



MINUTES OF SCRUTINY PANEL MEETING WITH LEP CHAIR AND LEP DIRECTOR

13th January 2017, Cumbria LEP, Redhills, Penrith

Present: Chris Holmes (chair), David Beeby, Martin Ward, Graham Vincent, Heather Bradley, George Beveridge, Graham Haywood, Suzanne Caldwell (minutes)

1. Introduction

Chris welcomed everyone to the meeting and introductions were made.

2. Feedback from Annual Conversation Meeting

George apologised for the mix up over the annual conversation meeting with BEIS.

The meeting was led by Kirsty Pearce, NW Director of BEIS, who is the senior director for the region. She has a sponsoring role vis-a-vis LEPs in the region.

The meeting covered:

- Growth Deal
 - o Rounds 1 and 2 are underway and Round 3 is about to be announced.
 - o Progress with the portfolio was discussed.
 - o The LEP has done some portfolio management, some projects are behind, for example, because of issues with land ownership, other projects have been brought forward. There has been some balancing between the County Council's capital programme and Growth Deal so money is not lost (the LEP gets it back from the Council the following year). George confirmed a good audit trail on this and explained that it is common practice.
 - o Graham explained to the Panel that some projects have struggled to get land acquired so delivery timescales have slipped, also they had to deal with the aftermath of the floods.

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- Support has been given to Carlisle airport which needed some money to get the runway up to spec to enable it to draw down DfT funding so this project was brought forward because of its strategic importance.
- £1m each has been awarded to McVities and Croppers for flood cleaning. Subsequent opportunities for McVities and James Walker arose around resilience. George explained that James Walker did not need flood recovery support but needed resilience support. They are very hopeful of an announcement shortly regarding resilience support for McVities and that they will be able to help James Walkers through Growth Deal 3.
- The response to flooding was discussed with BEIS and how that had slowed some projects and generated additional needs and requirements. BEIS say Government's view is that we were responsive to initial needs and further help regarding resilience.
- BEIS attends other LEP meetings such as the monthly Growth Deal project board so is fairly close to what's happening on an ongoing basis anyway. The Annual review is a stock take.
- BEIS were very engaged in flooding and agreeing on what the LEP was doing on an ongoing basis.
- Chris raised state aid rules. George explained that the County Council was very quick off mark with state aid. In situations like floods a scheme can be negotiated which allows flexibility on state aid. The Council agreed that with the Commission within days, working very closely with the LEP. Response support covered included the initial £1m each funding to McVities and Croppers.
- They explained to the Panel that Growth Deal funding was flexed in response to the flooding on the understanding that it would be made good in the fullness of time. They are hopeful of announcement of a number of £m for McVities resilience shortly as part of a bigger scheme around Eden and Carlisle – a direct grant from Government over and above Growth Deal funding. Graham explained that the James Walker several million is potentially part of Growth Deal 3. George explained that at the last LEP Board meeting on 13th December it was agreed that they would propose Government making that good as the LEP should not have to use growth money to keep a business and jobs in the county. George

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said that once McVities has been secured and Growth Deal 3 announced the LEP will approach Government about making good the £2m flood cleaning and James Walker but this can't be guaranteed. Asked how they would go about this it was explained that there would be a letter from George to appropriate Ministers, supported by appropriate MPs. George has regular communications with Sue Hayman (local MP) about James Walker and he thinks she has been very effective in getting that on the Government's agenda. The LEP is also engaging with John Stevenson re McVities and some of our other politicians. George highlighted that Roger Liddell had given a strong speech in the Lords the previous day on the need for investment in Cumbria.

