

Cumbria Local Enterprise Partnership Governance and Organisational Review

Final Report November 2017

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1. Scope, Background and Methodology

Scrutiny Review

- 1.1 This report represents the first full draft report from the appointed consultants, S4W Ltd on a governance and organisational review of Cumbria Local Enterprise Partnership (LEP).
- 1.2 The brief for the study stated that in March 2017, the LEP Board felt that it is sensible to commission an Independent Review given that the LEP has now been operating for a number of years and has evolved and developed. The national economic landscape has changed significantly in the last few months and the future operation of the LEP needs to anticipate new Government policies articulated through its Industrial Strategy. Cumbria will also face both new challenges and opportunities post BREXIT.
- 1.3 The Board were keen to see a review that is proportionate, independent and offers some clear recommendations for the future governance, organisation and resourcing of the LEP. The brief requires a review not an in-depth study. The Review was to be directed and scoped by the Chair and the Private Sector members of the Scrutiny Panel who will agree with the selected Consultants how the Review is conducted and how all LEP Partners and other Stakeholders will be consulted.
- 1.4 The Chair and the Private Sector Members of the Scrutiny Panel extended an invitation to the public sector representatives to join their discussions on the progress of research findings and the drafting of the report.
- 1.5 At the inception meeting, the private sector Scrutiny members made clear their concern that there was a growing perception within the business community that Cumbria LEP was not fit for purpose and was failing to win appropriate resources to stimulate economic growth. There was also an expressed view that the LEP may be following an inappropriate strategy.

Methodology

- 1.6 After meeting with the private sector members of the Scrutiny Panel to be briefed on their understanding of the study and the areas of emphasis which they wished to see developed. Arising from this the review has focussed on three broad themes:
 - Is the current Cumbria LEP strategic focus appropriate?
 - What are the perceptions of current performance
 - Issues arising to be addressed
- 1.7 The review has assessed the strategic operating context and key priorities for the LEP, an outline assessment of priorities within Cumbria and a review of the core documents and operating processes for Cumbria Local Enterprise Partnership. This provided the context for engagement with current and ex Board members, wider partners and stakeholders to seek their views on performance, capacity and gaps. We have also reviewed a detailed paper prepared on behalf of the District Councils of Cumbria.

- 1.8 We have held discussions with LEP Board members in place in June, five former Board members, the Executive Director, some District Council Leaders, all members of the Private Sector Advisory panel, the lead officer and lead accountable body officer for Cumbria County Council and the Lead and Deputy Lead for the Cities and Local Growth Unit at BEIS in Manchester. We have offered an interview to all Cumbria Members of Parliament in the latter stages of preparing the report at the request of the Scrutiny Panel.
- 1.9 We have also met with the Chief Executives of two other Local Enterprise partnerships in order to gain a perspective on how they have developed to meet the challenges they have faced – we do not suggest that these are directly comparable to Cumbria and indeed, each LEP has its own specific characteristics based on economic structure, geography and institutional arrangements. However, they do illustrate some contrasting ways in which they have progressed and developed. Lancashire LEP was selected as a neighbouring area within the North West and Leicester and Leicestershire as a LEP we have worked with closely. A list of all those contacted is included in Appendix G.
- 1.10 When S4W supported Leicester and Leicestershire LEP to develop their Strategic Economic Plan and European Structural and Investment Funds strategy they had a very small team largely made up of secondments. Based on the advent of Growth Deals, they developed a more permanent structure. Notes of these discussions are in Appendix A and B. We have also had discussions with the principal advisor to the Chief Economic Development Officers Society and the Chief Executive of the LEP Network. We have also, where relevant, reviewed the responses of businesses to the 2015/16 business survey as context.
- 1.11 Interviews have been based on a relatively common format to ensure key areas are discussed and general themes can be identified from across a spectrum of consultees, but allow space for views important to consultees to emerge and be considered. Interviews have also allowed for recommendations and suggestions from partners and stakeholders.
- 1.12 The responses to discussions have offered a wide range of views, some of them at opposing ends of the spectrum, but also some positive suggestions and recommendations. Interviewees were assured that individual views would remain confidential and there would be no attribution of comments in the final report to ensure that every opportunity was offered for a full and frank discussion. We have used our collective experience in working with a range of economic partnerships to review all this evidence with the aim of providing a clear analysis and proposals for a positive way forward.
- 1.13 In the sections below we set out what Government requires from LEPs, the Assurance Framework that guides the allocation and use of public funds, the present organisational and governance structure along with a summary of activity as a context for the discussions we held with key stakeholders. Within this we also summarise the findings from the National Audit Office on two recent reports on LEP activities in order to provide a wider frame of reference.

2. Context

- 2.1 Cumbria is home to almost 500,000 people and over 23,000 businesses, 90% of whom employ less than ten people. The county is also home to a number of large, multinational companies who are major employers and whose impact spreads much wider through their supply chains. Cumbria is the second largest geographical county in England, but the most sparsely populated one and is one of the few areas that has a single upper tier Authority and co-terminus Local Enterprise Partnership. It has a unique geography, described to us a doughnut, where most of the people live and work in the outer ring whilst the centre section of lakes and mountains draws over 18 million visitors each year. The background to establishment of Cumbria LEP is briefly summarised below.

Development of Local Enterprise Partnerships

- 2.2 Successive governments in England have, in recent years, sought to stimulate and rebalance economic growth between different regions. In 2010, the Coalition government set out its plans for local economic growth in the white paper¹, '*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 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."
- 2.3 Following the abolition of the Regional Development Agencies in 2010, 39 Local Enterprise Partnerships (LEPs) were subsequently established in England over a period of time, with each designed to represent a functional economic area². 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.
- 2.4 The Government stated that Local Enterprise Partnerships (LEPs) are key to plans for local economic growth. They are business-led partnerships between the private sector and local authorities established with the purpose of steering growth strategically in local communities. In June 2010 Government invited businesses and councils to come together to form local enterprise partnerships whose geography properly reflects the natural economic areas of England. The local growth white paper referred to above set out the roles that local enterprise partnerships can play depending on their local priorities.
- 2.5 Cumbria Local Enterprise Partnership was established in 2011 as a private sector-led private/public partnership. In common with other parts of England, there was a debate between local partners and Government as to what was an appropriate geography given the latter's preference for LEPs to cover more than one upper tier area. In the end, the Cumbria geography prevailed with the Chamber of Commerce and County Council working closely together to put the necessary initial partnership structures and processes in place.

¹ Local growth: realising every place's potential, Department for Business, Innovation & Skills 28 October 2010

² Since 2017 there are 38 LEPs as Northamptonshire LEP merged with SEMLEP

- 2.6 The Board aims to provide a strategic lead in all activities contributing to the growth and vibrancy of the county's economy. The Board currently comprises six representatives from the private sector, including the Chair, and six from the public sector.
- 2.7 The role and remit of Local Enterprise Partnerships has grown significantly and rapidly from private sector-led strategic partnerships which would determine and influence local growth priorities to being responsible for managing substantial amounts of growth funding including:
- early rounds of the Regional Growth Fund,
 - Growing Places Fund
 - Oversight of Growth Hubs
 - Management of Enterprise Zones
 - Growth Deals
 - Strategic direction over the use of European funding
 - Area reviews of post- 16 education and training institutions.
- 2.8 In March 2016 the National Audit Office (NAO) produced a report³ which found that LEPs themselves have serious reservations about both their capacity to deliver and the increasing complexity of the local landscape. 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 that the resources available to them were sufficient to meet the expectations placed on them by government. In addition, 69% of LEPs reported that they did not have sufficient staff and 28% did not think that their staff was sufficiently skilled. The NAO found that LEPs rely on their local authority partners for staff and expertise, and that private sector contributions have not yet materialised to the extent expected.
- 2.9 In addition, there is a risk that projects being pursued will not necessarily optimise value for money. Pressure on LEPs to spend their Local Growth Fund allocation 'in year' creates a risk that LEPs will not fund those projects that are most suited to long term economic development. Some LEPs reported that they have pursued some projects over others that, in their consideration, would represent better value for money. LEPs have also found it challenging to develop a long-term pipeline of projects that can easily take the place of those that are postponed.

