



**MEETING OF LIVERPOOL CITY REGION  
LOCAL ENTERPRISE PARTNERSHIP  
BOARD**

**AGENDA**

**DATE:** Thursday, 30th November, 2017

**TIME:** 8.30 am

**VENUE:** The Blue House, Cammell Laird, Campbeltown Road, Birkenhead, CH41 9BP

**LIVERPOOL CITY REGION  
LOCAL ENTERPRISE PARTNERSHIP  
BOARD**

**AGENDA**

Welcome From John Syvret CBE, Chief Executive Officer, Cammell Laird Group

**1. INTERNATIONAL BUSINESS FESTIVAL (PR)**

Update on preparations and progress for 2018.

**2. DECLARATIONS OF INTEREST**

Board members to declare any interests in items under consideration.

**3. MINUTES OF THE PREVIOUS MEETING (P)**

The minutes to be agreed and actions ratified from the meeting held on 5 October 2017.

(Pages 1 - 8)

**4. GOVERNANCE AND TRANSPARENCY**

**(a) NEY REVIEW (P)**

(Pages 9 - 30)

**(b) ANNUAL CONVERSATION (P)**

(Pages 31 - 34)

**(c) BOARD/SUB BOARD STRUCTURE & COMPOSITION (PR)**

**5. LOCAL GROWTH DEAL IMPLEMENTATION - MAJOR TRANSPORT SCHEMES (P)**

(Pages 35 - 38)

**6. SKILLS UPDATE (V)**

**7. LOCAL INDUSTRIAL STRATEGY (V)**

Developing our Industrial Strategy for the Liverpool City Region.

**8. CHAIR'S UPDATE (V)**

**9. ANY OTHER BUSINESS**

Key - (V) – Discussion/verbal update no paper  
(Pr) – Presentation  
(P) – Paper

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# Agenda Item 3

## LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

At a meeting of the Liverpool City Region Local Enterprise Partnership held at the NGF Europe Ltd, Lea Green Road, St Helens, WA9 4PR on Thursday, 5th October, 2017 the following Members were

### PRESENT:

Asif Hamid MBE (Chair)  
Mayor Joe Anderson OBE  
Chris Bliss  
Kath Boullen MBE  
Paul Corcoran  
Councillor Phil Davies  
Dr Jonathan Hague  
Mike Houghton  
Councillor A Moorhead  
Councillor R Polhill  
John Syvret CBE  
Neil Sturme  
Professor Nigel Weatherill  
Angela White OBE  
Mark Whitworth

### APOLOGIES

Professor Janet Beer  
Dr Laura O'Brien  
Councillor B Grunewald  
Amanda Lyne  
Councillor Ian Maher  
Metro Mayor S Rotheram

### IN ATTENDANCE:

Frank Rogers	LCR Combined Authority
Sue Jarvis	LCR Combined Authority
Mike Palin	St Helens MBC
Tony Wade	LCR LEP
Trudy Bedford	Knowsley MBC

### 277. WELCOME AND INTRODUCTIONS FOR NEW MEMBERS

Prior to the start of the meeting, as the host organisation, David Farmer, Financial Director, NGF Europe Ltd, gave a verbal presentation which set out the following:-

- Explained how NGF Europe Ltd was a subsidiary member of NSG Group which was the World's leading manufacturer of glass products for buildings, automotive and information electronic applications.
- The organisation designed and produced the NGF Cord which was used for belts in a number of products, but predominately the synchronous drive belt (timing belt) for the automobile industry. The company had also recently developed the production of high tensile strength glass cord technology.
- NGF Europe Ltd had bases in Japan, China, Canada and Poland and employed around 240 employees on the St Helens base. The company also

held the Queens Award for Enterprise and International Trade which was awarded in 2001.

Mike Palin, Chief Executive – St Helens Council, reported that there had been significant investment in St Helens and there had also been a significant number of enquiries from businesses who had recognised the proximity to the M6 corridor and wished to establish themselves in St Helens. It was also reported that the town centre would shortly be undergoing significant regeneration and a key issue in supporting this development was securing transport investment, particularly in relation to Junction 23.

The Chair thanked David Farmer for the presentation and hospitality provided.

It was AGREED that an update report be presented to a future meeting relating to the development of Junction 23 and how through the creation of this Junction it would support growth across the City Region.

As there were a number of new Members of the Board in attendance the Chair asked Board Members to introduce themselves.

Chris Bliss, Champion for the Visitor Economy Board, reported that he had recently changed roles and as consequence he had stood down from the Visitor Economy Board. As a result this would be his last LEP Board meeting.

## **278. DECLARATIONS OF INTEREST**

The Chairman highlighted their importance and sought any declarations of interest which were submitted as follows:-

<b>Member</b>	<b>Minute No.(s)</b>	<b>Nature and Extent of Interest</b>
Chris Bliss	288	Clients had significant concerns over 'The Strand' works.

## **279. LIVERPOOL AIRPORT STRATEGIC PLAN (PR)**

This item was deferred to a future meeting.

## **280. MINUTES OF THE PREVIOUS MEETING (P)**

The minutes of the meeting of the Board held on 17<sup>th</sup> August 2017 were received as a correct record and signed by the Chair.

Minute 272 – Board Composition – it was reported that the Chair for the Skills Commission would shortly be appointed. When in position this individual would be approached to be the Skills representative on the LEP Board. Furthermore, a briefing would be arranged for all newly appointed Members of the Board supported by a basic guide which would explain abbreviations used at Board meetings.

Minute 271 (b) – Business and Brexit Portfolio - the Chair reported that an update would be provided at the next meeting which would provide feedback on the first Brexit meeting.

Minute 274 – Internationalisation Strategy Update – the Chair informed Board Members that they would be welcome to participate in the Internationalisation

Strategy Working Group. Accordingly John Syvret OBE, Dr Jonathan Hague and Councillor Phil Davies were nominated to the membership of the Working Group.

Minute 276 – Any Other Business – it was disappointing to learn that Liverpool City Council's Commonwealth Games bid had been unsuccessful, particularly as it had been an excellent team effort from both private and public bodies. It was reported that the proposed developments that formed part of the Commonwealth Games bid would still be built.

## **281. WRITTEN PROCEDURE FROM THE LAST MEETING (V)**

Tony Wade reported that the LEP Constitution had been updated, this written procedure for the LCR Local Enterprise Board had previously been circulated via email to Board Members. In part this was a consequence of the change in the Board's composition and the constitution had been redrafted to reflect this. The LEP Assurance Framework was being amended to reflect the changes to the constitution and the Framework, once re-drafted, this would be shared with the CA Treasurer for sign-off before submission to government, via CLoG, for their consideration.

It was further reported that at times decisions maybe required in-between scheduled Board meetings. In such instances Board Members would be contacted via email and their agreement sought on a decision. The Board was re-assured that should this happen the outcome would then be formally recorded at the next available meeting of this Board.

It was AGREED that the updated Constitution for the LCR Local Enterprise Partnership Board be endorsed.

## **282. OPTIONS FOR THE COMMISSIONING OF THE ESIF RESPONSIVE SKILLS FUND (P)**

The Board considered a report from Sue Jarvis, LCR Combined Authority, which provided an outline of the development of the Responsive Skills Fund and the options for its replacement. The Board was also provided with an update on Learndirect being awarded the City Region contract for the £6m procurement specification which was to be developed in line with the terms of the Skills for Growth Service Delivery. Upon being informed that the City Region would be enforcing the requirement to collect a cash co-investment, Learndirect had chosen to withdraw from the contract as a result of this requirement.

It was reported that this funding had not been lost to the City Region and the Skills for Growth Service could make grants for training through to March 2018 and the training had to be completed by June 2018. The feedback received from businesses is that they value the independent and impartial advice from the independent Skills Broker and the Business Growth Hub. Therefore it was recognised that a flexible and responsive fund to support businesses with their skills needs was required.

As a consequence of Learndirect withdrawing from the process, the fund had to be re-invested and the Education and Skills Funding Agency had proposed two options for this to take place. Option One was for the City Region to procure additional skills support for employers through to March 2019, however the City Region would be unable to participate in the evaluation process. Option Two would be the use of an open call process, there were some match funding implications associated with this option and there was also the possibility to combine the employer's cash co

investment of around 28% with other funds to generate the level of match funding required.

