Cabinet

9 December 2025

Closure of Dorset Local Enterprise Partnership

For Decision

Cabinet Member:
Cllr S Clifford, Finance & Capital Strategy

Local Councillor(s): All Councillors

Senior Leadership Team:
J Britton, Executive Director for Place Services

Report author and job title: Nick Webster – Head of Growth and Regeneration
Email: nicholas.webster@dorsetcouncil.gov.uk

Statutory Authority:

Report status: Public (the exemption paragraph is N/A)

Executive summary

1.1 Government has previously set out its expectation that Local Enterprise Partnerships (LEPs) would receive no further government funding and has provided guidance as to how their remaining functions should be integrated into Local Authorities. Council officers from Dorset Council and Bournemouth, Christchurch and Poole Council (BCP Council) have worked through the detail, implications and necessary actions to support integration of functions where possible from Dorset LEP (DLEP) and the closure of the DLEP.

1.2 This Cabinet report seeks approval for the acceptance of the £4,640,160.17 of funds from the DLEP for the purpose of achieving a benefit to the community in the Dorset Council area, in line with the aims and objectives of the DLEP. This transfer and amount is dependent on approval of the Dorset LEP 2024/25 accounts and the LEP Board approving the transfer of the residual funds to the two councils.

1.3 The Cabinet Member for Finance and Capital Strategy, as the Dorset Council representative on the DLEP Board, will formally resign from the DLEP (as will the BCP Council DLEP Board representative) on successful transfer of these funds to Dorset Council, and the DLEP will formally close.

2. Recommendations
It is recommended that:

(a) Cabinet resolves, in its capacity as a Dorset Local Enterprise Partnership (CIC) company member, to ratify the decision to transfer and accept the following residual DLEP funds to Dorset Council.

   i) £866,951.67 revenue

   ii) £2,498,208.50 capital

   iii) £1,275,000 capital loan repayments due

(b) Agrees that the Council, in its capacity as a DLEP (CIC) company member, and as Accountable Body for the DLEP, to transfer a sum of £4,640,160.18 to BCP Council as their share of the residual DLEP funds.

(c) Agrees that any further accrued interest on the DLEP funds, prior to their transfer, is split equally between Dorset Council and BCP Council.

(d) Agrees to ringfence funds for the benefit of the community and in accordance with the Objects of the DLEP.

(e) Agrees to maintain received funds in an appropriate reserve budget to be allocated subject to the council's financial regulations and in accordance with the received legal advice on compliance with the Community Interest Company Regulations 2025.

(f) Notes the resignation of the Cabinet Member for Finance and Capital Strategy from the DLEP Board and that officers will formally close the DLEP following successful transfer of the above funds and resignation of Board Members.

(g) Delegates authority to the Head of Legal Services to finalise any legal documentation required.

3. Reason for the recommendation(s)

3.1 The acceptance of the revenue and capital funding for community benefits in the Dorset Council area will help deliver the Council Plan and Economic Growth Strategy and wider economic and social objectives.

4. Background

4.1 Dorset Council is a member of the Dorset Local Enterprise Partnership (DLEP), which was set up as Community Interest Company (CIC) to advance economic development across Dorset. BCP Council is also a member. The remaining directors of the CIC are Councillor Millie Earl (Leader of BCP Council) and Councillor Simon Clifford (Portfolio Holder for Finance and Capital Strategy - Dorset Council).

4.2 The Council are the Accountable Body for the Dorset LEP and in this capacity holds the funds of the LEP, an arrangement which was managed by an SLA between Dorset Council and the Dorset LEP.

4.3 The government previously provided DLEP with funding for the purposes of delivering economic growth, job creation, and developing local economies, including support for small businesses, skills infrastructure.

4.4 Government made it clear that it would cease funding for the functions previously delivered by Local Enterprise Partnerships. Government also requested Local Authorities integrate LEP functions into business as usual but did not provide any additional funding to do this (other than for specific projects/programmes). It set out this guidance in August 2023 and then further guidance in December 2023.

4.5 In November 2023 the DLEP and both council's informed government of proposals to cease DLEP activities by end March 2025 and to use the period up to end March 2025 to transition any ongoing activity from the DLEP to the two local authorities.

