

**Open Report on behalf of Richard Wills,
Executive Director for Environment and Economy**

Report to:	Environment and Economy Scrutiny Committee
Date:	27 February 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:

- **Annual Conversation** - The aim of the review is to provide sufficient assurance to the Accounting Officer and ministers that LEPs fully implement existing requirements for appropriate governance and transparency.
- **Governance** - Following a report by the Public Affairs Committee in July 2016 the government asked Mary Ney to conduct a review ([Mary Ney Review](#)) into Local Enterprise Partnership (LEP) governance and transparency. In January 2018 [Local Enterprise Partnership governance and transparency: best practice guidance](#) was published to support LEPs in meeting some of the recommendations made by the review.
- **Year-End target and Progress** – An update on the current spend position and proposed arrangements for formal sign off of the LEP financial report.

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 continues to deliver the Accountable Body service for the Greater Lincolnshire LEP. 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.

As the role of the LEP continues to grow so does the need for a strong Accountable body function to aid the LEP in following the required systems and processes and enabling them to make informed decisions. Although we have always seen this as an important role recent scrutiny into the function of Leps nationally has resulted in a period of review and scrutiny into how we deliver our service.

Contracting is ongoing within the 2017/18 period and this year has seen an increase in workload compared to previous years given a greater number of projects and additional project spend and delivery. Current resourcing requirements are being met and the Accountable Body is funded primarily by interest gained on LEP Cash balances. Costs are estimated and signed off at year end. We are mindful that increased governance, as detailed below, may impact on future capacity and cost especially around the proposed enhanced role of the S151 officer.

1. Annual Conversation

Each year The Cities and Local Growth Unit (C&LG)¹ conducts a performance review (known as an Annual Conversation) with each LEP. The purpose of the review is to assess progress on Growth Deal delivery over the past 12 months. The Annual Conversation also considers a range of issues, including governance and transparency. This is very much a two-way conversation which leads to an agreed set of actions and next steps to be addressed either by the LEP or by central government.

Greater Lincolnshire LEP held its Annual Conversation with Government on the 5th December. We believe it to have been a very positive discussion focusing on:

- progress with actions from the last Annual Conversation;
- implications from the Mary Ney Review and governance;
- delivery of the growth deal programme and in particular risk management;
- adoption of the new government reporting mechanism;
- Local Industrial Strategy development/Greater Lincolnshire Strategic Economic Plan

It was also an opportunity for the LEP and Accountable Body to raise any concerns, proposals and ideas to government. We specifically highlighted how we might move away from fixed unrealistic annual capital targets enabling forecast flexibility.

¹ The Cities and Local Growth Unit is a joint unit between the Department of Business, Energy and Industrial Strategy (BEIS) and the Ministry of Housing, Communities and Local Government (MHCLG).

Formal actions arising from the discussion are currently in draft pending further review by government however we have published a full list of actions within a Greater Lincolnshire [LEP Governance and transparency Action Plan](#).

2. Governance

In April 2017, Melanie Dawes, the MHCLG Permanent Secretary, commissioned a review into LEP governance and transparency. The MHCLG Non-Executive Director, Mary Ney, led the review and following formal publication, Government accepted the review recommendations in full and is currently undertaking the following steps to implement them:

- **Enhancing the LEP Annual Review process:** Development of new guidance to enhance the 2017 LEP Annual Review process. This guidance ensured the Annual Review process had a greater focus on LEP governance and transparency arrangements.
- **Best Practice:** Producing best practice guidance covering the following areas: codes of conduct; publication of meeting and agendas; confidential reporting procedures for third parties and the public; whistleblowing policies; and registers of interests.
- **Finance:** Providing further guidance on the publication of financial information and the role of the Section 151/73 Officer. This guidance is being produced in partnership with the LEP network and The Chartered Institute of Public Finance and Accountancy (CIPFA) respectively.
- **Assurance Framework Guidance:** Following the completion of the Minister led LEP Review; the Government will publish revised guidance for LEP Assurance Frameworks. This is expected in June 2018.
- **Government approach to non-compliance:** Following the completion of the Minister led LEP Review; the Government will share its approach to non-compliance with LEPs.

Mary Ney Review Best Practice Guidance

Recommendations from Mary Ney's review will be included in a revised National LEP Assurance Framework which we expect to be published in June this year.

Following consideration by MHCLG and BEIS Ministers into strengthening the role of LEPs, Government wrote to all LEPs on the 22nd December 2017 sharing draft best practice guidance to set out the minimum standards required for certain governance and transparency requirements. The final guidance document was subsequently published in early January 2018.

The document included:

- Guidance on the publication of meeting and agenda items.
- Guidance and an example of confidential reporting procedures for third parties and the public.
- An example Whistleblowing Policy.
- An example Code of Conduct.
- A bespoke proforma Register of Interests for all LEPs to adopt.