In considering the report, the Board highlighted the following issues:-

- The Chair reflected upon the removal of Learndirect's contract and the instability this had created for local businesses.
- Councillor P Davies sought clarity on how the Skills Strategy would provide a clear plan to address the skills gap as it was widely recognised that this remained a significant issue for the City Region. Furthermore, he emphasised the importance of ensuring that a clear Strategy was developed, identifying the skills which would be targeted and how the skills gap would be reduced across the City Region.
- Mayor J Anderson OBE highlighted the importance of ensuring the Skills Fund was responsive to local demands. He provided an example of Her Majesty's Revenue and Customs who were creating an additional 300 jobs within the City Centre but were experiencing difficulty in recruiting people with the requisite skills. A responsive fund would support employers in these circumstances and would also enable them to invest in their staffing cohort to allow them to progress.
- The Board was informed that Blackburne House was one such organisation who had had seen a significant reduction in their funding to deliver community learning. Clarity was sought on whether there were opportunities for the Skills Fund to be directed towards organisations such as Blackburne House to support them in the provision of skills training.
- It was recognised that the provision of skills training was incredibly complex and a route map similar to a tube map would best illustrate how provision could be accessed and where the gaps in training were. In supporting the development of the tube map it would be prudent to engage businesses in the process. To initiate this, it was agreed that Sue Jarvis would meet with Paul Corcoran, Jon Hague and Mike Houghton.

It was AGREED that Option Two – Open Call be the model for delivery of the ESIF Responsive Fund.

### **283. EMPLOYER SKILLS SURVEY (PR)**

The Board received a presentation from Sue Jarvis, LCR Combined Authority, which provided the initial findings of the Employer Skills Survey. The presentation highlighted the following:-

- Reported that Wavehill had conducted the survey on behalf of the City Region. The survey set out the context of the City Region labour market which highlighted that there had been significant growth in the jobs market recently and that the types of jobs available across the City Region had become highly skilled over the past 10 years.
- Provided the context for the establishment of the Employer Skills Survey which was the largest and most comprehensive sub-regional skills survey undertaken to date. The outcomes of the survey would be used to inform devolution of the Adult Education Budget.
- Reported that the employers who had responded to the survey ranged in size, sector and type and came from across the City Region.

- Summarised the emerging messages from the survey, which identified that recruiting applicants with technical skills presented a significant challenge for employers, 13% reported that retaining staff was difficult and employers were reporting a larger workforce skills gap.
- Highlighted how health and social work was the largest single employment sector in the City Region and that the Information Technology sector had the highest levels of technical skills gap.
- Outlined the next steps, which included the establishment of focus groups and business panels to undertake a detailed analysis of the data and qualitative feedback, including sectoral and geographic analysis with the findings informing the Skills Investment Statement and the Skills Strategy.

In response to the presentation, Board Members raised the following:-

- The Chairperson referred to the emerging themes identified within the presentation, in particular questioning the statistic relating to the preparedness for work and from his experience this statistic should be significantly higher.
- Board Members sought clarity on the organisations who had participated in the survey and how the responses would be measured and requested that the survey and details of the companies who responded be provided.
- In response, to this question the Board was informed that a standard questionnaire had been issued and the analysis of the responses received had been undertaken independently by Wavehill.
- Paul Corcoran informed the Board that the Digital and Creative Board had recently received this presentation. He highlighted that the findings of the survey had not highlighted anything new to the business community and sought clarity on how the business community would utilise this information to inform their growth plans.
- Jon Syvret OBE explained the challenges Cammell Lairds experienced in recruiting appropriately skilled personnel and how if appropriate skills training was not available then this would result in industries no longer being viable in this Country.
- Angela White OBE highlighted the important work organisations such as Blackburne House provided to the community by engaging with those hardest to reach and providing opportunities to develop softer skills.
- Dr Jonathan Hague requested that the Innovation Board be sighted on the Employer Skills Survey as there was evidence to indicate that graduates and post-graduates did not necessarily have the appropriate skills for the working environment. The Board agreed that all sub-boards should have greater visibility and their Chairs should ensure they interact with each other to pick up common themes.
- Kath Boullen MBE welcomed the opportunity to discuss the findings of the Employer Skills Survey and how by examining the findings this would support the development of the Skills Strategy.
- Mayor Joe Anderson OBE highlighted the importance of the early identification of growth sectors in the City Region and ensuring the Skills Strategy provided the catalysts for this investment.
- Councillor A Moorhead reported that when businesses were looking to locate to Knowsley they were being asked to explain what their growth plans were and how this could benefit the community.

- Employers should be encouraged to provide skills training to employees to encourage growth and avoid stagnation in the workplace.
- It was recognised that the creation of a Skills Strategy for the City Region was a complex process and it was imperative that Strategy identified the long term career opportunities.

Sue Jarvis thanked Board Members for the informative debate and recognised the importance of ensuring the Skills Strategy identified the required skills to deliver economic growth across the City Region.

In conclusion, Asif Hamid MBE, Chairperson of the LEP, emphasised the importance of building a successful relationship with the Skills Commission as this would be the conduit for the implementation of the Skills Strategy.

It was AGREED that:-

- (i) a copy of the survey and details of those companies who responded be provided to Board Members;
- (ii) the LCR Combined Authority be informed of the discussions raised during the course of this presentation; and
- (iii) that the presentation be noted.

#### **284. VACCINES DEVELOPMENT AND MANUFACTURING CENTRE CALL (P)**

The Board considered a report which summarised the opportunity to develop a bid for the new £66m National Vaccines Development and Manufacturing Centre to be based in the City Region. It was reported that the timescales for the completion of the bid was short and it would require private sector sponsorship. Competition would be strong and it was expected that Oxford would present a strong case, however it was recognised that the City Region did have some key expertise in this field, such as the Liverpool School of Tropical Medicine which was one of the key strength for the City Region.

In conclusion, it was emphasised that if a bid was submitted it would have to be ambitious to avoid any reputational damage to the City Region.

In considering the submission of a bid the Board highlighted the following:-

- Bids for the Centre were being developed separately by Siemens and Unilever. It was recognised that this had presented a missed opportunity to develop a City Region bid.
- Explore the viability of developing a bid with Seqirus, the Bill Gates Foundation and the Knowledge Quarter.

It was AGREED that the LEP Executive and its partners develop a bid for the Vaccines Development and Manufacturing Centre to be based in the City Region and explore whether a submission to Government was possible.

## **285. LEP SUB BOARDS: STRUCTURE, PURPOSE AND PEOPLE (PR)**

Given the time constraints it was AGREED that the presentation be circulated to Board Members as this was to provide information rather than to seek approval or comment.

## **286. INNOVATION: UPDATE ON PROGRESS AND OPPORTUNITIES (PR)**

The Board considered a presentation from Dr Jonathan Hague, Chair of the Innovation Board, which:-

- Highlighted that science and innovation equated to a £6billion economy and it was one which was constantly evolving;
- Reported that the Board had been established in March 2015 and had supported 12 starting projects;
- Outlined the projects which were seeking to make an impact, which included SensorCity, Materials Innovation Factory, Health Enterprise Hub and LCR Activate which was a unique global project.
- Summarised how the Board had renewed its focus on the Science Innovation Audit (SIA) and included projects such as the National Packaging Centre, Biofilms Knowledge and Innovation Centre, Deep Change, CEIDER + and MIF Nexus;
- Reported that the Board membership had been reshaped and had a broader private sector focus with all Board Members having an extensive calibre of skills to support the work of the Board; and
- Outlined the next steps for the Board, which included ensuring the SIA projects could be commissioned and invested in, supporting the development of the LCR Fibre spine loop and the Skills for Innovation – STEM in schools.

During its consideration of the presentation, the following comments were made by Board Members:-

- The Chairperson reported that he had recently met with Rt Hon Greg Clarke who had been extremely complementary of the LCR 4.0 Strategy and was a key feature of the Government's Industrial Strategy White Paper. He recognised that the Board was delivering some innovative projects and wished to place on record his appreciation for the time and effort dedicated to the work of the Board.
- It was recognised that the work of the Innovation Board would encourage high quality individuals to locate to the City Region and create high value jobs.
- The Skills Strategy had to make a clear connection to the opportunities available within the remit of the Innovation Board.
- The presentation had demonstrated the importance of all the Boards within the LEPs structure to be sharing their activities as there were many synergies between board priorities.
- A broader City Region Communication Strategy was required to ensure that residents understood what projects were being developed across the City Region and the opportunities they presented.

