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CUMBRIA LEP - GOVERNANCE, STRATEGY AND DELIVERY PROGRESS REPORT

1. ISSUE

- 1.1 An update on Cumbria LEP's (CLEP) governance, delivery and strategy arrangements.

2. RECOMMENDATIONS

- 2.1 That the Special Meeting of the Scrutiny Management Board:
- a) Note this update on Cumbria LEP's (CLEP's) governance, delivery and strategy arrangements;
 - b) Identify issues for discussion at the Special Meeting on Tuesday 12 March 2019;
 - c) Note that a supporting presentation will be provided by CLEP's Chief Executive at the meeting.

3. BACKGROUND

INTRODUCTION

About Local Enterprise Partnerships

- 3.1 Cumbria Local Enterprise Partnership (LEP) is one of 38 LEPs in England. LEPs are business-led partnerships between local authorities and the private sector, whose role is to determine local economic priorities and undertake activities to drive economic growth and the creation of jobs. They were set up in 2011 by the then Department for Business, Innovation and Skills following the demise of Regional Development Agencies.
- 3.2 The role of all LEPs was defined by government in its "Strengthened Local Enterprise Partnerships" report that was produced in July 2017. Cumbria LEP (CLEP) has committed to work collaboratively to deliver economic growth, increase productivity and ensure that an inclusive approach to growth is developed, so that all individuals benefit from this. CLEP will be responsible for developing, delivering and maintaining a Local Industrial Strategy, which



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delivers on these ambitions and meets government's requirements to deliver on all of LEP's four key responsibilities, which are:

- **Strategy:** Developing an evidence-based Local Industrial Strategy that identifies local strengths and challenges, future opportunities and the action needed to boost productivity, earning power and competitiveness across Cumbria.
- **Allocation of Funds:** Identifying and developing investment opportunities; prioritising the award of local growth funding; and monitoring and evaluating the impacts of the activities to improve productivity across Cumbria.
- **Co-ordination** – Using CLEP's convening power to bring together partners from the private, public and third sectors to address economic opportunities and challenges.
- **Advocacy** – Collaborating with a wide-range of local partners to act as an informed and independent voice for the area.

3.3 Each LEP bids to government for funding for projects that meet the LEP's strategic priorities and will accelerate economic growth in their area. In most areas they are the primary means through which investment in the economy is channelled, including through the Government's Local Growth Fund.

About Cumbria LEP

3.4 CLEP was previously an unincorporated body but in line with the requirements of the "Strengthened Local Enterprise Partnerships" report became a company limited by guarantee in December 2018. CLEP is now undertaking the activities necessary to be a fully functioning company for the 2019/20 financial year, including developing the Articles of Association, opening a company account and developing the companies policies.

3.5 The LEP Board constitution provides for 20 members and up to 5 co-opted members. Currently, there are 19 Members - 11 private sector and 7 public sector Members, and 1 Voluntary and Community Sector representative. Government's expectation is that two thirds of the Board will be from the private sector. In terms of the public sector members this consists of the Leader of Cumbria County Council: the District Leaders from Allerdale, Carlisle and South Lakeland, who rotate on a two yearly basis with Barrow, Copeland and Eden; the Chair of the Lake District National Park; and a representative of the nuclear sector, currently Sellafield Ltd.



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- 3.6 The CLEP Board Chair is Lord Inglewood, who was appointed in June 2018 for a three year period. This can be extended for a further three year subject to the mutual agreement of the Chair and the Board. Lord Inglewood is supported by a private sector Deputy Chair, Jackie Arnold MBE, and a public sector Vice Chair, Cllr Stewart Young. The public sector Vice Chair role has now been aligned with that of the Accountable Body and will in future be the elected member nominee of the Accountable Body.
- 3.7 CLEP has recently pursued a targeted private sector recruitment campaign to attract more business women to stand for Board membership to improve gender balance and representation, so that women make up at least one third of the Board by 2020 – Government’s milestone target. CLEP met this milestone following the appointment of three new female Board members at its meeting on 1 February 2019. The LEP is also committed to broadening the wider diversity of the Board and encouraging those with protected characteristics to apply and will be looking to address this going forward.