The Government has developed this guidance for LEPs to ensure their policies and procedures meet minimum standards of robust corporate governance. Cities and Local Growth Unit have drawn on best practice by reviewing the policies of Local Authorities, Government Departments and LEPs. Advice has also been provided by the Government Legal Service and the Centre for Public Scrutiny.

Further guidance will be provided to address additional elements once the Ministerial review of LEPs is complete.

We are confident that the Greater Lincolnshire LEP already meets many of the minimum standards contained with the recommendations however as we have identified there will always be areas that can be strengthened as we share best practice with others.

The LEP board received papers at the 31 January meeting specifically on the Mary Ney recommendations. This included draft policies for review and endorsement.

To note, our Local Assurance Framework is currently compliant with the existing published National Assurance Framework (NAF) dated October 2016. We are in the process of building in some of the new requirements and are on target for producing a final document which will be signed off by our Section 151 officer by the 28th February 2018.

Aligned to this deadline is the need to address the points highlighted above. At the time of writing we have produced and published the LEP Board Code of Conduct and updated the Growth Deal Implementation Plan. We are already moving towards the new publishing requirements including uploading draft minutes within 10 days of the scheduled meeting.

Work continues on a LEP specific Whistleblowing policy, a new enquiry, complaints and compliments policy to include provision for confidential reporting and we are in the process of working with LEP Board Directors to ensure the new register of interest requirements are adhered to and signed off.

Additional Scrutiny

A requirement under the NAF to ensure accountable decision making is that the LEPs must set out what independent scrutiny arrangements are in place. Since LEP inception this committee has taken on the role of scrutiny of the LEP but with a focus on the role and function of the Accountable Body.

Under the Mary Ney recommendations it has been identified the need for a separate scrutiny committee which is independent from the LEP with a focus on reviewing decisions made by the LEP Board, how the Strategic Economic Plan is being implemented and ensuring policies are being operated in an effective manner.

The LEP board received a discussion paper (co-authored by Richard Wills as Head of Accountable Body) detailing the options for enhancing scrutiny arrangements. The LEP team will be undertaking additional work once formal guidance has been given and will report back on proposals.

3. 2017/18 Overview

New reporting model

For the last two years of the Growth Deals, data has been reported through the LOGASnet system. DCLG retired LOGASnet in August 2017 and has provided a revised reporting mechanism. This new system is an excel based system and is designed to provide a higher level of information than previously delivered through LOGASnet.

Following the launch of the new system we have been working with DCLG to fine tune the data within the new reporting mechanism. There have been many teething problems with the transfer of data that have been experienced by all LEP's.

The new mechanism shows the following:-

- **Dashboard:** Presenting the progress of the overall Growth Deal to a particular quarter. It is designed to be a useful snapshot and allows delivery to be measured against forecasts. It is worth noting that it captures key outputs only and also omits the DFT retained monies that were awarded to the Lincoln Transport Hub.
- **Forecast Sheet:** Detailing yearly spend targets for each project and also yearly output targets that link fully to the Dashboard. Forecasts were set at Quarter 1 and therefore when we provide the most updated figures these may differ as the forecast within the new mechanism is locked.
- **Quarterly reporting Sheets:** There is a sheet for each quarter and this is used to capture data that we collect from quarterly claim submissions. These sheets do allow us to capture additional outputs that are detailed within our contracts but these do not link to the Dashboard. The sheets also include a project risk analysis around three specific areas: Delivery, Finances and reputation. The overall risk RAG rating feeds through to the Dashboard.

We are required to submit this data to Government on a quarterly basis following sign off by the LEP Board and the Accountable Body Section 151 officer.

Included as part of the report (**Appendix A**) are the summary Dashboards for:

- **Quarter 2** covering the period July – September 2017 - Overall performance is classed as Amber/Green. It identifies two high risk schemes in relation to the programme. This dashboard has been formally signed off by both the LEP board and S151 Officer.
- **Quarter 3** covering the period October – December 2017 – This remains in draft as has not been reviewed by the required signatories. It shows that the Growth deal remains in the Amber/Green classification however following claims submission and progress reports from project leads we believe that there are indeed three high risk projects.

The dashboard for Quarter 3 will be reported to the March Investment Board in preparation for formal submission to government by the 20th April 2018.

As part of our work as Accountable Body we have discussed the new mechanism in full with the LEP Finance and Audit Committee. This was to allow them to gain a greater understanding of the mechanism and provide them with greater confidence in making recommendations on the programme to the LEP and LEP Investment Board.

Project and spend Update

To date we have received £89.9million of Single Local Growth Fund (Growth Deal).

We currently hold 24 contracts to the value of £248.895million in total project costs providing £81.606million SLGF grant leveraging in £167.289million of public/private sector investment.