It was AGREED that the presentation and comments raised be noted.

## **287. LGF TRANSPORT SCHEMES**

Due to the limited time available, the Board noted the report but were unable to discuss it and as such did not endorse the TAG recommendation to the Combined Authority to approve the Full Business Case for the Liverpool City Centre Connectivity Scheme.

It should be noted that Chris Bliss had absented himself from the meeting prior to this item in which he declared an interest. He did not return to the meeting.

## **288. LOCAL GROWTH DEAL IMPLEMENTATION MAJOR TRANSPORT SCHEMES (P)**

Frank Rogers reported that earlier in the week the Chancellor of the Exchequer had announced that an additional £300m funding was being provided to future-proof the railway network in the north and ensure HS2 infrastructure can link up with future rail projects. The significance to LCR of the announcement may not have registered and Frank Rogers was keen to make sure that the LEP Board understood this. The funding was for the development and delivery of passive provision for junctions on HS2 network to accommodate any future Northern Powerhouse Rail (NPR) services. Furthermore, this announcement would future proof HS2 and would make it easier and less disruptive to build NPR in the future and would deliver faster services between Liverpool and Manchester in the future.

For LCR, this enables faster services between Liverpool and Manchester and ensures that a connection from the HS2 main line into Liverpool can be achieved if funding is made available. This would significantly improve connectivity between Liverpool and London and could also release capacity to enable improved freight and local passenger connections. Without the passive provision this would not be achievable.

It was AGREED that the update be noted.

## **289. CHAIR'S VERBAL REPORT**

The Chair reported that a short glossary of terms would be provided to all Board Members explaining the role of the various Boards and bodies outside of the LEP.

## **290. ANY OTHER BUSINESS**

Mike Houghton reported that Siemens and Alstom were in the early stages of developing a partnership, which was currently at the regulatory compliance stage. It was emphasised that should the partnership be achieved this would be significant news for the building of trains for HS2 in the City Region.

Minutes 277 to 290 received as a correct record on the 30 day of November 2017.

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Chair of the Board

(The meeting closed at 11.12 am)



## Ney Review

LEP Board Meeting 30 November 2017

Author:  
Tony Wade  
LCR LEP

## **1. Purpose of Report**

- 1.1. This report advises the LEP Board on the recommendations of the recently published review by Mary Ney on governance and transparency of LEPs and the actions resulting.

## **2. Recommendations**

The Board is asked to note the recommendations of the Ney Review (Annex A) and the LCR LEP's actions.

## **3. Executive Summary**

- 3.1. The Government has responded to concerns regarding governance and transparency in LEPs by commissioning a review. This is alongside a Ministerial review of LEPs which seeks to identify how their role can be strengthened to assist in delivering the Industrial Strategy. Taken together this can be seen as a positive move to ensure LEPs are fit for purpose in delivering a key initiative of Government.
- 3.2. The LCR LEP is in a minority of LEPs who operate in the context of Mayoral Combined Authority (MCA). This does not change expectations of it to achieve good governance and transparency but introduces additional context that needs to be reflected in how it explains its governance model.
- 3.3. The review identifies the role and relationship of the Section 151 Officer as being important to providing assurance to Government. The LEP has enjoyed a close relationship with the senior executive teams of the MCA, the constituent LAs and the Head of Paid Service for the MCA is a standing attendee at LEP Board meetings. The co-location of the LEP Executive with the MCA Executive strengthens the relationship further.
- 3.4. The LCR LEP, together with the MCA are in a good position to demonstrate to Government that local governance and transparency are in place and effective.

## **4. Background**

- 4.1. The developing role of LEPs has led to government reviewing the arrangements it expects to see in place within the LEP and in its accountable body. The National LEP Assurance Framework sets out these arrangements and is one element of the wider assurance system, which also comprises LEP reporting to government on agreed outputs, evaluation frameworks and annual performance conversations.
- 4.2. The National Assurance Framework sets out what government expects LEPs to cover in their local assurance frameworks and was last revised in November 2016 to ensure greater transparency on how public money is spent. LEPs reviewed their arrangements and published their own local assurance framework on their websites by 28 February 2017. The Section 151 officer (John Fogarty, CA Treasurer) certified to the DCLG Accounting Officer that a framework had been agreed and was being implemented to these new standards.
- 4.3. Following concerns raised about the governance and transparency arrangements of some LEPs, the Public Affairs Committee also looked at the role of LEPs in July 2016 and reported that DCLG 'should enforce the existing standards of transparency, governance and scrutiny before allocating funding. LEPs themselves also need to be more transparent to the public by, for example, publishing financial information'.

- 4.4. In response, the government put in place an internal review of LEP governance and transparency conducted by a Non-Executive Director from the DCLG board with the following terms of reference:

‘To review whether the current systems provide sufficient assurance to the Accounting Officer and Ministers that LEPs fully implement existing requirements for appropriate governance and transparency; to consider whether the current requirements for LEPs are sufficient; and to make recommendations for improvements.’

- 4.5. The review was concluded in September 2017 and published on 26 October 2017, the report is attached at Appendix A. The review did not investigate any specific allegations which are being pursued separately by the National Audit Office. The timescales for the review meant it was not able to look in detail at every LEP and accountable body, to identify how arrangements are implemented in practice as part of normal business. As such the findings and recommendations are generic and need to be considered by each LEP. However, they provide the minimum standards to be achieved and the adoption of best practice.

## **5. The ‘Ney Review’ Scope and Findings**

- 5.1. The review considered seven areas of LEP Governance as follows;

- a. Culture and Accountability;
- b. Structure and Decision-Making;
- c. Conflicts of Interest;
- d. Complaints;
- e. Section 151 Officer; and
- f. Transparency.

It also considered Government oversight and enforcement as well as looking for examples of best practice and how to adopt this across all LEPs.

- 5.2. Recommendations were made against each of these aspects of governance although the review found widespread support and consensus among LEPs that there was shared desire to ensure that LEPs provided the highest standards of stewardship of public money. The need for collective effort was also recognised so as to avoid reputational damage from any inconsistencies in governance arrangements and transparency. Private sector board members who had been consulted in the review recognised the risk to their personal reputations and that of their companies should they be associated with weak practice in governance and transparency.
- 5.3. The review recognised that improvement in governance needed to be proportionate as LEP board members are generally not remunerated and their contributions should be seen as a public service contribution. It is important that this ethos is supported particularly as the role and expectations of time commitment have increased as the workload of LEPs has developed.
- 5.4. As stated earlier, the findings and recommendations are generic and made in the knowledge that some LEPs already have robust governance arrangements and where this is not the case that clarity on the requirements in the National Assurance Framework would assist in raising standards and consistency of stewardship across the sector. As such there needs to be focus on the effectiveness of implementation. Increased clarity by Government alongside increasing the sharing of best practice, peer challenge and support across the sector will improve this.

## **6. Implementation of the Recommendations**

- 6.1. Government accepted all of the recommendations and has tasked DCLG and BEIS, through CLoG, to work with LEPs to implement these. CLoG has already engaged with LEPs through a network event on 10 November, convened by the LEP Network. This reviewed the recommendations and looked at where their implementation would benefit from further guidance. Together with other sources of feedback this will be consolidated into a single 'best practice' advice document to be published on 28 November at the LEP CEO network meeting.
- 6.2. The forthcoming Annual Conversation, covered elsewhere on the agenda, will present an early opportunity for individual LEPs and CLoG to confirm whether they will be compliant by the next Assurance Framework confirmation date of 28 February 2018 with existing guidelines and progress towards achieving best practice. Guidance for a revised Assurance Framework is anticipated to be published in April next year.
- 6.3. The review referenced the need for support to LEPs and also that detailed reviews of individual LEPs had not taken place. The Government is forming a National Oversight team as an extra support for LEPs and the LEP Network. It will also perform 'deep dives' on LEPs, particularly where there are concerns about compliance. The team will commence its work in December to coincide with the Annual Conversation process.
- 6.4. As well as commissioning the Ney Review the Government announced it was to review the work of all 38 LEPs across the country during the summer, Jake Berry, Minister for Local Growth at the Department of Communities & Local Government described LEPs as an essential part of Government's plan for driving local growth and the Industrial Strategy. He stated that "This review reflects our ambition to strengthen the role of LEPs during this Parliament. It is testament to our belief in your institutions and the tangible difference that you have been making on the ground. LEPs will continue to be critical to our future economic success."
- 6.5. This ministerial review will be completed in Spring 2018 and there is a series of regional roundtable events to discuss this review and provide feedback. The Northern Powerhouse LEPs are meeting on 7 December and the event will also consider the forthcoming White Paper on Industrial Strategy.

