

Lancashire Enterprise Partnership Limited

Private & Confidential: NO

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LEP Performance Committee Update

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Executive Summary

The purpose of this report is to update the Board on the progress made in establishing a programme of activity for the Performance Committee. In addition the LEP has been advised that the Government Internal Audit Agency (GIAA) is carrying out an audit of LEP's and that Lancashire has been randomly selected to be included in their first audit sample, this report provides further information on this.

Recommendations

The Board is invited to:

- (i) Consider and endorse the risk register and core risk matrix;
- (ii) Note the presentation made to the Scrutiny Committee of the LEP's accountable body, Lancashire County Council;
- (iii) Request the Performance Committee, on behalf of the Board and supported by the relevant officers of the accountable body, oversee the audit by the Government Internal Audit Agency; and
- (iv) Request that a work programme for the Performance Committee be presented to the LEP Board at its December meeting.

1. Background and Advice

- 1.1 The LEP Board approved Terms of Reference for its Performance Committee (PC) at its meeting in June 2015. Richard Evans, Chair of the PC has now met with the majority of LEP Committee Chairs to gain an understanding of priorities, performance management and emerging risks. The Chair of the PC has also met relevant legal, financial and audit officers of the LEP's accountable body, Lancashire County Council to clarify roles, responsibilities

and requirements of the PC and the accountable body. This work has resulted in the development of a draft risk register and core risk matrix, set out in Appendix "A", for consideration by the Board.

- 2.2 The PC will meet formally for the first time in November where it will discuss and agree a draft work programme for consideration by the LEP Board in December.
- 2.3 As part of the development process of the LEP's Assurance Framework the Scrutiny Committee of the accountable body requested that it be kept informed of the work of the LEP. Graham Cowley, supported by officers of the accountable body, made a presentation to this Committee in September. The presentation focused on the progress of the LEP's key initiatives and was well received by the Members, who requested that a future presentation be made by the Homes and Communities Agency on its work across Lancashire.
- 2.4 Government has previously advised all 39 LEPs that a number of audit reviews would be undertaken with some undertaken by the National Audit Office and others by an internal audit and assessment team based in Government. Government officials have now confirmed that the Lancashire has been selected to be included in the GIAA audit of LEPs.
- 2.5 The objective of the Government audit process is to provide independent and objective assurance (but not the scrutiny) of LEP assurance systems, specifically to:
- Clarify whether LEPs have produced and published key documents and policies for governance and transparency purposes in line with the Government's policy;
 - Confirm to what extent these are effective and being complied with; and
 - Review the strength of LEP local assurance frameworks, which cover their activity across a range of local growth programmes, their design and operational effectiveness.
- 2.6 The audit work is likely to be undertaken in the following areas:
- Reliability and quality of LEP self-reporting, in relation to how robust and reliable data and information is to inform reporting;
 - Transparency, in relation to how LEPs operate, utilise financial resources and make decisions;
 - Governance and accountability of decisions, in relation to the LEP Board and accountable local authority;
 - Value for money and business case development, in relation to the effectiveness of LEPs to appraise and approve business cases; and

- Implementation and delivery, in relation to the monitoring arrangements that LEPs have in place to support effective and efficient delivery.

2.7 A pack of information requested by the GIAA is being compiled which will be followed by a meeting with the GIAA, who are likely to wish to meet with relevant delivery and implementation officers, at a date to be confirmed later in October.

