Dear Meg,

RESPONSE TO REPORT INTO GREATER CAMBRIDGE AND GREATER PETERBOROUGH LOCAL ENTERPRISE PARTNERSHIP

Following the Committee’s hearing on the Greater Cambridge and Greater Peterborough Local Enterprise Partnership (GCGP LEP) on the 22 January 2018 and my letter of 31 January 2018, I am writing to provide you with further information about the work the Department is undertaking to address the recommendations made by the Committee in its subsequent report.

The Department has accepted the recommendations of the Committee’s report in full, as outlined in the Treasury Minute published on 21 May 2018. I am pleased to confirm that the recommendations align with the Department’s priorities for LEPs. We are committed to the improvement of LEP governance and transparency and want all LEPs to be well placed to deliver economic growth at the local level.

At the Committee’s hearing I said I would write following the completion of the annual assurance process. This letter provides an update on:

1. the implementation of the Mary Ney Review recommendations;
2. the results and key findings of this year’s assurance process, that was conducted through the use of Annual Conversations, spot checks and deep dives; and
3. the guidance the Department has provided to LEPs.

The steps the Department and LEPs are taking will ensure greater governance and transparency across the network of LEPs.

Through our guidance and assurance process the Department is supporting the continued development of LEPs. We will continue to work with LEPs to develop their capabilities around governance and transparency, with the Department actively monitoring key risks and intervening quickly when improvements are required.
The Department is committed to continuous learning and improvement. Following the establishment of a temporary six month National Oversight and Compliance Team the Department has now embedded this Team within the Cities and Local Growth Unit. This Team will help to drive forward improvement in LEPs and are already working to embed and improve the assurance processes developed this year. They will continue to consider options for future years as part of the Government’s Review of LEPs.

Implementation of Mary Ney Review recommendations

As I set out at the hearing, the Department has accepted, in full, the findings of Mary Ney’s Review of Local Enterprise Partnership (LEP) governance and transparency.¹ Following the Review’s publication in October 2017, the Department began implementing the recommendations.

The majority of the recommendations have been implemented already through the Best Practice Guidance², which was shared with LEPs in draft in December 2017 and published on 24 January 2018 and through the Annual Performance Conversation review process for 2017-18.

The Best Practice Guidance addressed four recommendations and includes detailed guidance and examples of: Codes of Conduct (based on the Nolan principles); transparency in decision making regarding the publication of meeting papers and agenda items; explicit whistleblowing and confidential reporting procedures; and a bespoke pro forma Register of Interests which every LEP has adopted.

The Department is committed to ensuring that all LEP board members understand their obligations under the Nolan Principles to act in the public interest and lead by example with selflessness, integrity, objectivity, accountability, openness and honesty. This was made clear in the Best Practice Guidance and has been followed through during this year’s annual assurance process and the deep dives we undertook.

As you are aware the Annual Conversation is an annual meeting that takes place between LEPs and the Department where we review the LEP’s performance in key areas of strategy, delivery and governance. This year’s Annual Conversation guidance addressed a further four recommendations. The conversations included dedicated time to examine LEP governance and transparency. In addition, Section 151 Officers were required to provide a report to the Annual Conversation on their work for the LEP with a specific requirement to identify any issues of concern around governance and transparency. The LEP Chair and Chief Executive were also required to provide a formal assurance statement with a specific requirement to detail any overview and scrutiny function provided by the LEP. We required all LEPs to publish this statement on their website as a public commitment to openness and transparency. Through the follow-up spot checks the National Oversight and Compliance Team confirmed that all LEPs had published this statement.

We have also addressed a further recommendation by developing and undertaking a series of deep dives. The Department’s National Oversight and Compliance Team developed and delivered the deep dives with the assistance of the Government Internal Audit Agency.

Further information about the deep-dive process can be viewed in the Department’s assurance process update (Annex A).

We have considered different ways to fund LEPs to ensure that the Department provides funding in a way that offers LEPs certainty to help them plan for the future. BEIS and MHCLG confirmed to LEPs the availability of core funding for the next two financial years, providing greater certainty over the longer term. We will continue to review the most appropriate way to fund LEPs as we consider future options for LEP funding.

There are seven remaining recommendations from the Mary Ney Review that the Department is in the process of addressing. These are either currently being implemented; are contingent upon the outcomes of the Ministerial Review of LEPs; or will be incorporated into the refresh of the National LEP Assurance Framework,³ later in 2018. A list of the remaining recommendations and the steps the Department is taking to implement these are in Annex B.

Annual assurance process key findings and results

As part of the Department’s improvements to the oversight of governance and transparency arrangements within LEPs, the Department has continued to develop its assurance process through its 2017-18 cycle. We have looked to continue to build up a holistic system which provides assurance across the full range of LEP activity and is effective in responding quickly and identifying risks which require further support.

The assurance process consisted of a series of Annual Conversations, spot checks and deep dives. Together, this process provided the Department oversight of each LEP and assurance that LEPs have in place the necessary systems and processes to manage devolved funding from central Government budgets effectively. The three stages of this year’s assurance process consisted of:

- **Annual Performance Conversations**: each LEP took part in an Annual Conversation where officials formally met with LEP personnel and reviewed the LEP’s performance in key areas of strategy, delivery and governance.

- **Spot checks**: these are checks on each LEP’s website and publicly available documentation to ensure compliance with the National LEP Assurance Framework and the Best Practice Guidance.

- **Deep dives**: deep dives were conducted with 11 LEPs by the National Oversight and Compliance Team with the assistance of the Government Internal Audit Agency. These provided an in-depth review of LEP accountability and transparency arrangements. Interviews with a variety of Board Members and staff as well as project sampling were conducted to assess implementation of the Local Assurance Framework.

