

**Company Number: 07388600**

**Lancashire Enterprise Partnership Limited Board**

**Tuesday, 5th April, 2016 in Cabinet Room 'D' - The Henry Bolingbroke Room, County Hall, Preston, at 4.30 pm**

## **Agenda**

### **Part I (Items Publicly Available)**

- 1. Welcome and Apologies for Absence**
- 2. Minutes of the meeting held on 2nd February 2016 (Pages 1 - 8)**
- 3. Matters Arising**
- 4. Declarations of Interest (Pages 9 - 10)**
- 5. National Review of LEPs and LEP Assurance Frameworks (Pages 11 - 68)**
- 6. LEP Governance and Sub Committees Report (Pages 69 - 92)**
- 7. Science and Innovation Audit (Verbal Update)**
- 8. LEP Marketing and Communications Report (Pages 93 - 100)**
- 9. Growth Deal - Transport Scheme - Blackpool Tramway - Conditional Approval Report (Pages 101 - 110)**
- 10. Combined Authority Update (Pages 111 - 112)**
- 11. Any Other Business**
- 12. Date of Next Meeting**

The next meeting of the LEP Board is scheduled for Tuesday 14<sup>th</sup> June 2016, 6pm, County Hall, Preston.

**Part II (Items that are Private and Confidential)**

- 13. Lancashire Growth Deal Report** (Pages 113 - 120)
- 14. Skills Capital Report** (Pages 121 - 130)
- 15. LEP Finance / Budget Report** (Pages 131 - 138)

## **Lancashire Enterprise Partnership Limited Board**

**Minutes of the Meeting held on Tuesday, 2nd February, 2016 at 6.00 pm  
at the Cabinet Room 'D' - The Henry Bolingbroke Room, County Hall,  
Preston**

### **Present**

Edwin Booth (Chairman)

Jim Carter  
Graham Cowley  
Mike Damms  
Richard Evans  
Councillor Stuart Hirst

Dave Holmes  
County Councillor Jennifer Mein  
Dennis Mendoros  
Councillor Mark Townsend

### **In Attendance**

Ruth Connor, Chief Executive, Marketing Lancashire  
Andrew Good, Head of Service Financial Management, Lancashire County Council  
Neil Jack, Chief Executive, Blackpool Council  
Dr Michele Lawty-Jones, LEP Skills Hub Coordinator, Lancashire County Council  
Andy Milroy, Company Services Officer, Lancashire County Council  
Kathryn Molloy, Head of Service LEP Coordination, Lancashire County Council  
Pam Smith, Chief Executive, Burnley Borough Council  
Jo Turton, Chief Executive, Lancashire County Council  
Ian Young, Company Secretary

### **1. Welcome and Apologies for Absence**

The Chairman, Edwin Booth, welcomed all to the meeting. Apologies for absence were presented from Councillor Simon Blackburn, Councillor Phil Riley, Professor Mark Smith, Malcolm McVicar, Mike Tynan, Mike Blackburn and David Taylor.

### **2. Minutes of the meeting held on 15th December 2015**

**Resolved:** The minutes of the Board meeting held on 15<sup>th</sup> December 2015 were approved as an accurate record and signed by the Chairman.

### **3. Matters Arising**

None

#### **4. Declarations of Interest**

Dave Holmes, declared in advance of the meeting, an interest in item 5 – Advance Manufacturing Research Centre (AMRC). His employer, BAE Systems, are proposing to be a founding partner in AMRC, it was agreed that Mr Holmes would be able to be present during this item.

#### **5. Advanced Manufacturing Research Centre (NW) Presentation**

Andy Walker, Head of Service Business Growth, Lancashire County Council briefly introduced a presentation regarding Advanced Manufacturing Research Centre which had been prepared by Professor Keith Ridgeway, Sheffield University and Professor Stephen Decent, Lancaster University.

Professor Decent and Professor Ridgeway explained that the North West AMRC was required in order for businesses to drive down cost through innovation and improved productivity. It is also necessary to drive latest technology adoption, better leadership, management and production practice down and across supply chains.

It was reported that North West AMRC had evolved from the earlier AEM-TEC discussions: AME-TEC was developed by BAE Systems and other industrial partners, in partnership with the LEP, as a proposition which had evolved into the North West AMRC concept. It was noted that BAE Systems, Siemens and the North West Aerospace Alliance are founding partners and are committed to the North West AMRC project.

The purpose of the North West AMRC project is to create an "Innovation District" and the "Advanced Manufacturing Corridor" which will stretch across Lancashire and Yorkshire. The North West Innovation District will develop Business Growth, Employment and Skills and Infrastructure and will include reconfigurable digital factories, machining for aerospace and nuclear, sharing in the growth multi-sector regional pilot and a technology exploitation programme.

In order to progress the concept the LEP Board were asked to endorse the creation of a Board that will do the work necessary for the business plan and delivery of the proposed project. It was recommended that the Board contain representation from relevant founding partners including the University of Sheffield, Lancaster University, BAE Systems, Siemens, and NWAA in addition to the Lancashire LEP. The Terms of reference will be agreed with the LEP. It was reported that the LEP Board will be kept up to date on the progress of this work with further progress anticipated by Spring / Summer 2016.

The LEP Board welcomed the development and strategy presented and looked forward to the North West engaging in this next generation of Advanced Manufacturing Research Centre, and endorsed the proposed way forward as presented.

**Resolved:** The LEP Board:

- (i) Welcomed and noted the presentation.
- (ii) Endorsed the proposal to create a Board consisting of the founding partners and the LEP as identified, and;
- (iii) Welcomed further reports on progress being presented to the LEP Board in Spring / Summer 2016.

## **6. Science and Innovation Audits**

Professor Stephen Decent, Lancaster University, gave an update on the submission to the Department for Business, Innovation and Skills (BIS) regarding the Northern Powerhouse Advanced Manufacturing Corridor Science and Innovation Audit, Expression of Interest.

Professor Decent confirmed the Expression of Interest had been submitted by the 29<sup>th</sup> January 2016 deadline to BIS and outlined the proposal submitted by a consortium of key innovation partners in the Sheffield City Region and Lancashire Local Enterprise Partnership areas.

**Resolved:** The LEP Board noted and endorsed the submission to BIS regarding the Science and Innovation Audit and noted that a further submission would be made once details of treasury projects are known.

## **7. LEP Repurposing Session - 15th January 2016**

The Chairman, Edwin Booth provided an update on the recent LEP Repurposing session held on 15<sup>th</sup> January 2016 and circulated a LEP purpose document that had been produced following the session.

It was reported that the event had been well attended and well received. The document contained the LEP "Dream" – To be universally recognised as the engine of transformation for Lancashire's economy and the LEP "Spirit" Driving a more prosperous Lancashire.

**Resolved:** The LEP Board noted the feedback from the LEP Repurposing session held on 15<sup>th</sup> January 2016.

## **8. LEP Governance and Sub Committees Decisions Report**

Andy Milroy, Company Services Officer, Lancashire County Council presented a LEP Governance and Sub Committees Decisions report (circulated) to the Board. The report provided the Board with updates from recent meetings of the LEP Committees and also presented to the Board the accounts and financial statements for the period ending September 2015 for approval.

Richard Evans, Chairman of the LEP Performance Committee, gave feedback on the first formal meeting of the Committee. It was resolved to include a number of standing items on future Committee agendas including a recommendation that each of the other LEP Committees produce a one / two page summary for consideration by the Performance Committee and the Chairs of the other LEP Committees be invited, on a rotational basis, to Performance Committee meetings to discuss performance and any key items.

**Resolved:** The LEP Board:

- (i) Noted the updates provided in relation to the Committees of the LEP.
- (ii) Approved the proposed operating arrangements of the LEP Performance Committee, and;
- (iii) Approved the accounts and financial statements for the period ending September 2015 for signing by the Chairman on behalf of the LEP Board.

## **9. Combined Authority / Devolution Deal Update Report**

Neil Jack, Chief Executive, Blackpool Council presented a report (circulated) which updated the LEP Board on the Combined Authority / Devolution Deal.

It was reported that 14 of the 15 Lancashire Authorities had attended a workshop on 5<sup>th</sup> January 2016 along with Graham Cowley on behalf of the LEP to develop the proposals and what is best for Lancashire. A consultation for the public, businesses and other stakeholders was currently underway with a deadline for responses of 19<sup>th</sup> February 2016.

The Lancashire Leaders were scheduled to meet again later in February to continue to progress the proposals, and will meet again in March to consider the consultation responses with the 14 Councils seeking approval from their respective Full Councils at the end of March / start of April become a constituent member of a Lancashire Combined Authority. Those authorities that wish to form a Combined Authority will submit a proposal to the Secretary of State for consideration which may include devolution proposals for freedoms, flexibilities and powers to help the Combined Authority drive forward Lancashire's ambitions.

In addition the LEP Board was asked to approve that a funding contribution of up to £50k from the LEP's core budget be made to develop the case-making in support of Lancashire's devolution deal.

**Resolved:** The LEP Board:

- (i) Noted the contents of the report and the update provided on the Combined Authority / Devolution Deal.
- (ii) Approved a funding contribution of up to £50k from the LEP's core budget to develop the case-making in support of Lancashire's devolution deal.

- (iii) Requested that further reports be submitted as appropriate to the LEP Board on Lancashire's Combined Authority / Devolution Deal developments, including the development of underpinning business cases, and;
- (iv) Agreed to provide updates on the LEP Work Programme to each of the future Lancashire Leaders meetings.

## **10. Strategic Marketing Update Report**

Ruth Connor, Chief Executive, Marketing Lancashire presented a report (circulated) which updated the Board on the LEP Strategic Marketing.

Ms Connor highlighted a number of media and PR activities undertaken by the LEP appointed agencies SKV Communications and ThinkingPlace as set out in the report.

**Resolved:** The LEP Board:

- (i) Noted the contents of the report.
- (ii) Approved the proposed approach to continuing to develop a strategic marketing proposition for Lancashire, as set out in the report.
- (iii) Delegated authority to Lancashire County Council's Director of Economic Development and the Chief Executive of Marketing Lancashire to progress with the outputs required from the project; and
- (iv) Noted that the Chief Executive of Marketing Lancashire, as the LEP's Media Communications and PR lead, continues to provide regular updates to the LEP Board on the work programmes and outputs of the appointed consultants.

## **11. Any Other Business**

The Chairman, Edwin Booth, sought the Board's views on the LEP re-purposing event held on 15<sup>th</sup> January 2016 and a suggestion from the meeting host regarding payment for the event. The Board approved the suggestion put forward.

## **12. Date of Next Meeting**

It was noted that the next LEP Board meeting was scheduled to be held on Tuesday 5<sup>th</sup> April 2016, 6pm at County Hall, Preston.

## **Part II**

*At this point the LEP Board approved that the meeting move into Part II, Private and Confidential to consider the remaining items which contained exempt information provided in confidence as defined in the Freedom of Information Act 2000. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.*

### **13. Growth Deal Project Funding Approval Report**

Kathryn Molloy, Head of Service LEP Coordination, Lancashire County Council presented a report (circulated) regarding Growth Deal Project Funding Approval.

It was noted that the report provides the Board with information on two existing Lancashire Growth Deal projects which sought funding approval from the Board. Namely UCLan's Engineering Innovation Centre (EIC) and the Barnfield Investment Properties (BIP) sponsored Northlight (Brierfield Mill) scheme.

**Resolved:** The LEP Board:

The Board is asked to:

- (i) Approved a Growth Deal funding allocation of £10.5m towards the Engineering Innovation Centre project.
- (ii) Agreed that the Chair of the Growth Deal Management Board, with support from Lancashire County Council officers, and under the guidance of the LEP's Executive Committee, works with Barnfield Investment Properties Limited over the coming weeks to agree and satisfy any Conditions Precedent.
- (iii) Agreed that any other commercial or financial issues which may arise in relation to the project are reported to the LEP Board.
- (iv) Approved an additional £0.5m of Growth Deal funding towards the Northlight project; and
- (v) Approved a Growth Deal funding allocation of £4.2m towards the Northlight subject to the satisfactory achievement of any Conditions Precedent.

### **14. Growth Deal Skills Capital - Round 2 Report**

Michele Lawty-Jones, LEP Skills Hub Coordinator, Lancashire County Council presented a report (circulated) regarding Growth Deal Skills Capital – Round 2 allocations.

**Resolved:** The LEP Board:

- (i) Noted the report presented and that ten Expression of Interests (EOIs) were received totalling £8.92m.



- (ii) Noted the EOI Project summaries presented for information regarding the Energy Simulator Suite for the proposed Lancashire Energy HQ (Blackpool and the Fylde College) and Lancashire Adult Learning College move to Brierfield Mill (Lancashire County Council), and;
- (iii) Approved three fast track business cases for approval as presented, namely:
  - a. The Edge Hill University Technology Hub (Edge Hill University) – amount of grant awarded £3,000,000.
  - b. Food and Farming Innovation and Technology Centre (Myerscough College) – amount of grant awarded £3,000,000.
  - c. Enhanced IT Infrastructure (Runshaw College) – amount of grant awarded £204,426.



# Agenda Item 4

## Director's Declaration of Interest in Proposed Transaction or Arrangement

### LANCASHIRE ENTERPRISE PARTNERSHIP LIMITED

Name	
Date of Notification	
Date of Consideration of Item (i.e. date of Board meeting)	05.04.16
Item Number (if relevant)	
Description of Transaction	
<b>Nature of Interest</b>	





## Lancashire Enterprise Partnership Limited

**Private and Confidential: NO**

**Date: 5<sup>th</sup> April 2016**

### **National Review of LEP Assurance Frameworks (Appendix 'A' refers)**

**Report Author: Kathryn Molloy, Head of LEP Coordination, 01772 538790,  
[kathryn.molloy@lancashire.gov.uk](mailto:kathryn.molloy@lancashire.gov.uk)**

#### **Executive Summary**

This report provides the Board with information on the separate national reviews of LEP Assurance Frameworks undertaken by the National Audit Office and Government's Internal Audit Office.

The report identifies any gaps found in the Lancashire Enterprise Partnership's Assurance Framework. It also proposes that the LEP Board receives a report at its June meeting which will provide an annual review of the LEP's Assurance Framework, to highlight possible gaps or additions in the document and any proposed action to be taken.

The report also proposes that a formal annual review of the LEP's Assurance Framework is undertaken by the Board in June of each year

#### **Recommendations**

The Board is asked to:

- (i) Note the findings of the National Audit Office Report into Local Enterprise Partnerships;
- (ii) Note the findings of the Government's Internal Audit and those of the North West Office of the Department for Business, Innovation and Skills in respect of the Lancashire Enterprise Partnership's Assurance Framework and the actions taken by the LEP to address any gaps identified; and
- (iii) Agree that a formal annual review of the LEP's Assurance Framework is undertaken by the Board in June of each year.

## **Background and Advice**

### **1. National Review of LEP Assurance Frameworks**

- 1.1 In 2015, the National Audit Office (NAO) undertook a review to examine whether the Department for Communities and Local Government (DCLG), as the lead Department for the Government's Cities and Local Growth Unit, had



funded and implemented Growth Deals in a way that was likely to deliver value for money.

- 1.2 The NAO was also asked to examine Local Enterprise Partnerships' (LEPs) progress in implementing their Assurance Frameworks, while assessing how transparent LEPs are to the public. A copy of the final NAO report is attached at Appendix 1.
- 1.3 Whilst all 39 LEPs were considered by the NAO in respect of assessing value for money in relation to the delivery and implementation of their Growth Deals, only a small number were selected to undergo a full review of their Assurance Frameworks by the NAO.
- 1.4 A number of other LEPs, including our LEP, were randomly selected to undergo a review of their respective Assurance Framework by Government's Internal Audit Office (GIA).
- 1.5 The GIA's review of the LEP's Assurance Framework identified one minor administrative gap. Whilst the LEP has always collected LEP Board Directors' Conflicts of Interests and has compiled a Register of Directors' Interests, these were not available on the LEP's web site. These are now available on the LEP's web site.
- 1.6 The NAO Report highlighted a high degree of non-compliance amongst LEPs in respect of their Assurance Frameworks. The GIA also identified an element of non-compliance.
- 1.7 Those LEPs whose Assurance Frameworks were not audited by NAO, or were incompletely audited by GIA, have been asked to self-assess their Assurance Frameworks against the checklist used by the NAO to ascertain whether their LEP is complying with its own Assurance Framework. Any areas of non-compliance need to be addressed by the LEP.
- 1.8 Colleagues at the North West Office of the Department for Business, Innovation and Skills (BIS) undertook a review of our LEP's Assurance Framework and identified two minor administrative points. The first being that the LEP's accounts are not published on its web site; the second being that the Assurance Framework does not identify a specific date for its review by the LEP.
- 1.9 To remedy these two points, it is proposed that a link is included from the LEP's web site to the relevant Companies House webpage to ensure the LEP's statement of accounts can be viewed by the public and also that the LEP receives a report at its June meeting which will provide a review of the LEP's Assurance Framework and identify any gaps or additions and proposed action to be taken.
- 1.10 All 39 LEPS have been asked to confirm in writing by 31 March to the Director for Cities and Local Growth at DCLG, that a review of the LEP's Assurance Framework has taken place and actions have been taken to address any



issues. Lancashire County Council's Section 151 Monitoring Officer has written to the Director on behalf of the LEP confirming this is the case.

- 1.11 It is proposed that a formal annual review of the LEP's Assurance Framework is undertaken by the Board in June of each year.







National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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**Department for Communities and Local Government**

# Local Enterprise Partnerships

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Our public audit perspective helps Parliament hold government to account and improve public services.

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National Audit Office

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Department for Communities and Local Government

# Local Enterprise Partnerships

Report by the Comptroller and Auditor General

Ordered by the House of Commons  
to be printed on 21 March 2016

This report has been prepared under Section 6 of the  
National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB  
Comptroller and Auditor General  
National Audit Office

18 March 2016

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The National Audit Office study team consisted of:  
Emily Charlton, Sue Heard,  
Alex Knight, Zaina Steityeh and  
Matthew Wilkins, under the direction  
of Aileen Murphie.

This report can be found on the  
National Audit Office website at  
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For further information about the  
National Audit Office please contact:

National Audit Office  
Press Office  
157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

Tel: 020 7798 7400

Enquiries: [www.nao.org.uk/contact-us](http://www.nao.org.uk/contact-us)

Website: [www.nao.org.uk](http://www.nao.org.uk)

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## Key facts

**39**

number of Local Enterprise Partnerships (LEPs) in England

**£12bn**

Local Growth Fund available to LEPs between 2015-16 and 2020-21

**Up to  
419,500**

jobs to be created by Growth Deals according to LEPs

**£7.3 billion**

amount of the Local Growth Fund which has been allocated as of March 2016

**£2 billion**

annual funding to LEPs from the Local Growth Fund from 2015-16 to 2020-21

**£627.5 million**

largest Growth Deal awarded to a single LEP: Leeds City Region

**45% to 80%**

range of private sector board membership in LEPs

**87%**

percentage of LEPs for which we were unable to obtain information on senior staff remuneration from publicly available accounts

**68%**

estimated real-terms reduction in local authority net expenditure on economic development between 2010-11 and 2015-16

**42%**

of LEPs say that they do not publish a register of interests

**49%**

of LEPs agreed or strongly agreed that there are clear lines of accountability from the LEP to the local electorate

**£85 million**

estimated underspend on Local Growth Fund projects for 2015-16

**5%**

of LEPs agreed or strongly agreed that resources available to LEPs are enough to meet the expectations placed on them by government

**8**

median number of full time equivalent staff employed by LEPs

# Summary

**1** Central government in England has sought consistently to stimulate and rebalance economic growth between different regions. In 2010, the government set out its plans for local economic growth in the white paper, *Local growth: realising every place's potential*. This detailed the government's objective of achieving "strong, sustainable and balanced growth that is more evenly shared across the country and between industries." It also set out the government's new approach to local economic growth, under which power is devolved to communities to ensure that "where the drivers of growth are local, decisions [are] made locally."

**2** Key to plans for local economic growth are Local Enterprise Partnerships (LEPs). These are business-led partnerships between the private sector and local authorities established with the purpose of steering growth strategically in local communities. Following the abolition of the Regional Development Agencies in 2010, 39 LEPs were established in England, with each designed to represent a functional economic area. The government intended LEPs to be strategic partnerships that are not resource-intensive to run, with delivery of growth programmes implemented through partners, supported by the private sector. The government did not stipulate the structure LEPs should take; they have mostly established themselves either as companies limited by guarantee or as voluntary partnerships.

**3** Since 2010, LEPs have taken on increased responsibility for significant amounts of central government funding. The government responded to Lord Heseltine's 2011 review, *No Stone Unturned*, by announcing the creation of the £12 billion Local Growth Fund for the period 2015-16 to 2020-21. In 2014, the government announced that it had agreed Growth Deals with each of the 39 LEPs, through which it indicatively allocated £6.3 billion of the Local Growth Fund. Each LEP's Growth Deal was awarded based on the strength of their multi-year strategic economic plans. A further £1 billion was allocated in January 2015, making the total allocation to date £7.3 billion. In addition to their role in local economic growth, the government regards LEPs as essential to its progressing English devolution agenda. When it asked local areas to submit devolution proposals in 2015, for example, it was clear that it required LEPs to be closely involved in these plans. Some LEPs have also previously supported bids for City Deals, which aim to empower cities and boost local economic growth.

**4** The Cities and Local Growth Unit, based in the Department for Communities and Local Government and including officials from the Department for Business, Innovation & Skills, led the government's efforts to secure Growth Deals with each of the LEPs and oversees the implementation of their programmes. The Department for Communities and Local Government's accounting officer is accountable overall for the Local Growth Fund.

## **Scope of our report**

**5** This report examines whether the Department for Communities and Local Government (the Department), as the lead department for the joint Cities and Local Growth Unit, has funded and implemented Growth Deals in a way that is likely to deliver value for money. We also examine LEPs' progress in implementing their local assurance frameworks and assess how transparent LEPs are to the public.

**6** This report is the latest in our series of reports on local economic growth and the progress of devolving responsibilities and funding to local areas in England. Our report covers:

- the role of LEPs in local economic growth (Part One);
- Growth Deals and the Local Growth Fund (Part Two); and
- monitoring, evaluation and assurance (Part Three).

**7** While our study looks at the strategic direction of LEPs, it does not consider broader cross-departmental leadership of ongoing devolution deals. We examine this in our forthcoming report on English devolution deals (due for publication in April 2016). In addition to receiving Growth Deal funding, LEPs have strategic direction over £5.3 billion of European Structural and Investment funding between 2014 and 2020. This is not within the scope of this study; nor is the performance of individual LEPs.

## **Key findings**

The role of LEPs within the devolution landscape

**8 The role of LEPs has expanded both rapidly and significantly.** LEPs began as largely strategic partnerships advising on economic growth. Between 2010 and 2015 total central government funding directed through LEPs was approximately £1.5 billion. With the advent of the Local Growth Fund, the amount of central government funding received by LEPs is projected to rise to £12 billion between 2015-16 and 2020-21 via locally negotiated Growth Deals (paragraphs 1.8 to 1.10 and Figure 4).

**9 The English devolution landscape is changing considerably and it is not yet clear how LEPs fit into it.** The government regards LEPs as central to its plans for English devolution. However, LEPs are often uncertain of their role within a more devolved landscape, particularly in areas where their economic geography does not align with that of the combined authority (paragraphs 1.11 and 1.12).



## The objectives, assessment and progress of Growth Deals

**10 The Department has not set specific quantifiable objectives for what it hopes to achieve through Growth Deals, meaning that it will be difficult to assess their contribution to economic growth.** The Department did not consider that it would be possible to distinguish the impact of Growth Deal spending from other policy initiatives supporting local economic growth. As a result, it did not translate the Growth Deal's high-level objectives into specific measures for success, such as how many additional jobs or houses it was aiming to create directly. It will therefore be challenging to assess the value for money of Growth Deals without a clear idea of what the Department hopes to achieve through them. Without a specific objective for what they hoped to achieve, it is also not clear how the Department determined that the funding provided to the Local Growth Fund overall would be sufficient (paragraphs 2.4, 2.5 and Figure 5).

**11 LEPs perceived the process of putting together bids for Growth Deals through strategic economic plans positively.** To bid for Growth Deals, LEPs were required to draw up multi-year strategic economic plans, setting out the priorities for long-term growth in their communities. LEPs and other stakeholders found these useful in helping to assess local needs (paragraphs 2.10 to 2.13).

**12 The Department's light touch assessment of LEPs' bids for Growth Deal funds relied on processes in LEPs that are not yet fully in place.** The Department relied on LEPs having processes in place locally as part of their assurance frameworks to ensure the value for money of projects. However, in 10% of the LEPs' assurance frameworks we reviewed these processes were not in place. Projects funded as transport 'portfolio' schemes were subject to a separate process of value-for-money scrutiny by the Department for Transport (paragraphs 2.16, 3.16, 3.17 and Figure 17).

**13 The Department has given LEPs flexibility in how they use Growth Deal funding.** The Department has grouped LEPs into three categories of flexibility in how they can spend Growth Deal funding. This categorisation was based on the Department's judgement of each LEP's ability to deliver their Growth Deal programmes and the strength of their governance arrangements. LEPs can receive greater flexibility through improving their governance. We view this as important for safeguarding the value for money of public funds. Nevertheless, 39% of LEPs did not believe that they had sufficient flexibility over how public funding was used (paragraphs 2.18, 2.19 and Figure 11).

**14 Pressure on LEPs to spend their Local Growth Fund allocation in year creates a risk that LEPs will not fund projects most suited to long-term economic development.** In order to fulfil spending requirements, and given the Department's preference for quickly deliverable projects, some LEPs we visited reported that they have pursued 'shovel ready' projects over others that they would consider to represent better value for money or be better suited to the needs of their local communities (paragraphs 2.13, 2.20 and 2.21).

**15 The Department estimates that Local Growth Fund projects will underspend by £85 million in 2015-16.** On average LEPs are expected to underspend by £2.2 million, and are intending to substitute projects outside of the Local Growth Fund to mitigate this. This is partly because a large number of skills-related projects have been postponed due to challenges and uncertainty facing the further education sector. Some LEPs have found it challenging to develop a long-term pipeline of projects that can take the place of those that are postponed (paragraphs 2.19 to 2.22).

The capacity and capability of LEPs to deliver Growth Deals

**16 LEPs are highly dependent on local authorities, and the sustainability of this support is uncertain.** We found that LEPs depend on local authority partners for staff and expertise, and that private sector contributions have not yet materialised to the extent expected. However, cuts in central government funding mean that local authorities are themselves reducing their spending in areas such as economic development in favour of protecting statutory services, such as adult social care. As part of the Growth Deal funding process, the Department assessed LEP capacity in a variety of ways, but it did not base this assessment on a structured analysis of local authority finances (paragraphs 2.23 to 2.28 and Figure 12).

**17 There is a risk that LEPs do not possess the resources necessary to deliver Growth Deal projects.** To oversee and deliver Growth Deal projects effectively, LEPs need access to staff with expertise in complex areas such as forecasting, economic modelling, and monitoring and evaluation. Only 5% of LEPs considered the resources available to them to be sufficient to meet the expectations placed on them by government. Additionally, 69% of LEPs reported that they did not have sufficient staff and 28% did not think that they had sufficiently skilled staff. LEPs frequently cite insufficient revenue funding as a reason for this. Funding uncertainty has also made it difficult to recruit and retain skilled staff (paragraphs 2.23, 2.24, 2.29, 2.30 and Figure 13).

LEPs' monitoring, assurance and transparency

**18 Measuring the impact of Growth Deals will prove challenging.** The Department has responded positively to previous recommendations from the Committee of Public Accounts in designing its approach to monitoring and evaluating Growth Deals. It has standardised definitions for indicators and taken steps to align metrics with other local growth initiatives. LEPs report on these indicators regularly to provide evidence of progress on Growth Deals. However, Growth Deal projects are presently funded from a range of sources. This will make it challenging to attribute specific outputs to Growth Deals. Additionally, 21% of LEPs do not yet have arrangements in place for ensuring the quality and accuracy of their monitoring information (paragraphs 3.3 to 3.7, 3.9 to 3.11 and Figures 14 and 16).