LEP RISK TABLE – September 2015 – WORKING DRAFT

ATEGORY		IDENTIFIED RISK	MITIGATION
FINANCIAL	1	Project goes over budget and PS unable to identify resources to complete projects (GD)	All Growth Deal projects require a Local Growth Fund (LGF) agreement to be in place prior to draw down of LGF resources from the AB. The LGF agreements need to evidence that there are sufficient resources to complete the project. The agreements state that any cost over-run be met the PS. Change control procedures are set out in in the LGF agreements and on a quarterly basis PS needs to alert the AB to any cost over-runs. Mechanisms are in place, through the GDMB, to allow the PS to present a revised business case which could be considered by the LEP Board.
	2	PS unable to repay loans (GPF)	All GP investments are supported by a GPF agreement which ensures that the AB has the necessary provision (through, eg, step in rights, assigned rental rights or direct land transfer) to ensure that the AB is able to protect and recover its investments. PS have an ongoing responsibility from the outset to demonstrate that they have the ability to repay the investment. Mechanisms are in place, to allow the PS to present a revised repayment profile should this need to be considered by the LEP Board.
	3	AB needing to clawback funding (GD)	All LGF agreements make provision for the AB to clawback funding. This course of action would be reported to the GDMB.
	4	AB unable to continue to cash flow major infrastructure schemes (CD) or service agreed borrowing (EZ)	The schemes are monitored effectively by the programme office and finance governance arrangements of the LEP; requirements for cash flow and borrowing are fed into the AB budgeting process each year and variances reported through the normal process in year.
	5	Income from housing and development streams not flowing as forecast (CD)	CD is governed by robust financial arrangements involving all partners in the city deal and AB; the life of the city deal is extendable through the heads of terns to allow for the cash limited income from CIL / NHB / NNDR to be collected over an extended period of time. This will extend the life over which the AB cash flows the CD programme but will be mitigated by ongoing monitoring and review and early warning of scheme delivery and slippage. This early notification can also be used to influence through the partners the future expenditure to maintain the overall programme delivery.
	6	LEP unable to align funding streams of others in support of key priorities e.g. ESIF (GD, Boost)	LEPs currently play an important role in influencing the funding streams of key local and national partners in support of key priorities identified in the SEP. However this is shaping not a controlling role. This is currently out of the LEPs control.

DELIVERY	7	PS not commencing / completing projects (GD / GPF)	GD payments are made retrospectively, based on certified invoices. The PS needs to demonstrate on a quarterly (or monthly) basis that works are on schedule.
	8	PS not delivering agreed scheme delivery milestones (GD/GPF)	The LGF agreements set the scheme delivery milestones and PS need to demonstrate, through the agreed reporting and monitoring arrangements delivery progress.
	9	GD/CD/EZ programmes fail to deliver jobs business and housing growth on scale originally agreed/forecast, for example, as a result of market failure, agreed interventions being fully delivered but not having the anticipated outcome.	The LEP has committed significant resources to retain expert consultants to assist with the ongoing monitoring and reporting on the Growth Deal. A Monitoring and Evaluation Working Group, reporting to the GDMB, has been established with the objective of making sure that under performance is spotted and addressed. However, general market failure is outwith of the LEP's control, and some pioneering policy interventions may remain unproven.
LEGAL	10	PS in breach of legally binding GD/GPF funding agreements	The AB will clawback resources in the event of mis-management or non-delivery.
	11	AB non-compliance with national legislation (e.g. state aid regulations, Social Value Act, bribery, corruption and money laundering legislation)	Risk is mitigated by GPF agreement obliging PS to comply with all applicable laws (below)
	12	PS non-compliance with national legislation (e.g. state aid regulations, Social Value Act, bribery, corruption and money laundering legislation)	The GPF agreement obliges PS to comply with all Applicable Laws. Failure to do so will entitle the AB the to terminate the GPF Agreement and Clawback grant payment already made
	13	Information security breaches data protection general data and systems resilience	The GPF agreement obliges PS to comply with all Applicable Laws and in particular those relating to Data Protection. Failure to do so will entitle the AB to be indemnified and if the breach is material to terminate the GPF Agreement and clawback grant payment already made.
	14	H+S - any "client" responsibilities under new CDM Regs acquired by the LEP as a result of funding a development	The GPF agreement obliges PS to comply with all Applicable Laws. Failure to do so will entitle the AB the to terminate the GPF Agreement and clawback grant payment already made
RESOURCE	15	AB is unable to commit the necessary staffing and financial resource to manage and develop LEP responsibilities/programme	The AB will continue to review the implications of the LEP's role in directing its expanding areas of responsibility
	16	PS do not commit the necessary resource to deliver their project	PSs need to demonstrate at the business case stage (green book, 5 case process) and independent assessment stage that it has the funds and capacity to deliver the agreed project and outcomes.
	17	Challenge to the way the LEP / AB procures its services	Risk is mitigated by GPF agreement obliging PS to comply with all applicable laws (below)
	18	Challenge to the way that project sponsors procure their	The GPF agreement obliges PS to comply with all Applicable Laws.