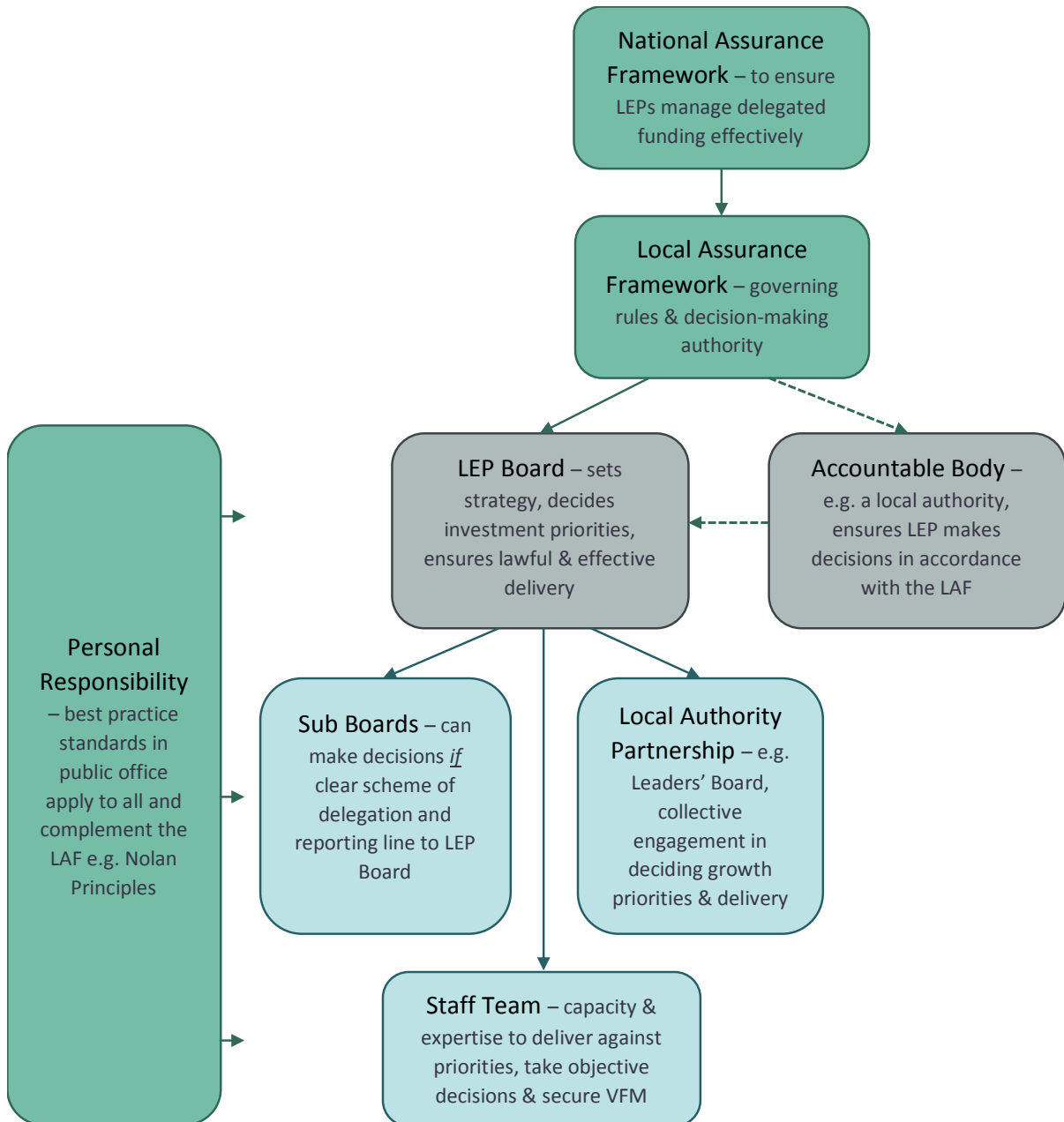
LEP Assurance Framework

- 2.10 Governance of LEPs is a relatively complex matter. Each of England's 38 LEPs are different, in some cases widely different. Good governance does not come in a one-size fits all box. LEPs now manage multiple funding strands from multiple government departments, each with their own approach to standards and assurance and Departments tend to favour principle-based approaches, using codes and guidance rather than definitive rules.

³ National Audit Office; Local Enterprise Partnerships, March 2016

2.11 In 2014 Government asked all LEPs to work to develop a National Assurance Framework to ensure that they had in place the necessary systems and processes to manage delegated funding from central Government budgets effectively. This Framework was revised and strengthened in November 2016. The National Assurance Framework is one element of the wider assurance system of funding to Local Enterprise Partnerships, which also comprises regular Local Enterprise Partnership reporting to the government against agreed output metrics, Local Enterprise Partnership evaluation frameworks, and annual performance conversations between the government and each Local Enterprise Partnership.

Diagram 2.1 LEP Assurance Framework and Governance Responsibilities



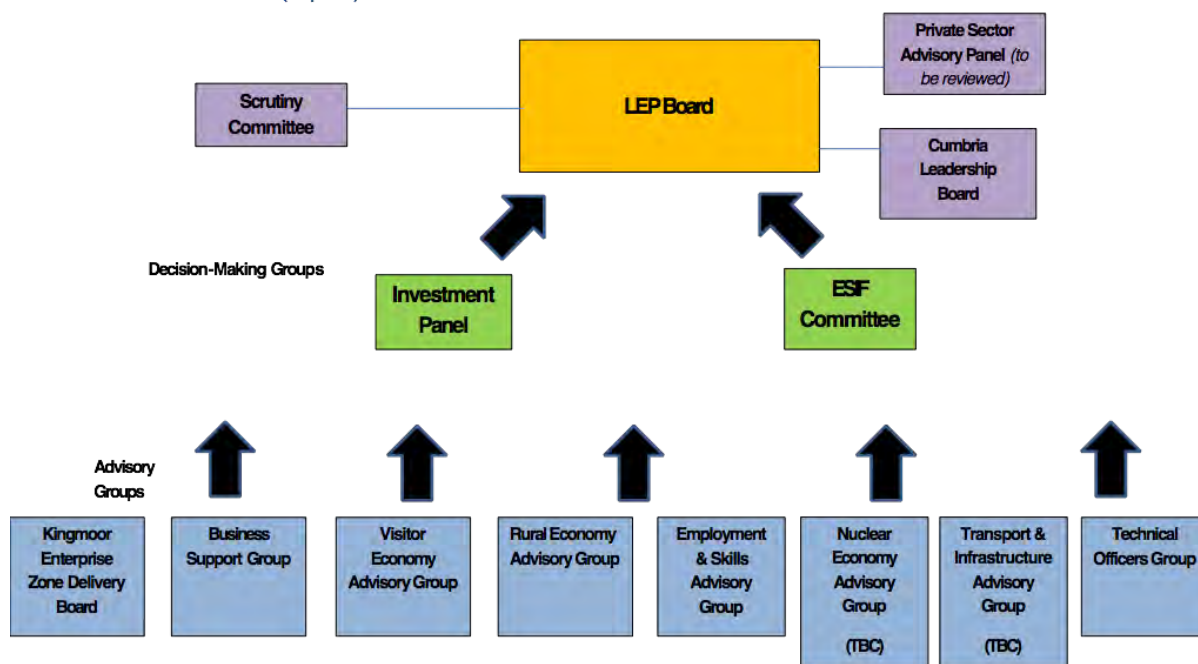
- 2.11 The focus of the Assurance Framework remains on implementing practices and standards which are necessary to provide Government and local partners with assurance that decisions over funding are proper, transparent, and deliver value for money.
- 2.12 Government expects that Local Enterprise Partnerships should review, refresh and sign off their Local Enterprise Partnership's Local Assurance Framework as they will be incorporated as a condition of funding in future Growth Deal grant offer letters. These letters are the formal means by which the Department for Communities and Local Government (DCLG) awards each annual Growth Deal allocation to each Local Enterprise Partnership, sets out the degree of flexibility on offer and specifies the terms of the grant.

3. Cumbria LEP Current Governance and Organisational Structures

- 3.1 The Board comprises six representatives from the private sector, including the Chair, and six from the public sector. Local Government is represented by the County Council and three of the six District Councils. The Districts serve a term of two years and are “paired” with another District which can act as an alternate and attend in the absence of another. The Lake District National Park Chair was appointed to provide a perspective from both the Lake District and Yorkshire Dales National Parks and Cumbria University make up the remaining public-sector representation, providing a perspective on Education matters.
- 3.2 In recent times, private sector board members have been appointed for a one-year term which can be extended to a total term of three years. Two private sector vacancies have recently been filled in July 2017.
- 3.3 The National Audit Office report referred to earlier indicates private sector board membership ranges from 45% to 80%. 29 out of the 39 LEPs surveyed had a private sector board representation greater than 50%. Average private sector board membership is 58%. Cumbria Local Enterprise Partnership would currently offer 50% private sector membership, although until the recent private sector board members were recruited, the private sector was in an overall minority.
- 3.4 The operating structure of the Board in December 2016 is shown below, from a diagram included in Board papers. This shows the LEP Board supported by two decision making groups of the Investment Panel and the ESIF Committee, along with a number of Advisory Groups. This was created in anticipation of a substantial implementation programme following the Local Growth Fund Round 3 and to provide direct LEP engagement with priority sectors and themes.

Appendix 3

LEP Governance Structure (Proposed)– December 2016



- 3.5 In our consultations there has been some concern expressed that the past and present operating structure of the Advisory Groups has been ad hoc and doesn't provide a comprehensive advisory network to the LEP board, with terms of reference and frequency of meetings not always clearly adhered to. There is a need to ensure consistency in how these groups operate, levels of openness in how engagement and participation is organised and clarity on what their purpose is. Above all, there needs to be a clear resource available to support how they work and how their advice is reported and acted upon.
- 3.6 There was also some concern that this structure is "overblown" and is not supportable given resources available. The counter view is that the Advisory Boards provide a significant means of having direct contact with a much wider range of businesses and are an important source of business engagement. On balance, it seems sensible to endorse this existing operating structure and review once the strategic focus of the LEP is refreshed, a point dealt with later in the report.

Cumbria LEP Activity

- 3.7 Below is a summary of some of Cumbria LEP activity which has a physical manifestation, with key projects listed in Appendix C:
- Regional Growth Fund. In total £60.4m has been allocated by Government over 3 Growth Deals, facilitated by the Strategic Economic Plan/Growth Deal submissions
 - Growing Places Fund - £6.7m revolving fund to support infrastructure projects which unlock development, create jobs and new homes in Cumbria.
 - Business Growth Hub, pump primed by Government funding of £250k.
 - Designation and coordination of Kingmoor Park Enterprise Zone, Carlisle.
 - Growth Deal support for the Barrow Waterfront development.
 - Cumbria's EU programme for 2014-2020 is currently worth approximately £73.8m. This includes the European Regional Development Fund (ERDF), European Social Fund (ESF) and European Agriculture Fund for Rural Development (EAFRD). Working with the Managing Authorities, LEPs are responsible for strategy on how the money is to be spent.
 - The Flood Recovery Grant Scheme ensured that grants of up to £10,000 were made available to help businesses recover more quickly and start trading again. The 2016 Annual Report indicated that at that time Cumbria LEP had committed £3.5m to support 648 businesses with their flood recovery.

Devolution Deals

- 3.8 Devolution deals transfer powers, funding and accountability for policies and functions previously undertaken by central government. The specific arrangements vary in each case, as they are negotiated and agreed separately based on local proposals. The government has seen the formation of combined authorities as the next step in devolving power and spending from Westminster to individual areas, formalising joint working which may have been in place for some time. The government has also seen Combined Authorities as central to its efforts to stimulate economic growth outside the economically higher performing

regions of London and the South East. This issue is referred to here as it was an important element of context raised during the consultation process.