**19 The Department has acted to promote standards of governance**

**and transparency in LEPs.** In response to the Committee of Public Account's recommendations, the Department published an accountability system statement for the Local Growth Fund in March 2015. It uses this to gain assurance over regularity, propriety and value for money. All 39 LEPs had assurance frameworks in place by March 2015. LEPs spoke positively about the Department's guidance in developing their assurance frameworks, although only 62% thought that they had the resources they needed to meet the standards required (paragraphs 3.12 to 3.15).

**20 The Department had not tested the implementation of assurance frameworks at the time that Growth Deals were finalised, and we found that there are considerable gaps in LEPs' compliance with the Department's requirements.**

The Department places reliance on LEPs having arrangements in place for ensuring the value for money of projects, robust governance, and transparency. These are set out in LEPs' local assurance frameworks, which were signed off by their accountable local authority. We found considerable gaps in many LEPs' assurance frameworks in areas such as approving business cases, handling disputes with their accountable bodies, and independent scrutiny arrangements. The Department is using the results of our study and work conducted by the Government Internal Audit Agency to test LEPs' assurance frameworks (paragraphs 3.16, 3.17 and Figure 17).

**21 We found variation in the availability and transparency of financial information across LEPs.** Financial information was unavailable for 5% of LEPs and we were unable to find information on senior staff salaries for 87% of LEPs. Where financial information was available, we found that the format and level of detail varied considerably across LEPs, making it difficult to draw meaningful comparisons (paragraphs 3.18 to 3.20 and Figure 18).

**Conclusion on value for money**

**22** The government encouraged the establishment of LEPs from 2010 as private sector led strategic partnerships which would determine and influence local growth priorities. The role and remit of LEPs has expanded both significantly and rapidly, and from April 2015, LEPs became responsible for directing the £12 billion Local Growth Fund negotiated via Growth Deals. The Department expects LEPs to deliver Growth Deals effectively and sustainably. However, when the Growth Deals were agreed, the Department did not have enough assurance that they had the resources, capacity and capability to do this, and LEPs do not yet have an established track record of delivery. Our work shows that LEPs themselves have serious reservations about their capacity to deliver and the increasing complexity of the local landscape, and there is a risk that projects being pursued will not necessarily optimise value for money.

**23** The Department has adopted a 'light touch' approach to overseeing Growth Deals and it has not yet tested their assurance mechanisms, which our works shows are underdeveloped. LEPs themselves are not as transparent to the public as we would expect given that they are now responsible for significant amounts of taxpayers' money. The Department did not set clear objectives for what it wanted to achieve through Growth Deals, meaning that it is difficult to assess their success.

**24** The Department needs to think through the levers and measurement criteria it needs to understand whether value for money is being achieved by LEPs. It has not done so to date, and this currently presents a threat to future value for money.

## **Recommendations**

**25** Given the challenges that we set out above, we recommend that the Department:

- a** clarifies how LEPs fit with other bodies to which it is devolving power and spending;
- b** distributes Local Growth Funding to LEPs in a form that will give them medium to long-term funding flexibility, subject to performance, to reduce the risk of funds being spent on projects that LEPs do not regard as offering the best value for money;
- c** sets out specific quantifiable objectives and performance indicators for the success of Growth Deals;
- d** ensures that there is sufficient local capacity within LEPs to deliver Growth Deals by taking a more explicit and consistent account of the financial sustainability of local authority partners;
- e** uses its approach to monitoring Growth Deals as an opportunity to standardise output metrics for future local growth initiatives, allowing for comparative performance assessment and reducing reporting burdens; and
- f** tests the implementation of local assurance frameworks before confirming future funding allocations, and works with LEPs to ensure that the required standards of governance and transparency are being met.

# Part One

## The role of Local Enterprise Partnerships in local economic growth

**1.1** The government set out its vision for Local Enterprise Partnerships (LEPs) in the 2010 white paper *Local growth: realising every place's potential*.<sup>1</sup> The white paper:

- set out the intended closure of the nine Regional Development Agencies in England;
- outlined a new approach to local economic growth that reflected the government's localism agenda, according to which power is devolved to communities to ensure that “where the drivers of growth are local, decisions [are] made locally”; and
- invited businesses and councils to collectively form LEPs, “whose geography properly reflects the natural economic areas of England”.

**1.2** This part of the report sets out:

- the local growth transition;
- the formation and structure of LEPs;
- funding for LEPs; and
- the role of LEPs in a devolved landscape.

<sup>1</sup> HM Government, *Local growth: realising every place's potential*, white paper, Cm 7961, October 2010.

## Local growth transition

**1.3** LEPs are a recent central government initiative to promote and rebalance economic growth between different regions. As we set out in our 2013 report, *Funding and structures for local economic growth*, over past decades there have been a number of different structures and funding regimes (**Figure 1**). These have included not only Regional Development Agencies but, for example, training and enterprise councils in the 1990s, and local area agreements more recently. As we also set out in 2013, and as the abolition of the Regional Development Agencies demonstrates, the changes that took place in this field in 2010 were distinctive in the extent to which they entailed the almost complete replacement of previously existing structures for local economic growth.

## Formation and structure of LEPs

**1.4** There are 39 LEPs across England (**Figure 2** on pages 14 and 15). LEPs are designed to operate across functional economic areas that reflect labour markets and offer sufficient economies of scale. As a result, they often cross administrative boundaries. On average, each LEP covers nine local authorities; 37 local authorities are covered by more than one LEP.

**1.5** The government did not stipulate the form that LEPs should take, and they have adopted varying corporate structures. The most common corporate structure is a company limited by guarantee (51% of LEPs), followed by unincorporated voluntary partnerships between private sector representatives and local authority leaders (41% of LEPs). A further 8% feature a variety of unincorporated arrangements and committees.<sup>2</sup> Companies limited by guarantee have a legal status and can employ staff and enter into contracts, whereas partnerships operate through a nominated local authority. Regardless of organisational structure, each LEP has a nominated local authority or combined authority that acts as its accountable body.

**1.6** The government intended LEPs to be led by the private sector, in contrast to public sector agencies previously tasked with promoting local economic development. LEPs are required to have a private sector Chair, with the majority of board members also drawn from the private sector. In practice, this varies between LEPs: private sector board membership ranges from 45% to 80%, and is 58% on average. Three LEPs have minority private sector board membership (**Figure 3** on page 16). Many LEPs have managed to attract experienced business leaders to senior positions, although some stakeholders have raised concerns about how representative LEP boards are of their communities and of small business.

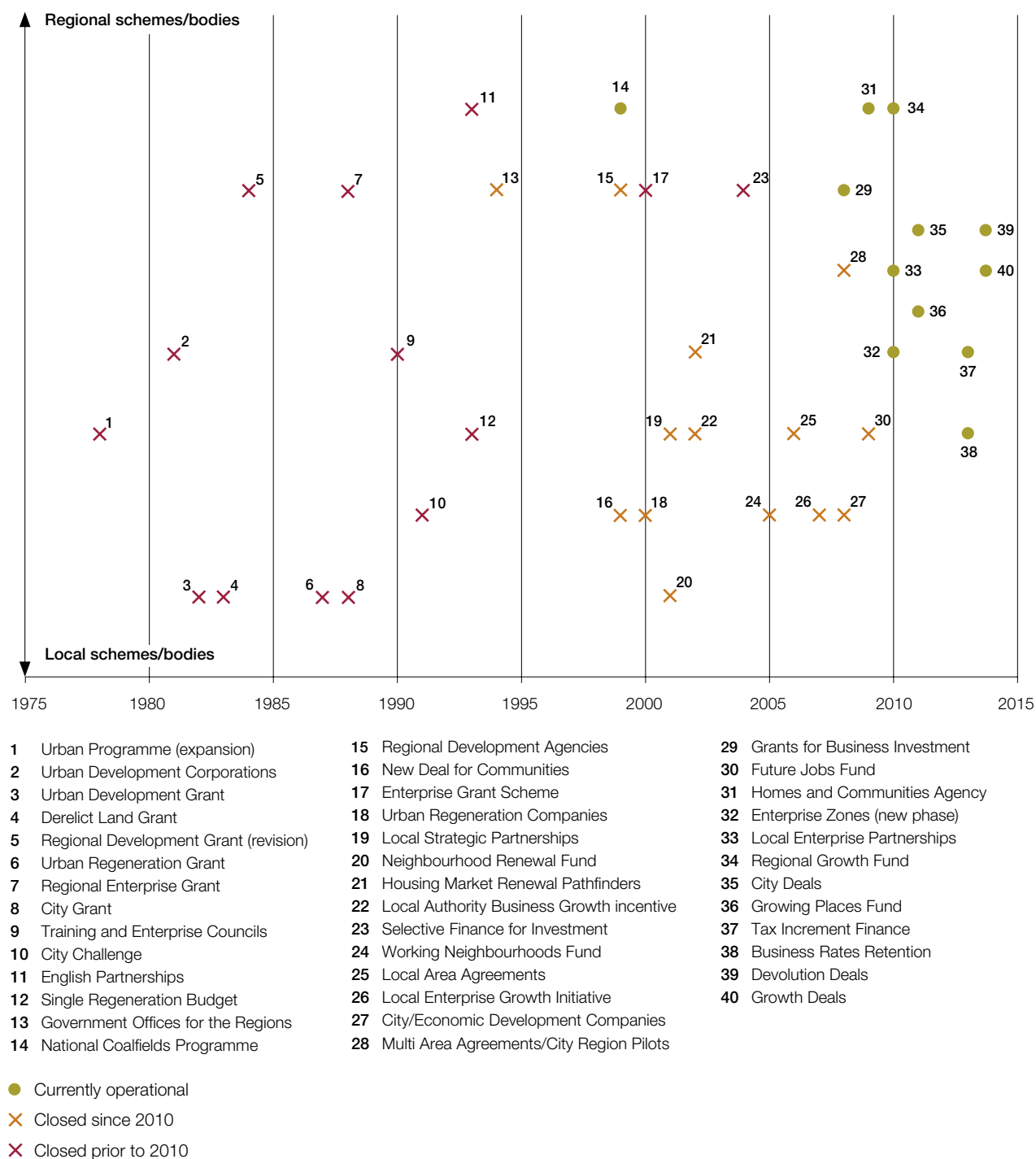
**1.7** LEPs were designed to be lean strategic partnerships that are able to lever in staff and expertise where needed. Their size, as measured by the number of full time equivalent staff, varies considerably. LEPs reported that they have between 0 and 80 full time equivalent staff, with median staff size of 8.<sup>3</sup> In addition to their full time equivalent staff, 90% of LEPs said that they can lever in staff from other partners, typically local authorities.

<sup>2</sup> For example, London LEP is a non-incorporated consultative and advisory body that operates through the Greater London Authority, without a separate legal status.

<sup>3</sup> Some LEPs employ no staff as they draw solely on staff from larger structures such as combined authorities.

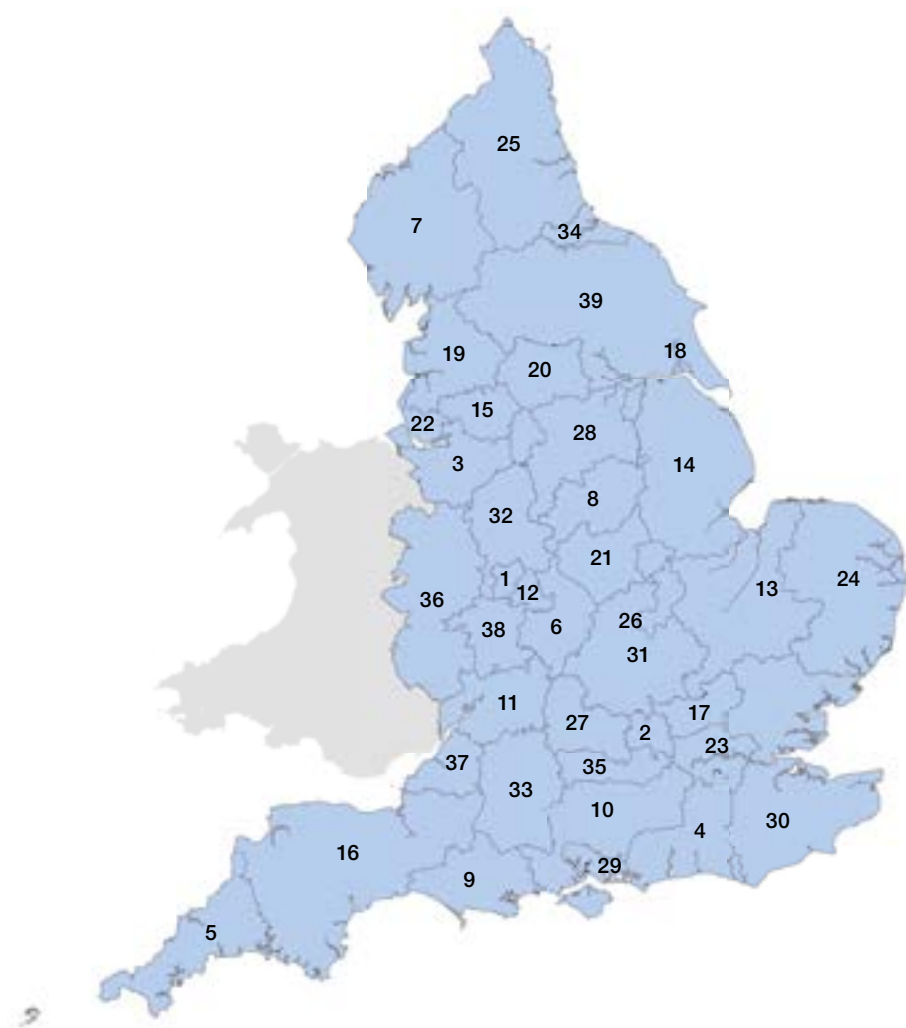
**Figure 1**

Regular changes in initiatives for local growth



Source: National Audit Office analysis of Departmental information

**Figure 2**  
Local Enterprise Partnerships in England

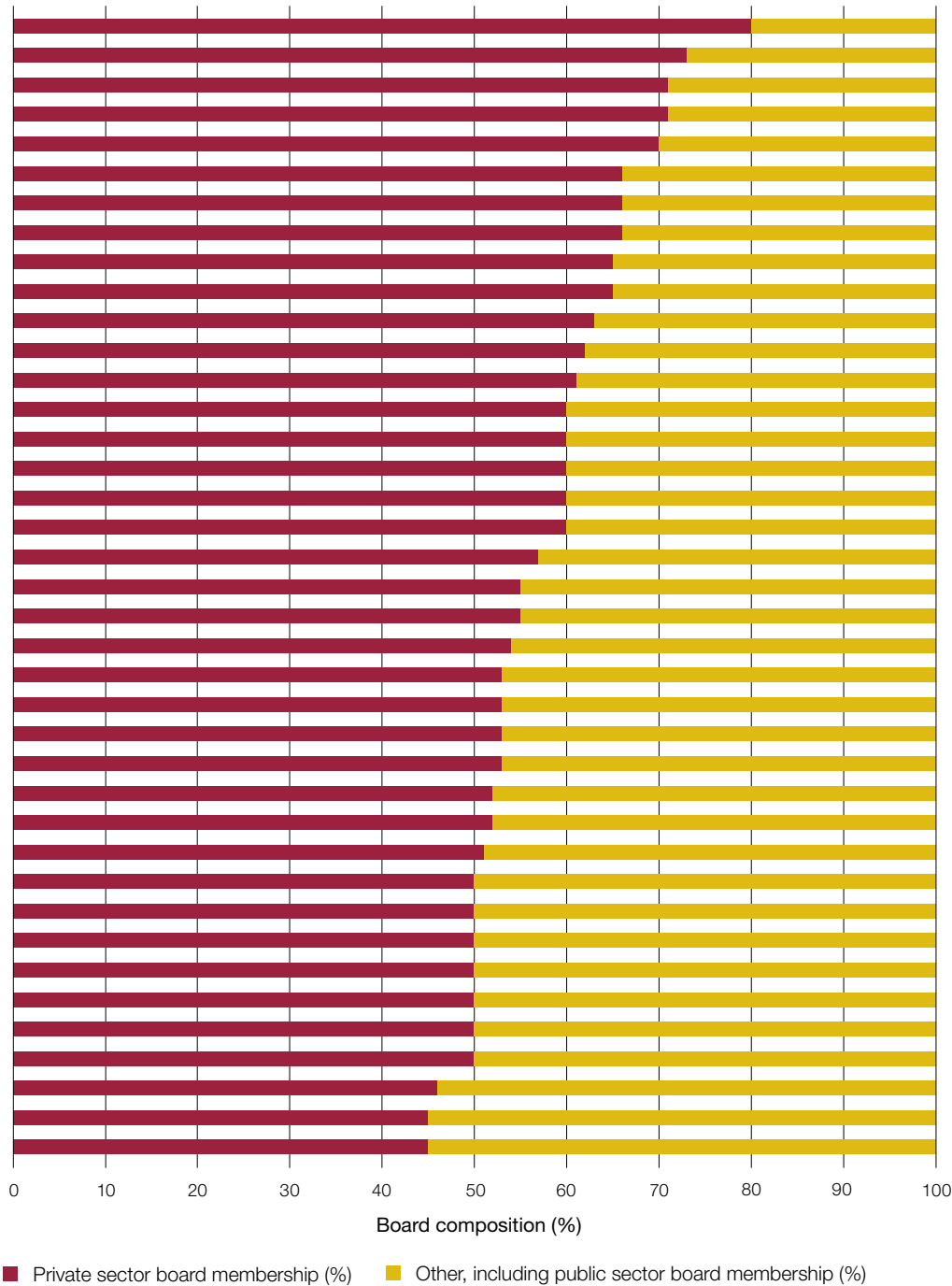


Source: National Audit Office



- 
- |    |  |    |  |
|----|--|----|--|
| 1  | Black Country  | 21 | Leicester and Leicestershire             |
| 2  | Buckinghamshire Thames Valley                        | 22 | Liverpool City Region                    |
| 3  | Cheshire and Warrington                              | 23 | London                                   |
| 4  | Coast to Capital                                     | 24 | New Anglia                               |
| 5  | Cornwall and Isles of Scilly                         | 25 | North East                               |
| 6  | Coventry and Warwickshire                            | 26 | Northamptonshire                         |
| 7  | Cumbria  | 27 | Oxfordshire                              |
| 8  | Derby, Derbyshire, Nottingham<br>and Nottinghamshire | 28 | Sheffield City Region                    |
| 9  | Dorset   | 29 | Solent                                   |
| 10 | Enterprise M3  | 30 | South East                               |
| 11 | Gloucestershire                                      | 31 | South East Midlands                      |
| 12 | Greater Birmingham and Solihull                      | 32 | Stoke-on-Trent and Staffordshire         |
| 13 | Greater Cambridge Greater Peterborough               | 33 | Swindon and Wiltshire                    |
| 14 | Greater Lincolnshire                                 | 34 | Tees Valley                              |
| 15 | Greater Manchester                                   | 35 | Thames Valley Berkshire                  |
| 16 | Heart of the South West                              | 36 | The Marches                              |
| 17 | Hertfordshire  | 37 | West of England                          |
| 18 | Humber   | 38 | Worcestershire                           |
| 19 | Lancashire   | 39 | York, North Yorkshire<br>and East Riding |
| 20 | Leeds City Region                                    |    |  |
-

**Figure 3**  
Local Enterprise Partnership board membership  
The extent of private sector involvement varies between LEPs  
Local Enterprise Partnerships



**Note**  
1 LEPs' responses have been anonymised.  
Source: National Audit Office census analysis

## Funding for LEPs

**1.8** Since LEPs were created, their role and remit has expanded considerably. LEPs are now responsible for substantial amounts of growth funding including early rounds of the Regional Growth Fund, the Growing Places Fund and the management of Enterprise Zones. With the introduction of Growth Deals in 2014, LEPs have taken on responsibility for delivering growth programmes worth £2 billion annually. Additionally, LEPs have strategic direction over the use of European funding.

**1.9** Before Growth Deals were introduced in 2015-16, domestic funding to LEPs totalled around £1.5 billion. The publication of Lord Heseltine's 2012 report, *No Stone Unturned in Pursuit of Growth*, made the case for greater alignment of funding through a single pot approach, and more local control to LEPs over where funding should be targeted.<sup>4</sup> The government responded to this in the July 2013 spending review by confirming a £12 billion Local Growth Fund at £2 billion a year from 2015-16 to 2020-21 which LEPs have accessed through the negotiation of Growth Deals (**Figure 4** overleaf). This is described in Part Two of this report.

**1.10** The government initially intended that LEPs would be able to fund their own running costs primarily by drawing upon the resources of local authorities and private sector partners. In the LEPs we visited, we found evidence of extensive private sector involvement; for example individuals voluntarily giving up their time to sit on committees overseeing the approval of infrastructure projects. However, overall, we found that contributions from the private sector have not materialised to the extent that LEPs initially expected. The Department provides LEPs with £500,000 in core funding for administrative purposes, subject to LEPs securing £250,000 in match funding from local partners. All LEPs received the same core funding, regardless of size or structure.

## The role of LEPs in a devolved landscape

**1.11** LEPs are one of a number of means aimed at devolving responsibility for creating local growth to local areas. A range of structures, including combined authorities, are forming alongside LEPs to support the devolution of funding and responsibilities from central government. Recently, the government has signed devolution deals with seven local areas in England. The government views LEPs as having a central role in the formulation and negotiation of devolution deals alongside local authority partners.

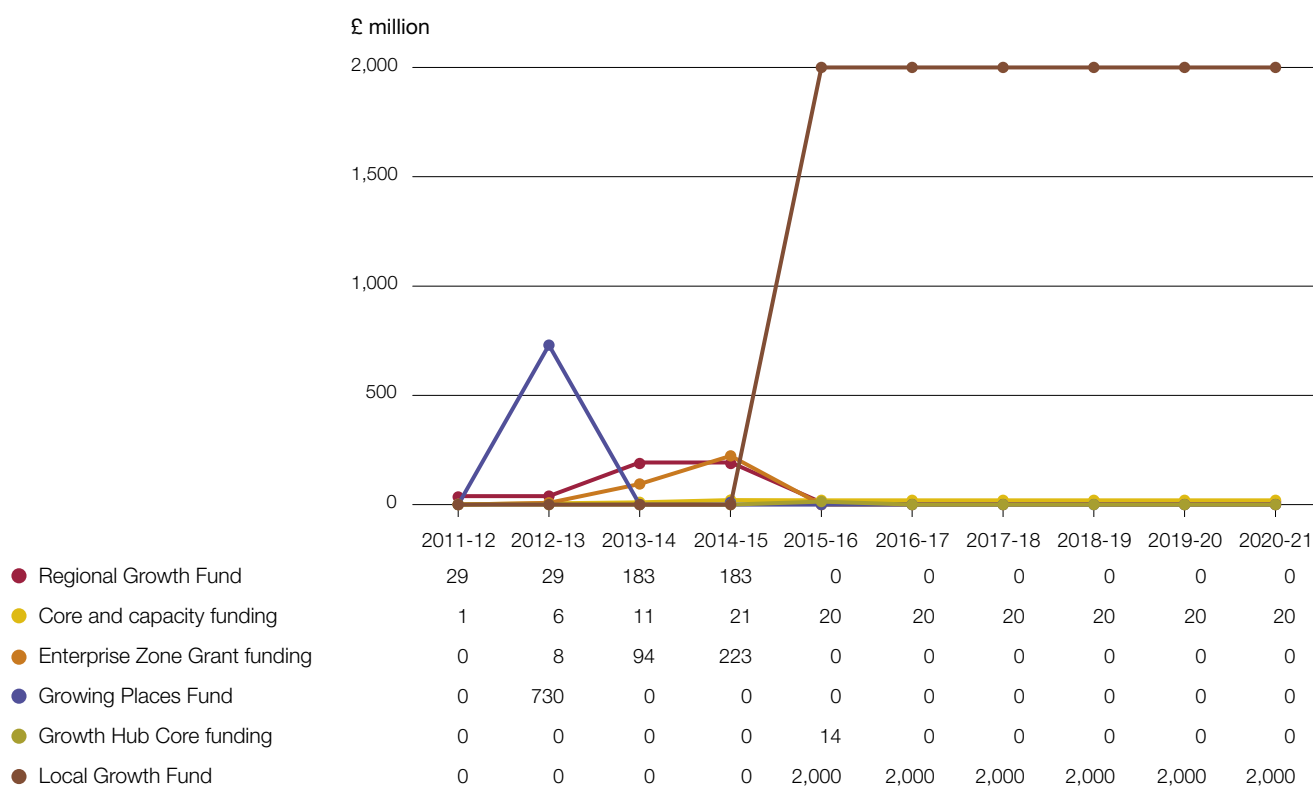
**1.12** Despite this, LEPs reported to us that they were uncertain about their place in the wider devolved landscape. LEPs were also concerned that the Department had not made clear their role in economic planning and development as devolution progresses, particularly where their functional economic geography does not align with that of a combined authority. Additionally, only 49% considered that there were clear lines of accountability between the LEP and the local electorate.

<sup>4</sup> The Rt Hon Lord Heseltine of Thenford CH, *No Stone Unturned in Pursuit of Growth*, October 2012.

**Figure 4**

## LEP funding over time

Public funding allocated to LEPs increased substantially with the creation of the Local Growth Fund

**Notes**

- Figures presented above do not include funding from the European Union that LEPs have 'strategic direction' over.
- Core and capacity funding assumed to continue at 2016-17 levels.
- Regional Growth Fund allocations straddle financial years. Allocations have been apportioned equally to relevant financial years.

Source: National Audit Office analysis of departmental data

## Part Two

### Growth Deals and the Local Growth Fund

**2.1** Lord Heseltine's 2012 report, *No Stone Unturned in Pursuit of Growth* prompted a significant shift in the role and remit of Local Enterprise Partnerships (LEPs) within the local growth landscape. The report recommended "a very significant devolution of funding from central government to Local Enterprise Partnerships so that government investment in economic development is tailored directly to the individual challenges and opportunities of our communities, and can be augmented by private sector investment."<sup>5</sup>

**2.2** In response, the government announced the creation of a single Local Growth Fund comprising £2 billion each year from 2015-16 to 2020-21, totalling £12 billion. In July 2014, the government announced a series of Growth Deals with each of the 39 LEPs through which it allocated £6.3 billion of the Local Growth Fund alongside a set of freedoms and flexibilities from government to target their identified growth priorities.<sup>6</sup> The government later allocated an additional £1 billion of the Local Growth Fund in January 2015. Growth Deals are the single largest funding allocation to LEPs to date.

**2.3** This section examines:

- the objectives set for Growth Deals and the Local Growth Fund;
- the structure of the 2015-16 Local Growth Fund allocation;
- how the Department for Communities and Local Government (the Department) assessed Growth Deal bids from each LEP and allocated funding;
- the progress of Growth Deals so far;
- the capacity and capability of LEPs to deliver Growth Deals; and
- future funding uncertainty.

<sup>5</sup> The Rt Hon Lord Heseltine of Thenford CH, *No Stone Unturned in Pursuit of Growth*, October 2012.

<sup>6</sup> Examples of local freedoms and flexibilities include changes to local tax and incentive regimes and reductions on regulatory burdens.

## Objectives of Growth Deals

**2.4** We have previously stated that public sector programmes should clearly link to the government's strategic priorities, and identify measures of success to quantify their contribution. Good practice dictates that departments should set clear, specific and measurable objectives for their policies.<sup>7</sup>

**2.5** The Department intentionally did not translate the Growth Deal's high-level objectives into specific quantifiable success criteria. It did not identify how many outputs – such as jobs or houses – Growth Deals would create directly, nor did it set targets or minimum acceptable levels of additional outputs from the funding. When individual Growth Deals are aggregated, LEPs estimate that they will create up to 419,500 jobs and 224,300 housing units, alongside other outputs (**Figure 5**). However, the Department has not specified the extent to which these will be a direct result of Growth Deals. Establishing additionality and attribution is complex in local growth policy. However, the Department's approach means that it will be difficult to assess how well LEPs are progressing towards their intended long-term impacts and outcomes when these are not clearly defined. It is also not clear how the Department determined that the funding package of £12 billion would be sufficient to achieve their objectives. Assessing the impact and value for money of Growth Deals will therefore be challenging.