		services (GD)	Failure to do so will entitle the AB the to terminate the GPF Agreement and clawback grant payment already made
	19	Other funding partners procurement timescales impacts on project delivery (this can be merged with risk 6)	The LEP can seek to influence but ultimately cannot determine the procurement timescales and process, of for example, European funding
	20	PS and /or LEP fail to monitor projects (lack of resource or not prioritised)	The LEP has committed significant resources to retain expert consultants to assist with the ongoing monitoring and reporting on the Growth Deal. A Monitoring and Evaluation Working Group, reporting to the GDMB, has been established. All PS have to commit to the monitoring requirements through the LGF Agreements.
	21	Lack of clarity on agreed outputs and outcomes upon which HMG and other stakeholders will assess and monitor and the LEP's performance	The AB is part of a pilot initiative with a small number of LEPs to work with HMG to develop the Information Management System which HMG will require all LEPs to use to provide quarterly monitoring information. Further work is ongoing with HMG to fully understand the range of metrics upon which the LEP will be monitored
	22	LEP Monitoring and Evaluation Framework fails to identify early under- performance Projects and programmes do not deliver anticipated outputs	The LEP has committed significant resources to retain expert consultants to assist with the ongoing monitoring and reporting on the Growth Deal. A Monitoring and Evaluation Working Group, reporting to the GDMB, has been established to provide assurance that under performance can be spotted and acted upon.
	23	Erroneous or false project reporting by PS/AB	The GPF Agreement obliges PS to make periodic returns of information and affords audit rights to the AB with the ability to inspect and view documents and people at any time. The PS is also obliged to engage with the broader Assurance Framework. PS must act with reasonable care and skill in providing information. Material failures to do so will entitle the AB to terminate the GPF and clawback grant already made
CONFLICT	24	AB will not implement the decisions of the LEP	In the event that the AB does not comply with a decision of the LEP, the matter will be considered by the Chair of the LEP, Company Secretary and Section 151 Officer from the AB (as appropriate) to seek to resolve the issue. If the conflict remains unresolved all parties will agree to appoint an independent person(s) to assist the LEP and the accountable body to resolve the matter.
	25	Changes in Government policy limiting role and responsibilities of LEPs	LEPs are key delivery vehicles designed to deliver the Government's local growth and devolution objectives. LEPs can influence Government thinking, but cannot prevent Government from limiting and/or disestablishing LEPs, in terms of public policy and funding, if this is the will of Government.