Performance arrangements for LEPs

- 3.8 Historically, government has completed an Annual Conversation with each LEP, at which performance is reviewed and each LEPs performance is assessed. The importance of this process has heightened over time as LEPs responsibilities and funding levels have increased. A number of reviews undertaken by government including the Mary Ney Review and deep dives by government highlighted the need for the regime to be further strengthened.
- 3.9 This resulted in a new Annual Performance Review Guidance being produced for the 2018-19 financial year, with clear guidelines on the process and the areas to be assessed and the outcomes from this. A copy of this is provided at Annex A. This made clear that LEPs will be assessed in three areas – governance, delivery and strategy – with four markings being awarded exceptional, good, requires improvement or inadequate.

CLEP’s 2017/18 Performance

- 3.10 The 2017/18 performance review assessed CLEP as ‘inadequate’, which resulted in government’s core and strategy funding being withheld¹. CLEP was also subject to a number of different reviews and scrutiny exercises including the S4W report and a Deep Dive by government.

¹ The first tranche of £250,000 was released in September 2018, with the second tranche released in December 2018



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CLEP's Scrutiny Arrangements

- 3.11 In recent years CLEP has reported to a Scrutiny Committee formed of three private sector representatives and three Local Authority elected members drawn from the three Districts not currently occupying a seat on the CLEP Board. At its Board meeting in September 2018 the CLEP Board agreed that new scrutiny arrangements should be introduced and that the County Council and the six District Authorities should be invited to form a Combined Economic and Productivity Scrutiny Committee to scrutinise CLEP.
- 3.12 During November the Chair and Chief Executive met with the private sector members of the previous Scrutiny Committee to complete a valedictory and identify any issues which needed to be taken forward in the new arrangements. The Chair and Chief Executive outlined how CLEP had responded to the Scrutiny Committee's findings. This confirmed that their diagnosis of the development issues was highly comparable with the issues identified by the Chair and Chief Executive, although there were some variations in 'prescriptions'.
- 3.13 Work on implementing the new Combined Economic and Productivity Scrutiny Committee is now underway, with local authorities collectively agreeing that Cumbria County Council should lead on the co-ordination of the Committee. Whilst the new Committee is being formed the Accountable Body advised that the Scrutiny Management Board would fulfil this function in the interim, given the need for CLEP's activities to be scrutinised.

4. GOVERNANCE

Tri-Partite Approach to Accountability

- 4.1 CLEP is committed to the highest standards of transparency and accountability and therefore operates a tri-partite approach to accountability based on:
- **Central Government** – discharging accountability through the Annual Performance Review, including the Annual Conversation, Annual Compliance Statement, Local Assurance Framework and the Annual Delivery Plan and end of year report.



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- **Local Government** - discharging democratic accountability via membership on the LEP Board, the independent Local Government led Combined Economic and Productivity Scrutiny Committee and the interim arrangements preceding this becoming operational and engagement in the LEP's wider governance bodies. In addition, the LEP Chief Executive will host regular informal briefings for those Local Authority Leaders that are currently alternates on CLEP Board.
- **Wider Stakeholders and the public** – discharged through the Annual General Meeting; participation in the wider governance structure of the LEP and engaging in wider stakeholder events, such as the Local Industrial Strategy (LIS) Consultation Events.

The Local Assurance Framework

- 4.2 The purpose of the Local Assurance Framework (LAF) is to support the development and delivery of a rigorously appraised and prioritised investment programme for Cumbria, which aligns to CLEP's strategic priorities and which positions Cumbria to take maximum advantage of any funding and other opportunities which may arise. The LAF provides Ministry of Housing, Communities & Local Government, government, stakeholders and the public that CLEP has the policies and processes in place to ensure the robust stewardship of public funds.
- 4.3 The LAF ensures that CLEP has in place the necessary systems and processes to manage delegated funding from central Government budgets effectively and fully in line with government's expectations. During 2018/19 CLEP's LAF needed significant development work to be compliant with the National Assurance Framework, Mary Ney Recommendations, best practice guidance, S4W Report and Government's deep dive recommendations issued in July 2018. A revised LAF was therefore produced and formally agreed and implemented on 28 September 2018. This revised LAF looked to respond to the "Strengthened Local Enterprise Partnerships" report and as such sought to foreshadow, in so far as possible, the requirements in the emerging National Local Assurance Framework.