## The funding and structure of Growth Deals and the Local Growth Fund

### Composition of funding

**2.6** The Local Growth Fund totals £12 billion between 2015-16 and 2020-21 (£2 billion per annum). The Growth Deals announced in July 2014 allocated £6.3 billion of the Local Growth Fund by including the full £2 billion for 2015-16 and £4.3 billion in the form of future indicative allocations. In January 2015, the government announced an extension to the first round of Growth Deals, making available a further £1 billion from the Local Growth Fund to LEPs. The remaining £4.7 billion of the Local Growth Fund has yet to be allocated for future years (2016-17 to 2020-21).

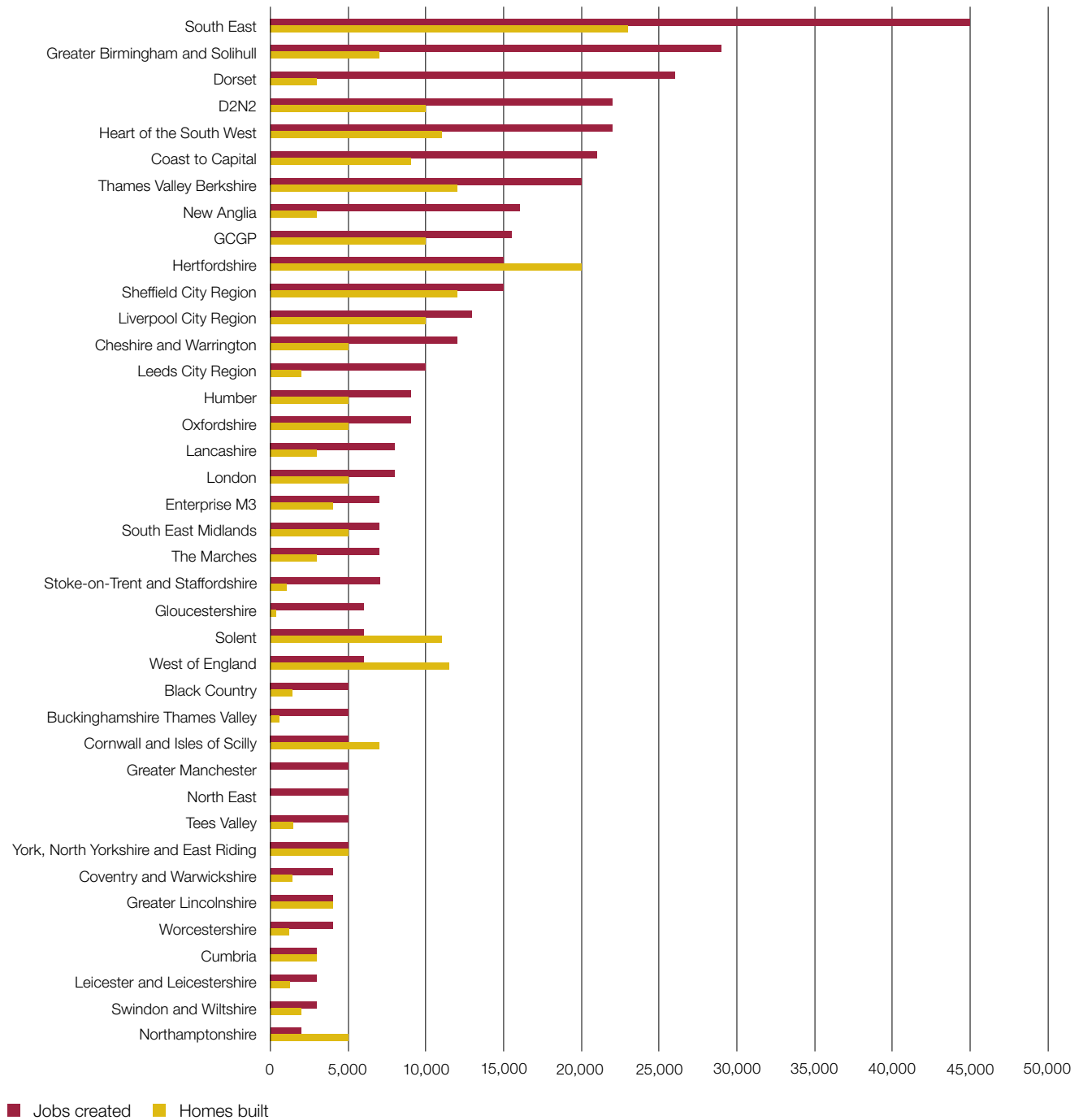
**2.7** Growth Deals allocated Local Growth Funds that consist of funding previously managed by central government departments (**Figure 6** on pages 22 and 23). Of the £2 billion allocated for 2015-16, £1.1 billion was funding previously allocated, largely to local authorities, through other funding streams.

<sup>7</sup> Comptroller and Auditor General, *The Regional Growth Fund*, Session 2012-13, HC 17, National Audit Office, May 2012.

**Figure 5**

## Lifetime impact of Growth Deals: LEP estimates

LEPs estimate that Growth Deals could create up to 419,500 jobs and 224,300 homes built

**Notes**

1 D2N2 refers to Derby, Derbyshire, Nottingham and Nottinghamshire LEP.

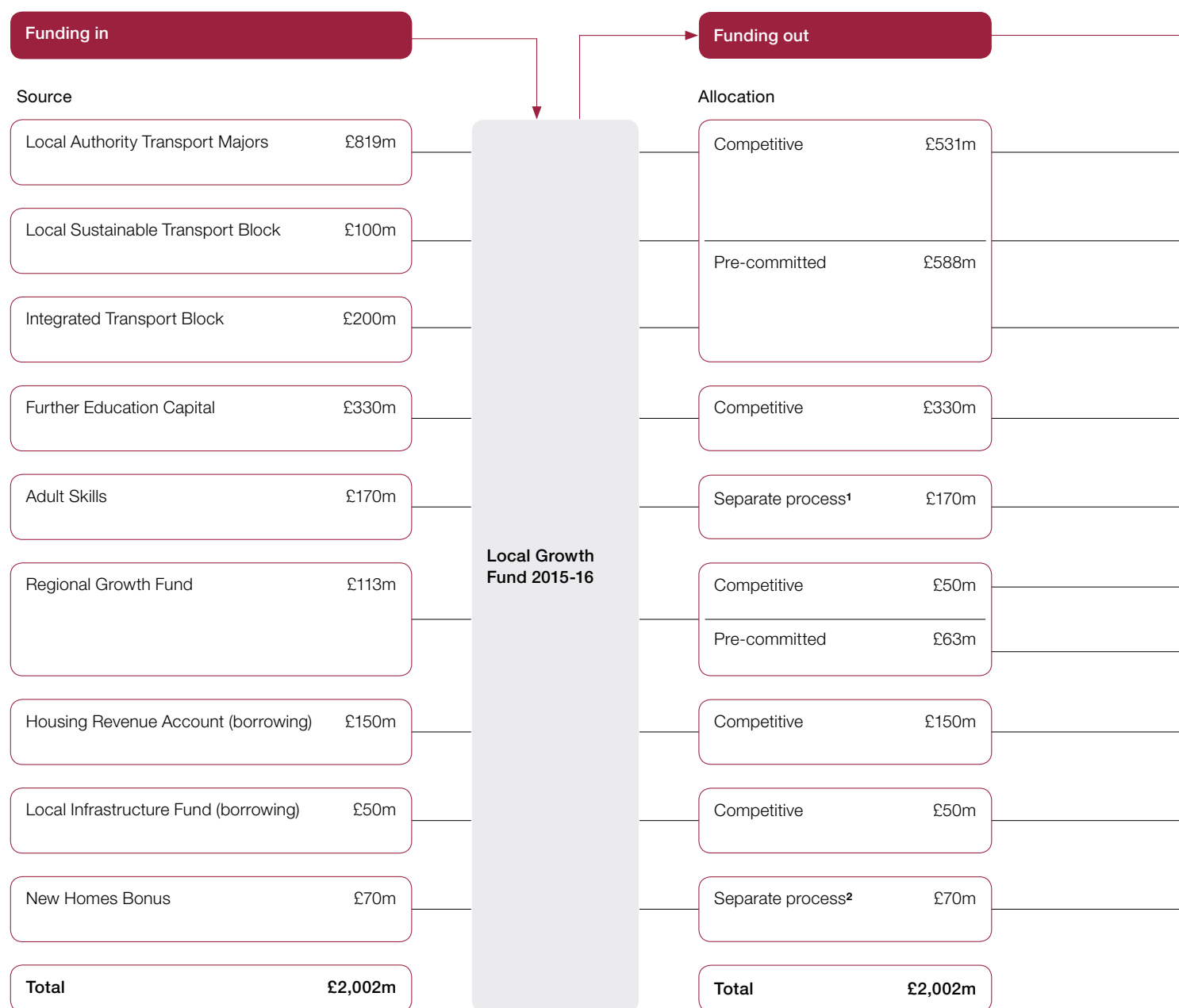
2 GCGP refers to Greater Cambridge Greater Peterborough LEP.

Source: National Audit Office analysis of Growth Deals

**Figure 6**

## Composition of the Local Growth Fund 2015-16

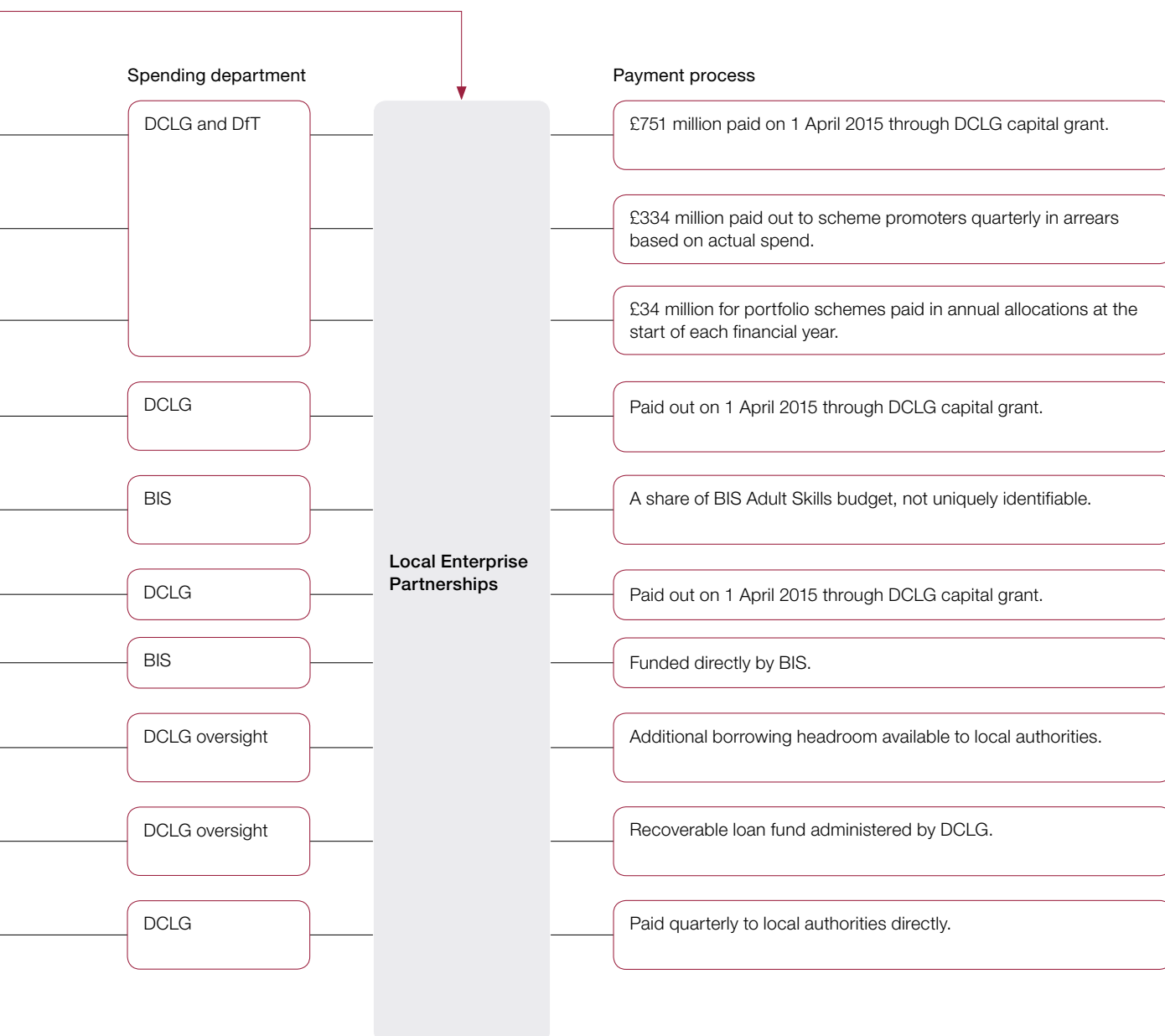
The Local Growth Fund brigades multiple funding streams

**Notes**

- 1 This is the portion of the Department for Business, Innovation & Skills' adult skills budget identified by the Skills Funding Agency (SFA) as suitable to be used as match funding for European Social Fund (ESF) projects.
- 2 London LEP only. This is London's share of the New Homes Bonus for 2015-16.
- 3 DCLG refers to the Department for Communities and Local Government; BIS refers to the Department for Business, Innovation & Skills; and DfT refers to the Department for Transport.

Source: National Audit Office analysis of departmental information





**2.8** Transport funding made up the largest share of pre-committed funding. Over 60% of approved projects across the 39 LEPs for 2015-16 are transport projects. Three LEPs received pre-committed funding for transport projects amounting to over 50% of their total allocations (**Figure 7**). The restrictions on the use of a large proportion of the pre-committed elements of the fund mean that the Local Growth Fund is not a single pot as the government originally intended.

**2.9** Of the £2 billion awarded to LEPs in 2015-16, the Department allocated funding through two processes. The Department allocated approximately £1.1 billion based on pre-existing funding commitments, and LEPs bid competitively for the remaining £930 million by presenting the Department with strategic economic plans. The Department aims to give LEPs greater funding freedom, making more of the Local Growth Fund allocated competitively in future.

## **Growth Deal assessment**

### Strategic economic plans

**2.10** The Department allocated the competitive element of Growth Deal funding based on the strength of multi-year strategic economic plans that LEPs submitted to the Department. These plans identified agreed economic priorities, LEPs' visions for their local areas, and potential projects with supporting evidence. In guidance issued in July 2013, the Department advised LEPs to ensure local consensus around a shared growth agenda.<sup>8</sup> LEPs submitted their final strategic economic plans in March 2014.

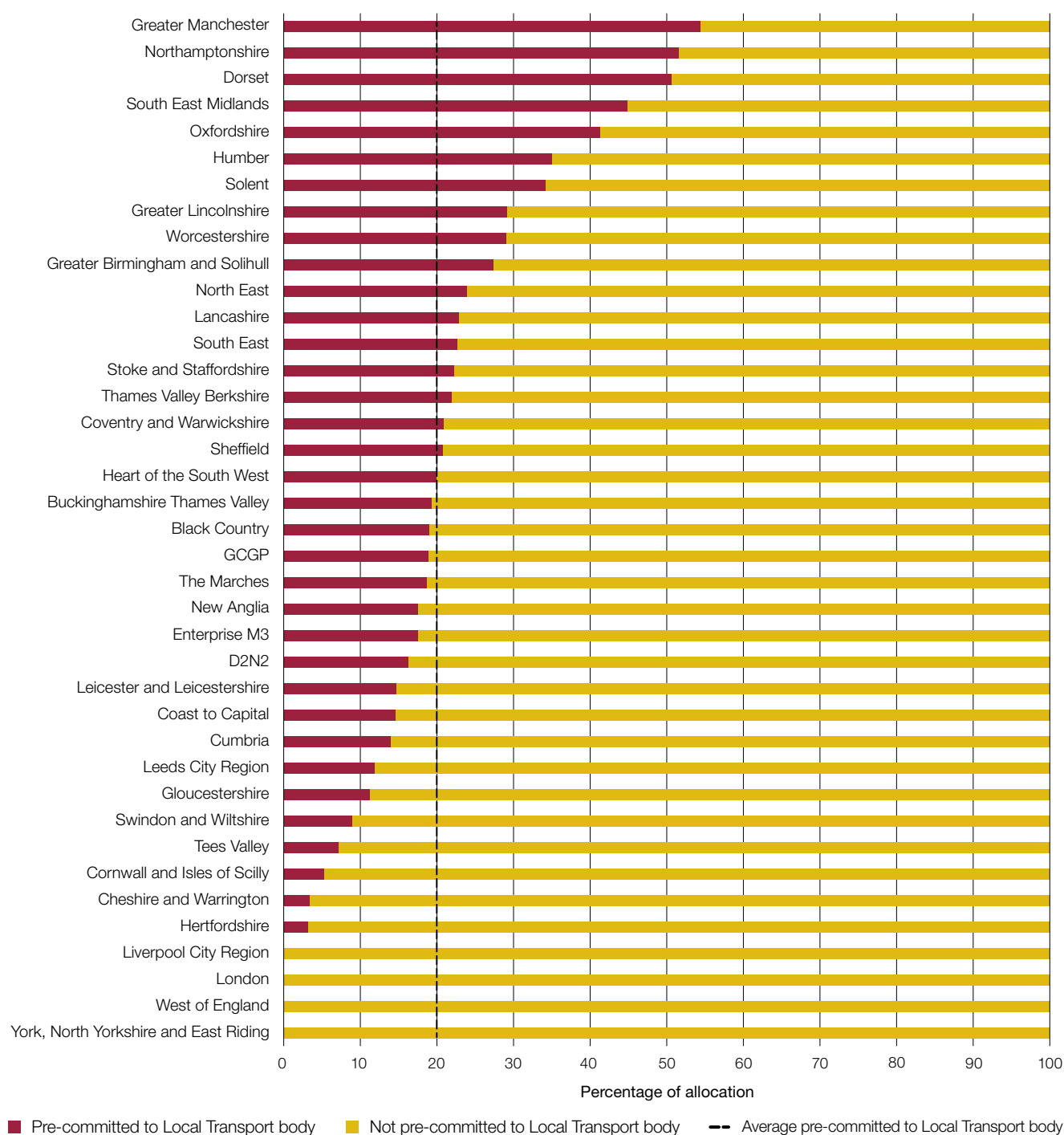
**2.11** The Department's published guidance set out what they expected to see in LEPs' strategic economic plans; however, the Department intentionally did not specify the format that these plans should take. They did this to encourage LEPs to decide the process of formulating plans locally, competitively and in a way that would encourage innovation. This resulted in wide variation across the 39 plans in the way information was presented, time periods covered, and the evidence bases they used. Additionally, the Department did not define output metrics until after the plans were approved. LEPs therefore used different definitions to describe the outputs of their planned interventions, such as jobs. The Department's assessors reported that they found it challenging to assess the bids consistently; this will have made it difficult to identify the plans that represented the best value for money.

<sup>8</sup> HM Government, *Growth Deals: Initial Guidance for Local Enterprise Partnerships*, July 2013.

**Figure 7**

## Local Growth Fund pre-committed to Local Transport bodies 2015-16

On average, 20% of 2015-16 Local Growth Fund allocations were pre-committed to Local Transport bodies

**Notes**

1 D2N2 refers to Derby, Derbyshire, Nottingham and Nottinghamshire LEP.

2 GCGP refers to Greater Cambridge Greater Peterborough LEP.

Source: National Audit Office analysis of departmental data

**2.12** LEPs and other stakeholders were largely positive about the process of creating strategic economic plans, as it encouraged partnership and collaborative working to assess local needs. The fact that LEPs are led by the private sector meant that they were able to take on board views from a range of local business representatives. In 74% of cases LEPs reported that their strategic economic plan was subject to public consultation, although the timing and format of this varied.

**2.13** LEPs submitted prioritised lists of projects alongside business cases as part of their strategic economic plans. The Department regarded this as important in ensuring that LEPs were able to demonstrate their ability to deliver on their plans and spend their funding allocations. Some LEPs we visited reported that the Department's preference for quickly deliverable projects, in some instances, resulted in them selecting 'shovel ready' projects that could be delivered quickly over others that would have better matched their long-term strategic economic objectives or represented better value for money.

### The Department's approach to assessment

**2.14** The Department assessed strategic economic plans in two ways:

- project-level assessments, using value-for-money criteria; and
- plan-level assessments, assessing against two criteria: LEPs' ambition and rationale, and delivery and risk.

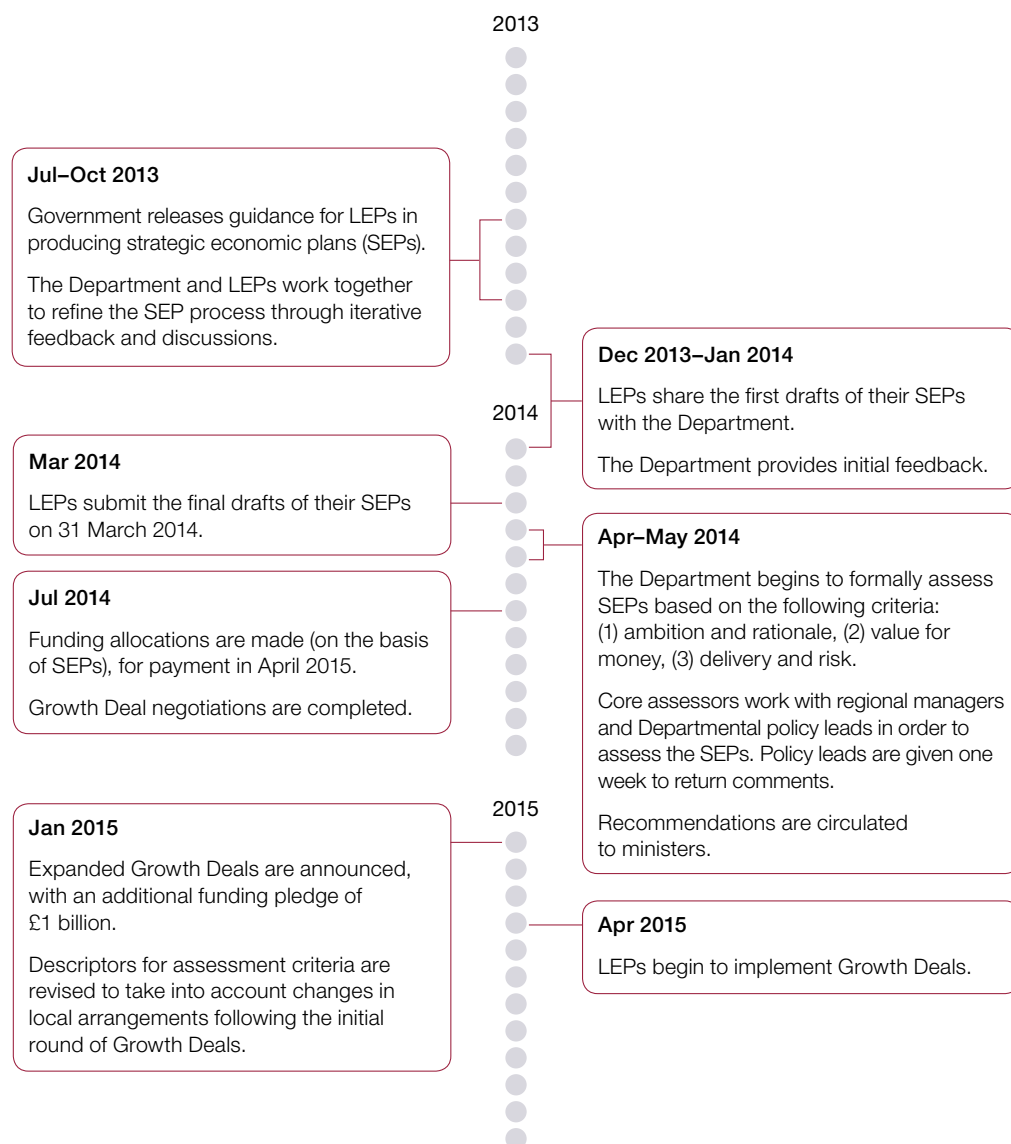
**2.15** The Department's approach to assessing strategic economic plans was iterative and cross-departmental. The Department conducted an initial assessment so it could give LEPs feedback before the Department assessed final bids in April 2014. To assess each LEP's plan, the Department created a network of cross-departmental assessors. This enabled it to draw on specialist expertise from other government departments (**Figure 8**).

**2.16** The Department intentionally took a 'light touch' approach to assessing value for money, and did not set a minimum threshold for value for money that would result in a project being rejected. We also found evidence that the high volume of projects meant that core assessors were only able to devote limited time to their assessment of each project. The Department placed reliance on LEPs putting in place local assurance frameworks to ensure value for money. Each LEP's assurance framework was signed off by its accountable body. However, as we state in Part Three of this report, many LEPs do not yet have these arrangements in place. Projects funded by the Local Growth Fund as transport 'portfolio' schemes were subject to a separate process of value-for-money scrutiny by the Department for Transport.

**Figure 8**

## Growth Deal assessment process

The Department assessed and funded Growth Deals on the strength of LEPs' strategic economic plans (SEPs)



Source: National Audit Office analysis of departmental documentation

## Allocating Growth Deal funding

**2.17** Based on the Department's assessment of the comparative strengths and weaknesses of LEPs' strategic economic plans, the Department categorised LEPs into four separate groups. It then combined this categorisation with the proportion of England's population in each LEP to arrive at its allocation formula. This formula resulted in wide variation in funding allocated to LEPs. Leeds City Region LEP received the largest funding allocation of £627.5 million, followed by Greater Manchester LEP (£533.3 million). Cumbria LEP received the smallest allocation at £47.7 million (**Figure 9**). Per capita funding allocations ranged from £35 to £213 (**Figure 10** on page 30). Many LEPs did not think it was clear how funding allocations had been made. According to our census, 46% disagreed or strongly disagreed that funding decisions to LEPs have been made openly and transparently.