Feedback was provided to LEPs after each stage of the assurance process, highlighting areas for improvement. Where necessary individual action plans for LEPs were developed. The outcomes of the assurance process were considered and formed the evidence base for funding recommendations for financial year 2018-19.

The deep dives were generally well-received by LEPs, with those LEPs who received a deep dive reporting that they found it a helpful exercise. The National Oversight and Compliance Team found that LEPs were responsive to suggested improvements and many LEPs made significant improvements compared to the performance assessment undertaken as part of the Annual Conversations.

I am satisfied that the 36 LEPs to whom core funding was paid in full in April 2018 were compliant with the National LEP Assurance Framework and the recommendations addressed in the Best Practice Guidance by the end of the annual assurance process. Additional improvements, however, are required by some LEPs to ensure that a common standard is adopted across the whole network. Of the two LEPs that did not receive core funding in full in April 2018, one is GCGP LEP which is currently in the process of recruiting a new LEP board. The Department delayed the decision to release all core and Local Growth Fund payments to one other LEP over concerns around its governance arrangements and current structure. The Department has since agreed to cover core operational costs and release Local Growth Fund payments for three specific business critical projects; and is continuing to work closely with the LEP to gain the necessary assurances to release remaining funds. A small number of LEPs also received bespoke funding arrangements to help them meet agreed action plans. Additional information on the findings of the annual assurance process can be found in Annex A.

**Next Steps**

As you know, our ministers, alongside BEIS and HMT, are currently finalising a policy review of LEPs which will conclude in the coming months. This will look at issues such as the governance and overall approach to performance and intervention. Once this has been concluded, the Department will pull all our revised guidance into a refreshed National LEP Assurance Framework. This will also refer to the revised guidance for Section 151 Officers, which we expect the Chartered Institute of Public Finance and Accountancy to publish in Summer 2018.

In addition, we are working with the LEP Network to ensure that on-going training is available to LEPs so that every person involved in a LEP is aware of good governance. This is being considered as part of the LEP Ministerial Review.

I hope that the Committee finds this update helpful.

MELANIE DAWES
Annex A: Local Enterprise Partnership Governance and Transparency Assurance Process

1. Assurance Process

1. Local Enterprise Partnerships (LEPs) are partnerships between businesses and local authorities that encourage deeper collaboration and strategic decision making over a local economic area. LEPs oversee the allocation of funding awarded to them by Government. The Department has developed an overall LEP assurance system in order to ensure that LEPs have the necessary systems and processes in place to manage this money effectively. This sits alongside the Accounting Officer’s System Statement for the Local Growth Fund. The components of the LEP assurance system are set out in the diagram below.

2. As part of the Department’s improvements to Government’s oversight of governance and transparency arrangements within LEPs, the Department continued to develop the annual elements of its assurance system in 2017-18 (Annual Performance Conversations, spot checks and deep dives). The improved process considered the recommendations of the Mary Ney Review into LEP governance and transparency (October 2018)⁴. It sought to build a holistic process focusing on identifying LEPs which require further support, enabling the Department to respond quickly to any risks. As part of this

process, the Department published Best Practice Guidance\(^5\) in January 2018 with a draft version being shared with LEPs in December 2017.

3. The LEP assurance process\(^6\) is made up of three interlinking strands:

- **Annual Performance Conversations**: these provided the Department with a view of the performance of each LEP over the last 12 months on the themes of governance, delivery and strategy. Each LEP took part in an Annual Conversation meeting where the Department reviewed the LEP’s performance in these key areas.

- **Spot checks**: the spot checks identified gaps in the information on LEP websites, assessed quality of that information and provided assurance over the implementation of the National LEP Assurance Framework (November 2016)\(^7\) and Best Practice Guidance requirements. The first checks took place at the end of the Annual Conversation process to help to inform the Annual Conversation moderation.

- **Deep dives**: these provided an in-depth review of 11 LEP’s accountability and transparency arrangements. The Annual Conversation process and spot checks helped to inform the process to identify which LEPs received deep dives. The deep dives were conducted by the National Oversight and Compliance Team with the assistance of the Government Internal Audit Agency. Interviews with a variety of board members and staff as well as project sampling were conducted to assess implementation of the Local Assurance Framework.

4. Feedback was provided to LEPs after each stage of the assurance process, highlighting areas for improvement. Where necessary individual action plans were developed jointly by the LEP and the Department. The outcomes of the assurance process were considered and formed the evidence base for funding recommendations for financial year 2018-19.

5. In addition to the Department’s internal assurance processes, each year the Department requires the Section 151 Officers of the LEP Accountable Bodies to write to the Department confirming that LEPs are compliant with the Department’s governance and transparency requirements. This year, two Section 151 Officers requested extensions to this deadline. One requested an extension due to adverse weather conditions, the other was new to their post and wanted time to ensure the systems and processes were operating correctly before confirming this to the Department. Both letters were subsequently received.


\(^6\) See Appendix one for this year’s timeline.

6. The following document considers each interlinking stage in the Department’s assurance process. Each chapter provides: an overview of the process of each stage, headline findings from each stage, any best practice identified and any areas identified where improvements were needed. It also sets out where the Department has identified any areas where it can continue to develop the process in the future.

2. Annual Performance Conversations

Annual Conversation process

7. Annual Conversation meetings are the formal process by which the Government and each LEP meet annually to: discuss the contribution the LEP has made towards driving forward local economic growth; to review LEP governance and assurance processes; to look at progress with delivery on key local growth programmes; and to discuss the LEP’s priorities and challenges for the year ahead. Its purpose is to provide assurance to the Department that the LEP has the necessary governance and transparency arrangements in place and is on track to deliver current and future projects. Between November 2017 and January 2018 Government held an Annual Performance Conversation meeting with each LEP covering key areas of Governance, Delivery and Strategy.

