Rt. Hon Meg Hillier MP  
Chair of the Committee of Public Accounts  
House of Commons  
14 Tothill Street  
London  
SW1H 9NB

6 June 2019

Dear Meg,

PUBLIC ACCOUNTS COMMITTEE EVIDENCE SESSION INTO LOCAL ENTERPRISE PARTNERSHIPS

At the Public Accounts Committee hearing on Local Enterprise Partnerships (LEPs) on 13 May I promised to provide further information on a number of topics:

- The implementation of LEP scrutiny arrangements;
- Escalation procedures for LEP complaints;
- Examples of private sector match funding for LEP projects;
- Match funding for LEP administration costs;
- How the Department is ensuring our work with LEPs considers deprivation as well as productivity;
- The progress of Local Industrial Strategies and the agreement process with government.

The attached note includes the information on these topics. I hope that the Committee finds this helpful.

Yours,

MELANIE DAWES
Annex A: Local Enterprise Partnerships – additional information

Scrutiny

The Committee asked for further information relating to timescales for the implementation of LEP scrutiny arrangements. As I set out at the Committee hearing, since April 1 2019, all LEPs are required to participate in relevant local authority scrutiny arrangements to guarantee the effective and appropriate democratic scrutiny of their investment decisions. LEPs should ensure this engagement by either:

- making an open offer to attend local authority scrutiny committees in their area and attending when requested; this will enable democratic scrutiny to take place when required and enable LEP decision makers to be held to account;
- creating a joint local authority scrutiny committee, comprised of all local authorities from the LEP area, who meet to scrutinise and examine LEP decisions; or
- creating a joint scrutiny committee which comprises of all local authorities from the LEP area and relevant representatives that can provide scrutiny from a business perspective, who meet to scrutinise and examine LEP decisions.

Our compliance checks have assured that all 38 LEPs have published their scrutiny arrangements in their Local Assurance Frameworks and all arrangements will be operational in the 2019-20 financial year. The exact timings of the scrutiny meetings and processes will depend on specific arrangements in each LEP. For example, attendance at individual local authority scrutiny committees will depend on existing timetables for those meetings. Where LEPs have created a joint committee, LEPs and the local authorities have agreed their own timetable. The Department will continue to review LEP scrutiny as part of the Annual Assurance Process to ensure that LEPs are following their established scrutiny processes.

Complaints

The Committee asked for further information on how LEP complaints are reported to the Department. All LEPs must have a published complaints policy and corresponding process to enable third parties and the public confidentially to report concerns about LEP processes and decisions.

As outlined in the National Local Growth Assurance Framework, the LEP is required to have necessary escalation processes in place for situations where the complainant is not satisfied with the outcome of the complaint to a LEP. The complainant should first escalate the complaint to the Accountable Body, and failing adequate resolution at this stage, the complaint can be referred to the Department.

We record and respond to each official complaint made to the Department. We do not require LEPs to report to us complaints raised and resolved at the local level.

Match Funding for LEPs

The Committee asked for further examples of projects where match funding is provided by the private sector. LEPs are working closely with the private sector to unlock private investment to strengthen local economies. Match funding varies depending on the type of project. Business support projects tend to attract more private investment, for example, while transport projects are unlikely to attract significant levels of private capital.

Through quarterly data returns, LEPs report on the status of their projects and report on the level of match funding for each project. This is broken down by sector (private, public and third sector). Some examples of projects with private sector funding match are included in Annex B.
Government provides £20 million of core funding a year, split evenly between LEPs, to support each LEP to put in place the capability it needs. Each LEP has to match-fund the £500,000 they receive from Government with a minimum of £250,000 in match funding which is derived from the private sector, public sector, universities and third sector institutions. Government monitors the compliance of each LEP with this requirement through core funding returns.

**Addressing deprivation and productivity challenges in local places**

The committee asked how the Department will hold LEPs accountable for spending to support deprived areas. As we design the future UK Shared Prosperity Fund, the Government is considering how best how to address these challenges.