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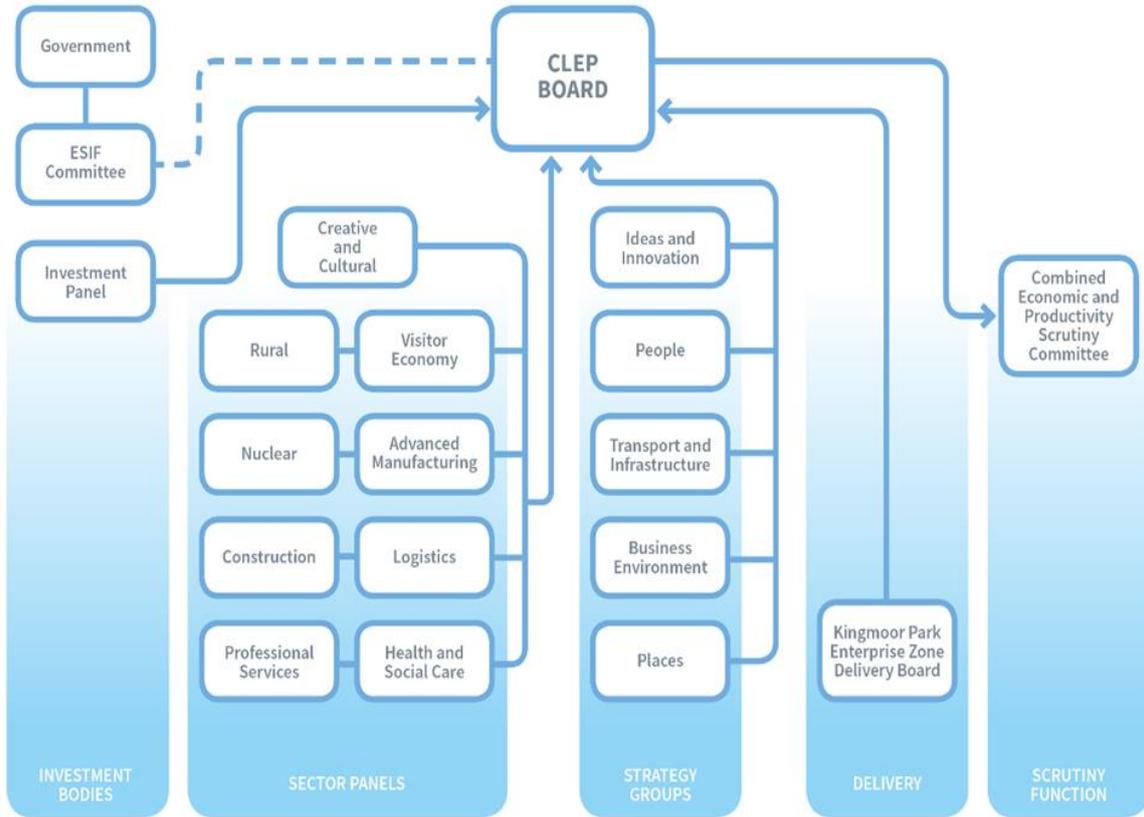
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- 4.4 The revised LAF was developed in conjunction with the Section 151 Officer, with the Accountable Body undertaking a comprehensive review of the revised LAF to ensure that it was compliant with the documents outlined in para 4.3. The Accountable Body's Head of Legal also delivered a training session on Code of Conduct and Conflict of Interest to ensure that all Board members fully understood their obligations under this.
- 4.5 The CLEP Board has fully committed to operating in line with the new LAF and has taken numerous actions to demonstrate this including implementing the revised Board appointment process, introducing a new induction process, developing new governance arrangements etc.
- 4.6 A new National Local Assurance Framework was issued in January 2019. All LEPs need to have their own Local Assurance Framework updated and operational by 31 March 2019. A revised draft has been produced and is currently with the CLEP Board for consideration by 22 March, before being presented for agreement at the Board meeting on 29 March 2019. In parallel the Accountable Body's Section 151 Officer and Legal Team are reviewing the document to ensure that it is compliant with government's requirements.