- 3.9 Proposals for a Devolution Deal for Cumbria were discussed in 2015 and 2016 but were not agreed. Our interviews indicated that Devolution had been discussed for around 18 months at the Cumbrian Leaders Group that brought all the public sector together and was clearly a complex matter, initially having only a minority of Councils in favour.
- 3.10 In March 2016 the proposals were discussed again and whilst no details are publicly available, reports suggest that Cumbria could have benefited from an extra £300m funding over a 30 year period. The precise reasons for failure to proceed are not absolutely clear but the perception is that this has seemed to create a further wedge in the local government representation on the Board and added even more tensions around the table. The perceptions of stakeholders identified a number of reasons for not proceeding:
- The value of the Government offer at around £10m a year was considered by some to be very modest in relation to the political changes required.
 - There were also fears that the 30 year funding deal was very vague with what in effect might be a break clause through a review after 3 years and a lack of trust that Government would have delivered on its side of the deal.
 - A lack of political appetite for a Mayoral election, especially within the then leadership of Cumbria County Council
 - The timescale for implementation was totally unrealistic, requiring a deal to be formally signed by Leaders without time for any consultation within Councils, in order to meet a deadline that would allow for inclusion within the Budget announcement

Cumbria LEP 2017 Annual Conversation

- 3.11 A summary extract from the summary of the latest Cumbria LEP Annual Conversation record in January 2017 is as follows:

Summary Record

- The LEP have made good progress since last year. Given their limited resources, they are investing in the right support to ensure all projects are assessed externally on a value for money basis and have implemented strict due diligence internally.
 - They have highlighted the risk of an underspend this year and a potential overspend next year - however are actively managing this.
 - Some work needs to be done on ensuring open and transparent recruitment of Board members and a final review of the Assurance Framework, to ensure it meets new Government guidelines. The LEP are aware of this and are working to provide the required S151 signed letter by the end of February
- 3.12 The letter in the third bullet point was sent as requested confirming 100% compliance with the Assurance Framework.
- 3.13 Based on Cumbria LEP's last Annual Conversation, there is a potential argument that nothing needs to change substantially in any review of the Cumbria Local Enterprise Partnership. However, the findings of the consultation saw little appetite from partners to leave things as they are as part of this process.

4. Key Consultation Findings

Strategic Focus – Is Cumbria LEP focussing on the right priorities for the Cumbrian economy?

- 4.1 The Cumbria Strategic Economic Plan was approved after consultation with business, public and voluntary sector partners in April 2014. The 10-year Strategic Economic Plan (SEP) concentrates on FOUR strategic priorities with intervention through FOUR economic drivers. This ‘four by four’ approach aims to deliver the maximum benefit for Cumbria and drive economic growth at a county, national and international level. Named as “the four-pronged attack” the Plan states it will unleash Cumbria’s potential in both rural and urban areas and will bring the best return on public and private investment.

The Plan has the following priority themes:

- Advanced manufacturing growth
- Nuclear and energy excellence
- Vibrant rural and visitor economy
- Strategic connectivity of the M6 Corridor

Intervention will be focused on four economic drivers:

- Business Support,
- Skills Development,
- Infrastructure Improvements
- Environmental Sustainability

- 4.2 The SEP was finalised at a time when the then Government were exploring the benefits of “Smart Specialisation” as a model for economic interventions, with a concern that too many local economic frameworks were adopting generally similar priorities without clear local distinctiveness. Smart Specialisation is an approach to investment that helps key local players identify and exploit the sectors in which they can claim to be world-leading making more compelling cases for investment and securing better value for money. The Cumbria SEP is therefore consistent with that approach. Subsequently, Smart Specialisation as a concept has been developed as a tool that is more about providing a framework for identifying priorities for developing innovation assets under ERDF.
- 4.3 During consultation, a significant minority felt that the present focus should be maintained for a number of reasons:
- There was broad support in the consultation process and the plan has only been operational for just over three years
 - It identifies clear priorities and this is better than a long catalogue of actions
 - It focusses on some of the issues that will have a major impact on the Cumbrian economy
 - There was a focus on maximising the impact of ‘big ticket’ transformative priorities
 - The sector focus is consistent with the emerging Industrial Strategy

- 4.4 Others commented that the strategy was still relevant and it was other issues such as poor partnership and lack of resources that were hindering progress, whilst a number of consultees felt that the work of the LEP had become dominated by Nuclear issues and it had slipped in effect into being a “one pronged attack.”
- 4.5 Overall, a majority of consultees felt that a refresh of the SEP was now appropriate, with a number of comments that the strategy divided rather than unified Cumbria. It lacked excitement and innovation, and could address the needs of the visitor economy more. A number are uncomfortable with the concentration on nuclear as they see little evidence that it is open to local influence and that there were sufficient opportunities for cutting edge technologies to be applied in other sectors. The stated rationale for devolved powers is that “where the drivers of growth are local, decisions [are] made locally.” Many felt that the drivers of nuclear investments are primarily national and international. As a consequence, local efforts and resources should potentially be focused on developing the local supply chain. Whilst considerable attention had been given to exploring infrastructure investments that would help to secure further large scale investment, opinion was divided on whether this should be at the expense of local growth funds or funded from elsewhere in government.
- 4.6 Consultees suggested that a new strategic focus could consider other priorities such as aligning to the emerging national Industrial Strategy, adopting a focus on economic resilience so that there was a broader based economy or exploring how themes of connectivity could be widened to include more activity around Carlisle Lake District Airport, road, improved passenger rail and broadband.
- 4.7 It was also noted that the four priority themes generally had a strong geographic focus to certain parts/Districts within Cumbria and whilst having some level of benefit to Cumbria overall, they were not issues that partners could unite around. Major issues such as infrastructure, attracting the workforce of the future (especially post BREXIT) housing and skills were felt to be issues that resonated across all of Cumbria and should take more of the focus over specific sector initiatives.

Recommendation 1 – Strategic Focus

Cumbria LEP should commission a refresh of SEP with a focus and wide engagement of all partners with the objective of identifying clear strategic priorities that can help to drive economic growth and maximise partner buy in. If this is commissioned and delivered in an inclusive way it could help provide a focus for a strategic re-set of Cumbria LEP activities and those of partners. It will be important for any refresh to be set in the context of the new Industrial Strategy but given that the latter is likely to be published in October/November, this is likely to be consistent with the timescale for commissioning a SEP refresh.

On completion of the refresh of the Strategic Economic Plan, it is recommended that the LEP and partners then review the Advisory Group structure to ensure it remains fit for purpose and amend accordingly

How well is Cumbria LEP Performing?

- 4.8 We sought views in open-ended questions to all those interviewed. As with the strategic focus, there was a wide range of views expressed. As noted earlier, there is a list of key projects in Appendix C
- 4.9 At the most critical there was a feeling that many partners had lost faith with Cumbria LEP and feel it is dysfunctional and totally unfit for purpose. It has failed to win adequate resources for Cumbria, with the latest Local Growth Deal allocation the lowest of all 38 LEPs, and overall in the lowest quintile on a £/per capita basis⁴.
- 4.10 There was a perception that “Whitehall” is not impressed by LEP ideas and is therefore not backing it. It has also achieved very little in tangible results with the perception that the most visible achievement was projects in support of the County Council and that the leadership at Board/Executive level were felt to be ineffective and a fresh start was needed.
- 4.11 There was then a broadly neutral band of views of those on or working with the Board that felt it was a very complex operation, very interesting and challenging, but ultimately very frustrating. There was a lot of discussion but not always followed by significant action. The papers and presentations are very extensive and it was very challenging to absorb complex reports and do justice to what were some highly complicated issues. Board meetings can last 3 to 4 hours and some find it difficult to engage and feel they have made a positive contribution. There has been a tendency for processes related to seeking financial resources to take over from strategic thinking.
- 4.12 In recent times, discussions have been dominated by Moorside and Nugen with lots of effort into improving rail and road connectivity to Sellafield to the perceived detriment of anything else. In addition, there was a tendency to put a promotional gloss on matters rather than recognise challenges and the need for new solutions.
- 4.13 In contrast, there was a view from a number of stakeholders that Cumbria LEP was performing relatively well in the context of some really challenging circumstances. It operated in the context of some major constraints which a number of consultees identified as;
- Examples of fractious partnership working at a number of levels
 - A severe lack of capacity for the Executive
 - Very limited discretionary resources
 - a chronic lack of capacity in Economic Development across the region since the demise of Regional Development Agencies, which is particularly felt in Cumbria
 - Increased role and expectations from Government with extensive and constantly evolving set of demands and roles
 - Unreal expectations from some partners

⁴ Figure 10, LEPs Growth Deal funding per capita, National Audit Office report on LEPs 2016

- 4.14 In order to test the view that the Government has a negative view of Cumbria LEP we held extensive face to face discussions with the Cumbria Area Lead and Deputy Area Lead of the Cities and Local Growth Unit in Manchester. The Unit is drawn from staff at BEIS and DCLG. The note of that meeting is included in full in Appendix D. It accepts that they have a narrower perspective than some local partners have but their view was that overall, the LEP is performing fairly well. They stressed that there is no variance between the views of those Government officials in Manchester, or in Whitehall. As a summary, their comment is that

“In broad terms, when ranked against other LEPs, Cumbria is probably performing in the middle of all LEPs, which given the fact that some can call on 100 to 200 staff, was a considerable achievement.”

- 4.15 Their observations pointed out serious weaknesses in partnership working including the lack of trust amongst local government and a culture of infighting, a weak private sector voice, and lack of realism in bidding for resources.

“...due to capacity constraints, the LEP was reactive and not strategic; it can't currently develop clear priorities. The LEP needs to develop a stronger Board and move into clear forward thinking, articulating where it wants Cumbria to be in 5 and 25 years' time and work effectively with local government on that journey.”

- 4.16 In terms of perceptions of effectiveness, there is no doubt that the fallout from the Local Growth Fund 3 bidding round has been very damaging for morale and casts a long shadow. We discussed this with BEIS and it was touched on in many of our interviews. In summary, Local Growth Fund was the latest in a series of rounds of funding allocations to support economic growth. The Government's invitation was to be ambitious, be strategic, identify clear priorities and demonstrate how partnership working could be enhanced. The total available fund was stated to be £1.7 Billion.