4.6 The previous DLEP functions have now been incorporated within the local authorities or have ceased operation. Specifically, Dorset Growth Hub (now termed Business Growth Dorset), and Dorset Careers Hub employees were subject to TUPE into Dorset Council as government funding continued. Dorset Council are now the lead contractor for the Dorset Careers Hub and Business Growth Dorset and delivery of both services is undertaken across a pan Dorset geography.

4.7 At the point of informing government of the intent to cease DLEP activities there were approx. 15 DLEP Board directors. As of the date of this Cabinet Report most of the DLEP Board have resigned and the only directors of the CIC are the Leader of BCP Council Councillor Millie Earl and Councillor Simon Clifford, Dorset Council Portfolio Holder for Finance and Capital Strategy. This Cabinet report notes the formal resignation of Councillor Clifford from the DLEP Board once the remaining funds are transferred to Dorset Council and BCP Council and DLEP is closed down.

4.8 Government guidance on the allocation of any remaining LEP funds is clear that these should remain within the public sector. The DLEP Board expressed an expectation that any remaining DLEP funds should be used for economic development purposes.

4.9 To ensure the DLEP closure followed due process, Dorset Council sought external legal advice regarding the allocation of remaining funds. In line with the legal advice below, the transfer of the funds from the DLEP CIC can only be used for community uses in line with the aims and objectives of the DLEP CIC, in what is known as a "community interest test".

4.10 The DLEP Board are required to meet to formally agree the close down of the DLEP accounts and the Community Interest Company accounts, and to approve the transfer of the residual DLEP funds to the two local authorities having regard to the legal advice regarding the "community interest test".

4.11 Insurance will be purchased to cover former officers and Directors of the DLEP against any legacy claims relating to the operation and management of the DLEP under a management liability package. This will be in place for six years.

5. Alternative options considered

5.1 An alternative option would be to not agree to transfer and accept the residual revenue and capital funding from the DLEP. This option has been discounted as receiving the residual funds will enable the Council to utilise them for the benefit for our residents and businesses.

6. Legal considerations

6.1 This report recommends the transfer of the DLEP's remaining assets to Dorset Council and to BCP Council. To ensure that the transfer of these assets complies with the Community Interest Company Regulations 2025 the Council has taken external legal advice, which is summarised in the paragraphs below.

6.2 The Community Interest Company Regulations 2025 ('The Regulations') imposes restrictions on the ability of Dorset LEP, as a CIC company, to transfer assets. The definition of assets includes the funds set out in the report. The Regulations state that the funds can only be transferred to another body with an asset lock or where that organisation is specifically named as a recipient in the Articles of Association. An asset lock is a legal requirement for a Community Interest Company (CIC) that prevents its assets, profits or surplus from being used for private gain.

6.3 Neither Dorset Council or BCP Council, are asset lock bodies, nor are they named as recipients in the DLEP Articles of Association or the Shareholders Agreement. However section 26(2) of the Regulations does permit the transfer of funds, where both Dorset Council and BCP Council can demonstrate that the transfer of the funds will be used for the benefit of the community and that transfer does not conflict with any other restrictions in the Articles. The Articles of Association of the DLEP in clause 3 refers to the Asset Lock and in the opinion of the external legal advice, supports the transfer of the funds based on community interest.

6.4 The directors of the Dorset LEP in approving the transfer of the funds, need to satisfy the 'Community Interest Test'. The Regulations do not specify what constitutes the community interest test, but the external legal advice states a transfer cannot be deemed for the benefit of the community where for example, the activities carried on are only for the benefit of the members of a particular body (for example for the benefit of the directors, employees or services providers) rather that for the benefit of the community.

6.5 The CIC Guidance and Information Pack published by the Office of the Regulator of Community Interest Companies[i] (the "Guidance") also states, that the benefit to the community must be continuing, therefore the external legal advice has suggested that there needs to be a continuing obligation, on Dorset Council and BCP Council, to use the funds in that agreed manner.