As previously reported to committee the 17/18 growth deal spend target is £15.8million and remains a challenge following high levels of funding released in previous years.

The majority of projects are successfully delivering on the ground and with some projects complete we are beginning to capture outputs and impacts to the programme. A full project update is provided in **Appendix B** and reflects activity to Quarter 3 reporting.

Three projects were identified to the LEP Investment Board as high risk in terms of milestones to the programme; Skegness Countryside Business Park (Skegness Gateway Scheme), Grantham Southern Relief Road, and Lincolnshire Lakes.

The LEP Investment Board requested an update paper on **Grantham Southern Relief Road** having been highlighted previously as a higher risk scheme. The board were pleased to see further progress on the project given LCC Executive approval to take forward preparation and publication of the statutory orders. Although a small delay on publication to February the board remained supportive.

A due diligence appraisal report on the agreed delivery approach for the **Skegness Gateway Development** (phase 1) was presented and endorsed. Phase 1 of the project will build, service and make available of 5 hectares of "spade ready" employment land and "ready to move in" small industrial units, which are targeted at emerging demand. The project will now move to formal contracting subject to sign off by the Section 151 Officer and compliance with a variety of contractual conditions.

Progress with the **Lincolnshire Lakes** scheme had been delayed with regard the required land transfers which were meant to take place in November 2017. This had raised concerns around the progress of the other elements of the scheme and hence it was flagged as higher risk in Q3. A meeting was held in late January by all parties to ensure the project was brought back on track given the amount of funding invested.

We can update that:

- access to the land has been confirmed with the land owners with draft heads of terms for a memorandum of understanding outlining how they plan to work with NLC.
- formal land transfer will occur by the end of the financial year however a licence to operate on the land to enable as much work as possible to take place as to not hold up the construction of either Lake 1 is in place.
- The primary focus is on the discharge of planning conditions, understanding the permits from the EA and conducting the final detailed surveys of the site.
- The project would expect to defray circa £400k this financial year.

Outputs

All project contracts contain direct output targets however they are also encouraged to report on wider impacts as per the monitoring and evaluation framework. Many of the outputs will be delivered in the long-term however we can report that the following outputs have been achieved as at quarter 3 period December 17:-

- 298 completed Housing units
- 3.32 Hectares Land reclaimed
- 6 new Jobs with 39 jobs safeguarded
- 2908 Sq. metres Commercial Floor Space
- 80 businesses supported
- 378 Learners supported
- £1.9million of additional leverage

Spend

The programme is currently forecasting £9.5m (£1.4m related to Lincoln Transport Hub) in expenditure for this financial year and actual expenditure to the end of Quarter 3 totaled £2.426Million (15.45% of the required £15.7m government forecast).

The wider picture is that:-

- Projects have evidenced £6.5Million however £4million this has been evidenced against advance payments and are not reflected in outturn.
- £4.3million of proposed yearly spend is within uncontracted projects.
- We had already identified that higher spend levels were likely in Q4.

We are still identifying a minimum gap of £6.1m which are to be considered as part of its freedoms and flexibilities, as per options endorsed at the September Investment Board to help prevent an underspend situation.

We have released £13.5million in advance payments and have recouped just over £6million through evidenced claims. Forecasts for 2018/19 continue to exceed

agreed government targets; hence the LEP intends to begin to significantly rebalance existing offset figures.

The table below provides the latest programme overview:-

	ACTUAL		FORECAST				Total ALL Years
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	
SLGF Allocation	26,400,000	47,863,787	15,687,335	8,733,858	6,809,606	18,153,052	123,647,638
Project spend	17,901,011	38,359,044	9,526,999	20,386,572	21,902,444	15,571,568	123,647,638
Offset used	-	(298,990)	-	(11,652,714)	(6,351,020)		(18,302,724)
Offset gained	8,498,990	9,803,734	-	-	-	-	18,302,724
GAP	-	-	(6,160,336)	-	8,741,818	2,581,484	-

The programme is currently 66% (£81.6million) contracted against the agreed allocation of £123million.

There is clearly a challenge in the next two months to help all projects maximise their spend and deliver against the contractual spend targets. All projects will be asked to submit a claim in early March detailing actual spend to February and estimated spend to the end of March. This has helped in previous years to direct our support in an appropriate way.

We continue to support the LEP in contracting of projects and implementing the agreed Freedom and Flexibilities.

Year End

As per previous years we will produce a financial report which covers all the finances that the Accountable Body holds on behalf of the LEP. Both Assurance Lincolnshire as our Internal Audit team and Streets LLP as the LEP's external auditors will check the relevant information and provide assurance prior to sign off and publishing.

We expect this exercise to be completed in May 2018.

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.

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	Growth Deal Dashboard
Appendix B	Growth Deal Project Summary Report

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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