Governance Arrangements

- 4.7 Alongside developing its revised LAF CLEP also developed new governance arrangements, which were agreed at the September Board meeting. The governance structure is as follows:



4.8 The CLEP Board has overall responsibility for strategic and operational oversight and organisational compliance with the key responsibilities of various aspects of the governance structure as follows:

- ESIF Committee** – has responsibility for decisions related to the ESIF Programme. This operates in line with the national requirements of the Managing Authorities (UK government departments).
- Investment Panel** – delegated responsibility for government funded growth programmes including Local Growth Fund, the Cumbria Infrastructure Fund and Cumbria Growth Catalyst. The Panel can make investment decisions up to £1million with amounts over this decided by the CLEP Board. The Panel will invite and receive feedback from other bodies in the governance structure to help inform its decision making. This Panel is chaired by the private sector Deputy Chair of CLEP.
- Strategy Groups** – have been designed to mirror government’s five drivers of productivity to ensure that activity and resource is focused on these. Each of the Strategy Groups is chaired by a LEP Board member ensuring a direct line of accountability to the Board. The exception to this is Transport and Infrastructure, which is chaired by the statutory transport authority, with the Deputy Chair of this Group, who is a CLEP Board member fulfilling the accountability function.



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- **Sector Panels** – nine have been formed, with this number required to reflect the polycentric nature of Cumbria's economy. At headline level the Sector Panels will be responsible for facilitating the growth and productivity of their sector. These are chaired by CLEP Board members (or alternates) with the exceptions of logistics and professional services which will be chaired by members of the wider partnership
- **Kingmoor Park Enterprise Zone Delivery Board** - oversees the implementation of the Enterprise Zone, with membership drawn from the CLEP Board, public sector and Kingmoor Park Executive Team. The Delivery Board is chaired by a CLEP Board member to ensure a direct line of accountability.
- **Combined Economic and Productivity Scrutiny Committee** – to scrutinise the activity, investments and interventions of CLEP. The membership of this is drawn from elected members in the seven constituent Local Authorities with Cumbria County Council co-ordinating this function. The Chair and Chief Executive will attend this Committee to account for CLEP's performance.

4.9 The LAF provides detailed Terms of Reference and membership for all of CLEP's governance bodies. Membership of the governance bodies has been drawn from the private, public and Voluntary and Community Sectors (VCSE). The private sector members have been recruited via an open application process, with the public and VCSE appointed via a nominations process.

4.10 The governance structure is now being formally implemented with the majority of bodies having completed their inaugural meetings, with second meeting dates in the diary for many.

Transparency

4.11 There is a specific part of the CLEP website Governance and Publications that provides all governance related information. This will be further refined to make more readily visible the items provided on government's website checklist contained in Annex E of the National Local Assurance Framework.



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Assurance Statement

4.12 Each year the Section 151 Officer must provide a statement of compliance for their LEP by 28 February 2019. This year's statement needed to focus on confirming compliance with the current national guidance (i.e. pre-January 2019) that LEPs would be compliant with the new National Local Assurance Framework by 1 April 2019. A copy of the Compliance Statement for CLEP is attached at Annex B.

5. DELIVERY

Growth Deal Programme

5.1 CLEP's overall Growth Deal Programme, which concludes in the 2020/21 financial year, is £60.261million, with £6.057 million of this funding profiled in 2018/19. The 2018/19 profile will be achieved as the position once all quarter 3 claims were processed and validated was that cumulative spend was at £1.887m representing 31% of the allocation. Since then a claim of £4.207million has been paid to Carlisle Airport at the end of February, representing 85% of the total £4.95million grant available, with 15% held for audit retention. The combination of these (£6.094 million) means that the amount claimed exceed the 2018/19 budget with the additional costs being met from the Accountable Body's over-programming facility. Should there be any issues related to any of these payments there is up to £3.465million of claims to meet the deficit.

5.2 This further claim activity of up to £3.465 million scheduled for the remainder of this financial year will be claimed from government in 2019/20 under the next annual profile. In order to ensure that the 2019/20 and 2020/21 funding profiles of £6.818million and £11.695million respectively are fully met CLEP has ensured that projects to this combined value have conditional approval, subject to a full and satisfactory business case, in line with CLEP's project appraisal criteria using HMT's 5 business case model.

5.3 CLEP is however clear that there is no room for complacency and as such is undertaking contingency planning to ensure that additional projects are in the pipeline, should any of the current conditionally approved projects not proceed to contract. This contingency planning has numerous elements so that should there be changes to any number of projects the overall financial targets can still be met.