## Funding flexibility

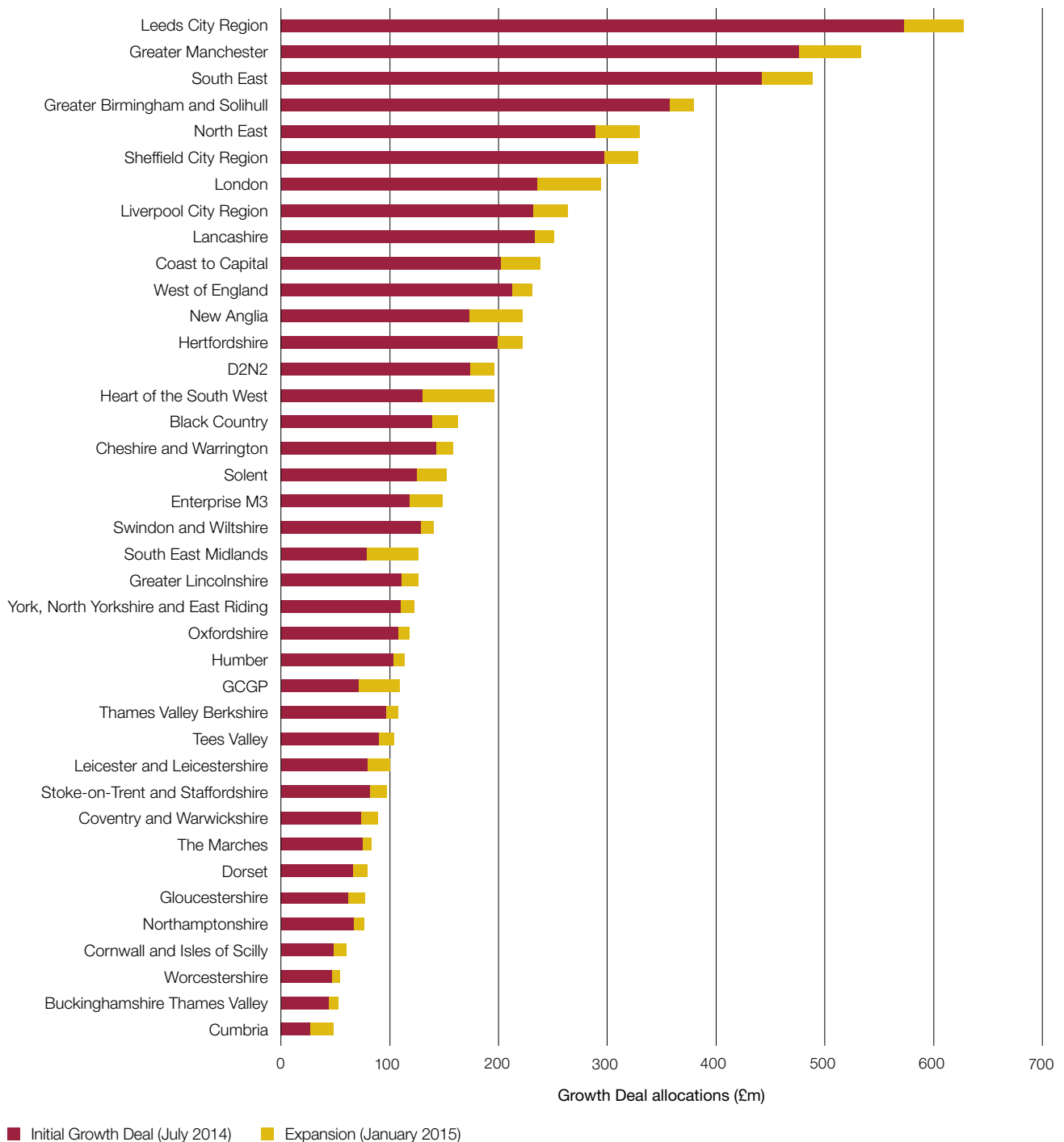
**2.18** The Department set three levels of flexibility over the funding that each LEP received through their Growth Deal (**Figure 11** on page 31). This was based on the Department's confidence in each LEP's ability to deliver its plan and existing governance arrangements:

- **Low flexibility**  
Any changes to agreed Growth Deal projects must be agreed with the Department in advance.
- **Medium flexibility**  
The LEP must first discuss significant changes with its relationship manager from the Department for Business, Innovation & Skills (but reporting to the Department), who will advise on next steps.
- **High flexibility**  
The LEP can make significant changes to agreed projects by notifying its relationship manager.

**Figure 9**

## Funding awarded to LEPs through Growth Deals

The Department has allocated £7.3 billion of the Local Growth Fund through Growth Deals

**Notes**

- 1 D2N2 refers to Derby, Derbyshire, Nottingham and Nottinghamshire LEP.
- 2 GCGP refers to Greater Cambridge Greater Peterborough LEP.

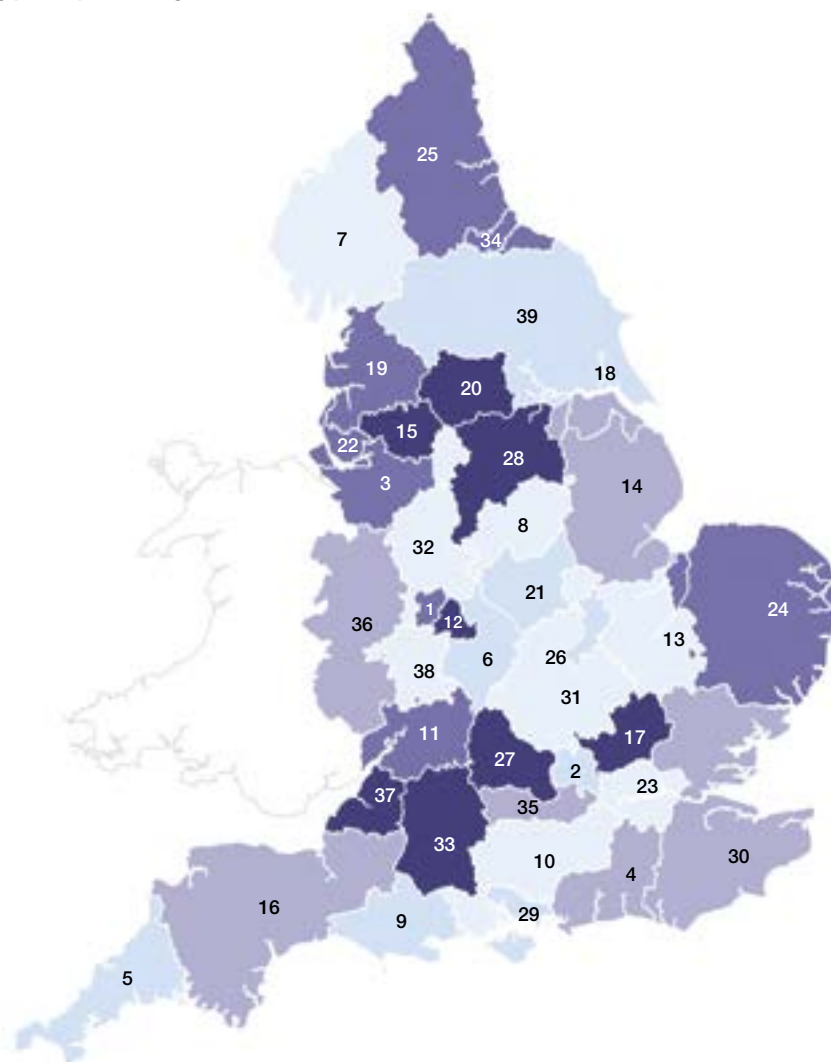
Source: National Audit Office analysis of departmental data

**Figure 10**

## LEPs Growth Deal funding per capita

LEP Growth Deal funding per capita in England

- £35 to £97
- £97 to £112
- £112 to £128
- £128 to £177
- £177 to £213



- |   |                                 |  |
|---|---------------------------------|--|
| 1 Black Country                                     | 13 Greater Cambridge            | 26 Northamptonshire                      |
| 2 Buckinghamshire Thames Valley                     | 14 Greater Peterborough         | 27 Oxfordshire                           |
| 3 Cheshire and Warrington                           | 15 Greater Lincolnshire         | 28 Sheffield City Region                 |
| 4 Coast to Capital                                  | 16 Greater Manchester           | 29 Solent                                |
| 5 Cornwall and Isles of Scilly                      | 17 Heart of the South West      | 30 South East                            |
| 6 Coventry and Warwickshire                         | 18 Hertfordshire                | 31 South East Midlands                   |
| 7 Cumbria   | 19 Humber                       | 32 Stoke-on-Trent and Staffordshire      |
| 8 Derby, Derbyshire, Nottingham and Nottinghamshire | 20 Lancashire                   | 33 Swindon and Wiltshire                 |
| 9 Dorset  | 21 Leeds City Region            | 34 Tees Valley                           |
| 10 Enterprise M3                                    | 22 Leicester and Leicestershire | 35 Thames Valley Berkshire               |
| 11 Gloucestershire                                  | 23 Liverpool City Region        | 36 The Marches                           |
| 12 Greater Birmingham and Solihull                  | 24 London                       | 37 West of England                       |
|   | 25 New Anglia                   | 38 Worcestershire                        |
|   |                                 | 39 York, North Yorkshire and East Riding |

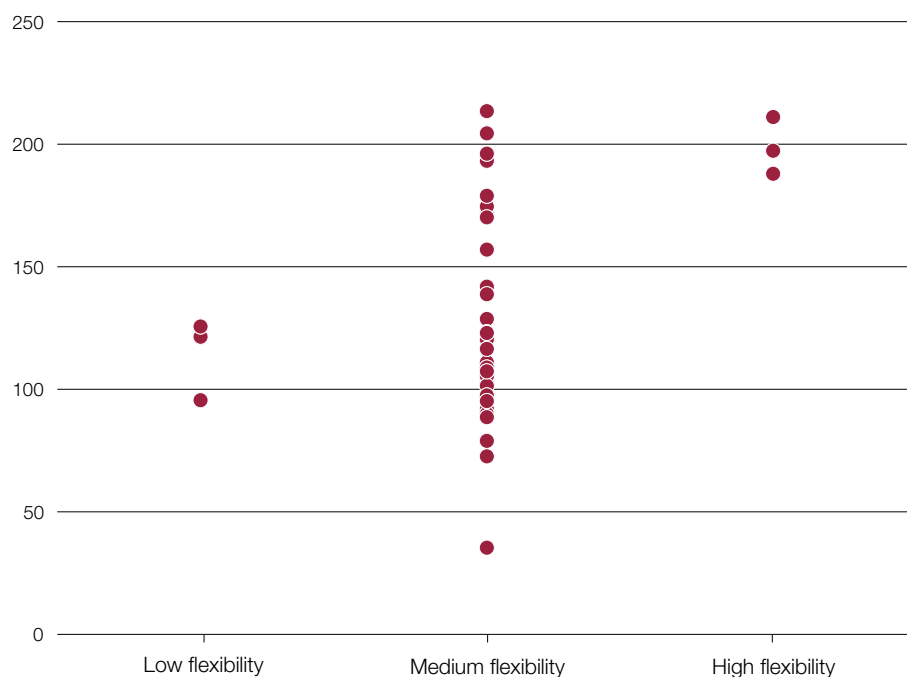
Source: National Audit Office analysis of departmental data



**Figure 11****Growth Deal funding per capita and funding flexibility**

The Department set three levels of flexibility over the funding each LEP received, based on the Department's confidence in the LEP's ability to deliver its Growth Deal programmes and existing governance arrangements

Growth deal funding per capita (£)

**Notes**

- 1 Funding flexibility is correct as of April 2015, when LEPs received their first tranche of Growth Deal funding.
- 2 Each point represents a LEP.

Source: National Audit Office analysis of departmental data

**2.19** The Department plans to give LEPs greater flexibility if they demonstrate improved governance arrangements. At the time of our review, 39% of LEPs did not believe that they had sufficient flexibility over how public funding is used. Given the maturing status of LEPs, we regard the varying degrees of flexibility to be a prudent means of safeguarding public funds.

## Progress on Growth Deals

**2.20** It can take years before economic development projects achieve their impacts. As Growth Deal funding was only distributed in April 2015, it is not yet possible to conclude on the impact of Growth Deal projects.

**2.21** LEPs indicated that they are under pressure to spend their Local Growth Fund allocation in 2015-16 at the risk of not receiving future funding. The Department confirmed that under the current funding mechanism for Growth Deals, LEPs are expected to spend their complete 2015-16 allocation within the financial year.<sup>9</sup> Some LEPs we visited informed us that, when combined with the government's preference for projects that can be delivered quickly to ensure spend in year, this had prompted them to prioritise projects that were 'shovel ready' over those that had better long-term projections for value for money. At the time of our review, the Department estimates that Local Growth Fund projects will underspend by £85 million in 2015-16, representing an average underspend of £2.2 million per LEP. LEPs intend to mitigate this underspend by substituting alternative projects not funded by the Local Growth Fund.

**2.22** One factor contributing to the inability of LEPs to commit funds has been the current state of the further education sector. In 2015, we reported that the financial health of further education colleges has been declining since 2010-11, due to a number of structural challenges facing the sector.<sup>10</sup> Some LEPs reported that some of their projects focusing on skills in 2015-16 had been delayed or cancelled as the sector awaits the results of the government's area-based reviews of post-16 education and training institutions. According to the Department's progress report, 26% of LEPs reported challenges in delivering their skills projects. This has had an impact on LEPs' ability to spend funds within 2015-16, and many have found it challenging to find alternative projects to fund within a limited time frame.

### **The capacity and capability of LEPs to deliver Growth Deals**

**2.23** To deliver on 2015-16 Growth Deal projects and build up a pipeline of future projects, LEPs require access to staff with expertise in fields including forecasting, economic modelling, and monitoring and evaluation. We found that LEPs are highly dependent on local authority partners for staff and expertise. LEPs and local partners raised concerns about the sustainability of relying on local authority support given reductions in local government funding. We previously reported that the government's funding to local authorities would fall by 37% in real terms between 2010-11 and 2015-16.<sup>11</sup> We further estimate that local authority net spending on economic development will have fallen by 68% between 2010-11 and 2015-16 (**Figure 12**), as local authorities seek to protect spending on statutory service areas such as adult social care. LEPs and local stakeholders also report that the expected levels of private sector contributions have not yet materialised. The Department reports that it expects recent reforms to the local government finance system to enable better planning and management of local resources.

<sup>9</sup> Grants are paid to accountable local authorities under Section 31 of the Local Government Act 2003.

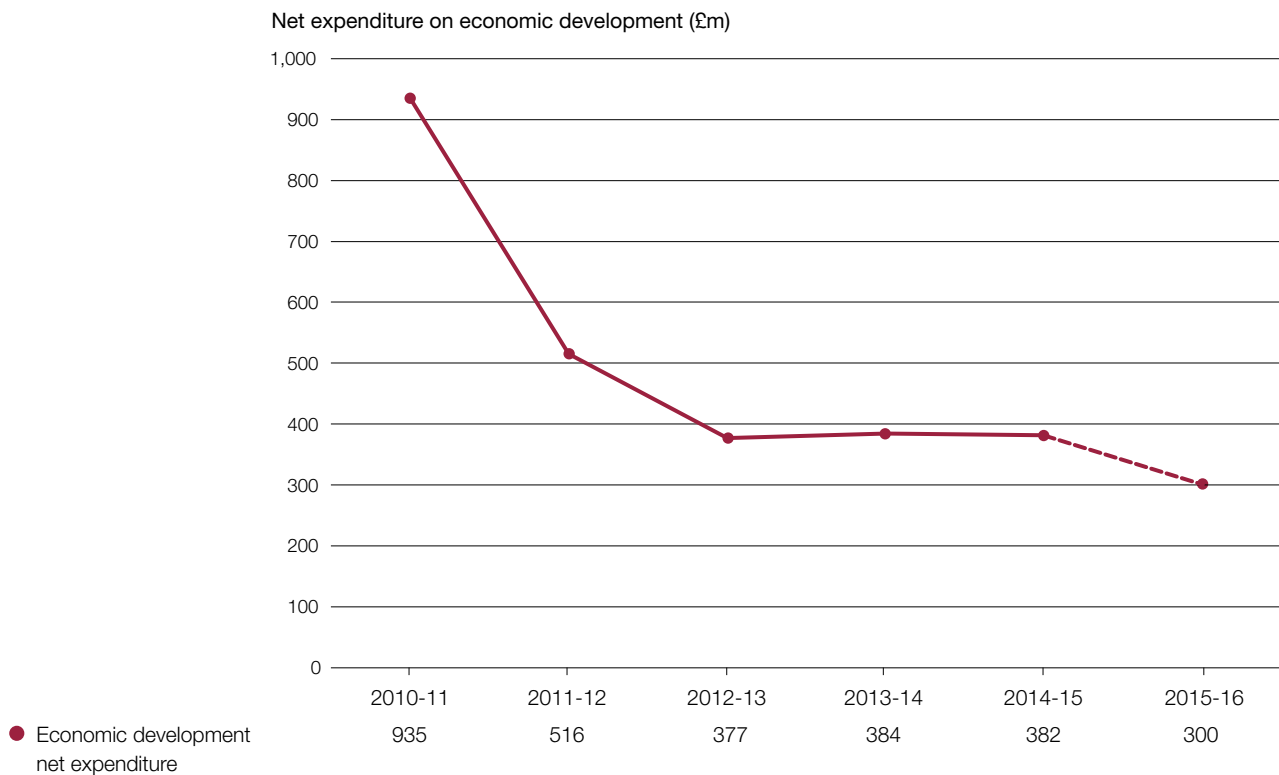
<sup>10</sup> Comptroller and Auditor General, *Overseeing financial sustainability in the further education sector*, Session 2015-16, HC 270, National Audit Office, July 2015.

<sup>11</sup> Comptroller and Auditor General, *Financial sustainability of local authorities 2014*, Session 2014-15, HC 783, National Audit Office, November 2014.

**Figure 12**

## Local authority net expenditure on economic development 2010-11 to 2015-16

Local authorities have reduced net spending on economic development by an average of 68%

**Notes**

- 1 Figures expressed in real terms using 2012-13 prices.
- 2 Dotted figures represent budgeted figures.

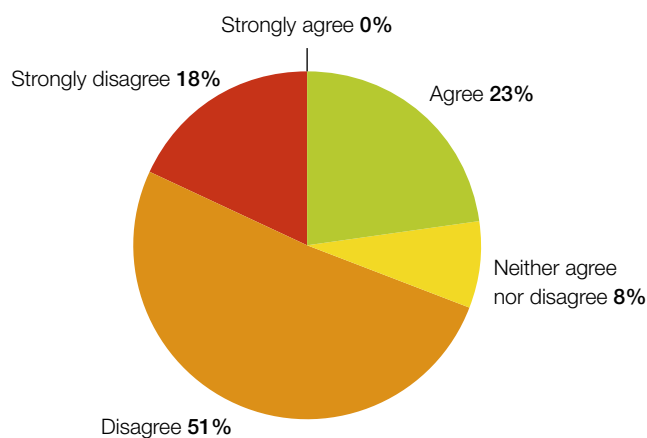
Source: National Audit Office analysis of Department for Communities and Local Government data

**2.24** Only 5% of LEPs agreed or strongly agreed that the resources available to them are enough to meet the expectations placed on them by government. Additionally, 69% of LEPs did not believe that they had sufficient staff, and 28% did not consider that they had sufficiently skilled staff (**Figure 13**). LEPs frequently cited a lack of revenue funding as the reason for this. Some LEPs have opted to meet their capacity requirements through the use of consultants.

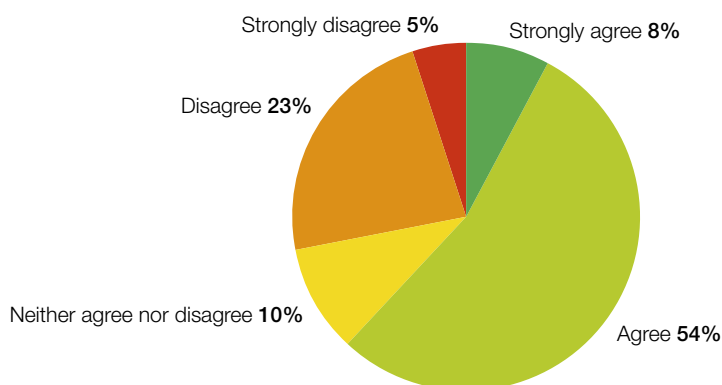
**Figure 13**

LEPs' views on staff and skills

The LEP has sufficient staff



The LEP has sufficiently skilled staff



Source: National Audit Office census analysis

## The Department's understanding of LEPs' capacity

**2.25** The Committee of Public Accounts has recommended that, in a time of continuing austerity, “the Department will need to develop a clearer way of ensuring local areas have the required capacity and capability in place to manage bigger and more complicated funding arrangements.”<sup>12</sup> In assessing LEPs' capacity, the Department relies on mechanisms including:

- qualitative intelligence gathered by local relationship managers (from the Cities and Local Growth Unit) through ongoing engagement with LEPs;
- LEPs' annual self-reporting on local match funding; and
- annual conversations with LEPs and their accountable bodies to take stock of Growth Deal delivery.

**2.26** The Growth Deal assessment criteria did not assess explicitly the financial sustainability of local partners, which many LEPs rely on for financial and project management capacity. The Department largely relied on qualitative intelligence, which covers governance arrangements and partnership working, but not detailed financial information. We therefore consider the Department's assessment of LEPs' capacity to be incomplete.

**2.27** Annual match funding returns submitted by LEPs to the Department only show the source of match funds. They do not show whether a LEP's overall resourcing is sufficient or sustainable for delivering Growth Deal projects from 2015-16 onwards or for developing a pipeline of projects for future years. The Department will be reviewing LEPs' plans for achieving financial self-sustainability of LEPs as part of the core funding application process for 2016-17.

**2.28** Through the monthly progress reviews submitted by local relationship managers, the Department is aware of local concerns about LEP resourcing. For example, LEPs have voiced concerns about the lack of revenue funding for programme management and for the development of a pipeline of future projects. These feed into an annual conversation held between LEPs and the Department to take stock of Growth Deal delivery. However, this does not include a structured analysis of LEP or local authority finances.

<sup>12</sup> HC Committee of Public Accounts, *Devolving responsibilities to cities in England: Wave 1 City Deals*, Seventh Report of Session 2015-16, HC 395, November 2015.

## **Future funding uncertainty**

**2.29** Creating an effective funding strategy, particularly when many projects are long-term transport or infrastructure projects, requires certainty and funding stability. LEPs and other local partners reported that the lack of certainty about future funding negatively affects the delivery of their projects. They add that private sector and local authority partners are often unwilling to assume the financial risk of new projects until future funding is confirmed. LEPs have also informed us that the lack of funding contributes strongly to their inability to retain or recruit skilled staff. A large proportion of those currently employed by some LEPs are on temporary contracts.

**2.30** The Department informed us that the 2015 spending review prevented it from providing funding certainty to LEPS. Since the spending review, the Department has confirmed the core funding of £500,000 for each LEP for 2016-17, conditional upon the raising of £250,000 match funding. The government has also confirmed its intention to provide a £12 billion Local Growth Fund to LEPs between 2015-16 and 2020-21; however it is not yet clear which departments will provide funds and how much each department will contribute.

# Part Three

## Monitoring, evaluation and assurance

**3.1** The Department for Communities and Local Government (the Department) gains assurance over Local Enterprise Partnerships' (LEPs') management of the Local Growth Fund in two ways:

- direct assurance via monitoring information, based on quarterly reports submitted by LEPs on spend and other lead indicators; and
- indirect assurance via the accountability system statement for the Local Growth Fund and Local Assurance Frameworks.

**3.2** This section examines how the Department assures itself of the probity, regularity and value for money of LEP's activities. We assessed:

- the plans and arrangements in place for monitoring and evaluating LEPs' performance through Growth Deals;
- progress in implementing local assurance frameworks; and
- how financially transparent LEPs are to the public.

### Monitoring and evaluation

**3.3** Robust monitoring and evaluation of the impact of the Local Growth Fund is vital to both the Department's and the LEPs' understanding of what works best in promoting local economic growth.

**3.4** In our previous work, we have found that good practice in monitoring and evaluation includes:<sup>13</sup>

- monitoring and evaluation processes with quantifiable and measurable outcomes in place at the outset;
- continual evaluation, with 'leading' measures that indicate progress towards long-term targets; and
- clear and simple measures that aid comparison between places and programmes as far as possible.

<sup>13</sup> Comptroller and Auditor General, *Devolving responsibilities to cities in England: Wave 1 City Deals*, Session 2015-16, HC 266, National Audit Office, July 2015.

## Monitoring Growth Deals

**3.5** In October 2014, the Committee of Public Accounts recommended that the Department agrees “a common approach to measuring and evaluating the outcomes of growth programmes, including job creation, with other government departments and local areas.”<sup>14</sup> This should enable a continual, consistent and comparable evaluation of growth indicators across LEP areas.

**3.6** The Department has taken positive action in response to this recommendation. It has standardised definitions for three lead indicators: jobs, private sector leverage, and housing units created. It has shared these with LEPs, alongside a list of other metrics and has asked them to choose which to report against depending on the nature of their projects. LEPs report on these metrics quarterly and annually to the Department, alongside their spending to date of their Growth Deal allocation. Metric definitions have been harmonised with other local growth initiatives where possible, reducing the reporting burden on LEPs and allowing the Department to benchmark performance across growth schemes.

**3.7** The quality of national monitoring and evaluation relies on robust information being collected locally. While the Department has put in place some arrangements to test the quality of the monitoring information reported by LEPs (**Figure 14**), it considers LEPs to be responsible for the quality of their monitoring information. However, 21% of LEPs told us that they do not have arrangements in place to ensure the quality and accuracy of monitoring information.

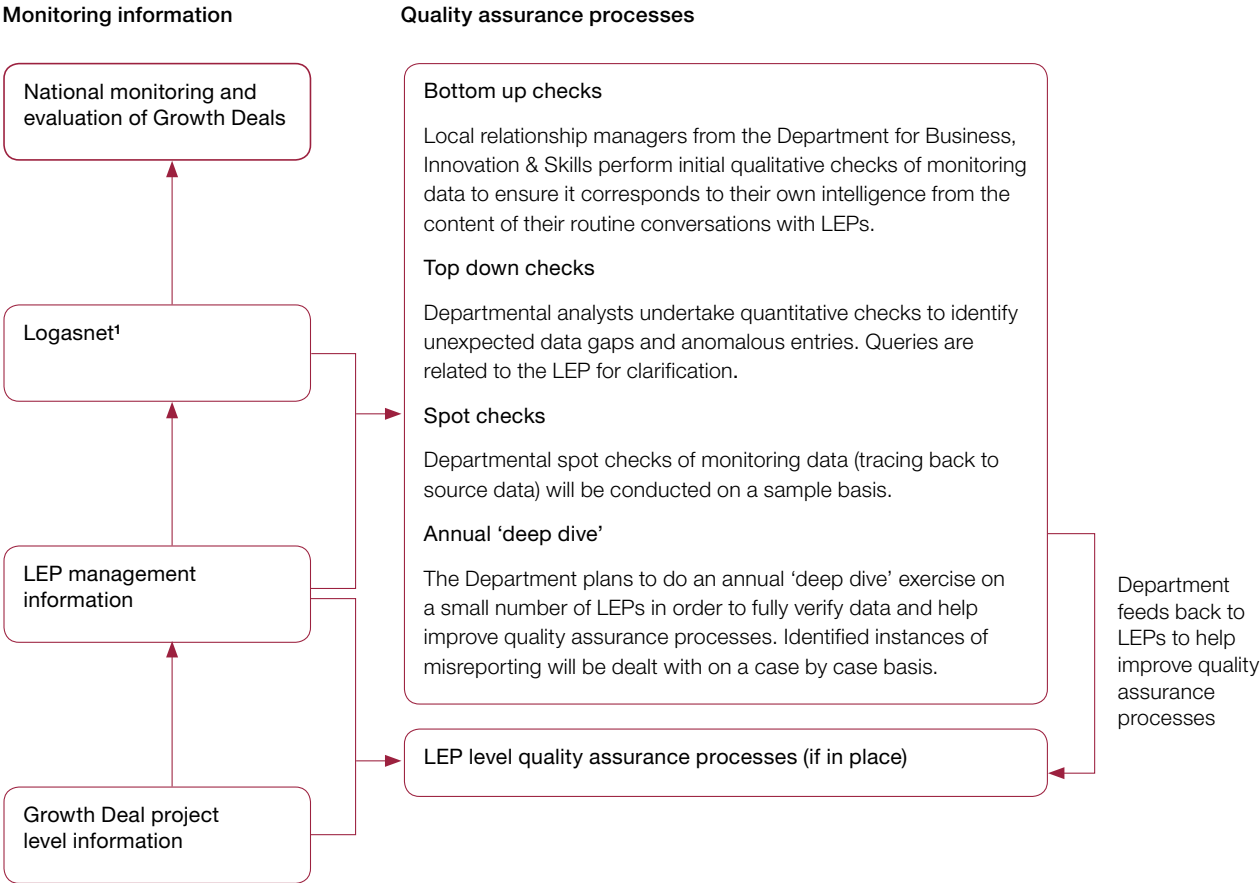
## Use of monitoring information

**3.8** LEPs collate monitoring information and report it to the Department each quarter. Relationship managers report to the Department on the monthly progress of the LEP from their perspective. The Department holds annual conversations with LEPs based on these reports. At this point it assesses whether to exercise one of a range of options to incentivise good performance, ranging from additional support to adjusting a LEP’s indicative funding allocation (**Figure 15** on page 40). While the annual conversation introduces an additional degree of funding uncertainty for LEPs, we consider this to be important for safeguarding the use of public funds.

<sup>14</sup> HC Committee of Public Accounts, *Devolving responsibilities to cities in England: Wave 1 City Deals*, Seventh Report of Session 2015-16, HC 395, November 2015.