6.6 The risk is that there is a lack of definition of 'community interest' in the Regulations, however the external legal advice in conclusion states, that in their view under the Regulations, 'the LEP is able to instruct the Council to make the Proposed Transfer, provided the directors of LEP satisfy themselves that to do so would be for the purposes of achieving a benefit to the community (consistent with the purposes for which the LEP was incorporated) and therefore in its best interest, while ensuring the transfer complies with any other restrictions the Articles may contain'.

6.7 The Articles of Association for the DLEP CIC state that the Objects of the CIC are to: "*carry on activities which benefit the community and in particular (without limitation) to drive economic and employment growth in Dorset, through the support of a strongly performing, productive and sustainable economy, characterised by a greater incidence of higher paid and skilled jobs, in a manner that, in so far as possible, harnesses and protects Dorset's unique environmental assets*."

6.8 As a consequence of the Regulation interpretation outlined above in paragraph 6.6, it is considered that any activity Dorset Council or BCP Council undertake utilising residual DLEP funds would need to comply with the Objects of the DLEP CIC as set out in paragraph 6.7.

6.9 Where a transfer of the funds is not conducted for community benefit purposes the Regulator may initiate civil proceeding on behalf of the CIC company, wind up the company, remove and appoint directors, freeze company assets, carry out investigations similar to the Secretary of State under the Companies Act 2006, undertake a derivative action on behalf of the company against the directors where a criminal offence is discovered, directors of the CIC may also be in breach of their duties under the Company Act 2006.

6.10 Based on the external legal advice, it is considered that any successful challenge by the Regulator is a low risk.

6.11 Provided the Directors follow the external legal advice for the transfer of funds it is considered unlikely there will be a successful claim for personal liability against a director as outlined in 6.9 of this report. The Council's insurance manager is liaising with BCP Council officers in relation to Directors and Officers cover and respective insurance brokers to provide appropriate insurance cover against personal liability claims.

7. Financial implications

7.1 The total funds remaining within the DLEP account amounts to £7,061,939.27 as of the date of this report, and a further £2,550,000 remains as an outstanding loan repayment. In addition, Dorset Council holds a DLEP revenue reserve of £55,218.00 to cover costs, which will be included in the amount to share equally between Dorset Council and BCP Council.

7.2 An amount of £386,836.92 was committed by the DLEP Board at its last Board meeting on 27th March 2025 to fund some legacy activity, and cover some ongoing operational and management liabilities, for example a proportion of redundancy payments to staff TUPE'd into Dorset Council.

7.3 Consequently at total of £9,280,320.35 remains to be transferred to Dorset Council and BCP Council on an equal percentage basis, fifty percent of the residual funds each. Dorset Council will receive £4,640,160.17 in transferred DLP funds.

7.4 Dorset Council will immediately receive £3,365,160.17 consisting of £866,951.67 of revenue funding and £2,498,208.50 of capital funding.

7.5 DLEP were responsible for the dissemination of a variety of government funding, one fund – Growing Places Fund – was administered as a series of loans to businesses and public bodies. As of the date of this report there is still one outstanding loan which will continue to be administered by Dorset Council until it is repaid in full in January 2027.

