

Heart of the South West Local Enterprise Partnership

LEP Board Paper agenda item 7

Draft

Report title: LEP Governance Review

Date: 21 April 2023

Purpose: This paper is for **decision**.

Link to LIS: Indicate by **bolding** which area the paper links to.

Inclusive Growth		Clean growth		
Energy		Engineering		Digital
Ideas/ Innovation	People/Skills	Infrastructure	Bus. Environment	Places

Timing: Immediate

Financial Impact: No

Decisions requested:

- i. The LEP continues to make the case to Government for exemption from the requirement for 50/50 gender balance on the Board through 23/24.
- ii. To agree the attached Terms of Reference for the Operations & Investment Committee
- iii. That private sector (independent) Directors agree a Deputy Chair nominee for confirmation at the July Board meeting

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Summary

This paper provides an update on the governance review the Board commissioned in January. Some parts of the review have been completed as per the Decisions above but other items remain outstanding.

- a) Discussions over Somerset representation continue & with investment of the new authority at the beginning of April, a recommendation will be brought to the July Board. In the interim, Somerset County Council's seat has passed to Somerset Council as the continuation authority. Any final recommendation will require changes to the Articles and a Members' meeting is provisionally scheduled alongside the July Board
- b) Skills Advisory Panel: Government confirmed in late March it will not fund SAP into 23/24 and SAP's future will be subject to discussion with SAP partners
- c) LEP Programme Boards: to be kept under review as transition planning accelerates and Great SW priorities are confirmed over the summer
- d) Business Leadership Group will continue with a review in the autumn.

1. Background

In January 2023 the Board agreed to conduct a governance review in the light of local government reorganisation in Somerset, the need to consider gender balance on the Board and noting that Stuart Brocklehurst is moving from a private sector member to become the University of Exeter representative from March onwards. The January Board also agreed that the review consider the composition, role and responsibilities of Board sub-groups.

The National Local Growth Assurance Framework sets out Government's expectations of LEPs and states:

- LEPs are expected to have achieved equal gender representation by beginning 2023. In recognition of challenges around Board member recruitment through the LEP review and Levelling Up white paper, Government has provided an exemption for this which HotSW LEP has drawn on
- A private sector member must be or have been employed by an organisation not included as central government, local government or a public corporation as defined for the UK National Accounts. The National Assurance Framework was written in 2019 and at that time Higher Education and Further Education Institutions were counted as private sector. Although ONS has since changed the definition, Government has confirmed that HE and FE Directors remain as 'private sector' for the purposes of LEP Boards through 23/24

As of 1st April the LEP Board has 16 members, 4 of whom (25%) are female (assuming Cllr Val Keitch remains Somerset representative) and 11 (69%) are private sector, also referred to as Independent Directors.

2. Somerset Representation

Discussions continue with Somerset over future representation (1 or 2 seats) following investment of the new Somerset Council in April and a recommendation will be brought to the July Board. In the meantime, as Somerset Council is the continuation authority of the old County Council, Somerset CC's membership and Board seat has passed to the new Somerset Council so Somerset has one seat on the Board irrespective of any future recommendation.

Note that as the Articles refer to "Somerset County Council" and Somerset Districts, the Articles will need to be updated to reflect any agreed recommendation. Consequently it is proposed that a Members' meeting is provisionally scheduled alongside the July Board and any recommendations made.

3. Gender Balance

Any Board recruitment will remain challenging given Government is not minded to fund LEPs past March 2024 and therefore it seems unlikely that the LEP will be able to make substantive progress towards achieving gender balance. It is recommended that the LEP continues to make the case to Government for exemption from this requirement through 23/24.

4. Deputy Chair

Government requires LEPs to appoint a Deputy Chair and state that best practice is for the Deputy Chair to be from the private sector. The LEP's Articles state that this is for a term of 3 years. At present the LEP does not have a nominated Deputy Chair so it is recommended that

private sector (independent) Directors agree a Deputy Chair nominee for confirmation at the July Board meeting.

5. Strategic Investment Panel and Finance & Resources Committee

As previously set out in January, these two committees with delegated decision-making powers will be merged into one – the Operations & Investment Committee. This streamlines resourcing as capital programmes near completion. Draft terms of reference were shared with the January Board and the OIC has been operating in shadow form since January. Final ToR are attached for Board agreement and subject to Board approval of these the OIC will formally start from 1st May. The attached ToR reflect OIC feedback that any decision is supported by a majority of LEP Board members on OIC to provide the right level of challenge and scrutiny.