**Figure 14**  
Quality assurance of Growth Deals monitoring



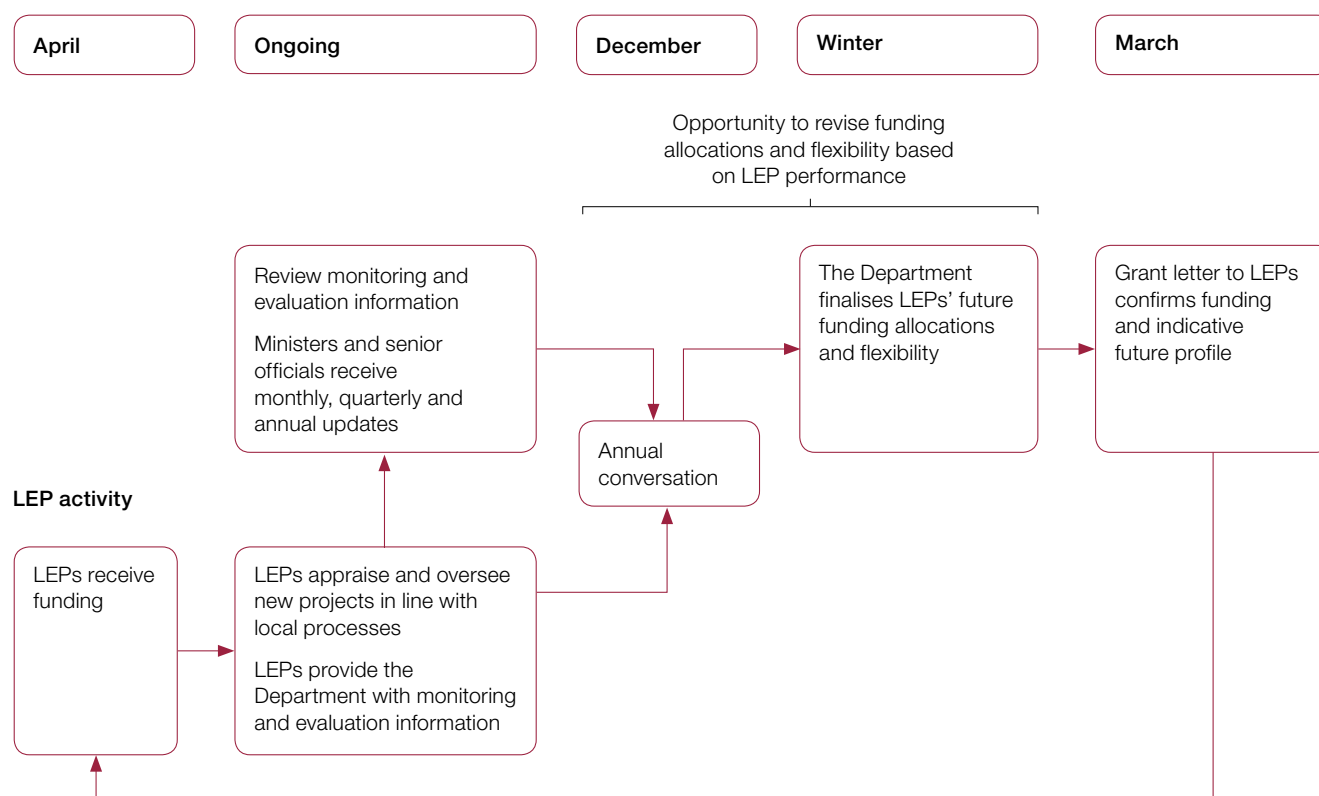
**Note**  
1 'Logasnet' is an online local government finance system used by the Department to collect monitoring information.

Source: National Audit Office analysis of departmental documentation

**Figure 15**

## Growth Deal appraisal, monitoring and evaluation cycle

## Departmental activity



Source: National Audit Office analysis of departmental documentation

## Evaluating Growth Deals

**3.9** We have previously criticised government evaluations of local growth policies for only using weaker methodologies to measure impact.<sup>15</sup> The Department is still developing its evaluation strategy for Growth Deals, but has informed us that it plans to use a multi-method evaluation approach for this. LEPs themselves are also required to produce local evaluation plans.

15 National Audit Office, *Evaluation in Government*, December 2013.

**3.10** Although the Department plans to focus on robust evaluation methods, it will face significant methodological challenges because of the way Growth Deals have been funded. Growth Deal projects may be partially funded from the Local Growth Fund and partially funded from other growth programmes, such as European Structural and Investment Funds. For evaluative purposes, the outcomes that can be attributed specifically to Growth Deals are therefore difficult to measure separately from those created by other local growth initiatives (**Figure 16**). It is challenging to evaluate and attribute particular additional outputs specifically to Growth Deals for this reason. If multiple schemes collect information on the same projects there is also a risk that outputs will be double counted.

**3.11** The Department collects information on the funding structure of each Growth Deal project, including the proportion funded from the Local Growth Fund. The Department informs us that it intends to use this information as the basis for attributing specific outputs to Growth Deals going forward.

**Figure 16**

Growth Deal outputs potentially affected by other local growth schemes

Programme	Government Departments/Agencies involved	Growth Deal interventions potentially affected
Regional Growth Fund (2011–2017)	Department for Business, Innovation & Skills Department for Communities and Local Government	All
City Deals (2012)	Cities and Local Growth Unit	All
Growing Places Fund (2011)	Department for Communities and Local Government Department for Transport	All
EU Structural and Investment Funds (2015–2023)	Department for Business, Innovation & Skills Department for Communities and Local Government Department for Work & Pensions Department for Environment, Food & Rural Affairs	All
Enterprise Zones (2012)	Department for Business, Innovation & Skills Department for Communities and Local Government	Site development. Business support
Local Sustainable Transport Fund (2011–2015)	Department for Transport	Transport
Flood Defence (2015–2021)	Department for Environment, Food & Rural Affairs The Environment Agency	Flood defence
Broadband Delivery UK (2011–2017)	Department for Culture, Media & Sport	Broadband

Source: National Audit Office analysis of departmental documentation

## Accountability and assurance

### Assurance over the Local Growth Fund

**3.12** Central government funding to LEPs is paid to nominated accountable bodies, typically an associated local authority or a combined authority. It is provided in the form of grants under section 31 of the Local Government Act 2003. The Department does not attach conditions to these grants, but expects LEPs to use funds for the purposes outlined in the Growth Deal grant offer letter sent to each of the LEPs in February 2015.

**3.13** In 2011, the Committee of Public Accounts considered how government departments should maintain assurance of value for money over locally devolved funding.<sup>16</sup> In response to this, the Department published an accountability system statement for the Local Growth Fund in March 2015, and uses this to gain assurance over regularity, propriety and value for money. The accountability system statement is underpinned by local assurance frameworks developed by each LEP. The Department also relies on the accountability system statement for Local Government, as well as the assurance and oversight systems of other government departments that contribute funding to the Local Growth Fund, such as the Department for Transport.

### Local assurance frameworks

#### Development of local assurance frameworks

**3.14** In December 2014, the government asked LEPs to produce a single local assurance framework to “support the developing confidence in delegating funding from central budgets and programmes via a single pot mechanism.”<sup>17</sup> It issued guidelines outlining what LEPs should include in their local assurance frameworks. Given the maturing status of LEPs, this was an important development in setting out the minimum required standards of governance and transparency that LEPs are expected to meet.

**3.15** LEPs reported that they found these guidelines helpful in setting out what they should include in their local assurance frameworks. Relationship managers also supported LEPs in developing their frameworks. However, only 62% of LEPs said that they had sufficient resources to meet government requirements for local assurance frameworks.

<sup>16</sup> HC Committee of Public Accounts, *Accountability for public money*, Twenty-eighth Report of Session 2010-11, HC 740, April 2011.

<sup>17</sup> Department for Business, Innovation & Skills, *Local Enterprise Partnership national assurance framework*, December 2014.

### **Implementation of local assurance frameworks**

**3.16** The Department asked LEPs' accountable bodies to confirm that a local assurance framework was in place and that it met the standards outlined in the Department's guidelines. By March 2015, each LEPs' accountable body had written to the Department confirming that they had local assurance frameworks in place and that they complied with national guidance. The Department used this as assurance when allocating the Local Growth Fund to LEPs in April 2015 and did not review the quality of LEPs' local assurance frameworks or ensure that they complied with national guidelines before allocating funding.

**3.17** We reviewed 21 (54%) local assurance frameworks in December 2015 and the results of our census against the requirements and expectations set out in the government's guidelines. We found considerable variation in the quality of information presented in the frameworks (**Figure 17** overleaf). For example, 10% of the sample did not have any value-for-money criteria for assessing and prioritising projects. This is of particular concern given that the Department places reliance on LEPs' assurance frameworks to confirm that appropriate arrangements are in place to appraise projects and ensure value for money. As we have already set out in Part Two, the Department's 'light touch' approach to Growth Deal assessments is based on this expectation. The Department is reviewing the quality of local assurance frameworks, using the results of our study and work conducted by the Government Internal Audit Agency.

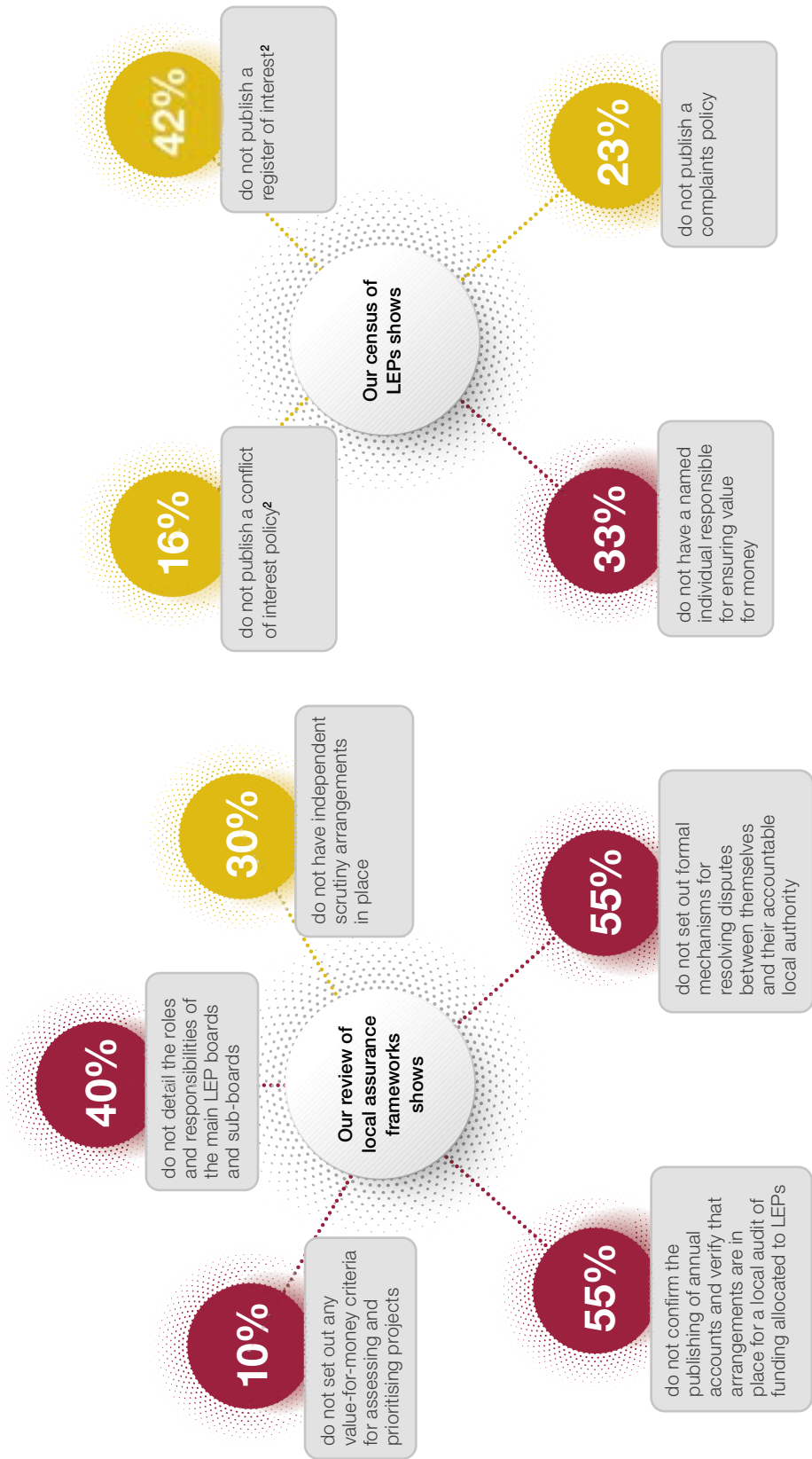
### **Financial transparency**

**3.18** To determine the format, detail and public availability of financial information on LEPs, we conducted a review of:

- the accounts or annual reports published on LEPs' websites;
- the financial statements of LEPs' accountable bodies; and
- accounts submitted by LEPs or their parent bodies through Companies House.

**3.19** Across these sources, we were unable to find any accounting information on 5% of LEPs. We also found areas of poor transparency: for example, in 87% of LEPs we were unable to obtain information on senior staff pay. Local authorities are required to disclose the pay of highly paid officers as part of their annual reporting, although no such requirement exists for LEPs.

**Figure 17**  
LEPs' local assurance frameworks



● Required by government in its national guidelines    ● Expected or encouraged by government in its national guidelines

**Notes**

- 1 Census results are self-reported by LEPs and have not been tested or verified.
- 2 One LEP did not respond to this question. Results calculated over a denominator of 38.

Source: National Audit Office analysis of Local Enterprise Partnerships' local assurance frameworks and census analysis

**3.20** Where financial information on LEPs was available, we found that the format and level of detail varied considerably (**Figure 18**). The varying levels of transparency and inconsistency in presentation make it difficult to compare LEPs nationally.

---

## **Figure 18**

### Format and detail of LEP financial information

#### **LEP websites**

A third of LEPs published financial information on their websites, usually in the form of an annual report.

The format and content of financial information on LEPs' websites varies considerably. Where information was available, in 31% of cases this was not for the most recent financial year and in 46% of cases only high-level summary information was published.

#### **Accountable body accounts**

The way a LEP's financial information is presented in their accountable body's accounts depends on local authority accounting judgements.

Explicit mention of the LEP was made in 72% of accountable bodies' accounts, and 14% of these presented separately identifiable financial information on the LEP. LEPs' financial information was most commonly presented as a single line entry within the notes of the financial statements.

#### **Companies House**

Only LEPs that are registered as a company limited by guarantee are required to submit accounts to Companies House. A Companies House search revealed that 59% of LEPs had registered accounts, either themselves or via a parent company.

We found variation in the way LEPs present their accounts: 43% of LEPs that filed accounts with Companies House submitted 'dormant accounts', meaning that no information on LEP income or expenditure could be found in the financial statements. LEPs may file dormant accounts in cases where they meet eligibility criteria for reporting exemptions.

Of the accounts found on Companies House, 38% were not for the most recent financial year.

#### **Note**

1 We conducted our review in December 2015. The most recent completed financial year at the time of our review was 2014-15.

Source: National Audit Office analysis of publicly available financial information on Local Enterprise Partnerships

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# Appendix One

## Our audit approach

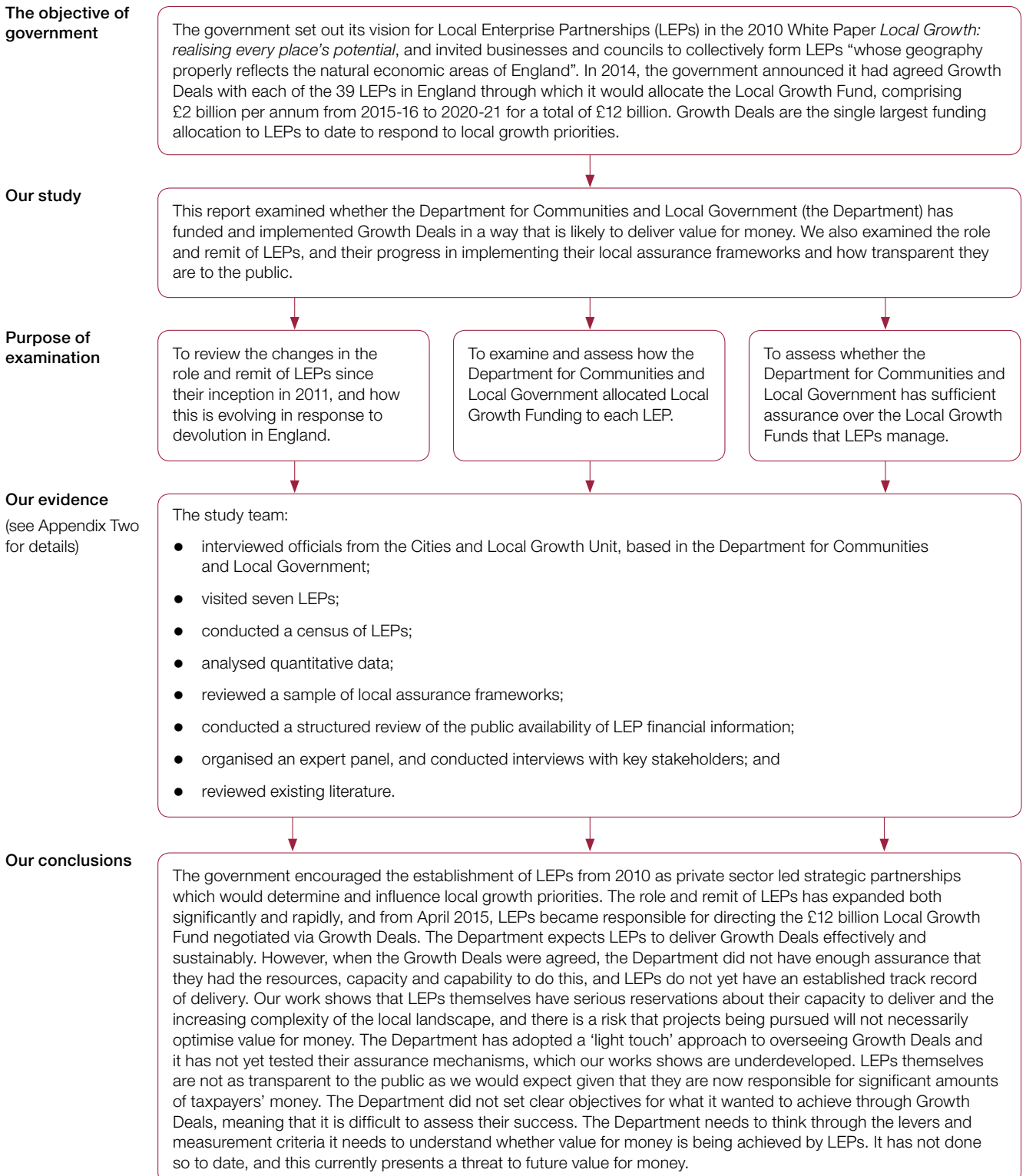
**1** This report examined how the Department for Communities and Local Government (the Department) allocated the Local Growth Fund in July 2014 and January 2015 through Growth Deals it negotiated with each Local Enterprise Partnership (LEP). It also examined how the Department maintains oversight and assurance over LEPs and whether this is likely to deliver value for money.

**2** We reviewed:

- the structure of LEPs, and how their activities are funded;
- the Department's role in assessing the strategic economic plans submitted by LEPs as the basis of their Growth Deal bids;
- the structure and composition of the Local Growth Fund in 2015-16;
- the arrangements the Department put in place for monitoring and evaluation at both the national and local level;
- the Department's role in maintaining LEP assurance and accountability primarily through its support of the development of local assurance frameworks and their implementation; and
- publicly available financial information on LEPs.

**3** Our audit approach is summarised in **Figure 19**. Our evidence is described in Appendix Two.



**Figure 19****Our audit approach**

Source: National Audit Office

# Appendix Two

## Our evidence base

- 1 We collected our evidence base between August 2015 and January 2016. We reviewed the Department for Communities and Local Government's (the Department's) assessment of Growth Deal bids and its subsequent allocation of Local Growth Funds through the Growth Deals announced in July 2014 and January 2015. We also reviewed the Department's oversight of Local Growth Funds and the mechanisms it has in place to maintain assurance, accountability and deliver value for money. Our audit approach is outlined in Appendix One.
- 2 We used qualitative and quantitative techniques to inform the scope and design of our fieldwork and refine our understanding of the role of LEPs in the local economic growth landscape, Growth Deals and the Local Growth Fund, and the Department's oversight of LEPs.
- 3 We conducted interviews with officials from the Department, specifically the Cities and Local Growth Unit (the Unit), other government departments, the LEP Network, the Local Government Association, think tanks and academic commentators. We also conducted case study interviews with officials from seven LEPs: Greater Cambridge, Greater Peterborough, Cumbria, Cornwall and Isles of Scilly, London, Greater Manchester, Leeds City Region, and Greater Birmingham and Solihull.
- 4 We formed an expert panel consisting of Charlotte Alldritt, Director of Public Services and Communities at the Royal Society of Arts, and Professor Andy Pike, Professor of Local and Regional Development and Director of the Centre for Urban and Regional Development Studies at Newcastle University. This expert panel provided valuable independent scrutiny and advice to the study team.

### **We reviewed the structure and evolving role of LEPs**

- 5 We reviewed legislative documents that set out the government's intentions to increase local flexibility, including the 2010 Spending Review and the Localism Act.
- 6 We reviewed government documents to understand the government's policy on localism and local economic growth, and its objectives for LEPs within this policy landscape. This includes *Local growth: realising every place's potential*, published in 2010, the government-commissioned review by Lord Heseltine, *No stone unturned: in pursuit of growth*, published in 2012, and the government's response to Lord Heseltine's review, published in 2013.

- 7 We interviewed officials from the Department for Communities and Local Government, specifically the Unit, to understand LEPs' core funding arrangements and their local match requirements.
- 8 We reviewed departmental documents to understand what other funding streams that LEPs are responsible for managing.
- 9 We conducted a census of LEPs, with a 100% response rate, to understand their individual perspectives on their structure and staffing, governance, the Growth Deal bid assessment process, Growth Deal funding, and overall progress to date.

### **We reviewed the assessment, funding and progress of Growth Deals**

- 10 We interviewed officials from the Department to understand the objectives of Growth Deals, how it assessed Growth Deal bids and LEPs' strategic economic plans, and its funding allocation formula for Growth Deals announced in July 2014 and January 2015.
- 11 We reviewed departmental documents to understand the guidelines, criteria and scoring used to assess LEPs' strategic economic plans, and the funding formula the Department used to allocate funding awards and flexibilities to each LEP. We also reviewed Growth Deal grant offer letters.
- 12 We reviewed departmental documents to understand the composition and structure of the 2015-16 allocation of the Local Growth Fund.
- 13 We conducted case study interviews with officials from seven LEPs to gather evidence on how they formulated their strategic economic plans, prioritised projects for 2015-16 and their progress in managing the delivery of Growth Deal projects so far.
- 14 We interviewed officials from the Department to understand how they determined LEPs' capacity to manage the delivery of Growth Deal projects in 2015-16.
- 15 We analysed local authority revenue outturn and revenue account data to determine the change in local authority spend on economic development.

## **We reviewed the Department's oversight, accountability and assurance arrangements**

**16** We interviewed officials from the Department to understand the government's perspective on how Growth Deals would impact local economic growth and how the Department planned to monitor and evaluate their progress.

**17** We reviewed guidelines sent to LEPs to support them in establishing local monitoring and evaluation arrangements. We also reviewed a sample of LEPs' self-reported quarterly progress returns, and the Department's quality assurance mechanisms.

**18** We have reviewed the work of the What Works Centre on the evaluation of local growth initiatives, and our previous work on evaluation in government.

**19** We conducted a structured review of 21 (51%) local assurance frameworks against the departmental guidelines.

**20** We conducted a structured review of the public availability of LEP financial information, including LEP websites and the accountable body's statement of accounts. Where relevant, we also searched for statements of accounts in Companies House.

**21** We have drawn on our value-for-money studies that examine assurance over public funds, monitoring and evaluation of local growth programmes, and good practice in implementing jointly-led programmes, particularly with a focus on local growth. These include: *Devolving responsibilities to cities in England: Wave 1 City Deals*; *Funding and structures for local growth*; *Evaluation in government*; *Regenerating the English Regions: Regional Development Agencies' support to physical regeneration projects*; *The Regional Growth Fund*; and *Local government funding: Assurance to Parliament*.<sup>18,19,20,21,22,23</sup>

18 Comptroller and Auditor General, *Devolving responsibilities to cities in England: Wave 1 City Deals*, Session 2015-16, HC 266, National Audit Office, July 2015.

19 Comptroller and Auditor General, *Funding and structures for local growth*, Session 2013-14, HC 542, National Audit Office, December 2013.

20 National Audit Office, *Evaluation in Government*, December 2013.

21 Comptroller and Auditor General, *Regenerating the English Regions: Regional Development Agencies' support to physical regeneration projects*, Session 2009-10; HC 214, National Audit Office, March 2010.

22 Comptroller and Auditor General, *The Regional Growth Fund*, Session 2012-13, HC 17, National Audit Office, May 2012.

23 Comptroller and Auditor General, *Local government funding: Assurance to Parliament*, Session 2014-15, HC 174, National Audit Office, June 2014.

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## Lancashire Enterprise Partnership Limited

**Private and Confidential: NO**

**Date: 5<sup>th</sup> April 2016**

## LEP Governance and Committees Decisions Report

**Report Author: Andy Milroy, Company Services Officer, (01772) 530354,  
[andy.milroy@lancashire.gov.uk](mailto:andy.milroy@lancashire.gov.uk)**

### Executive Summary

This report extracts the key items considered by each of the Lancashire Enterprise Partnership (LEP) Board Committees at their recent meetings, and where applicable, and if not considered elsewhere on the Board's main agenda, contains decisions referred to the Board by the Committees for approval.

The report also contains a Governance update in relation to the Committees Terms of Reference.

### Recommendations

The LEP Board is asked to:

- (i) Approve the five revised Committee Terms of Reference as presented at Appendices 'A' to 'E'.
- (ii) Consider nominations to fill the five Committee vacancies identified in the report, and;
- (iii) Note the updates provided in this report in relation to the Committees of the LEP.

### Background and Advice

The Lancashire Enterprise Partnership Board (LEP) approved a LEP Assurance Framework on 17<sup>th</sup> March 2015 which was subsequently submitted to Government as final in April 2015. The Assurance Framework is made publically available on the LEP website: <http://www.lancashirelep.co.uk/about-us/about-the-lep.aspx>

The Assurance Framework ensures that the LEP records decisions taken by the LEP and its Sub-Committees in an open and transparent way. The purpose is to ensure that arrangements are in place enabling effective and meaningful engagement of local partners and the public, and that those arrangements operate transparently with LEP decisions capable of being independently scrutinised.

Since the implementation of the LEP Assurance Framework, the LEP and its Sub-Committees publish their agendas and minutes on the LEP website. In order to ensure the LEPs decision making is open and transparent in relation to the Sub-Committees this report presents updates from each of the Sub-Committees and, where applicable, contains decisions that are outside of the Sub-Committees powers and require referral to the LEP Board for approval.

## **Governance Updates**

### **Revisions to Committee Terms of Reference**

LEP Directors will be aware that the LEP Assurance Framework was approved and published in April 2015. As a matter of good governance it is recommended that the Assurance Framework be reviewed on an annual basis to ensure it is kept up to date and relevant. It is intended that a full review be conducted in the next two months with an updated Assurance Framework presented to the LEP Board meeting to be held on 14<sup>th</sup> June 2016 for approval.

With that in mind a review of the current Terms of Reference of the eight Committees of the LEP has been undertaken and suggested minor revised versions of the following five Committees are attached at appendices 'A' to 'E' for approval:

- Business Support Management Board (Appendix 'A')
- EZ Governance Committee (Appendix 'B')
- Growth Deal Management Board (Appendix 'C')
- Lancashire Skills and Employment Board (Appendix 'D')
- Performance Committee (Appendix 'E')

The main changes that are highlighted in the attached are clarification regarding the use of substitute representatives on some of the Committees where substitutes have previously attended, the inclusion of wording to state that any observers that attend Committee meetings are subject to the LEP Assurance Framework protocol on observer attendees and some minor revisions to the quorums required for each Committee to be able to conduct business.