Output Performance

5.4 The performance position on delivery at the end of Quarter 3 was as follows:

Programme Outputs	Jobs (Created / Safeguarded)	Investment (Public & Private Match / Follow- on Investment)	Learning Opportuni- ties	Housing	Sq Metres Premises (Created / Refurbished)	Premises with access to superfast broadband
Outputs in BEIS Growth Deal Offer Letter	4,000	£100,000,000	1,700	3,000	62,000	5,000
Project Allocations/Commitments	6,164	£90,561,461	4,576	3,400	230,785	5,925
Forecast	7,221	£103,649,252	7,470	3,400	235,244	9,171
Achieved	1,735	£20,901,529	2,169	408	6,515	6,776
Achieved (% of BEIS Target)	43.4%	20.9%	127.6%	13.6%	10.5%	135.5%
Still to be achieved (From Offer Letter Target)	2,265	£79,098,471	ACHIEVED	2,592	55,485	ACHIEVED

5.5 The payment of Carlisle Airport’s claim and the recording of the outputs will mean that the floorspace created/refurbished target will be achieved, with additional job targets and leverage also delivered. The targets do not need to be delivered within the same timescales as the funding envelope, with these profiled through until 2025. However, in order to increase certainty of delivery the Executive is working with applicants to explore the potential for accelerating the delivery of these.

5.6 The accompanying presentation will provide more specific details on the Growth Deal.

Cumbria Growth Catalyst

5.7 The Cumbria Growth Catalyst is the local name for the programme that is known nationally as the Growth Hub. The provision of this triage and business advisory support service needed to be re-tendered in 2018/19 as the previous contract concluded in 2017/18. There was a significantly delayed start to the 2018/19 contract due to government’s decision to withhold funding from CLEP, which also extended to the contract offer for the Cumbria Growth Catalyst. Therefore, the offer letter from government was only received in August 2018, with the Accountable Body agreeing to go to tender in August, prior to the offer letter being received, to minimise the disruption to business support services.

5.8 The contract was awarded to the Cumbria Chamber of Commerce, following a competitive tendering exercise. The Chamber commenced activity at risk in November, in advance of the contract being finalised in December 2018. This reduced the delivery period to 5 months rather than a full operational year. The full £246k of funding available to CLEP will therefore not be drawn down with the final claim expected to be £191k. Whilst disappointing that all funds won’t be drawn down it is very encouraging that 78% of the contract value will be drawn down during only 42% of the delivery period.



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5.9 In terms of the outputs for 2018/19 these are profiled as follows:

- 350 diagnostics
- 15 intensive (scale up assists)
- 18 workshops

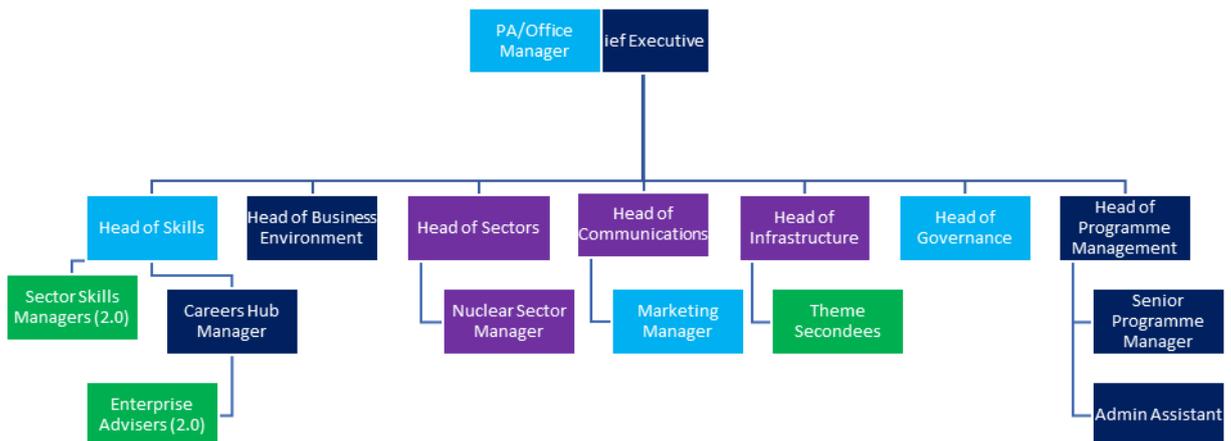
5.10 During Quarter 3 the contract has already achieved 75 diagnostics, and 17 intensive assists, with all 18 workshops scheduled to be delivered in Quarter 4. It is therefore anticipated that all target outcomes will be achieved by the end of 2018/19.

