

Agenda Item 8



Policy and Scrutiny

Open Report on behalf of Keith Ireland, Chief Executive

Report to:	Environment and Economy Scrutiny Committee
Date:	30 October 2018
Subject:	Greater Lincolnshire Local Enterprise Partnership – Accountable Body Progress Report

Summary:

This report provides an update from the Accountable Body on the progress of the Single Local Growth Fund (SLGF) operated on behalf of Greater Lincolnshire LEP.

We focus on:

- **17/18 Year End:** providing an update on the final spend position of year end funds and formal sign off.
- **Q1 2018/19 dashboard and programme progress:** the current spend and output status of SLGF and future monitoring and evaluation.
- **Update on Governance:** Progress on activity to support the LEP in ensuring it complies with the recommendations in the Mary Ney Review and best practice guidance.
- **Role of the Accountable Body:** and in particular how the Environment and Economy scrutiny committee can continue to take on a scrutiny role.

Actions Required:

Members of the Committee are invited to:

- 1) Consider and comment on the current progress being made on the Growth Deal Programme for Greater Lincolnshire.
- 2) Continue to support the role of Lincolnshire County Council as Accountable Body of the Single Local Growth Fund.

1. Background

Lincolnshire County Council has delivered the Accountable Body service for the Greater Lincolnshire LEP since its inception. We administer all funding on behalf of LEP including their core funding, other core contributions, growth hub, loan funding with the predominant fund coming from the Growth Deal. We also hold all reserves on behalf of the LEP.

The Accountable Body is funded primarily by interest gained on LEP Cash balances and is paid following the year end LEP account sign off.

The work of the Accountable body is varied and there is increased focus on support to ensure that the LEP remains strong in Governance especially following the Mary Ney Review.

Year End 17/18

The LEP is in a strong financial position and continue to operate a number of reserves to allow them to respond to operational pressures and deliver their agreed business plan priorities. We have continued to support the LEP in utilising freedom and flexibilities in the area of growth deal funding and 2017/18 saw start of some newer funding initiatives that the LEP wanted to support.

There is not the requirement to produce a formal financial statement as the LEP is currently classed as company limited by guarantee but submit nil accounts. All transactions flow through Lincolnshire county Council.

In order to improve transparency the Accountable Body produces a summary of in year transactions in the form of a financial report (Appendix A). This followed the same format as previous reports and provides a public facing document that is placed on the LEP website.

The report includes:-

- Company Information.
- Foreword by F&A Committee Independent Chair (A Orrey)
- Accountable body statement
- Statement by Auditor
- Statutory obligations
- Finances
 - Income and Expenditure
 - Invest & Grow fund
 - Growth Deal
 - Reserves
 - Interest
- Notes / Conclusion

We facilitated Streets LLP as the LEP's external auditors to check the relevant information and provide assurance prior to sign off and publication in July 2018.

Q1 18/19 project progress

Prior to 2017, we were required to report LEP outputs to Government via an online system called 'Logasnet'. This has now been replaced with an excel workbook and includes 23 spreadsheets requiring the input of both forecast and actuals data from the start of the programme in April 2015 to the end of the programme in March 2021.

A summary of all information is provided as way of a "dashboard" and gives an overview of the spend position, output delivery and project risk classification at any given quarter. The dashboard is signed off by LEP Board and the Section 151 Officer from our Accountable Body, Lincolnshire County Council.

The summary Dashboard for Q1 of 2018/19 is attached in Appendix B. The dashboard:

- reports an LGF award of £112,647,638. In reality the award is £123,647,638. This is because the reporting mechanism does not include monies given via Department of Transport. £11Million was awarded to Lincoln Transport Hub and this is reported separately to government although I report the whole figure to the LEP.
- provides a quarter at a time and gives a % actual against target for both spend and outputs.
- reports only 4 key outputs, however we continue to collate a wide range of outputs on projects.
- is completed following the submission of quarterly claims from projects.
- details the previous and current risk rating. The risk rating is created with scores on deliverables, financials and reputation. All the ratings then translate into an overall quarter rating.
- The dashboard for Quarter 1 was reported to the May Investment Board in preparation for formal submission to government by the 26th October 2018.

The table below provides an overview of the whole programme:-

	ACTUAL	FORECAST			Total ALL Years
		TO Mar 2018	2018/19	2019/20	
	TOTAL	TOTAL	TOTAL	TOTAL	
SLGF Allocation	89,951,122	8,733,858	6,809,606	18,153,052	£123,647,638
Project spend	71,685,865	17,252,690	19,102,416	15,606,667	£123,647,638
Offset used	-298,990	-8,518,832	-9,746,426		-£18,564,249
Offset gained	18,564,249	-	-	-	£18,564,249
GAP	-	-	2,546,384	-2,546,385	-

The Growth Deal target spend for 18/19 is £8,733,858. Projected programme spend is expected as £17,252,690. As you can see from the table this additional spend will be covered by previous offset.

The LEP has target outputs for Growth Deal agreed with Government and the dashboard shows programme totals and actuals achieved as at June 2018.

The Dashboard is 4 months behind the current reporting period. This is a government set reporting period although the latest guidance issued has shortened the period of reporting.

It is worth noting that some large projects have experienced unavoidable delays through judicial reviews, public enquiries and statutory agency requirements and as a result, the outputs achieved to date are lower than we would normally have expected at this point in time. Aligned to this is the fact that the forecasts have been locked for some time so we have been unable to realistically reflect delivery. We have been advised in the last few weeks that we now have the opportunity to reforecast all projects and we will be doing this as part of our Quarter 2 claim submissions.