8. This year, the Annual Conversation process was developed further to provide a structured conversation with a detailed review of LEP performance and governance. This incorporated the recommendations of Mary Ney including the recommendations that: Annual Conversations should include time to examine LEP performance on governance; the LEP Chair and Chief Executive provide a formal annual assurance statement, including arrangements for scrutiny; the Section 151 Officer provide a report to the Annual Conversation. All of these recommendations were incorporated into the Annual Conversation process. In advance of the Annual Conversation meetings, guidance was developed and shared with LEPs in November to provide a clear structure for the conversations.

9. The outcomes of the Annual Conversation meetings went through local and national moderation. This resulted in a performance assessment of each LEP identifying non-compliance with the National LEP Assurance Framework, areas where improvement was required, highlighting best practice and where the LEP had gone above and beyond what was required. LEPs were provided an overall performance assessment (exceptional, good, requiring improvement or inadequate) based on an evaluation of their performance regarding governance, delivery and strategy over the previous twelve months.
10. Indicators of an *exceptional* LEP included: clear and accountable governance structures and processes in place to ensure transparency which went above and beyond departmental guidance; delivery of projects to time, exceeding expectations and managing budgets well; clear awareness of future ambition and vision. Exceptional LEPs had embedded governance and transparency arrangements into their organisational culture and were looking for ways to continually improve their processes. A LEP may be rated as *requiring improvement* if it displayed some of the following characteristics: there were two or more parts of the current governance arrangements which required improvements; it was delivering the majority of projects to time and budget, but there were delays to some of its initiatives and the re-evaluation of some projects was likely; there was uncertainty around the future vision or ambition of the LEP.

11. The performance assessment informed the deep dive selection process and where necessary, action plans were developed with LEPs to drive forward improvements. Where delivery improvements were required a follow up meeting with Departmental Area Leads, Area Deputy Directors and key LEP personnel was scheduled to formally review LEP progress in resolving any outstanding issues.

**Headline findings**

**Aggregate Performance Rating for LEPs following National Moderations**

<table>
<thead>
<tr>
<th>Performance assessment</th>
<th>Inadequate</th>
<th>Requiring improvement</th>
<th>Good</th>
<th>Exceptional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of LEPs</td>
<td>2</td>
<td>19</td>
<td>16</td>
<td>0</td>
</tr>
</tbody>
</table>

12. The Annual Conversations identified areas of best practice and areas for improvement. They were a helpful process for the Department to discuss the objectives and challenges that LEPs face and gain a 'snap shot' of different LEP working practices and culture. The Section 151 Officer report and LEP Chair and Chief Executive assurance statement provided additional assurance to the Department that LEPs and Accountable Bodies recognised their responsibilities to ensure that the appropriate governance and transparency arrangements were in place. They also provided assurance that LEPs had taken action to make improvements where necessary.

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8. Note that given the current dissolution and reconstitution of GCGP LEP, it was marked differently during the Annual Conversation process and has therefore been excluded from the above analysis. The table shows the number of LEPs in each performance rating category after National Moderation.
13. Every LEP received bespoke feedback after the Annual Conversation process. Only two LEPs scored inadequate overall. For those scoring inadequate, the Department required the LEP to participate in a follow up meeting with Senior Civil Servants and finalise an action plan to address any areas of poor performance. Action was then closely monitored by Local Area Leads. For those LEPs requiring improvement specific actions were outlined in their feedback to address any areas of concern, these actions were monitored by Local Area Leads and in many cases this was followed up by a meeting with Senior Civil Servants.

14. Following the Annual Conversations, all LEPs received a full spot check to ensure that they were compliant with the National LEP Assurance Framework and Best Practice Guidance. The Annual Conversations also informed the selection process for the deep dives which provided an in depth review of 11 LEPs’ arrangements and processes. By the end of the annual assurance process, the Department was satisfied that all but two LEPs were compliant with the National LEP Assurance Framework and Best Practice Guidance.

Best Practice

- Governance: the Annual Conversations identified a number of LEPs who were implementing best practice in governance. These included LEPs having clear and accountable governance in place with a robust published Local Assurance Framework and credible evidence of implementation and transparency. In addition to meeting the requirements of the National LEP Assurance Framework, some LEPs had a clear culture of transparency and the Annual Conversation showed a clear commitment to continual improvement of governance arrangements. For example, some LEPs held public AGMs. Others linked their meeting papers to press releases and publicised LEP decisions on the news pages of their websites in addition to maintaining a record of their meetings.

A number of LEPs exhibited best practice by having clearly defined roles and responsibilities, for example their board members had up to date role descriptions so there was a general understanding across the organisation about board member responsibilities. Furthermore, some LEPs exhibited extremely good working relationships within the LEP and with local partners with a strong private sector chair who was able to maintain consensus and drive the LEP’s agenda forward.

In addition, certain LEPs had developed strong relationships with their Section 151 Officer with accompanying statements which provided clear lines of accountability and opportunities for scrutiny. Others had established a Scrutiny & Overview Committee to ensure that decisions were made in line with existing requirements and represented value for money. Some had
established a nominations committee to ensure that board appointments were conducted in a fair and transparent manner.

- **Delivery:** the Annual Conversations identified some LEPs that have strong delivery across all LEP programmes including the Local Growth Fund, Growing Places Fund, Enterprise Zones, Growth Hubs and European Structural and Investment Funds.

Regarding spend, high performing LEPs were managing their programme budgets effectively and were on track to meet their spending targets in the future. Through the national moderation process, the Department noted that LEPs with smaller Growth Deal awards were able to manage their budgets more effectively than LEPs with larger Growth Deal profiles. This suggests varying levels of capacity and capability in some LEPs which is being addressed as part of the LEP Review. Regarding the delivery of projects, high performing LEPs had projects on track, they were exceeding or meeting their planned outputs, they had strong risk and project management processes in place and security for their long and short term project pipelines.