6. Skills Advisory Panel (SAP)

In late March Government also confirmed they do not intend to continue funding SAPs into 23/24. SAPs have provided a strategic overview of skills need and labour market intelligence. Local Skills Improvement Plans (LSIPs) are progressing and with the Government announcement coming late into this review, it is intended to explore with SAP members how best to ensure effective oversight of skills provision in the area through LEP transition.

7. Other LEP Board Sub Groups

The LEP operates a series of advisory groups – the Business Leadership Group and Programme Boards – with their future status and composition intended to be part of this review. However, several moving parts mean no clear recommendation is possible at this point and advisory groups will be kept under review noting

- Transition planning will accelerate through 23/24 as implications of Government's Budget announcement re LEPs is worked through
- local devolution progresses and Somerset LGR beds in
- Great SW is continuing to mobilise & priorities will be agreed over the summer

The LEP's Business Leadership Group oversees Growth Hub delivery, inward investment and other LEP business support work. The BLG also provides opportunity for engagement with wider group of businesses and business representative organisations. With Government confirming Growth Hub funding through 23/24, the Business LG will be retained in the immediate term and reviewed in the autumn.

Annex – Operations & Investment Committee Terms of Reference

OPERATIONS & INVESTMENT COMMITTEE

TERMS OF REFERENCE

Operations & Investment Committee – Terms of Reference Cover Sheet

Name of Document	Operations & Investment Committee – Terms of Reference
Purpose	This document sets out the main roles and responsibilities of the OIC, including membership, governance, quorum, etc.
Author	Chief Operating Officer
Version	1.1
Review date	21 February 2023
Date approved	
Date of next review	01 December 2023
Location	Document can be located within the HotSW LEP management system and publicity via the HotSW LEP website Home - Heart of the south west LEP (heartofswlep.co.uk)
Policy lead officer	Chief Executive

Version Control

Please note this document is valid until formally revoked or replaced

Version	Date	Changes
1.1	21/2/23	Membership updated as requested by Feb F&R to give majority independent Directors

ROLES AND RESPONSIBILITIES

The Operations & Investment Committee (OIC) is a LEP Board Sub Group which has been given delegated powers by the Board to deliver the LEP's funding programmes and oversee the effective running of LEP operations, including the annual budget. The OIC is established in accordance with the Articles of Association of the LEP CIC and compliant with Local Authority legal requirements, as such investment decisions of the OIC will form part of the LEP's Publication Scheme produced in accordance with Freedom of Information Act requirements. OIC replaces both the Strategic Investment Panel and the Finance & Resources Committee.

The OIC will operate in accordance with the LEP Assurance Framework which has been approved by the Board and the relevant accountable bodies as the governance and management structure for funding programmes.

The main purposes of the OIC, as delegated by the LEP Board, are:

- Lead responsibility for programme delivery, performance, and quality. Making decisions on the investment programme to meet the Board's objectives set out in the Build Back Better plan and LEP Business Plan (dated). These will include:
 - Recommending to the Board an initial pipeline of projects based on advice and outline business cases. Giving the projects in-principle approval and setting conditions to be met in the final business case
 - Approving the final business case for projects and setting the conditions to be included in Offer Letters
 - Approving changes to the programme and projects including spending and output profiles in accordance with the Change Policy in the Assurance Framework and subject to limits in the government contract
 - Approving variations to Offer Letters and actions to deal with defaults and clawback
- Working with the accountable body to ensure compliance with the Assurance Framework.
- Directing the LEP Management Team and Programme Management Office function (PMO) who are the executive for programme management.
- Delegating responsibility for delivering sub-programmes to the Leadership Groups or Programme Boards.
- Scrutinising reports on financial progress, programme and outputs and preparing monitoring reports for government.
- Commissioning research to create an evidence base to support project selection and prioritisation. Commissioning evaluation reports to measure programme and project effectiveness which will inform revisions to the Build Back Better plan.
- Act on conditions and advice given by government and the accountable body on the programmes.
- Keeping the Assurance Framework under review and adapting it to meet the requirements of new funding programmes.
- Provide strategic advice and guidance to the Chief Executive and the Board on the effective and efficient financial management and resourcing of the LEP, including
 - business planning and other 'corporate' matters including Annual Review with Government,
 - overseeing LEP staff management (inc. remuneration), Director and staff recruitment.
 - Approval and recommendation to the Board on behalf of the LEP, the Service Level Agreements and/or contracts with the local authorities for core and programme management services and costs
 - Recommendation to the Board of annual, medium, and long-term budget and accounts
 - Review, and recommend to the Board for approval, the Annual Assurance Statement
 - Review any other items that are deemed relevant to the financial and resource management of the LEP
- Provide strategic advice and guidance to the Chief Executive and the Board on risk management and business continuity of the Heart of the SW LEP CIC, including governance, ensuring compliance with regulations and requirements of Companies House and HMRC of a registered company, maintenance and amending of the Memorandum and Articles of Association for the CIC under Board direction, review of risks and issues and their mitigation, oversight of approach to ensuring business continuity