## **7. LCR LEP actions**

- 7.1. The LEP already has a compliant Assurance Framework and is now revising this in line with the requirements of the Ney Review and ahead of the best practice guidance. CLoG have made it clear that they do not expect LEPs to replace existing policies with any template versions they provide but ensure that the existing ones achieve the same standards. Any changes to policies will be presented to the LEP Board for ratification before incorporating them into a revised Assurance Framework for sign-off by the Section 151 Officer, this must be before 28 February 2018.
- 7.2. The LCR LEP operates within the context of a Mayoral Combined Authority which has a Single Pot as part of its Devolution Deal and which is subject to a separate Assurance Framework. As a consequence, the governance map for LCR may be much more complex and harder to understand than in other areas. Transparency, clarity and ease of understanding are therefore essential characteristics not only of the LCR LEP Assurance Framework but also the SIF Assurance Framework. Synergy is not limited to this and there is other complementary material that each website should include as well as using shared or common data. The Ney Review identifies financial reporting and performance as areas of improvement across all LEPs.

- 7.3. The Ney Review may focus on LEPs but to achieve best practice the LEP and MCA need to work together closely to ensure consistency in narrative across the LEP, CA and other constituent bodies. This would extend to performance reporting, disclosure of grant recipients and beneficiaries of Local Growth Funds.
- 7.4. Coupled with this is the recent change in sign-off of LGF data returns to Government which highlights the need to review the reporting framework to ensure that the LEP Board receive an appropriate briefing to both explain performance at an appropriate level of detail and provide assurance that performance is being monitored and reviewed. The source of this data is from the MCA.

## **8. Conclusions**

- 8.1. The publication of the Ney Review and the upcoming Annual Conversation are clearly timed to act together to emphasise the importance of good governance and transparency. Many of the recommendations provide a checklist of actions that are easy enough to achieve.
- 8.2. However, it will not be enough to draft a compliant Assurance Frameworks with all of the necessary policies, LEPs will need to evidence and demonstrate how they behave to satisfy the demands of good governance. In this regard, the Chair and MD will need to provide a written assurance.
- 8.3. Confirmation that LEPs are compliant and following best practice will need to be more explicit and more overt and the S151 officer will have an important role to play in confirming this alongside the LEP Chair and CEO (or equivalent).

Review of Local Enterprise Partnership Governance and Transparency  
Led by MARY NEY, Non-Executive Director, DCLG Board



Department for  
Communities and  
Local Government

# Review of Local Enterprise Partnership Governance and Transparency

Led by MARY NEY, Non-Executive Director, DCLG Board

September 2017

Mary Ney

Department for Communities and Local Government

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# REVIEW OF LOCAL ENTERPRISE PARTNERSHIP GOVERNANCE AND TRANSPARENCY

## 1. Introduction to Local Enterprise Partnerships

- 1.1 Local Enterprise Partnerships (LEPs) were established as locally-derived business-led partnerships between the private and public sector that would drive local economic growth. There are now 38 LEPs and their role has developed considerably since 2010. They now have responsibility for around £12billion of public funding and are the mechanism for channelling the Local Growth Fund to localities. Each LEP has the flexibility to determine the details of its governance and accountability arrangements and there are a variety of models including those that have remained as partnerships, local authority Section 101 committees, community interest companies and companies limited by guarantee. Public funding for LEPs is directed via a local authority in the area of the LEP, which is appointed to undertake the accountable body role. The government also appoints Relationship Managers – regionally based civil servants who provide LEPs with day to day advice and support, and are the main channel of engagement between the LEPs and central government.
- 1.2 Each year the Department conducts a performance review (known as an Annual Conversation) with each LEP to review their progress on Growth Deal delivery over the past 12 months. The Annual Conversation also considers a range of issues, including governance and transparency. This leads to an agreed set of actions and next steps, if there are any issues to be addressed either by the LEP or by central government.
- 1.3 As the role of LEPs has developed, the government has reviewed the statement of arrangements it expects to see in place within the LEP and for the accountable body role. This is set out in the National LEP Assurance Framework and is one element of the wider assurance system, which also comprises LEP reporting to government on agreed outputs, evaluation frameworks and annual performance conversations. The National Assurance Framework sets out what government expects LEPs to cover in their local assurance frameworks. The last revision of the National Assurance Framework was issued in November 2016 in order to strengthen the rules which LEPs must follow to ensure greater transparency on how public money is spent. It required LEPs to review their arrangements and publish their own local assurance framework on their websites by 28 February 2017. It also required Section 151 officers to certify that a framework had been agreed and was being implemented to these new standards by writing to the DCLG Accounting Officer. At that deadline, DCLG found that not all LEPs were fully compliant, for instance not all documents were available on websites. However, all LEPs have now published their local assurance frameworks on their websites and Section 151 officers have certified compliance.

1.4 Following concerns raised about the governance and transparency arrangements of some LEPs, the Public Affairs Committee also looked at the role of LEPs in July 2016 and reported that DCLG '[...] should enforce the existing standards of transparency, governance and scrutiny before allocating funding. LEPs themselves also need to be more transparent to the public by, for example, publishing financial information'. The government has now put in place this internal review of LEP governance and transparency conducted by a Non-Executive Director from the DCLG board with the following terms of reference:

'To review whether the current systems provide sufficient assurance to the Accounting Officer and Ministers that LEPs fully implement existing requirements for appropriate governance and transparency; to consider whether the current requirements for LEPs are sufficient; and to make recommendations for improvements.'

It should be noted that this review has not investigated any specific allegations which are being pursued separately by the National Audit Office. In addition, in the time available, it has not been able to look in detail at every LEP and accountable body, to identify how arrangements are implemented in practice as part of normal business. The approach to the review is set out in paragraph 2.

## 2. Approach to the Review

2.1 The review commenced on 28 April 2017 and was required to be completed in a six week period. The approach has been to review key documents, view a sample of LEP websites and engage with a variety of stakeholders from the LEP sector in order to obtain an overview of both issues and practice. The focus has been on governance and transparency and not on other aspects of the assurance system such as those dealing with effectiveness or value for money. Whilst, in the time available, it has not been possible to undertake a deep dive into the practice of every LEP and accountable body, it is considered that sufficient information and views have been gathered to enable recommendations to be made to improve assurance.

2.2 Attached at Appendix A is the list of documents reviewed. In addition, a number of discussions have been held:

- Meeting with a Group of LEPs CEOs;
- Telephone conversations with seven LEP Chairs;
- Meeting with a Group of Section 151 officers;
- Telephone conversations with four council leaders/elected Mayors who sit on LEP boards;
- Follow-up meeting with a Group of CEOs of LEPs to test out findings.

Meetings were also held with:

- British Chamber of Commerce
- LEP Network
- Chartered Institute of Public Finance
- National Audit Office.

### 3. Overview of Findings

- 3.1 All those who contributed welcomed the review and expressed a shared desire to ensure that LEPs provided the highest standards of stewardship of public money. There was a widespread view that the sector should work collectively and avoid reputational damage from any inconsistencies in governance arrangements and transparency. In addition, some private sector board members were concerned that their association with weak practice in governance and transparency would have potential reputational implications for their companies. LEP board members are generally not remunerated albeit the role and expectations of time commitment have increased as the workload of LEPs has developed. A number of private sector participants in this review referred to the ethos of making a public service contribution. It is important that this ethos is supported and that proposals to achieve good governance are proportionate.
- 3.2 Some LEPs have a history of establishing robust governance arrangements and to some extent the National Assurance Framework lags behind the practice on the ground in these places. There is a general recognition that additional clarity on the requirements in the National Assurance Framework would assist in raising standards and consistency of stewardship across the sector. This was not seen by those participating as detracting from the flexibility for LEPs to develop local arrangements but rather assisting them with the journey they were on. Overall there appears to be commitment from the LEPs to meeting the requirements of the National Assurance Framework but issues remain on the effectiveness of implementation in some cases. This would be mitigated by additional clarity in the National Assurance Framework which is proportionate, as well as by increasing the sharing of best practice, peer challenge and support across the sector.
- 3.3 The British Chamber of Commerce, in conjunction with the Confederation of British Industry (CBI), the Engineering Employers' Federation (EEF), the Federation of Small Businesses (FSB) and the Institute of Directors (IoD), has also recommended improvements particularly on the financial information which should be published.
- 3.4 There is also a need to consider the position of public sector members on LEP Boards in the context of the changing role of local authorities and their increased involvement in commercial enterprises and alternative delivery mechanisms. This is currently somewhat underdeveloped in terms of LEP governance implications and is referred to below in greater detail.
- 3.5 A feedback session has been held with a group of CEOs of LEPs to test out the emerging findings and broad support was received to the range of issues which would be addressed in the recommendations. In addition a feedback discussion with CIPFA was also supportive of the proposals.