The proposed changes are intended to provide enhanced consistency and flexibility across all the Committees to ensure business can be conducted effectively.

### **Committee Vacancies**

In addition to the minor changes highlighted in the appendices there are a number of vacancies that the LEP Board are asked to consider filling as follows:

- 2 x vacancies on the Enterprise Zone Governance Committee
- 2 x vacancies (newly created) on the Performance Committee
- 1 x vacancy (Private Sector nominee) Lancashire Skills and Employment Board





## **Updates from recent LEP Committee Meetings**

### **1. Executive Committee**

No decisions have been taken by the Executive Committee since the last meeting of the LEP Board.

### **2. Transport for Lancashire Committee**

The Transport for Lancashire Committee is scheduled to meet on 5<sup>th</sup> April 2016 (prior to the LEP Board meeting). It will consider a report regarding the Blackpool Tramway Scheme which, subject to the Committees comments, will be presented to the LEP Board for consideration on 5<sup>th</sup> April 2016.

Full agendas and minutes for Transport for Lancashire meetings can be accessed here: <http://council.lancashire.gov.uk/ieListMeetings.aspx?Committeeld=956>

### **3. City Deal Executive and Stewardship Board**

The City Deal Executive and Stewardship Board, Chaired by Jim Carter (Executive) and Deborah McLaughlin (Stewardship Board) met on 21<sup>st</sup> March 2016.

#### **Executive and Stewardship Board meeting – 21<sup>st</sup> March 2016**

##### **Presentation - Lancashire Strategic Transport Prospectus (LSTP)**

A presentation was provided on the LSTP, which set out the National Strategic Transport Priorities and suggested possible future transport investments in the City Deal area that would support those priorities.

##### **HCA Business and Disposal Plan (BDP) and Progress Update**

The 2016/19 HCA BDP was presented to the Board for endorsement and included delivery milestones for each of the HCA housing and employment sites for the next three year period. The report updated on progress made in the current year which showed that; developer partners are now in place on 5 of the 11 HCA City Deal sites, 3 of which are already under construction, planning consent has been secured on 6 HCA sites for 2,671 homes, developers are in place to deliver 1,159 homes and 80 homes have been completed to date. Total loan investment from the HCA into the City Deal is £12.4m and the first grant payment of 3.4m is due to be made in 2016/17.

##### **City Deal Implementation update – Year 2 Quarter 3**

The Quarter 3 project and finance monitoring reports were presented to the Board for noting. The report demonstrated that overall good progress had been made during the period September – December 2015 with slippages being reported on a small number of schemes. It was agreed that in future, monitoring reports be



brought nearer to quarter end and that they include a forward look of issues for the next quarter.

### **Communications and Marketing Update**

Tim Seamans and Ruth Connor attended the meeting and gave an overview of recent and planned activity, which included a number of high profile LEP events where City Deal had/would be referenced for e.g. Insider 'Business of Lancashire' Conference, Lancashire Business View interview and potential article in the FT Northern report by Andy Bounds.

### **Draft 2016-19 City Deal Business and Delivery Plan**

The Draft and confidential 2016-19 City Deal Business and Delivery Plan was presented to the Board for consideration and approval. The Plan is "Draft" at this stage, due to the ongoing Resources Review, which is analysing the impact of proposed government policy changes on the Deal and testing assumptions made in terms of the pace of housing delivery and cost of delivering schemes. The final Plan will be presented in June once the findings of the Review are known.

### **Performance Committee Update Report**

The CD E&SB approved a report to undertake a peer review of performance, working with the Performance Committee, to provide assurance on three key areas relating to; the pace and delivery of the infrastructure construction programme; the question of value for money related to the delivery of the schemes; and the assessment of social value where infrastructure contracts are awarded. Keppie Massie consultants have been retained to undertake the work and in the first instance, the findings will be reported to a special meeting of the CD E&SB meeting being held on 11<sup>th</sup> May.

Full agendas and minutes for the Combined City Deal meetings can be accessed here: <http://council.lancashire.gov.uk/ieListMeetings.aspx?CommitteeID=1072>

## **4. Growth Deal Management Board**

The Growth Deal Management Board, Chaired by Graham Cowley, met on 9<sup>th</sup> March 2016.

### **Board Meeting held on 9<sup>th</sup> March 2016**

The Board considered and approved reports and presentations on the following:

- (i) Business Case Presentations regarding Burnley Vision Park, Lancashire's First Fab Lab, Café Northcote. The Board agreed to recommend Burnley Vision Park for LEP Board approval but requested that sponsors address some issues in relation to Lancashire's First Fab Lab and Café Northcote.



- (ii) Building Research Establishment Environmental Assessment Methodology (BREEAM). The Board resolved that in view of the disparity between the BREEAM accreditations required in connection with Skills Capital Bids and Growth Deal bids (which did not insist on any accreditation above building regulations) the LEP Board are recommended to agree that in future the requirements for Skills Capital bids should be no different than those for Growth Deal.

A separate report is included in this agenda relating to decisions referred to the LEP Board for consideration regarding Growth Deal.

The reports and minutes for Growth Deal Management Board meetings can be accessed here:

<http://council.lancashire.gov.uk/ieListMeetings.aspx?CommitteeID=1218>

## **5. Enterprise Zone Governance Committee**

The Enterprise Zone Governance Committee last met on 26<sup>th</sup> January 2016 as reported previously to the LEP Board. It is scheduled to meet next on 1<sup>st</sup> June 2016.

Full agendas and minutes for the Enterprise Zone Governance Committee meetings can be accessed here:

<http://council.lancashire.gov.uk/ieListMeetings.aspx?CommitteeID=1171>

## **6. Lancashire Skills and Employment Board**

The Skills and Employment Board, Chaired by Amanda Melton, met on 23<sup>rd</sup> March 2016

### **Board Meeting – 23<sup>rd</sup> March 2016**

The Board considered and approved reports on the following:

- (i) An update from the Lancashire Skills Hub.
- (ii) Strategic Framework and the ESIF Programme.
- (iii) A DWP presentation of Welfare Reforms and Universal Credit.
- (iv) Economic Impact of Lancashire Training Providers.
- (v) Adult Further Education – Outcome Based Success Measures
- (vi) Draft Devolution – Skills and Employment 'ask'.
- (vii) Area Based Review (ABR); and
- (viii) Growth Deal Skills Capital – Round 2.

The Growth Deal Capital – Round 2 – appraisals and recommendations of the 6 projects details is subject to a separate report.

Full agendas and minutes for the Lancashire Skills Board meetings can be accessed here: <http://council.lancashire.gov.uk/ieListMeetings.aspx?CommitteeID=1011>



## **7. Performance Committee**

The Performance Committee, Chaired by Richard Evans, last met on 8<sup>th</sup> January 2016 as reported previously to the LEP Board. It is scheduled to meet next on 24<sup>th</sup> May 2016.

Full agendas and minutes for the Performance Committee meetings can be accessed here:

<http://council.lancashire.gov.uk/ieListMeetings.aspx?CommitteeID=1216>

## **8. Business Support Management Board**

The Business Support Management Board, Chaired by Mike Blackburn, met on 21<sup>st</sup> March 2016.

### **Board Meeting - 21<sup>st</sup> March 2016**

The Board received a presentation regarding Lancashire Access to Finance Service – Making an Impact programme overview.

There were no items specifically referred to the LEP Board for approval.

Full agendas and minutes for the Business Support Management Board meetings can be accessed here:

<http://council.lancashire.gov.uk/ieListMeetings.aspx?CommitteeID=1220>

## LANCASHIRE BUSINESS SUPPORT MANAGEMENT BOARD TERMS OF REFERENCE

### Composition

1. Unless otherwise agreed by the Lancashire Enterprise Partnership, the Business Support Management Board shall comprise a minimum of 4 members and a maximum of 10.
2. The Members of the Business Support Management Board shall be appointed by the Lancashire Enterprise Partnership and shall draw members be drawn from business, business representative organisations, business support providers and business finance specialists.
3. The proposed members of the Business Support Management Board, as at the date of adoption of these Terms of Reference, are as follows:

Mike Blackburn	<del>Proposed</del> Chair / LEP Board Member
Mike Damms	<del>Proposed</del> Vice Chair / LEP Board Member / EL
Babs Murphy	NWL Chamber
Frank McKenna	Downtown in Business Lancashire
Gary Lovatt	Federation of Small Business
John Kersey	Lancashire Institute of Directors
Tim Webber	Regenerate Pennine Lancashire

Members can nominate substitute representatives, with written notification provided to the Clerk in advance of the meeting. Substitutes will be counted towards the quorum and will be entitled to vote. The use of substitutes shall be by exception rather than rule.

In addition the group will seek by nomination members offering expertise on:-

HEI's as a provider of Business Support  
Business Finance as a constraint on business growth ambitions.

4. The Business Support Management Board may invite any persons it sees fit to attend meetings as observers. Observers shall be subject to the LEP Assurance Framework protocol on observer attendance at meetings.
5. When considering the appointment of additional members to the Business Support Management Board, perceived gaps in knowledge / experience, together with sectoral and geographical coverage will be taken into account.

### Chair and Deputy Chair

6. The Lancashire Enterprise Partnership shall appoint the Chair.

7. The Chair shall not have a casting vote.
8. The Business Support Management Board may appoint one of its number to act as Deputy Chair ("Deputy Chair").

### **Quorum**

9. The quorum for Business Support Management Board meetings shall be ~~34~~.
10. If within fifteen minutes from the time appointed for the holding of a Business Support Management Board meeting a quorum is not present, the meeting shall be adjourned. The Secretary shall arrange for the meeting to take place within two weeks.

### **Secretary**

11. The Company Secretary of the Lancashire Enterprise Partnership (or their nominee) shall serve as the Secretary ("The Secretary") to the Business Support Management Board.
12. The Secretary shall produce minutes of all meetings of the Business Support Management Board and will maintain a list of conflicts of interests. Future Business Support Management Board agendas will include a standard item requiring declarations to be made in relation to specific items of business.
13. The Secretary shall produce and maintain an action list of all outstanding Business Support Management Board matters, a copy of which shall be circulated to meetings of the Business Support Management Board.

### **Meeting Frequency**

14. The Business Support Management Board shall meet according to operational need.

### **Decisions in Writing**

15. A resolution in writing signed by the majority of the members of the Business Support Management Board for the time being shall be as valid and effectual as if it had been passed at a meeting of the Business Support Management Board.

### **Remit**

16. The Business Support Management Board's primary responsibility is to consider skills development priorities within across the LEP geography and any related issues and make recommendations on the same to the relevant bodies. In doing so, the Business Support Management Board shall:
  - a. Develop and promote business support strategy, initiatives and programmes aligned with agreed priorities, as part of the LEP's Strategic Economic Plan;

- b. Seek to co-ordinate and commission a publicly funded business support offer which is clear, fit for purpose and which complements both commercial and national offers.
- c. Commission and maintain an evidence-base to help understand key business support demands in the LEP area;
- d. Identify and work with other LEP areas on business support issues of strategic and cross-boundary significance; and
- e. Advise on the deployment of business support funding directly accessed or influenced by the LEP and make best use of public investment in this policy area.

### **Governance Relationship with the LEP**

- 17. The LEP is responsible for agreeing the Terms of Reference of the Business Support Management Board and has the power to vary the same.
- 18. The Business Support Management Board shall review its Terms of Reference from time to time as necessary and report their findings to the LEP.
- 19. Minutes of Business Support Management Board meetings shall be submitted to the LEP Board at the LEP's request and significant action points will be reported as part of a Chair's Update.
- 20. The Chair shall provide update reports to the LEP Board at the LEP's request.

### **Relationship with Lancashire County Council**

- 21. Lancashire County Council shall provide administrative and legal support to the Business Support Management Board.
- 22. Lancashire County Council shall maintain an official record of the Business Support Management Board proceedings and a library of all formal Business Support Management Board documents.





**Lancashire Enterprise Zone Governance Committee**

**Governance Structure and Terms of Reference**

**February 2015**

**Enterprise Zone Governance Committee**

***Membership***

Chair: Edwin Booth, Chair of the Lancashire Enterprise Partnership (LEP)

Members: ~~Richard Evans, Partner, KPMG, and LEP Director~~

~~Mike Tynan, Chief Executive (Nuclear) AMRC and LEP Director~~

Jenny Mein, Leader of Lancashire County Council and LEP Director

Malcolm McVicar, Former Vice Chancellor, University of Central Lancashire, and LEP Director

Mark Smith, Vice Chancellor, University of Lancaster

David Taylor, Chairman, David Taylor Partnership

Quorum: Chair and two members of the EZ Governance Committee

Members can nominate substitute representatives, with written notification provided to the Clerk in advance of the meeting. Substitutes will be counted towards the quorum and will be entitled to vote. The use of substitutes shall be by exception rather than rule.

***Frequency of Meetings***

Bi-Monthly, or as required in accordance with operational need.

**Observers**

The EZ Governance Committee may invite any persons it sees fit to attend meetings as observers. Observers shall be subject to the LEP Assurance Framework protocol on observer attendance at meetings.

**Secretary**

The Company Secretary of the Lancashire Enterprise Partnership (or their nominee) shall serve as the Secretary ("The Secretary") to the EZ Governance Committee.

The Secretary shall produce minutes of all meetings of the EZ Governance Committee and will maintain a list of conflicts of interests. Future agendas will include a standard item requiring declarations of interests to be made in relation to specific items of business.

### **Decisions in Writing**

A resolution in writing signed by the majority of the members of the EZ Governance Committee for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee.

### ***Role and Responsibilities***

The ~~Enterprise Zone~~EZ Governance Committee is a ~~sub~~-committee of the Lancashire Enterprise Partnership.

The EZ Governance Committee is responsible for setting and overseeing the strategic direction of the Lancashire Enterprise Zone. It will also provide regular reports to the LEP Board, specifically focusing on:

- Regular progress updates on the delivery of public infrastructure into the Samlesbury site of the Lancashire Enterprise Zone;
- Regular progress updates on the delivery of the BAE Systems' Training Centre and Logistics Facility, which will form the first phase of development on the Samlesbury site of the Lancashire Enterprise Zone;
- Regular progress updates on the establishment and progress of the Dev Co arrangement (a joint venture between Carillion PLC and Eric Wright Group Ltd in their capacity as the County Council's strategic regeneration property partner) to deliver the Samlesbury site;
- Regular progress reports on the drawdown/development of land on the Lancashire Enterprise Zone;
- Regular progress reports on the generation of commercial leads and enquiries on the Lancashire Enterprise Zone;
- Regular financial reports regarding the generation of Business Rates growth at the Lancashire Enterprise Zone;
- Regular financial reports on Business Rates Relief providing to companies locating to the Lancashire Enterprise Zone;
- Regular financial reports on the provision and repayment of any public investment provided in support of the development of the Lancashire Enterprise Zone;
- Regular progress updates on the number of jobs and commercial floor-space created across the Lancashire Enterprise Zone; and
- Regular progress reports on planning frameworks and commercial masterplans in place across the Lancashire Enterprise Zone.

## Growth Deal Management Board

### TERMS OF REFERENCE

#### Composition

1. Unless otherwise agreed by the LEP, the Growth Deal Management Board shall comprise a minimum of 6 members and a maximum of 10.
2. The Chair and membership of the Growth Deal Management Board shall be appointed by the LEP.
3. The Chair of the Growth Deal Management Board shall be a Director of the LEP Board and a member of the LEP's Performance Committee.
4. The Members of the Growth Deal Management Board, as at the date of adoption of these Terms of Reference, are as follows:

<i>Graham Cowley (Chair)</i>	<i>LEP Director, Executive Director Local Government, Development and Regulatory Services, Capita Local Government, Health and Property</i>
<i>Sue Procter</i>	<i>Director, Programmes and Project Management Lancashire County Council</i>
<i>Alan Cavill</i>	<i>Director of Place, Blackpool Council</i>
<i>Brian Bailey</i>	<i>Director of Growth and Prosperity, Blackburn with Darwen Council</i>
<i>Dr Michele Lawty-Jones</i>	<i>Director, Lancashire Skills Hub</i>
<i>Gareth Smith</i>	<i>Project Director and Head of Regeneration, Barnfield Investment Properties</i>
<i>Professor Robert Walsh</i>	<i>Director of Research and Innovation, UCLAN</i>
<i>Julie Whittaker</i>	<i>Economic, Housing and Regeneration Manager, Pendle Borough Council</i>

Members can nominate substitute representatives, with written notification provided to the Clerk in advance of the meeting. Substitutes will be counted towards the quorum and will be entitled to vote. The use of substitutes shall

be by exception rather than rule.

5. The Growth Deal Management Board may invite any persons it sees fit to attend meetings as observers. Observers shall be subject to the LEP Assurance Framework protocol on observer attendance at meetings.

### **Chair and Deputy Chair**

6. The Chair of the Growth Deal Management Board will be a private sector representative and be a member of the LEP Board.
7. The Chair shall not have a casting vote.
8. The Growth Deal Management Board may appoint one of its number to act as Deputy Chair ("Deputy Chair").

### **Quorum**

9. The quorum for Growth Deal Management Board meetings shall be 34, including the Chair.
10. If within 15 minutes from the time appointed for the holding of a Growth Deal Management Board meeting a quorum is not present, the meeting shall be adjourned. The Secretary shall arrange for the meeting to take place within 2 weeks and if at that meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting the Members present shall be a quorum.

### **Secretary**

11. The Company Secretary of the Lancashire Enterprise Partnership (or their nominee) shall serve as the Secretary ("The Secretary") to the Growth Deal Management Board
12. The Secretary shall produce minutes of all meetings of the Growth Deal Management Board and will maintain a list of conflicts of interests, in accordance with the LEP's Assurance Framework. Growth Deal Management Board agendas will include a standard item requiring declarations to be made in relation to specific items of business.

### **Meeting Frequency**

13. The Growth Deal Management Board shall meet according to operational need.

### **Decisions in Writing**

14. A resolution in writing signed by the majority of the members of the Growth Deal Management Board for the time being shall be as valid and effectual as if it had been passed at a meeting of the Growth Deal Management Board.

## **Remit**

15. The Growth Deal Management Board's primary responsibility is to ensure the implementation of the Growth Deal and to make strategic recommendations to the LEP Board in this regard.
16. The Growth Deal Management Board shall:
  - (i) Implement and monitor the Growth Deal in accordance with the Growth Deal Implementation Plan and Growth Deal Monitoring and Evaluation Framework;
  - (ii) Ensure that the Growth Deal Implementation Plan and Monitoring and Evaluation Framework are updated according to operational need, and annually as a minimum;
  - (iii) Oversee the work of the Monitoring and Evaluation Sub Group, receive quarterly reports from the same and approve the submission of quarterly monitoring reports;
  - (iv) Ensure that any conditions attached to Local Growth Fund funding agreements are discharged appropriately;
  - (v) Refer to the LEP Board any issues arising if project sponsors are unable to comply with the Growth Funding principles agreed by the LEP Board;
  - (vi) Make recommendations to the LEP Board on any proposed material changes to funding profiles, including redirecting significant resources in year and between projects; and
  - (vii) Make recommendations to the LEP Board (who in turn would need to seek approval from Government) on any proposed material changes to project funding in the event of non-delivery, and / or the withdrawal of grant offer.

## **Governance Relationship with the LEP**

17. The LEP is responsible for agreeing the Terms of Reference of the Growth Deal Management Board and has the power to vary the same.
18. The Growth Deal Management Board shall review its Terms of Reference from time to time as necessary and report their findings to the LEP.
19. Minutes of the Growth Deal Management Board meetings shall be submitted to the LEP Board at the LEP's request.
20. The Chair shall provide update reports to the LEP Board at the LEP's request.
21. The Chair of the Growth Deal Management Board shall sit on the LEP's Performance Committee.

## **Relationship with Lancashire County Council**

22. Lancashire County Council, as accountable body to the LEP, shall provide programme management, economic development, financial, administrative and legal support to the Growth Deal Management Board.
23. The Growth Deal Management Board will be supported by consultants appointed to advise on the implementation of the Growth Deal Monitoring and Evaluation Framework.
24. Lancashire County Council shall maintain an official record of the Growth Deal Management Board proceedings and a library of all formal Growth Deal Management Board documents.

#### **Publication of Papers**

25. The agendas and papers of the Growth Deal Management Board will be published on the LEP's website in accordance with the LEP's Assurance Framework.



## **LANCASHIRE SKILLS AND EMPLOYMENT BOARD**

### **TERMS OF REFERENCE**

#### **Composition**

1. Unless otherwise agreed by the Lancashire Enterprise Partnership, the Skills and Employment Board shall comprise a minimum of 5 members and a maximum of 11.
2. The Members of the Skills and Employment Board shall be appointed by the Lancashire Enterprise Partnership Board and shall draw members from the training, skills and higher education sectors (up to 5, normally including 2 general further education colleges and 2 higher education providers) plus 6 from other private sector industries.
3. The Members of the Skills and Employment Board, as at the date of adoption of these Terms of Reference, are as follows:

#### **FE Sector (2).**

Amanda Melton, Chief Executive - Nelson and Colne College (Chair).  
Beverley Robinson, Chief Executive – Blackpool and the Fylde College.

#### **HE Sector (2).**

Lynne Livesey, Pro Vice Chancellor, University of Central Lancashire.

~~Andrew Atherton, Deputy Vice Chancellor, Lancaster University  
(until 31 October 2015).~~

Mark Allanson, Pro Vice-Chancellor, Edge Hill University  
~~(from 1 November 2015)~~

#### **Training (1)**

Steve Gray, Chief Executive, Training 2000.

#### **Private Sector (6)**

Joanne Pickering, Director of HR, Training and Quality, Forbes Solicitors and Chair of the Lancashire HR Employers Network.

Paul Holme, Chair of the North West Training Provider Network.

Graham Howarth, HR and Legal Director, Crown Paints.

Andy Wood – HR Director of Trelleborg Offshore UK Ltd ~~(appt Nov 2015)~~

Lindsay Campbell – Partner Director Campbell & Rowley Catering and Events Ltd ~~(appt Nov 2015).~~

#### **1 Vacancy to be determined**

4. Members are responsible for declaring potential conflicts of interest at the beginning of each meeting. It is member's responsibility to ensure that they

leave the meeting for items for which the conflict of interest may result in inappropriate commercial advantage or gain.

5. The Skills and Employment Board may invite any persons it sees fit to attend meetings as observers. Observers shall be subject to the LEP Assurance Framework protocol on observer attendance at meetings.
6. Members are required to attend meetings regularly. If a member is unable to attend a meeting apologies should be given prior to the meeting. If a member does not attend for 3 consecutive meetings, their membership may be reviewed. The decision to make any changes to the membership will be made by the LEP Board following recommendation by the other Skills and Employment Board members.
7. When considering the appointment of additional members to the Skills and Employment Board, perceived gaps in knowledge / experience, together with sectoral and geographical coverage should be taken into account.

### **Chair and Deputy Chair**

8. The Lancashire Enterprise Partnership Board shall appoint the Chair.
9. The Chair shall not have a casting vote.
10. The Skills and Employment Board may appoint one of its number to act as Deputy Chair ("Deputy Chair").

### **Quorum**

11. The quorum for Skills and Employment Board meetings shall be 34.
12. If within fifteen minutes from the time appointed for the holding of a Skills and Employment Board meeting a quorum is not present, the meeting shall be adjourned. The Secretary shall arrange for the meeting to take place within two weeks.

### **Secretary**

13. The Company Secretary of the Lancashire Enterprise Partnership (or their nominee) shall serve as the Secretary ("The Secretary") to the Skills and Employment Board.
14. The Secretary shall produce minutes of all meetings of the Skills and Employment Board and will maintain a list of conflicts of interests. Future agendas will include a standard item requiring declarations of interests to be made in relation to specific items of business.

### **Meeting Frequency**

15. The Skills and Employment Board shall meet according to operational need and currently meets 7 times per year.

### **Decisions in Writing**



16. A resolution in writing signed by the majority of the members of the Skills and Employment Board for the time being shall be as valid and effectual as if it had been passed at a meeting of the Board.

## **Remit**

17. The Skills and Employment Board's primary responsibility is to consider skills development priorities within Lancashire, Blackpool and Blackburn and any related issues and make recommendations on the same to the relevant bodies. In doing so, the Skills and Employment Board shall:
  - i) commission and maintain an evidence-base to help understand key skill demands in the LEP area and support the development and tracking of an agreed Skills and Employment Framework with agreed Key Performance Indicators;
  - ii) oversee the production of a Skills and Employment Framework for the area which is consistent with the wider economic priorities set out in the LEP's Growth Plan;
  - iii) develop and promote skills-related initiatives and programmes aligned with agreed priorities, as part of the LEP's Strategic Economic Plan;
  - iv) will identify and work with other LEP areas on skills issues of strategic and cross-boundary significance; and
  - v) advise on the deployment of skills funding directly accessed by the LEP.

The Skills and Employment Board will discharge its duties through the Lancashire Skills Hub to facilitate/enable a balanced, skilled and inclusive labour market which underpins and contributes to economic well-being and growth across the County.

## **Governance Relationship with the Lancashire Enterprise Partnership (LEP)**

18. The LEP is responsible for agreeing the Terms of Reference of the Skills and Employment Board and has the power to vary the same.
19. The Skills and Employment Board shall review its Terms of Reference from time to time as necessary and report their findings to the LEP Board.
20. Minutes of Skills and Employment Board meetings shall be submitted to the LEP Board at the LEP's request.
21. The Chair shall provide update reports to the LEP Board at the LEP's request.

## **Relationship with Lancashire County Council**

22. Lancashire County Council shall provide administrative and legal support to the Skills and Employment Board.

23. Lancashire County Council shall maintain an official record of the Skills and Employment Board proceedings and a library of all formal Board documents.

## Performance Committee

### TERMS OF REFERENCE

#### Composition

1. Unless otherwise agreed by the LEP, the Performance Committee shall comprise 6 4-members.
2. The Members of the Performance Committee shall be appointed by the LEP and shall draw a minimum of 3 private sector directors as members.
3. A place will be reserved on the Performance Committee for the nominee of the Lancashire Leaders Group.
4. The Members of the Performance Committee, as at the date of adoption of these Terms of Reference, are as follows:

*Richard Evans*                      *LEP Director, KPMG*

*David Taylor*                      *LEP Director, David Taylor Partnership*

*Graham Cowley*                      *LEP Director, Capita Ltd*

*Vacancy*                      *To be determined*

*Vacancy*                      *To be determined*

*Local Authority Nominee*    ~~*(subject to confirmation by the Lancashire Leaders Group)*~~ *Councillor Peter Rankin*

Members can nominate substitute representatives, with written notification provided to the Clerk in advance of the meeting. Substitutes will be counted towards the quorum and will be entitled to vote. The use of substitutes shall be by exception rather than rule.

5. The Performance Committee may invite any persons it sees fit to attend meetings as observers. Observers shall be subject to the LEP Assurance Framework protocol on observer attendance at meetings.
6. The County Council's Director of Governance, Finance and Public Services (and LEP Company Secretary) and Section 151 Officer (or their nominees) will attend meetings of the Performance Committee.

## **Chair and Deputy Chair**

7. The Performance Committee shall appoint one of its number to act as Chair ("the Chair"). The Chair of the Performance Committee will be a private sector representative and be a member of the LEP Board.
8. The Chair shall not have a casting vote.
9. The Performance Committee may appoint one of its number to act as Deputy Chair ("Deputy Chair").

## **Quorum**

10. The quorum for Performance Committee meetings shall be a minimum of 3 directors. In the event that the Chair is not present the Committee should appoint one of the members present to act as Chair in his/her absence.
11. If within 15 minutes from the time appointed for the holding of a Performance Committee meeting a quorum is not present, the meeting shall be adjourned. The Secretary shall arrange for the meeting to take place within two weeks and if at that meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting the Members presentshall be a quorum.