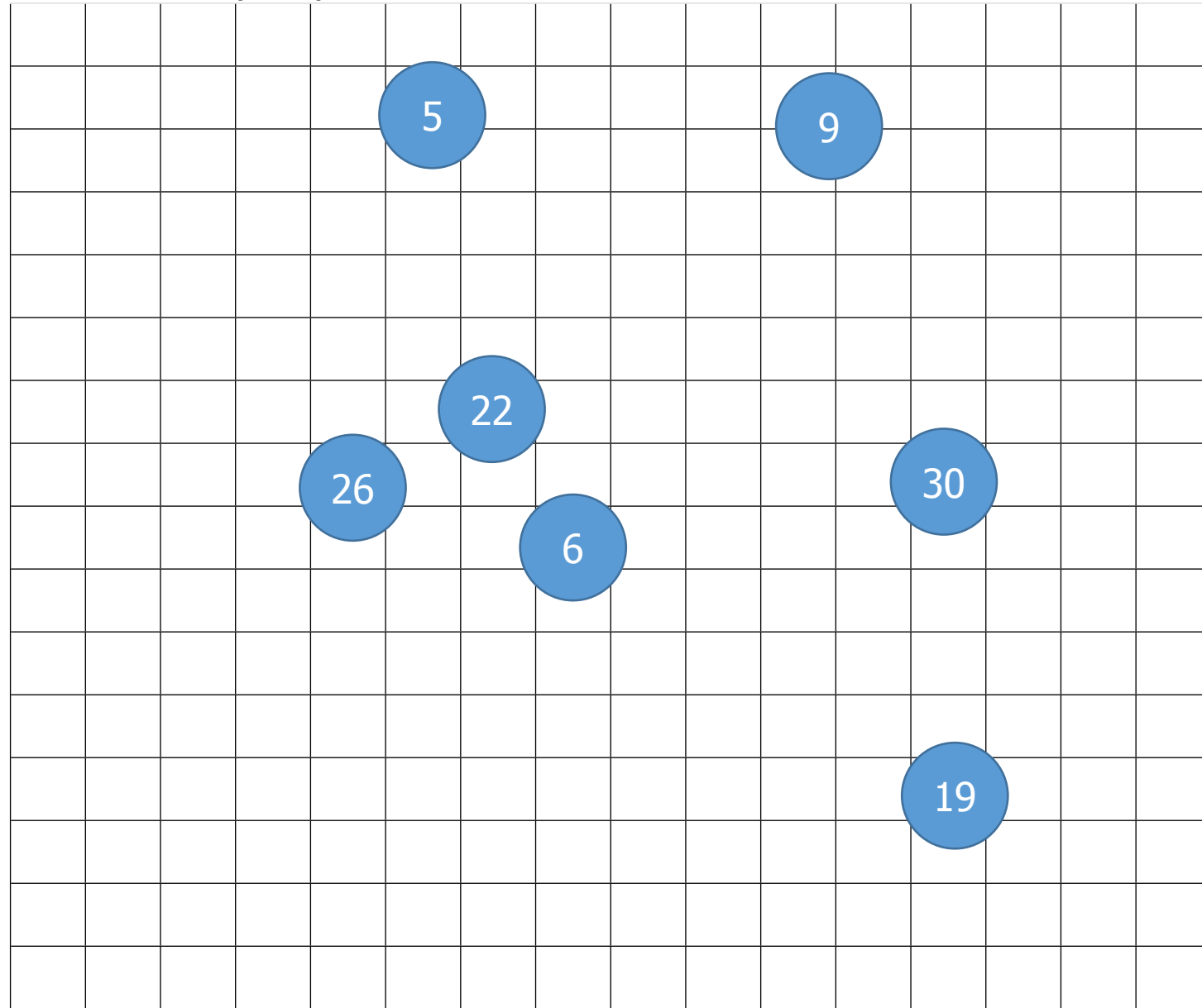
	26	Change in Government funding commitments to extant GD/CD programmes	Long-term funding commitments made to LEPs are subject to changes in Government (and changes in national priorities) and the outcome of Comprehensive Spending Reviews. LEPs have limited ability to influence the outcome of these events.
	27	Change in Government policy regarding the operation and collection of Business Rates (EZ)	LEPs have no control over the national guidance relating to the use of business rates generated on EZ sites. Should Government adversely change or terminate these arrangements before the end of the planned lifespan of an EZ, the LEP/AB will need to work with Government to mitigate any financial impacts and/or work with the relevant local authorities to ensure extant arrangements continue for the life of the EZ.
	28	Changes due to accountable body arrangements with possible transition to Combined Authority	Combined Authority proposals in Lancashire are still in the early stages of development. No changes are currently proposed in the LEP's AB arrangements, but any change proposals would be agreed by the LEP, AB, and Lancashire's local authorities.
	29	Proposed combined authority arrangements fail to secure funding streams required to support extant/future growth programmes	The LEP has been very successful in securing public and private sector funding to support the delivery of agreed growth priorities. Government's devolution plans in England are evolving, with developments in Manchester possibly signalling the way forward. The role (and form) of Combined Authorities, as opposed to LEPs, in securing future local growth programmes is still to be determined.
REPUTATIONAL	30	LEP objectives and funding priorities criticised by local stakeholders	The LEP has an agreed SEP and engaged stakeholders (including major public/private sector partners and funders, business networks, and key place-based representatives) in its development. The SEP will be refreshed, periodically, and stakeholders are regularly updated on the LEP's progress, and they are actively engaged in the development of new/existing programmes. However, some individuals, businesses or representatives may feel their local priorities are not reflected in Lancashire's growth plans.
	31	LEP fails to generate due recognition for its work	The LEP is currently strengthening its strategic marketing capacity and place-marketing narrative, and developing a robust communication plan to engage local and national stakeholders.
	32	PS not receiving final LEP approval (due to inconclusive business cases) (GD)	All PS understand the need to submit final business cases to the LEP, which will be independently assessed, before any final approvals are given. The LEP's project development and decision making processes are clearly set out in the Assurance Framework.
	33	LEP found to be in breach of its own Assurance	The LEP Board has established a Performance Committee and other

		Framework	key Committees with responsibility for tracking the progress of core programmes and initiatives and over-seeing the conduct of LEP's activities. The LEP's Company Secretary function is also responsible for ensuring the LEP operates within the Assurance Framework. The Assurance Framework sets out the appropriate remedies to address any reported/suspected breaches.
	34	LEP credibility and remit limited by proposed Combined Authority arrangements	Combined Authority proposals in Lancashire are in the early stages of development. Proposals would be considered and agreed by the LEP, AB, and Lancashire's local authorities.

Core risk =

- PS = Project Sponsor
- AB = Accountable Body
- GD = Growth Deal
- CD = City Deal
- GPF = Growing Places Investment Fund
- EZ = Enterprise Zone

LEP Core Risk Map – September 2015



- Core Risk**
- 5.** Income from housing & development streams not flowing as forecast
 - 6.** Funding streams not aligned
 - 9.** Intended outcomes not achieved
 - 19.** Procurement timescales impact on delivery
 - 22.** Failure to identify underperformance
 - 26.** Change in government funding commitments
 - 30.** Criticism of priorities & objectives
- (NB 6 and 19 can probably be

Impact

Likelihood