

Heart of SW LEP CIC Board meeting

Paper 5.4 Feb 2018

Report title: LEP Governance and Transparency

Report theme: Board

Author: Chris Garcia

Purpose of the report

In previous board meetings we have agreed the need to revise some of our governance arrangements to implement the requirements in the (all) LEP Review of Governance and Transparency (the Ney Review). We have now received our feedback from our 'Annual Conversation' and at the time of writing this paper, are well underway to meet the Govt's deadline of 28 February.

Alongside this the broader Review of LEPs is still underway.

This paper provides an update on these matters.

Recommendations

To note the progress made and further actions proposed. The LEP also welcomes the introduction of the 'scrutiny' arrangements by our HotSW Local Authorities.

Background

As mentioned at our last board meeting, there are two ongoing reviews underway:

1. A DCLG review (by one of their Non Executive Directors) of LEP Governance and Transparency across all LEPs – this has now been published (the Ney review) <https://www.gov.uk/government/publications/review-of-local-enterprise-partnership-governance-and-transparency>
2. A broad based Review of LEPs role being led by ministers. It is believed this will not now report for several months.

These governance agendas from the Ney Review were as expected also picked up in our Annual Conversation – when Govt visited us to test our processes and progress. I am pleased to confirm we have broadly retained Govt's good opinion of us. We have now had our formal feedback - this is the first year this process has been formalised in this manner.

The letter we received provides a rating across three elements:

- Governance
- Delivery
- Strategy

I am pleased to say that we have been rated as good in two of these three areas. In Governance, we have been rated as 'requiring improvement', in particular because we do not yet have a scrutiny process in place with our Local Authority representatives. Two other issues were also raised:

1. Diversity statement – our use of Somerset County Council's diversity statement was deemed to be wrong. We have now developed our own statement which will be published shortly.
2. Clear route map of how decisions are taken on projects – this is currently attached to our assurance statement. We will in future updates show this separately on the website.

I would like to thank all of those Board members and staff that contributed to the Annual Conversation for the excellent job they did.

The biggest area outstanding is in respect of 'scrutiny' where the review concluded *“CLOG recommends that the LEP has a clear strategic scrutiny function by Councils for LEP activity. The existing process needs to be strengthened.”*

We have progressed this issue with our Local Authorities and I would like to record my gratitude that they have now agreed a plan that DCC and SCC – as the two administering accountable authorities for the LEP - establish a joint scrutiny committee as a matter of urgency; of 3 scrutiny members from each county council to which appropriate representation would then be invited from the other 2 unitary councils (1 member each) and the district council sector (2 members from the Devon districts and 1 member to represent the Somerset districts). The functions of the Committee under these arrangements would focus on:

- the development and delivery of the LEP's Strategic Economic Plans
- growth deal and other funding of LEP projects in terms of their delivery, value for money etc.

As we move forward with the HotSW Joint Committee and the HotSW Productivity Strategy replaces the Strategic Economic Plan, a joint scrutiny committee established along the lines set out above could serve a joint purpose of scrutinising both the LEP and the HotSW Joint Committee.

A detailed proposal will now be developed for consideration by those Councils who will appoint members direct to the joint scrutiny committee. The plan therefore is for the joint scrutiny committee to be established via formal decisions at the following meetings

Plymouth City Council	26 March 2018
Torbay Council	14 May 2018
Somerset County Council	16 May 2018
Devon County Council	24 May 2018

At these meetings the top tier authorities will be asked to agree to pass over their scrutiny functions (in respect of the HotSW LEP and the HotSW JC only) to the Joint Scrutiny Committee and make appointments to the Committee from within their existing scrutiny memberships. This will then provide a model of scrutiny covering the whole LEP area. Once established the districts can then be invited to make appointments to the Committee as co-optees. Places on the Committee will be allocated according to political balance across all of

the councils and the thinking at this stage is that the Committee will appoint its own chair and vice-chair.

In respect of broader LEP Governance and Transparency, we have now appointed Somerset County Council to support us with:

1. The publication of meeting and agenda items for Board and the following sub committees: SIP & F & R
2. Setting up and management of confidential reporting procedures for third parties and the public.
3. Setting up and management of Whistleblowing Policy.
4. Code of Conduct management
5. Management of new Register of interests

We have taken the view that the three People, Place and Business Leadership Groups are advisory bodies and can come out of scope of the Ney Review requirements for publication of papers, agendas etc. The service will be operational from the beginning of February.

In respect of the broad based Review of LEPs, we have provided an update in Paper 5.2 which for brevity is not repeated here. The essence of the Review appears to be suggesting a strengthening of the role of LEPs whilst at the same time requiring greater clarity of focus and a more consistent approach to governance and process. This means that local variations of governance arrangements as presently the case are likely to be discouraged or eliminated. For example we can expect all LEPs to be constituted as similar corporate entities, with similar sets of objectives and roles and expected to be using similar tools and performance metrics. The detail on what this means in practice are not yet clear. It seems the feedback is leaning more towards a greater emphasis on an independent LEP rather than a LEP merged into a Local Authority world.

As the work of the Review develops into firm recommendations some careful thought will be needed on its implications for our LEP. Some questions we may need to explore in due course include:

- Whether we may need to move the LEP from being a CIC to being a Company Limited by Guarantee
- Whether LEP staff can continue to be employed by or through partners (as this could be seen to suggest they weren't independent)
- Whether LEP core functions can continue to be undertaken by Local Authorities (as also generating potential conflicts of interest)
- How do we develop the LEP's Growth Hub and Enterprise Zones as key tools to deliver Local Industrial Strategies

It also isn't clear at the moment how the sense of direction emerging from feedback on the LEP Review reconciles with Combined Authority models in operation around the country. In some of these, LEPs have been submerged into the Combined Authority – clearly there are still some meaty issues to be considered and we await further clarification.