- Cumbria LEP's sponsoring has just changed. It was Baroness Rolfe but George highlighted that he had been told the previous day that Jesse Norman (Energy and Industry Minister) is our new sponsoring minister.
- They also talked about skills at the meeting and in particular the recent Area Based Review (ABR). BEIS were pleased with the way we had handled that – George believes they have spoken with colleagues in the Skills Funding Agency (SFA). George explained to the Panel that about a year ago it was decided that an Area Base Review would be conducted in each LEP area, each led by an FE Commissioner. Ours was led by the 6th Form College Commissioner covering the north, Peter Mucklow. ABR's looked at long term effective and efficient delivery of FE. Cumbria LEP input on outcomes it wanted to see – some curriculum based, some reflected the geography of Cumbria (e.g. travel issues). The SFA was very pleased with this and that we didn't try to prejudge outcomes. The ABR made recommendations and the LEP was happy with those. One of the recommendations was a merger of Carlisle and Lakes Colleges. The two colleges began this process but it is not now happening and Carlisle is at an advanced stage with Newcastle Colleges Group.
- George said they also talked briefly about transport, largely frustration at the lack of Government support. The LEP has tried to look to the future in terms of other opportunities – in particular around need and rural and supporting big developments such as Moorside.
- The Industrial Strategy is the great new hope for the future. There will not be other Growth Deal rounds. It looks like everything will now hang on implementation of the Industrial Strategy. A Green Paper on that is expected around the end of this month.

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- There is discussion in Government of packaged support to the new major nuclear development. Cumbria LEP has been working with Heart of the South West LEP to approach Government coherently around how a support package might be put together. Asked whether things were on the table George confirmed that they are and explained that work has been done on this by the LEP and by Nugen, so needs and opportunities are evidenced and can be quickly assimilated. The package would go beyond transport and include support with skills etc. Government thinking is at a pretty early stage.
- Carlisle Enterprise Zone
 - o There was also discussion of Carlisle Enterprise Zone, which is not part of the Growth Deal. BEIS are pleased with the draft implementation plan submitted in October and provided feedback on that with some minor points. The LEP has just been successful in getting a grant from Government to complete the implementation plan which will involve more detailed work on infrastructure development to open up more of the site. The money was received last week. Procurement has already done so this work can be progressed to enable a full implementation plan by March. Again BEIS attend the Enterprise Zone Board bi-monthly.
 - o A Waste to Energy plant is planned in the Enterprise Zone. George explained that the business case for the Enterprise Zone was around specialist manufacturing and support to the energy sector and logistics. Other benefits are that it can provide cheaper heat and power to other businesses in the Enterprise Zone. 2-300 jobs are expected. It will attract capital allowances because it is in the Enterprise Zone. Heather commented that it is a good location because it is near Harker Substation. It has planning permission.
 - o Asked what the LEP's involvement in the Enterprise Zone is George explained that the LEP leads the initiative but does not own the site. An Enterprise Zone Board governs implementation. This Board is set up within the LEP governance framework and is chaired by George. It includes the LEP, site owner (Kingmoor Park), City Council and County Council, with attendance by Government. There are a series of steps that have to be gone through that are agreed with Government, including the draft implementation plan and a full implementation plan by the end of March. There are various agreements between the parties governing roles and responsibilities.

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- Asked about bringing in businesses and marketing the Enterprise Zone, Graham explained that BEIS are expecting a clear marketing plan. The Enterprise Zone Board is responsible for this and the marketing plan. The LEP is acting as a steward for Government to make sure the benefits are properly implemented – for example that the business rate discount is not just given to businesses moving from down the road. The Investment Plan will set out investment opportunities, targeted audience and how business rates generated will be used in future years for infrastructure, marketing etc. Benefits include enhanced capital allowances or business rates benefits and cheap heat and power, with good transport links. George said that BEIS look at how the Enterprise Zone is working (plans, MOUs, etc.) and is pleased with it.
- There are two parts to the Zone. One part attracts enhanced capital allowances – this part aimed at manufacturing businesses. The other part attracts business rates relief – this part is aimed at non capital intensive businesses. Marketing is needed to these two segments. A businesses can have one or the other but not both.
- Asked whether objectives are stated it was explained that these are in the bid and the implementation plan. Government will be looking for a relatively certain 5 year plan for investment and outcomes and aspirational beyond that. The Enterprise Zone designation lasts for 25 years. Graham explained that quarterly reports are submitted to Government on new businesses etc. and that by the end of this calendar year we will start to see significant outputs coming through in terms of jobs and business rates.
- Assurance Framework
 - George explained that the final topic was the Assurance Framework. There is reasonably extensive Government guidance on this that the LEP has to comply with.