## 4. Culture and Accountability

- 4.1 As with any organisation, the establishment of an embedded culture across the LEP is a prerequisite to assurance that governance arrangements are fit for purpose and are being adhered to. This requires direct and proactive leadership from the Chair and CEO of the LEP to own the establishment of a culture of strong adherence to good governance and clarity about standards. At present the National Assurance Framework requires written assurance from the Section 151 officer that standards are being met. Whilst the Section 151 officer has a critical role to play, it is insufficient to place reliance on this alone. **It is recommended that the National Assurance Framework requires a brief formal assurance statement on an annual basis from the leadership of the LEP (i.e. the Chair and CEO), on the status of governance and transparency within their organisation and which can be explored in greater detail during the Annual Conversation process with government. This statement to be published on the website.** (See also section 10 below).
- 4.2 It will have the benefit of making the LEP itself more directly and publically accountable and will reinforce the role of the Chair and CEO in developing the culture and dealing with matters of good governance within their organisation. It will assist in formalising good practice, which is already being developed in some LEPs. To assist in establishing an organisational culture, LEPs need to put in place their own statements of their values and the standards of conduct expected from board members and senior staff. Indeed, a number of LEPs already have such statements in place. In some cases these expectations are based on the Nolan Principles of public life, but in others they are framed in terms of requirements of company board directors and do not sufficiently embrace the dimension of public sector accountability. This is inadequate as it does not reflect the dual dimension (i.e. public and private) of the role of board members. **It is recommended that the current National Assurance Framework requirement for LEPs to have a code of conduct, which all board members and staff sign up to, should explicitly require the Nolan Principles of public life to be adopted as the basis for this code.**
- 4.3 The National Assurance Framework should be explicit that the code of conduct for board members should address the way in which the board conducts business; the role of the board member; dealing with conflicts of interest; declarations of interest and transactions, gifts and hospitality; policy on fees and expenses. Information on some aspects was not always easily found on LEP websites and is essential to ensure transparency. For instance, not all websites state that the board member role is unremunerated. One instance of a reference to the position of Board members undertaking contracted work/services for the LEP itself was seen. This is a potential conflict of interest which should be avoided wherever possible and the code should be explicit and transparent about its approach to such situations should they arise.

## 5. Structure and Decision-Making

5.1 Each LEP has developed its own arrangements for decision-making which reflects its legal structure, the complexity and needs of the locality and compliance with requirements to ensure value for money, local engagement and democratic accountability. However, the review identified a number of key features of these decision-making processes which promote assurance on good governance. These are:

- a clear strategic vision and priorities set by the Board which has been subject to wide consultation against which all decisions must be judged;
- open advertising of funding opportunities;
- a sub-committee or panel with the task of assessing bids/decisions
- independent due diligence and assessment of the business case and value for money;
- specific arrangements for decisions to be signed off by a panel comprising board members from the local authority, in some cases including a power of veto;
- Section 151 officer line of sight on all decisions and ability to provide financial advice;
- use of scrutiny arrangements to monitor decision-making and the achievements of the LEP.

It is not appropriate to be descriptive on the specific arrangements which should be adopted due to the variety of structures **but it is recommended that the National Assurance Framework draws explicit attention to the importance of LEP decision-making structures accommodating these separate components of good governance and that they form an essential part of assurance and ensuring probity.**

5.2 Local assurance frameworks describe arrangements for decision-making, including urgent decisions and decisions in the absence of a formal meeting. Whilst there may be some exceptional circumstances requiring urgent decisions, extra care is needed in such circumstances to ensure propriety and to comply with the normal rigours of the decision making process. **Local assurance frameworks should set out that ALL decisions must be subject to the normal business case, evaluation and scrutiny arrangements; there must be a written report with the opportunity for the Section 151 officer to provide comments, that the conflicts of interest policy will apply to decision makers regardless of whether there is a formal meeting, and that decisions should be recorded and published in the normal way, regardless of how they are taken. It is recommended that the National Assurance Framework includes requirements in relation to this.**

## 6. Conflicts of Interest

6.1 The National Assurance Framework requires the publication of a conflicts of interest policy and a register of interests for each board member. Whilst LEPs comply with this requirement, the content of policies and approach to publication varies considerably and is dependent on the overall cultural approach within the organisation (see 5. above). For instance, some statements seem to focus on registering directorships only, exclude land and property

interests and any significant household member interests. Others seem to either use a proforma from another public body rather than having their own bespoke proforma or display board members' register from another public body. The conflicts of interest policy should be based on compliance with standards which promote good governance, transparency and stewardship. Given the wide variety of approaches currently operating it is suggested that there is a need to be more explicit about requirements to ensure consistency of standards. In addition, policies need to be clear on how conflicts are managed, the action to be taken when conflicts arise and the recording of that action. Policies should also make clear that consideration of conflicts of interest is not reserved for formal decision-making meetings and should be applied to any activity or involvement of the board member in the work of the LEP. **It is therefore recommended that the National Assurance Framework sets out specific requirements on the principles which each LEP must incorporate into its conflicts of interest policy and how it is implemented which includes:**

- **All board members taking personal responsibility for declaring their interests and avoiding perceptions of bias. This should be evidenced by producing and signing of their register of interests and publication on the website.**
- **Use of a bespoke proforma for collection and publication of the information which ensures all categories of interest are systematically considered.**
- **Categories of interest to include employment, directorships, significant shareholdings, land and property, related party transactions, membership of organisations, gifts and hospitality, sponsorships. Interests of household members to also be considered.**
- **Action in response to any declared interests applies to any involvement with the work of the LEP and is to be recorded.**

6.2 Whilst such declarations may be more familiar to public sector board members, it should be born in mind that it is not sufficient to merely refer to the councillors' declaration on the authority's website as some LEPs seem to do: a councillor's interest as a member of the LEP board may be different. Councillors will need to consider the interests they hold as council leaders/cabinet members for council land and resources, as well as for aspects of the council's commercial interests. As councils increasingly broaden their commercial undertakings and investment in land and property for income generation purposes, as well as the increasing use of council owned companies and trusts, there is increasing scope for conflict. Council leaders will need to consider the declarable interests this may give rise to in relation to their board membership of the LEP.

6.3 Similarly, it is in the nature of the role of LEPs that industrial and commercial expertise amongst board members should be utilised in developing strategies and decision-making, but which also has the potential to raise issues of conflict. The policy should explain how scenarios of both of these types will be managed without impacting on good governance. Not all policy statements address this explicitly and **it is recommended that the National Assurance Framework requires LEPs to include in their local statements how scenarios of potential conflicts of interest of local councillors, private sector and other**

**board members will be managed whilst ensuring input from their areas of expertise in developing strategies and decision-making, without impacting on good governance.**

## 7. Complaints

- 7.1 The National Assurance Framework requires LEPs to publish a complaints policy. Whilst LEPs comply with this requirement, very few refer to a whistleblowing policy. Whistleblowing arrangements which provide confidentiality to the complainant are an important measure in securing good stewardship of public resources and need to be part of anti-fraud policies. **It is recommended that the National Assurance Framework requires the publication of a whistleblowing policy and arrangements for confidential reporting of allegations of untoward concerns by third parties/ the public.**