- 4.17 The Cumbria LEP submission was for a total of £168m, which meant it was in effect seeking 10% of the resource available. Past and present Board members recall the bid development process as a time of optimism and high energy, although others have felt the scale of the bid was naive. Over the previous 2 years a pipeline of projects and programmes had been developed, overseen by the Investment Panel. This pipeline of activity had been prioritised through support from independent advisors KPMG - who had assessed the proposals and supported the Investment Panel in prioritising those projects that could best meet the aspirations, aims and objectives of the Cumbria LEP. Two categories of projects were proposed. “Strategic and Essential” covering around 65% of the bid and “Strategic and Important” for the remaining elements of the bid.

- 4.18 However, whilst the bid was clearly ambitious, it was felt by BEIS to be unrealistic. Furthermore, it wasn't a strategic programme of activity, attempted to spread resources across all areas and featured a rehash of many projects that had appeared before. Crucially, it also failed to sufficiently clearly identify priorities. We were told in interviews that local government partners in particular found prioritisation a hard process and that this was best left for government to decide. To some this is deemed evidence that demonstrates that

partners are still in a mind-set of a well resourced Regional Development Agency where lists of projects might be put forward and it was for others to make strategic judgements.

- 4.19 The end result was a final allocation of £12.6M, which was clearly disappointing in the context of expectations raised during the bid process. BEIS pointed out that in current Government policy, population is a big determinant of where Government investment is made, so Core Cities are where the priorities lie as they can develop and implement projects with impressive outputs. Whilst bottom of the national league table of allocations in absolute numerical terms, on a per capita basis the allocation was ranked 7th out of 11 in the region for RGF3.
- 4.20 Consultees that had a more negative view of Cumbria LEP felt the experience outlined above was indicative of a lack of leadership and an inability of partners to act effectively as a team. Those with a broadly positive view of Cumbria LEP pointed out that any perceived failure of the LEP as regards Local Growth Fund 3 is also in effect a failure of the quality of partnership working, a point we return to below.

5. Issues to be addressed

Partnership Working between public and private sectors

- 5.1 It is worth reflecting that a partnership can be defined as an arrangement where parties, known as partners, agree to cooperate to advance their mutual interests. The feedback from our discussions was that partnership in Cumbria was at times poor, with cooperation thin on the ground and that this had a number of dimensions.
- 5.2 One area that was a repeated comment from almost all stakeholders was that there needs to be a stronger focus on what is best for all of Cumbria in the LEP. We advise that the following core principles of context be adopted:

- The focus of the Board should firmly be what is the best interests of Cumbria
- The Board should work collectively as a team to serve those interests
- The Board should exercise strategic leadership and work positively with all stakeholders to actively build confidence in the openness and transparency of its partnership working
- The Board should promote clear values for the whole organisation and demonstrate the values of good governance through individual and collective behaviour
- The Board should continually address developing the capacity and capability to be effective
- The Board should strive to engage with stakeholders more consistently and make accountability real

Local Government

- 5.3 Cumbria has a two tier structure with different functions provided by the County Council and by six Districts. The widespread perception of those interviewed was that the County and Districts do not always work well together and that Districts do not always collaborate with each other effectively enough. There were observations that Cumbria exhibited an unusual geography that included a very complex mosaic of political representation, with a range of alliances over time involving all three principal political parties. An unhealthy tension flows from these local government relationships and dominates many Board discussions as referenced by the following observations from past and present Board members

“There was an overall dominance of what was for the democratic good of Cumbria as opposed to the economic good”

“The Chair was given a Board to preside over who were not fit for purpose – tribal, political, territorial”

“I leave for meetings with a heavy heart and a sinking stomach!”

- 5.4 In contrast, many local government representatives interviewed held strong views about the role that elected members held in partnership processes. They drew a distinction between the private sector and those directly elected. There were also concerns about business leaders who were prominent in party politics.

“When public money raised from taxpayers is being spent it is vital that those who are democratically elected have the strongest voice”

- 5.5 This is a topic often debated with a range of views presented. It is by no means unique to Cumbria LEP. The earlier observations in the report indicate that 29 of the 39 LEPs in 2016 had a private sector Board membership of 51% or more so the large majority of LEPs accept being private sector led. Others also point out that LEP funding is non-statutory and is not an issue that can directly be reflected in any votes in the ballot box.
- 5.6 We are aware that District Councils wish to expand the Board to accommodate all Districts as members, with a suggestion that the three additional seats be matched by those from the private sector. There has also been a suggestion that to reflect proportionality of spend and influence, the County Council should have more than one seat. In our view, an extended Board with all Districts represented may simply add to the problems of partnership working and institutionalise present issues. It would certainly be out of sync with the structures of other LEP boards and simply adding more numbers is unlikely to overcome some of the partnership issues in Cumbria.
- 5.7 An expanded Board with all Councils represented would need 18 seats and if the aim was also to increase private sector influence (a point developed later) this would produce a Board of 20 or 21 seats. Whilst strengthening representation this would at the same time be very cumbersome and also potentially unworkable. The role of Board members is to determine what is best for Cumbria. It is important to recognise that this can be very challenging from a District Council perspective, where there is accountability through the democratic process to deliver the needs of their specific community. However, there are a number of examples where District representatives do make contributions to other governance structures wider than their own geographical boundaries.
- 5.8 District Councils have a vital role in local planning and housing provision and the Local Government sector desperately need to find a way to work at the economic geography of 'Cumbria' in a more effective way and engage Local Government effectively across the wider LEP structure. This could possibly be achieved at the Cumbria Leaders Board which brings all public sector leaders together. The refresh of the LEP Strategy could include a specific dimension to ensure that engagement with the local government sector in developing a more effective and shared view of overall strategic priorities.
- 5.9 The main driver of the desire to seek representation for all Districts appears to be a perception that there is a lack of transparency and openness in LEP decision making and hence there is a compelling need to be around the board table when decisions are made. However, if there was a refreshed strategic focus that had greater buy in and additional transparency could be addressed, this should build greater confidence that direct representation was not a necessity. The focus for District Councils could then be developing projects with impact that help to deliver the refreshed strategy and building the business case for public funding. Disseminating information on why some projects achieve priority status and why others don't will help to build greater confidence.
- 5.10 In consultations, it was pointed out that there are also a number of significant public sector organisations not able to have a direct voice on the LEP Board. Whilst Cumbria University and the Lake District National Park have seats, others are not represented directly. These include Sellafield which has something of a hybrid status, the FE sector which has a significant role in skills planning and provision, the NHS and the Police Commissioner.

Private Sector Politics

- 5.11 Many consultees commented that after the very early days when the County Council and Chamber of Commerce worked positively to develop the initial LEP prospectus, relations had deteriorated and there was now a constant struggle for power that pervaded much of LEP working. For a significant number of consultees, the approach of the Chamber of Commerce in positioning the organisation was now a negative factor in partnership working, exemplified in the following;

“private sector politicking was often more extreme than that of the Councils and was a massive distraction from the task in hand”

Private Sector “Clout”

- 5.12 A number from within the private sector in particular raised the lack of private sector influence not just numerically but also in terms of the “clout” or influence brought to bear. Ex Board members commented on their experiences particularly in the formative days of the LEP.

“Cumbria has some really impressive businesses and entrepreneurs – why can’t we get more of them around the table?”

“We should have been looking for the best of all the talents, not constrained by size and geography”

“The issue is leadership – Cumbria is over governed and under-led”

- 5.13 That the current Chair and Vice Chair are drawn from business sectors with a perception of a single ‘public sector’ customer added to the feeling that the market driven private sector voice was muted. In addition, whilst two Board members have significant experience in major organisations, their present employment status is self-employed consultancy. As such the private sector structure as at September 2017 is of 2 large businesses, 3 SMEs and 1 representative organisation.
- 5.14 The Cumbria LEP Assurance Framework and Board Terms of Reference would also benefit by clarifying the current arrangements for length of tenure of private sector board members and whether there should be a maximum number of times a private sector member can be re-selected. Three terms of two years in future would seem a sensible approach.
- 5.15 Consultees also suggested that the role of Private Sector Advisory Board needs review as its key historic role of recruiting board members has been replaced by the requirement for an open recruitment process. Whilst there was some concern that representative bodies are ‘second hand’ private sector and may have a range of conflicts of interest, others suggested that the Private Sector Advisory Board could be a valuable vehicle to debate and present the views of membership organisations, particularly if it were more strongly engaged with by the Institute of Directors and Confederation of British Industry. There is a case to consider that the Private Sector Advisory Body be directly represented on the Board in order to strengthen private sector input through representative organisations.

- 5.16 In the recommendations below it is proposed that the number of Board members drawn from the private sector be increased and in order to retain a broadly similar sized Board and allow for other public sector perspectives to be added, those from local government decrease.

Recommendation 2 – Board Structure

We are aware that Board representation is a sensitive issue but perceived challenges of working as a true partnership suggest there should be consideration of the Board structure along the following lines:

Local Government should in future have fewer, probably two Board places allocated, with the task of representing all Local Government perspectives, not just their own. The Leaders Board should be given responsibility for making nominations on Board membership for a recommended two year term. This would allow space for an additional public sector seat to be filled by eg FE, NHS or Nuclear

The Board should be expanded to allow the private sector to have two additional places in order to provide a platform for a stronger private sector voice. An active process of recruitment of these the two additional private sector seats should be an open one but with an emphasis on actively recruiting “the best of all talents” of Cumbrian businesses.

A more widely based Private Sector Advisory Board should have a representative on the Board and take up one of what would be eight private sector seats. Again, it may be prudent that this position is elected for a two-year term.

The length of office served by private sector Board Members should in future be a maximum three terms of two years. The above would produce a Board of eight private sector and five public sector members with a 61/39 ratio, consistent with the national median for all LEPs.