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- Government revised its guidance couple of weeks before the meeting so there hadn't been the opportunity to fully go through the fresh guidance before the meeting. BEIS were pretty satisfied that we were compliant with the previous guidance – for example we have a Scrutiny Panel which quite a few LEPs don't.
- All LEPs have to assure Government by the end of February that they are complying with the new guidance. This assurance has to come from the Section 151 Officer of the accountable body.
- Cumbria has a few tweaks to make. There is heightened sensitivity around not just actual conflicts but also perceived conflicts – doing the right thing and being seen to.
- George is pressing BEIS for minutes and will be very happy to make them available to the Scrutiny Panel when he gets them.
- Graham added that BEIS were very complementary about Cumbria LEP's progress on the Assurance Framework. The Assurance Framework is about management of public money with strong governance and transparency. Graham said he thinks we are in a strong position and that Government recognise that.
- The Panel asked how Government assesses that. Do they just take what we say? Or do they audit implementation? Do they talk to anyone?

Chris asked about Growth Deal. George said that this is still expected to be £10-14m, with an announcement expected around the end of the month. The bid was £165m. Asked what Government had said about the scale of the award George said there was a clear answer that we hadn't made progress on governance in terms of devolution, mayors etc. - "strengthening local accountability". Graham said that he was not sure it would be in the minutes that not signing up to a devo deal had been a factor but thinks that Ministers have been quoted in the press including the FT.

When asked about devo George said that the LEP has been supporting devolution although the last discussion was last May with Greg Clarke. This was from LEP perspective. There has been no substantial discussion since and it is not a LEP decision. The most recent advice is that Government are concentrating on progressing the devo deals already in pipeline not starting new ones, with not current Government appetite for discussion on devo.

Another reason for the scale of deal was population which we have been burnt by.

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Another was leverage. Many of our projects delivered fantastic leverage but Government clearly had a preference for projects that had private sector match directly into the projects rather than leverage. Graham said that before the assessment Government was not clear that their preference was for direct match rather than leverage. Graham explained leverage saying that if a junction was funded, unlocking 900 houses and the houses were then built this would generate significant leverage of private sector spend but there would not be direct private sector match spend on the junction itself. He added that the decision on match over leverage was made while Government were undertaking the assessment.

Graham explained that he thinks the order of reasons for the decision was devo, population and then leverage. George added that a lot of Cumbria's needs are infrastructure and it is difficult to get private sector to pay into that.

Graham said that the Panel needs to understand that Cumbria already has a Growth Deal programme and a European programme which the LEP strongly influences. Between these we still have about £100m to 2020-21 to deploy. There is a need to focus on delivering in the most expedient way rather than dwelling on what might have been.

Chris asked about £10m going on broadband to BT and Graham said that this decision had been made before Jim Jackson joined the Board.

Chris asked how the funding would now be attributed between the £165m projects. Graham replied that there are other funding sources such as new nuclear, the Homes and Communities Agency (which has quite a bit of money, not just for housing, and can take on mixed developments and support things like Cross-a-moor Junction), feeding into the Highways England Strategic Road Study, etc.

Chris asked about the European money. Graham explained that immediately after Brexit the Government had put a brake on this. They have since opened it back up. A number of calls for projects for ERDF are out currently (for things like new premises, getting ready for finance, etc.) and EAFRD rural funding calls are expected later this month (for things like food processing and clusters and the visitor economy). The LEP draws up a spec of what sort of projects it is looking for. There is a short turn around to apply and a long time for a decision. George

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Added that Government has underwritten EU funding through to 2020 regardless of when we leave. The Treasury will make good.