## 8. Section 151 Officer

- 8.1 Public funding for LEP programmes is held and managed by a local authority acting as an accountable body. The National Assurance Framework requires the Section 151 officer of the accountable body to provide reassurance on the activity of the LEP and outlines the accountable body arrangements which the LEP should have in place. Given the volume of public funding which LEPs have available, this role is a significant workload and a significant area of risk for Section 151 officers. Overall LEPs and Section 151 officers report good working relationships and a variety of arrangements in place to meet requirements. In the main, the arrangements and the role have developed over time, as LEPs have grown. In some areas they remain on that basis and in others have developed into Memorandums of Understanding or Service Level Agreements.
- 8.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) publishes guidance on 'The role of the Chief Financial Officer'. Specifically of relevance to this role in LEPs is the need for the CFO to be 'actively involved in, and able to bring influence to bear, on all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the overall financial strategy.'
- 8.3 This review identified that LEPs have a variety of arrangements in place for the Section 151 officer to have line of sight and involvement in key decision making bodies including the LEP Board and in the main have the opportunity to bring influence to bear and provide their advice. However, it would be helpful if the National Assurance Framework provided additional clarity on the expectations of the role of the section 151 officer and the substance of how LEPs need to work with that role. **It is therefore recommended that further clarity is provided in the National Assurance Framework on the role of Section 151 officers and it is suggested that this be developed in consultation with CIPFA.** This will need to consider the mechanisms the Section 151 officer uses to fulfil their role, their requirements in terms of access to decision-making bodies, ability to provide written and verbal financial advice, role of their

transactional services, operation of normal checks and balances in approving expenditure, management of risk of fraud and corruption, monitoring of programme spend against resources, treasury management and borrowing, role of internal audit and external auditors and provision of an audit opinion for the LEP, visibility of reporting arrangements to both the accountable body and the LEP, production of accounts, inter-relationship with the LEP's own accounts, if relevant. The clarification of the role of the Section 151 officer could also consider the scope for the LEP CEO and the Section 151 officer to provide a formal joint Annual Governance statement which is reported to the LEP Board. **It is also recommended that the National Assurance Framework sets a requirement for the Section 151 to provide a report to the Annual Conversation on their work for the LEP and their opinion with a specific requirement to identify any issues of concern on governance and transparency.**

8.4 Finally, although not directly within the remit of this review, very many participants raised the difficulties experienced in financial programming which arise from the tension between LEP Programmes, which are by their nature longer term and spread over more than one financial year with complex phasing profiles, and the annualised budgets, sometimes with late notification of resources, and year on year uncertainty provided by government funding arrangements. Both LEPs and accountable bodies reported frustration with the diversion of effort on managing these tensions and associated risks. This could also impact on good governance if late and speedy decisions are made by LEPs which give insufficient time for all the checks and balances of the normal processes. The annual uncertainty of funding also has the consequence of some LEP staff being on fixed term contracts which is counter-productive in terms of efficiency and may have unintended impacts on good governance if it leads to insufficient organisation stability and continuity. **It is therefore recommended that government give some thought to what flexibility might be available to smooth funding allocations to LEPs over a longer period.**

## 9. Transparency

9.1 A number of the above recommendations refer to the need for publication of information in order to provide transparency and avoid any suggestion of untoward use of public resources. In addition, the National Assurance Framework sets out the requirements on publication of agendas, minutes and decisions etc. There remains some inconsistency across LEPs in how this is approached. The review of a sample of websites identified the following areas needing further attention in some cases:

- Publication of the approach to the appointment of board members and providing information on the time board members commit.
- Publishing the policy on claiming of expenses by board members. For instance, it is understood that some LEPs adopt the local authority code whilst others have a policy of no claims.
- Including an item 'Declarations of Interest' on all agendas and ensuring minutes record any declarations and the action taken e.g. to leave the meeting and not take part.

- Approach to publishing agendas, meeting reports and minutes varied widely from LEPs who have adopted the Local Authority Standards including public meetings, those who hold no meetings in public, those who only publish the agenda page and do not publish meeting reports, and those who record no information on confidential matters. With the exception of those LEPs following the Local Authority Standards, it is not always clear what criteria are applied for dealing with matters in private.

**It is therefore recommended that the National Assurance Framework provides additional guidance on expectations on publication of agendas, meeting papers and decisions.**

9.2 The differing legal basis for LEPs does result in a variety of requirements on LEPs to publish financial information and accounts. However, the LEP's own accounts will not necessarily cover those projects supported by the LEP where the funding is managed by the accountable body. In addition, the accountable body may include some financial information in their own accounts. However, this may provide only high level financial data and insufficient granularity on the detail of decisions and performance of funded programmes. In order to achieve greater transparency of financial data, co-operation and agreement between the LEP and the Section 151 officer on how best to provide financial data is needed. **It is recommended that more explicit guidance would be helpful and that this should be developed as part of the work on the role of the Section 151 officer referred to at paragraph 8.3 above. In particular, in addition to the publication of accounts, it is recommended that the LEP maintains on its website a published rolling schedule of the projects funded giving a brief description, names of key recipients of funds/contractors and amounts by year.**

9.3 A number of LEPs, but not all, refer to the role of scrutiny in overseeing their performance and effectiveness. Some LEPs are scrutinised from time to time by their accountable body Overview and Scrutiny function. This is an area for further development which would give increased independent assurance. Given the different structures across LEPs it is not appropriate to specify any particular approach to scrutiny. It is an area which could benefit from the sharing of good practice/'what works' to assist LEPs in shaping their own proposals. **It is recommended that LEPs report on this in their annual assurance statement (see paragraph 4.1 above) during the Annual Conversation process.**

## 10. Government Oversight and Enforcement

10.1 Government has a number of mechanisms which provide oversight of LEP performance and functioning including the National Assurance Framework, the assurance provided by the Section 151 officer, the Annual Conversation sessions with each LEP, and the government's LEP Relationship Manager who

also attend LEP Boards and have more detailed knowledge of the LEPs' functioning. Government has also made the allocation of funding conditional on compliance with requirements set out in the National Assurance Framework.

10.2 The Annual Conversation session with each LEP is a key opportunity for scrutiny and for holding LEPs to account. The focus of these conversations will be on the LEPs, strategy, its achievement of outcomes, value for money and delivery of programmes and individual projects. **It is recommended that the annual conversations have strengthened focus and designated time to examine the performance of LEPs in relation to governance and transparency and to discuss the assurance statements (see recommendation at paragraph 4.1 above) and the report of the Section 151 officer.**

10.3 This review has identified that whilst LEPs may be complying with the National Assurance Framework in terms of publication requirements, the approach to implementation locally will vary. The recommendations in this report seek to provide additional assurance without impacting on the ability to determine the detail that suits their local situation. In the main this will lead to the required improvements. However, there may be a residual need for government to be able to undertake a deep dive from time to time to provide assurance on the approach to implementation and how governance arrangements work on the ground. The LEP Relationship Manager has a key role in providing insight into that and it is important to ensure that they have the skills to identify the effectiveness of practice, perhaps using a good practice tool. In addition they should ensure that concerns about compliance are addressed by the LEP and have clear routes to escalate issues within government in a timely manner. They should contribute to the risk assessments to identify those LEPs who would benefit from a deep dive of their arrangements. **It is recommended that a risk based approach should be used to identify LEPs where a deep dive on governance and transparency would be of assistance. It is further recommended that this deep dive is undertaken by someone with no direct involvement with the specific LEP.**

10.4 The National Assurance Framework makes clear that serious non-compliance could result in delays to or loss of funding. **It is recommended that government sets out in the National Assurance Framework its approach to considering delay or withholding of funding for non-compliance so that LEPs have a clear and early understanding of the matters they need to address and the timescale to be met. In considering delay or withdrawal of funding from a LEP, government should consider the impact on the programme and the arrangements for projects to continue where appropriate under alternative mechanisms.**

## 11. Best Practice

11.1 The LEP Network currently supports a number of initiatives to share good practice and to provide support to LEPs at board and CEO level. This review identified a strong appetite amongst LEPs to further develop the sharing of

good practice, buddying arrangements, peer review and support, induction programmes for new chairs and for board members. The LEP Network receives a small amount of funding from government as well as a fee from its members. The support it can give on best practice is therefore limited. However, supporting self-improvement across the sector is a valuable mechanism and **it is recommended that government continue to support this work and discusses with the LEP Network how best to take this forward.**

## 12. Conclusion

12.1 This review has identified a number of measures which would give greater assurance to the Accounting Officer and government on the governance and transparency of LEPs. It found a sector which has a strong understanding of its responsibilities for stewardship of public funding and the need to improve its governance accordingly. There has been some historical concern that the strength of the LEP model, in providing private sector leadership of economic growth in localities, should not be damaged by an overly bureaucratic approach. This review has found that there is on the ground recognition that strong and proportionate governance arrangements can be pursued with overall benefit and safeguarding to all involved without becoming overly bureaucratic. In practice, some LEPs have already made their own choices to go beyond the current National Assurance Framework requirements and would welcome greater clarity in the NAF so that the sector as a whole can be seen to be excellent and effective stewards of public resources. The recommendations made in this report are intended to strengthen the improvement journey and are felt to be proportionate to the need for good governance and probity whilst promoting the uniqueness of the private-public relationships which the LEPs provide. These recommendations if supported should be taken forward in partnership with the LEPs and with accountable bodies and in doing so, consideration may need to be given to the resources and capacity of both to respond effectively.