- **Strategy:** the Annual Conversations highlighted a number of LEPs that were particularly strong when it came to strategy. Best practice identified included the LEP having an effective Strategic Economic Plan which was refreshed and kept under review. Some LEPs ensured that this plan was used as the basis of board meetings to provide a structured decision making process.

Particular LEPs had established positive and productive working relationships with local partners and were aware of wider work going on in the region. They acted as proactive convenors for the private sector, MPs and constituent local authorities to push places to prioritise economic development over parochialism. This engagement enabled LEPs to tailor their future priorities.

**Areas for improvement**

- **Governance:** some LEPs required improvements in their Governance arrangements; in particular certain LEP websites did not provide the necessary levels of transparency outlined in the National LEP Assurance Framework. For example, some needed to improve their Local Assurance Framework to provide clarity on the relationship between their main LEP board and sub-board(s) and others needed to ensure that they were publishing meeting minutes and agenda items in a timely manner. Other LEPs had inconsistent, missing or out of date registers of interest for board members. For further information on specific areas where LEPs were required to improve their websites, see Section Three on spot checks.

In addition to transparency improvements required, the Annual Conversations highlighted wider organisational issues which the LEP needed to resolve. For
example, some needed to work with the Section 151 Officer to clarify the role of the Accountable Body and the level of oversight required. Other LEPs were dealing with periods of instability, such as the retirement of Chairs and board members and the recruitment of new members. In some cases the processes for dealing with these events required improvement to ensure the LEP could continue to run effectively throughout these periods of change.

- **Delivery:** The Annual Conversations highlighted that some LEPs could improve management of their expenditure, for example some LEPs have significantly low levels of expenditure and had struggled to manage multiple budgets. Certain LEPs had faced capacity challenges which had affected delivery of projects and the proactive development of a pipeline of projects.

In addition, some LEPs required improvements to ensure that they were prioritising and resourcing the projects which delivered value for money. In these cases, additional consideration and improved processes were required to ensure that the top strategic projects were resourced effectively.

- **Strategy:** The annual assurance process did not find any significant areas where LEPs needed to improve strategy substantially. Where areas for improvement were flagged to LEPs these considered minor areas such as the need to update existing strategy work, clarify priorities and improve processes to set the future direction of LEP work.

### Areas for the Department to develop going forward

15. The Annual Conversations are a key part of the assurance process and provide the Government and every LEP with the opportunity to discuss LEP performance and aspirations for the LEP going forward. Some LEPs felt there was uncertainty around the outputs of the Annual Conversations and felt there were unclear expectations around what feedback they would receive and need to act upon. The Department plans to embed the Annual Conversation process further and address the questions raised by the Annual Conversation findings by:

1) Improving the communication to LEPs around Annual Conversation outputs and feedback.

2) Working with LEPs and the LEP Network to design the Annual Conversation guidance for future years.

3) Providing LEPs clear expectations around the Department’s performance process for LEPs.

4) Exploring the capability and capacity of LEPs further through the LEP Review.
3. Spot Checks

Spot Check Process

16. Following on from the Annual Conversation meetings, every year the Department undertakes a full spot check of every LEP website to ensure that each LEP has the necessary processes, systems and policies in place to provide assurance to the Department. This takes place ahead of funding being released. This year, as part of the continuous improvement approach to the assurance process, the Department further developed this year’s spot check process. The spot checks were supported by the National Oversight and Compliance Team and Local Area Leads.

17. The spot checks reviewed website content of all 38 LEPs before and after the 28 February 2018 to confirm that each LEP had the necessary governance and transparency arrangements in place to meet the requirements set out in the National LEP Assurance Framework and the Mary Ney Review recommendations addressed in the Best Practice Guidance.

18. Spot checks occurred in three waves. There was a cycle of checks and feedback to LEPs to ensure that improvements were being made:

- Preliminary spot checks (January 2018)

  The purpose of the preliminary spot checks was to check basic compliance with the current National LEP Assurance Framework, namely that the LEP had a Local Assurance Framework present on the website and had registers of interest for board members.

  The preliminary checks showed that all LEPs had a published Local Assurance Framework (or where applicable Single Pot Assurance Framework) on the website. Although most LEPs had registers of interest published on their website, the preliminary spot checks identified that a number of board members’ registers of interest were missing or were out-of-date, inconsistent and lacked detail.

  Any significant areas of concern were communicated to the Local Area Leads and LEPs were asked to address any outstanding issues. When the Department did not feel that sufficient improvements had been made, this was considered during the Annual Conversation moderation process and fed into the decision making process around which LEPs would benefit from receiving a deep dive.

- Detailed spot checks (February 2018)
Detailed spot checks took place in February and were aimed at reviewing LEPs’ implementation of the Best Practice Guidance which addressed a number of the Mary Ney Review recommendations.

Criteria for the detailed spot checks considered the presence, content and quality of: the Local Assurance Framework; diversity statement; website; small and medium-sized enterprise (SME) representative; the accessibility to key documentation; code of conduct; conflict of interest policy; arrangements for making and publishing decisions; arrangements for publishing meeting papers and agenda items; register of interests; basis for project and programme identification, commission, appraisal and prioritisation; complaints and confidential complaints policy, whistleblowing policies; accountable body arrangements and assurance statement. At this stage there was a light-touch review of the quality of the documentation. This considered: the detail of the policies and processes on the website in line with the Best Practice Guidance; the ease of accessing information; and whether there were any potential gaps in information on the website, for example in the information provided by LEP board members in their registers of interests.