Significant progress is being made in bringing forward the remaining Growth Deal 2 and Growth Deal 3 related schemes to contracting stage and once contracts are in place, it will of course increase the output expected to 2021.

The challenge remains to help all projects maximise their spend and deliver against the contractual spend and output targets and we will continue to work with them through our monitoring and evaluation framework.

Governance

At the February scrutiny meeting I reported in detail the requirements of the Mary Ney review and the work that needed to be undertaken to comply with the accepted recommendations.

Government had advised on several areas:-

1. **Enhancing the LEP Annual Review process:** the annual review was concluded in February 2018 following an additional meeting with the LEP area lead and the S151 officer. The annual review for this year is scheduled in January 2019 and will follow a similar format to the previous year however government have taken on board feedback on the process of last year's review and will be producing further guidance as to how the assessment will be undertaken.
2. Producing **best practice guidance** covering key areas around codes of conduct; publication of meeting and agendas; confidential reporting procedures for third parties and the public; whistleblowing policies; and registers of interests. Following the guidance we worked with the LEP to enhance the areas highlighted within the Local Assurance framework (

LAF). An updated version was published in March 2018. We are continuing this work and producing some separate policies as additions on to the LAF.

3. Providing **further guidance on the publication of financial information and the role of the Section 151/73 Officer**. The guidance was recently published (September 2018) by Chartered Institute of Public Finance and Accountancy and sets out five principles which they expect S151 to meet when instilling good and proportionate financial governance. These are:-

- Enshrining a corporate position for the section 151 officer in LEP assurance.
- Creating a formal /structured mandate for the section 151 officer
- Embedding good governance in decision making.
- Ensuring effective review of governance.
- Appropriate skills and resourcing.

4. Seeking to **publish revised guidance for LEP Assurance Frameworks**. This was expected in June 2018 however a revised date of November 18 has been given with implementation by February 19. I am part of the National Assurance Framework working group reviewing and feeding into the draft before formal publication.

The existing Local Assurance Framework is currently compliant with the published National Assurance Framework (NAF) dated October 2016 and was signed off by our Section 151 officer on the 28th February 2018. We have been assured that this will be used as part of the annual review process however prior to the revised guidance being published we are already working on improving the Local Assurance Framework.

I am working with Assurance Lincolnshire to allow a full independent review of the framework in order to achieve sign off and implementation by the required deadline.

Continued role of the Accountable Body

As Accountable Body, Lincolnshire County Council ensures that the allocated funding is ring-fenced, treated as a restricted fund and only used for the purposes as set out in the Growth Deal document. It is monitored by relevant County Council officers and overseen by Pete Moore as section 151 officer.

We hold the major funding made available through the LEP and make payments to delivery bodies. We currently account for these funds in separately identified budget lines and balance sheet codes to ensure transparency and clarity and report to the LEP's Finance and Audit committee and the GLLEP board as required.

We continue to work with the GLLEP to ensure that GLLEP policies and services are efficient, effective, appropriate and accessible to all.

As detailed in the Local Assurance framework the Accountable Body (LCC) shall:-

- Hold any funding it receives and all interest or income earned for and on behalf of GLLEP and ensure that the money is not moved or converted to cash without specific instruction from the GLLEP;
- Provide support and assistance to GLLEP, including procurement advice, to ensure both legal and financial probity in relation to the receipt and use of specific funding for which it acts as Accountable Body;
- Advise the GLLEP on the procedures necessary to ensure formal compliance with any terms and conditions of funding or grant;
- Provide advice on proper and effective governance for overseeing the allocation and spend of GLLEP funding;
- Ensure that performance and financial systems are robust;
- Provide details of all monies expended in accordance with the terms and conditions of funding;
- Inform and keep GLLEP informed of any grant funding allocations received and the procedures and recommended criteria for distributing the funding based on the funding body's requirements;
- Establish and maintain a financial system to account for all monies received and disbursed on GLLEP's behalf;
- Transfer , subject to due diligence and agreement by the Investment Board, funding for projects identified by GLLEP;
- Receive income and make payments for and on behalf of GLLEP;
- Maintain proper records, in accordance with its Constitution, of all monies received and disbursed for GLLEP and make such records available for inspection by both internal and external regulators;
- Arrange regular audit examination of GLLEP's activities with regards to use of public resources and, following each audit, present a report to GLLEP with recommendations to strengthen their governance and management practices.

It is important that the council undertakes some democratic scrutiny of the accountable body function, which is what bringing this paper to the Environment and Economy Scrutiny Committee twice per year allows.

2. Conclusion

The Accountable Body team continues to provide a robust environment in which the LEP operates and the single local growth fund projects are in the main progressing well into delivery.

Should members wish to scrutinise progress with the accountable body more regularly, then it would be useful to discuss how this could be achieved either through more regular reporting or through tasking two members of the scrutiny committee to take a particular responsibility for the activity.

We will continue to work with the LEP to ensure that projects progress to contractual agreements in order to support the delivery of our strategic priorities.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

N/A

b) Risks and Impact Analysis

N/A

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Greater Lincolnshire Local Enterprise Partnership Limited Annual Financial Summary for the year ended 31 March 2018
Appendix B	Performance Dashboard

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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