## **Secretary**

12. The LEP's Company Secretary (or their nominee) shall serve as the Secretary ("The Secretary") to the Performance Committee.
13. The Secretary shall produce minutes of all meetings of the Performance Committee and will maintain a list of conflicts of interests, in accordance with the LEP's Assurance Framework. Performance Committee agendas will include a standard item requiring declarations to be made in relation to specific items of business.

## **Meeting Frequency**

14. The Performance Committee shall meet at least once in a 12 month period and according to operational need.

## **Decisions in Writing**

15. A resolution in writing signed by the majority of the members of the Performance Committee for the time being shall be as valid and effectual as if it had been passed at a meeting of the Performance Committee.

## **Remit**

16. The Performance Committee will provide oversight on six key areas of performance:
  - (i) Quantum of resources secured by the LEP;
  - (ii) Investment decision making;

- (iii) Implementation and delivery of key LEP initiatives;
- (iv) Monitoring and evaluation of key LEP initiatives;
- (v) Compliance with LEP policies and procedures, as set out in the LEP's Assurance Framework; and
- (vi) Risk management.

17. The Performance Committee will not make recommendations on individual scheme approvals.

### **Governance Relationship with the LEP**

18. The LEP is responsible for agreeing the Terms of Reference of the Performance Committee and has the power to vary the same.
19. The Performance Committee shall review its Terms of Reference from time to time as necessary and report their findings to the LEP.
20. Minutes of the Performance Committee meetings shall be submitted to the LEP Board at the LEP's request.
21. The Chair shall provide update reports to the LEP Board at the LEP's request.

### **Relationship with Lancashire County Council**

22. Lancashire County Council, as accountable body to the LEP, shall provide legal, audit, financial and programme management support through, respectively, the Director of Governance, Finance and Public Services, (LEP Company Secretary), Head of Internal Audit, Section 151 Officer, Director of Economic Development and Director of Development and Corporate Services
23. Lancashire County Council shall maintain an official record of the Performance Committee proceedings and a library of all formal Performance Committee documents.

### **Publication of Papers**

24. The agendas and papers of the Performance Committee will be published on the LEP's website in accordance with the LEP's Assurance Framework





## **Lancashire Enterprise Partnership Limited**

**Private and Confidential: No**

**Date: 5<sup>th</sup> April 2016**

## **Developing a Strategic Marketing Proposition for Lancashire**

**Report Author: Ruth Connor, Chief Executive, Marketing Lancashire**

### **Executive Summary**

This report provides the Board with an update on the development of a marketing strategy for the Lancashire Enterprise Partnership (LEP).

### **Recommendation**

The LEP Board is asked to:

- i). Note and comment on the contents of this report;
- ii). Approve the proposed approach to continuing to develop a strategic marketing proposition for Lancashire, as set out in this report;
- iii). Delegate authority to Lancashire County Council's Director of Economic Development and the Chief Executive of Marketing Lancashire to progress with the outputs required from this project; and
- iv). Note that the Chief Executive of Marketing Lancashire, as the LEP's Media Communications and PR lead, continues to provide regular updates to the LEP Board on the work programmes and outputs of the appointed consultants.

### **Background and Advice**

#### **1. Context**

- 1.1 The delivery of strategic marketing activities for the LEP continues with outputs being generated by both of the agencies appointed in June 2015; Thinking Place and SKV Communications.
- 1.2 Thinking Place were appointed to lead on the development of a compelling Lancashire narrative, setting out a strong proposition and identity and a clear sense of purpose and place for the county whilst generating the endorsement and support required for this from the private sector.



- 1.3 SKV Communications were appointed to deliver an initial 12-month media and communications campaign to increase awareness of the Lancashire offer amongst key stakeholders and business audiences.

## **2. Objectives of the Work**

2.1 In summary, the key objectives of the project are to:

- Improve the positioning of Lancashire in a national context and the LEP and Lancashire in a regional context;
  - Establish a strong and clear economic identity for Lancashire that highlights key attributes and benefits by sector;
  - Identify key stakeholders and opinion formers regionally and nationally and transform them into supporters and influencers of the Lancashire brand;
  - Stimulate interest, enquiries and subsequent inward investment enquiries to Lancashire;
  - Raise the profile of strategic investment opportunities which flow through the LEP;
- Identify the key achievements and messages that best portray the Lancashire 'story' through a multi-channel approach to target audiences;  
Develop engagement and closer working relationships with the private sector in communicating a united and proud Lancashire that has a confident and ambitious voice;  
Identify a suite of marketing collateral and opportunities to showcase the Lancashire 'story' regionally and nationally; and
- Develop a LEP media and communications strategy, which will review current communication activities and assets, including the LEP's website and use of digital media to reach key target audiences, with an initial programme of media and communications activity.

## **3. Activity update regarding the development of the Lancashire Economic Narrative**

- 3.1 On 9th February at the final steering group meeting, Thinking Place presented the visual identity for both the Lancashire brand and the Lancashire Ambassadors initiative to the group who approved the creative treatment. Whilst the creative work was visually impressive on a presentation screen it was agreed that further development needed to be undertaken to identify how this would work practically through day to day marketing activity and in promotional collateral.
- 3.2 The steering group also approved the outline proposal for a corporate partners' scheme, with work now ongoing to define the strongest possible proposition for launch. UCLan have offered to host the launch event which is due to be mid-June based on the ideal venue being available.





- 3.3 Thinking Place has also issued the first draft of the Lancashire story to be used in Lancashire's place marketing activity and the Chief Executive of Marketing Lancashire is now working on incorporating the supporting economic detail by sector into this. The story will also include key business case studies to reinforce the private sector engagement as part of this process. The steering group also approved that the Marketing Lancashire Board, chaired by Tony Attard, would now act as the "Place Board" and be guardians and champions of the Lancashire story and brand.
- 3.4 For improved efficiencies it has been agreed with Thinking Place that a local Lancashire creative agency will now take the visual identity concepts forward, producing brand guidelines and a toolkit for the Lancashire storybook and ambassador launch.

#### **4. Activity update - SKV Communications**

##### **Media and Communications Update - February and March**

- 4.1 SKV has initiated a number of major PR projects since February across local, regional and national media, building on their previous successful media engagement work on behalf of the LEP and partners.
- 4.2 At the heart of this work has been the shaping and delivery of key messages linked to the LEP's economic vision and strategic priorities across all media activity including local, regional and national.
- 4.3 This consistent 'drum beat' approach has yielded not only a steady increase in media coverage but it has also consistently reinforced the LEP's achievements and helped to raise awareness and clarity of its objectives going forward.
- 4.4 In parallel this work has conveyed that within Lancashire positive things 'are happening' and this is helping set up potential national media pitches. This includes, for example, media coverage focussing on an aerospace/AEM boom in the county and Lancashire's importance with in the Northern Powerhouse initiative.

##### **Communications Highlights**

##### **Lancashire's Role in the North**

- 4.5 SKV secured interviews with the *Financial Times*' Northern Correspondent, Andy Bounds, with both Edwin Booth and Jennifer Mein. This was presented as an opportunity to not only source some potential comment for a forthcoming FT report on the North but also to ensure the FT's correspondent is familiar with Lancashire's current economic position, priorities and aspirations.



- 4.6 As a result of this interview, Jenny Mein was quoted in the *Financial Times* about Lancashire being a key player in the Northern Powerhouse with the FT describing the county as having “one of the world’s biggest aerospace clusters”.

### **Transport Prospectus Launch**

- 4.7 A second major project was the launch of the Transport Prospectus. SKV had already undertaken the draft narrative around this piece which became Jenny Mein’s introduction within the Prospectus, and these same key messages - about how transport and other infrastructure were part of the LEP’s integrated economic strategy - were replayed through all subsequent press activity and media briefings.
- 4.8 The involvement and support of David Brown, Chair of Transport for the North who was photographed with Jenny Mein at the launch of the Prospectus, further helped give weight to the media coverage.
- 4.9 The Transport Prospectus story generated over 15 pieces of media coverage, including national hits in local government and transport media such as *Adjacent Government* and *Highways Industry*. The transport story also appeared on BBC online, and Jenny was interviewed on BBC Radio Lancashire’s breakfast show. Post-interview the transport story and soundbites were also then used throughout the day on BBC Radio Lancashire’s hourly news bulletins.
- 4.10 BBC online also posted a link to the Prospectus and a link to the LEP’s website. In terms of Search Engine Optimisation the BBC is recognised by the likes of Google as one the most authoritative websites in the world, and therefore such links have incredibly high value with regards to boosting page rankings and appearing in organic search results.

### **Business Engagement**

#### **Insider’s Business of Lancashire Conference**

- 4.11 This burst of high profile and high volume media activity and frequent Lancashire/LEP positive positioning during February and March was consolidated with *Insider* magazine’s Business of Lancashire Conference at Ribby Hall on 18<sup>th</sup> March.
- 4.12 As the LEP was the lead sponsor for the event, the Chief Executive of Marketing Lancashire was closely involved with the themes, panellists and invitees managing to secure speakers which *Insider* had themselves had not previously been able to engage with.



- 4.13 The result was a highly positive and upbeat event, introduced by Edwin Booth, and one which featured a range of senior LEP/LCC colleagues on various panels together with influential public and private sector partners and businesses.
- 4.14 Over 150 delegates attended the event and all had been 'vetted' by *Insider* to ensure the most important/influential business leaders had been drawn from across Lancashire.
- 4.15 *Insider* has already run a number of positive stories online, and the event will be the focus of a special Lancashire Regional Review in its May issue.

### **Business Desk's Big Manufacturing Debate**

- 4.16 SKV secured a place for Mike Damms to take part in a special *Business Desk* discussion panel, hosted at Graham & Brown, on the importance of manufacturing. Mike appeared on behalf of the LEP and the East Lancashire Chamber, and was alongside representatives from the CBI and UKTI.
- 4.17 Mike took the opportunity to articulate to over 100 manufacturing delegates a wide range of key messages about how the LEP was seeking to develop and build on Lancashire's strong manufacturing heritage and offer going forward, including specific reference to the skills agenda.

### **Other LEP-led positive media coverage and activity (February – March)**

- Exclusive Edwin Booth first person column for *Lancashire Evening Post* - reinforcing LEP progress messages.
- *Insider Magazine* Central Lancashire review featuring extensive Jim Carter comment - reinforcing City Deal success message.
- *Insider Magazine* Northern Powerhouse feature with Graham Cowley referencing aerospace key message.
- UCLan Engineering Centre announcement - reinforcing AEM and Skills messages.
- Enterprise Zone progress update on Blackpool (part of a Mark Menzies MP interview with Blackpool Gazette) - reinforcing integrated EZ strategy message.
- Northcote Café at Blackburn Cathedral announcement - reinforcing Growth Deal success messages.
- Blackpool & The Fylde College Energy HQ announcement - reinforcing Airport EZ, energy sector specialism and skills messages.
- Lancashire Hotspots City Deal event with *Lancashire Business View* - reinforcing significance of City Deal project.
- Lancaster Innovation Campus announcement - jobs, skills and innovation messages.

- Growth Deal 1<sup>st</sup> year anniversary - highlighting progress and delivery of investment.
- Boost Phase 2 partners announced - reiterating LEP's commitment to supporting SMEs and highlighting the success of securing further Boost funding.

### **Other LEP/partner stories crediting LEP's role in making positive impact**

- Training 2000 Cyber Security Centre announcement.
- STEM subject skills event at Nelson and Colne College.
- Marine Engineering Centre groundworks announcement.
- Contractor appointed for M55 road scheme.
- Ian Duncan Smith visit to Runshaw Science, Engineering and Innovation Centre.
- Apprenticeship Levy briefing at Stanley House.
- Marketing Lancashire chair Tony Attard discussing the creation of a new Lancashire narrative.
- Rosebud hits £7m investment.
- Manchester Metropolitan University 'Impact' magazine feature on Lancashire SME business support.

### **Other communications activity/stories in the pipeline:**

- Aerospace/AEM - Lancashire AEM 'boom' package being developed with NWAA to pitch to national press pre-Farnborough. Pitch to *Financial Times* for forthcoming Business in the North feature including possible Edwin Booth interview - building on previous engagement with Andy Bounds.
- *Insider* Lancashire Regional Review – conference write up, focus on LEP progress with Edwin Booth comment, and positive SME case studies (published in May).
- Soft launch of Blackpool Airport EZ.
- Potential Lancashire involvement in the International Festival of Business (SKV in contact with IFB organisers who have invited LEP representative to special Downtown/IFB dinner on April 7<sup>th</sup>).
- Lancashire Skills strategy PR activity.
- Enterprise advisors and call for business to get involved.
- New Lancashire narrative PR activity.
- Lancashire Ambassadors' PR activity.
- Farnborough Airshow PR activity.

### **Digital Communications**

- The Lancashire Business Brief (LBB) continues to be published weekly and includes a synopsis of positive economic stories drawn from local media sources, the LEP's website news pages and other online sources. Now has



over 860 subscribers – with an extra 50 subscribers signing up in the last two months.

- The LEP twitter account (@lancslep) continues to regularly tweet positive LEP news, promote links to key stories and retweet partner news on a daily basis. It now has over 400 followers, 178 having been added in last two months.
- This period has also seen the reach of LEP tweets increase by 50%, with some individual tweets have been seen more than 3,000 times.
- One of the main drivers is to add new followers and increase shares/likes/re-tweets, with SKV live tweeting from events. Recent examples include The Business Desk's Manufacturing Debate at Graham & Brown (featuring Mike Damms as panellist), the LBV Hotspots event covering the City Deal, and the Insider 'Business of Lancashire' conference at Ribby Hall.
- Two more editions of the Lancashire Link have been published since the last Board meeting. The monthly e-newsletter contains a selection of key LEP stories, a LEP board member editorial column and a Lancashire 'business of the month' feature. It now has over 880 subscribers. Work will begin on the fourth edition shortly.
- [www.lancashirelep.co.uk](http://www.lancashirelep.co.uk)'s news pages are being kept regularly up to date with strategically important stories and delivering key messages. The City Deal Invest pages have been updated with new copy and videos.
- During February the LEP website has received its highest ever number of views with 14,662 total page views and 10,192 unique page views.





## **Lancashire Enterprise Partnership Limited**

**Private and Confidential: NO**

**Date: 5<sup>th</sup> April 2016**

**Blackpool Tramway Extension Conditional Approval Application**  
(Appendix 'A' refers)

**Report Author: Dave Colbert, Specialist Advisor Transportation**  
[dave.colbert@lancashire.gov.uk](mailto:dave.colbert@lancashire.gov.uk)

### **Executive Summary**

The Blackpool Tramway Extension scheme will provide a new link from the current tramway on the Promenade adjacent to the North Pier along Talbot Road to Blackpool North station. Blackpool Council has submitted an Outline Business Case to the Lancashire Enterprise Partnership for Conditional Approval. The consultants Jacobs have undertaken an independent assessment of the Outline Business Case on behalf of the LEP. Jacobs are satisfied that the project has been developed to the expected standard in most areas and recommend that Conditional Approval be granted to enable the scheme to progress to Full Business Case submission.

### **Recommendation**

Subject to the views of the Transport for Lancashire Committee, the LEP Board is asked to consider the attached Outline Business Case report prepared by Jacobs and grant the scheme Conditional Approval.

### **Background and Advice**

The Blackpool Tramway Extension scheme will provide a new link from the current tramway on the Promenade adjacent to the North Pier along Talbot Road to Blackpool North station. Blackpool Council has submitted an Outline Business Case to the Lancashire Enterprise Partnership for Conditional Approval. The granting of Conditional Approval is intended to provide the expectation of funding necessary for the promoting authority to apply for any statutory powers that may be required to deliver a scheme, for example, Transport and Works Act powers, highways orders, planning consents and/or compulsory purchase orders.

Conditional Approval indicates the Lancashire Enterprise Partnership's acceptance of an Outline Business Case demonstrating high value for money. In accordance with its Assurance Framework, the LEP will only grant Conditional Approval on the basis that there will be no material changes to the scheme's scope, cost, design,



expected benefits and value for money. The granting of Conditional Approval may be subject to a small and limited number of conditions.

The projected outturn capital cost of the Blackpool Tramway Extension scheme as set out in the Outline Business Case could rise from the £18.2m advised at Programme Entry to £24m; the agreed capital contribution from the Local Growth Fund through the Lancashire Growth Deal is £16.4m. Blackpool Council has confirmed that it will meet the balance, but has requested that the Lancashire Enterprise Partnership consider allocating any future Growth Deal underspend or additional funding to support the scheme, to the extent that it becomes necessary at Full Approval. The current local contribution amounts to just over 31% of the total projected scheme capital cost.

The principal reason for the capital cost increase is the inclusion of two additional trams, now considered necessary in order to operate the new services along the extension to Blackpool North whilst maintaining current peak capacity on the existing north-south tramway. Analysis undertaken as part of the Outline Business Case development has shown this would not be possible with the current fleet.

The consultants Jacobs have undertaken an independent assessment of the Outline Business Case on behalf of the LEP. Jacobs are satisfied that the project has been developed to the expected standard in most areas and recommend that Conditional Approval be granted to enable the scheme to progress to Full Business Case submission. The revised scheme is predicted to deliver high value for money with a benefit to cost ratio of 2.86; it also has the potential to generate between £400,000 and £700,000 of wider economic benefits per annum for the local economy.

Jacobs have advised that a number of conditions will need to be addressed as part of the Full Business Case submission, including confirmation of scheme funding arrangements once final costs are known.



## Introduction

The review findings should be used to inform a recommendation on whether the scheme should be granted Conditional Approval status at the LEP Board meeting on the 5<sup>th</sup> April 2016.

The Blackpool North Tramway Extension will extend the current tramway from the North Pier tram stop on the Promenade to Blackpool North Station, approximately 600 metres inland on Talbot Road, as illustrated in Figure 1.

The scheme is promoted by Blackpool Council and Blackpool Transport Services (BTS).



## **Methodology**

The Outline Business Case has been reviewed and assessed against the Department for Transport's (DfT) guidance on *The Transport Business Cases (January 2013)*. This approach shows whether schemes:

- are supported by a robust case for change that fits with wider public policy objectives – the '**strategic case**';
- demonstrate value for money – the '**economic case**';
- are commercially viable – the '**commercial case**';
- are financially affordable – the '**financial case**'; and
- are achievable – the '**management case**'.

A Red-Amber-Green (RAG) assessment has been undertaken on each of the five cases in order to:

- a. Highlight any key risks associated with the successful delivery of the project in accordance with the Lancashire Enterprise Partnership's Accountability Framework.
- b. Identify areas of the Outline Business Case where there is insufficient evidence to demonstrate that the scheme has followed DfT best practice for the development of a major scheme.
- c. Ensure the scheme aligns positively with the LEP's Strategic Economic Plan.

The completed RAG assessment has been appended to this document as **Appendix A**.

As part of the review process, Jacobs have actively engaged with the scheme promoter (Blackpool Council) and their specialist consultants (SDG) in order to seek clarification on any key issues associated with the Outline Business Case. The RAG assessment summarises the iterative process which has been adopted to update the Outline Business Case to ensure that it is compliant with the LEP's Accountability Framework and DfT best practice guidance.

## **Key Points**

**Scheme Cost** - The total investment cost for the scheme is £24.0m. The operator revenue generated over the scheme appraisal period is nearly 50% more than the operating costs, indicating a positive overall operating position.

**Funding** - A letter from Blackpool Council's Section 151 Officer has been appended to this document as **Appendix B**. The letter confirms Blackpool Council's support for the scheme and their commitment to provide a local contribution to fund the balance between the allocated Growth Deal funding (£16.4m) and the scheme cost (£24.0m).

**Scheme BCR** - The Economic Case for the scheme is strong, with the analysis presented showing that the scheme has a Benefit to Cost Ratio (BCR) of 2.86, which represents 'High' Value for Money.

**GVA Benefits** - The scheme is forecast to generate 6,000-11,000 induced trips annually which would generate £400,000 - £700,000 of GVA benefits per annum to Blackpool's local economy.

**Programme** - It is intended that the tramway extension will be opened by the spring of 2019, with construction due to begin at the end of 2017.

## **Conclusions**

The Blackpool and Fleetwood Tramway Extension to Blackpool North Station scheme **should be granted 'Conditional Approval' status**, to enable the scheme to progress to the Full Business Case stage, subject to the following conditions (which should be addressed as part of the Full Business Case update):

1. Once the final scheme costs are known, the scheme funding arrangements should be reconfirmed with the LEP and reported in the Full Business Case.
2. There are no significant disbenefits reported in the Transport Assessment, Air Quality Assessment, Heritage Assessment and Flood Risk Assessment reports which Blackpool Council will be producing in support of the Transport and Works Act Order (TWAO), as agreed with the Secretary of State.
3. Provide more detailed evidence that the timetabled tram headways will remain even to ensure the forecasted scheme benefits are realised.
4. Consideration should be given to the forecast rail demand growth at Blackpool North station, which should have a positive impact on the scheme BCR. In addition, there is potential to update the forecasting to use 2015 MOIRA data.
5. Update elements of the Distributional Impact (DI) assessment, in line with DfT guidance, to ensure it fully meets statutory requirements.
6. Make minor updates to the GVA calculations to support the Full Business Case, although it is recognised that the economic case and value for money of the scheme is robust without these.
7. The Monitoring & Evaluation Plan and accompanying Benefits Realisation Plan is updated to ensure that all of the benefits reported in the business case are realised.
8. The outstanding recommendations highlighted in the RAG assessment are actioned by Blackpool Council and incorporated into an updated version of the Outline Business Case. Ideally this condition should be discharged prior to the TfL meeting on the 5<sup>th</sup> April 2016.

## **Appendices**

Appendix A - RAG Assessment

Appendix B - Letter from Blackpool Council's Section 151 Officer

<b>Scheme Name:</b>	<b>Blackpool and Fleetwood Tramway Extension to Blackpool North Station</b>
<b>Scheme Description:</b>	A scheme to connect Blackpool North Station to the existing tramway at North Pier. The scheme is promoted by Blackpool Council and Blackpool Transport Services (BTS).

The purpose of this review is to examine the evidence base for the above scheme in order to identify any gaps. Additional work can then be undertaken on the scheme to ensure the business case for the scheme is comprehensive, which will limit the risk of future challenges.

The criteria used for the assessment is based upon the DfT document, 'The Transport Business Cases' (January 2013).

The review which has been undertaken is based upon:  
- Information contained within the Outline Business Case  
- Supporting documentation provided by Blackpool Borough Council

A RAG analysis has been undertaken to highlight areas where there appears to be insufficient evidence to demonstrate that the scheme has followed DfT best practice for the development of a major scheme. Recommendations have been included on work which could be undertaken to strengthen the business case for the scheme.