The detailed spot checks took place to check that any issues found in the preliminary spot checks had been addressed. It also formed part of the desk-based research to help inform LEP deep dive preparatory work and provided the National Oversight and Compliance Team with a sense of the key risks ahead of the 28 February deadline. For example, during this check some LEPs had adopted the bespoke proforma register of interest on their website; others were still in the process of collecting the forms and updating their websites.

- **Follow-up checks (post 28 February 2018)**

Follow-up checks took place after the 28 February to review progress LEPs had made in implementing any changes necessary. Written feedback was sent to Local Area Leads who engaged with LEPs to raise any remaining concerns. LEPs worked quickly to resolve any outstanding issues and/or put in place a plan to address the feedback provided to them. In the majority of cases this exercise served as a mechanism to apply a consistent quality benchmark across all LEPs. The majority of LEPs were technically compliant with the guidance but some needed to improve the quality of their policies and processes to ensure that all LEPs had adopted a standard approach to their governance and transparency arrangements. For example, by the end of the follow up spot check process all LEPs had adopted the bespoke proforma register of interest.
19. The spot check process, alongside the Annual Conversations, informed the selection process for deep dives and formed part of the evidence base for Local Growth Fund payment recommendations for 2018-19.

Headline findings

- No overall rating was provided to LEPs as a result of the spot checks, instead each LEP was provided with tailored feedback with areas where improvement was required. Two LEPs required no feedback with other LEPs receiving feedback on areas to improve. Throughout the spot check process there was continuous improvement amongst LEPs as they addressed any remaining issues and improved the quality of policies and processes on their websites.

- LEPs had made significant improvements from last year and were proactive in implementing the Best Practice Guidance. All LEPs had a Local Assurance Framework (or equivalent) on their website.

- Although LEPs had adopted the policies and processes required these varied in quality. Some LEPs had gone above and beyond the levels of transparency required whereas others needed to make improvements to their existing policies, processes and websites. In particular, the quality of diversity statements, accessibility to key policies and documents, information on decisions making processes and the extent to which LEPs adopted the detailed requirements outlined in the Best Practice Guidance varied.

Best Practice

20. The spot check process identified a number of examples of Best Practice adopted by LEPs. A number of LEPs went beyond the Best Practice Guidance and National LEP Assurance Framework to provide greater levels of transparency. Good practice identified included:

- **Published registers of interests for senior members of staff and sub-boards**: the Best Practice Guidance requires all LEPs to adopt and publish a bespoke proforma register of interest for board members. Senior members of staff and staff involved in advising on decisions are also required to complete this form and report interests; publication of these forms are at the discretion of the LEP. A number of LEPs considered how to embed transparency throughout their organisation and published registers of interest for senior members of staff and for sub-board members.

- **Accessibility to key policies and documents**: Some websites have a designated governance and transparency section which ensures all relevant governance documents are in one place and easy to access; it is easy to find key information on project progress and to find the LEP’s process for making decisions on projects. This enables the public to easily find key information
and documentation. For example, some LEPs had ensured that there was a clear link to each board member’s registers of interest on each board member’s profile page. Alternatively, some LEPs had developed a designated webpage for registers of interest which listed each individual board member and provided a link to their register. Many LEPs have or are in the process of refreshing their websites to improve accessibility to information.

- **Detailed diversity statements**: some LEPs have extremely detailed diversity statements which provide information on the recruitment processes that the LEP adopts to ensure diverse representation at board and sub-board levels. For example, detailing the decision making process of their recruitment or nominations committee and how diversity is a key consideration in their recruitment process. Other LEPs produced an annual equality and diversity report which monitored board diversity and the equality impact assessments of all the LEP’s projects.

- **Proactive engagement with Local Area Leads and the National Oversight and Compliance Team**: a number of LEPs displayed a positive culture around governance and transparency by actively engaging and raising questions with the Department. These LEPs were committed to improving their organisations with a number of LEPs displaying an ambition to be ‘best in class’ when it comes to governance and transparency.

**Areas for improvement**

21. Throughout the spot check process, the National Oversight and Compliance Team and Local Area Leads worked with LEPs to ensure that any gaps in their policies and processes were addressed. LEPs were proactive and took action to address any issues raised. Common areas that needed improvement identified through the spot checks included:

- **Register of interests**: The preliminary spot checks in early January identified that a number of LEP’s registers of interest were out of date, inconsistent and/or lacked detail. The final version of the Best Practice Guidance was published on 24 January 2018. As part of this guidance, all LEPs were required to adopt a bespoke proforma register of interest provided by the Department.

After the follow-up spot checks which began in late February, most LEPs had adopted the bespoke proforma and had detailed, consistent registers of interest signed by the board member, LEP Chief Executive and Section 151 Officer. A small number of LEPs had not adopted the bespoke proforma; there were also cases where individual board members’ registers of interest were missing.
In these cases, this was raised with the LEP immediately through the Local Area Leads. Some of these LEPs indicated that they held copies of the up-to-date proformas but that these needed to be uploaded to the website, this was easily rectified. In addition, a number of LEPs reported that it took some time to obtain registers of interest from individual board members. LEPs took action to update the missing registers of interest on the website. In some cases difficulty in obtaining the registers of interest persisted. For example, a board member could not be contacted or there were exceptional circumstances e.g. absence due to sickness. In these cases a number of LEPs made member’s inactive and they were unable to participate as a member of the board until they provided a register of interest.

- **Publication of meeting minutes, papers and agenda items**: preliminary spot checks found that LEPs had different levels of information available on their website regarding the publication of meeting papers, minutes and agenda items. The Best Practice Guidance standardised the requirements for LEPs. The follow-up spot checks found that, although all LEPs were committed to publishing meeting minutes and agendas, some LEPs had not specified what they would publish or the timescales which they were required to adhere to. In addition, some LEPs had not outlined their processes for confidential and exempt information.