With regard to the HotSW LEP's investment programme, in addition to our Assurance Framework, OIC decisions are subject to the terms and conditions of contracts with public and private sector investors, including, but not limited to:

- Growth Deal offer letter and contractual arrangements with national Government
- Growing Places Fund contractual arrangements with national Government
- Getting Building Funding offer letter and contractual arrangements with national Government
- Growth Hub and Careers Hub offer letters and contractual arrangements with national Government
- Conditions of the national Operating Programme and European Commission requirements in respect of European monies
- Terms and conditions of local government and other LEP partner funding
- Terms and conditions of private sector investors, for example banks or other institutional investors

Where a matter put before the OIC is novel and contentious it will be referred to the Board for decision. This will include but is not limited to:

- Where rejecting a business case would have a major impact on the LEP's ability to deliver the Build Back Better priorities and LEP business plan
- Where project scope and decisions could have a significant impact on the LEP's reputation
- Where a significant virement of funding is proposed between Build Back Better themes
- When the contractual conditions to be set for projects, or if a variation/change are novel and contentious
- Where an award or increase in LEP funding over £250k is requested

The OIC will perform this role for all funding programmes managed by the LEP.

MEMBERSHIP

The OIC will comprise of the following 12 voting members, each voting member has 1 vote:

- LEP Chief Executive
- Skills Advisory Panel Chair
- Business Leadership Group Chair
- Innovation Board Chair
- OIC Chair
- Local Authority staff on the LEP Management Team (4)
- Accountable Body Representative
- LEP Board Members (2)
 - Members who can bring additional expertise or support succession planning will be invited to attend by the Chair.
 - invited members are expected to serve a minimum of 6 months.

Government officials may be present as observers.

QUORUM

A quorum is 4 voting members. Irrespective of how many voting members are present, all decisions require agreement by a majority of LEP Board members. For example,

- if 5 voting members are present and a proposal is agreed by those members, at least 3 of the 5 must be LEP Board members for the decision to be valid.
- if 9 voting members are present and a proposal is agreed by those members, at least 5 of the 9 must be LEP Board members for the decision to be valid.

If it is not possible to meet this threshold by those LEP Board members present at a meeting, views of OIC members will be sought via email with the decision in that case also requiring a majority of LEP Board members to agree for it to be valid.

In any vote, in the event of a tie the Chair of the OIC will have the casting vote. In this event, the issue is considered contentious and will need referring to the LEP Board for final decision, with OIC's view being a recommendation.

CONFLICTS OF INTEREST

The OIC will conduct itself in accordance with the Conflicts of Interest Policy and policy on gifts and hospitality in the LEP CIC articles and the Assurance Framework. Conflicts of interest will be declared at the start of each meeting.

[LEP Policies](#)

[Declarations of Interest](#)

ACCOUNTABILITY AND TRANSPARENCY

The decision-making process will be set out on the website and show the steps from project prioritisation through business case approval and construction to monitoring. The following key documents will be published:

- Notice of OIC decision-making meetings and agendas
- Project business cases (except commercially confidential information)
- Table of decisions

The committee is constituted as a sub-group of the LEP Board and is directly accountable to it. The Chair will report to the LEP Board through verbal and/or written reports as required by the item to be reported.

The committee has no executive powers, other than those specifically delegated to it by the LEP Board, as outlined in these Terms of Reference and Board minutes.

SCRUTINY AND AUDIT ARRANGEMENTS

As agreed in the Assurance Framework.

SUPPORT AND ADMINISTRATION

The secretariat for the OIC will be provided by the LEP, who will arrange meeting dates, the agenda and coordinate papers, and Somerset Council who will write the minutes of the meetings. Papers will be circulated one week ahead of meetings.

FREQUENCY OF MEETINGS

Formal meetings will be held monthly and where an urgent decision is required outside of formal meetings they can only be taken in accordance with the same conditions as those set out in this document, and decisions will be properly noted at the next formal meeting.

In general, matters relating to LEP investments will be considered bi-monthly, with operations matters considered monthly but this does not preclude varying frequency or nature of meetings by agreement of the OIC Chair as and when required.

Meetings may be held by phone or video conference. There may also be decisions by email between meetings when urgency requires this, with the same rules around quorum applying.