KEY

= Significant additional work required

= Some additional work required

= Sound evidence base

Business Case	Criteria	Evidence	RAG Analysis	Jacobs Recommendations	Updates made by BBC / SDG	Updated RAG Assessment <small>(Jacobs second review - 10.03.16)</small>	Updates made by BBC / SDG	Updated RAG Assessment <small>(Jacobs third review - 22.03.16)</small>
STRATEGIC	Existing arrangements for the provision of services	Include a description of the current situation Can services be better utilised, or are more fundamental changes required? What are the constraints? Section 1.1.3 outlines the lack of integration between the rail and tram network. Interchange between rail and tram requires a transfer on foot of around 600 metres at the closest interchange points (see Figure 1.1). Section 3.2 outlines the existing service provision for rail, bus and tram.		No information has been provided under the 'Proposed Service Pattern' heading (Section 2.3.3 on page 8). Please update accordingly.  The numbers in Table 2.3 don't match up with the graph in Figure 4.2 and the figures referenced in para 5.2.8.  Table and chapter references in chapter 2 also need updating.	Deleted 'Proposed Service Pattern' heading. This information is detailed elsewhere.  Values updated in table (now table 2.1)  X-Refs and refs updated	OK  OK - however for clarity please reference in the updated section 5.2.10 that the new service would use three vehicles (two new plus one from the current fleet).	Text updated	Top of p83 says 'an annual crew cost increase of £556,153 (current cost values) per tram vehicle.' However, it is understood that this is the cost for 3 tram vehicles not 1. Please confirm.
	Problem Identification	How have the problems been identified? Provide quantification of the extent of the problems Identified in section 3.2.12-3.2.17 - lack of integration between tram and rail.						
	The need for investment	Why is the scheme needed now? Outlined in Section 3.1.3. In summary the scheme is needed due to the fact that the rail and tram systems in Blackpool are not currently integrated which is a barrier to various types of economic activity (e.g. tourism and access to jobs).						
	Impact of scheme not being delivered	Impact on transport network, economy, future development, other schemes etc. Potential prosperity of the local economy, specifically the attractiveness and accessibility of Blackpool for tourists. Further, congestion (on road network) may deter some visitors travelling to Blackpool.		Suggest including a sub heading summarising the key impacts of not delivering the scheme.	added in paras 3.10.5-3.10.8			
	Study Area / affected population	Include a plan showing the scheme location. Provide a description / plan of targeted population. Various figures included in the Strategic Case to show location of scheme, major employers and origin /destination of rail trips.		Update Appendix A so that it shows the latest scheme design (i.e. terminus on Talbot Rd). Issue of the final location of the terminus has yet to be resolved. Also include scheme drawing for the use of the Wilko's site. Clarify in SOBC that the costs associated with the purchase of this site are independent of the scheme costs.  Section 3.2.25 states that 'Only 2% of rail passengers specified that they used or would use the tram'. Is this an estimate for after the scheme is introduced? Sounds low and risks undermining the potential demand. Needs further clarification.	Appendix A updated with both images  Costs - line included within 5.2.6  3.2.25 and bullet updated (the survey was existing users and existing methods of access/egress - NOT potential with the scheme)	OK (although please provide actual copies of the plans in Appendix A separately as the scanned in copies are poor quality).  OK (although there is an incomplete sentence at the end of 3.2.25).	Originals of plans supplied  Paragraph 3.2.25 edited	
	Scheme Objectives	What are the aims of the proposed scheme, and how do they address all the problems identified? Set out in section 3.4 and assessment undertaken in table 3.9 of alignment with key policies.		Include further info on how the objectives were derived, given they were used for the appraisal of potential options. Were they consulted on? Were they approved at cabinet meetings or otherwise?	Para 3.4.1 updated.			
	Strategic Fit (e.g. DfT's business plan and wider government objectives).	How does the scheme contribute to key objectives, including wider transport and government objectives? Assessment undertaken in section 3.6 against pertinent local, regional and national documents.						
	Option Identification	How were potential problems identified? Evidence that alternative options (covering a range of different modes) were considered Phase 1 Fylde Coast Transport Study (not provided) outlines how the preferred option was identified. Section 3.5 of the OBC outlines alternative options and the Low Cost Option.						
	Early Assessment and Sifting	Methodology for sifting options Phase 1 Fylde Coast Transport Study (not provided) outlines how the preferred option was identified.		Consider appending the 'Phase 1 Fylde Coast Transport Study' to the OBC (or include in the referenced documents list).	Included refs in 1.3.1			
	Identification of short listed options	How were the potential options shortlisted? What were the other shortlisted options? 3.5.2 The Preferred Option was identified in the Phase 1 Fylde Coast Transport Study which ranked tram and rail integration options based on the scheme objectives.						
	Consideration given to the economic, environmental and social benefits of the possible approaches	What are the high-level strategic and operational benefits envisaged? How do they link to the objectives of the scheme?		Referenced qualitatively in the strategic case, however as discussed it is recommended that further assessment of the wider benefits (GVA) is considered in the economic case.  Include an assessment of how the scheme aligns to / contributes towards the scheme objectives (could also be done for LCA to show why it is inferior).	Wider impacts and GVA impacts in section 4.8.1 - 4.8.6  Paras 3.5.30-32 and Table 3.10 assess relative merits of each option including against objectives	To enable us to check that the GVA benefits being claimed are robust please could you provide the calculation spreadsheet? In particular, we would like to see evidence to support how the forecasted 7% uplift in rail passengers was calculated (and what this equates to in terms of passenger numbers).	Spreadsheet supplied	
	Consultation / stakeholder engagement	Provide details of any consultation events or stakeholder engagement that has taken place / is planned? Who was consulted? Include consultation results where available. See Communication and Stakeholder Management text (section 7.7 of OBC) and supporting Stakeholder Management Plan report		Section 10 of the Stakeholder Management Plan states that the proposals for the proposed extension will be made public (following a presentation outlining the proposed scheme to Blackpool and Fylde Business Leaders on 29 January 2016). As discussed, please clarify how this will be done.	added 3.8.17 - 3.8.18 (text from updated SMP)	OK - please could you forward the updated SMP for completeness.	Updated SMP forwarded	
	Preferred Option	How was the preferred option identified? Reasons why it was the preferred option. 3.5.2 The Preferred Option was identified in the Phase 1 Fylde Coast Transport Study which ranked tram and rail integration options based on the scheme objectives.		As discussed, it would be useful to include further justification for why the Low Cost Option is not a feasible alternative (i.e. diverts existing passengers, potential loss of revenue for BTS and potential increase in operating costs).	see 3.5.30-32 and Table 3.10 as above			
	Traffic Modelling work undertaken	Details of any traffic modelling work which has been undertaken. Results of modelling work Has the need for any further traffic modelling work been identified? A public transport assignment model has been developed to assess how the introduction of an alternative mode impacts a traveller's route/mode choice. The model has been built using the Cube software platform. Details provided in the Economic Case.						
	Level of public support considered?	What are the attitudes of key groups (e.g. the general public, residents, businesses and wider stakeholders) to the proposed scheme? 3.8.8 Households in Blackpool received information on the proposed scheme in the Your Blackpool publication in March 2012, and were invited to fill in an online questionnaire or write/email their views to Blackpool Council.		Append Letters of Support from the referenced stakeholder groups (e.g. Blackpool Leaders Group, TOCs & Sainsbury's)	Now in Appendix I			
ECONOMIC	Key risks and constraints identified?	What are the main risks associated with delivering the scheme? Include a Risk Register containing appropriate mitigation measures. CRA workshop held in Nov 15. CRA Report provided which identifies the top risks (based on risk assessment matrix and risk management strategy report).						
	Connectivity with other schemes assessed?	How does the scheme impact on other planned schemes? What is the overall level of impact in combination with other connected schemes? The scheme builds on the 2012 upgrade to the tram network and complements the Masterplan for the Talbot Gateway CBD. 3.2.66 Integration of the rail and tram systems would complement the Green Corridors scheme, giving prominence to sustainable travel for local people into the central areas of the town.						
	Outline approach to assessing value for money.	Evidence of any VIM assessment which has already been undertaken.		A flowchart of the methodology would be useful to demonstrate which impacts have been assessed, which are monetised and which are not, and which software has been used. It is worth considering the delays to road users during construction of the scheme or provide a rationale for not considering them.  4.2.12: There is a confusion in the text over the choice of the appraisal years. Theoretically it should be opening year, and 15 years hence, as a minimum. 4.2.18: It is stated that quality benefits are included in journey time benefits. Can this be clarified in terms of the time/skims being used in TUBA. 4.2 Not clear what units the costs are in (market or factor cost). It would be useful if a table outlining the costs inserted into the Appraisal Model was provided. 4.3.5 The purpose split for non-concessionary demand would be useful. 4.3.7 Looks like bank holidays are included in Weekdays rather than Weekends. Please can justification for this be provided. 4.3.10 Are these values of time used in the Appraisal Model the same as TUBA? The high proportion of leisure trips is probably making the use of the 'Other' VoT more questionable. As discussed previously, a sensitivity test should be run using the new DfT Values of Time in order to investigate the impact on the scheme BCR (as the new VOT will have been adopted prior to Full Approval) and it allows us to advise on future sensitivity of the value for money case to this. 4.3.15 WebTAG recommends Optimism Bias of 40% for the OBC stage. Whilst we don't disagree with the use of 15% OB (given the cost benchmarking exercise which has been undertaken) justification for using 15% OB should be included in the OBC. Has optimism bias been applied to other costs as well (operating/maintenance)? 4.4 No details of how TUBA was set up and TUBA input file not included. No analysis of TUBA serious warnings (if any). No split of benefits by period. It would be useful to see benefits per user by journey purpose. Commuter benefits are 20% of total travel time benefits. It would be useful to see what the proportion of commuter trips is in the 12h demand to ensure this is reasonable. 4.4.9 Numbers in the report don't match the numbers in PA tables in Appendix. Should the renewal (maintenance) cost be presented as part of operating cost? AST says the maintenance costs are -£9.6m but report says £6.9m (para 4.3.24). Typo? 4.7 The Distributional Impacts assessment does not follow TAG guidance. DI Assessment Results should be reported in the AST. The table showing how each vulnerable group is affected and which income quintiles get positive/negative impact is missing.  Appendix E - Environmental Appraisal not provided. Have WebTAG worksheets been undertaken where applicable. AST to be updated accordingly.	Please see following sheet 'Economic Case'	Please see following sheet 'Economic Case'	Please see following sheet 'Economic Case'	
	Appraisal Summary Table	Has an AST been produced?						
	BCR	Details of any economic appraisal work which has already been undertaken. Provide an indication of the likely VIM (using relevant schemes to benchmark where appropriate) where VIM assessment not been completed yet.		Further consideration should be given to the GVA benefits generated by the scheme given the LEP audience and their economic growth objectives. Other schemes that have obtained funding approval from the LEP have reported an adjusted BCR, given the fact that the assurance framework allows for estimate of GVA benefits to the local economy in it's decision making; even if these are not incorporated into the core BCR directly. Additional visitors to Blackpool potentially associated with the scheme, and their typical spend would be a sensible area to explore- and we discuss this further on Friday where required.  It is noted in the forecasting methodology that relatively simple NTEM updates have been applied. This does not account for any explicit representation of development, but more importantly, specific growth at the train station (which would be created by factors outside of NTEM) is potentially missing from the appraisal. Passenger forecasts at the station do therefore not account for future electrification of the Blackpool North line in particular, and future open access operation. Both of these would lead to demand uplifts at Blackpool station, and thus additional demand/ benefits of the scheme. Whilst we accept the business case is starting from a 'known' position, use of an 'uncertainty log' may consider both of the above schemes as 'more than likely' or 'near certain', such that it would be reasonable to incorporate their impacts in the do-minimum position, prior to scheme testing. Awareness of these potential additional benefits would be helpful to understand, and in making the case to TfL.				

<b>Scheme Name:</b>	<b>Blackpool and Fleetwood Tramway Extension to Blackpool North Station</b>
<b>Scheme Description:</b>	A scheme to connect Blackpool North Station to the existing tramway at North Pier. The scheme is promoted by Blackpool Council and Blackpool Transport Services (BTS).

The purpose of this review is to examine the evidence base for the above scheme in order to identify any gaps. Additional work can then be undertaken on the scheme to ensure the business case for the scheme is comprehensive, which will limit the risk of future challenges.

The criteria used for the assessment is based upon the DfT document, 'The Transport Business Cases' (January 2013).

- The review which has been undertaken is based upon:
- Information contained within the Outline Business Case
  - Supporting documentation provided by Blackpool Borough Council

A RAG analysis has been undertaken to highlight areas where there appears to be insufficient evidence to demonstrate that the scheme has followed DfT best practice for the development of a major scheme. Recommendations have been included on work which could be undertaken to strengthen the business case for the scheme.

KEY	
<div></div>	= Significant additional work required
<div></div>	= Some additional work required
<div></div>	= Sound evidence base

Business Case	Criteria	Evidence	RAG Analysis	Jacobs Recommendations	Updates made by BBC / SDG	Updated RAG Assessment <small>(Jacobs second review - 10.03.16)</small>	Updates made by BBC / SDG	Updated RAG Assessment <small>(Jacobs third review - 22.03.16)</small>
FINANCIAL	Scheme Cost	Please provide as much detail as possible, including: - scheme development costs - itemised construction costs - running costs - maintenance costs - range cost estimates How were the scheme costs calculated? <a href="#">Detailed Cost report (Rev 4, 9th Dec 15) provided which includes cost benchmarking exercise.</a>	<div></div>	No info provided on the Low Cost Option Scheme Costs.  Unclear how the scheme costs in Appendix H correlate with figures included in the rest of the report.  Confirm if the dates in 'Table 5.1 : Capital Cost Items' are correct. States that construction costs will be in 2019 where as Table 6.1 Scheme Development Timescales indicates that 'all three works packages to be completed between January 2018 and July 2018'  Total risk allowance quoted in para 5.54 (£3.31m) is different to cost report figure of £3.89m	Please see following sheet 'Financial Case'	Please see following sheet 'Financial Case'	Please see following sheet 'Financial Case'	Please see 'Financial Case' sheet
	Funding Arrangements	Detail the funding sources and values which have been outlined. Outline any potential risks to securing funding.	<div></div>	No confirmation from the LEP that they have agreed to fund the increased scheme costs and the revised scheme (including 2 trams) - need to include evidence of LEP approval to £20.5m funding. Conversations currently ongoing between BBC and Dave Colbert.  Awaiting Section 151 Officer letter to confirm updated local contribution commitment - requested from PG.  Section 5.7 Funding Arrangements - the source of the Blackpool funding isn't consistent with chapter 11 of the cost report. Needs to reference that £2.6m is coming from savings from the recent Major Scheme Upgrade works set aside for the extension.				
	Key Risks	Please provide a risk register including mitigation measures. Has any sensitivity analysis been undertaken? What are the results? <a href="#">QRA workshop held in Nov 15.</a> <a href="#">QRA Report provided which identifies the top risks (based on risk assessment matrix and risk management strategy report).</a>  The total allowance for risk can therefore be summarised as follows: Construction (20% uplift in case tender costs come back higher): £1,977,377 Utility Work (40% uplift to cover a change to the scope of the utility diversion work) : £782,674 QRA (other key risks): £1,132,000 Total £3,892,051	<div></div>					
COMMERCIAL	Is there a robust contracting and procurement strategy?	Outline the intended procurement strategy. How was the proposed procurement approach developed? Have Local Authority contributions been secured? Have preparation costs been budgeted for? Have any third party funding arrangements been secured? Include details of any other potential funding risks. <a href="#">Detailed Procurement Strategy Report (Rev 3, 20th Oct) provided which outlines the intended procurement routes for each element of the scheme which is based on previous experience.</a> Procurement for the scheme has been split into 4 contract packages, as follows, each with its own procurement strategy: - Civil engineering works - Utility diversion works - Tram supply - SCADA system	<div></div>					
MANAGEMENT	Key risks and constraints identified?	What are the main risks associated with delivering and implementing the scheme? Include a Risk Register containing appropriate mitigation measures. <a href="#">QRA workshop held in Nov 15.</a> <a href="#">QRA Report provided which identifies the top risks (based on risk assessment matrix and risk management strategy report).</a> Appropriate mitigation measures identified. OBC outlines that the management of risk will be an ongoing process, with regular review at project and project board meetings, and meetings with the various contractor(s) and suppliers - minutes from the first 3 Project Board Meetings have been provided by BBC.	<div></div>					
	Delivery Programme	Please include indicative timescales for: - Scheme Development - Design - Procurement - Construction <a href="#">A programme Strategy report has been provided (Rev2, Oct 15).</a> The development of the scheme programme is based upon information obtained from the market, together with recent experience of similar works on the Blackpool tramway. The programme will be reviewed at every meeting with the Project Board .	<div></div>	Include the construction programme in the overall delivery programme (Appendix J) in order to show which tasks run concurrently (i.e. track and highway junction works?)	Now in App J			
	Governance / Assurance work	Who is in charge? What is the allocation of roles and responsibilities? Is there a Project Board? What control measures will be put in place to ensure the scheme development process is managed suitably? Has a SGAR been undertaken / scheduled? <a href="#">Blackpool Council intend to use a mixture of resources from within the organisation and specialist consultants where necessary.</a> <a href="#">Project Team Organogram provided as well as names of people on the Project Board.</a> <a href="#">A project Board has been setup - meeting minutes provided by BBC. Regular schedule of meetings (every 6 weeks as a minimum).</a> <a href="#">Project Governance report (Rev 5, July 2015) references the resources that will be used to complete the identified workstreams.</a>	<div></div>					
	Evidence of similar projects that have been successful.	Provide details of similar projects and their successfulness. <a href="#">Evidence of successful delivery of Blackpool Tram Upgrade scheme provided throughout the OBC and supporting documents.</a>	<div></div>					
	Who is the client / sponsor?	Include details of the client / sponsor of the scheme. <a href="#">Blackpool Council are the scheme promoters and Blackpool Transport Services are the existing and potential future operators of the scheme (as outlined in section 7.2.4 of the OBC).</a>	<div></div>					
	Fall back Plans	Do alternative schemes exist? Is there a lower cost alternative?	<div></div>	A low cost alternative option has been included in the Outline Business Case. However, the BCR for the Low cost option is only 1.34 (i.e. below 2) and therefore (in accordance with the LEP Assurance Framework) BBC would be responsible for a minimum 30% local contribution which is assumed to be unaffordable from BBC's perspective. <u>If</u> the Low Cost Option were to be progressed then additional evidence would need to be provided on the wider benefits generated in order to support the BCR.	The Low Cost Option is a comparator only and would not be progressed.			
	Arrangements for monitoring and evaluating the intervention.	What will constitute success for the project, and how will it be measured? <a href="#">Logic Map provided outlining the desired outcomes of the scheme</a>	<div></div>	A Benefits Realisation Plan should be provided (a M&E Plan will be required for Full Approval). Include reference to data collection to be employed and justification for the £34k budget.	Para re:£ is 7.7.16 Para re: BRP is at 7.7.18 to 7.7.19	<a href="#">The BRP text needs to reference the metrics which BBC submitted to the LEP to say how you would measure the success of the scheme and include info on frequency of monitoring.</a>	BRP Text updated	

Overall comments

- 1) Include an executive summary given the LEP audience  
2) Reference the supporting documents (e.g. Governance Report) in the Outline Business Case and append accordingly

Added  
Done in 1.3.1.

OK
OK

Business Case	Recommendation	Actioned?	Addressed in Updated Documentation	Updated RAG Assessment (Jacobs second review - 10.03.16)	Addressed in Updated Documentation	Updated RAG Assessment (Jacobs third review - 22.03.16)
Economic Case	A flowchart of the methodology would be useful to demonstrate which impacts have been assessed, which are monetised and which are not, and which software has been used.	Yes	Figure 4.2 added to Economic Case	OK		
	It is worth considering the delays to road users during construction of the scheme or provide a rationale for not considering them.	Yes	Text added to 4.3.17	OK		
	4.2.12: There is a confusion in the text over the choice of the appraisal years. Theoretically it should be opening year, and 15 years hence, as a minimum.	Yes	Typo has been corrected, modelled years are 2018 and 2033 (+15 years). Modelled years have always been correct, just error in report. Para 4.2.12 has been updated to clarify that the anticipated scheme opening year has now changed to 2019 (though the modelling represents 2018	OK		
	4.2.18: It is stated that quality benefits are included in journey time benefits. Can this be clarified in terms of the time/ skims being used in TUBA.	Yes	Text added to 4.2.19	We have some concerns in the reporting that the stated journey time benefits thus appear exaggerated. Whilst we recognise that a composite cost approach has been applied, which makes disentangling time and quality more difficult, can you provide further detail/assurance as to the proportion of benefits that are likely to be derived from the quality assumptions applied. For TfL we are keen to ensure this proportion is understood (even if only in broad terms).	Proportion of the overall benefit which is made up by quality (based on the calibrated mode specific constant) derived and report text has been updated to reflect this	
	4.2 Not clear what units the costs are in (market or factor cost). It would be useful if a table outlining the costs inserted into the Appraisal Model was provided.	Yes	Clarified in 4.2.23 final bullet. Table 4.1 has been added with cost line items	OK		
	4.3.5 The purpose split for non-concessionary demand would be useful.	Yes	Sentence added to 4.3.5 and Table 4.2 added with JP splits	OK		
	4.3.7 Looks like bank holidays are included in Weekdays rather than Weekends. Please can justification for this be provided.	Yes	4.3.8 added with bullet points showing time period allocation. Sensitivity results to be sent to Jacobs (memo prepared)	OK. It will be helpful to see sensitivity test results	Memo supplied	
	4.3.10 Are these values of time used in the Appraisal Model the same as TUBA? The high proportion of leisure trips is probably making the use of the 'Other' VoT more questionable.	Yes	Yes are the same VoTs - text added to 4.3.13. justification of 'Other' trips added also (4.3.12)	OK.		
	As discussed previously, a sensitivity test should be run using the new DfT Values of Time in order to investigate the impact on the scheme BCR (as the new VOT will have been adopted prior to Full Approval) and it allows us to advise on future sensitivity of the value for money case to this.	Yes	Table 4.6 has been updated with additional sensitivity test, also paragraph 4.10.13 added and Table 4.7	OK		
	4.3.15 WebTAG recommends Optimism Bias of 40% for the OBC stage. Whilst we don't disagree with the use of 15% OB (given the cost benchmarking exercise which has been undertaken) justification for using 15% OB should be included in the OBC. Has optimism bias been applied to other costs as well (operating/maintenance)?	Yes	4.3.19 justification added. No OB added to OpEx (justification added to 4.3.21) or Maintenance	OK		
	4.4 No details of how TUBA was set up and TUBA input file not included. No analysis of TUBA serious warnings (if any). No split of benefits by period. It would be useful to see benefits per user by journey purpose. Commuter benefits are 20% of total travel time benefits. It would be useful to see what the proportion of commuter trips is in the 12h demand to ensure this is reasonable.	Yes	Details of TUBA set up in para 4.4.2. TUBA input files in Appendix K (Economics and Scheme files). Figure 4.6 added showing split of benefits by time period (and para 4.4.4). Benefits per user added to para 4.4.5. Commuter proportion - text added to para 4.4.8	OK		
	4.4.9 Numbers in the report don't match the numbers in PA tables in Appendix. Should the renewal (maintenance) cost be presented as part of operating cost? AST says the maintenance costs are -£9.6m but report says £6.9m (para 4.3.24). Typo?	Yes	Numbers in TEE, PA, AST and text have all been checked (and where required updated) for consistency	OK. However, please could you confirm what is 19K in the Central Govt Funding for?	Text updated	Ok. Not sure why it needs to be included though. Raises more questions (how it was derived etc).
	4.7 The Distributional Impacts assessment does not follow TAG guidance. DI Assessment Results should be reported in the AST. The table showing how each vulnerable group is affected and which income quintiles get positive/negative impact is missing.	Yes	Distributional Impacts: Updates have been made to the Step 1 pro-forma in App D and to the AST in App F. Additionally, there are some additional paragraphs at 4.7.1 and 4.7.6	Updates to the AST and Appendix D have been made suitable for this stage of assessment. However, given the nature of DI analysis, and its legislative basis, we would wish to likely rescope some parts of the analysis in line with TAG for full funding approval stage.	To be agreed for Full Approval, but note that we consider the approach taken is proportionate/defensible	
	Appendix E - Environmental Appraisal not provided. Have WebTAG worksheets been undertaken where applicable. AST to be updated accordingly.	Yes	Environmental: We are not doing worksheets. Dr K Hands sent information which will need to be sent as compressed zip for App E separately (\\sldgworld.net\Data\Leeds\PROJECTS\227\9\23\01\Work\15 Completed BC\Updated Following AUDIT\01 Business Case\Appendix E to Submit Separately)	OK. For full approval we would wish to see the Air Quality Assessment Report, and supporting TA/ FRA when available. Has any response from the SoS regarding the EIA screening been received?	EIA Screening Response Letter provided  All TWAO documents will be publicly available in any case	
	Further consideration should be given to the GVA benefits generated by the scheme given the LEP audience and their economic growth objectives. Other schemes that have obtained funding approval from the LEP have reported an adjusted BCR, given the fact that the assurance framework allows for estimate of GVA benefits to the local economy in it's decision making; even if these are not incorporated into the core BCR directly. Additional visitors to Blackpool potentially associated with the scheme, and their typical spend would be a sensible area to explore- and we discuss this further on Friday where required.	Yes	Local GVA estimate made in section 4.8	OK- subject to confirmation of 7% uplift derived.	Spreadsheet supplied	Calculations and sources of evidence fine. Benefits very sensitive to in-scope demand assumptions- especially but not only walking. Economic case does not depend on these benefits, but suggest range is reported to TfL; 6,000-11,000 induced trips; and £400-700k per annum from opening to Local Economy. This is a gross GVA calculation- no account of deadweight/ leakage/ substitution of other trips potentially made from elsewhere in Lancashire considered so final reporting needs to state this.
	It is noted in the forecasting methodology that relatively simple NTEM updates have been applied. This does not account for any explicit representation of development, but more importantly, specific growth at the train station (which would be created by factors outside of NTEM) is potentially missing from the appraisal. Passenger forecasts at the station do therefore not account for future electrification of the Blackpool North line in particular, and future open access operation. Both of these would lead to demand uplifts at Blackpool station, and thus additional demand/ benefits of the scheme. Whilst we accept the business case is starting from a 'known' position, use of an 'uncertainty log' may consider both of the above schemes as 'more than likely' or 'near certain', such that it would be reasonable to incorporate their impacts in the do-minimum position, prior to scheme testing. Awareness of these potential additional benefits would be helpful to understand, and in making the case to TfL.	Yes	Text added to 4.2.12	OK		



Business Case	Recommendation	Actioned?	Addressed in Updated Documentation	Updated RAG Assessment (Jacobs second review - 10.03.16)	Addressed in Updated Documentation	Updated RAG Assessment (Jacobs third review - 22.03.16)
Financial Case	No info provided on the Low Cost Option Scheme Costs.	Yes	New paragraph 5.2.5 inserted. The LCA capital and operating costs input to the appraisal have also been updated as they did not reflect the final set of assumptions correctly. See para 4.324-4.3.25. This has resulted in the BCR of the LCA reducing from 1.34 to 1.19.	Please provide clarification of how the (updated) 60 year undiscounted operating costs of the Preferred Option (£160.0m) and the LCA (£86.7m) referenced in paragraph 4.3.23 and 4.3.25 were derived (and how they relate to figures 4.3 and 4.4 respectively).  In addition, please provide clarification of how the figures quoted in Tables 5.3, 5.6 & 5.7 relate to the figures quoted in the Scheme Cost Report. For example, it is not clear which individual costs (e.g. additional vehicles) are included in each cost category.	Text and tables updated to ensure consistent cost presentation used, linking back to Appendix H which forms the 'bridge' to the cost report	Table 5.2 states that the maintenance costs are £55.7m where as Table 5.3 says that they are £53.95m.  Section 5.7 (Funding Arrangements) and Executive Summary needs updating to reflect the funding arrangements described in the Section 151 Officer Letter. In addition, we would recommend appending the Section 151 Officer letter to the OBC.
	Unclear how the scheme costs in Appendix H correlate with figures included in the rest of the report.	Yes	Appendix H has been updated			
	Confirm if the dates in 'Table 5.1: Capital Cost Items' are correct. States that construction costs will be in 2019 where as Table 6.1 Scheme Development Timescales indicates that 'all three works packages to be completed between January 2018 and July 2018'	Yes	Table 5.1 has been updated	Table 6.1 needs updating accordingly to reflect the updated Table 5.1 (the 'Works' row still states that 'all three works packages to be completed between January 2018 and July 2018').	Updated	
	Total risk allowance quoted in para 5.54 (£3.31m) is different to cost report figure of £3.89m	Yes	Corrected to match cost report			
	No confirmation from the LEP that they have agreed to fund the increased scheme costs and the revised scheme (including 2 trams) - need to include evidence of LEP approval to £20.5m funding. Conversations currently ongoing between BBC and Dave Colbert.	No	For promoter	Still awaiting clarification from the LEP		Section 151 Officer Letter confirms that Blackpool Council will pay the balance of the scheme costs.
	Awaiting Section 151 Officer letter to confirm updated local contribution commitment - requested from PG.	No	For promoter	Still awaiting Section 151 Officer letter from BBC	S151 Officer Letter has been supplied	
	Section 5.7 Funding Arrangements - the source of the Blackpool funding isn't consistent with chapter 11 of the cost report. Needs to reference that £2.6m is coming from savings from the recent Major Scheme Upgrade works set aside for the extension.	Yes	We assume the £2.6m referred here is the £2.66m (£2.7m) in the cost report. We have amended section 5.7 along these lines.			

Date: 9<sup>th</sup> March 2016

Our Ref: ST/LS

Your Ref:

Direct Line: 01253 478505

Email: [steve.thompson@blackpool.gov.uk](mailto:steve.thompson@blackpool.gov.uk)

To whom it may concern

**Blackpool Tramway Extension To North Station**

As a result of developing the Conditional Approval Business Case for the above project we have found that the costs of the scheme may increase when we reach Full Approval. The total cost of the scheme is now projected to reach £24.0m, of which £16.4m has previously been allocated from Growth Deal funding.

I can confirm that subject to Transport for Lancashire (TfL) and then Lancashire Enterprise Partnership (LEP) support, I shall seek formal approval from the Council's Executive for the balance of these costs. I can also confirm that this will be affordable for Blackpool Council.

This contribution represents a substantial increase of almost 100% to the Council's original commitment, which we are prepared to make in view of the economic benefits that the scheme will bring to the town. However, we would ask that TfL and the LEP consider earmarking any future underspend or additional funding to support this project, to the extent that it is necessary at Full Approval, in line with the usual funding arrangements for projects of this type.

Yours faithfully



**Steve Thompson**

Director of Resources and Statutory Finance Officer

**Director of Resources**  
Blackpool Council  
PO Box 4  
Talbot Road  
Blackpool  
FY1 1NA

**Contact**  
T: (01253) 478505  
  
[www.blackpool.gov.uk](http://www.blackpool.gov.uk)







## **Lancashire Enterprise Partnership Limited**

**Private and Confidential: NO**

**Date: 5<sup>th</sup> April 2016**

## **Combined Authority Update Report**

**Report Author: Councillor Stuart Hirst on behalf of Lancashire Leaders**

### **Executive Summary**

The purpose of this report is to update the LEP Board on progress of the Lancashire Combined Authority and devolution proposals.

### **Recommendations**

The LEP Board is recommended to:

- (i) Note the contents of this report, and;
- (ii) To continue to support Lancashire Leaders in developing the Combined Authority and devolution proposals

## **Background**

Over the last 18 months, Lancashire Leaders have been exploring a range of options for closer collaborative working across Lancashire on economic related matters. A Governance Review concluded that a Combined Authority for Lancashire offers the strongest governance model and provides the best opportunity for Lancashire to achieve its potential.

Following agreement at their respective council meetings Lancashire Leaders have been developing the Combined Authority and devolution proposals for Lancashire.

At this stage 14 of the 15 Lancashire Councils have agreed to continue developing Combined Authority proposals. Wyre have chosen to take no further part in Combined Authority discussions.

## **Lancashire Combined Authority**

Earlier this year the LEP and Lancashire Leaders launched a public consultation exercise on the Combined Authority proposals.



Almost 2000 responses were received with 70% agreeing that a Combined Authority is right for Lancashire. The number of responses is relatively high for this type of consultation.

Throughout March and April Leaders are taking a further report to their respective decision making meetings recommending that their council become a constituent member of a Lancashire Combined Authority and move towards shadow form from July 2016. At this stage all councils who have had such meetings have agreed to these recommendations. These are – Rossendale, Pendle, Hyndburn, Lancashire County Council, South Ribble and Blackpool.

Officers are currently drafting a constitution for the Combined Authority and Leaders are working towards operating within the principles of the Scheme of Governance as a shadow Combined Authority from July 2016, subject of course to the remaining council decisions in the next few weeks. Formal proposals to form a combined authority would therefore be submitted to Government in May/June.

### **Devolution**

In developing the Combined Authority, Lancashire Leaders have been considering devolution proposals which could enable greater control, power and influence over a range of programmes and funding delivered in Lancashire. These include devolved funding for strategic transport and development; influence and/or control over employment and skills programmes and delivery; housing; growth funding and aligning investment activity.

A Lancashire Leaders meeting is being held on 5<sup>th</sup> April to discuss the proposals further and a verbal update will therefore be given at the LEP meeting.

# Agenda Item 13

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# Agenda Item 14

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# Agenda Item 15

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