  When the specific requirements of the Best Practice Guidance were raised with the LEP, LEPs took steps to update their website to provide clarity on the LEP’s processes and timescales for the publication of meeting minutes and agenda items.

- **Accessibility to key policies and documents**: the spot checks identified that some LEP websites were difficult to navigate. One of the key issues that arose from the spot check process was that officials who performed the checks could not locate key policies and documentation for some LEPs. Often this was because policies were embedded in lengthy documents with a lack of signposting. Accessibility to key documentation and information is a key part of ensuring that LEPs are open, transparent and accessible to the public.

  When this was raised, LEPs took action by redesigning webpages or reviewing links to ensure that members of the public could access key documents easily.

- **SME representatives**: preliminary spot checks identified that a number of LEPs did not have a named SME representative on the website. The current National LEP Assurance Framework requires the LEP Board to “include an identified board member to represent and engage with the SME business community”. When raised with the LEP it became clear that some LEPs were unsure if they needed to identify a named board member or identify a board member position (for example, the board member with responsibility for a
specific sub-group). Once clarification was provided to the LEPs, their websites were updated to make it clear which named board member was the SME representative.

Areas for the Department to develop going forward

22. When responding to the feedback from the spot checks, some LEPs highlighted that the Department could make its guidance clearer. They reported that they had not been able to address some of the National LEP Assurance Framework and Best Practice Guidance requirements because there was a lack of clarity around how they should be applied in practice. LEPs also asked for clarification on number points which were not specifically addressed in either the National LEP Assurance Framework or the Best Practice Guidance. These included:

1) The level of detail required for diversity statements.
2) Whether sub-board members were required to have registers of interest and if these should be published.
3) Whether staff members should publish registers of interest.
4) The process for reviewing and updating registers of interest.
5) The level of project information required on LEP websites.

23. The Department acknowledges that the National LEP Assurance Framework and Best Practice Guidance should be revised to provide clarity to LEPs on these areas. Particular areas, such as what project information should be available on the website, will be addressed as part of the implementation of the remaining recommendations of the Mary Ney Review which have not been addressed in the Best Practice Guidance. These areas will be considered and addressed as part of the National LEP Assurance Framework refresh following the conclusion of the LEP Review.

24. This year, the process of spot checks has been developed significantly to consider LEP governance and transparency arrangements in detail. However, further engagement with LEPs is required to ensure that there is a common understanding of the baseline for compliance. The National Oversight and Compliance Team will consider the best way to sequence and communicate the assurance process going forward.
4. Deep Dives

Deep Dive Process

25. Following the Annual Conversation process the Department undertook a series of deep dives to look at the governance and transparency arrangements of 11 LEPs in detail.

26. LEPs were selected by considering the performance marking from their Annual Conversation and the result of the preliminary spot checks. When deciding whether to undertake a deep dive in these cases, the Cities and Local Growth Unit considered the overall level of risk around the LEP’s governance. In addition to the two LEPs who volunteered to pilot the process, a further two LEPs were also selected to act as ‘controls’. The control LEPs were considered to have low levels of risk around governance. These acted as a benchmark for the deep dive process, allowing the Department to identify areas of good practice and test that the other stages of the assurance process provided a valid assessment of LEP performance.

27. The deep dive process was designed to examine organisational culture in relation to governance, accountability and transparency, and the extent to which this was shared across the LEP. It provided the Department and the LEP an opportunity to discuss the LEP’s culture around governance and transparency in detail, identifying areas of best practice and areas for improvement. The deep dives also assessed whether LEPs were operating as described in Local Assurance Frameworks and reviewed compliance with the National LEP Assurance Framework, Mary Ney recommendations and the Best Practice Guidance.

28. A dedicated National Oversight and Compliance Team was established in the Cities and Local Growth Unit to oversee the deep dive process. Deep dives were carried out jointly between the Ministry of Housing, Communities and Local Government (MHCLG), the Department for Business, Energy and Industrial Strategy (BEIS) and the Government Internal Audit Agency (GIAA).

29. The Department initially conducted ‘pilot’ deep dives at two LEPs who volunteered to take part. This provided a valuable opportunity to test and refine the process at an early stage. Feedback was also sought from the two LEPs concerned, which helped inform the Team’s approach at subsequent deep dives.

30. Deep dives were primarily interview based, and spoke to the following key LEP personnel to understand the implementation of the Local Assurance Framework:

- LEP Chair;
• LEP Chief Executive;
• LEP Chief Operating Officer or equivalent;
• Section 151 Officer or equivalent from the Accountable Body (and their deputy if they cover the day to day working relationship with the LEP);
• LEP officials responsible for overseeing meetings and decisions;
• A public sector board member;
• A member of the business community from the LEP area.

31. In addition, the deep dive Team carried out sample checks from two pre-selected decisions to provide assurance that Local Assurance Framework processes had been followed. These were also evaluated by analysts within BEIS, who reviewed the processes that were followed to assess value for money.

32. The National Oversight and Compliance Team provided detailed feedback to LEPs as part of the deep dives. Where there were areas of concern LEPs were required to put implementation plans in place to ensure that action was taken and improvements were made. Follow up meetings were held if needed. The National Oversight and Compliance Team monitored progress made by the LEPs and provided additional support if required. Since the deep dives took place all the LEPs being marked in any category other than exceptional have made some of the improvements set out in their implementation plans. The LEPs which received deep dives reported that it was a positive experience and reported that the external challenge was helpful for them to develop and improve their governance arrangements and working practices.

33. The outcomes of the deep dives were used as part of the evidence base to inform the Local Growth Fund funding recommendations for 2018-19.

