local economic development has been used to support a wide range of different project types, delivered with a range of project partners.

5.4. Taking Enterprise M3 LEP as an example, the majority of projects supported by the LEP fell into the following categories. This is not an exhaustive list, however. It is provided here purely for illustrative purposes, and should not constrain future choices.

- **Town centre regeneration projects** – for example: [Rushmoor Borough Council celebrates the completion of Union Yard - Rushmoor Borough Council](#)
- **Transport infrastructure improvements** – for example: [A30 Brighton Hill Roundabout Improvements | Transport and roads | Hampshire County Council](#)

- **Digital infrastructure** – for example: [5G/6G Innovation Centre | University of Surrey](#)
- **Environmental / low carbon projects** – for example: [Fleet Pond Corridor is complete | Hart District Council](#)
- **Innovation facilities** – for example: [Future Towns Innovation Hub – Innovating happy, healthy and prosperous places.](#)
- **Skills facilities** – for example: [Care Skills Training Centre at Guildford College - Guildford College](#)
- **Flexible work/office space and business incubators** – for example: [Flexible working space brings two new organisations to the Chantry Centre | Test Valley Borough Council](#)
- **Business funding** – primarily through the Funding Escalator scheme: [Enterprise M3 Funding Escalator | The FSE Group](#)

5.5. Potential project partners include:

- Other local authorities
- Universities
- Colleges
- Other skills providers
- Business/industry/cluster organisations
- Individual businesses
- Third sector organisations

6. Approaches to identifying and assessing projects

6.1. Potential approaches to identifying and assessing project proposals include the following:

- A. An open call for project proposals.** Projects would need to address one of a number of broad priority areas set out in the call. Subject to that, however, projects could range widely in terms of type and scale, and could come from any potential project partner. This kind of approach would be likely to generate the largest number of proposals, but could result in a less strategic outcome. Also, it would be highly labour intensive in respect of assessment and shortlisting, so resources would need to be secured for this. We would therefore not recommend this option.
- B. One or more focused calls for project proposals.** HPPB would agree a more tightly defined set of priorities in advance of any call, and the criteria for project proposals would reflect those priorities. This approach would be more likely to achieve HPPB's strategic objectives, albeit with some risk that enough suitable project proposals did not come forward.

C. Informal stakeholder consultation and development of project proposals by Hampshire County Council. In addition to external stakeholders, the Economy and Skills team and other teams within Hampshire County Council could generate project proposals, in response to HPPB's priorities and in discussion with potential project partners. This approach could be effective in ensuring strategic alignment, but could be criticised by stakeholders for being less open than alternative approaches.

6.2. These options are not mutually exclusive i.e. more than one approach could be used in combination. Any approach would need to be carefully designed to ensure that it was robust.

6.3. The approach to assessing projects and approving funding would depend in part on the nature of any calls and the volume of proposals, but would be likely to involve:

- Assessment and shortlisting of project proposals against an agreed set of criteria.
- Due diligence for shortlisted projects by Hampshire County Council or an external provider.
- Consideration of the shortlist by HPPB, resulting in recommendations for approval to Hampshire County Council's formal decision-maker.
- Formal approval through Hampshire County Council's established governance arrangements.

7. Timing

7.1. As stated in paragraph 5.1, there are no specific requirements relating to when the LEP legacy funds should be used. Any unused balance at the end of a given year rolls forward into the following year. We therefore have the option of planning for more than one phase of activity. For example, we could carry out a call for proposals focused on some of the priorities recently agreed with HPPB in the Autumn, followed by a second call after the completion of the new Hampshire Skills Strategy in December, with a focus on skills projects. Funding agreed as a result of the first call would need to be capped, to ensure that funds were still available for the second call.

7.2. It is likely that many potential capital projects will have timescales that extend beyond the implementation of devolution or local government reorganisation. Assuming that payments are made to projects against delivery of milestones, including a final payment upon project completion, and that outcomes will be monitored after project completion, then funding agreements will need to be in place for an extended period. The approach to funding agreements and project administration will therefore need to be future-proofed in the context

of devolution and local government reorganisation, and allow for the transfer of responsibility to another authority in due course.

8. Questions for discussion

8.1. At the HPPB meeting on 9 June, we would welcome views from HPPB members on any of the issues set out in this paper, and in particular in response to the following questions:

- 1) Do you agree with the suggested principles set out in part 4?**
- 2) What are your views on the alternative approaches to identifying projects set out in part 6?**
- 3) What are your views on timing, and whether we should be planning for more than one phase of activity (see part 7)?**

9. Next steps

9.1. Taking into account the initial views of HPPB and feedback from the Joint Leaders Board and other stakeholders, we will develop a detailed proposal for how to proceed, for consideration by HPPB at its next meeting on 3 September.

Stephen Martin
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