12.2 Finally, I would like to thank all those who took part in this review and gave their time to provide information and views. I am particularly grateful that contributors were able to work to such short notice. I would also wish to acknowledge the work and support provided by the Cities and Local Growth Unit in undertaking this review.

Mary Ney  
NED DCLG BOARD  
JUNE 2017.

## ANNEX A. Documents Consulted During the Review

1. National Audit Office report on *Local Enterprise Partnerships* – Mar 2016
2. Public Accounts Committee report on *Cities and local growth* – 1 July 2016

3. Public Accounts Committee report on *Devolution in England* – 18 Dec 2016
4. National LEP Assurance Framework - (Nov 2016 and Dec 2014)
5. Government response to PAC reports in *Treasury minutes* - Dec 2016
6. Table of Chronology on LEP Assurance and Accountability
7. Local Growth Fund Accountability and Assurance Process Map
8. Examples of LEP Local Assurance Frameworks
9. Single Pot Assurance Framework guidelines; examples of Single Pot areas
10. Daily Mail articles and background (including government response)
11. Recent NAO letter from Aileen Murphie to Jacqui Ward on Daily Mail follow up and suggestions for improvement
12. Business Representative Organisations note on LEP reform
13. Summary from the recent assurance and transparency spot checks following Section 151 officer letters
14. Examples of Section 151 officer letters
15. CIPFA. 'The role of the Chief Financial Officer'.
16. CIPFA. 'Managing the Risk of Fraud and Corruption'.
17. CIPFA/IFAC 'Good Governance in the Public Sector'.

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## Annual Conversation

LEP Board Meeting 30 November 2017

Author:  
Tony Wade  
LCR LEP

## **1. Purpose of Report**

- 1.1. This report advises the LEP Board on the revised approach to the Annual Conversation as set out in the recently circulated guidance note produced by Cities & Local Growth Unit on behalf of government.

## **2. Recommendations**

The Board is asked to note the requirements under the guidance (circulated separately) and respond to requests to approve the necessary submissions ahead of the Annual Conversation. These were provided under separate circulation until the process is concluded when they will be published.

## **3. Executive Summary**

- 3.1. The Annual Conversation is a formal review point between LEPs and government and the introduction of a framework to the discussions is seen by to enhance the relationships of all those concerned.
- 3.2. The requirement to provide assurance statements by the LEP Chair and LEP Managing Director are not considered onerous and provide a point in the calendar when internal reviews can be conducted. The requirement for the Section 151 Officer to be involved and to submit an independent assurance statement also brings clarity to the relevance of that role to the LEP and CA's relationship.
- 3.3. As a formal review, both of performance and governance, it can be used to penalise unsatisfactory results in either. As such, it is vital that any performance issues are not only explained but actions to mitigate them, including changes in strategy, are clearly articulated. It is also important that such actions and the performance leading to them has been considered by the governance structure agreed by the LEP and partners and that they are approved.

## **4. Background**

- 4.1. In granting Local Growth Funds to LEPs, government introduced a monitoring system with three tiers;
  - a. Data reporting system (pre-agreed metrics submitted on a quarterly basis);
  - b. In-year meetings between CLoG and LEPs/Accountable Body officers on a monthly cycle; and
  - c. An Annual Conversation led by government through CLoG at Area Director level.
- 4.2. The Annual Conversation (AC) meetings are important in providing the government with the necessary confidence that Local Growth Fund resources are being spent effectively. The assessment by CLoG will either lead to the next allocation of LGF funds being released in the subsequent financial year or it being withheld until any issues are resolved.
- 4.3. The level of scrutiny of LEPs by government, in particular, of their governance arrangements and transparency of decision making, came under criticism by the NAO and PAC as well as the media, most notably the Daily Mail. As a result, the DCLG instituted a review of LEPs' governance and transparency. Undertaken by Mary Ney, it is now published and the DCLG have accepted all recommendations. This review is covered elsewhere on the agenda for this meeting.

- 4.4. Some recommendations referred to the use of the Annual Conversation and how it was conducted and has led to government issuing guidance on this year's Annual Conversation meetings. The guidance note for LEPs setting out how this year's Annual Conversations will work has been sent to LEP Board members for their information. There is quite a perceptible change in approach, introducing more structure and with a requirement to submit statements of assurance in advance of the meeting along with responses to a standard set of questions covering Governance, Delivery and Strategy. It should be noted that all submissions are disclosable under FOI.
- 4.5. As well as the specific submissions outlined in the guidance, LEPs and their accountable body are able to present additional information at the meeting through such mediums as PowerPoint. CLoG will also make use of the data returns referenced at 4.1. a. above.

## **5. Mayoral Combined Authorities (MCAs)**

- 5.1. The guidance note also confirms that Mayoral Combined Authorities (MCAs) will be subject to a separate Annual Conversation in 2018. It may be in future, that there is a move to a single conversation but presently there will be two reviews although they are intrinsically linked.
- 5.2. The guidance note provides a generic baseline in setting the arrangements for all thirty-eight LEPs. The key purpose of the LEP Annual Conversations is to have a formal dialogue between LEPs and government to review how local growth programmes are being governed, the progress being made on delivery and whether they are achieving strategic objectives, both short-term and long-term. This formal review point also acts as the formal mechanism to address the award of LGF in the following year.
- 5.3. In the case of LCR, LEP governance of LGF reflects the existence of a MCA and progress is enmeshed in the wider performance of the Single Investment Fund. As such as this is generic guidance its application will be varied in the case of areas with a Devolution Deal and a Single Pot. Where it is agreed that LGF is subsumed into Single Pot funds then the Annual Conversation will also broaden its scope to include the funds additional to LGF that comprise the Single Pot.

## **6. Process**

- 6.1. The Annual Conversation meeting takes place on 11 December 2017 but as stated above at 3.2. there are prescribed submissions that are required one week ahead of the meeting. The required statements were circulated with the LEP Board papers for this meeting. These will remain unpublished until the conclusion of the Annual Conversation process in March 2018 at which point they will be published.
- 6.2. As stated at 4.5, the LGF Data returns will be used as a common reference point (Q1 financial year 17-18 will be the latest). However, this is to provide an overall assessment of progress and to demonstrate whether Growth Deals are delivering and achieving their aims and meetings will not focus on individual projects, unless by exception they merit particular focus.
- 6.3. Following the LEP Annual Conversation, an initial note of the meeting will be issued by CLoG that is intended to capture agreed actions. At the same time CLoG will undertake a performance review that will highlight areas needing further development or of good practice. The review will not only consider the submissions to the Annual Conversation but also the LGF Data Returns and LEP governance processes and policies. Any further actions arising from the review will be notified in a final note of the Annual Conversation in March when the process concludes.
- 6.4. An unsatisfactory outcome of the review can result in requiring action plans to be implemented to remediate or mitigate areas of concern. This could lead to conditions or

sanctions being applied in relation to future payments of LGF, including a suspension of payments for 2018-19.

## **7. Conclusions**

- 7.1. The approach to this year's Annual Conversation is more structured and rigorous than those in the preceding two years. The 'cast list' of attendees expected at the Annual Conversation reflects the importance placed on these events by government and it is important that LCR responds appropriately. In addition to the LEP Chair, LEP Managing Director and Section 151 Officer, the Head of Paid Service and other Mayoral Combined Authority officers may attend as appropriate (covering thematic areas such as Skills and Transport).
- 7.2. Although the guidance note is written generically, it is anticipated that Single Pot LEPs will broaden their scope to provide context and a more holistic view. The role of the Section 151 Officer is important in providing assurance on how the integration of funds is achieved in governance and process terms.
- 7.3. The LEP will lead and co-ordinate the drafting of the required statements working closely with the Section 151 Officer, the Head of Programme Management and thematic leads as appropriate.