Headline findings

Aggregate Governance Performance Ratings for LEPs following Deep Dives

<table>
<thead>
<tr>
<th>Governance Performance assessment</th>
<th>Inadequate</th>
<th>Requiring improvement</th>
<th>Good</th>
<th>Exceptional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of LEPs</td>
<td>1</td>
<td>2</td>
<td>7</td>
<td>1</td>
</tr>
</tbody>
</table>
- One LEP was rated inadequate following the deep dive process due to concerns around its governance arrangements and current structure. The Department is working closely with the LEP to address any outstanding concerns and has delayed the decision to release full funding until they are resolved. Those LEPs requiring improvement have developed actions plans with the Department and this is being monitored.

- The Department is committed to embedding deep dives as part of its annual assurance process going forward. The National Oversight and Compliance Team are considering how this can be incorporated into the assurance cycle.

Best Practice

34. The deep dives found a number of areas where LEPs had put in place best practice. Some of the best practice identified during the deep dive process is outlined below:

- **Section 151 Officer engagement**: there were a number of actively engaged Section 151 Officers who had excellent working relationships with their LEPs and line of sight over decision making.

- **Executive support**: some LEPs had in place arrangements to ensure that there was substantial officer/executive Team time spent with board members in between meetings. This helped to ensure that board members have the full range of information and understanding to make well informed decisions and recommendations.

- **Scrutiny**: LEPs ensured the effective use of scrutiny functions. This included the use of scrutiny/performance committees associated with the LEP or through local authority scrutiny committees.

- **Engagement with interest groups**: there were excellent examples of engagement with sector/interest groups to ensure their voices were recognised in LEP activity and decision making. This includes often more neglected communities, such as rural and coastal areas.

Areas for improvement

- **Reporting of risk**: whilst some LEPs had effective processes for escalating risk, others lacked a systematic approach to reporting to the board on corporate, programme and major project risks.

- **Funding calls**: some LEPs needed to improve their transparency and openness in relation to grant funding calls. Improvements were needed to ensure grant funding calls were made as open as possible, including promotion through local authority websites, social media and press notices.
• **Induction process**: some LEPs needed to improve the process of induction for board members, to ensure there is a formalised, baseline induction process that all new members receive.

• **Section 151 Officer assurance mechanisms**: in some LEPs, improvements were required to ensure there was a clear mechanism in place for S151 Officers to provide assurance on their LEP’s activity. Whilst we met a number of highly engaged Section 151 Officers, there were isolated instances where further clarity was required on mechanisms utilised to provide Section 151 Officer assurance.

• **Diversity**: LEPs needed to improve their process and take further action to ensure diversity of recruitment across ethnicity, gender, geography and sectors so that the LEPs are representative of their business communities.

**Areas for the Department to develop going forward**

35. Learning from the deep dives and feedback from LEPs provided a number of areas to improve the annual assurance process and deep dive process going forward. LEPs reported that deep dives provided helpful external challenge and the process provided in depth assurance to the Department. Therefore, the National Oversight and Compliance Team plan embed a programme of deep dives into its annual assurance process going forward. Other improvements that the Department will consider include:

1) The level of continued involvement and engagement of Local Area Leads throughout the deep dive process to help share best practice and provide insight into other LEPs' ways of working.

2) With the exception of high risk visits, future deep dives should be planned as far as possible in advance. This will help ensure sufficient preparation time and availability of key personnel.

3) The communication of the outputs and feedback from the assurance process to LEPs.

4) Clarification of the role of Local Area and Deputy Area Leads in interacting with LEPs.

5) The training requirements for LEP Chairs and LEP board members.

36. LEPs should be encouraged to undertake visits with each other to support best practice and proactively provide assurance within the system. The Department will work with the LEP Network to explore this further.
5. Conclusion

37. The Department continues to enhance its process to provide assurance over LEPs’ management of devolved funding from central Government budgets. This year’s series of checks performed by the Department in the form of Annual Performance Conversations, spot checks and deep dives provided greater levels of assurance to the Department. By the end of the process the Department was satisfied that the 36 LEPs to whom core funding was paid in full in April 2018 were compliant with the National LEP Assurance Framework and the recommendations addressed in the Best Practice Guidance. Additional improvements, however, are required by some LEPs to ensure that a common standard is adopted across the whole network.

38. Of the two LEPs that did not receive core funding in full in April, one is GCGP LEP which is currently in the process of recruiting a new LEP board. The Department delayed the decision to release all core and Local Growth Fund payments to one other LEP over concerns around its governance arrangements and current structure. The Department has since agreed to cover core operational costs and release Local Growth Fund payments for three specific business critical projects; and is continuing to work closely with the LEP to gain the necessary assurances to release remaining funds. A small number of LEPs also received bespoke funding arrangements to help them meet agreed action plans.

39. For LEPs, the process identified areas of good practice as well as significant areas for improvement. LEPs were proactive in making these improvements. Where there were significant concerns the Department received assurances from LEPs that improvements would be made. Area Leads, along with the National Oversight and Compliance Team have continued to work with these LEPs to ensure they have a clear plan in place to take forward any necessary action.

40. For the Department, the process proved to be an effective mechanism in identifying LEPs which required further support, enabling the Department to respond quickly to risks and take corrective action where needed. The Department will continue to develop and embed the assurance process further to ensure it maintains the appropriate level of oversight of LEPs. It will look to continue a series of deep dives and develop the Department’s performance and intervention process further. We will work to ensure that this process is transparent so that LEPs are clear on the Department’s expectations.