I

Institutional Capacity

- 5.17 All LEPs are given the same set sum as an annual Government grant of £250k to support their core working, provided it is matched by local partners. This provides an initial resource of £500k to allow core staff to be recruited, operating expenses covered and additional expertise to be bought in. In most areas of England, a local partner has taken on the role of host employer with staff having contracts that are either open ended or time limited for between 2 and 5 years. Discussions with the LEP Network indicate that very few other LEPs share Cumbria’s position. In the Appendix we provide examples of how Leicester and Leicestershire LEP has grown to have a structure of 30 staff, hosted by Leicester City Council.
- 5.18 In the early days there was a risk in Leicester of exposure for the City Council as accountable body if Government money had been withdrawn and they were left with liabilities for redundancy, but in Leicester they viewed this risk as being modest and outweighed by the benefits that a LEP could potentially bring to local economic growth. The City Council is now relaxed about this role and has recently used its powers of prudential borrowing to act as Accountable Body and raise money for LEP investment in an Enterprise Zone outside the City administrative boundaries.

- 5.19 In Cumbria, no organisation has been willing to provide a coherent host function for employment rights of individuals working for the LEP. All contracts are therefore on an annual basis renewed each March and in any event, there are only 3 staff on the LEP books. The present LEP Director is employed through an interim arrangement and has indicated that he is unlikely to seek to renew his position after March 2018. Posts hosted by Carlisle College help with Skills issues and a part time secondee from Allerdale District supports work on Tourism and Rural Economy. LEP posts are therefore an unattractive career prospect and as a result there is a very hand to mouth existence for the LEP which has to “beg and borrow” resources from where it can to cope with a very extensive and constantly evolving set of demands. Co-ordinating this collective effort requires significant LEP staff time. The match provided to the Government’s £250k is a mixture of cash and in kind contribution. There is extensive use of consultants to get a range of support and as a result, there is a failure to build institutional capacity as most of the learning is externalised. Other partners such as the Chamber of Commerce and National Park have over the life of the LEP provided valuable input and support but have their own core roles to fulfil. A “clean” resource of £500k in cash terms would be a useful starting point for establishing the core elements of an operating budget.
- 5.20 As a result, The LEP relies very heavily on the support of County Council officers from Economic Development and the Highways Authority. This has led in turn to a perception by many partners of undue influence being exercised in decision making. Whilst the operational budget of the LEP is set out clearly in public documents, the process by which its budget is established is less clear and further gives rise to the perception that the County Council seeks to recover some core staffing costs from the allocated LEP budget to meet what is in effect not a fully funded service that is required to generate external income.
- 5.21 The role of the County Council attracted a range of comments throughout the study. The County Council’s own position is that with secondments and support they do a considerable amount that is not properly recognised by other partners – the LEP wouldn’t exist without the County Council input. The issue about making long term financial commitments to LEPs in the form of providing cover for employment contracts is felt to an issue for government not for the Council. However, a number felt that the County Council was unduly risk averse, support to the LEP was limited, lacked real commitment and fell short of what many strategic local government partners offered to other LEPs.
- 5.22 Consultees in our discussions have also raised the issue of a chronic lack of capacity in Economic Development across the region post Regional Development Agency and this is particularly felt in Cumbria. The County chairs a Technical Officers Group that shares information and coordinates support work. However, there is a real lack of overall resource for developing ideas and creating a project pipeline. These impact upon the ability to fully utilise the notional share of EU funds allocated to Cumbria where there is also the additional challenge of generating sufficient match funding.
- 5.23 District capacity is limited and operates in the same financial context of the County Council with overall budgets being reduced by 40% over the last 7 years and with increasing pressure to maintain core statutory services. Attempts to pool economic development resources have failed to materialise. We have discussed joint County wide working with the advisor to the largely County based Chief Economic Development Officers Society (CEDOS) who has confirmed that at present there are no examples in England of County and Districts pooling all their resources to work collectively on economic development.

- 5.24 Interestingly Lancashire County Council and their 25 staff who work support their LEP agenda reported that since their LEP's inception in 2011, it has established and maintained a strong strategic focus, with a relentless drive to establish what action can make an impact on the local economy of Lancashire. In particular, it has sought to develop initiatives of scale and works very hard to develop credible business cases for them. It also pointed out that over the six years it has been operational, most Districts have now had significant investment, but some have had to wait much longer than others, as a result of the focus on strategic impact.
- 5.25 Lack of capacity seems to us to be at the heart of many of the challenges that Cumbria LEP faces, including its ability to fully meet expectations on engagement, consultation and communication. It also contributes to challenges that private sector board members face in carrying out their duties.
- 5.26 Feedback from private sector board members is that it is very challenging to absorb complex reports and do justice to some highly complicated issues – this requires considerable time to read and digest. The public sector members usually have briefings to help them whereas the private sector had to manage on their own, often debating issues such as infrastructure and needs for investment that the public sector felt was their natural territory. They also had the day job to do which small businesses find really challenging. Providing succinct reports in the first place would help and also briefing sessions on key emerging issues, once the core Executive staff could be expanded.

Recommendation 3 – Stronger Executive Capacity

We recommend that LEP partners review their ability to act as host employer and provide some degree of continuity to allow a core staff team to be established to be employed beyond the present annual contracting framework, including a new Chief Executive. This could potentially be from Local Government, the Chamber of Commerce, Cumbria University or National Park Authority. In setting a budget for the 2017/18 financial year, the LEP should establish a core staff to cover responsibility for key functions of:

- Strong executive support to the Board
- Strong executive support to Advisory Groups
- More focussed delivery of LEP Strategic goals
- Create more clarity on the LEP budget
- Develop a robust strategic project pipeline
- Monitoring and impact processes
- Consultation and engagement

At this stage we do not recommend Cumbria LEP incorporate as a Company Limited by Guarantee since, with likely future Government guidance on LEP Governance it may need to be either changed or retracted at some point over the next parliament. This element should be reviewed at that point. It has been suggested the appointment of a formal Directorship may act as a deterrent to attracting private sector board members.

Transparency and context of Decision Making

- 5.27 Decision making by Cumbria LEP is guided by the Assurance Framework which details the Local Enterprise Partnership's value for money processes that enable funding to be delegated from central budgets and programmes via a single pot mechanism. It explains how Local Growth Funds and wider funding routed through local government are allocated and that there are:

“robust local systems in place which ensure resources are spent with regularity, propriety, and offer value for money”

- 5.28 The Assurance Framework is made up of a number of documents which are listed in Appendix F. These include the terms of reference for the LEP Board, the decision making sub groups of the ESIF Committee and the Investment Panel, a range of advisory groups and those providing support and guidance to LEP functions.

- 5.29 There is no doubt that decision making was an issue raised by a large number of consultees and a major area of concern by many, often with a focus on the perceived influence that the County Council has on LEP activities. Consultees were aware of a number of issues but many had no clear understanding of what was fact and what was gossip and whether confusion had arisen over misunderstandings and misrepresentation.

- 5.30 Many from a private sector background pointed out that in business, most operational decisions are not taken at a Board meeting and that it is sensible and practical to have a decision making framework, but clarity is needed over what and why. One former board member commented.

“I felt a great responsibility for the oversight of public money, but ultimately no real power or authority. There were clearly lots of conversations elsewhere, which was quite understandable and indeed legitimate, but there was a strong feeling that the real decisions were sometimes taken elsewhere and simply absorbed by the Board.”

- 5.31 However, it appeared to us that there was a limited understanding in both public and private sector partners of how the agreed Assurance Framework operates and the fact that this provides delegated authority for decisions to be taken by specific sub groups. Some consultees referred to decisions “noddled through” at the main Board rather than being fully discussed, yet decisions were already made under delegated powers. However, there is a need to ensure that the operating guidelines for how projects are assessed are clearly communicated and kept under regular review along with a clear explanation as to how decisions are made.

- 5.32 It was not our role in this study to provide a forensic examination of the financial operations of Cumbria LEP or previous investment decisions, but we have selected three examples which arose during discussions for comment.

- 5.33 One example was a perception that the LEP had supported investment into the County Council's new central Botchergate offices in Carlisle, with the rider that it was the biggest scheme that the LEP had delivered. The LEP has supported a large number of projects of greater value and has not provided finance towards the cost of the new offices. The County Council has been offered a repayable loan of £1m in order to accelerate the re-use of former office buildings vacated by the Council in line with the local planning framework and to provide a high quality enhanced public realm.
- 5.34 Planning consent for the former Council offices was granted in March 2017 for sixteen properties that will be converted into 22 homes, 11 of what are classed as 'live/work' units, with associated improvements to car parking and public realm works. We understand that the application by the County Council to the LEP was independently assessed by KPMG and was considered and approved subject to a number of conditions by the Investment Panel in March 2016, which has delegated authority for decision making of up to £1m.
- 5.35 A second example arises from the very early days of LEP operations and pre dates many of the present board, but the symbolism is significant and therefore worthy of a mention. It concerns the background to the LEP use of a County Council owned asset of Redhill's offices. It was reported by consultees that there was a Board meeting where there was a very long and at times quite heated debate about whether the LEP should take on the premises. A vote was taken which resulted in a No vote, but the clear impression gained by those present was that this was an embarrassment as there had been an understanding reached between the LEP and the County Council to proceed.
- 5.36 The topic was subsequently resurrected at a future Board meeting and a revote taken and the opposite decision taken. An ex Board member reported to us that the issue wasn't that important in its own right but that the principle was, and undermined confidence in why Board Members should be investing so much time if decisions were not respected. This seems to us to be an understandable reaction and that this appears to be an example of partnership practice that has impacted upon the confidence of some stakeholders in the transparency of decision making that endures to the present day.
- 5.37 The third example reported on lack of transparency concern requests for a vote to be taken being denied by the Chair, with the inference that this was unconstitutional. The LEP terms of reference make decision making clear:

10 DECISIONS

10.1 The Board shall operate on the basis of consensus.

*10.2 In the event that a consensus cannot be achieved on a matter requiring decisions, that decision shall be taken by vote and carried if it is supported by over 50% of those present. **No decisions can be taken unless the chair agrees to take a vote and no decisions can be taken without notice having been given.***

- 5.38 Our experience is that it is common practice for partnership bodies seeking to operate by consensus as opposed to formal voting and that within a partnership context, a Chair may decide not to hold a vote. However, it is not sustainable to systematically deny votes on critical issues and it would be useful to amend the Assurance Framework to clarify in what circumstances it is acceptable and set out how issues can be dealt with at a subsequent meeting.