As outlined in the Written Ministerial Statement by the Secretary of State in July last year, the UK Shared Prosperity Fund will tackle inequalities between communities by raising productivity, especially in those parts of the country whose economies are furthest behind. As part of our preparations for UK Shared Prosperity Fund we will consult widely and details of the fund’s priorities and operations are due to be announced following the Spending Review which will take place later in the year.

**Local Industrial Strategies and Future Local Growth Funding**

The Committee asked about the progress of Local Industrial Strategies and the process by which the Government will agree these Strategies with Mayoral Combined Authorities (MCAs) and LEPs.

MHCLG will work with local partners to ensure all areas’ Local Industrial Strategies are consistent with the policy prospectus, published in October 2018, on which government agreement is dependent. This document sets out the objectives, policy rationale and approach to developing Strategies, including:

- Setting out a robust and open evidence base;
- Mapping specific opportunities and challenges, which is intended to build specific distinctive local strengths and address any local weaknesses across the foundations of productivity;
- Making clear how MCAs and LEPs will work in partnership with public and private stakeholders to achieve their ambitions;
- Prioritising specific, achievable and long-term ambitions;
- Setting out clear plans to evaluate progress.

The West Midlands’ Local Industrial Strategy, published in May 2019, was the first Local Industrial Strategy to be agreed by Government. Based on clear evidence and aligned to the national Industrial Strategy, it set out how the West Midlands will:

- Meet the Future of Mobility Grand Challenge;
- Develop new market opportunities to build on local strengths;
- Address the Industrial Strategy’s foundations of productivity; and
- Ensure all communities can contribute to, and benefit from, economic prosperity.

The West Midlands Local Industrial Strategy will inform the strategic use of local funding streams and, where relevant, spending and decisions at the national level. It will also help the West Midlands decide on its approach to maximising the long-term impact of the new UK Shared Prosperity Fund.

We will aim to agree Local Industrial Strategies with all other MCAs and LEPs by early 2020.
Annex B: Examples of Private Sector Match Funding

**Medicity, Derby, Derbyshire, Nottingham and Nottinghamshire LEP (D2N2 LEP)**

Medicity is a business incubation site for health, wellbeing and life sciences enterprises. Through a £1.4 million investment of the Local Growth Fund, D2N2 LEP provided funding to create an additional 29,800 square feet of space to host a cluster of new and growing health, medical technology and life sciences sector companies within an Art Deco Grade 1 listed building. 85% of the total converted floorspace is complete with the remainder finishing in quarter three this year. Up to the latest quarter the project is delivering 140 jobs (ahead of forecast).

Private investment has made up 51% of this project. Boots, who own the site, made a loan of £720,000 and £36,000 has been provided from Biocity, the parent company of Medicity and who run life science incubators across the country, with their headquarters in Nottingham.

**MAHLE Powertrain Real Driving Emissions Centre, South East Midlands LEP (SEMLEP).**

Through a £2.1 million investment of the Local Growth Fund, SEMLEP has invested in a project to develop a new research and development vehicle test chamber, with altitude and climatic simulation capability, unique in the UK. Based in Northampton, this project has enabled job and business growth in the automotive sector. It was completed in July 2018 delivering 1550m² of new industrial floorspace and is projected to create 16 new jobs and safeguard 40 jobs.

Private Sector investment makes up 75% of the funding for this project. The £8.32 million project has been jointly funded by MAHLE (£6.22 million) and the LEP through the Local Growth Fund (£2.1 million).

**Beacon of Light, North East LEP**

A £1.8m investment from the North East Local Enterprise Partnership’s Local Growth Fund was awarded to the Foundation of Light towards the construction of the c. £18 million development. The development is an innovative work space for sport, health, education and well being. It has combined LEP investment from the Local Growth Fund (£1.8 million), public sector investment (£11.7 million) and private sector investment (£4.7 million). The investment is expected to deliver 666 jobs, 1177M² new/improved learning and training floor space with 1365 new learners assisted.