41. The lessons learnt from this year’s assurance process will be fed into the Ministerial Review into LEPs and the National LEP Assurance Framework
refresh. This will provide LEPs, local businesses and members of the public clear expectations of a LEP’s role in the local community. Alongside this, the annual assurance process will provide confidence that LEPs are fulfilling this role in a transparent way and have the appropriate governance arrangements in place. Together this will build a solid foundation for LEPs to deliver local growth whilst ensuring value for money for the taxpayer.
## Appendix one: October 2017 - April 2018 Assurance Timeline

<table>
<thead>
<tr>
<th>Date</th>
<th>Events</th>
</tr>
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<tbody>
<tr>
<td>October 2017</td>
<td>• Mary Ney Review of LEP governance and transparency published.</td>
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<tr>
<td></td>
<td>• Annual Conversation Guidance shared with LEPs.</td>
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<tr>
<td>November 2017</td>
<td>• Annual Conversations commence.</td>
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<tr>
<td>December 2017</td>
<td>• Best Practice Guidance document draft shared with LEPs.</td>
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<tr>
<td>Early January 2018</td>
<td>• 38 Annual Conversations completed.</td>
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<td></td>
<td>• Local moderations of Annual Conversations.</td>
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<td></td>
<td>• Preliminary spot checks.</td>
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<tr>
<td>Late January 2018</td>
<td>• Best Practice Guidance document published on Gov.uk.</td>
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<td></td>
<td>• Pilot deep dives undertaken.</td>
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<tr>
<td>Early February 2018</td>
<td>• Detailed spot checks.</td>
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<tr>
<td></td>
<td>• National moderation of Annual Conversations.</td>
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<tr>
<td></td>
<td>• Deep dives commence.</td>
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<tr>
<td>28 February 2018</td>
<td>• Section 151 Officers certify that the LEP local assurance framework has been agreed, is being implemented, and meets the revised standards and that the LEP has implemented the Best Practice Guidance.</td>
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<tr>
<td>March 2018</td>
<td>• Follow up spot checks.</td>
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<tr>
<td></td>
<td>• 11 deep dives completed.</td>
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<tr>
<td>April 2018</td>
<td>• LEPs take further corrective action supported by Departmental Area Leads and the national oversight and compliance team.</td>
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<tr>
<td></td>
<td>• Funding recommendations and payments made.</td>
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</table>
Annex B: Implementation of remaining Mary Ney recommendations

The majority of recommendations from the Mary Ney Review have already been implemented through the Best Practice Guidance, which was published on 24 January 2018 and through the ‘Annual Conversation’ performance review process for 2017-18. There are seven remaining recommendations from the Mary Ney Review that the Department is in the process of addressing. These are either currently being implemented; are contingent upon the outcomes of the Ministerial Review of LEPs; or will be incorporated into the refresh of the National LEP Assurance Framework, expected later in 2018. The remaining recommendations that the Department is the process of addressing are:

1. Guidance on the role of the Section 151 Officer to be developed in partnership with the Chartered Institute of Public Finance and Accountancy: this recommendation is currently being implemented. Work is underway with the Chartered Institute of Public Finance and Accountancy (CIPFA) to produce guidance on the role of Section 151 Officers in LEPs. CIPFA have prepared draft guidance which went to consultation on 1 May. We expect the guidance will be formally launched in summer 2018, and it will be incorporated into our refreshed National LEP Assurance Framework which will be published after the LEP Review.

2. Supporting LEP self-improvement across the sector: this recommendation is currently being implemented through the LEP Review. The Department expects to publish the Review before summer recess.

3. Guidance on the publication of accounts and on the rolling schedule of projects: this recommendation is contingent on the outcomes of the LEP Review which will be published before summer recess 2018. This, along with the requirement for LEPs to maintain a rolling schedule of projects funded by the LEP with a brief description, names of key recipients of funds/contractors and amounts by year will be incorporated into the National LEP Assurance Framework refresh which will take place after the LEP Review is published.

4. National LEP Assurance Framework to provide information on the Government’s approach to intervention in LEPs: the Government’s approach to monitoring the performance of LEPs is contingent on the outcome of the LEP Review. The Department’s ambition is to strengthen the culture of good governance and transparency through self-regulation, shared best practice, peer review and support from the LEP network which the Department will monitor. We plan to adopt a transparent framework so all LEPs are fully aware of the steps that the Department will take if there are concerns with a LEP’s performance. This will be published alongside the National LEP Assurance Framework which will be refreshed after the LEP Review.

5. National LEP Assurance Framework to ensure all Local Assurance Frameworks set out that all decisions must be subject to the normal
business case, evaluation and scrutiny arrangements; there must be a
written report with the opportunity for the Section 151 officer to provide
comments, that the conflicts of interest policy will apply to decision
makers regardless of whether there is a formal meeting, and that
decisions should be recorded and published in the normal way,
regardless of how they are taken: as part of the National LEP Assurance
Framework refresh, the Department will provide LEPs with further clarity on
the requirement for all Local Assurance Frameworks to detail its decision
making process for all decisions.

6. **National LEP Assurance Framework to draw explicit attention to the
importance of LEP decision-making structures**: this year’s assurance
process considered LEPs’ decision making structures and guidance was
provided to LEPs on the importance of transparency in decision making
regarding the publication of meeting papers and agenda items. Further
attention will be drawn to the importance of LEP decision making structures
and the components of good governance that form an essential part of
assurance and probity within the refresh of the National LEP Assurance
Framework. The National LEP Assurance Framework refresh will take place
after the publication of the LEP Review.

7. **National LEP Assurance Framework to require LEPs to include in their
local statements how scenarios of potential conflicts of interest of local
councillors, private sector and other board members will be managed**: many LEPs already outline how scenarios of potential conflicts of interest are
managed within their existing conflicts of interest policies. The National LEP
Assurance Framework refresh will, however, include a specific requirement
for LEPs to outline their process for managing potential conflicts of interest
within their conflicts of interest policy. The National LEP Assurance
Framework refresh will take place after the publication of the LEP Review.