Recommendation 4 – Transparency of Decision Making

Cumbria LEP should ensure that the Assurance Framework is widely disseminated amongst partners and that briefings are actively held to ensure full understanding of their meaning and that any significant issues raised are subject to review. In this context it should provide guidance on areas where it may not be appropriate to hold a vote amongst board members and where issues may need to be deferred.

Many board members noted the inception process onto the board could be significantly strengthened to give them a greater insight into both what the LEP does, but also the processes, rules and obligations on being a board member. Many previous (and indeed current) board members felt this process was weak.

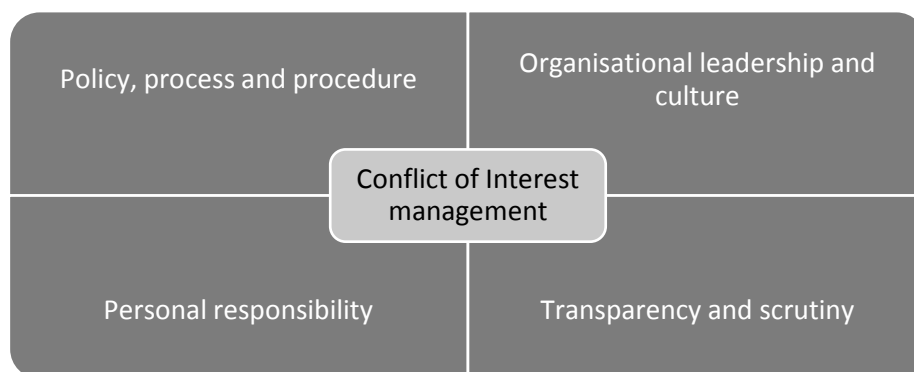
It would also be good practice to debrief all Board members leaving Board for their feedback on experiences and any recommendations they may offer.

U

Dealing with Conflicts of Interest

- 5.39 It is both legitimate and desirable for all partners to make use of available financial resources and to make applications for funding support through the LEP. At the same time there is a clear need for transparency and a well understood process for conflicts of interest to be registered and managed. Conflicts of Interest are an increasing risk as partnerships and approaches to public and quasi-public functions become more complex. Risk areas include:
- Organisations / individuals have both a programme or service commissioning and delivery role
 - Private or professional interests could influence a decision, and potentially create a benefit (related party transaction)
 - Staff or board members have dual roles or (real or perceived) loyalties, arising from secondments or partnership roles
- 5.40 Conflicts of interest can be defined as:
- “...a set of circumstances that creates a risk that an individual’s ability to apply judgement or act in one role is, or could be, impaired or influenced by a secondary interest. It can occur in any situation where an individual or organisation (private or government) can exploit a professional or official role for personal or other benefit.”*
- 5.41 Managing conflicts of interest is a core expectation within LEP governance and forms a component of the Local Assurance Framework through both Appendix 2 (Board Terms of Reference) and Appendix 20 (Code of Conduct). However, both areas could be further developed into a specific policy. Managing conflicts of interest should be both a responsibility of the LEP, but also of individual partners and Board members.
- 5.42 Best practice states that it is insufficient to have a good policy. A number of other factors must be present to ensure its effectiveness. The following framework provides a checklist to identify why conflicts of interest are arising and/or failing to be resolved:

Diagram 5.1: A framework for Conflict of Interest management



- 5.43 The principles of personal responsibility can be further expanded, e.g. by the ‘Nolan Principles’, which are attached as an Appendix.⁵
- 5.44 Many of the consultees felt that Cumbria LEP’s Conflict of Interest process could be considerably strengthened, with an almost default position being asking a senior partner or board member to leave the room, rather than a softer process of managing conflicts of interest and at an earlier stage in the process and through earlier dialogue. It was felt some of the conflict of issue process was a result of limited executive capacity to work with partners who may have interests at specific meetings, at the board or at Advisory Groups. District Council consultees suggested that the Local Government Code of Conduct could provide useful guidance for this topic.

Recommendation 5 – Conflicts of Interest

It is recommended that Cumbria LEP develop a bespoke and specific Conflicts of Interest policy for both pecuniary and non-pecuniary conflicts of interest based on the best practice identified in Appendix E.

Role of Accountable Body

- 5.45 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 money is paid in this way as the functions of the LEP are non-statutory and cannot be paid direct, regardless of structures that may be company or partnership based. In Cumbria, the County Council is the Accountable Body.
- 5.46 Government Departmental accounting officers (DCLG) are responsible for assuring Parliament that local spending financed by government grants meets high standards, including delivering value for money and says that “to do this there must be a robust local accountability system in place, with local Section 151 officers and democratically elected councillors responsible for ensuring that public money is managed with propriety and regularity and value for money”. Under Section 151 of the Local Government Act 1972: Every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers (known as the section 151 officer or chief finance officer) has responsibility for the administration of those affairs.

⁵ Committee on Standards in Public Life, The 7 Principles of Public Life, 1995

5.47 The annual conversation letter reports that:

- *The LEP feel they have a good working relationship with their accountable body and are provided with the right level of support.*
- *Issues have arisen due to partners not fully understanding this relationship*
- *Partners feel that the accountable body status gives Cumbria County Council control over the LEP, which on its own it would not*

5.48 By way of example, the extract below in 5.49 from Appendix 12 of the Central Assurance Framework on the Scheme of Financial Delegation makes clear where the boundaries of responsibility lie and the critical difference between authorising (i.e. releasing) spend and determining (i.e. deciding on what should be spent), as well as the checks and balances to ensure that this determination does not lead to an unacceptable risk to public money.

Accountable Body Authorisation

5.49 It is for the Accountable Body to authorise spend of the LEP revenue budget. A scheme of delegation is in place within the Accountable Body that ensures Senior Managers, Assistant Director and Corporate Director authorise the spend accordingly ***as determined by the LEP Director, Chair and Vice Chairs and Board***. The Accountable Body reserves the right not to implement any request or decision of the LEP or any of its sub committees or panels if in the reasonable view of the relevant Corporate Director the request or decision presents an unacceptable legal or financial risk to the Accountable Body.

5.50 During the consultation process there were suggestions that if the LEP adopted the structure of a Limited Company it would be able to receive money directly and thus make the accountable body role redundant. Current understanding is that the issue is not the legal status of the LEP but the fact that it is undertaking non-statutory functions which requires there to be an accountable body – this applies to all LEPs, not just Cumbria.

External Policy changes

5.51 One of the reasons for commissioning the review was to seek to align LEP activities to the changing national policy context. However, since the recent General Election, this context has become rather blurred. It is possible that with the arrangements around Government support by the DUP and additional investment in Northern Ireland that the “English Question” will return to the fore – how can spending on challenges and opportunities in English regions keep pace with that for devolved administrations.

5.52 Whilst there have been no clear announcements, recent decisions on rail electrification suggest that interest in the Northern Powerhouse might be more muted. Similarly the drive for Combined Authorities and devolution deals has also slowed with National Audit Office observing that a number of areas have been unable to bring local authorities together to establish combined authorities and a number that had agreed in principle have not been able to finalise the details. A recent National Audit Office report⁶ comments that

“this suggests that there is a strong perception in certain areas that the government’s preferred model – of a combined authority with an elected mayor – is unsuitable to their local context”.

⁶ Progress in setting up combined authorities, National Audit Office, July 2017

- 5.53 One of the major changes brought in by the current Government has been the promise of greater intervention where needed in developing the economy and the publication of a draft Industrial Strategy. Consultation ended in April and the expectation is that this will be finalised during the calendar year. Regeneris has commented on the LEP Network pages

“our initial verdict is that economic development policy under Theresa May’s government is stronger on centralised delivery than it is on furthering the devolution agenda of David Cameron’s government”

- 5.54 However, one issue of potential significance is the expectation that following consultation, the Industrial Strategy will be announced in October and perhaps linked to the November Budget. It is also possible that this will clarify proposals announced in the Conservative manifesto.

“.....Current EU-wide structural funding was designed to tackle disparities but it is expensive to administer and poorly targeted. As we leave the European Union, we must look at how we can better reduce and eliminate these inequalities”.

“We will use the structural fund money that comes back to the UK following Brexit to create a United Kingdom Shared Prosperity Fund, specifically designed tohelp deliver sustainable, inclusive growth based on our modern industrial strategy. We will consult widely on the design of the fund, including with the devolved administrations, local authorities, businesses and public bodies.”

“The UK Shared Prosperity Fund will be cheap to administer, low in bureaucracy and targeted where it is needed most.....”

- 5.55 It is understood that the fund is pencilled in by HM Treasury as part of “assumed domestic spending in lieu of EU transfers” and planning £12.7bn against the item for 2019-20 with 3-4% increase over subsequent 3 years. This amount is likely to be speculative for some time until Government finances during the Brexit process become clearer, but is nevertheless an indication that significant resources to promote local economic growth are on the table.

- 5.56 There have been no official Government announcements in relation to LEPs but we understand that the lead Minister in DCLG is exploring how LEP concerns on the nature of short term funding can be resolved. Possible future Government actions commented on in consultation are a likely requirement to align SEPs with the Industrial Strategy and a likely tightening of the Assurance Framework in response to recent National Audit Office concerns. The Government’s operational focus on negotiating Brexit will clearly remain and there will be little space for additional legislation, so a reasonable working assumption would be a similar operating framework to that which presently exists.

- 5.57 It will be vital for Cumbria LEP to remain relevant and competitive in this environment. It needs to be able to identify and develop clear priorities and advocate on major issues strongly. It needs to draw a line on past disagreements, make a fresh start through a strong Board and a refreshed strategic focus and deliver what Cumbria’s businesses and residents need.