This is part of the approximately £100m available. Growth Deals 1, 2 and 3 add up to about £60m and European potentially £70m. But some of these have already been deployed.

Asked what the key things are from the £160m that money is desperately needed for Graham said transport and infrastructure. George added that the LEP is trying to draw in a package re new nuclear and continuing to push, pushing for a bigger contribution from developers in West Cumbria undertaking nuclear development for things like improvements to the coastal railway. It is hoped that by the end of summer the LEP is at a point where it's confident a deal can be done with Nugen and that's important to moving things forward on infrastructure. It is very wary of funding infrastructure until it's confident that a deal can be done with Nugen re the power station.

Graham is hopeful of National Highways Agency funding for Cross-a-moor. HCA funding is available contingent on planning permission. The HCA is now looking at stepping in to pay for infrastructure to unlock housing or bring on land so it can be consolidated to single ownership and progress can be made. Planning for the first part has been through SLDC.

Martin returned to BEIS and the Assurance Framework, asking whether their view is based on what the LEP tells them it does. Graham responded that the "guidelines" are very prescriptive. BEIS look at the Assurance Framework and compare it with their model. Cumbria was previously fully compliant. In the new version there are two or three areas in which there is a need to go back to the Board in January and tweak. Cumbria will then be fully compliant.

Graham said that the review would be more about governance and structures than the Assurance Framework.

David asked if BEIS come and check that the LEP is operating in line with its documents. George said the LEP had been audited by the National Audit Office last year. There were some things that came out of that – probably the most significant was register of interests of Board members published on the website.

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Graham said that internally there is a lot of responsibility on Cumbria County Council as accountable body to check and confirm decisions made properly, proper recording, etc.

Heather asked about the position if the County Council is putting in a bid and how transparency is ensured in that case. Graham said that every application has to be in a standard framework and presented to the Investment Panel. The Investment Panel has external review available through KPMG who can do external assessment (and this was done on Growth Deal 3) so there is transparency in the model. The Board signed off the criteria for Growth Deal 3.

3.0 LEP Review

Chris explained that this must be an external review led by the Scrutiny Panel and that he and George had discussed and agreed this. Suzanne is to circulate the draft scoping which has been produced.

Action: SC

He confirmed that this is not intended to be a witch hunt but a look for tangible ways that we can make sure the LEP is most effective and discover what could be done better for the benefit of Cumbria. It will enable to Scrutiny Panel to say it is doing its job. The LEP will need to pay for the cost as the Scrutiny Panel does not have funding. There will be a need to ensure procurement is done correctly.

George agreed that this made sense. He had seen the draft scope and was very supportive. He said that a lot of value can be derived from an independent view. It needs to be completely independent of the Board and partners. He would like to get to a point where he and Chris are happy with a document setting out the terms of the review and take that to the Board in two weeks' time. The Board papers need to go out next Friday. Once he has made sure the Board is happy then he is happy to proceed. There will be a need to procure an organisation to carry out the review. Chris needs to be content with the specification and sign off on the appointment. The procurement process needs to be compliant. He said that Chris can be involved in the tender assessment if he wants to.



Chris highlighted the need for the Scrutiny Panel to be involved in and make the decisions at every stage of procurement. The process must be fully transparent.

Graham said that the existing County Council or other partner framework could be used or procurement could be completely open and use the NEPRO portal or open advert. Either would be appropriate/acceptable. Heather highlighted that there are also national organisations specialising in scrutiny.

It was agreed that Chris and George would get together on this.

Action: CH/GB

George asked that a look at what's happening in other LEPs be added to the plan and it was agreed that this would be added, along with potentially other ideas.

It was agreed that George would propose and get the scoping paper agreed by the LEP Board.

Action: GB

It was agreed that David and Martin would lead on taking this forward, liaising with Chris by email as he will be out of the country.

Action: DB/MW/CH

A list of key stakeholders is needed to go with the tender documents and this needs to be agreed.

4.0 Any other business

There was no other business.