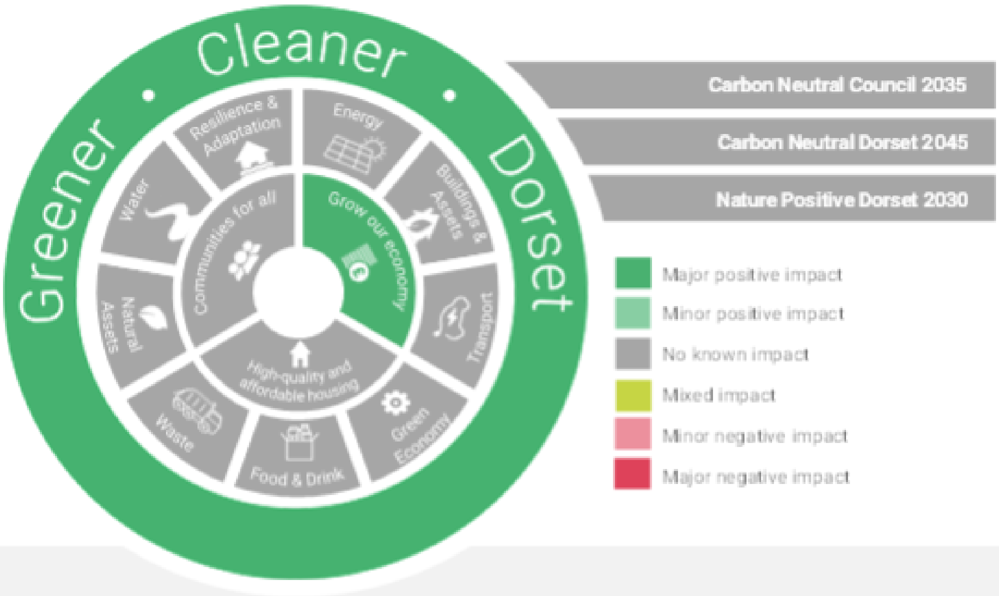
7.6 The repayments will be split evenly between Dorset Council and BCP Council on receipt and in total the council will receive £1,275,000 of capital funds, this is in addition to the amount specified in paragraph 7.4 above. The Council will charge £1k in total for the administration of the loan which will be documented in a Service Level Agreement (SLA) with BCP Council.

7.7 As set out in the Legal implications above, the funds transferred from the DLEP to Dorset Council and BCP Council must be spent on activity ‘consistent with the purposes for which the LEP was incorporated’ in order to comply with the CIC asset transfer legislation.

7.8 A ringfenced reserve can be set up in order to accommodate the funds until the appropriate expenditure scheme is identified.

8. **Natural environment, climate & ecology implications**

8.1 Climate Change Wheel



Quantitative Impact on CEE targets (if known)

	Unit	Number of units (+/-)
2030 - Natural asset extent & condition	Ha	Unknown
2035 - Operational Emissions	CO_2 (tonnes)	Unknown
2045 - County Emissions	CO_2 (tonnes)	Unknown

There are no recommendations resulting from this Climate Change Wheel.

9. **Well-being and health implications**

9.1 Economic development projects have the potential to have a significant positive impact on the health and well-being of Dorset residents through the encouragement of new and better paid jobs, improvements in skills provision and facilities, or the advancement of infrastructure of other projects leading to private sector investment.

9.2 Economic Development projects could include seeking to address exclusion from the labour market - including those with health conditions and/or caring responsibilities or lower skill levels, young people (and NEETs) without essential skills and people trapped in insecure and poor-quality jobs.

9.3 Data from the Health Foundation, which is an independent charitable organisation working to build a healthier UK, shows that unemployed individuals are nearly six times more likely to report poor health than employees, with only 29% of unemployed people reporting their health as either very good or excellent.

10. **Other implications**

10.1 N/A

11. Risk implications

11.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: Low

Residual Risk: Low

There is a lack of definition of 'community interest' in the Regulations, however the External Legal advice in conclusion states, that in their view under the Regulations the LEP is able to instruct the Council to make the Proposed Transfer, provided the directors of LEP satisfy themselves that to do so would be for the purposes of achieving a benefit to the community (consistent with the purposes for which the LEP was incorporated) and therefore in its best interest, while ensuring the transfer complies with any other restrictions the Articles may contain.

Based on the external Legal Advice, Legal considers, provided, all the other requirements of the Regulations are observed, any successful challenge by the Regulator is low risk. The Council's insurance manager is arranging appropriate Directors and Officers insurance cover to mitigate against this residual risk.

12. Equalities

12.1 This decision does not impact on any protected characteristics and relates to financial and governance decisions regarding the closure of the DLEP. There are no staff remaining in the DLEP. Consequently this decision does not require an equalities impact assessment. If the Council chooses to use the received funding from the DLEP an equalities impact assessment might be required at the time any decision is made regarding the allocation of funds.

13. Appendices

13.1 N/A

14. Background papers

14.1 Dorset Local Enterprise Partnership Articles of Association - Articles of Association

7 Report sign-off

11.1 This report has been through the internal report clearance process and has been signed off by the Director for Legal and Democratic (Monitoring Officer), the Executive Director for Corporate Development (Section 151 Officer) and the appropriate Portfolio Holder(s)