Scrutiny Function and External References

- 5.58 The strengthened Assurance Framework established by Government requires that effective scrutiny arrangements be put in place. The Scrutiny Panel established in Cumbria with strict independence of its members from any LEP decision making process makes this a very robust response to Government requirements. In other LEP areas to date there appears to be a reliance on the Local Government Scrutiny function to fulfil this role.
- 5.59 It is recommended that, within an expanded structure, consideration be given to either wider or specific secretariat support to the Scrutiny Committee.
- 5.60 Although the LEP considers it is already working regularly with the other northern LEPs, as well as with the Heart of the South West, a number of rural LEPs and aspects of the LEP Network, we also recommend that Cumbria LEP should participate more actively in the LEP Network opportunities and also engage further still with other LEPs on a more strategic basis (again a benefit of greater Executive capacity) to share ideas and good practice and identify how other LEPs operate. There is also much greater scope to engage directly with Civil Servants and politicians in a more joined up manner to lobby and promote Cumbria.

6. Conclusions and Recommendations

- 6.1 The brief was for this study to be a review and not an in depth study. During the time available we have sought to gather a wide range of perspectives and opinions and to draw out some common threads. By way of context, Central government in England has in recent years sought to stimulate and rebalance economic growth between different regions. The Government stated that Local Enterprise Partnerships (LEPs) are key to plans for local economic growth. Following the abolition of the Regional Development Agencies in 2010, 39 LEPs were subsequently established in England over a period of time, 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.
- 6.2 The role and remit of Local Enterprise Partnerships has grown significantly and rapidly from private sector-led strategic partnerships which would determine and influence local growth priorities to being responsible for managing substantial amounts of growth funding. The National Audit Office reported in 2016 that LEPs have serious reservations about both their capacity to deliver and the increasing complexity of the local landscape. Only 5% of LEPs considered that the resources available to them were sufficient to meet the expectations placed on them by government.
- 6.3 Within this context, our conclusions are that Cumbria LEP is performing relatively well but there is an urgent need to address some major challenges so that it can move into clear forward thinking, articulating where it wants Cumbria to be in 5 and 25 years' time. At the present time it is hampered in its capacity to be strategic and long term and is prone to chasing money regardless of proven need. It also needs to rebuild confidence with some partners in the openness and transparency of how it makes decisions. However, Cumbria LEP is operating under very significant constraints which relate to a protracted shortage of capacity and a fractious partnership environment.
- 6.4 Whilst Government's views on the future direction of LEPs are not absolutely clear, it seems highly likely that LEPs will continue to play a significant role in both influencing and delivering activities that support local economic growth. It is probable that LEPs will be expected to align their thinking with the Government's Industrial Strategy which is expected to be announced in the autumn and alongside this the next stages in Government developing a United Kingdom Shared Prosperity Fund.
- 6.5 Cumbria LEP needs to be in the best possible shape to play an active role in articulating the needs of the Cumbria economy and developing projects that have strategic impact to meet the challenges and opportunities. However, it cannot succeed in this endeavour if partners do not work effectively together. Government's incremental design of the Local Enterprise Partnership system is far from perfect, yet it remains the "only game in town". All partners need to reflect on their role moving forward.

6.6 We have made a series of recommendations that we believe can assist in this process, grouped around the following themes:

- A refresh of the Strategic Economic Plan to reset the LEP's forward thinking
- Measures to put in place the institutional capacity needed to allow the LEP Executive to do the job expected
- Revisions to the Board structure to ensure that there is a much stronger private sector voice and that they are supported more effectively in carrying out their role
- Suggestions to improve the effectiveness of partnership working that underpin LEP activities
- Dealing more effectively with conflicts of interest

6.7 It is recommended that urgency be given to putting in place a strong executive structure to take the organisation forward and that any changes adopted within this report be reflected in an amended Local Assurance Framework.

Appendix A

Leicester and Leicestershire Local Enterprise Partnership Case Study

The Leicester and Leicestershire Enterprise Partnership (LLEP) was formed in May 2011. At the highest level, the LLEP is governed by a Board of 15 leaders representing the private, public and voluntary sector and it is chaired by a leading business representative. The Board provides leadership, oversight, challenge and reviews the delivery of the Strategic Economic Plan.

The role of the LLEP Board members is:

- To make collective decisions to deliver the LLEP's objectives and the outcomes set out in the SEP
- To act as ambassadors for Leicester and Leicestershire at local, national and international levels
- To engage and represent their specific sector or corporate organisation on the LLEP and to ensure views represent those of the wider sector or corporate organisation
- To communicate and promote the objectives of the LLEP within their sector, ensuring the clear understanding of the need for collaboration

Chair

- **Nick Pulley**, Regional Director, Santander Corporate Bank

Vice Chairs

- **George Gillespie**, Chief Executive, Horiba MIRA
- **Kevin Harris**, Partner, PKF Cooper Parry

Board members:

- **Andrew Cliffe**, Managing Director, East Midlands Airport
- **Andy Reed**, Director, Saje Impact
- **Cllr. Blake Pain** – Leader, Harborough District Council
- **Cllr. David Slater**, Leader, Charnwood Borough Council
- **Jaspal Singh Minhas**, Managing Director, Electrical Design & MFG Co Ltd – **SME Representative**
- **Marion Plant**, Principal and CEO, North Warwickshire & Hinckley College and South Leicestershire College
- **Cllr Nick Rushton**, Leader, Leicestershire County Council
- **Paul Bott**, CEO, Vista
- **Sir Peter Soulsby**, Leicester City Mayor
- **Prof Robert J. Allison** Vice-Chancellor and President, Loughborough University
- **Sharon Redrobe**, CEO, Twycross Zoo

Local Authorities are represented by the City Mayor, County Council Leader and two District Council members nominated from the Districts to serve a 3 year term. Business Board Members have leadership roles in developing and monitoring Sector Plans for 8 priority growth sectors.

Staffing

The establishment of LLEP now covers nearly 30 posts, illustrated by the attached diagram. This is funded in a variety of ways

- Core Government grant matched which was matched equally in cash by the City, County and combined Districts for a total of £168k plus in kind support. Now that other programme monies are available, this cash support is likely to be withdrawn.
- A management fee on Local Growth Fund monies
- Matching the Business Growth Hub funding with ERDF
- Direct delivery of Careers and Enterprise Advisors
- Agreement for the four separate sites within the two Enterprise Zones to pay an element of Business Rates growth to support coordination activity
- Returns on Regional Growth Fund activities

Accountable Body

The staff are hosted by the Accountable Body, Leicester City Council in premises adjoining City Hall in Leicester and LLEP pays the Council for rent and other services. A number of staff are on time limited contracts to limit the risk should funding be withdrawn and the LLEP Board has retained reserves to cover any future liabilities. It is reported that the private sector Board members feel that given the scale of public money that LLEP is responsible for, a strong and effective Accountable Body is essential.

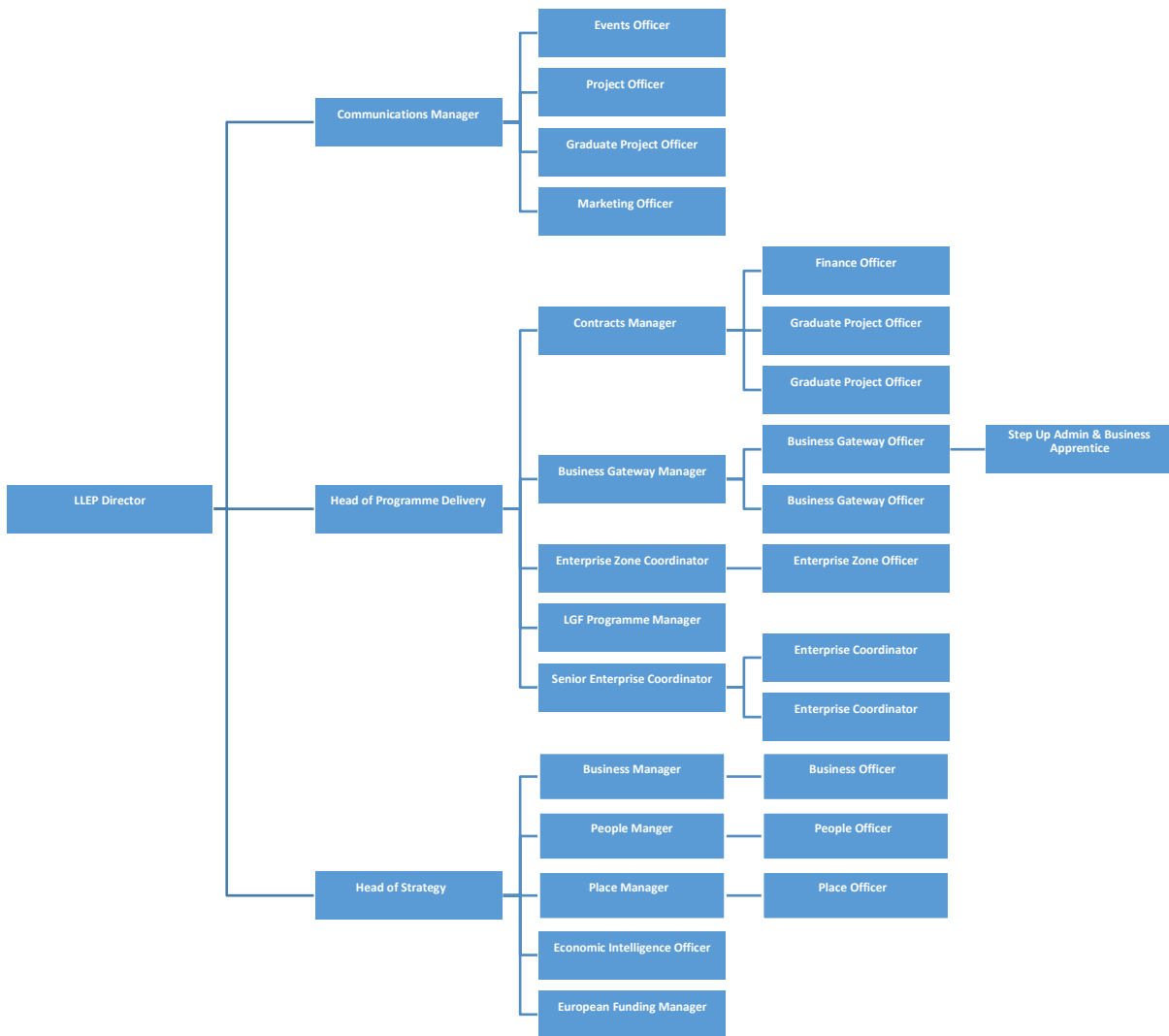
Scrutiny is carried out by the City and County Council Scrutiny functions, with accountability to the business community through a series of regular meetings and an Annual Open Meeting