5.11 The bid to draw down the full contract value for £246k in 2019/20 has been submitted to government and a response is currently awaited.

CLEP Resource

5.12 In order to deliver effectively as a company, CLEP needs to be appropriately resourced with a resilient and stable resource base commensurate with the requirements expected of LEPs as outlined in the “Strengthened Local Enterprise Partnerships” report.

5.13 A revised staffing structure has therefore been developed to help achieve this and to ensure maximum cost effectiveness, which is as follows:



KEY: Dark Blue – CCC Secondees; Purple – Sellafield Secondees; Turquoise CLEP direct employees; Green – Other secondees

5.14 CLEP is now in the process of recruiting to fill seven posts within the structure. The Accountable Body will be looking to recruit the two programme management posts via Cumbria County Council secondees.



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6. STRATEGY

Local Industrial Strategy

- 6.1 The local Industrial Strategy (LIS) is the CLEP's vision for 2030 is to create **the place to live, work, visit and build a career; where world-class industry, innovation and energy generation meets a premier rural and visitor economy in an outstandingly beautiful location.** The Local Industrial Strategy (LIS) is being structured around promoting and delivering on this ambition.
- 6.2 The Strategic Economic Plan (SEP) has previously guided all of CLEP's plans and activities, including Growth Deal investments. However, the move to the development of the Local Industrial Strategy means that this is now increasingly providing the framework for work programming. The Board agreed that rather than update the SEP, the focus should be on developing Cumbria's LIS. Significant progress has therefore been made in developing Cumbria's LIS.
- 6.3 Work has been ongoing on developing the evidence base for approximately 12 months, with this work being led by an economist, senior researcher and University academic. The synthesis of this work resulting in the identification of Cumbria's seven big challenges, around which, together with the major opportunities, the strategic priorities and activities are being developed.
- 6.4 The development of the LIS has been via a seven stage consultation process as outlined below:
- Stage 1 April 2018** – refreshing the focus of the partnership Steering Group
- Stage 2 April 2018 ongoing** – partnership awareness programme via presentations to a wide range of organisations and events
- Stage 3 July 2018** – securing partnership buy-in to the emerging evidence base and the headline issues through 4 partnership workshops
- Stage 4 October/November** – partnership consultation events on the draft outline LIS
- Stage 5 – November – 14 December** - online consultation on the draft outline LIS
- Stage 6 – mid/late February 2019** – partnership consultation events on full draft LIS
- Stage 7 – 11-23 March 2019** – online consultation on the final draft.



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- 6.5 This approach has resulted in a strong partnership understanding of the LIS and its evidence base as this has been presented throughout the consultation events and through a wide range of partnership presentations undertaken by the Chief Executive. This has been important, as it means that there is a shared understanding of the issues, which should lead to consensus as to the priorities for action. The evidence base has been drawn into a sister Economic Review document, which sits alongside the LIS. In order to learn from others the CLEP economic analytical team have contacted the GM analytical team to see what they can learn from the trailblazer² experience.
- 6.6 The LIS is structured around the five foundations of productivity and provides Cumbria's response to the Grand Challenges, so that there is a strong alignment with the national Industrial Strategy. The LIS makes clear how Cumbria makes a contribution to UK plc with its world class expertise and offers and outlines plans to contribute effectively to the national Grand Challenges.
- 6.7 CLEP has committed to developing its LIS in a way that is collaborative; consultative; communicative; and challenging – to ensure that Cumbria its businesses and people being well served by the strategy. The LIS is being developed by a LIS Steering Group consisting of some 25 stakeholders from across a wide range of organisations. It has done an excellent job in steering development and fronting consultation events through acting as presenters or table facilitators.
- 6.8 The near-final draft LIS is being presented to the final round of consultation events on 4 and 5 March 2019, with the final draft LIS being presented for approval to the CLEP Board meeting on 29 March. Once agreed by the Board CLEP will open the consultation process with government.
- 6.9 The Cumbria LIS is significantly advanced for an area that did not have either trailblazer or Wave 2 status.

² Three trailblazers were selected to work with government to pilot the development of the LIS. These were Greater Manchester, West Midlands and the Oxford-Milton Keynes-Cambridge arc.