## Local Growth Deal Implementation Major Transport Schemes

LEP Board Meeting  
30 November 2017

Author:  
John Smith  
Merseytravel

Presented by:  
Frank Rogers  
Merseytravel

## 1. Purpose of report

To seek consent from the LEP to approve the Transport Advisory Group recommendations to the Combined Authority to fund a revised programme of works for years four and five of the Silver Jubilee Bridge (SJB) maintenance scheme at a cost of £2.2m. The Transport Advisory Group suggest that this additional funding is sourced from unallocated LGF1 funding via the approved change control process for LGF1, in accordance with the LGF1 assurance framework.

## 2 Recommendations

- 2.1 Approve the proposal for £2.2m of the remaining LGF1 funding to be allocated to the Silver Jubilee Bridge maintenance scheme, in accordance with the LGF 1 Assurance Framework.
- 2.2 Note that the scope of the works included in the original programme will change to accommodate the time limited opportunity to undertake major maintenance works to the arch superstructure while the bridge is closed.
- 2.3 Note that the works included in the original business case for completion in years 4 & 5 will now be re-prioritised as part of the LCR transport pipeline refresh. Accordingly, funding for these original works is not being sought from LGF1.

## 3 Background

- 3.1 On the 18th December 2015, the Combined Authority (CA) considered a Major Scheme Business Case for the delivery of a programme of maintenance works on the Silver Jubilee Bridge in Halton over a five year period. Funding for the first three years of this programme was granted approval from the CA at a value of £3.96m, with an indication that should any funding from LGF1 remain in the future, then a further funding request could be submitted to the CA to seek to secure the £2.2m funding required to enable the delivery of years four and five of that programme of works.

The original spend profile proposed in the business case was as follows:

	2016/17	2017/18	2018/19	3 Year Total	2019/20*	2020/21*	5 Year* Total
LGF funding required	£1,068,306	£1,149,035	£1,423,601	£3,640,942	£1,323,079	£884,794	£5,848,815
Local contribution	£95,914	£101,032	£122,754	£319,700	£109,777	£73,639	£503,116
Annual Totals	£1,164,220	£1,250,067	£1,546,355	<b>£3,960,642</b>	£1,432,856	£958,433	£6,351,931

## 4 Strategic Rationale

- 4.1 At present, Halton are two years into the original three year programme, and work is progressing well in terms of undertaking: the planned detailed inspections; testing of structures; and both steelwork and concrete repairs. However, within the first year of the programme, initial works identified the need to investigate further the condition of the protective coating of the steel arch superstructure. The subsequent investigation has since confirmed that a programme of repair works is now required to protect the steel arch superstructure of the bridge.
- 4.2 It must be noted that while this repair work was not defined within the scope of the original business case, a subsequent review of task prioritisation now indicates that this work is a priority over those originally planned. By undertaking this work on the steel superstructure

now, we will secure the ongoing structural integrity of the SJB which is a listed structure, and minimise the need for further maintenance painting of the arch for at least 20 years.

- 4.3 The SJB closed on the 14th October, on the opening of the new Mersey Gateway Bridge, for planned maintenance over a 12 to 15 month period. Some £4.88m of the investment needed has already been awarded from Regional Funding Allocation to commence the maintenance programme for the painting of the steel arch superstructure and Halton Council has a contractor in place for delivery of these works. However, there is provision within this contract for extending the scope of works planned, if necessary.
- 4.4 As stated above, the SJB is a listed Grade II structure which provides a vital crossing over the River Mersey and is key a key structure within the Mersey Gateway complex. This crossing provides a strategically important route into the LCR and provides network resilience to the wider North West Strategic Road Network. The SJB is part of Mersey Gateway growth corridor and enables access to many employment and training opportunities within the region (Daresbury EZ, 3MG, Jaguar Land Rover and Airport). The SJB provides the only cycle and walking access across the Mersey ensuring accessibility to all, especially for those on low incomes. Another strategically important role the SJB plays is to carry a number of regionally important utilities below the deck of the bridge.
- 4.5 A very timely and cost effective solution now presents itself to carry out the further necessary works to the full arch superstructure, as these can now be delivered under the current bridge closure. Undertaking this work now would realise considerable benefits in that it would prevent the need for further restrictions or closures outside of the current closure period. If work cannot be carried out during this current closure of the SJB, the overall costs of undertaking the arch works at a later date would increase significantly as the necessary traffic management and scaffolding would no longer be in place and would have to be procured and installed for a second time. The travelling public would also be subject to a further period of traffic disruption and diversions. This would have adverse impacts, particularly on public transport users, cyclists and pedestrians as this will be the primary route across the Mersey at this point for sustainable modes of travel.

## 5 Proposals

- 5.1 In order to avoid these significant cost increases and further disruption, Halton are seeking approval for an additional £2.2 million as identified as being required in the original business case submission. In order to secure these additional works, Halton is proposing an approved change control process to secure the necessary funding. Approval is also sought from the Combined Authority to redefine the activities planned for years 4 and 5 of the original business case, to enable a large element of the works for the renewal of the protective system to the superstructure to be completed in a timely fashion.
- 5.2 The Benefit Cost Ratio (BCR) that was set out in the original business case was for the first three years. The BCR has been recalculated for the protective coating of the steel arch superstructure works. The BCR calculation is for the total price of £10.178m.
- 5.3 The financial model has been re-run over a 60 year period to determine the NPV of the arch repainting works, based on the revised Contractors price of £10.178M. Allowance has been made for the repainting works to be undertaken every 20 years (expected service life of protective paint systems) so works occur in 2017 (year 1), 2037 (year 21) and 2057 (year 41).
- 5.4 As advised by Halton's SJB Project Manager, included in the calculations is a £500,000 risk allowance for the 2017 works with 10% Optimism Bias (as Halton don't have certainty on the extent of repair works that may be required if corrosion is more extensive than expected, and inclement weather could significantly affect the programme). For the 2037 and 2057 works, included is the same £500,000 risk allowance and an applied a 15% Optimism Bias with inflation applied accordingly. This gives an NPV value of **£25.238M**

5.5 The benefits of the works remain unchanged and so the TEE benefits value of **£102.535M**, as used in the previously submitted Challenge Fund application, is still valid.

5.6 This results in a BCR calculation as follows:-

$$= \text{£}102.535\text{M}/\text{£}25.238\text{M}$$

$$\text{BCR} = 4.06$$

5.7 The BCR increases not by the increased life of the SJB but by savings in not having to close the SJB again. This saves on the basis that the SJB doesn't have to be closed in the future and the savings on scaffolding (currently £700K a month).

5.8 If funding was not secured or postponed to a later date, the SJB Super structure would continue to deteriorate and undermine the investment in the wider works on the SJB. If the SJB was to be closed for a second time the economic cost to the area would become significant (as highlighted above) with journey times for residents and businesses in the area increasing.

## 6 Funding Arrangements

5.1 The first round of LGF schemes (LGF1) has an unallocated pot of funding totalling £2.56m. It is recommended that £2.2m of this funding should be allocated to the delivery of a revised programme of maintenance on the SJB via a change control process. This would allocate £1.2m in 2017/18 and the remainder in 2018/19. A local contribution would be made to this amount of £183,416 (see table in 3.1 above) bringing Halton's total contribution to £407,202.

5.2 This funding profile is set out below:

	2017/18	2018/19	2Year Total
LGF1 funding required	£2,349,035	£2,431,474	£4,780,509
Local contribution	£210,809	£196,393	£407,202
Annual Totals	£2,559,844	£2,627,867	£5,187,711

5.3 The proposals and funding arrangements were considered by the Transport Advisory Group at its meeting on 31 October 2017. The TAG is satisfied that due process is being followed as a change control and the availability of funds through residual funds in the Devolved Transport Majors Pot allows this variation to be supported.

## 6 Conclusion

The Transport Advisory Group would recommend the Combined Authority and the LEP approve the proposal for £2.2m of LGF1 funding to be allocated to the Silver Jubilee Bridge via a change control to enable works to the steel superstructure for the reasons stated earlier. If agreed this work will be completed during the current and time limited closure of the SJB.