Performance

Headline achievements include

- Secured over £126m through the Local Growth Deal to drive growth and leverage investment
- Delivered a successful £21m Regional Growth Fund programme, giving out grants to nearly 200 businesses, enabling them to create or safeguard over 2,800 jobs and invest over £106m back into the local economy
- Secured £16m City Deal funding to create nearly 1500 jobs, unlock over £130 million of investment, create a flagship business growth hub: the LLEP Business Gateway and the Leicester & Leicestershire to Work Programme
- Secured two Enterprise Zones on four separate sites
- Investing the Growing Places Fund.
- LLEP has been allocated an indicative €124.4 million of ESIF funding to support activities in Leicester and Leicestershire

Leicester and Leicestershire LEP Staffing Structure March 2017



Lancashire LEP was the last of the then 39 Local and Enterprise Partnerships to be agreed by Government. Initially, a range of geographies including parts of Lancashire were on the table but failed to secure Government backing. Lancashire County Council decided to promote a County wide offer and developed a proposal based on a wholly owned Limited Company, fully underwritten by the Council, with no match sought from other partners. The total population is around 1.48M

The Chief Executive and Leader sought to recruit the best Lancashire businesses from key growth areas of the economy in the County with Board representation at a senior level, along with Universities. They rejected the idea of representation by size and geography. The public sector is represented by the leader of the County Council, leaders of the two Unitary Councils of Blackpool and Blackburn and Darwen and two District Council leaders who represent the remaining 12 Districts. Early experience suggested that the Council leaders respected the drive and commitment that the private sector brought and quickly adopted a business-like manner of engagement in Board and other meetings.

Staffing support is drawn from the Council's Director of Economic Development and the 25 posts in his team. Lancashire CC also acts as Accountable Body. It is estimated that the County Council has supported LEP activities to the tune of £5M of activity over the last 5 years.

Since the LEP's inception in 2011, it has established and maintained a strong strategic focus, with a relentless drive to establish what action can make an impact on the local economy of Lancashire. It has sought to develop initiatives of scale and works very hard to develop a credible business case for them. This has helped underpin a robust reputation and track record of delivery.

Notable achievements include

- £450M Preston, South Ribble and Lancashire city deal
- £320M Growth Deal, the largest secured outside the core city regions,
- Lancashire Enterprise Zone cluster programme, based on three Zones (across four sites
- Employment and Skills Board is one of only a few to have almost fully invested the LEP's £30M Growth Deal Skills Capital Fund;
- Recycled the £20M Growing Places Investment Fund in 8 commercial investments across Lancashire, including in some of the most deprived areas;
- The establishment of Transport for Lancashire to develop a strategic transport programme to address major infrastructure constraints

As a result of the above, most areas of the County have experienced some significant investment, although clearly not all at the same time.

They have already refreshed their Strategic Economic Plan to take account of changing circumstances in order to sharpen up their offer. One of their key themes is Innovation and Manufacturing Excellence and there are potential areas of collaboration with Cumbria in this regard. They have plans to develop a wing of the Advanced Manufacturing Centre based in Sheffield in the County and see collaboration as an important strand moving forward.

Appendix C

Cumbria LEP Key Projects

Cumbria LEP key projects are listed below. They are funded by Growth Deals from central Government, and help to deliver the Strategic Economic Plan.

In January 2017 Cumbria was awarded £12.7 million in Growth Deal 3 funding. This funding comes on top of the £47.7m already secured in previous Growth Deal rounds, which could see 4,000 jobs created, 3,000 homes built and attract £100 million extra investment over the next 5 years.

The investment programmes that will be funded out of Growth Deal 3 are :

Lillyhall North – £5,000,000 to develop the employment site, create and safeguard jobs and provide new workspace

Whitehaven Town Centre – £4,500,000 investment for commercial office development

Carlisle Station Gateway and the Citadels – £1,000,000 investment for commercial development

Skills Capital 2 – £1,160,000 to deliver Cumbria Skills Implementation Plan projects and support Area-Based Review process

Growing Our Potential 2 – £1,000,000 for grants to help small business

Growth Deals 1 & 2

In July 2014, the Cumbria LEP was awarded £26.8 million from the Local Growth Fund over the period 2015-2021; in January 2015 a further £20.9 million of funding was awarded between 2016 and 2021.

This funding will deliver:

An **Advanced Manufacturing Technology Centre at Furness College** to equip Cumbrians with the skills to take up the expanding opportunities at BAE and within the supply chain for major manufacturers.

A package of sustainable transport measures to optimise connectivity within Cumbria, particularly around key visitor arrival points and visitor attractions around Windermere and Grasmere.

The remediation and improvement of the Barrow Waterfront site, enabling growth in this key centre of manufacturing.

Transport improvements in and around Kendal facilitating housing development and business growth.

Junction improvements to increase capacity in South Ulverston to support the expansion of GlaxoSmithKline and housing development.

Supporting the creation of the Nuclear Technology Innovation Gateway, an innovation and support centre for the nuclear industry bringing together the National Nuclear Laboratory, research activities from the University of Manchester and other facilities.

Access improvements to the Durrhill Industrial Estate to enable business expansion and the revitalising of this enterprise asset.

Barrow Waterfront Enterprise Zone. The project involves the improvement of the only large employment site available in Barrow, which will accommodate supply chain firms alongside a major new BAE logistics facility.

Connecting Cumbria – Phase 2 of Connecting Cumbria will extend availability of Superfast Broadband to an additional 5,000 premises over and above the approximately 111,000 covered by Phase 1. Phase 2 will extend coverage to approximately 95%, meaning it will be dealing with more isolated rural areas and will have a more complex technical nature.

Port of Workington Access & Infrastructure. The project will future-proof the Port, in the first instance by delivering better road and rail links to the port and employment land to the north, and by progressing core Port infrastructure works.

Carlisle College: Advanced Manufacturing Centre. The AMC will deliver an employer-led curriculum at all levels to the engineering, manufacturing, and processing sectors.

The view from the Cumbria Area Lead and Deputy Area lead, was that overall, the LEP are performing fairly well. There is no variance between the views of those Government officials in Manchester, or in Whitehall.

Each and every LEP has an annual conversation, an evaluation of the year's performance. Findings from the "annual conversation" were sent to Whitehall for moderation to ensure a common approach to all 38 LEPs and were signed off at Director General level.

Cumbria LEP has done everything that was required by Government and had strong support from the County Council in its Accountable Body role. In broad terms, when ranked against other LEPs, Cumbria is probably performing in the middle of all LEPs, which given the fact that some can call on 100 to 200 staff, was a considerable achievement. By example, they had also won a recent Energy sector programme that only 10 other LEPs had.

The historic issue with the LEP is linked to the way Cumbria is structured with the two tier local government structure. Local Partners can be very distrusting of each other and this presents as a culture of infighting. The failure to agree a devolution deal is an example of this and was particularly disappointing.

The private sector voice on the LEP is weak, but the LEP are addressing this with a recent recruitment exercise. The current make-up of the LEP and Cumbria as a whole results in the LEP having to assign projects on a district by district basis to ensure equality, this results in a lack of strategic leadership. Partners sometimes struggle to understand how central government works and that the days of large grants are no more. If the LEP could be more strategic and engage with central government more, it would result potentially in better outcomes for Cumbria as a whole.

In current Government policy, population is a big determinant of where Government investment is made, so core Cities are where the priorities lie as they can develop and implement projects with impressive outputs. Cumbria's LGF 3 fallout has been damaging. All LEPs and partners were asked to be ambitious and in Cumbria a package of £168M was submitted. However, whilst it showed ambition it lacked realism (bid was 10% of total on offer across all 38 LEPs) and wasn't strategic.

This experience contrasted with Greater Manchester where a group of diverse Councils had worked together for 25 years and were prepared to accept that they might have to wait for local investments in their own patch, but happy to see investment that promoted wider economic growth that many could access.

The LEP CX was viewed as bringing both a breath of fresh air and valued competence who had moved the LEP on considerably. He had set up sensible structures for the LEP and worked energetically to meet all the demands on the LEP. He was particularly good at understanding complexities of working with Government and the responsibilities of large sums of public money. However, he is operating under severe capacity issues, with only 3 seconded members of staff currently operating the LEP offices.

The Chair was very good at understanding Government requirements of partnership working and was highly respected for the integrity he brought and the Vice Chair brings authority to the Investment Panel. There was though a need to recognise that the operations of the LEP are perhaps guilty of trying to be even handed across all areas rather than taking hard decisions.

The Board lacks diversity and this will be a major issue in the future. It needs to better represent the structure of the Cumbrian economy. There are too many SMEs who lack strategic foresight at times.

There are a lot of top class companies operating in Cumbria and there is a positive story to tell. However, due to capacity constraints the LEP was reactive and not strategic; it can't currently develop clear priorities. The LEP needs to develop a stronger Board and move into clear forward thinking, articulating where it wants Cumbria to be in 5 and 25 years' time and work effectively with local government on that journey.

Conflict of Interest Policy best practice

The 7 Principles of Public Life (the Nolan Principles)

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

With specific regards to LEPs and investment decisions, one could add that holders of public office should take measure to prevent conflict of interest, including abstaining from decisions which could be compromised by their own personal or professional interests.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.